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CONTENTS

ECONOMIC SURVEY	
CZECHOSLOVAKIA	85
Economic Survey of 1925	
Recognition of Soviet Russia	
Further Reduction in the Bank Rates	
Export Trade Returns for November	
Commercial Agreements	
Wholesale Price Index for December	
The Ceramic Industry in 1925	
FINLAND	88
Establishment of the Gold Basis	
The Budget for 1926	
The Timber Trade	
The Petrol Market in Finland	
Development of Electric Power	
FRANCE	89
Foreign Trade Returns for 1925	
National Nitrogen Company	
GERMANY	90
Reparations Account 1925	
Reduction of Discount Rate	
New Issues and Company Formation in 1925	
Shutting Down in the Potash Industry	
The 1925 Harvest in Prussia	
Reich Building Statistics	
GREECE	92
Commercial Conventions	
Trade with Switzerland	
Measure for the Protection of Tobacco	
Currant Affairs	
Olive Oil Output in 1925	
The Fig Crop	
Sponge Fishing	
Traffic in the Peiraeus in 1925	
POLAND	95
Alliance with Czechoslovakia a Step towards the "United States of Europe."	
National Economy in 1925.	
Financial Reform Progress	
British Participation in the National Bank of Poland	
Improvement in the Zloty Course	
New Banking Regulation	
Foreign Trade Returns, January -November 1925	
FOREIGN BANK RATES	95
RUMANIA	97
The Economic and Financial Situation in 1925	
Development of the National Bank	
Company and Capital Movements in 1925	
Import Prohibition	

SPECIAL ARTICLES	
The Economic Situation in Poland	99
Economic and Financial Conditions in Paraguay	102

THE ECONOMIST'S BOOKSHELF	
National Economics	103

STATISTICAL SECTION	
The Trade Barometer	104
The Paper Currencies	105
Security Prices	105

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ECONOMIC SURVEY

(The following Survey is strictly impartial both in content and in selection, and is in no way subject to the influence of Editorial opinion.)

CZECHOSLOVAKIA

POLITICAL AND GENERAL

Economic Survey of 1925. — For Czechoslovak industry, writes Dr. Karl Uhlig in the *Prager Tagblatt*, the past year was not at all unsatisfactory. In some industrial branches the pre-war level of output has been attained, although the general industrial production has remained below that level. The export trade has increased and the losses in the Danube markets have been off-set by the improvement in the trade with Germany, the western countries of Europe and countries overseas. On the whole the prospects of both industry and commerce are favourable. The work has been executed without great success. Favourable development is, however, relative, and it has to be admitted that the progress in production and still more in the export trade has not been at the same advancing rate as in some of the neighbouring countries. The year 1925 has been one of general economic rehabilitation, and Czechoslovakia has not altogether kept pace with the general advance. The financial results of production have not been satisfactory. Making a comparison on a dollar basis the shares of twenty-seven of the chief joint stock companies in Czechoslovakia were worth at the end of 1924 only 28 per cent. and at the end of October last only 26 per cent. of their effective value in 1913. The policy adopted by the Republic has been antagonistic to capital and cannot long be maintained, since it discounts any possibility of improved production.

The iron industry and various branches of the metal-working industry attained in 1925 record post-war figures of production. Both the export trade in and the home consumption of these commodities considerably increased during the past year. In respect to the cotton industry and trade the following figures show the position in comparison with former years (in thousands of metric cwts.):—

First ten months.	Yarn production (90% of raw material).	Exports of yarn and goods (about)	Home consumption of yarn and goods (about)
1913 ... (about)	1,260	860	400
1920 ...	473	86	387
1921 ...	646	254	392
1922 ...	594	351	243
1923 ...	468	305	163
1924 ...	757	444	313
1925 ...	969	601	368

Percentage of quantity in 1913 ... 77% 70% 92%

The home consumption suffered considerably during the inflation crisis, but well recovered during the years 1924 and 1925. Judging from the volume of raw material imported the woollen industry produced about 10 per cent. below the output of the preceding year.

Exports during the first ten months of the past year were about 8 per cent. higher than in the corresponding period of 1924. This compares unfavourably with the exports of the chief trading countries, the average

increase of which was about 12 per cent. About two-thirds of the exports were composed of manufactured articles and less than a quarter of raw materials. Since 1920 exports have approximately doubled, the main increases being in consignments to Germany, which in 1925 attained a monthly average of about 7 mill. pre-war dollars, as against only 1.9 mill. pre-war dollars monthly average in 1920. The trade with countries of western Europe and oversea countries has risen from a monthly average of 5.9 mill. dollars in 1920 to an average of about 11 mill. dollars in 1925. Exports to the Succession States during 1925 showed no appreciable improvement on those of recent years. The writer concludes that 1925 was a satisfactory year for Czechoslovakia if the situation be viewed separately and not in relation to the progress made in other countries.

The past year is also surveyed from a financial and general economic standpoint by the *Central European Observer*, which points out that in this year further advance was made towards normal economic conditions.

The currency has been remarkably stable, the New York quotation having remained practically unchanged throughout the year at 2.96 dollars per C.Kr.100. The money market has continued to suffer under the stringency which set in during the previous year. In March the official bank rate was raised from 6 per cent. to 7 per cent., at which figure it stood until December 1, when, in view of an easier tone on the money market, it was reduced to 6½ per cent. with the expectation of a further reduction at an early date. The Bourse at Prague has reflected the general money stringency, and the amount of business done has shown a considerable falling off, the number of transactions having amounted to no more than 948,000 compared with 1,350,000 in the year 1924. The general level of prices of both stocks and shares was, however, about 2 per cent. higher at the close of the year than at the beginning.

In respect of State finances the ordinary Budget expenditure shows a slight increase. This is offset, however, by increased revenue, with the result that the Budget shows a slight surplus of 15 millions in place of the deficit of 270 millions last year. A State loan of 25 million dollars was secured in America at the rate of 7½ per cent. and a large proportion of short-term debt has been paid off out of the proceeds. Satisfactory arrangements for the consolidation of the War debts to the United States and England were concluded in the autumn, while the issue of the new National Bank in November was largely over-subscribed. The Czechoslovak loans quoted on the London and New York stock exchanges all stand at higher levels than ever before. The 8 per cent. London loan of 1922, for example, was quoted on December 29 at 103½.

The fiduciary circulation continues to decline. The total circulation at the close of the past four years has been as follows: In 1922, 10,064 million kronen; in 1923, 9,599 millions; in 1924, 8,810 millions; in 1925, 8,408 millions. The gold and silver reserve stands at 1,033 millions compared with 1,040 millions

at the end of 1924, and added to the foreign exchange reserve, etc., make a cover for the banknote circulation, of 3,792 millions, or 45.1 per cent.

There has been a large increase in exports and imports. Up to the end of November the value of the former was 16,848 million kronen, as against 14,901 millions in the corresponding period of 1924. The imports totalled over 15,000 millions against 14,040 millions in 1924. The favourable balance of trade is thus more considerable than in 1924. The policy of adjusting trade relations with foreign countries by means of commercial treaties and tariff conventions has been continued. During 1925 treaties were concluded with the United States, Poland, Denmark, Greece, Belgium, Sweden, Spain, Turkey and Bulgaria. While others are in negotiation with Germany, Yugoslavia, Switzerland and Holland. Further progress has been made in freeing foreign trade from import and export "control," so that now only a small percentage of items are still subject to license and other restrictions.

The industries have recovered from the deflation crisis which marked the year 1924, and with the exception of the coal trade, there has been a general improvement in employment, and the number of unemployed has sunk to an almost negligible quantity. The textile and engineering trades have done well. The sugar industry, though showing an increased output, has had to put up with lower prices. The breweries have resumed export; the electrical and automobile industries have made progress. The iron and glass trades have increased their export, the output of the former being a record one, but the timber, milling and chemical trades have had a less satisfactory year. The industries continue to complain of the burden of taxation and the high transport costs. Labour disputes have been comparatively few, and it is not without interest to note that the working hours gained by overtime have exceeded those lost in strikes and lockouts.

Prices have declined, the wholesale index number having moved from 1,045 in January to 977 in December. In gold parity this latter figure is 142.2. (In Great Britain the figure is something over 160).

Deposits and current accounts in the commercial banks at the end of November showed an increase of 1,197 million kronen compared with the same month in 1924. In the savings banks the deposits increased by 815 millions. The total deposits in all banks amounted to 28,262 millions, or a little over £12 per head of population.

Insolvency declined, bankruptcies numbering 431 as against 535 in 1924, and arrangements for the benefit of creditors dropping from 1,907 to 1,803.

From this necessarily brief outline of the main features of Czechoslovakia's economic position in 1925 it will be seen that the Republic enters the new year with every prospect of maintaining the steady advance recorded in particular since 1923.

Recognition of Soviet Russia.—The question of *de jure* recognition of Russia begins to be one of the problems of the day in Czechoslovakia. For a considerable time in the past there had been demands from certain quarters for a revision of the Republic's relations with Russia, but the voices had hitherto been somewhat timid, for it was felt that the right moment had not yet come. Now, however, the situation has so developed that the Czechoslovak Government is compelled to occupy itself with the problem, and the present session of Parliament will in all probability see a decision arrived at. Practically all the Czechoslovak parties, with the exception of the small group of National Democrats, are in favour of *de jure* recognition of Russia. It should, however, be emphasised that none of the parties, in according this recognition, dreams of approving all that happened during and subsequent to the revolution, or to give a *placet* to the Bolshevik régime. The call for recognition of Russia is merely an expression of the conviction that the existing Soviet régime is established for at any rate a consider-

able period and that the Soviet Government is a permanently established Russian government. It is argued, correctly enough, that formal recognition *de jure* will make no change in the existing political relations of Czechoslovakia with Russia. It should not be forgotten that mere formalities play but a minor role in view of the circumstance that the economic situation of Czechoslovakia calls for a renewal of normal relations with Russia. Czechoslovakia cannot afford to adopt the stand-off attitude of the United States in this matter, nor has she the same reasons for such an attitude, for between Russia and Czechoslovakia there are no such unsettled burning questions as between Russia and the West. Besides this, economic co-operation with Russia would mean a further step to peaceful consolidation of eastern Europe and to a restoration of the economic equilibrium of the whole Continent. (*Central European Observer.*)

FINANCE

Further Reduction in the Bank Rates.—The *Prager Tagblatt* announces that according to an order issued by the Bank Committee of the Ministry of Finance the Bank Office has been empowered to reduce the discount and the deposit rates a further $\frac{1}{2}$ per cent. As from January 13 last the discount rate is therefore 6 per cent. and the deposit rate 7 per cent. When the rate was last reduced from 7 per cent. to $6\frac{1}{2}$ per cent. (December 1, 1925) it was generally supposed that the reduction of a further $\frac{1}{2}$ per cent., which had been expected since last March, was being reserved on account of the commencement of the National Bank's activities on January 1, 1926. The delay in constituting the National Bank has enabled the Bank Office itself to make the further reduction, but this was not expected so early in the year. At the beginning of the month money was fairly easy at Prague, the total available funds at the various banks being estimated at C.Kr.1,500 mill., and this fact probably facilitated the action of the Bank Office.

The private banks of Prague have also decided to reduce the rate of interest on liabilities covered by securities by $\frac{1}{2}$ per cent. and the rate of interest on unsecured liabilities by from $\frac{1}{4}$ per cent. to $\frac{1}{2}$ per cent. according to the nature of the obligations. The deposit rate is also reduced by $\frac{1}{4}$ per cent. These reductions take effect as from January 1 last.

TRADE

Export Trade Returns for November.—The figures of the export trade in November last show an increase on those of the preceding month and also on those of November in 1924. The total volume of exports amounted in November to 1,156,790 tons and 657,868 pieces to the value of C.Kr.1,808,065,613, as against 937,281 tons and 567,609 pieces to the value of C.Kr.1,616,801,002 in October and 1,063,405 tons and 679,736 pieces to the value of C.Kr.1,765,426,699 in November 1924. Of the total amount in November goods to the value of C.Kr.1,746,450,757 were exported free of duty whilst goods to the value of C.Kr.61,614,856 were subjected to the export duty. The above figures for November represent an advance of C.Kr.191 mill. on the value of exports in October and of C.Kr.42.5 mill. on the value of exports in November 1924.

The value of goods exported during the first eleven months of 1925 amounted to C.Kr.16,843,508,340, the volume being 11,001,878 tons and 7,244,651 pieces. During the corresponding period of 1924 the volume of goods exported amounted to 11,043,010 tons and 6,685,522 pieces to the value of C.Kr.14,910,061,783. The increase in exports in 1925 figured at C.Kr.1,933.5 mill.

There was a marked improvement in sugar exports in November, the total value being C.Kr.312.8 mill., as compared with C.Kr.128.7 mill. in October. The November figure was, however, about C.Kr.137.5 mill. below that for November 1924. The exportation of

cereals and flour rose by 21 millions; timber, coal and peat by 23 millions, whilst the exportation of fruit and vegetables fell off by 28 millions. Cotton goods were C.Kr.13 mill. lower than in October but C.Kr.72 mill. higher than in the preceding November. Woollen exports were approximately the same as a year previous but C.Kr.19 mill. below the October figure. Iron exports dropped by 10 millions but exceeded those of November 1924 by C.Kr.41 mill. Machinery exports fell off by C.Kr.5 mill. and chemical exports by C.Kr.3 mill. In most categories an increase of trade was recorded. The chief foreign market was again Germany, which took goods representing 19.84 per cent. of the total exports. Austria's share amounted to 15.49 per cent., and Great Britain's to 10.27 per cent. of the total. The remaining countries bought in no single case more than 6.5 per cent. of the total value of exports. The exportation of paper to Great Britain is in decline, having now sunken to about one-half of the original volume, which represents a loss to Czechoslovak trade of approximately C.Kr.1 mill. per month. The cause of this diminution is attributed to the high prevailing prices of Czechoslovak paper manufactures. (*Prager Presse.*)

Commercial Agreements.—The commercial agreement between Czechoslovakia and Belgium was signed on December 28 last by M. Benesh, Minister of Foreign Affairs, and M. de Raymond, the Belgian Ambassador at Prague.

The documents of ratification of the commercial and navigation treaty with Sweden, which was signed on April 18, 1925, and which came provisionally into force on June 27, 1925, have now been exchanged. The agreement now comes into force as from January 8, 1926. The negotiations for the modification of the treaty with Poland are now being resumed. The coal convention with Germany has been prolonged to June 30, 1926. (*Gazette de Prague.*)

Wholesale Price Index for December.—The general wholesale price index for December last was 977, this figure being the same as in the preceding month. Reckoned in gold this figure would read 142.2. There was, however, a considerable rise in the price of cereals (with the exception of barley) and flour, the increases registered varying from 8.8 per cent. to 35 per cent. Raw sugar rose 17.5 per cent.; hops by 2.4 per cent.; hay by 3.1 per cent.; cotton by 5.3 per cent.; butter by 13.1 per cent.; eggs by 5.8 per cent.; hard wood by 5.2 per cent.; soft wood by 7.1 per cent., and cellulose by 4.5 per cent. These increases were counterbalanced by the fall in the prices of meat (with the exception of beef and mutton) to the extent of 1.8 per cent.; pork fat, 16.7 per cent.; bacon, 7 per cent.; foreign maize, 11.3 per cent.; potatoes, 2.6 per cent.; coffee, 2.5 per cent.; malt, 7.3 per cent.; metals from 2.6 to 8 per cent.; silk, 5 per cent.; flax, 9.5 per cent. For most of the other commodities there was no alteration in the prices. A slight drop was perceptible in the prices of imported goods, but this was off-set by the increase in the prices of home manufactures and products. The December general index was well below that of the preceding December. (*Prager Presse.*)

INDUSTRY

The Ceramic Industry in 1925.—The ceramic industry in Czechoslovakia, which includes the branches of tile and brick making, the manufacture of fire-proof bricks, glazed tiles, flag-stones and porcelain wares, besides the production of lime and cement goods, did not develop satisfactorily in all departments in 1925, writes Prof. Dr. O. Kallauner in the *Prager Presse*. Complaints, many of them of serious import, have been raised in various circles of this industry. These complaints are either general, such as are raised in other industries owing to the high price of coal, the heavy coal tax and the high railway tariffs, or the lack of cheap credits, the uncertainty of the commercial

treaties yet to be concluded and the currency fluctuations in other countries, etc., or they have a special character peculiar to the ceramic industry.

