

THE

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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.)

### AUSTRIA

#### POLITICAL AND GENERAL

**The Reconstructed Government.**—On January 15 last the National Council approved the appointments of the new Ministers in the reconstructed Cabinet under Dr. Ramek, the majority being formed by a combination of the Christian Socialist and German parties against the opposition of the Social Democrats. The new Cabinet is composed as follows:—

Federal Chancellor ... ..	Dr. Rudolf Ramek.
Federal Vice-Chancellor ... ..	Herr Leopold Waber.
Minister of Finance ... ..	Herr Josef Kollmann.
Minister of Foreign Affairs ... ..	Herr Peter (in conjunction with Dr. Ramek).
Minister of Education ... ..	Dr. Emil Schneider.
Minister of Social Welfare ... ..	Dr. Josef Resch.
Minister of Agriculture and Forestry	Herr Andreas Thaler.
Minister of Commerce and Industry	Dr. Schürff.
Minister of War ... ..	Herr Baugoin.

The new Minister of Finance, Herr Josef Kollmann, is entirely fresh to high office. He is the Bürgermeister of Baden and has for some years been deputy-chairman of the Finance Committee. Herr Peter, who will with Dr. Ramek be responsible for foreign affairs, is an authority on international law and has proved to be an excellent civil servant in the Foreign Office.

The Press for the most part is somewhat reserved in its opinions concerning the constitution of the new Cabinet; extreme approbation and extreme criticism are equally avoided. The *Neue Freie Presse* considers that the new Government is more uniform in character than its predecessor; but its task will demand great strength, since the Government must now work without the control of the League of Nations.

The new Government has declared its intention to introduce measures to encourage and increase national production, to which end it will convoke joint conferences of employers and workers. It has made an appeal to the provincial governments not to burden industry and commerce too heavily with taxation. A reform of the social welfare contributions and unemployment insurance is contemplated; in respect to the latter it is proposed to make grants to public bodies that find work for the unemployed. The Government also intends to make use of the remainder of the international credit in order to place more capital at the disposal of national economy, whilst an endeavour will be made to reduce the rate of interest. The Customs tariffs are to be reformed in the direction of the protection of home industries.

#### Thirty-sixth Report of the Commissioner General.

—The thirty-sixth Report of Dr. Zimmerman, Commissioner General of the League of Nations for Austria, covers the period from November 15 to December 15, 1925. In the preamble Dr. Zimmerman mentions that the various conditions for the introduction of the new control system, which comes into force on January 1, 1926, have been fulfilled. Then follows a detailed and explanatory survey of the closed accounts for the

year 1924, with special reference to the divergency between the accounts of the Audit Office and those of the Ministry of Finance. In view of the suggestion made by the Audit Office that in respect to the current account budget irregularities could be concealed, Dr. Zimmerman made a thorough investigation into the matter and came to the conclusion that, on the whole, there has been no concealment of budgetary items through current account transactions. The difference between the closed accounts of the Ministry of Finance and those of the Audit Office may be explained by the fact that the Audit Office works out its accounts on the basis of the definite results, whilst the Ministry of Finance works on the provisional figures. Owing to the manifold complications that arise these differences are practically unavoidable. The following table, giving the provisional results as worked out by the Ministry of Finance and the actual results as published by the Audit Office, clearly shows the great divergence in the two accounts (in millions of schilling):—

		Provisional closed account of Ministry of Finance, based on monthly returns.	Definite closed accounts of the Audit Office.
<i>Budget items:</i>			
Ordinary expenditure	...	817.69	809.99
Ordinary revenue	...	873.69	900.62
Surplus	...	56.00	90.63
Capital investment	...	97.73	103.67
		41.73	13.04
<i>Current account:</i>			
Expenditure	...	94.03	4,361.13
Revenue	...	62.15	4,180.89
Current account deficit	...	31.88	180.24

Although the difference appears to be very great and also unavoidable owing to the respective methods employed, a close examination of all the details reveals the fact that there is virtually no difference between the two closed accounts. One instance will suffice to show how greatly the results of the accounts may be affected by the different methods employed. The Audit Office has entered as an item of current account expenditure the pledged sums for the half-year service of the international loan, the sums having been deposited at various banks, whereas the Ministry of Finance takes only a portion of this amount into account. This difference of method causes a difference of Sch.120.45 mill. in the closed accounts.

After reporting upon the situation of the bank of issue and the various claims made upon it during the period under survey the Commissioner General turns to the problem of unemployment. The situation in the labour market, he declares, is steadily becoming worse and unfortunately there are at present no prospects of improvement. The number of unemployed is regularly and rapidly increasing. During the month of October there was an increase of about 12,000; during November about 28,000; and during the first half of December there was a further rise of 26,715 unemployed, the increase during these two weeks being almost equal to that for the whole of November. On December 15



last there were 179,175 unemployed, of which number 83,588 were in Vienna. The figures towards the close of the year 1924 were as follows: on October 1 = 77,974; on November 1 = 87,980; on December 1 = 115,684; on December 15 = 129,968. These figures were more unsatisfactory than those of the corresponding months of 1923 and were the symptoms of the prevailing crisis. The situation in the winter months has become worse from year to year. To the figures of last December must be added about 7,000 persons in receipt of extraordinary relief, so that on December 15 last the total number of unemployed was more than 56,000 higher than on December 15 in 1924. These figures indicate a very severe crisis in the labour market.

**New Economic Programme.**—A very important sign of recent date, states the *Central European Observer*, is the new economic programme drawn up by the Styrian Christian Socialists. To a certain extent this programme is to be a continuation of the Geneva plan of financial sanitation, the chief difference being that it is not based on foreign assistance but endeavours to make use of the resources of Austria itself. The new economic plan is based on the desire to replace the existing passivity of the responsible Government parties by an increased activism and to lead the legislation into new directions so as to be able, without raising the taxes, to gain new means for the removal of at least the chief difficulties relating to the solution of the question of the State employees, the unemployed, the disabled, and the small dividend-holders. The new programme proposes also a revision of the tariff policy and a further reduction in the number of central Government offices. The Austrian Press publishes various proposals in connection with this new programme, for instance a proposal to abolish the Federal Council which is alleged to be a very expensive institution and at the same time a superfluous one; another proposal is to the effect that there should be reduction in the number of the members of the National Council, some hundred members being regarded as amply sufficient. It is also recommended that the Ministry of Agriculture should be abolished and that there should be a further reduction in the number of administrative authorities of the lands. The new economic programme has arisen from the programme of special public works expenditure which the Austrian Government drew up for the last Geneva session. In its main features it shows two tendencies: support of industry by export concessions, a gaining of capital at moderate terms, and far-reaching changes in the Customs tariffs and in social policy, whilst direct taxes are to be reduced and the turnover tax is to be increased. Further, the development of agriculture is to be supported by the establishment of a central mortgage institution.

As far as can be judged from the reception of the new economic programme by the public and the Press, the new programme will have important consequences in internal political life, especially in regard to the existing Christian Socialist and Pan-German Government Coalition. This Coalition was formed for the Geneva plan of financial sanitation. As soon as the Geneva plan has been carried out, a new stage in the work of financial sanitation will be reached and the Coalition agreement will have to be revised. Both the Coalition parties will be compelled to take up a clear standpoint regarding this question. The Pan-German announced their conditions in advance; they declare that it is necessary in any case for the new economic programme to be adapted in such a way as to be suitable for inclusion in the great national programme of the Pan-German party (i.e. the amalgamation of Austria with Germany) and to provide all the necessary guarantees that the party's political aims, which are alleged to correspond to those of the great majority of the Austrian population, shall not be thwarted or put into the background. It is evident from this standpoint of the Pan-Germans that the new economic programme will probably meet with considerable obstacles and that

its realisation may lead to a serious shaking of the position of the Government Coalition and thus give rise to still stronger attacks on the part of the Social Democrat opposition.

## FINANCE

**Treasury Returns October and November and Preliminary Estimates for January.**—The following statements of the actual results of national revenue and expenditure during the months of October and November last, drawn up in accordance with the requirements of the reconstruction programme of the League of Nations, have been published by the Audit Office, the tables below showing a comparison with the estimated amounts for the respective months (in millions of schilling):—

### Treasury Returns for October 1925.

Budget items :	Estimated.	Actual results.	Favourable or adverse difference.	
Expenditure ...	59.33	53.83	5.50	—
Revenue ...	62.92	79.13	16.21	—
Surplus ...	3.59	25.30	21.74	—
Capital investment expenditure ...	7.40	7.01	0.39	—
Budget deficit ...	3.81	—	—	—
„ surplus ...	—	18.29	22.10	—
Current account deficit ...	2.31	10.29	—	7.74
Total deficit ...	6.12	—	—	—
Total surplus ...	—	8.24	14.36	—

The total expenditure for October fell Sch.5.5 below the estimated figure, whilst, with the exception of the tobacco receipts, revenue showed a considerable improvement on the estimates.

### Treasury Returns for November 1925.

Budget items :	Monthly estimate.	Actual results.	Improvement on estimates.	
Expenditure ...	61.28	59.31	1.97	—
Revenue ...	65.37	79.24	13.87	—
Surplus ...	4.09	19.93	15.84	—
Capital investment expenditure ...	6.12	5.86	0.26	—
Budget deficit ...	2.03	—	—	—
„ surplus ...	—	14.07	—	16.10
Current account deficit ...	2.04	—	—	—
„ „ surplus ...	—	0.77	—	2.81
Total deficit ...	4.07	—	—	—
„ surplus ...	—	14.84	—	18.91

The actual expenditure for the month of November was Sch.1.97 mill. lower than the estimated sum. The tobacco receipts showed a falling off to the extent of Sch.0.92 mill., but other receipts increased considerably with the result that the total receipts were Sch.13.87 higher than the estimates. (*Neue Freie Presse*.)

The *Wirtschaftliche Nachrichten* publishes the following preliminary estimates for the month of January (in millions of schilling): Budget expenditure, 74.97; Budget revenue, 75.90; surplus, 0.93; capital investment expenditure, 8.02; total Budget deficit, 7.09; current account surplus, 7.91; resultant total surplus, 0.82.

## TRADE

### Commercial Treaties with Switzerland and Portugal.

—On January 6 last the commercial treaty between Austria and Switzerland was signed at Bern. For some time past Austrian trade with Switzerland has suffered on account of the extensive system of prohibition that the latter country adopted against Austrian wares. The tariff reductions resulting from the new agreement are not very numerous; for the most part the clauses of the treaty confirm the existing rates. The following are the main modifications in the Austrian tariff (in gold kronen): cheese from 60 to 30;



chocolate from 200 to 165; gold watches from 7 to 5.60; silver watches from 4 to 2.60; other kinds of watches from 1.50 to 1.20; watchmaking parts from 1.20 to 0.80. The chief reductions in the Swiss tariff are (in Swiss francs): silk paper (in rolls under 25 centimetres) from 50 to 20; envelopes from 120 to 100; fibrous material for paper manufacturing from 4.50 to 4.0 (unbleached) and from 5.50 to 5.0 (bleached) packing cases made of soft wood from 6 to 4; clothes pegs from 35 to 30; magnesium sheets from 10 to 2. The increased new import duties which Switzerland has introduced will further not be applied to the following goods from Austria: furniture, sawmill products fruit, sheep, poultry, leather and leather goods, minerals, certain metal wares and machinery, flax yarn, felt, etc. The treaty is valid for one year after which it may be denounced at three months' notice.

The negotiations for a commercial treaty with Portugal were brought to a satisfactory conclusion in December last, the new agreement being based on the principle of the most favoured nation. The former treaty between these two countries was denounced last summer and expired in the autumn; the new treaty is accordingly made retrospective in its application and takes effect as from September 22, 1925. In addition to the application of the most favoured nation clause to goods in general Austria concedes to Portugal by this treaty the same reductions for Portuguese wines as have already been granted to Spain. (*Neue Freie Presse.*)

## SOCIAL AND LABOUR CONDITIONS

**Further Increase in Unemployment.**—The statistics of unemployment during the first half of January show a further increase in the number of persons out of work, the increase being, however, at a lower rate than in the preceding periods. During the first half of December the number of unemployed throughout the country grew by about 26,000; in the second half of December by about 21,000; and in the first half of January by under 12,000. On January 16 last 212,278 persons were registered as unemployed, as against 200,628 on January 1. Although the figures for January are very high the decrease in the rate of increase suggests that the crisis in the labour market is not so acute as during the latter months of the past year. A notable feature is the fact that there is no increase in the number of unemployed in the building trades, wherein of late there have actually been some signs of improvement. It is generally considered that the situation in the labour market will reach its climax during the month of February, after which an improvement will set in.

In addition to the 212,278 persons definitely unemployed, there were on January 16 last about 7,500 persons in receipt of extraordinary relief and a further 30,000 applicants for advertised vacancies. These figures bring the grand total of unemployed at this date to approximately 250,000. The number of unemployed receiving benefits on December 1, 1925, was 152,442, and on December 15, 179,157.

The respective figures of unemployment in the chief industrial centres on January 16 are as follows: Vienna, 95,117 (increase of 3,411 since January 1); Linz, 28,720 (+1,494); Graz, 19,275 (+1,599); Vienna-Newstadt, 17,405 (41,028); Vienna suburbs, 13,803 (+1,194); Klagenfurt, 6,076 (+593); Innsbruck, 5,382 (+580); St. Polten, 11,393 (+612); Sauerbrunn, 5,971 (+705); Salzburg, 4,372 (+306). (*Neue Freie Presse.*)

## COMMUNICATIONS

**Railway Statement for 1924.**—The accounts of the railways in Austria for the year 1924 were closed and ready for publication on July 20, 1925, but the Government had not at that time sanctioned the gold balances, so the publication of the railways' statement was postponed and was made only recently.

The year 1924 reveals great progress as compared with the preceding year, for the working deficit (for

the State railways and the Southern railway) was reduced from Sch.53.4 mill. for 1923 to Sch.1.3 mill. for 1924, the traffic tax in both years being included under receipts. The coefficient of working costs dropped from 113.5 to 100.3 per cent. Unfortunately, statistics as to the traffic are lacking; it is therefore not possible to make a comparison respecting the number of passengers or the volume of goods transported. It can only be taken for granted that traffic considerably increased during 1924, since the passenger receipts amounted to Sch.133.2 mill., as against Sch.93.1 mill. in 1923, an increase, that is, of about 44 per cent., whilst the fares in 1924 were 9,800 times and in 1923 7,100 times as high as before the war, the increase for the year being 38 per cent. The goods' tariff rose from 14,608 times to 16,060 times the pre-war rate, an increase of about 10 per cent. for the year, whilst the receipts for goods transported improved from Sch.269.2 mill. to Sch.316.1 mill., representing a rise of 17.5 per cent. The total receipts from all sources in 1924 was Sch.476.5 mill., as against Sch.394.2 mill. in 1923, representing an improvement of 21 per cent. On the other hand the expenditure was augmented by only 6.75 per cent., rising from Sch.447.6 mill. in 1923 to Sch.477.8 mill. in 1924. The total staff expenditure rose from Sch.219.2 mill. to Sch.254.9 mill., or by about 16 per cent.; pensions for employees of the Federal railways increased from Sch.43.2 mill. to Sch.55.2 mill., or by 27.5 per cent. The total outlay for the staff in 1924 was thus 67 per cent. of the total expenditure, as against 61 per cent. in the preceding year. The item for coal represented only 15 per cent. of the total outlay, as against 23 per cent. in 1923. The coal consumption fell from 2,190,000 tons in 1923 to 2,005,000 tons in 1924, whilst the index number for coal was reduced from 27,971 to 25,664, or 8.3 per cent. for the year. Great economy was effected during the year in the consumption of fuel. The remaining items of expenditure increased from Sch.70.1 mill. to Sch.83.4 mill., or by 19 per cent. (*Der Oesterreichische Volkswirt.*)

## DENMARK

### POLITICAL AND GENERAL

#### Economic and Trade Conditions in December.—

The National Bank of Copenhagen and the Danish State Statistical Department give the following information on economic and industrial conditions in Denmark in December 1925.

