THE

ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS

AND

A JOURNAL OF POLITICAL ECONOMY

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ECONOMIC SURVEY

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

CZECHOSLOVAKIA

FINANCE

The Government's Currency Policy.—In a recent interview granted to a representative of the *Prager Tagblatt*, Dr. English, Minister of Finance, explained the policy of the Government with regard to the currency. The aim of the Government's financial policy was, he said, the creation of a definite basis for the stabilisation of the krone. The Czechoslovak krone would remain the definite monetary unit of the Republic; there was no reason for substituting a fresh unit for it, since the country had already accustomed itself to the high figures. The depressed currency had naturally made it difficult for business concerns properly to estimate their assets or accurately to calculate their profits and losses. In future balance-sheets would be drawn up on the basis of the krone at its present value. Further, there was no occasion to revert to the gold standard at present or to raise the value of the krone. The economic disturbances that would be caused by an alteration of the currency had to be avoided. No compulsory measures would be taken in respect of the stabilisation of balances, but in practice it would be found that this would be the only possible course to follow. It might be found necessary to provide for larger sinking funds for industry, etc., and the Government would do all in its power to assist in this matter. The definite adoption of the krone at its present value as the currency of the country might also have an important bearing upon taxation, which, since the scale has not been altered during recent years, has become out of proportion to the economic conditions of the country.

Treasury Receipts in December.—The yield of taxation in December last amounted to C.Kr.482.5 mill., as against C.Kr.470 mill. in December 1924. Of this total the sum of C.Kr.157.4 mill. was realised by direct taxes (C.Kr.149.8 mill. in December 1924), including land taxes, C.Kr.6.9 mill. (C.Kr.9.8 mill. in 1924); rent and lease taxes, C.Kr.1.87 mill. (C.Kr.2.5 mill.); income tax, C.Kr.104 mill. (C.Kr.71.9 mill.); general tax on salaries, C.Kr.11.7 mill. (C.Kr.19 mill.); and tax on companies of public utility, C.Kr.16.9 mill. (C.Kr.17.7 mill.). The receipts from all sources of indirect taxation attained a total of C.Kr.282.8 mill., as against C.Kr.260.3 mill. in December 1924. This total was divided mainly as follows: consumption tax, C.Kr.54.4 mill. (C.Kr.46 mill. in December 1924); luxury tax, C.Kr.5.3 mill. (C.Kr.4.7 mill.); and Customs, C.Kr.58.85 mill. (C.Kr.58.15 mill.). The tax on fortunes, on interest of moratoriums, and the yield from fees, dues, etc., amounted to C.Kr.42.2 mill., as against C.Kr.59.9 mill. in December 1924. (*Tribuna.*)

TRADE

Foreign Trade Returns for 1925 and January 1926.—Imports in December last amounted to 722,699 tons and 192,563 pieces to the value of C.Kr.1,979,220,908, and the value of exports totalled C.Kr.1,950,444,847, the adverse balance being C.Kr.28.77 mill.

The total value of exports in 1925 rose to C.Kr.18,799 mill., as compared with C.Kr.17,022 mill. in 1924 and C.Kr.12,518 mill. in 1923; the value of imports in 1925 was C.Kr.17,594 mill., as against C.Kr.15,862 mill. in 1924 and C.Kr.10,129 mill. in 1923. The favourable balance of trade was C.Kr.1,205 mill. in 1925, C.Kr.1,160 mill. in 1924, and C.Kr.2,389 mill. in 1923. The following table shows the monthly development of foreign trade throughout the past year (in millions of Czechoslovak kronen):—