At the outset of 1925 the brick and tile-making industry expected to be kept very busy on account of the Government's attitude towards the building question. Those hopes were not fulfilled. In the country districts there was a certain activity, but in the towns trade was very slack. The home demand for fire-proof bricks and tiles was fairly good; exports, on the other hand, were feeble, with the result that this branch of the industry experienced an altogether unsatisfactory year. The view taken of the prospects of the present year is pessimistic. Little hope is entertained of an improvement in the manufacture of concrete piping, etc., which branch has had a bad year, owing to the poor state of the export trade and the failing home consumption. The local authorities have had but little money at their disposal for undertaking canalisation and other works of municipal improvement, and this monetary stringency has reacted upon the industrial contractors. The home demand for glazed tiles and flag-stones was unsatisfactory throughout the year. For certain kinds the export trade was brisk enough; for others it was practically at a standstill. American competition in these articles was felt very severely, whilst the gas-heating apparatuses on the market also tended to weaken the demand for these products. In the opinion of the writer the Czechoslovak manufactures need to be radically altered in construction and to be made more on the lines of the American wares, in which case the home manufactures would probably be preferred on account of their better appearance.

The porcelain industry has been successful in its efforts to penetrate new markets in the North and West. The porcelain exports accounted for 65 per cent. of the total exports of the ceramic industry to Great Britain and the British Colonies, the United States, Holland and Scandinavia. The manufacturers consider that they have had a satisfactory year; they have been able to hold their own against the strong German competition. The outlook for the present year is uncertain, chiefly depending upon the currency conditions in foreign countries and especially in Germany. The lime industry also expresses itself as fairly satisfied with the results of the past year and expects that business will develop much the same in 1926, although a certain amount of anxiety is apparent on account of the German duties. The busiest branch of the ceramic industry in 1925 was the manufacture of cement and cement wares. The demand was so great that during the summer months the factories could not deliver to date. The late deliveries were also influenced by the numerous reconstruction works that many factories have been carrying out. The difficulties are now over-

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come, and it is even feared that the home demand will not equal the present production. The output capacity of many factories has been considerably augmented. The demand for cement products was well maintained throughout the year, and it is expected that trade will be equally as brisk during the present year.

The ceramic industry has now a central establishment for the study of technical and scientific matters and for furthering its general interests. This establishment is in close touch with similar concerns abroad and will considerably extend its activities during the course of 1926.

FINLAND

FINANCE

Establishment of the Gold Basis.—On the 10th December the Finnish Riksdag passed its new Currency Act establishing a gold basis. As the Finnish mark has already been stable for years and the virtual currency reform debates were held in 1922 and 1923, this event has not caused any great sensation. The new currency finds its basis in actual currency relations, and no change in the value of the Finnish mark is contemplated. Finland is thus not faced with the possibility of a deflation crisis.

In taking in hand the devaluation the valorisation problem presents itself automatically. The Finnish currency politicians believe the best solution of this problem is to leave everything as it is. Whoever has lost owing to inflation is the loser; whoever has gained, is the gainer. Any special taxation of inflation profits is just as little thought of as valorisation. (*Wirtschaftsdienst.*)

The new Act, which comes into force as from January 1, 1926, stabilises the currency at its present value, which makes the United States dollar worth F.Mk.39.70 at par, the pound sterling F.Mk.193.23 and 100 Swedish Kronor F.Mk.1,064.07. The mark remains the unit split up into 100 penni, and there will be gold coins of a value of 100 and 200 F.Mk. containing $3\frac{1}{10}$ and $7\frac{1}{10}$ grammes of pure gold. The alloy will be $\frac{9}{10}$ pure gold and $\frac{1}{10}$ copper. The hundred mark pieces will weigh $4\frac{1}{10}$ grammes and the 200 mark pieces $8\frac{1}{10}$ grammes. Nickel bronze pieces for 1 mark, 50 and 25 penni will be struck, and copper for 10 and 5 penni.

An authorisation has been given to the Bank of Finland to issue notes against its gold reserve, or its sound assets with foreign correspondents. It may also issue notes not exceeding the value of 1,200 million marks against secondary cover, which may consist of bills in foreign currency, foreign debentures quoted on foreign stock exchanges, dividends payable in foreign currency, foreign notes and home bills at not more than three months' date, backed by two or more well-reputed persons or firms. The gold reserve of the Bank of Finland must amount to not less than 300 million marks, which will be the approximate value of the present reserve of 43 million when converted into the present currency. Finnish Government debentures amounting to 338 mill. which have served as cover since 1918 and 1919 are to be redeemed, either all at once or in instalments, before the end of 1928, and the Government intends raising a foreign loan for this purpose. According to the new Act the notes of the Bank of Finland are to be redeemable in gold coin or bars, or cheques for a foreign gold currency at the day's rate of exchange, which may not vary from par by more than 1 per cent. (*Mercator.*)

The Budget for 1926.—The zealous Riksdag, says *Wirtschaftsdienst*, has effected some alterations in the budget for 1926, so that the deficit has been reduced from 100.9 to 75.1 mill. F.Mk. This deficit can be immediately covered from the capital balance, the extent of which, however, is not precisely known. Ordinary revenue, according to the new estimate, amounts to 3,337 mill. F.Mk. as against 3,130 mill. in 1925. This increase in the ordinary revenue is attri-

butable chiefly to the raising of certain duties, above all those on sugar and coffee. An additional duty on sweets is expected to bring in 20 mill. in addition to 202 million (25 million more than last year) expected from the present duty on tobacco and matches. State forestry is expected to yield 220.5 mill. in 1926 as against 174.5 mill. in 1925, and revenue from the railways is estimated at 735.6 as against 725.6 million. Income and property having shown a tendency to diminish their yield, direct taxation is only estimated to produce 383.8 mill. as against 404.2 mill. in 1925. Ordinary expenditure is estimated at 2,843.6 mill. F.Mk. in comparison with 2,734.5 mill. for 1925.

The following table appears in *Mercator* :—

	1926.	1925.
Ordinary revenue	3,337.0	3,130.9
Extraordinary revenue	1.0	0.5
Transfer from capital balance	75.1	228.8
Total revenue	3,413.1	3,360.2
Ordinary expenditure... ..	2,843.6	2,734.5
Extraordinary expenditure	569.5	625.7
Total expenditure	3,413.1	3,360.2

Mercator further points out as a special item in ordinary expenditure the estimate for this year's cost of the National Debt, which is calculated at 298.7 mill. or 52.7 million more than last year. The rising cost of the National Debt as estimated by the Finance Minister on the basis of last October's rates of exchange is given below :—

1926	351.5 mill. Mks.
1927	438.1 " "
1928	425.6 " "
1929	357.8 " "
1930	352.6 " "

Large instalments are due in 1927 and 1928, which accounts for the exceptionally heavy figures placed against those years. It may be noted that in 1913 eight million marks sufficed for the paying off of the National Debt.

TRADE

The Timber Trade.—Wood goods sales have fairly maintained last year's level, and are now estimated for 1925 at one million standards of sawn timber, while 175,000 standards have been sold for shipment in 1926, as against 160,000 at this time last year. The exports of round timber have been so large that the possibility of restricting them has been discussed though no definite proposal has yet been made. Exports of unsawn timber (props and paper wood) between January and November amounted to 3,507,000 cubic metres as against 2,881,000 cubic metres during the same months in 1924 and 3,144,000 in these months in 1913.

The results in the wood working industries are by no means inferior to the satisfactory statistics furnished by the timber trade. Paper exports from January to November 1925 amounted to 199,719 tons as against 166,153 tons in the same period last year. Chemical pulp exports amounted to 193,993 tons of sulphite and 52,277 tons of sulphate pulp, or a total of 246,270 tons. The corresponding figures for last year were 179,176 tons of sulphite and 52,526 of sulphate, or altogether a total of 231,702 tons. Of mechanical pulp 70,575 tons have been exported as against 92,453 in the same eleven months of last year and of cardboard 47,644 as against 28,432 tons.

It is clear that the wood working industries as a whole consider their prospects to be promising for great extensions are now being carried out. Messrs. Ahlström are building a new grinding mill at Karhula, the Kymmene Company is to enlarge its grinding mill at Voikka, Laskelä proposes to build during 1926 a sulphite pulp mill at Leppä Koski and the Kemi and Uleo Companies are considering plans for new chemical pulp mills.

Finally it may be added that the plywood industry is also making rapid progress. Several new plywood

mills have been projected or actually open during 1925. (Mercator.)

The Petrol Market in Finland.—During the last three years Finland has almost doubled its imports of petrol and products of petrol. As against 37,265 tons imported in 1922 and representing a value of 86 million marks, operations in 1924 have increased to 65,397 tons, estimated at 120 million marks. Purchases of gasoline have increased from 5,672 to 16,439 tons, those of crude petrol from 4,132 to 5,574 tons, and those of kerosene from 20,620 to 33,459 tons.

The United States occupies first place as exporting country in respect of Finland, supplying her with 80 per cent. of her total imported products, a large proportion of which reach her through Germany and Denmark. In this connection it should be remembered that the dollar which in 1922 was worth 46.62, Finmarks represents to-day only 39.86.

Poland sold last year to Finland 5,600 tons of kerosene and 1,453 tons of gas oil and fuel oil.

Although business in kerosene developed steadily in Finland during the last three years, the market for gasoline has increased to a yet greater extent. As in other countries, kerosene is used principally for lighting, fixed motors and motor boats. The development of electrification in the country districts, however, indicates a falling off in the petrol market in future. On the other hand, owing to the expansion of the automobile industry (in 1920 there were but a few hundreds of motor cars in Finland; to-day there are some 10,000) business in gasoline is likely to assume larger and larger proportions.

Parallel to the increased consumption of gasoline, the imports of lubricating oil have risen from 7,000 tons in 1922 to 10,000 tons in 1924. This oil is used in the paper making works and sawing mills, as well as for automobiles. (*Bulletin Officiel de la Chambre de Commerce Finlandaise.*)

Development of Electric Power.—The electrification of Finland has recently made great progress. The country, which is known to be very rich in waterfalls, has about 2.5 million h.p. at its disposal. The situation of the water power is also relatively good. In the economic centre of the country lie three important power centres, with over 1 million h.p.; the Saima Lake district, and the Päijänne and Näsijärvi districts. The difficulties in the way of exploiting these waterfalls are so great that at present only 225,000 h.p. are obtained. These difficulties are of a legal, technical and economic nature, but above all capital is lacking for the development of the waterfalls. Capital shortage is also the chief difficulty in connection with the development of the Imatra Falls plant. It seems, however, that development is now assured here, and the works planned should be ready at the end of 1928. Large systems are to be laid out from Imatra to Abo and Helsingfors, in order to assure the continuous electrification of the busy districts and the railway. The electrification of the country is to-day so far advanced that high power plant to the length of 7,500 k.m. runs through the most economically important parts of the country. The development of this plant has, unfortunately, not been carried out in a uniform manner. The high power stations, for instance, are in the possession of 300 different companies. In spite of this lack of cohesion it has been possible to carry out the electrification, not only of the towns but of country districts, to a very high degree. During the last five years the number of electrified communes increased tenfold, so that now about one-half of the communes are electrified. (*Wirtschaftsdienst.*)

FRANCE

TRADE

Foreign Trade Returns for 1925.—With the publication of the foreign trade returns for December a complete view is afforded of the foreign trade of France for the whole of the year, making possible a comparison with the results registered in 1924.

The returns for December include imports aggregating 4,006,682 tons of a value of Fr.5,445,725,000 and exports aggregating 2,647,609 tons of a value of Fr.4,628,613,000. This shows an increase in volume as compared with November of 48,306 tons and in value of Fr.871,606,000 as regards imports, and an increase in volume of 111,087 tons and in value of Fr.435,370,000 as regards exports. As compared with December 1924 there is an increase of Fr.508,422,000 in respect of imports and one of Fr.524,841,000 in respect of exports. In December 1924 there was a favourable visible trade balance of Fr.166,469,000 as compared with an adverse one of Fr.817,112,000 in the corresponding month of 1925.

The following table shows the volume of the import and export trade for the whole of the year (in tons):—

	Imports.		
	1925.	1924.	Difference.
Foodstuffs	5,118,398	5,687,253	— 568,855
Raw material and semi-manufactured goods	41,072,245	49,429,164	— 8,356,919
Manufactured goods ...	1,234,929	1,474,946	— 240,017
Total	47,425,572	56,591,363	— 9,165,791
	Exports.		
	1925.	1924.	Difference.
Foodstuffs	1,386,631	1,633,802	— 247,171
Raw material and semi-manufactured goods	24,607,542	24,101,708	+ 505,834
Manufactured goods ...	4,189,967	3,613,549	+ 576,418
Exports by Parcels Post	41,842	38,031	+ 3,811
Total	30,225,982	29,387,090	+ 838,892

From the above figures it will appear that whereas imports this year show a decrease in respect of every category of goods as compared with 1924, exports on the whole show a small increase, foodstuffs alone being on the decline. On the import side raw material and semi-manufactured goods are down to the extent of nearly 17 per cent., due mainly to the decline in the importation of coal, from 31,517,000 tons in 1924 to 24,561,205 tons in 1925. On the export side raw material and semi-manufactured goods show an increase of 2 per cent., manufactured goods one of 16 per cent., and exports by parcels post one of a little over 10 per cent.

The following table shows the corresponding value of the above trade (in thousands of francs):—

	Imports.		
	1925.	1924.	Difference.
Foodstuffs	9,116,160	8,937,545	+ 178,615
Raw material and semi-manufactured goods	29,462,085	25,898,019	+ 3,564,066
Manufactured goods ...	5,402,261	5,092,438	+ 309,823
Total	43,980,506	39,928,002	+ 4,052,504
	Exports.		
	1925.	1924.	Difference.
Foodstuffs	3,626,191	4,032,386	— 406,195
Raw material and semi-manufactured goods	12,563,103	10,489,110	+ 2,073,993
Manufactured goods ...	26,975,856	24,882,865	+ 2,092,991
Exports by Parcels Post	2,248,405	2,063,999	+ 184,406
Total	45,413,555	41,468,360	+ 3,945,195

As will be seen from the above figures, there is a favourable visible trade balance for the year of Fr. 1,433,049,000 as compared with one of Fr.1,540,358,000 for 1924, a decline of Fr.107,309,000. On both the import and export side there is an increase in the total value of the trade, to the extent of about 10 per cent. in the case of imports and to the extent of 9½ per cent. in that of exports. On the import side raw material

and semi-manufactured goods show an increase of over 13 per cent., while on the export side foodstuffs show a falling off of a little over 10 per cent., as against an increase of close on 20 per cent. in the case of raw material and semi-manufactured goods, of 8 per cent. in the case of manufactured goods and of about 9 per cent. in the case of exports by parcels post.

The following table shows the movement of the import and export trade for the last thirteen months (in thousands of francs):—

	Imports.	Exports.	Balance of trade.
1924* December ...	3,937,303	4,103,772	+ 166,469
1925 January ...	3,172,571	3,562,615	+ 390,044
February ...	3,346,369	3,595,061	+ 248,692
March ...	3,306,700	3,762,244	+ 455,544
April ...	3,050,968	3,557,744	+ 506,776
May ...	2,968,672	3,640,187	+ 671,515
June ...	2,991,243	3,506,534	+ 515,291
July ...	3,033,549	3,484,373	+ 450,824
August ...	3,297,316	3,258,311	— 39,005
September ...	4,317,029	3,849,879	+ 467,150
October ...	4,476,245	4,374,751	— 101,494
November... ..	4,574,119	4,193,243	— 380,876
December ...	5,445,725	4,628,613	— 817,112

*The figures for this month have been revised.