The value of the Danish krone in December has remained nearly unchanged. The average of the quotations for December were for sterling Kr.19.50 (November, Kr.19.48) and for the dollar Kr.4.03 (November, Kr.4.03), corresponding to a krone value of 92.6 gold ore in December.

The decrease in the amount of loans granted by the three principal private banks has been continued during December with the result that the loans have been decreased to the extent of Kr.23 mill., while deposits have declined Kr.16 mill.

On the other hand, the loans granted by the National Bank have increased somewhat, while at the same time the currency holdings of the Bank are Kr.22 mill. less than last month. This decrease in currency holdings is, in the first place, due to the circumstance that the krone deposits which were made as a result of sales of foreign currency when the krone value improved have now been withdrawn from abroad. Further, importation that had been postponed while the value of the krone went up has probably now taken place, and at the same time there is reason to believe that payment has now been made for earlier imports. For these reasons foreign currency has been more than usually in demand. The amount of notes in circulation at the end of the month was Kr.438 mill. as against Kr.434 mill. at the end of November; at the end of December 1924 the amount of notes in circulation was considerably greater, viz. Kr.478 mill.



There was a small increase of the business done on the Copenhagen Bourse in stocks and shares, the average weekly turnover being for bonds Kr.4.4 mill. and for shares Kr.3.2 mill. as compared with Kr.4.1 and Kr.2.8 mill. respectively in November.

The index number of Stock Exchange quotations did not show any considerable change since November. The bond index number for December is 86.8 (for November, 87.1) and the share index number 98.9 (November, 98.8), taking 100 as the index number on July 1, 1914. There was no greater fluctuation in the prices of the various groups of shares. Industrial shares improved, but other groups decreased somewhat in value.

The wholesale price index number of the Statistical Department remains at 176, as in November. Judging by the small decrease from October to November and the stagnation of the index number in December, there is reason to believe that the wholesale price level has now very nearly adjusted itself to the value of the krone abroad.

Imports amount to Kr.153 mill. and exports to Kr.126 mill., thus showing an adverse trade balance of Kr.27 mill. as against Kr.21 mill. in November.

The quantity of agricultural goods exported in December was somewhat greater than in November, except for meat and cattle. The average weekly exports were—for butter, 22,821 hkg. (in November, 21,981 hkg.); for eggs, 591,700 score (in November, 494,400 score); for bacon, 35,185 hkg. (in November, 31,891 hkg.); and for meat and cattle, 6,405 hkg. (in November, 6,699 hkg.).

Prices on all exported products, except bacon, were lower than in November, and this was particularly so in the case of butter. The average of the official weekly quotations for butter was Kr.335 (in November, Kr.395) per 100 kg.; for bacon, 202 öre (in November, 190 öre) per kg.; for eggs, 322 öre (in November, 342 öre) per kg.; and for meat, 62 öre (in November 63 öre) per kg. live weight.

The conditions of employment in the labour market were considerably worse than the year before, and this was the case both in the building and in the industrial trades. The unemployment percentage at the end of December was 31.1, or nearly twice as much as at the close of December 1924, when it was 17.1. In the industrial trades the percentage was 61.1 and 14.8 respectively.

The revenue of the State from Excise and Customs was in December Kr.13.4 mill., Kr.4.0 mill. of which was derived from Customs duties. In December 1924 the corresponding figures were Kr.13.5 mill. and Kr.5.2 mill.

## TRADE

**The Mineral Oils Trade in 1925.**—Denmark showed a marked increase in the consumption of mineral oils during the past year, owing to the motorisation of the country, which, after a temporary check during the latter part of 1924 and the earlier months of 1925, is now proceeding at a rather rapid rate. Continued growth in the number of motor vehicles, as well as oil-consuming power plants, is indicated, and the demand for motor fuels during the current year, therefore, may be expected to show an increase fully as large as that for 1925.

Danish gasoline imports rose from 75,431 tons during the first ten months of 1924 to 104,505 tons during the corresponding period of 1925, and lubricating oil imports from 24,930 tons to 34,890 tons. These increases are attributable to the larger use of combustion engines. Denmark at the end of 1925 had approximately 80,000 motor vehicles and 5,000 motor vessels for cargo carrying and fishing purposes.

The imports of kerosene and crude oils also showed an increase, the former from 67,985 tons in the first ten months of 1924 to 79,167 tons during the corresponding period of 1925, and the latter from 84,015 tons to 71,913 tons.

Competition has remained very keen in both the gasoline and kerosene trade, and the prices obtained, especially for gasoline, have been kept at a relatively low level, although they showed a considerable increase during the third quarter of 1925 through failure to become fully adjusted to the rise in the Danish krone. At present high-grade gasoline sells for about 31 öre per litre, which approximates \$0.295 per gallon.

The American share in the Scandinavian oil market apparently continues to form about 85 per cent. of the total consumption. A continued growth in demand is expected, but it appears to be the opinion of the various distributors that there is but small chance for any definite change in competitive and price conditions. (*Commerce Reports.*)

## SOCIAL AND LABOUR CONDITIONS


**Statistics of Unemployment.**—Interesting figures have just been published showing the percentage of increase in the figures of the unemployed in various countries of the world. The percentages in respect of total workers, not of population, are as follows:—

	1924.	1925.
France, December 1 ...	0.2	0.2
Belgium, November 1 ...	0.8	0.7
Canada, November 1 ...	6.8	5.1
United States, November 1 ...	12.1	17.7
Holland, November 1 ...	8.3	8.1
Sweden, November 1 ...	8.4	10.0
Germany, December 1 ...	—	10.7
England, December 1 ...	8.6	11.0
Hungary, November 1 ...	13.5	13.4
Denmark, December 1 ...	9.3	18.3

Denmark, it will be seen, holds the unenviable record both as regards increase from year to year and as regards the number of workers idle. The following table below shows the unemployed in actual figures:—

	1924.	1925.
Norway, December 15 ...	13,800	22,700
Italy, November 1 ...	200,000	86,000
Austria, December 1 ...	114,000	153,000
Poland, December 1 ...	159,000	262,000
Switzerland, November 1 ...	9,500	12,200
Czechoslovakia, November 1 ...	71,900	39,700
Denmark, December 28 ...	35,700	73,300

Here again Denmark shows a rise of more than 100 per cent., whilst Norway, which is also suffering from the effects of the rise of the krone, comes next with an increase of 67 per cent. The present unemployment figure for Denmark is 83,549. (*The Scandinavian Weekly.*)

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

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## FRANCE

## POLITICAL AND GENERAL

**The Political Situation.**—The general debate on the financial proposals of the Government has come to an end, and the vote on account for February, amounting to Fr.2,989,984,043, has been passed. The discussion of the Finance Bill clause by clause is now under way, and it is hoped that the debates will not be unduly prolonged. The last paragraph of the article of the Act of December 4, 1925, providing for a 20 per cent. surtax on the conveyance of property to foreigners, has been repealed, in view of the fact that the amendment carried in the Chamber to exempt Belgium and Italy practically reduced the law to a dead letter, seeing that all other countries are protected by international conventions. For the proposed tax on payments, on the lines of the analogous impost which is in force in Belgium and the operation of which a committee has been appointed to enquire into, M. Doumer now intends to substitute a tax on production, but a final decision apparently has not been come to. A scheme has also been prepared by the Ministry of Commerce for an increase of the Customs duties, the rates of which, however, have not yet been fixed. After examination by the Ministry of Finance, the scheme will be considered by the Cabinet, and the form and conditions in which the proposals are to be submitted to Parliament will then be decided.

At the annual general meeting of the Bank of France, the Governor, M. Robineau, reviewing the history of the deterioration of the monetary situation during 1925, pointed out that the fears that an increase of the legal maximum limit of the advances to the Government would be succeeded by further demands for an increase had been justified by events. On April 15, 1925, the maximum limit of the note circulation and of the advances to the State was increased by Fr.4 milliards; but this fresh inflation only served to aggravate the situation, and in less than three months the Government was reduced to solicit another increase, of Fr.6 milliards. The Board of the Bank had to yield to the demand, and again at the end of November to concede a further advance of Fr.1.5 milliard and another of Fr.6 milliards on December 4, the latter, however, being only granted on condition that it should be the last. M. Robineau in conclusion insists on the immediate necessity of balancing the Budget and so restoring public confidence.

**M. Doumer's Finance Reform Bill.**—The French Minister of Finance, M. Doumer, set down his new Bill for the reorganisation of the French finances on December 29 last. The substance of the Bill, as reproduced by the *Economiste Français* (Jan. 23), is as follows:—

**Part I. The Sinking Fund.**—1. A minimum credit of 2 million francs shall be compulsorily carried each year from 1926 onwards to the expenditure estimates, to be expended in refunding advances made by the Bank of France to the Government, in accordance with the terms of the agreements concluded between the Minister of Finance and the Governor of the Bank of France.

At a recent meeting of the Society of Political Economy of Paris, at which this Bill was discussed, the chairman, M. Yves Guyot, called attention to the fact that M. Doumer is the only Finance Minister to enforce the Finance Act of December 31, 1920, providing for the annual repayment to the Bank of France of 2 milliard francs.

2. A sinking fund shall be opened for the purpose of ensuring the redemption of the National Debt contracted since August 1, 1914.

3. The Fund shall be administered by a Board of 11 members, consisting of: a Senator elected by the Senate; President; a deputy elected by the Chamber; Vice-President; the Senior President of the Cour de Cassation; the Senior President of the Audit Office (Cour des Comptes); the Vice-President of the Conseil d'Etat; the Governor of the Bank of France; the

Director General of the Crédit National; the President of the Chamber of Commerce of Paris; the Chairman of the Committee of the Paris Stock Exchange; the Director General of the Deposit Fund Caisse des Dépôts et Consignations; the Director of the Transfer of Funds.

The members of the Senate and the Chamber shall be elected for three years and shall be eligible for re-election.

4. The resources of the Fund to be applied to the redemption of the National Debt shall comprise:

(a) An annual grant of Fr.2,500 mill. at the minimum to be carried compulsorily to the expenditure estimates in every year from 1926, and to be placed at the disposal of the Sinking Fund in equal monthly instalments.

(b) Any Budget surplus in hand at the close of the financial year shall be paid into the fund as soon as the accounts shall have been passed.

(c) Gifts and legacies to the State, not specifically earmarked or to the Fund itself.

5. Cash payments by the Treasury to the Fund shall in no case be replaced by Treasury Bills or Bonds.

6. The moneys paid by the Treasury to the Fund shall, at the option of the Board, be invested in the purchase of State Rentes, perpetual or redeemable, Treasury Bonds, issued for a term exceeding one year, and Credit National stocks.

Such Rentes and stocks shall not be applied for at the time of issue, but shall be purchased on the open market.

7. Securities purchased by the Fund shall not in any circumstance, or for any reason whatever, be sold or placed in circulation. They shall be deemed to be cancelled and the Rentes shall be removed from the books of the National Debt during the month in which they may be acquired.

Any person who under cover of his office or his authority shall make use of the property of the Fund otherwise than in the purchase of the securities enumerated in clause 6 or who shall participate in any manner whatsoever in the purchase or sale of securities acquired by the fund shall be liable to imprisonment.

8. The amount of the general Budget grants assigned to the repayment of the advances by the Bank of France and to the annual grant to the Sinking Fund, shall not be reduced below the minimum amounts fixed by clauses 1 and 4 above, except by a special Act introduced by the Government, the Bill for which shall have been previously the object of two votes by each Chamber.

**Part II. Fresh Revenue.**—9. Revenue collected during the financial year 1926, in respect of the increase of the taxes introduced by clauses 2 and 3 of the Act of December 4, 1925, shall be treated as revenue for the said financial year.

10. The stamp duty imposed by clause 28 of April 28, 1893, on all dealings in stock exchange securities shall be raised to Fr.1 per Fr.1,000 or fractions of Fr.1,000. These duties shall be levied on the amount involved in the transaction.

The duty on contango transactions shall be raised to 50 centimes per Fr.1,000 or fractions thereof.

No charge is made affecting dealings in State Rentes.

11. The retail price of tobacco for smoking or chewing sold by the Régie shall be fixed at 62.50 the kilogramme. The retail price of common snuff sold by weight or in packets shall be Fr.60 the kilogramme.

Tobacco consumed by the land and sea forces shall be sold at Fr.7 per kilogramme for smoking tobacco and at Fr.10 per kilogramme for chewing tobacco. These latter prices shall apply to the fixed amount of tobacco sold to the public hospitals.

12. The third sub-section of clause 72 of the Act of June 25, 1920, is hereby repealed. The business transactions comprised under the said sub-section shall from the first of the month following the promulgation of the present Act, be taxed in favour of the State at the rate of 1.30 per cent.

Business transactions for definite amounts concluded



prior to December 5, 1925, shall continue to be exempt from the tax, provided that the goods the subject of such transactions shall have been delivered prior to April 1, 1926.

13. From and after the month following the publication of this Act, a special provisional tax of Fr.1.20 per cent. shall be imposed upon payments received in the Bourse of their trade, business or profession, by persons performing acts in connection with the trades, businesses or professions subject to the tax on industrial and commercial profits, except such payments as relate to the articles or goods classed as luxury articles at the rate of 12 per cent., and except payments relating to exported goods.

From and after the same date, persons liable to tax, enjoying the advantages conferred by clause 5 of the Act of April 16, 1924, shall pay a special tax of Fr.1.20 per cent. on the figures serving as basis for the application of the provisions of the said clause.

The present clause enumerates, by reference to the various Acts according them, the exemptions to the tax imposed above.

The conditions of the application of the present clause and the penalties imposed for breaches of its provisions shall be fixed by a special Decree.