	Exports.	Imports.	Difference.
January ...	1,506.9	1,406.7	+ 100.2
February ...	1,517.7	1,328.5	+ 189.2
March ...	1,705.5	1,453.1	+ 252.4
April	1,477.0	1,274.2	+ 202.8
May	1,326.3	1,173.7	+ 152.6
June ...	1,386.9	1,408.9	— 22.0
July	1,467.2	947.0	+ 520.2
August ...	1,338.3	1,330.1	+ 8.2
September ...	1,688.4	1,669.4	+ 19.0
October ...	1,616.8	1,796.1	— 179.3
November ...	1,808.0	1,828.3	— 20.3
December ...	1,950.4	1,979.2	— 28.8
Tot. (in kronen)	18,798,953,187	17,594,246,985	1,204,706,202

The leading imports during the year as compared with 1924 were as follows (in millions of kronen):—

	1925.	1924.
Cotton and yarns	3,221	2,858
Cereals and flour	2,533	2,353
Wool and woollen yarns	1,776	1,757
Live stock	769	827
Silk and silk goods	534	526
Flax, hemp, jute	576	430
Fats	675	801
Animal products	569	453
Machinery and apparatus	475	287

Among other imports that figured prominently in the year's trade were iron and iron ware, timber, coal and peat, fruit and vegetables, colonial goods, southern fruits, minerals, mineral oils, leather, rubber, electrical machinery and instruments, chemicals, and metals.

Germany heads the list of countries supplying goods to Czechoslovakia. The following table shows the value of goods obtained from the chief countries of origin in 1925, as compared with the respective values in 1924 (in millions of kronen):—

Imports from—	1925.	1924.
Germany	5,497	5,583
Austria	1,294	1,245
Poland	1,238	729
Hungary	1,121	880
United States	1,117	889
Italy	726	989
France	692	536
Great Britain	653	448
Holland	509	478
Yugo-Slavia	502	417
Rumania	369	467
Switzerland	331	369
Other countries	3,545	2,831

It will be noted that while imports from Germany, Italy, Rumania and Switzerland have fallen off, there has been a marked increase in those from Poland, Hungary, the United States, France and Great Britain, and that several other countries have augmented their trade with Czechoslovakia.

According to the *Loko-Press* there has been a noticeable improvement of late in the exportation of glass and glassware to Great Britain. In the year 1923 glassware exports to Great Britain amounted to C.Kr.10 mill., in 1925 they figured at C.Kr.15 mill., and in the opinion of trade experts they will exceed during the present year C.Kr.17 mill., for there is every prospect of further improvements in this direction.

The State Statistical Bureau has just issued the returns for January 1926, which show that imports in this month amounted to 417,525 tons and 101,075 pieces to the value of C.Kr.1,117,456,292, as against 436,828 tons and 88,872 pieces to the value of C.Kr.1,406,799,738 in January 1924. The exports for the month figure at 796,022 tons and 487,158 pieces to the value of C.Kr. 1,179,046,262. The favourable balance of trade in January was therefore C.Kr.61,589,970, as compared with C.Kr.100,166,339 in January last year. Cotton, yarns and cotton goods imported in January were valued at C.Kr.240.4 mill.; wool, yarns and goods at C.Kr.121.9 mill.; cereals, pulse and flour at C.Kr.100.5 mill.; live stock at C.Kr.65.0 mill.; hemp, flax and jute at C.Kr.46.4 mill.; fats at C.Kr.44.0 mill.; machinery, apparatus and parts at C.Kr.43.2 mill.; iron and iron wares at C.Kr.34.2 mill.; and common metals and metal goods at C.Kr.33.4 mill.