The figures for December are record ones both as regards imports and exports, although the latter show a much larger increase than the former. It is not a satisfactory feature of the returns that the last five months of 1925 show an adverse trade balance, with a marked tendency to increase. (*Le Temps.*)

National Nitrogen Company.—On April 11, 1924, an Act was passed establishing a National Nitrogen Bureau for the development of the synthetic ammonia works in connection with the Toulouse powder works. The Minister of Public Works has now introduced a Bill to entrust the duties of this bureau to a National Nitrogen Company. In his explanatory memorandum the Minister questions whether an official bureau as originally contemplated would prove sufficiently independent and capable of developing a truly industrial and trade business; in any case, he is of the opinion that it would be too rigid. Besides, the constitution of the Board, composed as it is, as for one half, of members of the various departments concerned, and for the other half of representatives of agriculture, industry and commerce, has been very reasonably objected to. But the Government itself has to provide the capital, or alternatively has to guarantee the interest on the capital involved. Industrialists, therefore, have no vested interest in the business; on the contrary, their interests might conflict with those of the Bureau, which would place the Board in a very difficult position. Therefore it is necessary, he thinks, that the representatives of industry should have a stake in the business in the form of capital, seeing that they are necessarily out to make money, and unless a business is conducted on that principle it cannot be carried on satisfactorily. For that reason he finds himself compelled to appeal to private capitalists, subject to the Government reserving to itself a large share in the control of the business in view of its national importance. The capital of the company, therefore, will consist of Fr.250,000,000, of which Fr.125,000,000 will be in A shares allotted to the Government and Fr. 120,000,000 in B shares open to public subscription, the balance to be used to reimburse the Government for the advances it has made, any surplus to belong to the Company. (*Le Temps.*)

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GERMANY

FINANCE

Reparations Account 1925.—The office of the Agent General for Reparations gives the following review of the receipts and payments in the second year ended December 31, 1925 (in millions of gold marks):—

	December Year ending 1925. Dec. 31, 1925.	
A. Receipts.		
1. Budget contributions	20.00	90.00
2. Transport Tax	20.56	100.50
3. Interest on Railway Bonds	50.00	150.00
4. Interest acquired ... ..	.26	.85
5. Gain on exchange ... ..	.08	.05
Total	90.74	341.40
B. Cash in hand on Aug. 31, 1925		107.01
Total in hand		448.41
C. Payments to—		
France	55.58	175.99
Great Britain	18.68	69.41
Italy	6.27	21.58
Belgium	12.14	34.80
Yugo Slavia	2.69	12.21
Rumania... ..	.69	2.73
Japan		
Portugal ... ..	.42	1.78
Greece ... ..	.25	.97
Poland ... ..	.03	.03
Total	96.75	319.50
Service of German Foreign Loan	7.81	33.78
Costs of Reparations Commission ... ..	.25	1.22
Costs of Agent-General's Office ... ..	.31	1.23
Costs of Rhineland Commission	1.35	3.68
Costs of Commissions of Control ... ..	.60	2.30
Discount on Railway payment made before actually due ... ..	.73	2.90
Total payments	107.80	364.61
Cash in hand on Dec. 31, 1925		83.79
		448.41

Total payments to powers classified according to application are as follows (in millions of Reichsmarks):—

1. Costs of Occupation—		
a Reichsmark payments to occupying troops	6.53	12.06
b <i>In natura</i> deliveries under Rhineland agreement	5.41	11.03
	11.94	23.09
2. Deliveries in kind—		
a Coal, coke and lignite	26.30	95.55
b Transport of same	7.66	29.78
c Dyestuffs and pharmaceutical products	1.03	3.06
d Chemical fertilisers	4.20	17.10
e Coal by-products ... ..	.35	1.13
f Agricultural products	1.97	5.66
g Timber	1.13	4.87
h Various	14.50	48.17
	57.15	205.32
3. Reparation Recovery Acts	20.65	76.97
4. Cash payments for liquidation of Franco-Belgian railway administration	5.01	5.01
5. Reinstatement of the Louvain Library	2.00	2.10
Total payments to Powers	96.75	319.50

(*Kölnische Zeitung.*)

Reduction of Discount Rate.—The president of the Reichsbank announced on January 12 the reduction of the discount rate from 9 to 8 per cent. and of the deposit rate from 11 to 10 per cent. The Reichsbank will announce later whether the difference between the two rates can be reduced to 1 per cent., the rate of interest on mortgage deeds rendering this impossible for the present.

The president, in justifying the reduction, stated that the situation of the Reichsbank had for some weeks been very slack. The recent augmentation in the number of bills had been due, not to an increase in home bills, which on the contrary showed a falling

tendency, but to increased placing of foreign bills. The policy of relaxation of credit restrictions pursued since early December had not resulted in any increased demand for credit. The demand for long term credits was being increasingly satisfied by means of foreign loans, so that a concentration of the available money in Germany upon the long term credit market was highly desirable. It had been possible in the case of several recent foreign loans to secure by degrees lower rates of interest. This tendency had to be supported; hence the reduction of the discount rate to 8 per cent. and with it the deposit rate to 10 per cent. In order to strengthen the long term credit market it had been further decided to increase the loan limit for gold and Reichsmark mortgage deeds from 50 to 66½ per cent.

The president's statement in regard to the result of the relaxation of credit restrictions has caused the greatest surprise, says the *Frankfurter Zeitung*. It had hitherto been supposed that the increase in the number of bills now attributed to requirements from abroad was due exclusively to increased home demand.

If this reduction in the discount rate is to be coupled with an increase in the volume of credit, it will not only cause a prolongation of the crisis but its accentuation when it reappears, as it inevitably must at no distant date. At first artificial buying power will be produced, markets will become active, goods become saleable, liquidity will be increased, prices will be maintained or increased and the Bourse will be active till one day the money in circulation comes to an end, and it will be discovered that the crisis was by no means overcome, but merely covered over, only to emerge again, more acute than ever.

If, on the other hand, the Reichsbank does not increase its volume of credit, that is to say, does not decrease its claims on the bills in hand, and if the private banks also in their turn reduce debit and credit interest, the result will be as follows: The lasting power of the bills in hand will be facilitated, the price level will be kept high, the complete working out of the crisis will be hindered, and therefore simultaneously the restorative, or at least mitigating, forces will be fettered. The more so, as without reduction in prices reduction in wages cannot with justice be either proposed or carried through. The building up of capital will also be hindered, for the formation of capital depends on interest which accumulates. Thus the second great factor in overcoming the crisis, the alleviation of the capital shortage, will be rendered more difficult.

Under all circumstances, therefore, the reduction of discount by the Bank can only have results which, in the long run, are dangerous to economic well-being. (*Deutsche Allgemeine Zeitung*.)

New Issues and Company Formation in 1925.—The number of German companies which increased their capital during 1925 has fallen to 425 (1924, 505). The sum required in new shares (Mk.767.03 mill. as compared with 230.12 mill. in 1924) is higher than in 1924. It should however be taken into consideration that last year's amount includes Mk.474.39 mill. of new shares created owing to the fusion of the Aniline concern, so that the sum actually required in the formation of new shares was about the same as in the previous year. In most cases the companies that increased their capital during the past year were small ones, where the new shares served to satisfy the claims of creditors, who were provided with shares because there was no other means of acquiring capital. Among the 425 companies which issued new shares there are only about 25 undertakings whose shares are quoted on the German Bourse. The issue of preference shares has greatly fallen off during the past year. The danger of an excess of foreign purchasers in the market has not become acute, in spite of low Bourse quotations. It is worthy of note that the high percentage type of preference share, used in normal times for procuring capital, hardly found an entrance into the market during the past year.

Company formation greatly decreased during 1925.

In all 245 (1,359) companies with Mk.187.46 (128.52) mill. share capital were formed, in which are included however, 52 (160) undertakings with Mk.15.28 (37.—) mill. share capital which came into being through transformation from other forms of undertaking. December gave the lowest figures for new formations with 8 companies comprising Mk.6.31 mill. capital, amongst them a transformation with 2.5 mill. capital.

The chief interest in the fixed interest issues market in 1925 lay in the issue of loans abroad especially in the United States. Of a total of Mk.1,457.24 mill. worth of loans Mk.1,312.67 mill. were placed abroad. The largest amount, Mk.330.60 mill. was placed abroad during December, of which about one-half fell to the proportion of the potash loan recently placed in England to the value of 8 million sterling. The rate of interest on foreign loans varied between 6½ and 7 per cent. The price of issue was in most cases round about 95 per cent. according to the date of repayment, which is due in 20 to 25 years.

The following table shows the figures for the individual months:—

	Increases of capital.		New formation of Companies.		Fixed interest issues.	
	No. of Co's.	Nominal Amount.	No. of Co's.	Nominal Amount.	Home.	Abroad.
Pre-war monthly average, 1909-14	20	20	10-20	10-20	200	
1924 ...	505	230.12	1,359	128.52	176.32	—
1925—						
January	76	80.50	35	21.35	49.92	198.10
February	39	22.70	23	3.57	23.75	68.00
March ...	48	26.86	21	4.35	—	21.00
April ...	37	18.63	16	5.85	3.00	—
May ...	38	36.23	25	6.30	10.10	—
June ...	45	22.19	30	22.08	—	53.77
July ...	34	16.57	25	8.59	41.00	37.00
August	24	14.66	18	22.71	12.30	1.20
September	23	16.82	17	14.10	4.50	262.85
October	19	9.56	15	60.46	—	120.20
November	23	492.24	12	11.79	—	219.95
December	19	10.07	8	6.31	—	330.60
	425	767.03	245	187.46	144.57	1,312.67
					1,457.24	

(*Frankfurter Zeitung*.)

INDUSTRY

Shutting Down in the Potash Industry.—According to the yearly report of the banking firm Gebr. Dammann in Hanover concerning the potash industry, 71 out of a total of 224 potash shafts are still working. On December 31, 1925, 118 shafts with a total of 441 thousandths participation, closed down. In addition to this 35 shafts have been temporarily closed, the latter being kept in readiness as reserve works. The cost of each shaft is estimated at R.Mk.5 million. This gives some idea of the vast sums which are invested in the potash industry, superfluous and wasted now that 118 shafts have voluntarily closed down. The rationalisation of potash production means the writing off of vast capital to be considered as a dead loss. Voluntary closing down according to the Potash Law is meeting with very favourable treatment according to the terms of this measure. In cases where the closing down declaration has been voluntarily made before the end of 1925, the works are allowed disposal of their quota for selling purposes to the fullest extent, an advantage which has been freely utilised. It is significant that all the works of the Einigkeits and Adler concerns are now permanently shut down. Production in the potash industry is at present particularly concentrated on the new Baden Works, and the well-known Fabrikbauten, chief among which is the Merkers Factory of the Wintershall concern. The report states further that the total sales in the potash industry for 1925 were 12,254,000 d.ctr. with a value of R.Mk.180 mill. against 8,420,000 d.ctr. with a value of R.Mk.117 mill. in 1924 and 11,103,000 d.ctr. in 1913 (including Alsace) to a value of Mk.202 mill. Sales developments in the individual months were as follows:—

	Total Sales.		Percentage.		1923.		1924.		1925.		
	1925.	1924.	Home.	Abroad.	Dwelling houses.	etc.	Dwelling houses.	etc.	Dwelling houses.	Factories etc.	
January ...	1,659,953	407,990	79 61	21 39	483	236	687	214	2,447	596	
February ...	2,620,380	721,076	79 72	21 28	441	169	675	153	2,401	524	
March ...	1,439,893	1,088,362	68 84	32 16	516	391	1,263	654	4,345	1,066	
April ...	668,128	578,659	78 82	27 18	385	215	965	699	4,338	1,270	
May ...	732,134	220,430	71 69	29 31	638	300	1,778	996	3,573	997	
June ...	816,181	276,541	49 45	51 55	741	359	1,698	449	3,454	978	
July ...	956,261	472,978	43 44	57 56	612	341	1,408	368	4,270	1,516	
August ...	1,045,557	1,024,908	60 58	40 42	549	339	1,487	321	2,755	984	
September ...	1,012,721	1,271,711	68 57	32 43	412	187	1,708	675	2,997	1,235	
October ...	737,187	787,104	29 47	71 53	579	203	2,805	887	4,598	1,742	
November ...	576,944	740,654	41 36	59 64	296	183	2,087	723	2,740	1,089	
December ...	589,200	848,181	43 53	57 47	308	139	1,647	689	3,971	964	
					Total	5,960	3,062	18,208	6,828	41,889	12,961

(Frankfurter Zeitung.)

AGRICULTURE

The 1925 Harvest in Prussia.—The final results of the 1925 harvest in Prussia have now been published according to the particulars given below.

The production of bread grain (wheat, rye and spelt) amounted to 8,270 mill. t. and in miscellaneous grain inclusive of buckwheat, 14,178 mill. t. as against 5,874 mill. t. bread grain and 11,768 mill. t. miscellaneous grain in 1924. This represents an increase in 1925 of 40.8 per cent. in the first case and 20.7 per cent. in the second. The area under cultivation in 1925 was larger than in 1924 by 455,706 hectares for bread grain and 369,771 hectares for miscellaneous grain. The bread grain production figures for 1925 are 1,678 mill. t. or 16.1 per cent. behind those for 1913, while the cultivated area for 1925 has decreased by 346,941 hectares or 7.1 per cent. Pulse, inclusive of a mixture of pulse and grain, shows a decrease of 0.1 mill. t. or 14.7 per cent., with a decreased cultivation area in 1925 of 41.165 hectares or 8.1 per cent. Rape has given a larger yield in 1925 by 29,738 d.ctr. or 9.9 per cent. as compared with the previous year, although 1,874 hectares or 7.7 per cent. more was sown in 1924. The harvest in clover, lucerne and meadow hay is less by 4,417 mill. d.ctr. or 2.6 per cent. than last year, although the area under cultivation had been slightly increased from 4,015 mill. hectares in 1924 to 4,038 mill. h.a. The increase in the potato harvest was 30,776 mill. d.ctr. or 11.9 per cent. as compared with last year, but this represented a decrease of 16,538 mill. d.ctr. as against 1913 with a larger cultivated area. The sugar beet harvest shows an improvement on 1924, but remains far behind 1913. As far as grain is concerned prospects for human nourishment are better, the conditions having nearly resumed pre-war standard. The supply per head of the population in Prussia (in d.ctr.) was: For bread-corn—1913, 2.96; 1924, 1.51; 1925, 2.12. For miscellaneous grain—5.06, 3.02, and 3.64. (Frankfurter Zeitung.)

SOCIAL AND LABOUR CONDITIONS

Reich Building Statistics.—The distribution of building over the last four years shows just as little uniformity as the economic situation during these years. The greatest building activity was in 1922, supported by the slow steady fall of German currency. The following year with its violent drop in the value of the mark caused a decrease which brought the construction of dwelling houses down to one-seventh of the previous year. This was the period of complete cessation from building and even of pulling down houses already built in the hope of obtaining for the material a higher paper mark price. This proceeding was at least preferable to that of abandoning half-built houses in view of the impossibility of foreseeing the future financial conditions. The year 1924, which brought into operation the Rent Tax, saw a considerable increase in the construction of dwelling houses, which during last year was further increased by the help of subsidies and advances from municipalities and employers. The following table appears in the *Barwelt* showing new construction in the individual months:—

It is repeatedly asserted that the greater building activity during the past year which exceeded even the record year 1922, when 40,309 dwelling houses were built, is still far from adequate to cope with the housing of the homeless and the increasing number of households. As the Reich Government will be forced to deal with this situation, it may be expected that a larger proportion of the profits realised on the valorisation of old houses will be allotted to the construction of new dwelling houses, and other sources will have to be sought for the satisfaction of the general financial needs of the districts and municipalities. The number of factories and miscellaneous buildings begun in 1925 seems extraordinarily high. Contracts came in many cases from administrations and municipalities ordering the laying out of sports grounds, free bathing institutions, exhibition halls, new streets, etc. The number of motor garages was also great, the construction of these being rendered necessary by the banishment of horse traffic from the large towns. (Frankfurter Zeitung.)

GREECE TRADE

Commercial Conventions.—The Foreign Treaties Commission has met under the presidency of the Minister for Foreign Affairs to consider the British proposals for the final Treaty of Commerce between Great Britain and Greece. Pending the termination of the negotiations and signature of the Treaty a provisional convention will be in force.

The French minister at Athens, M. de Sabran has had a conference with officials of the Ministry of Foreign Affairs with regard to the conclusion of a permanent commercial convention between the two countries. Negotiations will commence immediately after the return of M. de Sabran from leave. According to information received the French Government appears disposed to permit the import of Greek tobacco into France. Pending the conclusion of the final Commercial Treaty, the provisional convention on the *status quo* basis will remain in force.