**The Franco-German Negotiations.**—The economic negotiations between France and Germany, says the *Information Financière*, are proceeding in the utmost secrecy. These negotiations have lasted now fifteen months. On December 19, 1924, a Protocol was signed which is supposed to have laid down definitively the lines on which the final stage of the negotiations was to be conducted. Heretofore the differences of opinion which prevented any progress being made referred to the automatic effect on Germany of the minimum tariff on her export goods once the new French Customs law was passed, and to the nature of the guarantees as to the permanent nature of the new tariff. The Protocol effected a compromise on both these points, Germany being given an undertaking that as from a certain date she would be placed on an equal footing in the French market with her most highly favoured competitors, with the assurance of being placed in a position to obtain compensation for or to neutralise any changes in the French tariff that might injure her export trade. On the other hand, France was accorded most favoured nation treatment and reciprocal rights in respect of her exports to Germany. Moreover, a distinction was made between the general clauses and the tariff clauses of the Convention, by which a denunciation of the latter would not involve cancellation of the permanent guarantees included in the former. At the present moment the discussion affects the various provisional tariff clauses, in other words, the application of the French minimum tariff and of the various intermediary tariffs to certain German goods in return for which the Reich Government will make tariff concessions still to be discussed.

## TRADE

**Foreign Trade in 1925.**—Imports in 1925 reached a total of Fr.43,980,506,000 as compared with Fr. 39,928,002,000 in 1924 and Fr.8,421,332,000 in 1913. These sums represent a volume of 47,425,572 metric tons in 1925 as compared with 39,928,002 tons in 1924 and 44,220,386 tons in 1913.

Exports in 1925 reached a total of Fr.45,413,555,000 as compared with Fr.41,468,360,000 in 1924 and Fr.6,880,217,000 in 1913. These amounts represent a volume of 30,225,992 metric tons in 1925 as compared with 29,387,090 tons in 1924 and 22,074,513 tons in 1913.

The above figures include the trade returns with foreign countries as well as with the French colonies and protectorates.

A more recent Customs return gives the details of this trade, which in the case of foreign countries aggregates, as regards imports, Fr.39,400,241,000 as

against Fr.35,847,872,000 in 1924, and in that of the colonies and protectorates Fr.4,580,265,000 as against Fr.4,080,130,000. As regards exports the trade in the case of foreign countries amounted to Fr. 38,958,711,000 as against Fr.36,159,302,000 in 1924, and in that of the colonies and protectorates to Fr.6,454,844,000 as against Fr.5,309,058,000 in 1924.

The adverse trade balance in 1925 amounted to Fr.441.5 million as compared with a favourable trade balance of Fr.311.5 million in 1924 in the case of foreign countries, while in the case of the colonies and protectorates there was a favourable trade balance in 1925 of Fr.1,874 million as against one of Fr.1,229 million in 1924.

The United States heads the list of importing countries with trade of a value of Fr.6,382,349,000 as against Fr.5,750,907,000 in 1924, followed by Great Britain with Fr.5,893,338,000 as against Fr.4,876,398,000; then came Belgium-Luxemburg with Fr.3,082,349,000 as against Fr.2,663,444,000, Germany with Fr. 2,372,593,000 as against Fr.2,017,183,000, Italy with Fr.1,729,391,000 as against Fr.1,512,103,000, and Argentina, Brazil and Holland with totals exceeding one milliard.

As regards exports Great Britain came first with Fr.8,957,374,000 as against Fr.7,854,037,000 in 1924, followed by Belgium-Luxemburg with Fr.7,546,479,000 as against Fr.7,138,720,000, Germany with Fr. 3,754,152,000 as against Fr.3,777,798,000, the United States with Fr.3,058,132,000 as against Fr.3,142,000,000, Switzerland with Fr.2,921,000 as against Fr. 2,598,705,000, Italy with Fr.2,209,006,000 as against Fr.1,464,328,000, Spain with Fr.1,423,539,000 as against Fr.1,157,702,000, Argentina with Fr.823,968,000 as against Fr.696,317,000, and Brazil with Fr.460,934,000 as against Fr.369,132,000. (*Information Financière*.)

## INDUSTRY

**Metallurgical Output in 1925.**—The output of pig iron and steel made substantial progress in 1925, the improvement being maintained throughout the year. The following are the monthly figures (in tons):—

	Pig iron.	Steel.
January ... ..	669,352	608,146
February ... ..	636,934	569,007
March ... ..	688,871	607,071
April ... ..	686,130	586,977
May ... ..	706,264	596,309
June ... ..	703,439	599,857
July ... ..	724,164	625,344
August ... ..	712,547	616,730
September ... ..	716,613	631,726
October ... ..	739,343	668,300
November... ..	739,768	647,099
December ... ..	748,375	658,506
Total ... ..	8,471,800	7,415,072
1924 ... ..	7,651,972	6,906,502
1913 ... ..	5,207,000	4,687,000

In comparing the totals for 1925 and 1913 it must be remembered that the former include the figures of production for Lorraine, which amounted to about 3,000,000 tons in the case of pig iron and to about 2,500,000 tons in that of steel; but even deducting these amounts the totals for 1925 are still in excess of those for 1913.

The following table shows the number of blast furnaces (a) Blown in, (b) Ready for blowing in, (c) Undergoing repairs or in course of construction—on the 1st of each month:—

	(a)	(b)	(c)	Total.
1925, January ...	133	38	49	220
February ...	133	41	46	220
March ...	135	38	47	220
April ...	136	37	47	220
May ...	139	33	48	220
June ...	141	32	47	220
July ...	141	35	44	220
August ...	144	33	43	220
September ...	141	35	44	220
October ...	143	32	45	220
November... ..	143	36	41	220
December ...	145	32	42	219
1926, January ...	147	29	43	219



## GERMANY

### POLITICAL AND GENERAL

**The New Government.**—The Government crisis which lasted for over seven weeks, was ended on January 19 by the formation of Dr. Luther's second cabinet, representing the German and Bavarian People's Party, the Centre and the Democrats. As it is probable that the Nationalists and Socialists will abstain from voting, Dr. Luther will be supported by about 180 votes against an opposition of some 60 votes representing the Extreme Left and Extreme Right. The members of the new cabinet are as follows:—

Herr Luther	...	...	...	Chancellor.
Herr Stresemann	...	...	...	Foreign Affairs.
Herr Marx (Centre)	...	...	...	Justice.
Herr Külz (Dem.)	...	...	...	Interior.
Herr Reinhold (Dem.)	...	...	...	Finance.
Herr Brauns (Centre)	...	...	...	Labour.
Herr Krohne (German People's Party)	...	...	...	Communications.
Herr Stingl (Bav. People's Party)	...	...	...	Posts.
Herr Curtius (German People's Party)	...	...	...	Economic Affairs.
Herr Gessler (Dem.)	...	...	...	Defence.

The Minister for Agriculture has not yet been appointed, but the portfolio is to be given to a member of the Centre Party and for the present Herr Marx, the newly-appointed Minister for Justice, will perform the duties involved.

A list of Reich cabinets since 1918, of which there have been 14, including the one just formed, is given below.

November 10, 1918, to February 13, 1919: Government by the People's Representatives.	
February 13, 1919, to June 20, 1919: Scheidmann Cabinet (Centre, Social Democrats, and Democrats.)	
June 20, 1919, to March 26, 1920: Bauer Cabinet (Centre and Social Democrats). Democrats join in October, 1919.	
March 26, 1920, to June 20, 1920: Hermann Müller Cabinet. (Centre, Social Democrats and Democrats.)	
June 20, 1920, to May 4, 1921: Fehrenbach-Heinze Cabinet (Centre, German People's Party and Democrats.)	
May 9, 1921, to October 22, 1921: Wirth Cabinet (Centre, Social Democrats and Democrats.)	
October 26, 1921, to November 13, 1922: Second Wirth Cabinet (including Bavarian Peasant's Union.)	
November 22, 1922, to August 12, 1923: Cuno Cabinet (Democrats, Centre, German People's Party, Ministers of the Provinces).	
August 13, 1923, to October 2, 1923: Stresemann Cabinet, Grand Coalition.	
October 2, 1923, to November 1, 1923: 2nd Stresemann Cabinet, Grand Coalition (without Hilferding, with Count Kanitz, Luther.)	
November 1, 1923, to November 23, 1923: Stresemann-Jarres Cabinet (German People's Party, Centre and Democrats.)	
December 1, 1923, to January 15, 1925: Marx Cabinet (Centre, German People's Party, Democrats, Vice-Chancellor Jarres.)	
January 15, 1925, to December 1925: Luther Cabinet (German People's Party, Nationalists, Centre and Democrats.)	
January 19, 1926: Second Luther Cabinet (Democrats, German and Bavarian People's Parties, Centre.)	

(*Frankfurter Zeitung, Kölnische Zeitung.*)

### INDUSTRY

**The Mining Trust.**—A further step toward the formation of the Rhenish Westphalian Mining Trust is announced from Essen. A new company, styled the "Vereinigte Stahlwerke A.G." has been formed with domicile in Düsseldorf and a capital of R.Mk.50,000 with the object of solving the many financial and other difficulties in the way of the final formation of the trust.

The groups concerned in the new company, negotiations for which have been in train since October last, are the Rhine-Elbe Union, with a quota of 39½ per cent, the Thyssen and Phoenix Groups, with 26 per cent each, and the Rhine Steel with 8½ per cent.

The questions with which the new company will deal concern primarily finance and taxation, and especially the securing of credits against property guarantees. The way will thus be paved for the final object of the Trust, the carrying out of an imposing production programme. For this purpose it is imperative that the leaders of the new company, who include Messrs. Kirdorf, Vogler, Friedrich Thyssen, Fahrenhorst and Haslachner, should have free access to all the books and workshops of the undertakings concerned.

The solution of the financial question is to be sought in foreign loans. Negotiations are now on foot for a 25 million dollar loan for the Rhine-Elbe Union in New York. It is understood that the whole of this loan, as soon as it is secured, will pass directly to the "Vereinigte Stahlwerke." The same applies to the loan negotiations of all the other companies involved.

Thus, in spite of the delay in its formation and the great difficulties which still remain to be solved before the amalgamation of the four great mining concerns now associated can be effectively carried out, the fact that the "Vereinigte Stahlwerke" has actually come into being will act as a great stimulus toward the final formation of the Rhenish Westphalian Mining Trust. It will, however, only be when all the present questions, and those which may arise out of them, have been finally settled, perhaps after long negotiations, that the Vereinigten Stahlwerke will be able to step outside its present character of preparatory research company and transform itself into a real Trust Company formed from its four constituent concerns. Then the very modest capital of the Vereinigte Stahlwerke of R.Mk.50,000 will be brought up to the necessary trust level, which is estimated at R.Mk.600 mill. (*Deutsche Allgemeine Zeitung, Hamburger Fremdenblatt.*)

**Ruhr Coal Output.**—The *Kölnische Zeitung* publishes the following table showing the comparative output of coal from the Ruhr district during the individual months of 1925 as compared with the previous year, the first post war year, 1919, and the last pre-war year, 1913 (in millions of tons):—

	1913.	1919.	1924.	1925
		8 hrs. till 31/3.		
		7½ hrs. 1/4 to 8/4.		
		7 hrs. after 9/4.		
Duration of shift.	8½ hrs.	7½ hrs.	8 hrs.	8 hrs.
January	9.79	6.26	6.47	9.56
February	9.19	5.43	7.53	8.40
March	9.19	6.30	8.50	9.05
April	9.97	2.13	8.36	8.30
May	9.26	5.83	1.61	8.40
June	10.59	5.61	7.61	7.88
July	9.15	6.70	9.12	8.81
August	9.80	6.52	8.68	8.59
September	9.69	6.58	9.16	8.73
October	8.89	6.94	9.58	9.17
November	9.93	6.17	8.48	8.53
December	9.10	6.47	8.97	8.68
	114.55	70.94	94.07	104.10

During December 1925 in 24½ working days 8,678,282 t. of coal were produced (with 8 hour shifts inclusive of descent and ascent) as against 8,533,390 t. in 24 working days in November 1925, 6,471,130 t. in 24½ working days in December 1919 (7 hour shifts) and 9,101,858 t. in 24½ working days in December 1913 (8½ hour shifts). The output per working day amounted in December 1925 to 356,032 t., in November 1925 to 355,558 t. and

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in December 1913 to 377,279 t. The coke output of the Ruhr district was 1,883,230 t. in December 1925. (November 1925, 1,718,648 t.) and in December 1913, 2,098,872 t. The briquette output amounted in December 1925 to 328,457 t., in November 1925, 309,937 t. and in December 1913, 368,285 t.

The total output in the Ruhr for 1925 was 104,105,814 t. of coal against 94,072,260 t. in 1924, 70,946,099 t. in 1919, and 114,550,153 t. in 1913. The average daily coal output amounted in 1925 to 344,297 t., 1924 to 309,703 t., 1919 to 235,701 t., 1913 to 379,840 t. The total output as well as the daily output in 1925 are, according to figures, higher than in the other years. It must, however, be taken into consideration that at the beginning of 1924 the disturbances brought about by the period of passive resistance could only be overcome gradually, and normal working could not be resumed till some months later. It should also be remembered that the strike continued during the whole month of May, thereby materially affecting the total output as well as the daily output figures. In the second half-year of 1925 the daily average coal output was 340,192 t. against 351,729 t. in the second half-year of 1924. The coke output amounted in 1925 to a total of 22,572,834 t. against 20,709,691 t. in 1924, 17,226,189 t. in 1919 and 24,957,956 t. in 1913. The total number of workers employed at the end of December 1925 was 396,008 against 400,490 at the end of November 1925, a decrease of 4,482. At the end of December 1924, 471,007 workers were employed and the 1913 average was 420,300. The number of unworked shifts in December 1925 was 125,000 against 179,790 in the previous month.

**Financial Difficulties in Textile Industry.**—In no branch of German industry has the general collapse been so widely felt as in the textile business. Nearly a quarter of the bankruptcies and voluntary liquidations of the past year have occurred in the textile industry or trade. According to statistics published by a textile journal, out of 8,666 bankruptcies and 4,903 voluntary liquidations which have occurred between April, when the present crisis began, and December, 2,078 bankruptcies and 1,178 voluntary liquidations were in the textile branch. A considerable increase can be noticed month by month, and is finally assuming alarming proportions. Whereas in April there were only 125 textile bankruptcies, by October the number had risen to 280, in November to 345 and in December to 401. Textile voluntary liquidations increased from 50 in April to 158 in October, 246 in November and 304 in December. The distribution of textile bankruptcies and liquidations over industry, wholesale and retail trade is noteworthy.

	Textile bankruptcies.			Textile liquidations.		
	In-	Whole-		In-	Whole-	
	dust.	sale.	Retail.	dust.	sale.	Retail.
October	49	36	195	26	18	114
November	55	22	268	18	18	185
December	78	37	286	38	38	202

The largest proportion of these failures is thus, as might be expected, in the retail trade, but it is noticeable that during the last few months the greatest proportional increase, both in bankruptcies and liquidations is in the textile industry. (*Kölnische Zeitung*.)

## AGRICULTURE

**New Credit for Agriculture.**—German agriculture stands in as much need of capital as German industry. It is true that during the inflation period agriculture recovered itself to some extent, but since the stabilisation of the currency it has been crippled with heavy debts consequent upon valorisation and is in need of capital for introducing modern intensive methods. The credits hitherto afforded have been given at a very high rate of interest, and frequent requests from agriculture for long term credits have not been satisfied to any adequate degree.