Trade with Great Britain.—The major part of the commercial exchanges with Great Britain, states the *Central European Observer*, consists of exports to that country. Our contemporary suggests that it would be to Great Britain's advantage to organise a special British section at the Prague Trade Fairs, as the United States has done for the benefit of her own commerce. The following list, though it only covers the first nine months of the past year, sufficiently indicates the nature of the trade between England and Czechoslovakia :—

Imports from Great Britain.	Value in kronen.
Wool, woollen yarns and woollen goods ...	130,807,554
Cotton yarns and goods	103,501,835
Machinery	59,007,576
Colonial produce	26,391,786
Vehicles	23,721,770
Base metals and manufactures	17,215,739
Iron and hardware	16,836,681
Rubber and rubber goods	14,797,685
Grain and flour	13,175,989
Flax, hemp, jute goods	10,756,866
Leather and leather goods	9,833,261
Silk and silk goods	9,930,398
Manufactures of wood	7,725,480

Among the cotton imports were raw cotton for 12 millions, unbleached yarns for 67 millions, unbleached fabrics for 15 millions, and printed and dyed fabrics for 4 millions. Raw wool was imported for 73 millions, combed woollen yarns for 20 millions, and woollen fabrics for 27 millions. The machinery included textile machinery for 21 millions and finished parts of machines for 9 millions. The vehicles comprised motor-cycles (without motors) for 10 millions, motor-cycle parts for 2 millions, and motors for automobiles for 9 millions.

Exports to Great Britain.	Value in kronen.
Sugar	259,888,881
Glass and glassware	157,173,480
Woollen goods	104,456,299
Cotton goods	92,403,790
Leather and leather goods	86,402,076
Wearing apparel	81,160,778
Iron and hardware	51,542,298
Flax, hemp, jute goods	43,626,472
Porcelain and earthenware	43,316,731
Silk and silk goods	40,762,439
Precious metals	32,589,161
Manufactures of wood	32,654,710
Coal and timber	31,366,808
Base metals and manufactures	30,513,911

Other items included machinery (21 millions), grain and flour (17 millions), paints, varnish, perfumes, etc. (12 millions), and paper (12 millions).

Growth of Trade with Russia.—The latest returns of the commercial exchanges with Soviet Russia confirm the growing importance for Czechoslovakia of the Russian market, as described in The Economic Review of September 18. The Soviet Trade Delegation at Prague has now issued to the Czechoslovak Press a report on the trade between the two countries from October to December 1925, the first quarter of the current Russian economic year. A notable feature of this Report is that Czechoslovak exports to Russia are increasing at a much greater rate than imports from Russia. Whilst imports during the period in question were about four and a half times the value of those during the corresponding period of the preceding year, exports have increased by six and a half times, the export figures being C.Kr.136 mill. as compared with 21.5 mill., and the import figures C.Kr.2.8 mill. as compared with C.Kr.0.65 mill. The orders received during this period, i.e., apart from the goods actually exported, amounted to about C.Kr.66 mill., which is about three times the value of the orders received from October to December 1924. There is a heavy demand for textile goods of all sorts, the total value of the orders being given at C.Kr.26.5 mill., and the orders for agricultural machinery amount to C.Kr.16.5 mill., which shows that this branch is being well maintained. Over ten millions worth of yarns have been placed on order, and there is also a good market in Russia for Czechoslovak hops and various kinds of manufactured hardware. It is expected that there will be a remarkable development of the trade with Russia during the course of the present year.

INDUSTRY

Results of the Sugar Campaign 1925-26.—In most of the sugar manufacturing districts the campaign closed at the end of January and in the remainder about the middle of February. The general results are very satisfactory. The sugar beet harvest throughout the whole country yielded about 88.25 mill. quintals of beet as against 82.32 mill. quintals in the preceding season, or an increase of approximately 6 mill. quintals. This favourable result is, according to the *Listy Cukrovarnické*, chiefly due to the development of the industry in Slovakia. During the season 1925–26 eleven refineries were kept occupied in Slovakia, as against ten in 1924–25 and nine in 1923–24. The total volume of sugar beet consumed by these refineries during the season just closed amounted to 15,810,511 quintals as compared with 12,099,094 quintals in 1924–25, or an increase of 3,711,417 quintals or 30.7 per cent. for the year. This result shows that the present production of sugar in Slovakia exceeds the pre-war output. The exact volume of manufactured sugar cannot yet be ascertained, but it is estimated at over 2.5 mill. quintals, or an increase of some 600,000 quintals or 31.6 per cent. on the production of the previous season. The area under beet was increased from 52,526 hectares in 1924–25 to 71,106 hectares in 1925–26, or by 35.4 per cent.; but the average yield per hectare fell from 230 quintals to 222 quintals. The following table shows the varying areas under beet, the annual volume of beet consumed by the refineries, and the average yield of beet per hectare for the different seasons since 1918 :—