The Commercial convention between Greece and Czechoslovakia has been ratified by both countries and came into force from Nov. 10 last. (*Oikonomologos Athenon.*)

The provisional commercial convention between Greece and Poland having been duly ratified, came into force from Nov. 25. (*Athens Chamber of Commerce Report.*)

Trade with Switzerland.—During 1924 Switzerland imported Greek products to the total value of 2.1 mill. Swiss francs. The value of the various classes of imported Greek goods as compared with 1923 (figures in brackets) is as follows (in 1,000 Swiss francs): currants and raisins, 452 (562); figs, 352 (258); eggs, 41 (nil); table wine, 90 (294); dessert wine, 102 (105); leaf tobacco, 900 (3,108); carpets, 42 (35). The following table shows the value of Greek exports to Switzerland from 1910 to 1924 inclusive (omitting the war and early post-war years) (in millions of Swiss francs):—

1910 ...	2.2	1921 ...	4.1
1911 ...	1.5	1922 ...	3.2
1912 ...	1.3	1923 ...	4.8
1913 ...	2.5	1924 ...	2.1
1914 ...	1.4		

(Oikonomologos Athenon.)

INDUSTRY AND AGRICULTURE

Measure for the Protection of Tobacco.—The prevailing crisis in the tobacco industry (see THE ECONOMIC REVIEW, December 25, 1925, p. 564, col. 2) is mainly due to the deficiency of organised co-operation among those interested in the tobacco industry and trade, especially the export trade, and of adequate measures for the promotion of the industry on the part of the Government. This deficiency is to be made good by a Decree instituting three Bureaux for the protection of tobacco at Salonica, Volo and Cavalla, in the latter of which such an institution has already been founded and extended by the creation of branches and offices in other important centres of tobacco production and trade.

The Decree (No. 184), which has the force of an Act of Parliament, provides in substance as follows:—

The offices shall be divided into three departments, viz., those of Trade, Agriculture and Labour, and if occasion subsequently requires other departments shall be created by special Decree. These Bureaux shall be administered by a Board composed of representatives of tobacco dealers, producers and workers of the manager of the National Bank, the manager or financial superintendent of the State tobacco factory, and of the local State Inspector of Agriculture or some other official appointed by the Minister of National Economy. The Board shall consist of from 15 to 30 members, but the number of those representing the tobacco growers shall not be less than that of those representing the traders.

Each department shall elect a chairman, who with the President, Vice-President and Treasurer elected by the whole Board, shall constitute the Committee of management of each Bureau. In order to avoid any possible encroachment upon the interests of any one class the Decree provides that the members of each department shall be derived from the class represented by such department and shall make separate decisions on the matters relating to such department.

The main functions of the Board of Protection are the following:

The examination of all questions connected directly or indirectly with the trade, industry, production, manufacture and transport of tobacco: specially advising on Bills relating to the above subjects, the examination of measures Parliamentary and administrative affecting them, and on revision of the Customs tariffs, commercial conventions with foreign powers, and the imposition of special taxes for the improvement of tobacco production, industry and trade; the publication of reports; the collection of statistics and information; the creation and conduct of trade centres, agencies and warehouses; the improvement of production and of the professional training of tobacco growers by means of experimental nurseries, and of the other measures enumerated in the Decree; the promotion of agricultural banks and tobacco growers' associations; the establishment of mutual benefit funds, workmen's provident funds and pensions, and of consumers' associations; and finally the organisation of tobacco exhibitions at home and abroad.

The Protection Bureaux will be under the control of a Central Board, having its headquarters at Athens, to be composed of high officials of the departments concerned therewith, of the Ministers of National Economy, Finance, Agriculture, and Foreign Affairs, of three experts on questions relating to tobacco and of three representatives of each Bureau. (*Oikonomologos Athenon.*)

The Minister of Finance has given detailed directions to the Customs Authorities at Salonica for the appointment of experts to advise on the export of leaf tobacco. The functions of these experts will, however, be purely advisory and the final decision as to the permission of export and the sole responsibility will rest with the Customs Authorities.

Currant Affairs.—The currant and raisin industry like Greece's other great agricultural industry, tobacco growing, is in the throes of a crisis. *Oikonomologos*

Athenon publishes an article by M. Elias Drumonos of Patras, the centre of the currant industry, together with a letter from M. Andropoulos, also of Patras (which bears a strong family likeness to the article) referring to the crisis and suggesting remedies for it, technical and general, from which its causes may to some extent be gathered. The technical remedies recommended by M. Drumonos are chiefly addressed to the farmers and are consequently not of general interest. He advises the growers of the currant and raisin grapes not to devote as hitherto all their land exclusively to this class of crop, but to reserve 20 per cent. of it for other agricultural produce which they are now compelled to purchase to the detriment of their finances. Among their general recommendations both correspondents urge the necessity of contracting commercial treaties with foreign countries, notably those of the north, Russia, Sweden, Norway, Denmark and Finland, and with North and South America, and revising those in force with a view to reducing foreign Customs duties on Greek raisins and currants, which they denounce as prohibitive. They call attention to the injury inflicted on the Greek fruit by the competition of Californian and Australian raisins, assisted by a relentless propaganda campaign, including disparaging comments on the Greek product. M. Drumonos emphasises the need for a campaign of advertisement, for better packing and for a more attractive presentation of the fruit, since, he asserts, great importance is attached to appearance in European countries, notably in England, where he has seen agricultural and industrial products displayed in boxes worth as much as their contents. Both writers suggest that the Government should use currants as an ingredient in the manufacture of bread for the Army and Navy in the hope of inducing the rest of the country to consume bread thus made instead of eating bread made of imported flour, paid for in gold, which they allege contains a large percentage of foreign substances.

Some idea may be derived from the above information as to the present position of the Greek raisin and currant industry, which formerly enjoyed a monopoly on the world's markets, and of the dangers to which it is exposed from the newly organised competition from America and Australia. No actual figures of the 1925 harvest and trade appear to have been published, but we append the following extract from the October *Report* of the Athens Chamber of Commerce and Industry giving figures for the two preceding years. It may be stated in this connection that statistics relating to any Greek industry rarely appear until a year or upwards from the termination of the period to which they refer.

The export of currants in 1924 totalled 92,534,644 kg. to the value of 561,566,647 drachmas as against 102,688,000 kg. and 709,145,768 drachmas in 1923. The following table gives the amounts exported to the chief customer countries in each year (in 1,000 kg.):—

Country.	1924.	1923.
Great Britain	55,625	79,716
Netherlands	15,564	8,772
Germany	10,351	2,661
United States	6,734	8,556
France	1,553	748
Italy	800	1,049
Belgium	481	240

The *Report* calls attention to the remarkable increase of the export to Germany from one year to the other, and also to the disappointing results of sales to Great Britain and the United States, due to the increasing competition of the Australian fruit in the one case and of the Californian in the other.

This decline of export in conjunction with the over-production of 1924 has produced a sharp crisis in the currant trade with the result that, not only has the Government fixed the amount of its "retention in kind" at 35 per cent., but has proceeded to sell large quantities of currants by contracts with the National Bank, which succeeds the Chartered Company and deals in the commodity through the General Storing Company.

Olive Oil Output in 1925.—Since the beginning of the autumn it has been apparent that the current olive oil harvest would be a poor one. The Governmental measures such as prohibition of export, penalties against false declarations, registration of stocks, etc., have induced the fear that the output will be insufficient to meet the needs of home consumption.

In order to elucidate the existing situation, it has become necessary to determine as near as possible the probable yield from the 1925 harvest and with this object the Statistical Board has obtained returns from the prefects of the various provinces which, as far as they have been collected up to date, show an estimated yield of 42.2 million okas* (the chief contributing provinces being Corcyra with 11 mill. okas; Lesbos, 11 mill.; Xanios, 5 mill.; Heraclea, 4.5 mill.; Previsa with the Lencades, 3.5 mill.). After adding to this amount some 3 million okas from the districts the returns for which are still outstanding and 8 million okas from the previous year's harvest, the total amount available for home consumption and export will be 53.2 mill. okas. The estimated output shows a decline of 43 mill. okas as compared with the 1924 yield (88.4 mill.) and of 20 to 25 mill. as against the average annual yield of 65 to 70 mill.

The requirements for home consumption may be estimated at 55 million okas, so that the whole amount available of 53.2 million okas, including the remains of last year's stocks, will be insufficient to meet it. (*Oikonomologos Athenon.*)

The Fig Crop.—This year's fig crop amounted to 190,000 bags of an average capacity of 80 okas each (oka = 2.8 lbs.). Owing to the scarcity of the crop the demand has been great, although the quality of the fruit is much inferior to that of last year. Up to date 130,000 bags have been sold. It is reckoned that by the end of November the whole yield was exported.

Prices vary from 18 to 45 piastres the oka, according to quality, whereas the price of the best qualities of last year's crop was only 22 piastres the oka. The dealers have sold forward abroad, anticipating prices much lower than those noted and thus have sustained appreciable losses.

The following table shows approximately the annual yield of figs for the past 10 years (in 1,000 tons):—

1915	...	15	1920	...	21
1916	...	20	1921	...	21
1917	...	15	1922	...	28
1918	...	18	1923	...	29
1919	...	10	1924	...	31

(*Oikonomologos Athenon.*)

Sponge Fishing.—From the earliest times fishing for sponges has been carried on by Greeks, especially those from the islands, and to-day the chief centres of the industry are, in home waters, Egina, Calumnos and Cumae, and abroad, Sfax, Tripoli and Benghazi.

Sponge fishing is carried on by the four following processes, viz.: (1) By naked divers, the least common and practised solely by the African natives. (2) With a grapple or the trident of the ancients. The fisherman detaches the sponges from the sea bottom with this implement. This method, however, can only be used in water less than 10 metres deep. (3) By means of strong drag nets drawn along the sea bottom and catching up the sponges. These nets are drawn by small sailing vessels on waters 20 to 30 metres deep. This method is practised by the Italians. (4) The fourth and most complete process is performed by divers in diving dress, who are able to attain a depth of 70 metres (about 230 ft.). This process is carried on exclusively by Greeks. The sponges found at this depth are of superior quality, but the cost is much higher. The vessel carrying the divers is of 4 to 5 tons and is accompanied by a larger vessel of 30 to 50 tons carrying stores and used for storing the sponges. These two vessels remain at sea for the whole fishing season at a distance of at least 60 miles from Sfax and are

served by a third vessel which plies to and fro bringing stores and taking back the sponges. The sponge fishing season lasts nearly ten months, and for the last few years has been divided into two periods, the first from Christmas to Easter, and the second from St. George's day (April 23) until the Feast of St. Dimitri. (October 26.)

The crew of these vessels consists of 20 to 25 hands, a captain, 10 to 12 sailors and 10 to 12 divers.

The sponges, wherever fished, are covered with a membrane, the pores of which are filled with sand, and are only freed from foreign substances by repeated washings in salt water. After being cleaned their extremities are cut off to give the orthodox appearance. This operation is carried out on the store ship in the case of the deep water sponges, and on land in the case of those found in shallow water. This operation is merely preliminary, as before receiving their final aspect they have to undergo long processes of preparation. Thus the sponges used for medical purposes are subjected to successive baths in acids.

The sponge trade both in Tunis and in Europe is entirely in the hands of the Greeks, especially from the islands of Calumnos and Cumae. Although the Greek sponge traders have been established for 50 years and upwards, in Sfax and the neighbouring island of Dserba, the fishing is carried on exclusively by natives of Hydros and the Dodecanese, who also instructed the African natives and Italians in their craft. Foreigners however only fish with the trident and the net. The Greeks have retained for themselves the process of fishing by divers, which requires considerable capital. It is however dangerous and causes heavy losses in workmen. (*Oikonomologos Athenon.*)

COMMUNICATIONS

Traffic in the Peiraeus in 1925.—During 1925 there entered the port of Peiraeus (the port of Athens and chief port of Greece) 15,530 vessels with an aggregate of 5,241,947 tons, of which 7,915 with an aggregate of 5,011,228 tons were steamers, and 7,665 with an aggregate of 200,719 tons were sailing vessels. The following table shows the traffic in the port during the past 10 years:—

		No. of ships.	(1,000 tons.)
1916	...	2,658	1,288
1917	...	933	330
1918	...	1,801	721
1919	...	3,436	1,946
1920	...	4,720	2,879
1921	...	5,431	3,547
1922	...	5,878	4,312
1923	...	6,079	4,119
1924	...	7,142	4,651
1925	...	7,915	5,241

The progress made by the port of Peiraeus was more marked after the economic collapse of Turkey. While the traffic of this and other Greek ports increased continuously, that of the two chief Turkish ports, Constantinople and Smyrna, was stagnant. During 1925 the receipts of the Peiraeus custom house amounted to 855,715,354 drachmas paper and 37,179 drachmas gold.

The merchandise handled in the port during the year was 1,438,928 tons, of which 1,377,445 were imports and 51,483 exports. These totals were contributed by a large number of countries, of which the chief were the following (figures in tons): *Imports from*—Great Britain, 453,157; United States, 185,175; Rumania, 169,998; Russia, 96,961; Germany, 86,650; Italy, 62,196; Holland, 55,038; France, 39,422; Turkey, 28,276; Argentine, 24,603; Tunis, 24,465; Yugo-Slavia, 23,233; Canada, 23,148; Sweden, 18,422; Czechoslovakia, 17,299; Bulgaria, 3,889; Brazil, 13,435; Java, 13,435, etc.

Exports to—Italy, 13,247; France, 8,167; Egypt, 5,922; Cyprus, 5,915; Germany, 3,671; Great Britain, 3,509; Belgium, 2,998; Holland, 2,954, etc.

The general traffic figures were rather less than those of last year owing to the fact that Greece's corn requirements were less than last year, resulting in diminished imports of cereals.

* Oka = 2.8 lb.

The traffic returns for the last 10 years are as follows (in thousands of tons):—

1915	...	907	1921	...	1,027
1916	...	814	1922	...	908
1917	...	272	1923	...	1,413
1918	...	588	1924	...	1,561
1919	...	852	1925	...	1,439
1920	...	878			

The merchandise imported through the Peiraeus during the year includes 645,892 tons of coal, mainly from Great Britain. Further, 372,642 head of live stock passed through the port.

During the year 2,000,000 passengers landed in the Peiraeus, a number greater than in any preceding year, of whom only 11,723 were tourists. (*Oikonomologos Athenon.*)

POLAND

POLITICAL AND GENERAL

Alliance with Czechoslovakia a Step towards the "United States of Europe."—Frequent articles have of late appeared in the Press of the various countries of Central Europe dealing with the possibility and desirability of the creation of the "United States of Europe." The main argument urged in favour of such a scheme is the economic advantage that would, it is believed, accrue to the constituent members. The Polish Press is in general favourably disposed to the realisation of such a plan and has recently devoted considerable attention to the question of a possible Customs union and also a political alliance with Czechoslovakia, as a first step towards a more comprehensive union of the different Central European States. A certain significance is lent to this proposal inasmuch, as the *Central European Observer* points out, as the initiative to the discussion has come from Deputy Jan Debski, one of the leaders of the Piast party, and chairman of the Foreign Affairs Committee of the Sejm. The idea is vigorously supported by the Piast and Christian-Democratic Press.

The *Rzeczpospolita* discusses the proposal at length, and shows that from an international point of view such a union would form part of the plan for the creation of the "United States of Europe." The union would represent an economic unity of territory from the eastern frontier of Bavaria in the west to Kiev and the Lithuanian and Latvian frontiers in the east, from Koshice (Slovakia) in the south to the Baltic Sea in the north. This extensive territory would have in the Elbe a waterway to the North Sea, and in the Danube a waterway to the Black Sea, while it would have a port of its own in Gdynia on the Baltic. The territory would have its own coal, its own naphtha, its own zinc, and would be able to electrify all its means of communication. It would possess a population of some forty-five millions, that is, within five millions of the population of Germany. The Union would bring great strategical advantages to both countries and could become the basis for a greater Customs union embracing Rumania and Yugo-Slavia. The mutual relations of Poland and Czechoslovakia could follow the model of the former Austria-Hungary, only that the agreement would not be limited to ten years as in the case of Austria-Hungary. A common Customs frontier, common currency, weights and measures, in fact, everything that would facilitate the exchange of commodities and their production, would be the outward expression of the proposed Union. A certain measure of unity in military and frontier policy would be all the more easily attainable in view of the fact that Poland and Czechoslovakia have no essentially opposed interests in these directions, but are both constrained to protect themselves from a common danger. The Union would secure the existence of the two States and their peoples, who could devote themselves to peaceful economic and cultural effort.