In the general as well as the agricultural interest, every measure intended to ameliorate interest and credit

conditions for agriculture should be welcomed. These measures include the reduction of the discount rate, the increase of the loan limit to 66½ per cent. for agricultural mortgage deeds and the endeavour to place German mortgage deeds on foreign markets, which will no doubt be furthered by the interest recently acquired by the Swedish American Investment Corporation in the Prussian Mortgage Deed Bank.

The most important of these measures, however, is the recent announcement of an offer made by the German Gold Discount Bank to the Deutsche Rentenbank Creditanstalt for the facilitation of an interim mortgage credit for agriculture. This interim credit is to be of 3 to 5 years' duration and the Rentenbank Creditanstalt is to issue and hand over to the Gold Discount Bank mortgage deeds which are to be guaranteed by agricultural mortgages within the stipulated 33½ per cent. These mortgages are to be paid off, one-third after 3 years, a second third after 4 years and the last third after 5 years.

Similarly the mortgage deeds for each respective third of the total sum, will run for three, four and five years. The yearly rate of interest for the farmer is to be 7 per cent., and in addition to this, only the strictly necessary costs will be charged. Payment will likewise be effected to the full capital amount, less the unavoidable costs for drawing up, tax, stamps, fees and the like.

In the administration of these credits the Rentenbank Creditanstalt will avail itself, as in the case of foreign loans, of the services of the real credit institutions. They will then be used to cover certain other mortgage deeds and will thus revert to the Rentenbank. Thus the only parties to the transaction will be the Rentenbank as personal debtor, supplying the funds, the farmer receiving the credit and the real credit institute as intermediary. Care will be taken that the credit only goes to quarters offering the security of rational intensive utilisation.

This interim credit is destined to prevent agriculture, seeking for a long term credit under pressure of heavy liabilities, from descending in full force on the capital market, and thereby being obliged to pay a rate of interest which in the long run would prove impracticable. The German real credit institutions have afforded agriculture during the last two years credits to the value of 500 mill. yearly. A similarly progressive development may be counted on for the future, so that the working out of the interim credit now granted can be effected primarily through improved returns from cultivation, but later through the reconstruction of German real credit.

The German Gold Discount Bank is interested in a productive development of agriculture both from the point of view of politics and of currency. In order to facilitate the placing of the mortgage deeds received from the Rentenbank Creditanstalt the Gold Discount Bank will institute the entire paying up of its capital, nominally amounting to £10 million and hitherto paid up to the extent of £6.6 million. (*Deutsche Allgemeine Zeitung, Hamburger Fremdenblatt*.)

## COMMUNICATIONS

**Recent Shipbuilding.**—The German shipyards report a greater activity in shipbuilding contracts during the last few weeks. The tonnage ordered within the past months amount to 55,000 g.r.t., which, in view of the stagnant condition of the shipbuilding industry and the utterly inadequate number of contracts given in the previous months, represents a considerable amount of new construction. The 55,000 tons in question only include the most important new contracts, in the first place the Hamburg America Line's fourth Ballin liner the "New York," which is under construction by Blohm and Voss. The same shipyard has received a contract for an 8 to 9,000 t. steamer, the "Austral," and Hamburg shipowners have given similar contracts to the Bremer Vulkan and Flensburg Schiffbaugesellschaft. The latter yard has also received a contract for a 2,200 t. cargo boat from the Hamburg firm of Ernst Russ.



The Stettin Vulkan has received during the last few weeks an order for a turbine pleasure steamer of 2,200 t. from the Hapag Seaside Resort Company. The Hamburg sailing-shipowners, "Laesz," have given an order for a four-masted barque at Tecklenborg. This is the first order for a sailing vessel given for a long time, and has caused a good deal of comment.

The Shipbuilding Loan Fund of the Reich has had to advance money for all this new construction. This fund, which was recently estimated at R.Mk.18 to 20 mill., will soon be exhausted if building activity continues. When this occurs some further means must be devised to maintain German shipbuilding in at least its present condition, in order to assure the development of shipping in general. (*Hamburger Fremdenblatt.*)

## NORWAY

### POLITICAL AND GENERAL

**General Economic Survey of 1925.**—Writing in the Monthly Report of the Norges Bank for December, M. Rygg, Governor of the Bank, professes to finding several favourable features in the financial developments of the past year, which viewed as a whole are of no small weight. The absence of any serious crisis in the general credit situation of the country has produced a feeling of greater calmness, in itself a matter of no small importance, while the appearance of new banking institutions which are in course of formation and will soon be ready to start operations gives promise of renewed activity and increased soundness. The country, he thinks, has arrived at a clearer understanding of its economic position, in spite of the prevalent idea that what one wishes he should get, even at the expense of everything else. Comparing the results of the working of the Norges Bank for the past six years, it appears that the note circulation has fallen from Kr.478.4 million in 1920 to Kr.362.8 million in 1925; deposits have declined from Kr.127.7 million to Kr.98.6 million and loans and discounts from Kr.500.2 million to Kr.320.1 million; while balances held abroad have increased slightly, from Kr.55.2 million to Kr.55.3 million, but in 1923 these had fallen as low as Kr.21.2 million. The gold stock has remained at Kr.147.2 million throughout this period.

Referring to shipping, M. Rygg remarks that competent authorities have characterised the year 1925 as the worst of the years of depression through which the country has passed since the war. Even if this opinion does not entirely hold good, the year, he admits, has undoubtedly caused much disappointment. A comparison with the level of freight rates in 1924 shows a considerable decline, which on an average attained approximately 10 per cent. and often even more, as the rates fluctuated widely from one month to the other. Important seasonal markets such as the River Plate, North America and Australia, which were disappointing, contributed largely to the general decline, and the European market presented a gloomy picture all through the year. Nor have the other markets, whether eastern or western, attracted sufficient attention, long periods of idleness with lack of cargoes and excess of tonnage being witnessed also there. To these adverse conditions in the freight market, which alone would represent a matter of serious concern to shipowners, must be added the high level of running expenses. It is therefore not astonishing that only in a few cases have profits been made. Labour, stores, etc., not to speak of port duties, are on much too high a level, when considered from the point of view of profitable management. Further, the excess of tonnage is artificially maintained to the detriment of shipping by means of the policy pursued by several States of granting subsidies to the shipbuilding industry. For Norway the scale of manning means a serious handicap on shipping in competition with other countries. It should also be remembered that the rise in the krone in its ratio to sterling and dollars and the reduced level of freight rates which prevailed in 1925 will probably leave a

lower amount of gross freights earned by Norwegian vessels in foreign trade than in 1924, when income derived from this source amounted to Kr.542 million.

### TRADE

**Foreign Trade Returns for 1925.**—The official statistics of the foreign trade of Norway in December have been published by the Central Bureau of Statistics. According to these, says *Farmand*, the decrease in the export value, which came as a consequence of the rise in the Norwegian exchange, continued during December, thus to some extent contributing to neutralise the exceedingly favourable result of the balance of trade for earlier months. At the same time, however, the import value has been much lower than for the corresponding months of 1924, a fact which is not only due to the general reduction in the purchasing power of the people, but naturally also to the higher value of the Norwegian exchange. On the whole, however, the year has brought a continued improvement in the balance of trade, with a substantial reduction in the import surplus of former years. Thus the import surplus has been brought down to the extent of Kr.130 million since 1924. The following figures (in millions of kroner) will be of interest:—

	Imports.	Exports.	Import. Surplus.
1913 ... ..	552.3	392.6	159.7
1920 ... ..	3,033.2	1,246.6	1,786.5
1921 ... ..	1,463.5	638.0	825.5
1922 ... ..	1,313.9	787.4	526.5
1923 ... ..	1,342.9	830.9	512.0
1924 ... ..	1,547.8	1,063.7	484.1
1925 ... ..	1,401.1	1,047.1	354.6
Difference between 1924 and 1925 ...	+146.7	+16.6	+129.5

These figures call for no further comment. The trade balance has been constantly improving since 1920, and although the reduced figures this year are partly the result of a higher krone value, most of the reduction in the import surplus is the consequence of the rising tendency of exports.

The following table shows the value of Norway's foreign trade month by month (in millions of kroner):—

	Imports.	Export of Norwegian goods.	Re- Norwegian exports.	Import surplus.
1924, December ...	138.9	93.0	1.7	44.2
1925, January ...	108.5	93.8	1.6	13.1
February ...	133.5	94.7	1.3	37.9
March ...	137.9	107.1	1.4	29.4
April ...	119.1	83.0	2.0	34.2
May ...	114.0	79.0	1.6	33.5
June ...	120.4	85.3	1.7	33.5
July ...	129.4	76.7	1.7	51.0
August ...	119.6	85.9	1.4	32.3
September ...	119.4	91.5	1.6	26.3
October ...	97.0	85.2	1.8	9.9
November ...	108.1	75.9	1.3	30.9
December ...	94.1	68.0	1.0	25.0

Bearing in mind the exceedingly high export figures for the months of July to November 1924, amounting to Kr.537.3 million, it will not be matter for surprise that the corresponding figures for 1925 should amount only to Kr.423.2 million. This remarkable expansion in 1924 was the consequence of an extraordinary stagnation in the export trade and of the grave labour conflict that marked the first five months of the year. In 1925 the development has been more regular, with exports fairly portioned out between the various months of the year.

Some figures relative to the volume of exports may also prove of interest. Exports of canned goods, to begin with, declined from 40,275 tons in 1924 to 29,504 tons, while wood refining articles on the other hand show a favourable expansion. Thus mechanical pulp increased from 482,001 tons to 597,908 tons; chemical pulp from 186,173 tons to 236,840 tons, and paper from 196,542 tons to 284,440 tons. Aluminium exports also show a rise, from 19,175 tons to 20,548 tons.

Imports show no diminution in volume, the reduction in value being entirely due to the rise of the Norwegian



exchange. The following figures (in millions of kroner) will be of interest:—

	1925.	1924.
Grain ... ..	177.4	189.4
Groceries ... ..	103.7	152.4
Textiles ... ..	137.6	150.1
Oils, tar, rubber, etc. ... ..	110.8	119.6
Minerals, crude and semi-manufactured	140.2	175.0
Ships, machines, etc. ... ..	192.1	137.7
of which, ships ... ..	104.5	55.50

The sharp increase in the importation of ships bears witness to the development which distinguishes the Norwegian shipping interest at the present moment. Imports for consumption have, on the other hand, declined. The deficit on our trade balance for the past year, *Farmand* concludes, is not disastrous: it is small and partly a consequence of imports for productive purposes.

## RUSSIA

### POLITICAL AND GENERAL

**Russia's Economic Difficulties.**—The *Agence Economique et Financière* in summarising an analysis of the financial economic crisis in Russia given in a speech made by Mr. Leslie Urquhart at the general meeting of the "Russo-Asiatique," states that although Russia had a very good harvest in 1925 the Government failed to constitute stocks of cereals for export. These miscalculations were not due to over-estimation of the value of the harvest, which although it did not attain the Soviet figures was still excellent, but to the inability of the Government to form stocks in consequence of the refusal of the farmers to sell their cereals, which they insisted on keeping themselves in quantities far in excess of their needs. This attitude has been adopted by the peasants because they are unable to procure with the proceeds of the sales of their cereals the manufactured articles of which they stand in need for their households and cultivation. Nationalised industry does not produce enough and what it does produce is far too dear. The consequences of this situation may be very serious; the farmers may decrease their areas of cultivation. The key of the situation therefore lies with nationalised industry, the equipment of which has become inadequate and worn out. Mines must be re-equipped and factories reconstituted. New factories also must be built, and this is only possible with the help of foreign money. This it will be impossible for the Soviet Government to obtain until it effects a complete alteration in its policy in dealing with foreign creditors.

The statements made by Mr. Urquhart are confirmed in the Russian press. The *Economicheskaya Jisn* declares that during the month of November prices have risen again, while commercial transactions have diminished. Wholesale prices have increased 2.3 per cent. as against 0.6 per cent. in October and retail prices 3.2 per cent. as against 1.1 per cent. in October. The difference between wholesale and retail prices has increased once more. For industrial products it was 34.6 per cent. in November against 33 per cent. in October.

The chiffre d'affaires of the Moscow Bourse decreased during November by 14.6 per cent., and that of the provincial exchanges by 22 per cent. Sales in the 162 trusts and syndicates of the State have decreased by 22 per cent. This decrease in transactions was the result of a decrease in the supply, the demand, on the other hand, has increased. It is for this reason that retail prices in the shops and co-operative stores have risen 5.7 per cent. The scarcity of goods, says the *Economicheskaya Jisn* is the salient feature of Russian economy and the purchasing power of the *tchervonetz* has fallen again. The only means of averting the danger which threatens is to increase production in the great Soviet industries. Everything points to a disproportion between the pecuniary resources of the population and the goods available to offer it, and there is no remedy for the economic situation but increased production.

## TRADE

**Foreign Trade 1924-25.**—According to Russian Customs statistics recently published the turnover of Russian foreign trade over the European frontier amounted during the past economic year 1924-25 to 1,141 mill. roubles. Import and export were distributed over the various countries according to the following table (in millions of roubles):—

Country	Export to.	Import from.	Total turnover.	Balance.
England ...	185.4	107.8	293.2	77.6
United States ...	21.2	188.3	209.5	167.1
Germany ...	87.0	101.6	188.3	14.6
Latvia ...	62.7	2.7	65.4	60.0
Belgium ...	19.3	3.3	22.6	16.0
Holland ...	20.5	33.9	54.4	13.4
Denmark ...	13.7	1.6	15.3	12.1
Italy ...	15.4	5.2	20.6	10.2
France ...	22.1	9.1	31.2	13.0
Finland ...	2.5	18.6	21.1	16.1
Czechoslovakia	0.4	21.8	22.2	21.4
Turkey ...	9.7	2.5	12.2	7.2
Sweden ...	1.0	15.5	16.5	14.5
Poland ...	3.3	10.3	14.1	6.5
Other countries	29.1	77.0	106.1	47.9
Total ...	507.8	633.3	1,141.1	125.5

Of the total turnover 691 mill. roubles or 60 per cent. fall to England, United States, and Germany, the latter country taking third place in Russia's foreign trade. (*Deutsche Allgemeine Zeitung*.)

According to *Wirtschaftliche Nachrichten* Russian trade representatives bought abroad between April 1 and July 1, 1925, goods to the value of R.142,474,000. Among the countries exporting to Germany the United States stood first with R.45 mill. and England and Germany followed with R.34 mill. each. The proportions of the imports from other countries were much smaller and did not exceed 6.7 mill. Czechoslovakia and Holland did not reach 3.9 mill. Finland's share was 3.9 mill., Sweden's 3 mill., Belgium's 1.9 mill. and Poland's 0.8 mill. Among the goods bought by Russia the most important were large quantities of cotton to the value of R.47 mill., machines and machine parts for R.11 mill., other metal goods for R.11 mill., sugar R.10 mill., agricultural machines for R.7 mill., coloured metals 5 mill., rubber 4 mill., dyestuffs 3 mill., medicaments, dressed hides, tractors and cellulose 2 mill each; further, tea, black metals, motor cars and cycles, apparatus, paper and cardboard, yarns and wool for 1 million and over each, and other goods to the value of less than 1 million.