	Area under cultivation. Hectare.	Consumption of refineries. Quintals.	Average yield of beet per hectare. Quintals.
1918–19 ...	35,821	4,925,363	138
1919–20 ...	20,187	3,194,101	158
1920–21 ...	25,420	5,069,704	195
1921–22 ...	23,605	3,004,594	127
1922–23 ...	26,388	4,694,163	178
1923–24 ...	35,536	7,826,956	220
1924–25 ...	52,526	12,099,094	230
1925–26 ...	71,106	15,810,511	222

The chief refinery is now at Velké Surány, and it consumed over 2.17 mill. quintals of beet. The longest campaign was at Bratislava and occupied 125 working days; the shortest at Trebishov, with only 80 working days. The chief manufacturing centres are Bratislava, Oroska, Trebishov, Tepla, Topochany and Trnava.

In Bohemia the amount of sugar beet worked up by the refineries increased by nearly one million quintals, or 2.3 per cent.; in Moravia, by 1.14 mill. quintals, or 4.5 per cent.; and in Silesia, by 0.12 mill. quintals, or

13.5 per cent. The total production of the Bohemian refineries amounted to 7.4 mill. quintals; of the Moravian refineries, to 4.7 mill. quintals; and of the Silesian refineries, to 0.17 mill. quintals. These results, together with the figures for Slokavia as given above, bring the total sugar production of the country for the 1925–26 season to 14.8 mill. quintals, which represents an increase of nearly one million quintals on that of the preceding season.

The Coal Industry.—The definitive report on the coal industry in 1925 shows that the actual output for the year was somewhat in excess of the estimated figures as published in The Economic Review of January 8. The *Gazette de Prague* gives the official figures of the output during the past year as 12,754,456 tons of hard coal (14,359,401 tons in 1924), 18,789,098 tons of lignite (20,507,178 tons), 1,557,894 tons of coke, (1,804,885 tons) 156,345 tons of briquettes made from hard coal (74,506 tons), and 212,339 tons of lignite briquettes (174,149 tons). It will be observed that except in the case of briquettes made from hard coal the output in every instance fell below that of 1924. Exports also fell off as compared with the preceding year. Hard coal exports totalled 1,429,679 tons (1,738,670 tons in 1924); lignite, 2,670,797 tons; and coke, 427,728 tons (486,244 tons). Germany purchased 147,929 tons of hard coal (233,467 tons in 1924) and 2,349,686 tons of lignite (2,114.025 tons).

In a contribution to the *Prager Tagblatt* Dr. Karl Uhlig states that the industry developed better than expected during the latter part of the year. During the last two weeks of December there was an increase in the number of trucks loaded. He submits the following table of the average daily loadings of trucks of 10 to 20 tons at all pitheads:—

	Hard coal.	Brown coal.	Total.	Number of trucks in 1924.
1925, 1st quarter ...	2,055	2,747	4,802 ...	6,453
„ 2nd quarter ...	1,931	2,300	4,231 ...	5,081
„ 3rd quarter ...	2,156	2,734	4,890 ...	5,041
„ October	2,436	3,240	5,674 ...	5,677
„ November ...	2,442	3,326	5,768 ...	5,350
„ December, 1st half	2,592	3,299	5,891 ...	6,339
„ December, 2nd half	2,626	3,200	5,926 ...	5,546

The average output per shift for the year was 819 tons of hard coal and 1,893 tons of brown coal. One hard coal miner worked an average of 280 days in the year and brought up 205 tons; a lignite miner worked an average of 290 days and turned out 479 tons of brown coal.