National Economy in 1925.—The economic life of Poland during the past year is submitted to a critical

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Statement of Accounts

December 31st, 1925

LIABILITIES		£
Paid-up Capital	12,665,384
Reserve Fund	.. .. .	12,665,384
Current, Deposit & other Accounts (including Profit Balance)	.. .. .	350,407,209
Acceptances & Engagements	.. .. .	35,747,790
ASSETS		
Coin, Notes & Balances with Bank of England	.. .. .	53,590,604
Balances with, & Cheques on other Banks	.. .. .	17,026,057
Money at Call & Short Notice	.. .. .	18,679,349
Investments	.. .. .	34,791,276
Bills Discounted	.. .. .	41,888,022
Advances	.. .. .	196,747,548
Liabilities of Customers for Acceptances & Engagements	.. .. .	35,747,790
Bank Premises	.. .. .	6,637,169
Capital, Reserve & Undivided Profits of		
Belfast Banking Co. Ltd.	.. .. .	1,291,167
The Clydesdale Bank Ltd.	.. .. .	2,667,608
North of Scotland Bank Ltd.	2,069,578
Midland Bank Executor and Trustee Co. Ltd.	349,599

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Per cent.		Per cent.		Per cent.
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Athens	10	Geneva	3½
Belfast	6	Helsingfors	7½
Belgrade	6	Kovno	7
Berlin	8	Lisbon	9
Brussels	7	Madrid	.....	5
Bucharest	6	Moscow	.....	8
Budapest	7	New York	.....	4
Copenhagen	5½	Oslo	.....	6
Danzig	9	Paris	.....	6
		Prague	.....	6
		Reval	.....	9
		Riga	.....	8
		Rome	.....	7
		Sofia	.....	7
		Stockholm	.....	4½
		Tokyo	.....	7.3
		Vienna	.....	9
		Warsaw	.....	12

The official discount rates of the State Bank in Moscow for bills at two months is 8 per cent., for bills at four months 9 per cent., and for bills at six months 9½ per cent.

examination by Dr. A., in the *Prager Presse*. The balance of the accounts of Polish national economy for 1925, shows, he states, a heavy deficit. A fluctuating currency, rapidly increasing unemployment, an empty exchequer and a lack of working capital are the results of the past year. It is rather remarkable that foreign critics of Poland's economic life pay too much attention to the currency problem to the neglect of other conditions, so that the opinion gains ground that the whole of Poland's national economy turns upon the question of the currency. This false view of the economic problem was held by the former Minister of Finance, M. Grabski, who tried to deal with the currency problem quite independently of other matters and who saw in the introduction of the zloty the main purpose to which all others had to be subordinated, with the result that the currency which had been established at great sacrifice could not contend with the natural and artificial difficulties and accordingly lost all stability. It is evident that the adverse foreign trade balance and the exhaustion of the Bank of Poland's stock of foreign currency and bills were the main causes in the fall of the zloty, the situation being rendered more difficult by the action of Germany. There was no political motive in Germany's action; it was purely economic. Germany had accumulated a large stock of zlotys and, as the chief importer of Polish wares, she not unnaturally threw these reserves upon the market at the moment when they appeared to be superfluous and when the confidence in the Polish currency had been shaken. The intervention of the Polish Bank of issue could not restore the zloty to gold parity, although great efforts were made in this direction and although the loan obtained from the New York Federal Reserve Bank to the extent of ten million dollars was applied to this end.

It is now generally recognised in Poland that gold parity will not be attained within the near future; in some responsible circles it is urged that the zloty should be stabilised at its present rate of purchasing power, without excluding gradual efforts to restore the gold parity.

The economic depression and the fall of the zloty produced disastrous effects upon banking. The largest bank in Poland in respect to organisation, namely, the Bank for commerce and industry with its 200 branches throughout the country and several branches abroad, has been placed under legal control and will either be liquidated or will shrink to an insignificant concern. The Posen Commercial Bank and the Lemberg Industrial Bank are in difficulties, whilst the Warsaw Commercial Bank, the leading bank in Warsaw, has lost much of its prestige. Many others of lower standing really exist only in name. The conditions in the banking world of Poland may best be observed in the crisis in stocks and shares. Many of the shares have during the course of the year dropped to one-third and, in some cases, to one-sixth of their value at the close of 1924.

There was a relatively big influx of foreign capital, which, however, ceased when the zloty fluctuations began. Only 35 mill. dollars of the 50 mill. Dillon dollar loan was made liquid and despite intervention the last instalment of 15 millions has not been obtained. The conditions under which loans were obtained were not at all favourable. A number of private concerns secured large loans in dollars, sterling and Swiss francs, and here again the terms were somewhat severe.

The favourable harvest did not produce the expected results; the large general supply caused prices to fall and Germany, the chief customer, was cut off on account of the tariff conflict.

In regard to the future there are some hopes that by following a policy of the strictest retrenchment the Government will be able to establish the equilibrium of the Budget and that Poland's exhausted national economy will be revived by securing a large foreign loan. Such a loan will not be easy to obtain under the existing circumstances and, even if the negotiations be successful, the conditions are bound to be most

onerous for Poland. The Government has an extremely difficult task before it; fortunately, attention is being fixed more upon realities and essentials than upon mere prestige, and this alone gives some ground for hope.

FINANCE

Financial Reform Progress.—Poland has entered upon the new year with definitive preparations to conclude its financial and economic sanitation for which the country has so long been waiting. In order to make use of all the experience obtained in the carrying out of economic sanitation in other countries, Poland has invited Dr. Edwin Kemmerer, the United States financial expert, to come to Warsaw to act as financial adviser to the Government. Dr. Kemmerer is engaged in the study of Polish economic questions and considers that a clear idea of the actual situation may be formed within a short space of time. It appears from the statements that he has already made that he regards the general economic and financial situation of Poland more favourably than was at first expected. It is evident from the official statements on the occasion of the New Year that the Polish Government is aware that its most important task still continues to be the removal of the economic crisis. In a conversation with Warsaw Press representatives, Count Skrzynski, the Prime Minister, recognised that the unemployment problem had become very urgent and declared that the Government was giving very earnest attention to this matter. At the beginning of the second half of December last the number of unemployed was 286,693, and there have been demonstrations of the unemployed at Lodz and other industrial centres. The Prime Minister stated also that the foreign credits which are to be obtained would be devoted solely to the enlivening of economic life and to the encouragement of production. Count Skrzynski likewise views the general situation of Poland in a relatively favourable light. In the above mentioned conversation he declared that there were no grounds for extreme pessimism and that an improvement in the financial and economic situation of the country would manifest itself in February 1926.

On January 3 the special commission to deal with the question of economies and the re-organisation of the State administration commenced its activities; it intends to conclude before the end of March the practical re-organisation of the administrative personnel. The population is voluntarily taxing itself by providing the State with gold, silver and other valuable objects in order to increase the metal cover of the zloty in the Bank of Poland. The general view is that this time the efforts of the Government will produce satisfactory results. (*Central European Observer*.)

The *Neue Freie Presse* correspondent at Warsaw explains that the voluntary delivery on the part of the population of gold, silver and other valuables to the Bank of Poland is really in the nature of an internal loan, under the supervision of a committee formed of a number of deputies of the Sejm.

British Participation in the National Bank of Poland.—There is a great deal of reservation on the part of the authorities concerning the participation of foreign parties in the National Bank and all details are being at present withheld. The negotiations, it is reported, were resumed during the month of January. In the Bourse circles the statement has gained currency that a British group has secured a second lot of the shares of the National Bank to the total value of some 25 mill. dollars, thereby becoming possessors of 49 per cent. of the total shares issued by the Bank. The negotiations with a United States group for the lease-holding of the tobacco monopoly are proceeding very slowly. The interested parties in America first await the reports of experts as to the situation of the monopoly before submitting concrete proposals. Representatives of a United States concern have been negotiating with the Polish Government for the sale of the zinc deposits in Polish Upper Silesia.

The statement of the Bank Polski at the close of last year showed an increase in gold stocks to the value of 213,000 zlotys and of currency and foreign bills to the extent of 10.5 mill. zlotys. The bill of exchange portfolio diminished by 2.8 millions, whilst loans on securities rose by 5.2 mill. zlotys. The bank note circulation showed a diminution of 12 millions. Deposit accounts and other liabilities were lower by 13.6 mill. zlotys. (*Danziger Zeitung*.)

Improvement in the Zloty Course.—After remaining practically stable for some weeks there was a marked improvement in the quotations of the zloty on different European Bourses during the first half of January. In Vienna there was a sudden rise from 87 to 92.30, in Berlin from 51.64 to 54.10 in one day. During the period of improvement the zloty in some instances rose by 12 per cent., whilst the dollar quotations on Polish Bourses fell off by from 4 per cent. to $4\frac{1}{2}$ per cent. The improvement is attributed to the energetic action taken by the Government to prevent speculation and to combat the high cost of living, whilst the favourable course of the negotiations for a foreign loan also influenced the exchange. (*Neue Freie Presse*.)

New Banking Regulation.—In accordance with a decree issued by the President of the Republic concerning banking operations and the control of such operations all joint stock banks that were in existence on December 31, 1924, are compelled to make a return respecting their capital. As from the end of 1925 no bank may have a share capital of less than 500,000 zlotys, and by the close of 1926 this capital must be increased to 1,000,000 zlotys. The banks are further obliged to increase their capital by the end of 1928 to a minimum to be prescribed according to the locality or to the extent of the operations of the respective banks. The minimum limit for joint stock hypothecary banks with branches is set at 5 mill. zlotys. The inventories and statements of banks are to be drawn up in zlotys in order to facilitate the determining of the share capital. (*Neue Freie Presse*.)

TRADE

Foreign Trade Returns January-November.—

According to the figures just issued by the Statistical Bureau at Warsaw the value of exports in November last amounted to 154.4 mill. zlotys, whilst that of imports attained the figure of 84.5 mill. zlotys, resulting in a favourable balance of trade for the month to the extent of about 70 millions. In October exports were valued at 131 mill. zlotys, and in September at 108.8 mill. zlotys, and imports for the respective months at 80 mill. and 72.8 mill. zlotys. The favourable balance for October was 51 mill. and for September 36 mill. zlotys. The improvement of the balance in November was largely due to the augmented coal and cereal exports, which will probably fall off during the early months of the present year.

The total value of imports during the first eleven months of 1925 figures at 1,583 mill. zlotys, as against about 1,300 mill. zlotys for the corresponding period of 1924, whilst the value of exports is given at 1,210 mill. zlotys, as against 1,100 millions in 1924. There was thus an adverse balance of trade to the extent of about 373 mill. zlotys during the period January to November 1925.

Compared with the corresponding period in the preceding year the main classes of imports during the first eleven months of 1925 rose as follows: Foodstuffs from 242.4 mill. to 458.5 mill. zlotys; textile wares from 405.2 to 429 mill.; machinery and apparatus from 83.9 to 96.3 mill.; clothing from 60.1 to 61.6 mill.; transport and traffic materials from 23.62 to 46.5 mill.; chemicals and chemical products from 41.7 to 44.7 mill.; electro-technical materials, etc., from 19 to 28 mill.; paper and products from 12.7 to 23.3 mill. zlotys. Decreases were recorded in animal products, from 130.3 to 105.6 mill.; metal wares from 93.6 to 83.9 mill.; and fancy goods from 11.4 to 10.6 mill. zlotys.

An improvement in exports was recorded in foodstuffs, from 244.9 to 290.1 mill.; timber and products from 119.6 to 221.8 mill.; metal and metal wares from 130.2 to 136.6 mill.; live stock from 49.6 to 90.4 mill.; plants and seeds from 26.8 to 31 mill.; animal products from 19.6 to 25.1 mill. zlotys. There was a diminution in the exportation of fuel, from 320.6 to 205.6 mill.; textile goods from 157.4 to 136.4 mill.; chemical materials, etc., from 10.1 to 9.7 mill. zlotys.

The very large orders for enamel wares that had been received from Russia and which ranged from 40,000 to 230,000 dollars per single order have now been almost completely executed. (*Danziger Zeitung*.)

RUMANIA

POLITICAL AND GENERAL

The Economic and Financial Situation in 1925.—

In a contribution to the *Bursa*, J.B.F. gives a comprehensive account of the general economic and financial situation in Rumania during the course of the past year, of which the following is a précis. If it were not for the excessive and ill-distributed taxation, states the writer, the public finances of Rumania might serve as a model for many countries. In the first place there will be a budgetary surplus, which, judging by the results of the first ten months of the year, will amount to about 2 milliards. Up to the end of October last the total revenue collected attained the figure of 26,270 mill. lei, to which must be added the receipts of the last two months, plus those of the complementary six months. It is this certainty that has justified the Minister of Finance in estimating the revenue for 1926 at about 40,000 mill. lei, or 8,000 millions in excess of the estimates for 1925. It is, however, a mistake to judge the prosperity of a country solely by the favourable course of the public finances. In the case of Rumania it has been possible to establish a Budget surplus largely on account of the very heavy taxation and the continued depreciation of the currency. This will be seen by comparing the depreciation of the currency with the annual augmentation of the national receipts. The first Budget of the present Government (1922-23) amounted to about 15 milliards, but during this period the cost of living index number rose from 1,600 to 2,466. The next Budget was for 20 milliards and that for 1924 required 28 milliards; during these two years the cost of living index number rose from 2,466 to 3,677 in January 1924 and to 4,200 at the end of the year. The rate of the budgetary increase for 1925 was higher than the percentage of the augmentation in the cost of living, but this was due to the very heavy increases in taxation and tariffs of all kinds. During the past year the railway rates, the prices of the monopoly articles, the postal rates and the Customs tariffs have all been considerably increased. With a few exceptions no portion of the State revenue has been devoted to the economic and social restoration of the country, exhausted by war and the aftermath of war. On the contrary, the railways, for instance, have been obliged to curtail their services owing to lack of funds for keeping the rolling stock in good repair. There were about 5,000 fewer trucks in service in 1925 than in 1924, whilst the number of locomotives has diminished from 1,971 in 1924 to 1,888 in 1925. Almost all the categories of revenue reveal the same phenomena, namely, the continuous depreciation of the currency within the country has compelled an augmentation of the Budget figures without any effective increase in revenue being realised.

The development of the State finances has had a direct influence upon private finances, the principal characteristic being an aggravation of the monetary crisis and especially of the credit crisis. As a consequence of the forced restriction of credits on the part of the National Bank, the continuous increases in taxation, the reserved attitude of foreign capital towards Rumania and especially the stagnation in the exportation

tion of agricultural products, the economic and financial crisis assumed alarming proportions. Commerce suffered very severely from the lack of credit, whilst the position of industry was somewhat alleviated by the creation of the "Creditul Industrial." The larger industrial concerns, founded chiefly on foreign capital, did not feel the crisis so acutely; but the concerns that had to rely entirely upon home capital experienced a most anxious year. During the course of the whole year the quotations of stock and shares on the Bourse have gradually declined, so that at the end of the year practically all shares were of a lower value than at the beginning of the year. It is an important and disquieting fact that new companies were founded and the capital of existing companies increased only by big concerns. Smaller companies found such a course impossible.

The Government's policy has proved unfortunate for agriculture. The duties imposed on exports, requisitions and the fixing of maximum prices could only result in hindering agricultural progress. These measures undoubtedly permitted agricultural products to be bought within the country at a fairly low price; but the final result was the obligation to resort to importing foreign wheat. The forced reduction of agricultural remuneration led to a feebler purchasing power of the farmers and peasants and provoked as a

to the attitude of the National Bank, which opposed the demands of the banks for re-discounting, exporters were compelled to resort to usurers, frequently paying as much as 70 or 80 per cent. interest. Such a state of affairs naturally provoked liquidations and bankruptcies. It is not surprising that the exportation of agricultural products during the first eight months of the year attained but 60 to 65 per cent. of the total exports, the volume exported being only 518,553 tons, as against 1,007,056 tons for the corresponding period of 1924. The exportation of live stock, petroleum and timber was brisker, but could not compensate for the decline in the agricultural exports.