The United States supplied chiefly cotton, machines and machine parts, agricultural machines and tools, and sundry metal goods. England supplied cotton, rubber, sugar, coloured metals, sundry metal goods, wool, yarn and tea. Germany supplied chiefly metal goods, machines, machine parts, dyestuffs, agricultural machines, apparatus and instruments of precision, sugar and dressed hides, chemicals and medicaments. Czechoslovakia exported machines and machine parts, also agricultural machines and implements, and dressed hides. Holland supplied sugar to the value of 3.8 mill. and medicaments to the value of R.400,000. From France, Russia imported chiefly machines and machine parts, and sundry metal goods, cotton material and dyestuffs. These purchases were estimated at R.500,000 or 600,000. Purchases of dressed hides, chemicals and electro-technical goods were small and amounted to about R.1,000 each. Finland supplied quantities of cellulose and paper pulp to the value of R.2.9 mill. Sweden's chief articles of export to Russia were agricultural machines and implements to the value of R.1.6 mill., other metal goods to  $\frac{1}{2}$  mill. and machines and machine parts to R.600,000. Belgium supplied chiefly sugar to the value of 1.8 mill. Poland's largest delivery was in metal goods but not beyond the value of R.400,000.

With regard to the import of agricultural machines and implements *Wirtschaftliche Nachrichten* states that the official organisation "Gosselsklad" has sold during the past economic year agricultural machines to the



value of R.2.2 mill. and metal goods to the value of 379,000 (in all about R.2.5 mill.), which constitutes a fourfold increase on last year's figures. Small agricultural appliances were chiefly sold (449,022), also ploughs (29,100), harrows, sifting machines, threshing machines, separators, etc. The increase in the sales of single machines was very remarkable. It amounted to 3,600 per cent. for sifting machines, 1,200 per cent. for harrows, and so on.

Great complaints arise from the peasantry, says the *Danziger Zeitung*, in regard to the high prices asked for agricultural machines imported from abroad. The Commissariat for the Inspection of Workers and Farmers has therefore instituted an enquiry into the import costs of agricultural machines, and it appears that the incidental costs amount to about 40 per cent. of the basic price. These costs are composed as follows: 3 per cent. commission for the Trade Representative, 5 per cent. costs of organisation, 18 per cent. customs duty, freight charges, etc., 2 per cent. for unforeseen costs, 1 per cent. for insurance, 1 per cent. for insurance against variation in the rate of exchange and 8 per cent. as profit on the price. The result is that a small plough made by the German firm Rheinmetall at R.10.4 franco Hamburg costs R.15.8 franco Leningrad Harbour. A grassmower bought in America at R.119 franco New York costs R.168.6 franco Leningrad Harbour. Prices are yet further considerably increased by transport from the harbour to the purchaser in his village. For tractors the average incidental costs amount to over R.200 apiece. These facts combined to bring about the decision of the Central Committee of the Communist Party to form special import companies, among them an import company for agricultural machines, in which all interested Russian organisations are to have a share, with the object of reducing and abolishing these enormous incidental expenses. The foreign agencies of the new company are to work in direct relation to the management and are to be completely independent in their operations.

## INDUSTRY

**Industrial Output 1924-25.**—According to figures published in the *Gazette de Prague* the production of Soviet industry calculated at pre-war rates has increased from R.2,577 mill. in 1923-24 to R.3,800 mill. in 1924-25, an increase of 41 per cent., and equal to about 70 per cent. of pre-war production. The increase, however, varies in different branches of industry, the smallest degree of progress appearing in the extraction industries. Thus the production of naphtha has only increased 17 per cent. (from 5.9 mill. to 6.9 mill. tons) and that of coal 2 per cent. only from 15.8 mill. to 16.1 mill. tons. A large increase is shown in the metallurgical industry (80 per cent.), the cotton industry (80 per cent.), and in the tobacco and paper industries. On the other hand the increase is less marked in woollen material, linen, leather shoes, etc.

In order to form a judgment of the state of industry it is necessary to take into account not alone the volume of production, but the price of the finished article. According to statistics published in the official review of May and September 1925 only a reduction of 18 per cent. has been effected in prices, as compared with the first half of 1923-24. The official review gives the following table to show the comparative percentage of the increase in current prices as against pre-war rates:—

	Per cent.		Per cent.
Coal ...	177	Cement ...	196
Iron ...	186	Glass ...	247
Steel ...	179	Matches ...	186
Iron goods ...	204	Shoe leather ...	156
Cotton yarn ...	182	Sugar ...	227
Cotton cloth ...	199		

The average is therefore 193 per cent., or nearly double the pre-war average, and there is unfortunately but little prospect of effecting a reduction. Official estimates for 1925-1926 reckon on a reduction of 8 per cent. on the general average, and only 7½ per cent. on the selling

price of industrial products. It is proposed to effect a further considerable increase in production in order to bring about a reduction in price.

The pessimism thus manifested in official circles, usually so optimistic in their projects, is entirely justified by the actual state of affairs. The present slight drop in price is attributable to increased output by workers, thanks to an alteration in the salary scheme (the adoption of piece-work) and a certain amount of moral and disciplinary influence. The output of the worker was thus increased from R.4.71 in October 1924 to R.6.22 in May 1925, an increase of 32 per cent. The competent Soviet authorities have ordained that this is the maximum which may be demanded of the workers, and that no further improvement of output may be required of them through increased effort on their part, but only through improvement of apparatus or process.

No definite figures are available, but it is obvious that where a 32 per cent. increase of work only effects an 18 per cent. reduction in price, some other elements must effect the selling price, such as the organisation of production, the state of apparatus, etc.

At the beginning of the autumn great plans for reconstruction and repairs were made, based on exaggerated estimates of the profits arising from the harvest and from exports. These estimates proved to be entirely false, and the plans, which involved some hundreds of millions of roubles, all fell through.

It must be remembered that the increased effort of 1925 on the part of the workers was not accompanied by an increase of salary. On the contrary some salaries have been reduced, the general level of remuneration is still low, and the Russian worker is exhausted by eight years of privation under the Soviet régime. It should further be taken into consideration that the increased output has been obtained at the expense of the quality of the work. The quality of the production of Soviet industry has never been brilliant, but if we are to believe Trotsky's recent official report in his capacity of president of the "Special Commission for the Quality of Production" it has depreciated during the past year.



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It must thus be admitted that in spite of the increase in volume of the output of Soviet industry, many evils remain for which it will be difficult to find a remedy under the existing conditions.

## SWITZERLAND

### FINANCE

**The Financial Situation in 1925.**—During the course of 1925 there was a pronounced liquidity in the Swiss money and capital market. The previous rates on interest touched a lower point only in the year 1922. According to the reports of the Swiss National Bank the private rates of interest prevailing at the close of the different months of 1925, in comparison with those of 1924, were as follows:—

Private discount rates in				1924.	1925.
January	...	...	...	3.56	2.25
February	...	...	...	3.60	2.25
March	...	...	...	3.68	2.375
April	...	...	...	3.62	2.50
May	...	...	...	3.25	2.375
June	...	...	...	3.31	2.25
July	...	...	...	3.87	2.125
August	...	...	...	3.62	2.00
September	...	...	...	3.75	2.00
October	...	...	...	3.50	2.00
November	...	...	...	3.13	2.25
December	...	...	...	3.13	2.50

During the first eight months of the year the average monthly demand on the National Bank was much lower than in 1924. From that point the tension became more pronounced, so that the demand during the whole year was only about 5 per cent. lower than that of the preceding year. The demand in January amounted to Fr.192.1 mill., whilst that of December was as high as Fr.284.2 mill. The note circulation in January 1925 stood at Fr.825.0 mill. and in December at Fr.875.8 mill. The lowest points were reached in February with Fr.819.3 mill., August with Fr.819.1 mill., and November with Fr.819.0 mill. The note circulation in December was the highest of all the preceding months, but represented a drop of about 14 per cent. when compared with the circulation in December 1924. This decline in the note circulation is attributed to the increased circulation of gold and to the lower level of prices throughout the year.

The demand on the capital market slightly exceeded that of the preceding year. During the first half of the year new demands (excluding conversions) amounted to about Fr.300 mill. The exact figures for the second half of the year are not yet available, but Fr.200 mill. may be taken as a very approximate estimate, thus bringing the total demand on the capital market during the whole year to a sum of about half a milliard francs. New issues in 1924 amounted to Fr.497 mill. The requirements of the capital market were easily satisfied. The liquidity in the money market stands in great contrast to the monetary stringency that prevailed in many European countries, notably in Germany and Austria. There was a heavy demand from abroad on the Swiss money market, the demand being met in a modest measure and at favourable rates on interest.

This monetary liquidity and the stabilisation of international political conditions had a favourable effect upon the course of stocks and shares. The following table shows the favourable development in the quotations of 41 stocks on the Swiss bourses representing an aggregate paid-up capital of Fr.1,500 mill.

	Total.	Of which, banks.	Trusts.	Industrial concerns.
January	110.8	124.3	69.6	128.7
February	113.3	123.4	69.7	135.9
March	111.4	118.3	69.4	135.6
April	111.9	120.1	72.4	133.8
May	113.7	121.0	76.5	135.2
June	114.8	122.5	76.5	136.7
July	116.3	123.9	77.9	137.8
August	119.3	127.0	80.0	139.4
September	120.6	128.3	80.3	141.3
October	121.2	129.7	79.8	142.1
November	122.7	130.6	80.6	144.5
December	122.8	130.9	79.2	145.4

The general index shows, with the exception of the slight drop in March and April, a continuous improvement from month to month. The highest point of the general index in 1924 was reached in December of that year when the figure stood at 108.0, and the lowest in June with 99.8. On the whole the past year was one of unhampered progress on the bourses, the most notable improvement being in industrial stocks. In respect to the course of bills of exchange, however, the year was not so satisfactory. (*Wirtschaftsberichte des Schweizerischen Handelsamtsblattes.*)

**Report of the Bank for Oriental Railways.**—The report of the Zurich Bank for Oriental Railways for the financial year 1924-25 has now been published and shows that the situation of this trust company has in no wise improved. The associated transport undertaking in Asia Minor still remains in the hands of the Turkish Government. The Bank can therefore not meet the interest on loans, not to mention the payment of dividends. For the time being the Bank has practically no revenue. The profit and loss account closes with a deficit of Fr.7.93 mill., which is about the same as in the statement of June 30, 1924 (Fr.7.91 mill.), after the carrying out of the capital reduction.

A solution of the various problems of several years past was not found in the financial year 1924-25. The report states that no improvement has taken place in the relations between the Bank and its subsidiary company in Asia Minor. The Turkish Government still adheres to the resolution of the Turkish National Assembly respecting the re-purchase of the railways, which it has placed under the working management of the State Railways. The Anatolian Railway Company requested that delegates should be sent to Turkey to negotiate the re-purchase of the Oriental railways. The delegates went to Angora in October last but returned without being able to arrive at any agreement. It is doubtful whether a satisfactory arrangement will be arrived at within the near future, although it is possible that the present need of Turkey for foreign capital and expert technical assistance may modify its recent attitude.

The statement for 1924-25 shows no appreciable difference from that of the re-constructed company of June 30, 1924. The nominal share capital is Fr.30 mill., as in 1923-24, of which Fr.15 mill. has been paid up. The Four-and-a-Quarter Obligation Debt remains at Fr.36.74 mill. The interest on various assets brought in Fr.88,760 as compared with Fr.69,526 in 1923-24. The working costs figure at Fr.115,271, as against Fr.75,403 in 1923-24. (*Neue Zürcher Zeitung.*)

### TRADE

**Foreign Trade Returns for 1925.**—The value of imports in December amounted to Fr.250.62 mill. (excluding imports of gold and silver), and that of exports to Fr.156.23 mill. Bullion and specie imports figure at Fr.1.57 mill., and exports at Fr.0.92 mill. The adverse balance of trade for the month is therefore Fr.95.52 mill., which is the highest adverse balance recorded during the whole year. In December 1924 imports were about two millions higher than in last December, but exports in the latter month were Fr.25.49 mill. lower than those of a year previous. It was only on account of the fairly heavy deliveries of machinery that the December exports did not fall below those of November (Fr.153 mill.).

The value of imports during the whole of the year 1925 amounted to Fr.2,634 mill., and that of exports to Fr.2,039 mill. The import figure includes about Fr.138 mill. for gold bullion, as against only Fr.13 mill. in the preceding year. Excluding the bullion imports the value of goods imported during 1925 is about the same as in 1924. Likewise excluding bullion exports the value of goods exported during the past year amounted to about Fr.2,030 mill., as against Fr.2,009 mill. in 1924. The increase in exports for the year represents only about Fr.20 mill., so that the year may



be characterised as one of stagnation, despite periods of briskness. (*Neue Zürcher Zeitung*.)

## INDUSTRY

**Swiss Industry in 1925.**—The December Bulletin of the Swiss Kreditanstalt publishes an exhaustive survey of the development of industry in Switzerland during the past year, of which the salient features are reproduced hereby.

The manufacture of silk fabrics received a heavy blow through the introduction of the import duties in Great Britain, which country had hitherto been the best market for this commodity. During the first nine months of the past year silk exports to Great Britain actually rose from Fr.74 mill. to Fr.99 mill., but this was due to the feverish activity in the trade during the last few months before the introduction of the tariff, since the British buyers were anxious to fill their warehouses before the increase in the prices resulting from the application of the new tariff. Since the middle of the year silk exports considerably declined. The effect of Great Britain's policy upon Swiss industry has been disastrous. Some of the smaller mills have been compelled to go into liquidation, whilst many others have reduced the number of active looms. The prospects of the industry are none too rosy. The efforts that have been made to find fresh markets as substitutes for the lost British market have met with but modest success. The direct exportation of silk fabrics to Australia and Argentina has admittedly shown a vast improvement; on the other hand, silk exports to continental European countries have become very slack. During the first nine months of 1925 silk exports to Germany, for instance, amounted to but Fr.4.9 mill., as against Fr.8.4 mill. for the corresponding period of the preceding year. The trade with France and Austria is in similar decline.

There has been a big demand for crepe and it is interesting to note that artificial silk seems to have lost some of its former popularity, especially for lining purposes. French and Italian competition is felt very acutely; compared on a gold basis wages in France and Italy amount to about one-third those paid in Switzerland. The silk riband industry experienced a most irregular year, largely on account of the change of policy in Great Britain. Towards the end of the year this branch of business was very slack, despite the revival of trade with South America.

The cotton fabric manufactures the past year was one of disappointments. At the beginning and at the close of the year there was a fair demand for fine yarns, but the long intervening period was one of stagnation. The mills producing coarser and ordinary yarn were in a better position, being kept moderately well occupied.

The export figures of the embroidery industry during the first nine months of the year reflect a more unsatisfactory situation than in 1924. There was an improved demand for silk embroideries, but this was more than off-set by the decline in the other branches. The total exports during the above mentioned period amounted to 24,256 quintals to the value of Fr.103.76 mill., as against 29,168 quintals to the value of Fr.127.32 mill. in the corresponding months of 1924. Great Britain remains the chief market for this commodity, with British India second in importance.