Despite the numerous mistakes the efforts towards economic reconstruction are being continued. The blunders of the Government were due to its good intentions. It must be admitted that by its tenacious adherence to the programme of monetary sanitation the Government has avoided the risks that many other European countries have encountered.

FINANCE

Development of the National Bank.—The table reproduced below shows the development of the National Bank since 1913 as reflected in its main accounts, and the situation as at December 31, 1925 (in lei) :—

December 31 in	1913.	1916.	1920.	1921.	1922.	1923.	1924.	1925.
Capital ...	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000	12,000,000
Reserve fund	36,794,298	45,174,810	60,721,631	60,721,631	66,388,950	80,723,910	89,054,724	90,838,019
Net profits ...	9,678,752	10,160,465	7,680,000,000	20,012,196	23,507,358	28,303,542	16,025,970	16,610,642
Bank note circulation	437,182,410	1,451,712,448	9,485,557,798	13,722,231,453	15,162,053,233	17,916,829,449	19,356,437,908	20,060,776,150
Gold deposits—								
(a) specie	—	314,355,474	315,179,980	315,179,980	315,179,980	315,179,980	315,179,980	428,139,680
(b) bullion	—	178,912,697	178,575,450	187,575,440	178,575,450	122,959,699	112,959,699	
Gold stocks—								
(a) specie...	—	112,265	14,455	14,455	37,610,758	118,781,565	126,333,037	126,400,213
(b) bullion	151,510,764	—	1,689,111	1,689,111	1,689,111	8,486,647	8,486,647	11,930,321
Metal stocks	56,544,181	89,197,858	2,704,763,113	4,581,590,111	5,170,104,413	5,456,251,077	5,936,841,287	6,333,815,370
Discounted bills ...	207,745,901	127,650,503	702,483,033	1,829,629,662	3,808,488,416	5,684,111,365	7,572,959,926	8,362,268,876
Loans on securities...	48,077,527	56,973,073	130,297,261	172,626,668	236,696,204	353,954,753	459,518,983	559,675,637
Current accounts and bills at sight ...	30,015,440	191,447,346	818,605,253	1,811,592,997	2,191,599,877	457,340,251	723,523,415	1,089,078,677
Loans to State for Treasury requirements	12,802,059	505,517,215	8,108,942,066	5,281,379,229	5,282,825,535	4,073,000,066	3,761,364,447	3,761,364,447
Loans to State for currency unification	—	—	—	7,074,349,400	7,026,703,258	7,025,904,172	7,025,991,421	7,025,991,421
Rate of discount ...	6%	6%–5%	6%	6%	6%	6%	6%	6% (Bursa.)

consequence the crisis of national industry and unemployment. The Government imposed upon agriculture the heaviest burdens in order to realise its pet ideal of monetary resuscitation. The serious error thus committed will be fully realised when it is remembered that agriculture has hitherto represented the principal wealth of the country. With the exception of the export duties, which figure as an important item in the Budget for 1926, the restrictions upon agricultural progress have now been removed. It will, however, be some time before agriculture can recover, especially in the case of the smaller farmers.

The unsatisfactory situation of agriculture has reacted upon commerce and national industry. About 80 per cent. of the population of Rumania is engaged in agricultural pursuits; commerce and industry naturally rely chiefly upon the purchasing power of this element. In consequence of the reduced state of the home market industry had to restrict its output and to cut down labour. The market crisis was aggravated by foreign competition, for the import duties imposed by the Government proved ineffective as protective measures. In fact, foreign goods found but a feeble resistance in the Rumanian market on the part of Rumanian manufacturers, since the latter were not in a position to develop their industries sufficiently. Owing

Company and Capital Movements in 1925.—A detailed account of the movements of the capital of joint stock companies in Rumania during the past year, in comparison with the movements of preceding years, appears in the *Bursa* of January 3 from the pen of M. Peter A. Mihail. The figures relating to 1925 are extracted from the *Moniteur Officiel*, those for 1924 from various issues of the *Bursa*, and those of other years from the official statistics already published. We reproduce the main lines of the report.

The restricted monetary circulation of the National Bank compelled private banks to limit their sphere of activity. In general the banks adopted a policy of great reserve. The majority of the new banks were formed to encourage agriculture and to grant credit to the smaller industrialists, merchants and artisans. Excluding the National Bank (the data for which are given above) the number of joint stock banks in Rumania has risen from 486 in 1919 to 891 in 1925; the share capital from 711,264,038 lei to 5,112,232,449 lei; the reserve funds from 298,857,260 to 1,089,722,072 lei (1923); and the profits from 104,004,184 lei to 946,369,851 lei (1923). During the course of 1925 no fewer than 85 new banks were founded as joint stock companies, representing an aggregate share capital of 145,882,500 lei. During the same period 69 banks

increased their capital by an aggregate sum of 232,800,000 lei.

The assistance granted to industrial companies by the "Creditul Industrial" compensated only in a small measure for the lack of short-term credit. During the year 1925 54 new companies were founded with an aggregate capital of 307,750,000 lei. Further, 58 companies increased their capital by an aggregate sum of 681,869,300 lei. At the close of 1925 there were 861 industrial and mining companies in the country (excluding the oil companies) with an aggregate capital of 10,126,660,762 lei.

The oil companies have been hard hit by the monetary crisis and the prevailing economic conditions; they have consequently not developed in an entirely satisfactory manner. On the other hand, the increased production in some measure compensated the companies for having to sell at a reduced rate in the country and at prices abroad adapted to serious competition. During the course of 1925 the number of new oil companies founded was 13 with a total capital of 116,750,000 lei, in addition to a company founded at Antwerp with a capital of 80 mill. lei, for the purpose chiefly of engaging in the Rumanian oil industry. As at December 31, 1925, there were 204 oil companies in the country with an aggregate capital of 17,057,693,776 lei. Twenty-four companies increased their capital to the extent of 454,234,000 lei.

The number of commercial companies was increased in 1925 by 40 new concerns possessing a total share capital of 106,050,000 lei. Twenty companies increased their capital by the sum 89,405,000 lei. At the close of the year there existed 414 commercial companies

commanding a capital of 2,413,771,319 lei. This brings the total number of all joint stock companies in Rumania (excepting the National Bank) to 2,370, with an aggregate share capital of 34,710,358,306 lei.

TRADE

Import Prohibition.—The Bucharest Press announces that the Government has prohibited the importation of the following goods: Flowers; explosives; live fish and insects (with the exception of those specifically mentioned in agreements); material for minting; goods made of gold, silver and other precious metals, the value of which is not declared; waste paper; old newspapers; cotton-wool made of old cotton; artificial and coloured pepper; coffee beans if the volume contains 10 per cent. of bad beans; all foodstuffs and beverages which on analysis prove to be injurious and not in accordance with the Rumanian official conditions; arms, etc., and subsidiary parts, with the exception of consignments to the State; wild game during the breeding season; all foreign securities not quoted on the Rumanian bourses; saccharine other than consignments to chemists; pocket lighters for which benzine is used; luxury articles, such as fancy goods for decorative purposes, perfumes, statuettes made of precious material, etc.; all kinds of silk goods.

The importation of the articles mentioned below is now restricted: Tobacco; cigarette paper; matches; playing-cards; rock and sea salt; composite medicines; mineral water (unless with special permission of the Health authorities); margarine; meat, raw animal products; slaughtered poultry; fish; crabs, etc.; caviare; all kinds of fodder; manures; and foodstuffs quickly perishable.

SPECIAL ARTICLES

THE ECONOMIC SITUATION IN POLAND.

BY OSKAR LANGE.

Financial and Currency Reform.—The year 1924 was for Poland a year of financial reconstruction. The finances of the State, which had hitherto been in a very deplorable condition, were put in order, revenue was increased to cover expenditure, inflation ceased and a new currency was introduced. For this last purpose a private emission institution, the Bank of Poland, was created, to which the Government conceded the right of issuing notes. The bank notes were to be covered to the extent of 30 per cent. by gold of foreign exchanges, the rest by short-term bills. The Government reserved to itself the right of issuing small change to a fixed amount reckoned per head of population. A monetary unity was chosen, the zloty, equal to one gold franc. With the introduction of the new currency inflation was overcome, and everyone looked to a new era of economic recovery and progress. But 1925 proved very disappointing. Not only was there no economic recovery and sanitation, but a severe crisis befell industry, agriculture and trade, which by the end of the year, especially as regards industry and trade, became a real catastrophe.

War and Inflation.—The explanation for this must be sought primarily in the post-war circumstances common to the whole of Europe, and secondarily in certain conditions peculiar to Poland. It must be remembered that Poland was for many years a theatre of war, and that Poland was for many years a theatre of war, and for a longer period than any other European country. When these were already reconstructing their devastated areas and effecting their economical recovery, Poland had still to fight her Russian neighbour, and this to a large extent on Polish territory, the Bolshevik armies as late as 1920 reaching the gates of Warsaw. The post-war years were in Poland as in the rest of Europe years of pseudo-reconstruction, for the reason that it was founded on inflation. Apparently there was a great revival in industry, trade and agriculture.

Factories and workshops were busy, production increased, in many branches reaching and even surpassing its pre-war level. But this revival, as in other countries which passed through a period of inflation, was artificial. There was no great taxation, the State meeting its large expenditure by the printing of paper money, and as State expenditure in such circumstances was not felt by the population to be a burden there was no limit to its growth. The Government granted to industrial firms big loans which were repaid in depreciated currency, so that they were rather a premium paid by the State to industry. Further, the inflation created an excessive demand for commodities, as holders of money spent it as quickly as possible in order to avoid depreciation; and this demand kept industry and trade busy. Add to this large Government orders and the lack of any sound business policy, which was made impossible by the alteration in the value of currency. People thought this feverish and unsound inflationary revival to be real economic reconstruction, the period of pauperisation caused by the war to be passed, and national wealth and welfare to be increasing. Politicians were dazzled by the delusive picture of a recovering national status, by statistical figures pointing to increased production, and by the State engaging in vast expenditure without the need of having recourse to fresh taxation. They thought to be creating by means of inflation wealth out of nothing. But far from creating wealth out of nothing, inflation is in itself an impost, inasmuch as it takes from the holder of depreciating currency and from the creditor whose claims are payable in this currency. A great part of the nation is succumbing to this impost—the middle classes, who have invested in funds fixed in various long-term debentures, State and private loans, mortgages, etc.; and the working classes, who are affected by a rise of prices far greater than the rise of wages. This impost differs from other imposts in that it is imposed not only on behalf of the State, but also in behalf of private persons, viz., the debtors who are

enabled to pay their debts in depreciated currency. The apparent economic revival caused by inflation was therefore no reconstruction of wealth but only a *translocation of wealth*. An invisible impost has thus been imposed upon holders of ready money and upon creditors for the benefit of debtors and the State. Hence the revival of industry which, as a debtor, was released from the claims of its creditors and was even supported by Government loans of the nature of premiums. But this meant living at the expense of the national capital. That part of the national capital which was in ready money and in credit papers has been consumed. This became apparent in the third quarter of 1923, when Poland entered the stage of hyper-inflation. The sources from which inflation drew were exhausted. The amount of money in circulation reckoned in gold became smaller and smaller though the nominal paper circulation was increasing very fast, prices rose faster than the amount of circulating money and an industrial crisis set in. It became clear that further inflation would ruin the national status and that a remedy must be found. Parliament voted for the valorisation of taxes according to the gold standard and passed an Act by which the Government presided over by M. Wladyslaw Grabski was authorised to issue with regard to economic and financial matters decrees having all the force of law. This Government accomplished the financial and monetary reform.

The Crisis.—But after the introduction of a stable currency the illusory character of the former economic revival became apparent. To cover the vastly expanded expenditure of the State during the period of inflation a heavy burden of taxation has been imposed upon the people; no further loans were granted to industry; the excessive demand for commodities caused by inflation ceased; the price level, which was formerly below that of pre-war years, rose; the export premium created by inflation ceased to be effective, imports rose and the balance of foreign trade became adverse. The result was an economic crisis. At first this crisis was regarded as of a passing character, as a natural corollary of the financial reform which would soon cease after all such firms as owed their existence to the artificial conditions created by inflation had disappeared. But the crisis persisted, and not only firms that had sprung up during the inflationary period, but many old-established pre-war firms of a good repute found it impossible to carry on under the new conditions and became insolvent. The number of bankruptcies and protested bills increased to an alarming extent. Industry had to reduce output and to cut down labour, with the result that unemployment assumed very serious proportions. The crisis became particularly acute in the second half of 1925, when the difficulties were augmented by the depreciation of the new zloty currency.

Industry.—The figures with regard to unemployment afford a very good idea of the extent of the industrial crisis. At the beginning of January 1925 the number of unemployed on the register amounted to 163,000, by the beginning of December it had risen to 240,000, and in January 1926 reached a total of 318,000, or a rise of nearly 100 per cent. in one year. In view of the fact that about 70 per cent. of the population are engaged in agriculture, these figures are obviously very high. The rest of the workers, moreover, are working short time. The industries most seriously affected are the textile and metal industries; but coal mining has also suffered from the refusal of Germany to take Polish coal,* though the loss entailed has to

some extent been made good by the finding of new markets. This refusal on the part of Germany to take Polish coal gave rise to a Customs war between the two countries, to the detriment of Poland, seeing that about 40 per cent. of her exports were formerly going to Germany. Upper Silesia especially, whose industry (like that of Alsace and Lorraine) is still dependent on German markets, suffered from the effects of this war. These conditions naturally reacted on the quotations of industrial stocks, which fell in consequence, while the returns of the industrial stock market showed a serious decline, those of the Warsaw Bourse, which in January 1925 amounted to 2,107,000 zlotys, falling in November to 457,800 zlotys.

Agriculture.—Not only industry but agriculture also has felt the full effects of the crisis. The very bad crops of 1924 not only prevented Poland from exporting cereals, but even compelled her to import both cereals and flour. For a country whose leading industry is agriculture this was evidently a very serious position. In 1925, however, there was a marked improvement, the crops being above the average. Nevertheless the agricultural situation is still very depressing, with high taxation and a complete lack of long-term credit. Under the circumstances landowners are compelled to accept short-term bills subject to a very high rate of interest, which on maturing have to be renewed. This has given rise to a system of long-term credit, the effects of which, however, are anything but satisfactory. The following figures are an indication of the 1925 crops (in quintals):

Wheat ...	15,750,500	Rye ...	65,418,700
Barley ...	16,789,900	Oats ...	33,114,800

The results would have been more favourable but for the heavy rainfall before and during the harvest. The average production per hectare was as follows (in quintals):—

Wheat ...	14.4	Rye ...	13.3
Barley ...	13.7	Oats ...	12.8

As compared with the bad crops of 1924 these figures show an increase as follows:—

Wheat ...	78 per cent.	Rye ...	79 per cent.
Barley ...	39 " "	Oats ...	37½ " "

In comparison with the average pre-war crops there has also been an increase, except in the case of wheat. Taking 100 as the pre-war figure, the crops for 1925 compare as follows:—

Wheat ...	92.4 per cent.	Rye ...	113.7 per cent.
Barley ...	110.6 " "	Oats ...	117.1 " "

These results brought about a fall in prices in the course of the autumn, which was intensified by the great need of ready money to pay debts which the landowners had been compelled to incur and to pay the taxes in accordance with the terms laid down by Government in the second half of the year. Now the prices of cereals have risen to the level of international parity. To relieve the situation, agriculture still suffering from a chronic want of ready money, Parliament has passed a law permitting landowners to pay their taxes in agricultural products. This payment of taxes in kind is purely optional, but if the landowner chooses to discharge his liability in the form of agricultural produce the Government is obliged to take it. As the Act has only recently been passed, it is impossible to express an opinion as to its actual effect. It is probable that the Government will assign the collecting of the taxes in kind to societies dealing in agricultural products, which will pay the Government in ready money for the produce received.