During the first half of 1925 there was a restricted activity in the manufacture of woollen cloth. Towards the end of the year the demand improved, but Switzerland was not able to take full advantage of this on account of the rate of wages, freights and taxation. The home market was consequently inundated with foreign wares. The price of raw wool at the end of 1924 caused a rise in the price of the products of the carded wool mills, resulting in a large section of the former consumers being unable to purchase. This branch of industry experienced, therefore, a most unfavourable year. High prices for the raw material and an unsatisfactory demand for the finished article also characterised the tanning industry during the past

year. This situation reacted upon the shoemaking branches, which were further affected by the change in the fashion for low shoes, little leather being now used for these articles, save thin strips for the soles.

As a contrast to the situation in most industrial branches the Swiss machine industry enjoyed a busy and prosperous year. It cannot, however, be affirmed that the improvement will be of long duration, for the Swiss manufacturers are at a great disadvantage in the international market, as compared with those of other countries, on account of the unfavourable conditions governing production in Switzerland.

The watchmaking industry has passed through a period of great difficulties. Although the production proceeded more smoothly than in the immediately preceding years many other factors hindered free development. The financial crisis through which many countries were passing during 1925 induced them to seek fresh sources of revenue, these in many instances taking the form of import duties. Such measures directly affected the exportation of Swiss watches. Some countries such as Poland and Bulgaria have included watches under the category of articles of luxury and have either prohibited or greatly restricted the importation. Other countries, such as Czechoslovakia, are endeavouring to create a home industry in this branch. In general the export trade has developed fairly satisfactorily, having increased during the first nine months of 1925 by some 2½ mill. pieces, as compared with the preceding year.

In most of the other branches of industrial activity in Switzerland the year brought no essential changes. The hotel industry enjoyed a more satisfactory year than most of the remaining industries. (*Neue Zürcher Zeitung*.)

## SOCIAL AND LABOUR CONDITIONS

**Cost of Living and Price Index Numbers at the Close of the Year.**—The wholesale and retail prices prevailing in Switzerland during the last quarter of the past year were lower in general than for any other portion of the year. The year on the whole also experienced a big drop in prices as compared with preceding years. Taking July 1914 = 100, the average wholesale prices have moved in a downward direction from 196.5 in 1921, 167.7 in 1922, 179.9 in 1923, 175.7 in 1924 to 162.9 in 1925. The past year represents the cheapest since the war. The downward movement of the general wholesale index number in 1925, as compared with 1924, was caused chiefly by the drop in the prices of manufacture during the past twelve months, which moved from 204 in January 1924 to 154 in December 1925. The prices of agricultural products followed a steadier downward course in 1925 (moving from 132 to 112) than in 1924, in which the top price touched 137 and the lowest 108. The prices of commodities in the other categories adopted a more regular course, finishing (with the exception of raw materials for direct consumption) lower in December than in other months.

The following table shows the cost of living index number of the various categories at the close of each quarter of 1925, as compared with the figures at the end of 1924:—

	Foodstuffs.	Fuel.	Clothing.	Total.
December 1924	170	168	179	171
March 1925 ...	168	164	180	170
June, 1925 ...	167	161	180	169
September ...	165	159	177	167
December ...	163	158	177	165

The decline in retail prices was thus at a greater rate during the second than during the first half of the year. The average price of clothing throughout 1925 was slightly higher than in 1924, but at the end of the year it was lower than at the end of the preceding year. The fall in the prices of foodstuffs and fuel was considerable. The rent index number for the end of the past year is not yet available, but it will scarcely be higher than 160.

An international comparison of prices leads to inter-



esting results, revealing the fact that the fall in prices has been greater in Switzerland than in other leading European countries, in some of which there has actually been an increase in general prices since the beginning of 1924. Taking the general wholesale prices prevailing in January 1924 in each of the countries mentioned below at 100 in each instance, the subsequent movement of the respective index numbers is as shown below :—

	Switzer- land.	Ger- many.	Great Britain.	France.	Bel- gium.	Italy.	Hol- land.	Sweden.
1924.								
January	100	100	100	100	100	100	100	100
June ...	94	100	98	104	104	97	95	98
December	93	103	101	106	103	99	99	96
1925.								
January	93	109	104	107	104	99	99	97
March ...	93	106	102	104	101	97	95	97
June ...	88	105	97	100	95	94	94	91
Sept. ...	87	99	97	101	94	106	95	90
Nov. ...	86	96	95	94	95	103	95	88

(*Wirtschaftsberichte des Schweizerischen Handelsamts-blattes.*)

## UNITED STATES

### POLITICAL AND GENERAL

**Economic Prospects for 1926.**—Any business forecast must be simply an appraisal of the forces in motion at home and abroad for and against progress, writes Mr. Herbert Hoover, Secretary of Commerce, in *Commerce Reports*, a weekly survey of foreign trade published by the Bureau of Foreign and Domestic Commerce in the United States Department of Commerce. All signs indicate that if we will temper our optimism with a sprinkling of caution we shall continue our high level of prosperity over 1926.

The United States has produced and consumed more goods in 1925 in proportion to population than ever before in its history. Our standard of living has, therefore, been the highest in our history—and is, of course, the highest in the world. This improvement, however, has been greater in the urban centres than in agricultural communities.

The dominant favourable factor in our outlook is our increased productivity, due to fundamental and continuing forces—such as the cumulation of education, the advancement of science, skill, and elimination of waste. Other favourable indications on the immediate horizon are that the stocks of commodities are moderate; there is employment for practically everyone; real wages are at a high level; savings are the largest in the history and capital is therefore abundant; and the whole machinery of production and distribution is operating at a higher degree of efficiency than ever before. While wholesale prices for the year as a whole have averaged about 6 per cent. higher than for the previous year, it is largely owing to needed advance in prices of agricultural products.

There are some phases of the situation which require caution. Continuation of real estate and stock speculation, and its possible extension into commodities with inevitable inflation; the over-extension of instalment buying; the extortion by foreign government-fostered monopolies dominating our raw material imports; the continued economic instability of certain foreign countries; the lag in recovery of certain major agricultural products; the instability of the coal industry; the uncertainties of some important labour relationships—all these are matters of concern. But, as said above, with caution we should continue a prosperous year over 1926.

Agriculture, while it is better than it was two years ago, still leaves the farmers with much accumulated debt, and generally has not gained a stability that makes for contentment, because its basic economic problem of market is unsolved. Also, it suffers from continued distortion in price relationship of the Middle West to the competing foreign countries because our transportation costs to seaboard have had to be increased more than those of its foreign competitors. The projected enlarged programme of improvement in waterways is of great importance in this matter.

The construction industries have played a very large part in the high business activity of the past three years. The volume of construction has been unprecedented during the past year, with consequent great activity in the construction-material industries, iron, steel, lumber, cement, etc. Contrary to normal expectations, this increased demand has not advanced prices, for there has been a slight reduction in building costs, due in a large measure to the gradual lengthening of the building season. The increasing Federal, State, and municipal public works programmes for 1926, together with the promise of large electrical and railway extension and improvement, indicate a continuing demand for heavy construction. While it might be thought that the war deficiency in housing has been overcome, yet the high real wage in industry creates a demand for better housing and this condition, combined with the migration to suburbs due to the motor, promises to continue as long as employment remains general. We could hardly expect so exceptional a construction activity to repeat itself, but there will be a large volume in any event.

The textile and shoe industries as a whole are running at high levels of production, although the tendency in some branches of these industries to develop more rapidly in the South and West is affecting New England, pending readjustment of its economic relationships. The automobile and tyre industries will record an unprecedented output. The coal industries show increased production despite the anthracite strike, and the production of all other minerals has increased.

In transportation, our railways are giving the best service in our history and are recovering in average earnings to near the Interstate Commerce Commission standard of earnings of 5½ per cent. There is some improvement from the acute depression in the shipping world; and progress has been made in plans for internal waterway improvement. The electrification of the country has made further great strides during the year toward central generation and interconnection. There has been some pyramiding of power holding companies, much criticised within the electrical industry itself, but the solid progress of the industry is marked by the extension of use of electricity with all its economies in production of goods and saving of labour. Furthermore, taking the country as a whole, there has been a reduction in rates for power and lights, indicating that the public is securing benefits from the economies introduced in production of electricity.

Our foreign trade in 1925 has been exceptionally satisfactory. Both exports and imports have risen materially, the former reflecting an increase in agricultural exports and the latter reflecting the large demand for foreign raw materials and tropical foodstuffs. Exports will total around \$4,900,000,000, or about 7 per cent. more than in 1924. Imports will amount to about \$4,200,000,000, or approximately 17 per cent. more than in 1924. Roughly, one-half of this increase in both exports and imports is attributable to greater quantities exported, and the remainder to advance in prices. The major explanation of our favourable trade balance is, of course, to be found in the continued heavy investment of American capital abroad; in essence we are lending foreigners the wherewithal to buy goods from us, or are sending goods to convey our investments abroad. It is probable that the final figures will show that this country has added to its foreign investments during the year by more than a billion dollars.

The most remarkable thing about the foreign trade of the United States is that, after making allowance for the higher level of prices, both exports and imports are much greater than before the war, in contrast with the quantitative decrease in the trade of the other foreign countries engaged in the war. According to British calculations, the exports of that country were in physical volume nearly 25 per cent. less in 1925 than before the war, and Germany's exports have fallen off still more. British imports are practically at their pre-war level, and those of Germany materially below it.



In finance, the year has been characterised by increased savings, comparatively easy money conditions, the issuance of a large volume of both domestic and foreign securities, and by an extraordinary rise in the prices of stocks accompanied by marked speculation on the New York Stock Exchange. This fever of speculation is also widespread in real estate, and unless our financial policies are guided with courage and wisdom this speculation may yet reflect into the commodity markets, thereby reversing the cautious buying policies of recent years. Psychology plays a large part in business movements, and over-optimism can only land us on the shores of over-depression. Not since 1920 have we required a better informed or more capable administration of credit facilities than now, if we are to continue an uninterrupted high plane of prosperity. In any event, there should be no abatement of caution in the placing of forward orders, particularly in view of the great increase in sales of a great variety of merchandise on the instalment basis.

In the foreign field as a whole the situation is more promising than at any time in twelve years. Each year one nation after another abroad gains in economic and fiscal stability, in production, and in employment. War-inherited famines have disappeared from the earth, and standards of living are everywhere higher than at any time since the war. In fact, no one in 1919 would have believed that so great a measure of recovery would be attained in Europe by 1925—a proof of a high quality in European statesmanship. The Locarno Agreement promises much greater political stability, and paves the way for another stage of disarmament with consequent improvement in the economic outlook. Of the disturbed areas, England and Germany have not recovered employment in full; France shows economic strength among its people, but popular resistance has so far made it impossible to stabilise the fiscal system; China continues in the throes of civil war, but business, nevertheless, continues; Russia makes progress as the Government slowly abandons socialism. The quantity of goods moving in international trade as a whole has recovered to the pre-war level, although some countries are below, and fully 90 per cent. of international business is now based upon stabilised currencies.

On the whole, both our own country and the rest of the world face a more favourable outlook at this turn of the year than for a long time past. We, ourselves, however, need to be on our guard against reckless optimism. What we need is an even keel in our financial controls, and our growing national efficiency will continue us in increasing prosperity.

**Credit Prospects for 1926.**—The present outlook is for an active demand for credit in 1926 for general business purposes, says the National City Bank of New York. Trade and industry promise to be at least as good as in 1925, and the trend of prices seems quite as likely to be upward as downward. The stock market gives no signs of releasing credit and may absorb more. Confidence in the strength of the general situation is strong, and that confidence easily may increase the demands for credit.

On the other hand, the country is making capital at a rapid rate, which, of course, is available for investment. In so far, however, as the demand for bank credit decreases, the prospect is that it will be satisfied only at higher interest rates, unless gold begins to flow inward again.

As already said, the banks have no unused lending power at this time. There is a great fund of reserve lending power in the reserve banks, and a good many people, both at home and abroad, would like to see it released through the agency of low interest rates, but it is not probable that the reserve authorities will act upon this view. Those reserves were created to be held as reserves, safeguarding the vast volume of credit already in use and the great business interests of the country. The resources of the member banks are sufficient to afford

all the credit accommodations which the legitimate business of the country requires regularly, and the reserve resources render admirable service in supplying an elastic element which meets the varying seasonal demands and any emergency demand. The reserve authorities have been cautious about taking any action in the past year which might have an adverse effect at home or disturb the international situation, but it is safe to expect that they will not see these resources drawn into any general movement toward credit expansion.

Moreover, the member banks as a rule are not disposed to carry rediscounts continuously at the reserve banks; their 1920-21 experience has left memories, and certainly they will not increase their rediscounts unless interest rates are higher.

The member banks have another resource upon which they can draw to meet increasing demands for loans, and that is their holdings of securities. They were slightly reduced during the past year, indicating a readiness to convert them into loans if it can be done on advantageous terms. This, however, will require at least a firm money market.

The prospect for gold imports is hardly as good even as a year ago, for our favourable trade balance shows a tendency to fall off. In the eleven months of 1925 ended with November the excess of exports over imports was \$610,000,000, against \$868,000,000, in the corresponding months of 1924, a reduction of \$258,000,000. Furthermore, in the five months beginning with July last, the reduction was at a higher rate, owing largely to the reduction of exports of food-stuffs and increased cost of imports of raw materials, notably rubber.

## TRADE

**View of Foreign Trade in 1925.**—Notwithstanding a small wheat crop, says the *Wall Street Journal*, exports of merchandise from the United States for 1925 were larger than those of the year before. What is still more astonishing is the fact that having surpassed Great Britain in the value of exports, the United States now stands at the head of the export countries of the world.

Exports of merchandise in 1925, in round numbers, were valued at \$4,908,700,000 and imports at \$4,224,200,000, making a total foreign trade of \$9,133,900,000. Averaging sterling exchange for the year, British export trade was \$4,468,900,000 and imports \$6,488,500,000, making a total trade of \$10,957,000,000. Thus, we have the distinction of being the world's largest exporter, while Great Britain still retains the title of the principal trader.

Our exports in 1925 were about 7 per cent. greater in value than in 1924. Increase was mostly in the volume of goods. There was a great increase in the value of manufactured goods, and the prospect is that these will continue to increase, more than offsetting the expected declines in agricultural products. One of the surprises of the year is found in the automobile trade. There were 60 per cent. more automobiles exported in 1925 than in the year before. This class of export now takes third rank, being surpassed only by cotton and petroleum and its products.

Exports to Europe were largely foodstuffs and raw materials. Europe is entering upon a new era which will permit of its internal development. The outlook, therefore, is for still greater exports to Europe this year. With the exception of Asia, every part of the world increased its purchases of goods from the United States. The prosperous conditions in Latin America are particularly reflected in our trade returns.

Imports were much larger than in 1924, and resulted in an export balance of \$684,500,000, against \$980,400,000 the year before. As the United States is now a creditor nation, this decrease of a third in the export balance is not to be "viewed with alarm." Great Britain might be cited as a country not afraid of a large import balance of merchandise. It is a fact,



also, that the country which continues to export goods and receives back nothing but money will in time sink into insignificance.

These large imports are indications of a healthful condition at home. They mean larger supplies of raw materials for industry and a more varied diet for the people, which only prosperous conditions at home would permit. It can be said, therefore, that both import and export trade of the United States in 1925 was extremely satisfactory.

**Mr. Hoover's Alleged Policy of Reprisals against Great Britain and Brazil.**—Secretary Hoover is right in frowning upon all talk of reprisals against Great Britain for increasing the price of rubber or against Brazil for creating a coffee monopoly, says the *New York Sun*, commenting on the situation which has developed, in consequence of the loud outcry by the Secretary for Commerce against foreign monopolies, price control measures, and so on.

Even if it be true that the action of these Governments is costing the people of the United States \$700,000,000 a year, the remedy does not lie in jacking up the price of our own exports, wheat or anything else, beyond the normal. The charge made abroad that American wheat growers and millers are already putting up the price of wheat and flour because rubber has gone kiting is absurd. To do that would be to reduce our exports, glut the home market, and bring down domestic prices to a level injurious to the American farmer.

When America finds that some other nation has a grip on a commodity which can be but is not produced in American territory the wise thing to do is to break the grip by going into the business ourselves. If we cannot buy rubber from abroad at prices that fit our automobile business, then our automobile makers and other industrial giants should create their own rubber plantations. Some have already entered on this. And the same course might be followed with coffee, sugar and other commodities which we import heavily and yet could produce in unlimited quantities if we were driven to it.

The American tariff, so important to the well-being of American labour, may now and again provoke foreign nations to take advantage of a monopoly of goods which we buy heavily but do not produce. Every yielding to that provocation will mean that this country must take another step toward absolute self-sufficiency.

This all sounds quite reasonable, observes *Export Trade and Finance*, except the remark in the first paragraph. What does the *New York Sun* mean by "reprisals"? Just how do they and Secretary Hoover differentiate between reprisals and refusal to approve a loan to Brazil because of the valorisation of coffee by the State of Sao Paulo?

**The Wheat Market.**—The market has had a substantial reaction as a result of a number of bearish circumstances such as the reduced takings of wheat by the world, the confirmation that Europe as a whole harvested satisfactory crops, and the sharp shake-out on the New York Stock Exchange, says the *New York Annalist*.

It is estimated that the available export supply in Argentina and Australia is in excess of 200,000,000 bushels; and while the reports from Canada are confused, that country must have at least 100,000,000 bushels left. The question is whether the importing countries will be moderate in both consumption and foreign purchases, or will resume their panicky buying of several weeks ago which brought about the sharp rise in price.

Indications so far are of a more frugal consumption, and of an unwillingness of many of the world's grain centres to follow fully the bullish exuberance of which Chicago is wont to make extreme manifestations. It is true that the domestic bulls have the 42-cent tariff duty to stimulate their imagination, but as our imports would at best be moderate—the lack of data as to our invisible supplies

makes it impossible to give even approximate estimates as to this—it may be dangerous to overplay the tariff condition.

Our Department of Agriculture estimates the world wheat output at approximately 4,000,000,000 bushels, exclusive of China. The latest estimates indicate a crop of 3,350,000,000 bushels outside of Russia, and the latest estimate for Russia is 646,000,000 bushels. The Argentine crop is estimated at 215,000,000 bushels, and the Australian at 110,000,000 bushels.

The Department of Agriculture observes that storms and floods in Europe followed by severe cold have probably caused considerable Winter killing. The Department also states that the distribution of this year's crop is such as to encourage larger European consumption than last year. If this theory of the official statisticians is right, the price will necessarily remain at a high level. But the hypothesis has yet to be proved.

Undoubtedly in certain countries where the population is almost predominantly peasant larger consumption is probable, at least by such of the peasants as raise wheat. But even in Russia there are now free markets, and wheat prices there are at par with or higher than the prices in other European centres. Those of the peasant population that do not produce wheat have to pay for it in good money, and it is difficult to see how, when paying higher prices than last year, they should buy more wheat. Even those that produce wheat will think it over twice before they eat up an additional bushel of grain for which such handsome prices could be obtained.

After all, the price is the more important factor than the locality where wheat has been produced. When the price is high people usually eat less wheat. There are no signs of materially increased consumption in Russia; the Russian official economic paper reports that the State had purchased up to the end of 1925 199,000,000 bushels—a fair percentage of the crop.

Everything considered, the United States Department of Agriculture is probably justified in saying that this year's world wheat will be consumed at average prices close to those of last year.

## SPECIAL ARTICLES

### ECONOMIC AND FINANCIAL CONDITIONS IN ECUADOR.

A report on the economic and financial conditions in Ecuador by Mr. William C. Graham, His Majesty's Acting Charge d'Affaires, Quito, has just been issued through the Department of Overseas Trade. The report is dated September 1925, and it covers in its survey the preceding twelve months. The situation, both commercially and financially, according to Mr. Graham, deteriorated from the date of the last report (which covered a period up to September 1923) until the close of 1924, when the Government monopoly of foreign exchange was abolished. From that moment a decided improvement in trade became evident, although progress was somewhat retarded on account of the serious depreciation of Ecuadorean currency. The repeal of the decree governing the total levy of all bills of exchange, which proved such a hindrance to commercial relations, gave considerable impulse to foreign trade, and enabled foreign exporters to widen their activities within the country.

Nothing of paramount political importance occurred until the events connected with the purchase by the Government in April 1925, of the majority of the shares of the Guayaquil and Quito Railway from the then president of the company, thus securing control of the railway administration. Mr. Graham considers it too early yet to predict whether the large expenditure involved in this purchase will prove of real service to the country. Under the circumstances, however, he thinks that it is likely to prove beneficial since it throws the entire responsibility of the management of the railways on the Government.



A military coup d'état took place in July 1925, whereby the Government was peacefully overthrown. A Provisional Government consisting of seven members, of whom one is connected with the army and six are civilians, has been elected by the military board to discharge the duties of the five existing ministries, while two new ministries make their appearance, viz. Public Works and Labour. Under this provisional form of Government there is no President of the Republic, although it proposed to summon a National Assembly at a later date in order to nominate a chief magistrate. This new Provisional Government speedily introduced several substantial reforms in the administration, while others are under consideration. The most important of the former are summarised by Mr. Graham, and are worth recapitulating here. They are as follows: (a) A systematic examination of accounts, etc., of all banks, Government and Municipal Treasuries, and other posts where public funds are handled. In the event of shortages being discovered the responsible parties are obliged to make good the deficit. At the time of writing his report Mr. Graham notes that a heavy fine had been imposed on one of the local banks for an alleged infringement of the banking law, the bank note issue being in excess of their gold reserve. (b) The proposed establishment of a Government Central Bank, which will be the only authorised bank of issue, although the existing local banks may become shareholders. As soon as this national banking institution has been initiated, the complete centralisation of all Government monies will be effected, which will do away with numerous independent treasurers. This project further includes the abolition of the so-called moratorium law suspending the convertibility of bank notes. (c) A scheme for the unification of customs duties has been proposed with a view to simplifying the present complicated system. It is proposed (d) to withdraw the rights ceded to certain private companies in 1922 under the Monopoly Law for the sale of home-grown rum and tobacco, these monopolies to be administered directly by the Government. This action on the part of the Government has met with the general approval of the public, since it is common knowledge that the concessionaires exercised great pressure on the producers to the extent of almost extinguishing these industries. Finally, (e) it is intended to regulate all transactions relating to foreign bills of exchange in order to check and avoid speculation. These reforms, coupled with others, are signs of a firm intention to move in the right direction, and the character of the present Government is such that it may be relied on to see that its proposals will be carried into effect, and its efforts to economise, and stabilise the country's resources observed.

In regard to Ecuadorean trade, Mr. Graham's report is complete with statistics. An analysis of the imports during the year 1924 reveals that the United States supplied 40 per cent.; Great Britain, 25 per cent.; Germany, 12 per cent.; Italy,  $4\frac{1}{2}$  per cent.; France,  $4\frac{1}{2}$  per cent.; and Holland, 3 per cent. The principal articles imported were textiles, representing 30 per cent.; foodstuffs, 12 per cent.; hardware, 10 per cent.; machinery, etc., 9 per cent.; motor cars and other vehicles and accessories, 6 per cent.; drugs,  $3\frac{1}{2}$  per cent.; minerals, etc.,  $3\frac{1}{2}$  per cent.; yarns and cordage, 3 per cent.; paper and cardboard, 3 per cent.; and ready-made clothing,  $2\frac{1}{2}$  per cent. In this connection Mr. Graham adds a note concerning the markets for building material and machinery. In regard to the former he notes that great activity is being evinced in building construction throughout the country at the present time, and German, Italian and American firms are rapidly increasing their trade in this branch. British firms interested in this line of business, he considers, would do well to give special attention to the importation into Ecuador of building material and sanitary appliances, for which there is an increasing demand. In regard to machinery, Mr. Graham points out that

there is a growing demand for industrial and agricultural plant and implements, and German and American manufacturers have already established engineering departments in this country, carrying various kinds of machinery in stock, which places them in a favourable position to obtain contracts for the supply of any such material.

Concerning exports, the report records that during the period under its review Cocoa was the principal export, representing 49 per cent.; Coffee, 15 per cent.; Ivory nuts, 14 per cent.; Precipitates,  $4\frac{1}{2}$  per cent.; Cotton, 4 per cent.; and Panama hats,  $3\frac{1}{2}$  per cent. of the total value. The United States took 31 per cent. of the total exports; Germany, 13 per cent.; Spain, 10 per cent.; France,  $9\frac{1}{2}$  per cent.; Holland, 9 per cent.; and Great Britain, 8 per cent.

The manufacture of textiles occupies the first place amongst the industries of Ecuador, and it has been developed into one of great importance, especially in recent years. The total number of mills in Ecuador is fifteen, including two at present under construction. These produce cotton and woollen goods, while one of them also manufactures hosiery on a small scale. The majority of the mills are equipped with British machinery for which a distinct preference is shown. Some of the less important mills, however, have imported machinery from Belgium, the United States and Germany. The total output of the textile mills is estimated at some 25,000,000 yards of cloth per year, valued at 11,000,000 sucres. The most important classes of goods produced are: Cotton prints, cashmeres, canvas, khaki, drills, bur-laps, shawls, blankets, ponchos and casinettes. About 25 per cent. of the above fabrics are exported overland to Colombia. The industry at the moment comprises some 40,000 spindles and about 800 looms.

Petroleum occupies the leading place among the mineral resources of Ecuador, and several foreign companies, the principal of which is a British concern, continue to exploit the oilfields in the province of Guayas, which is the petroleum region of Ecuador, and, concludes Mr. Graham, judging by the results already obtained, it may be reasonably expected that a considerably increased production will follow in the not distant future.

## THE ECONOMIST'S BOOKSHELF.

### POLITICS IN TRANSITION.

**British Politics in Transition.** By EDWARD MCCHESENEY SAIT, Ph.D., and DAVID P. BARROWS, Ph.D., LL.D. (London: George G. Harrap & Company, Ltd. Price, 6s. net.)

This volume contains a selection of material for the study of British political history during the last few years. With the exception of the documents selected to illustrate the present position of the Monarchy, some of which are drawn from the Irish Crisis of 1914, most of the material utilised by Messrs. Sait and Barrows owes its origin to the War and Post-War periods. Although it is perfectly true, as the editors say, that the political responsibilities of the British people are so exceptional that their conduct of public affairs is a perpetual succession of compromises, adjustments, and innovations and that far-reaching changes frequently take place without actual modification of the word of the law, it is by no means easy to depict an objective towards which this process of transition is directing itself. The ability to adapt itself to emergencies as they arise, and to adapt itself to them with ease, is one of the distinguishing features of the British Constitution, and in spite of all that has occurred during the last twelve years to test its machinery to breaking point, it is extremely doubtful whether one single cog in our constitutional system presents evidence to support a contention that it has undergone a change in the form or the substance of its function. The Monarchy, the Cabinet, the House of Commons, the



House of Lords, the Civil Service, the Electorate and Party organisations remain essentially the same. True, of the two latter, the Electorate has been considerably widened, and a new Party has taken the place of an old one, but neither has created as yet a constitutional *impasse* or revealed fundamental principles in the process of transition.

It is under such headings as those enumerated above that Messrs. Sait and Barrows have arranged the material they have selected to illustrate their case. Frequently some excellent stuff is chosen, and taken as illustrative of political opinion in this country makes by no means an invaluable collection. It is in the region of opinion that the authors have traced British politics in transition. In almost every section and sub-section of their work one meets with extracts culled from the writings of such thinkers as Sidney and Beatrice Webb, Bertrand Russell, G. D. H. Cole, S. G. Hobson, Sir John Marriott and others, most of whom voice opinions which if not revolutionary are reactionary, and which if carried into effect might move fundamental facts instead of opinions in new directions. In this connection it may be as well to add that we do not under-rate the importance of opinion and its potentialities, we mean merely to emphasise the fact that although the British Constitution habitually "broadens down from precedent to precedent" it displays few, if any, signs to-day of having experienced a period of transition since 1914 or 1911. During the War exceptional instruments were employed, for instance, the Cabinet Secretariat, but as Messrs. Sait and Barrows show it was soon put away after a return to normality. In other respects also, the evidence collected by these editors points to the same conclusion that fundamentally the governance of this country and Empire remains, in spite of all crises occasioned by the War, substantially the same, and if a view is to be obtained of British politics in transition it is only through the medium of expressed individual opinion that it will come, and even there little of novelty can be recorded as the distinct product or contribution of the last ten or a dozen years.

The authors point out to would-be readers that it is necessary for the extracts which make up their collection to be supplemented either by lectures or by the use of standard text-books on British Government. In regard to the latter they emphasise that any work on government, no matter how authoritative, is probably obsolete in certain particulars as soon as it is written and is actually of less interest than, and of inferior authority to, conclusions that may be gained from a study of current issues as they are resolved. However, in spite of all the new light to be found in this volume, and in spite of any current issue which is being resolved to-day, we feel the student will discover little of any real importance which remained undetected by Auson or by Dicey.

### THE LEATHER INDUSTRY IN INDIA.

**The Economics of the Leather Industry, with special reference to Bengal.** By B. RAMACHANDRA RAU, M.A., Lecturer in Economics, Calcutta University. (Calcutta: Calcutta University Press.)

From any number of monographs which have, during the last two or three years, attempted to deal with Indian economic problems, this one, the result of extensive studies on the part of Mr. Rau, should attract attention to itself since it deals at once with a practical problem which, if solved, will encourage the growth of a really vigorous indigenous industry. According to the report of the Director of the Esociet Tannin Research Factory the necessary ingredients are at hand, and, he thinks, given Government support, an industry can be fostered which is "well suited to India and one that will do more to increase general revenue than any that I know of." That, at any rate, should prove an inducement, if not, the words of Mr. B. M. Das are not without significance. He has said, and said truthfully,

"although tanner's trade is not so spectacular as ammunition-making, leather is as much indispensable for the Army as powder and shell."