Foreign Trade.—The decline in value of the zloty had a marked influence on economic life as from the end of July 1925. This was caused by the adverse foreign trade balance. Already in 1924 the balance of foreign trade was adverse to the amount of 212.7 million zlotys, but in 1925 this deficit was accentuated. It began with the discontinuance of inflation and the introduction of a stable currency. When after stabilisation of the currency a sound business policy became possible, it was aware that Polish industry was producing at too high costs, and that its commodities were unable to

* It may be pointed out that formerly when the Upper Silesian question was in dispute Germany contended that she needed the Silesian coal for her industry and economic recovery, but now that she is refusing to take it her industrial position remains unaffected, and it is even argued on her behalf that such importation would prove injurious to German economic life. This is true, for German coal-mining is notoriously at a stage of over-production, which would only be intensified were Polish Upper Silesia to belong to Germany.

compete in the world markets. Prices, too, had risen, and the purchasing power of the zloty was far greater abroad than in the home market. Hence an increase of imports, aggravated by the bad crops of 1924, which necessitated imports of cereals and flour in the first half of 1925. The returns of foreign trade for the first eleven months of the year were as follows (in millions of zlotys):—

	Imports.	Exports.	Balance.
January	172.7	107.6	— 65.1
February	151.1	103.0	— 48.1
March	190.1	120.5	— 69.6
April	182.7	86.6	— 96.1
May	185.6	105.9	— 79.7
June	169.4	103.6	— 65.8
July	173.2	86.7	— 86.5
August	116.7	101.4	— 12.0
September	72.8	108.8	+ 36.0
October	80.1	131.5	+ 51.4
November	87.5	154.5	+ 70.0
Total	1,578.6	1,213.1	—365.5
Corresponding total for 1924	1,299.8	1,130.0	—169.5

From the above figures it will be seen that as from September the trade balance has been favourable, as a result of the cessation of cereal imports and the beginning of export of agricultural produce. Probably the decline of the zloty contributed to the development of the export trade. The decline of imports is due to the high protective, even prohibitive, Customs policy introduced by the Government after the fall of the zloty.

Currency.—The deficit on the balance of foreign trade, which was particularly great in April and July, involved a large demand for foreign currencies and bills which the Bank of Poland was not in a position to meet. The Bank's stock of foreign currencies and bills fell from 254 millions at December 31, 1924, to only 24 millions at December 20, 1925. This reduction compelled the Bank to curtail the amount of notes in circulation in order to maintain the legal ratio of 30 per cent. of notes to gold, foreign currencies and foreign bills. The circulation of notes fell during the period in question from 551 millions to 369 millions, and all the while the amount of small change in circulation was steadily increasing, from 123 millions at December 31, 1924, to 410 millions at the beginning of December 1925—an abnormal state of things, the amount of small change being actually in excess of the supply of bank notes. Not that the emission of small change was excessive, but rather that the paper circulation was inordinately restricted. The reduction in the amount of bank-notes in circulation was brought about by the curtailment of credit, which reacted to the detriment of the economic life. As a matter of fact, it may actually be regarded as the main cause of the acute character which the economic crisis assumed in the second half of the year. But although the legal cover for the currency was thus maintained on January 10, 1926, it stood at over 40 per cent), it was not possible to maintain the gold parity of the zloty. The demand for foreign currencies and bills was so great that the Bank of Poland could not satisfy it. Importers were therefore obliged to buy foreign bills and currencies outside the Bank and as demand was far greater than supply there arose an agio for foreign currencies and bills and the zloty dropped. At first this disagio of the zloty was regarded as of a transitory character, but as the zloty not only failed to rise, but continued to drop, the public, mindful of its experiences of the period of inflation, lost confidence in the Polish currency and began to buy foreign currencies (notably U.S.A. dollars) so as to avoid further loss arising from the continued depreciation of the zloty. This "crise de confiance" involved at the end of November and in the beginning of December a serious decline of the zloty, the dollar, of which is 5.20, reaching and even exceeding 13 zlotys. This panicky flight from the zloty induced a rise of prices, since when, however, the zloty has again appreciated, the dollar being now at about 7.50, or a disagio of about 28 per cent. The

Minister of Finance, M. Zdziechowski, has stated that it is not the intention of the Government to raise the zloty to its gold parity, but will endeavour to stabilise it at an "economic parity," i.e. at a parity at which its home purchasing power would be equal to its purchasing power abroad, so that the price level would be approximately the same as in other European countries, thus enabling Polish industry and agriculture to face foreign competition in the home market as well as abroad.

Banking.—The decline of the currency also led to a crisis in banking, as the public, losing confidence in the zloty, proceeded to withdraw its deposits. This run on the banks placed them in a very difficult position and threatened them with insolvency. Their difficulties were aggravated by the policy of restricted credit pursued by the Bank of Poland, and by the fact that many of the banks were not on a sound economic basis, being merely the product of inflation. The Government, anxious to preserve the leading banks from insolvencies, which would have aggravated the economic crisis and caused panic and ruin on the money market, came to their assistance with loans from the Bank of National Economy (Bank Gospodarstwa Krajowego), which is a State institution. The peril of insolvency was thus avoided, but the amount of the deposits has fallen. At the end of July the deposits in the 41 joint stock banks amounted to 400 million zlotys, but by the end of September they had fallen to 300 millions. The credit operations of these banks have also diminished, the amount of discounted bills declining from 325 millions on July 31 to 250 millions on September 30.

Finance.—The economic crisis was intensified by the financial situation. M. Grabski's financial reform was effected not by a reduction of expenditure but by an increase of revenue. The State expenditure amounted in 1924 to 1,627 million zlotys, in 1925 to 2,165.9 millions, and for the year 1926 M. Grabski had prepared a Budget amounting to 1,929,345,000 zlotys. It is obvious that the country cannot bear such a burden, and that the passing of the Budget proposals would complete the disorganisation and ruin of the economic life, especially in view of the severity of the crisis and the reduced incomes of the people; the new Government, therefore, does not intend to proceed with it. The new Minister of Finance, M. Zdziechowski, insists on the necessity of realising economies to the tune of about 500 million zlotys if a deficit is to be avoided. In 1924 and 1925 a great deal of the State expenditure was covered by extraordinary revenue. In 1924 544 million zlotys came from the liquidation of the gold stock of the Treasury, the emission of small change and the liquidation of the former government bank of issue, the Polska Krajowa Kasa Pozyerkowa, which has now been replaced by the Bank of Poland. In 1925 further liquidation, emission of small change and loans brought in 435 millions, making a total for the two years of 979 millions, not including the property tax, which is also an extraordinary source of revenue. Of this amount 315 millions have been used for the redemption of Polish marks, 100 millions have been assigned to the "economic fund" (for the maintenance of the economic life) and 17 millions as loans to municipalities, besides 65 millions to the Bank of National Economy and the Agrarian Bank (both State institutions) for granting credits to industry, agriculture, etc. The balance, 782 millions, has been used to cover the Budget deficit. This exhausts the sources of extraordinary revenue: there is no Polish Loan Fund left to liquidate, no gold stock in the National Treasury, and the emission of small money has already reached its legal maximum, a further increase of which would mean a return to inflation. Therefore the State expenditure must be reduced and economies effected. M. Zdziechowski contemplates a reduction of about 500 millions. A Preliminary Estimate for the first quarter of 1926 amounting to 405 million zlotys has already been voted by Parliament. At this rate the expenditure for the year would total about 1,600 millions. But the Minister of Finance intends further cuts in expenditure

during the next three quarters so as to keep the Budget within the limit of 1,500 millions. For example, Government investments are to be restricted to the absolute indisputable minimum, thus providing for a saving of about 100 millions. Expenditure for military purposes, which amounted in 1924 to 44 per cent. of the total Budget and in 1925 to 36 per cent., is also to be reduced to the extent of 150 millions, probably by a reduction of the period of military service. Salaries to State employees will be cut down to the extent of 120 million zlotys, and many other expenses will be reduced to effect a total saving of 500 millions. The realisation of this programme will prove very difficult, and it is to be feared that it may disorganise administration and public life. Nevertheless it is inevitable, but it will require a reform of administration, which is too slow and too dear.

Outlook for the Future.—But even supposing the whole of this programme is realised it will not save the situation. The economies proposed are only the natural consequence of the lack of extraordinary revenue mentioned; the heavy burden of taxation will still remain, and as this burden is very great economic life will continue to suffer from it. It is even possible that, as a result of the severe economic crisis, the revenue from sources such as the income tax will fall, and consequently that the economies indicated will not suffice to guard against a deficit. A larger reduction of expenditure, however, cannot be effected in any one year, a saving of 500 millions representing one-fourth of the former Budget. The outlook for the current year therefore is deplorable, more especially as the present high rate of taxation is ruining economic life. The Government can do very little, and real sanitation can come only from abroad in the form of a loan, which would augment the reserves of the Bank of Poland and enable it to increase the circulation of notes and to grant credit on a more liberal scale. This is an essential condition for recovery, as there is a complete lack of working capital. In 1925 the State expenditure was three times as large as the amount of the circulating currency. Hence a great shortness of ready money and a very high rate of interest, which is the main cause of Polish industry's inability to fight against foreign competition, and this shortness of money is aggravated by the absence of credit. The first purpose to which a foreign loan should be applied is the increase of credit and of the emissional capacity of the Bank of Poland. Only in this way can industry, trade and agriculture obtain the working capital needed to keep economic life active. If they are denied this an economic catastrophe is to be feared comparable only with that of Russia. But even if the required working capital is obtained the sanitation would be permanent, for this can only be effected by big long-term credits which would not only provide working capital, but would enable industry and agriculture also to make investments. That is the one remedy which can bring about a lasting restoration of Polish economic life. Failing this, an economic and social crisis is to be feared which will eventually involve the whole of Central Europe, and perhaps react even on France and England. Be this as it may, one thing is certain: an economic and social disaster in Poland is not in the interest either of the reconstruction or of the pacification of Europe.

ECONOMIC AND FINANCIAL CONDITIONS IN PARAGUAY.

A report on the economic and financial conditions in Paraguay by Mr. Frederick W. Paris, His Majesty's Charge d'Affaires, Asuncion, has just been issued by the Department of Overseas Trade.* Two years have elapsed since the publication of the last report, and they have witnessed in Paraguay an almost complete return to normal and healthy conditions, so much so that, in this new report, Mr. Paris is able to record

considerable consolidation and improvement in the country's financial and economic position. The position, when compared with that of 1922, has improved in the sense that, whilst the staple revenue-producing industries such as timber, cattle and yerba have been carried on for two years under favourable conditions, the scope of agriculture, hitherto chiefly confined to tobacco, has been considerably enlarged by the growing of cotton, which, it is now definitely proved, can provide the agricultural classes with an easy and profitable supplementary means of livelihood. To the question of cotton this article will return later.

Financially, Mr. Paris reports, the position of Paraguay has improved to a remarkable extent. The Exchange Office, originally designed to control the fluctuating value of local currency which, for a number of years, largely failed to fulfil its function, has, since 1923, got the local rate of exchange well under its control and has at the present time, sufficient funds, either in gold or in Argentine paper, to guarantee the paper currency in circulation to the extent of nearly fifty per cent. The Government Treasury Department has cancelled the heavy overdraft at the Banco de la Republica, upon which for years a high rate of interest was being paid, and now possesses at that and other banking institutions credit balances amounting in the aggregate to several hundred thousand pounds sterling. In addition to these favourable signs of progress the arrangements made with the Council of Foreign Bondholders in London in November 1924, now duly approved and ratified by Congress, by which the service on the External Debt, some four years in arrear, has been resumed and provision made for its regular payment in the future, has served to prove that Paraguay possesses the means of placing her finances on a sound footing without recourse to extraneous help, and that, notwithstanding the long period of depression from which the country has just emerged, she wishes to justify the confidence reposed in her by foreign investors.

As remarked above, one of the most interesting features of the general trade situation is the addition made to the resources of the country by the growing of cotton. What this new factor means to the country, apart from an increased demand for goods naturally arising from the sale of a supplementary crop, is indicated by certain secondary effects. By the revenue obtained from the sale of the 1923 and 1924 cotton crops and by other revenues derived from additional imports to meet the resultant demand for goods, national finances have been placed on an eminently satisfactory footing. On the other hand the brisk demand that has existed, and still exists, for the raw product has acted as a powerful stimulus to the agricultural classes. Under the old pernicious system by which his prospective crop of tobacco, with everything else he possessed in the world, was mortgaged for a scanty supply of food, clothing and equipment, the planter was virtually in the hands of the produce-merchant or the store-keeper. So stimulating has been the effect of the liberation from such conditions by cotton crops that a demand has arisen for modern ploughs and other agricultural implements and even for motor tractors, in the desire to get as much land as possible under cotton. It has, in a sense, writes Mr. Paris, effected the emancipation of the Paraguayan agricultural classes. It has created an urgent demand for adequate means of transport and communications, and legislation has been enacted to secure the requisite labour and funds to improve the existing roads, whilst a considerable sum of money has been assigned for the survey and construction of highways suitable for motor traffic through the most productive districts. This prospect is already stimulating the purchase and operation of motors and lorries, the routes of which are being rapidly extended to points, hitherto regarded as inaccessible.

In regard to its more direct effect on the trade

* H.M. Stationery Office. Price, 1s. net,

situation, Mr. Paris considers it useful to review briefly the development of cotton growing as an industry. In 1923 the cultivation of cotton had barely passed the experimental stage. The prices paid by the Banco Agrícola del Paraguay, then practically the only purchaser, were not such as to arouse any great enthusiasm, on the part of the somewhat apathetic agriculturists. But by the unremitting efforts of the Bank, the area put under cotton in 1923 was more than double that of the year before. At that time the price of the product began rapidly to rise and, by the time the crop—an exceptionally good one—was ready for picking, the keenest competition was displayed in its purchase and such prices were paid as to make cotton growing appear a highly attractive business. At the same time, the market for tobacco, Paraguay's traditional staple crop, began to weaken. These two circumstances combined to magnify, perhaps somewhat unduly thinks Mr. Paris, the importance of cotton, an effect that was still heightened by the fact that the product was paid for in cash. With the unfamiliar sensation of having money at their disposal, the producers flocked to the camp stores, a very brisk demand for goods sprang up, and stocks were rapidly sold out. Enthusiastic preparations were made for a still larger crop in 1925, over three times the area planted in 1923 being put under cotton, even to the neglect of domestic crops. Importers prepared for a greatly increased business and large orders for foreign goods went forward. But by the time these goods began to arrive, early in 1925, it became apparent that the hopes placed in the crop were exaggerated. Drought, locusts, and "Army Worm" reduced it to little more than the crop of the previous year, and, in addition, the world shortage of cotton having been successfully met, prices fell and the planters obtained considerably less than they had anticipated. Importers and storekeepers, as a result, found themselves heavily overstocked with goods for which there was no demand.

In regard to its influence on general trade conditions tobacco is not, of course, to be overlooked. The fact that the production of leaf in 1924 was considerably less than in 1923 can be attributed partially to the attention paid to cotton; and the marked depression in the tobacco market during the past two years has merely served to emphasise the fact that Paraguayan trade is no longer dependent as heretofore solely on this crop. Tobacco continues, as hitherto, to be a staple trade and revenue-producing product and the fact that the development of cotton growing has not upset the industry to a greater extent than it has done, seems to prove that the scope of the Paraguayan market has become definitely and very considerably widened.

The conclusion to be drawn is that although importers, owing to the success of the 1924 cotton crop and the partial failure of that of 1925, find themselves somewhat overstocked, this is not so dangerous a symptom as it would have been a few years ago, when production and trade in Paraguay were carried on under a credit system which was steadily sapping their strength. In view of the greatly improved financial position, increased vitality and prevailing optimism, there appears to be no reason to doubt that the somewhat heavy stocks of imported goods which, at the beginning of this year were the cause of some slight apprehension, will, within the next six months, be successfully absorbed.

THE ECONOMIST'S BOOKSHELF.

NATIONAL ECONOMICS.

National Economics for Britain's Day of Need. By EDWARD BATTEN, M.I.Mech.E. (London: Sir Isaac Pitman and Sons, Ltd. Price, 5s. net.)

This is an exceptionally well written and well arranged study, and it is to be hoped that the title chosen for it will in no way deter anyone from a considered perusal of its contents. The dividing line between politics and economics is diminishing daily; the problems of the

present and of the future, in this or in any other country, are economic, and they are being subjected to a profound analysis by economic theorists of all descriptions. It is, however, extremely doubtful whether the time is yet ripe for one to venture one's conclusions with all the assurance suggested by the title Mr. Batten has taken for his book. Those who are addicted to the habit of taking strong doses of pure economic theory dislike the term "National" affixed to their specific, and those who find comfort in the implications contained in the concluding portion of the title of this book usually regard economics as a bitter pill, more easily swallowed with the aid of some foreign confection or sweet. In other words, we feel that, at first sight, many readers will place Mr. Batten as a "special pleader"; whether he is such or not will depend, of course, upon one's own predilections, but of this one need not hesitate to say that he has performed his task extraordinarily well, and that it deserves to be read and to be read widely, even by those who will disagree with its conclusions.

From the title, one may be forgiven if one expects to find a re-statement of the case for Protection. As one reads on through Mr. Batten's book that expectation receives greater and greater encouragement. However, the conclusion at which Mr. Batten arrives on this question reverses it, and the expectation vanishes before the following:

"No tariff has ever been imposed which has maintained constant employment, and in our own case fifty years of free imports have abundantly shown that solely by adherence to that policy unemployment cannot be prevented, and the arguments herein advanced have shown that in certain relations a tariff would add to the fields of profitable employment, but in other circumstances it would but make the matter worse. There are no adequate trade statistics in existence from which it is possible to derive such certain knowledge as would enable a tariff to be so accurately timed and proportioned as to ensure that its effect would always be for the common good. This, with the facts that the damage done by an injudicious tariff is positive and accumulative, straining industry into unprofitable directions, and that the dependence of our country on foreign trade for its existence is with our present population so absolute, together making a policy of Protection but a leap into a dark and dangerous uncertainty, so that of the two policies I am constrained to prefer the rough schooling of adversity, which under Free Imports, even in their worst effects, is always urging industry in the direction where its richest gains may be won."

Mr. Batten is not quite so re-assuring to Free Traders on the question of Preferential trading. He urges that because of their belief that Protection is in all cases as detrimental to the economic interest of the nation which imposes the tariff as it is to that of the nations upon whose exports it is levied, have never frankly recognised "the good will to the Empire of which the granting of preferential terms is such a magnificent gesture."

A summary of the solution proposed by Mr. Batten for our present economic evils is as follows: The appropriate remedy for the injurious effects on British Trade of the monetary policies of foreign countries is to be found in our own wise monetary regulation. The gold standard is the most universally acceptable for international commerce, but not the most equitable between different members of the same community. Therefore, for all international transactions the gold standard should be used, and for domestic purposes a domestic standard should be devised. The latter should be one which adjusts the inequalities which exist between sheltered and unsheltered industries, and which ensures that if exports are profitable to the nation they are profitable to the producers. Our exports are our national payments for our imports; we buy our food with them. Nationally considered, when our exports rise in price our food costs less; when they fall in price our food costs more. This rise or fall in the cost of food should be equitably shared by all, and if domestic currency were regulated to maintain constant price in domestic currency for our exports, sheltered and unsheltered trades would be placed in equal economic conditions. The solution is the adjustment of the internal purchasing power of domestic money to constant parity with the external selling price in gold of the exported products of national industry.

STATISTICAL SECTION

THE TRADE BAROMETER

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

- | | | | | |
|--------------|-----------------|------------|-----------|------------|
| 1. Pig iron. | 3. Coal. | 5. Cotton. | 7. Hides. | 9. Bacon. |
| 2. Tin. | 4. Linseed Oil. | 6. Wool. | 8. Wheat. | 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 Com- modities	Bd. of Tde Monthly Average	Date	10 Com- modities	Bd. of Tde Monthly Average	Date	10 Com- modities	Bd. of Tde Monthly Average	Date	10 Com- modities	Bd. of Tde Monthly Average
1920.			1923								
Jan. 16	367.9	296.6	Jan. 12	162.8	157.0	Apr. 18	177.5	164.7	July 17	160.3	157.5
May 14	391.2	325.5	Feb. 16	177.2	157.5	May 16	171.2	163.7	Aug. 14	158.6	157.0
July 16	418.8	316.9	Mar. 16	192.4	160.3	June 20	167.8	162.6	Sept. 18	158.3	156.0
Dec. 17	257.0	263.8	Apr. 20	198.5	162.0	July 18	167.1	162.6	Oct. 16	154.1	154.8
1921			May 18	198.1	159.8	Aug. 15	175.3	165.2	Nov. 13	153.2	153.7
Jan. 14	244.2	245.9	June 15	190.0	159.3	Sept. 19	167.9	166.9	" 20	153.9	
Apr. 15	202.8	204.8	July 20	177.3	156.5	Oct. 17	172.5	170.2	" 27	154.1	
July 15	194.4	194.1	Aug. 17	174.6	154.5	Nov. 14	173.3	169.8	Dec. 4	153.5	
Oct. 14	170.2	180.7	Sept. 14	173.2	157.8	Dec. 12	171.7	170.1	" 11	153.5	
Dec. 16	153.2	167.9	Oct. 19	166.0	158.1	1925			" 18	153.0	153.2
Dec. 30	150.0		Nov. 16	171.7	160.8	Jan. 16	174.8	171.0	" 25	153.9	
1922			Dec. 14	177.0	163.4	Feb. 13	175.2	168.9	1926		
Jan. 20	144.0	164.0	1924			Mar. 13	172.8	166.3	Jan. 1	152.3	
May 19	162.1	160.6	Jan. 18	178.6	165.4	Apl. 17	161.9	162.5	" 8	150.8	
July 14	165.1	160.3	Feb. 15	187.9	167.0	May 15	158.7	159.0	" 15	151.6	
Sept. 15	161.2	154.3	Mar. 14	182.1	165.4	June 19	160.6	157.6	" 22	149.2	
Dec. 15	161.2	155.8									

CHART ILLUSTRATING TABLE I.

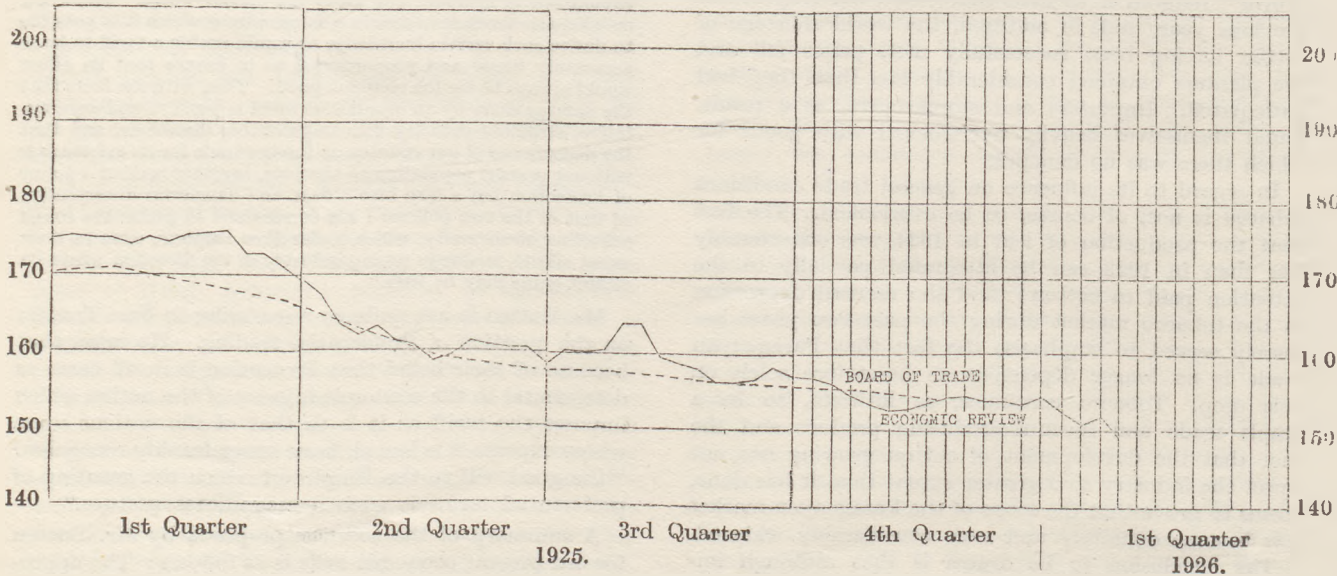


TABLE II.

Date	Pig iron.	Tin.	Coal.	Linseed Oil.	Cotton.	Wool.	Hides.	Wheat.	Bacon.	Sugar.	Mean	Date.
Dec. 30, 1921	100	100	100	100	100	100	100	100	100	100	100	Dec. 30, 1921
1922												1922
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	117.3	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
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. 15 ...	87.7	148.0	78.3	145.6	158.8	151.1	94.2	124.1	84.6	96.6	116.90	... Aug. 15
Sept. 26 ...	85.8	136.6	72.6	151.8	120.6	151.1	97.1	113.8	81.6	108.1	111.91	... Sept. 26
1925												1925
Feb. 27 ...	84.0	153.8	69.8	178.9	116.0	160.0	95.7	128.9	88.6	95.3*	117.10	... Feb. 27
June 26 ...	77.8	147.9	63.2	147.4	114.7	115.6	84.1	121.7	98.2	85.9	105.65	... June 26
Oct. 30 ...	74.5	171.2	59.4	131.6	90.7	115.6	108.7	97.2	94.9	70.6	101.44	... Oct. 30
1926												1926
Jan. 1 ...	72.6	168.5	57.5	119.3	89.8	111.1	104.3	117.8	99.3	75.3	101.55	... Jan. 1
" 15 ...	72.2	165.5	60.4	115.8	93.3	111.1	104.3	117.0	97.1	74.1	101.08	... " 15
" 22 ...	72.2	163.1	62.3	111.4	93.7	111.1	94.2	117.0	95.6	74.1	99.47	... " 22

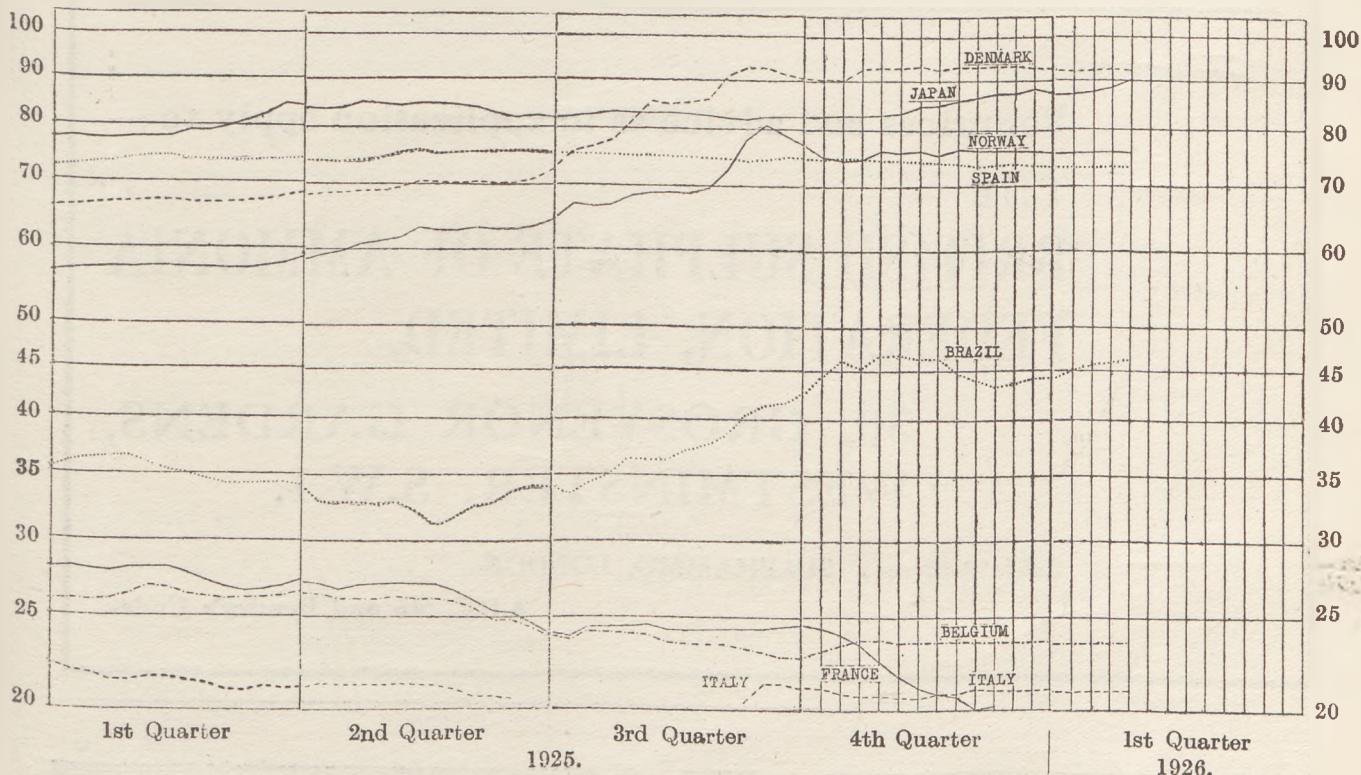
* Revised Quotation.

THE PAPER CURRENCIES.

(Percentage of Dollar Parity to Week ending January 23, 1925.)

Week Ending	Denmark.	Japan.	Norway.	Spain.	Brazil.	Belgium.	Italy.	France.
Jan. 23 ...	92.5	90.2	75.9	73.3	46.3	23.5	20.9	19.4
.. 13 ...	92.9	83.7	76.0	73.4	45.9	23.5	20.9	19.6

LOGARITHMIC SCALE



SECURITY PRICES.

The following table and chart show the course of prices for a representative number of industrial stocks and long dated railroad bonds in New York, for twenty representative industrial ordinary stocks in London, and for a selected number of long-dated British Government securities. The prices of the last-named have been averaged exclusive of accrued interest. In all cases the price at December 30, 1921, is taken as 100. Significant maximum figures are shown in heavy type and minimum figures in italics.

IN NEW YORK.			IN LONDON.		IN NEW YORK.			IN LONDON.	
Week ending	Indus-trials.	Bonds.*	Indus-trials.	Gilt edged.	Week ending.	Indus-trials.	Bonds.*	Indus-trials.	Gilt edged.
1920, Jan. 1	128.5	94.1	172.4	99.7	1924, June 21	115.3	103.3	118.2	118.6
1921, Jan. 1	89.9	89.0	116.3	88.6	Aug. 2	126.9	104.2	119.8	115.6
Aug. 20	80.3	90.4	105.4	93.3	Nov. 8	130.1	103.7	133.7	120.4
Oct. 29	91.1	92.0	97.1	94.4	Dec. 20	143.5	101.3	130.7	118.1
1922, Jan. 1	100.0	100.0	100.0	100.0	1925, Jan. 3	150.7	101.6	133.8	117.5
May 13	114.6	102.4	114.9	117.9	.. 17	151.8	101.9	137.5	117.5
Sept. 16	123.8	107.6	115.2	112.5	June 6	158.2	105.3	128.0	115.3
Oct. 7	123.9	106.1	113.3	111.7	.. 27	160.0	104.7	123.7	113.0
Oct. 14	127.6	104.4	114.5	112.3	July 18	165.9	103.2	129.4	115.5
Nov. 25	114.4	102.0	115.0	115.4	Aug. 1	165.8	101.5	122.2	115.7
1923, Jan. 1	121.7	102.5	119.5	113.3	.. 22	176.2	102.5	126.3	117.3
Mar. 17	123.2	98.5	129.3	117.0	Nov. 7	197.9	102.7	134.1	114.7
.. 24	127.3	97.8	129.0	118.1	.. 14	192.8	102.9	135.0	114.6
Apr. 28	124.1	99.3	137.9	122.8	Dec. 19	188.9	103.3	130.6	112.8
June 9	119.7	100.8	130.6	123.5	1926, Jan. 2	195.5	103.6	133.3	113.0
Oct. 27	105.7	99.7	126.5	119.7	.. 9	196.1	103.6	135.1	113.1
1924, Jan. 1	117.4	98.4	121.3	114.5	.. 16	191.4	104.0	135.0	113.2
.. 19	119.1	100.1	119.1	112.2	.. 23	191.3	104.8	133.1	114.0

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

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