The object of Mr. Rau's monograph is to present a careful economic survey of the existing sources of leather supply in India, the present position of the leather-manufacturing industry, and its future possibilities. He points out, quite rightly, that the leather industry should be regarded as a "key industry" the preservation of which is necessary for national reasons. His enquiry has been conducted mainly on economic and commercial lines and covers only the Province of Bengal. The organisation of an export trade has not been neglected. He finds that Bengal is rich in those elements essential to the development of the leather industry and its prosperity. Her resources so far as raw materials are concerned are great, and there is a cheap and plentiful supply of labour with the necessary natural aptitude for skill in the leather industry. There is, moreover, an extensive market for leather manufactured products. With all these opportunities in front of him Mr. Rau is not slow in detecting the weaknesses. The leather industry, he submits, can no longer be considered as a craft for manual labour but is essentially a manufacturing enterprise where advanced skill and mechanical science play an all-important part, and like the other manufacturing industries there is a large turnover of product and rapidity of production. Therefore, he asserts, unless Bengal can respond to the altered conditions of manufacturing leather she can never hope to utilise her vast resources in a paying manner. In short modern methods are needed, and the process of industrialisation on Western lines must be faced and exploited. Mr. Rau tells us that the industrial backwardness of India is best illustrated by the condition of the leather industry. This backwardness is best seen in defective knowledge, the use of inferior methods, the lack of flexibility, and obstinate industrial conservatism—these are the failings, deadly in effect, that continue to undermine industrial and commercial progress in the leather industry. They are also the real enemies of Indian industrial advancement. All the world's customs tariffs or all the dumping syndicates that have been erected, Mr. Rau considers, have done negligible harm when compared with the silent and sinister havoc wrought by these native enemies. The real solution lies in better scientific education systematically organised, a better intellectual discipline, a more open mind, and an enterprising spirit on the part of our educated capitalists.

### CONSUMERS' CO-OPERATION IN SOVIET RUSSIA.

**The Co-operative Movement in Soviet Russia.** Studies and Reports, Series H (Co-operation), No. 3. (Geneva: International Labour Office. Price, 6s. net.)

This report, and it is a substantial one, surveys the recent history of the Consumers' Co-operative movement in Soviet Russia up to the beginning of 1925. Owing to some unforeseen difficulties of publication it has been delayed in the press, but however belated its appearance may be ample compensation awaits those who are prepared to spend some time on its perusal. The author, or authors, of the report remain anonymous, the work nevertheless reaches a very high standard and it is full of material suitable for profitable study. It is pointed out that Co-operative literature in Soviet Russia is voluminous, and a list of the sources consulted and used will be found at the end of this work which is based on both co-operative literature and general Soviet publications. The functions of the co-operative movement in the Soviet economic system have not yet been finally or clearly determined, and consequently the Government has not yet been able to define its future policy. Moreover, on certain points there has been differences of opinion between some of the government institutions, certain economic bodies,



and various co-operators. On these contested questions the authors of this report have rightly thought it necessary to give not only the opinions of co-operators themselves, but also the different views expressed in the general press, speeches and reports, and scientific economic literature.

The plan followed in the compilation of this report traces the history of the co-operative movement during the period of Communism based on the policy of compromise formulated in 1918; it then sketches the period of transition to the New Economic Policy based on the Decree of April 7, 1921; it then sketches the organisation and development of Consumers' Co-operative Societies under that Decree; and, finally, the report, basing its observations on reforms introduced in 1923 and 1924, outlines the more salient features of recent co-operative policy including the recognition of the position of private capital in trade and its importance thereto.

Taken as a whole, the history of the consumers' co-operative movement in Russia, since the Bolshevik revolution, has been an unbroken succession of far-reaching changes affecting alike the organisation of the movement, its working methods, and its national economic functions, and it is the merit of this report to have surveyed adequately each of these changes as they have occurred. As a result of the evidence here offered enough will be found to prove that so far the problems facing the co-operative movement have not yet been finally solved. The growth of the movement still depends on the financial and administrative privileges which may be granted by the State. Co-operators still enjoy preferential rights under the system of State capitalism. The principles and forms of their organisation and the extent of their work are still defined by the State. In reality they have no independent existence; they are still considered, not as associations of consumers, but as economic institutions serving the general economic policy of the Communist Party, and, concludes the report, consumers' co-operative societies in Soviet Russia still possess the special characteristics which so strikingly distinguish them from co-operative societies in other countries. There cannot be said to be a free co-operative movement sprung from the initiative of the masses, and it is clear that in the struggle between the theories of the Communist Party and actual economic conditions economic realities are steadily forcing a return to the principles which underlie the co-operative movement in other countries.

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*The Economics of Leather Industry, with special reference to Bengal.* By B. Ramachandra Rau, M.A., L.T., Lecturer in Economics and Commerce, Calcutta University, and Fellow of the Royal Economic Society. (Calcutta University Press.)

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## FOREIGN AFFAIRS

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(January)

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STATISTICAL SECTION

THE TRADE BAROMETER

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

1. Pig iron.

2. Tin.

3. Coal.

4. Linseed Oil.

5. Cotton.

6. Wool.

7. Hides.

8. Wheat.

9. Bacon.

10. Sugar.

Table I. shows the movements of our ten commodities in the aggregate, and Table II. the movements of each of them in relation to the others. We have chosen December 30, 1921, as our base, the price of each commodity on that day being represented by 100 (at a time when the index in Table I. stood at 150). For a full explanation of our index number see THE ECONOMIC REVIEW, Aug. 29, 1924, page 194.

TABLE I.

Date	10 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	Dec. 18	153.0	153.2
Apr. 15	202.8	204.8	July 20	177.3	156.5	Oct. 17	172.5	170.2	1926		
July 15	194.4	194.1	Aug. 17	174.6	154.5	Nov. 14	173.3	169.8	Jan. 1	152.3	
Oct. 14	170.2	180.7	Sept. 14	173.2	157.8	Dec. 12	171.7	170.1	" 8	150.8	
Dec. 16	153.2	167.9	Oct. 19	166.0	158.1	1925			" 15	151.6	
Dec. 30	150.0		Nov. 16	171.7	160.8	Jan. 16	174.8	171.0	" 22	149.2	
1922			Dec. 14	177.0	163.4	Feb. 13	175.2	168.9	" 29	150.9	
Jan. 20	144.0	164.0	1924			Mar. 13	172.8	166.3			
May 19	162.1	160.6	Jan. 18	178.6	165.4	Apl. 17	161.9	162.5			
July 14	165.1	160.3	Feb. 15	187.9	167.0	May 15	158.7	159.0			
Sept. 15	161.2	154.3	Mar. 14	182.1	165.4	June 19	160.6	157.6			
Dec. 15	161.2	155.8									

CHART ILLUSTRATING TABLE I.

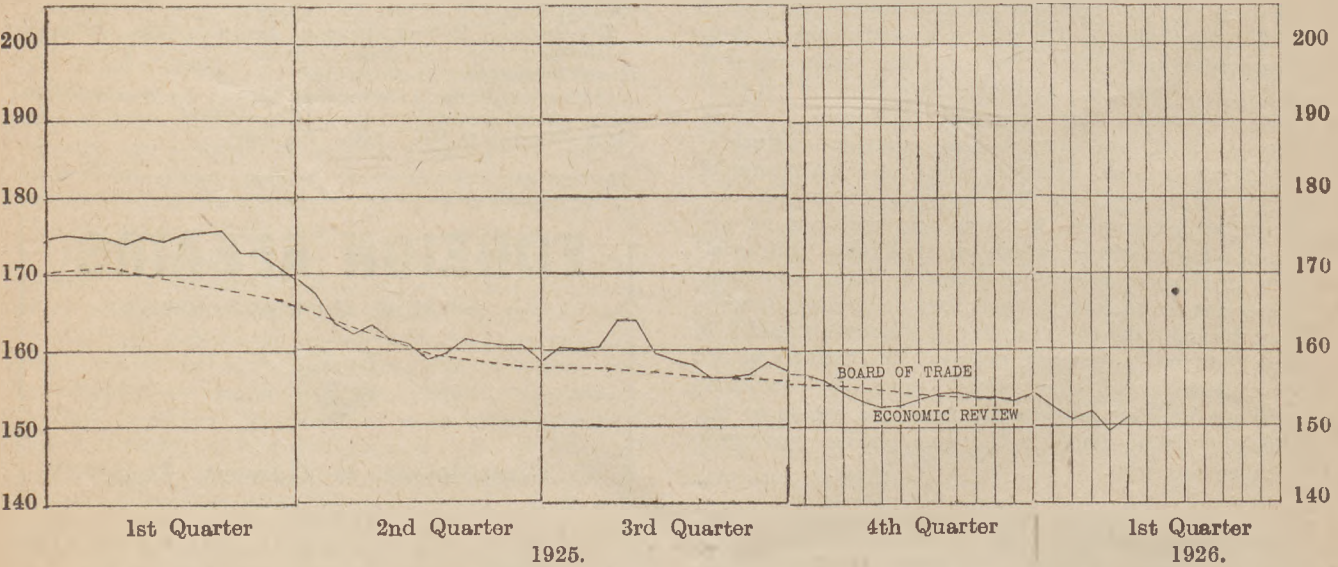


TABLE II.

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	117.8	96.4	82.8	104.0	134.6	105.90	... Sept. 29
Nov. 3 ...	95.5	107.5	100.0	140.3	119.9	133.3	106.5	91.9	104.8	134.6	113.43	... Nov. 3
Dec. 29 ...	89.4	106.7	91.5	138.6	126.0	120.0	93.5	90.4	89.7	138.5	108.43	... Dec. 29
1923												1923
May 18 ...	110.8	117.9	128.3	166.7	120.2	137.8	102.9	102.7	91.2	242.3	132.08	... May 18
Oct. 12 ...	93.4	117.1	90.6	150.9	136.4	126.7	84.8	83.0	66.2	145.9*	109.50	... Oct. 12
Nov. 16 ...	97.2	127.4	97.2	149.1	165.8	128.9	87.0	86.2	73.5	132.7	114.50	... Nov. 16
1924												1924
Feb. 15 ...	96.7	163.4	96.2	171.9	159.6	151.1	91.3	100.4	65.8	156.1	125.25	... Feb. 15
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. 22 ...	72.2	163.1	62.3	111.4	93.7	111.1	94.2	117.0	95.6	74.1	99.47	... Jan. 22
" 29 ...	72.2	161.1	65.1	111.4	93.1	111.1	102.9	116.2	96.3	76.5	100.59	... " 29

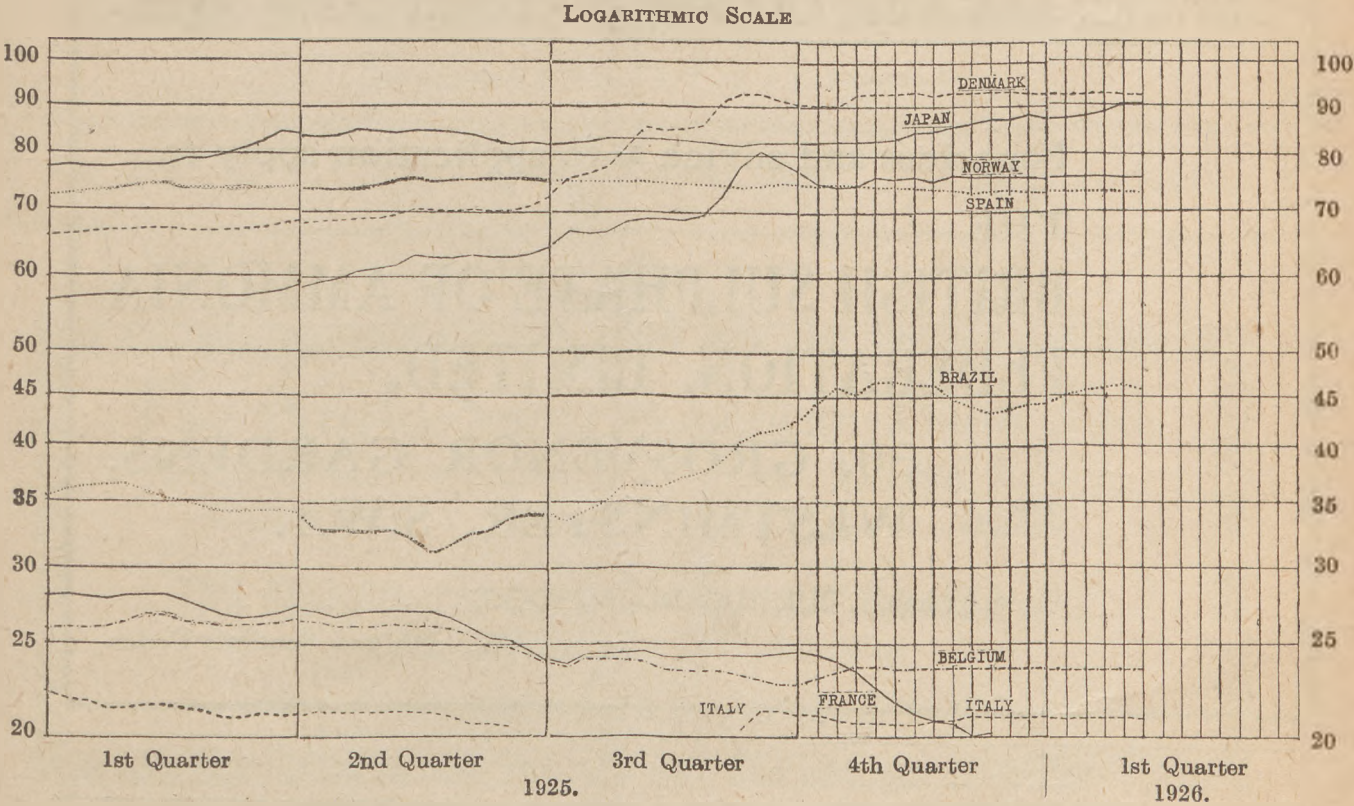
\* Revised Quotation.



THE PAPER CURRENCIES.

(Percentage of Dollar Parity to Week ending January 30, 1926.)

Week Ending		Denmark.	Japan.	Norway.	Spain.	Brazil.	Belgium.	Italy.	France.
Jan. 30	...	92.5	90.6	76.0	73.3	45.8	23.5	20.9	19.4
" 23	...	92.5	90.2	75.9	73.3	46.3	23.5	20.9	19.4



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.				
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	118.0
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	129.4
Oct. 29	91.1	92.0	91.1	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	137.8	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	120.4	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	129.2	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	Dec. 19	188.9	103.3	130.6	112.8
Apr. 28	124.1	99.3	137.9	122.8	1926, Jan. 2	195.5	103.6	133.3	113.0
June 9	119.7	100.8	130.6	123.5	" 9	196.1	103.6	135.1	113.1
Oct. 27	105.7	99.7	126.5	119.7	" 23	191.3	104.8	133.1	114.0
1924, Jan. 1	117.4	98.4	121.3	114.5	" 30	194.1	104.8	132.4	114.4
" 19	119.1	100.1	119.1	112.2					

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



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