During the year 1,521,565 tons of hard coal and 33,290 tons of lignite were imported.

The *Prager Presse* reports that the coal industry is taking steps to effect the abolition, if possible, of the export duty on coal. The conditions in the industry have so developed of late that the removal of this duty has become a pressing economic necessity if the exportation of coal is to be maintained at anything like a satisfactory level.

The Automobile Industry.—The motor car industry is fully employed, and the manufacturing facilities are being extended. The local requirements are constantly growing, but the production at the eight principal factories in Czechoslovakia is able to satisfy the demand, leaving a surplus for export.

The industry is protected by a Customs duty of 65 per cent. ad valorem, which in the case of imports from Great Britain, France and Italy is reduced to 45 per cent. The price on which the ad valorem duty is calculated is the retail price in the country of manufacture, plus packing and transport charges to the Czechoslovak frontier. In consequence cars of Continental make pay a lower duty, as the freight charges are smaller and no crating is necessary.

In addition to the Customs duty passenger motor cars pay a luxury tax of 12 per cent. In spite of this protection foreign cars are being imported in increasing quantities, the present figure being about 50 per cent of the local requirements. This makes it necessary to export a larger number of locally made cars than has been the case until recently. Germany, Austria and Poland used to be the best markets for the Czechoslovak motor car industry. Lately, however, a tendency made itself felt in these countries to protect their own industry by an increase in the Customs tariff. Germany, in particular, placed a high duty on foreign cars in order to provide work for the German workman.

The Czechoslovak motor car industry has therefore applied for an alteration of the Customs tariff from an ad valorem assessment to a tariff by weight. A Bill has been prepared for this purpose, and it is expected that it will pass together with a general revision of the Customs tariff in spring of this year. The alterations proposed in this Bill are as follows:—

Motor cycles, also with trailers, or trailers separately imported, motor cars (also motor tricycles), chassis with or without motors and motor bodies separately imported, per 100 kilogrammes:—

(a) Motor cycles, also with trailers, or trailers separately imported	C.Kr.250
(b) Passenger motor cars (also motor tricycles), chassis with or without engine, and bodies separately imported—	
Up to 1,000 kilogrammes in weight ...	C.Kr.280
Over 1,000 kilogrammes	C.Kr.340
Chassis of a value exceeding C.Kr.80,000, and motor cars with a higher chassis value than C.Kr.80,000 are subject to a supplementary charge of 25 per cent. of the invoice price.	
(c) Motor lorries, autobuses, motor cars fitted for carrying loads, chassis with or without engine, and bodies—	
Up to 1,500 kilogrammes in weight ...	C.Kr.240
Over 1,500 kilogrammes and not exceeding 3,000 kilogrammes	C.Kr.210
Over 3,000 kilogrammes	C.Kr.170
(d) Tractors and motor ploughs—	
Up to 1,500 kilogrammes in weight ...	C.Kr.180
From 1,500 to 3,000 kilogrammes ...	C.Kr.170
Over 3,000 kilogrammes	C.Kr.130

These basic tariff charges would make the duty on motor cars lower than the ad valorem duty at present in force, but the Bill states that these basic charges are to be multiplied by a coefficient which will be determined by the Ministry of Finance in conjunction with the Ministry of Commerce; and the following coefficients are proposed as an approximate guide:—

Passenger cars up to 1,000 kilogrammes in weight... ...	8
Passenger cars over 1,000 kilogrammes in weight	10
Lorries and trucks	8
Tractors	10
Motors for cars	10

The commercial treaty between Great Britain and Czechoslovakia of September 1, 1923, provides for the following annual contingent of motor vehicles which may be imported into Czechoslovakia:—

Motor cars	150
Motor lorries	150
Motor ploughs	50
Motor cycles	500
Motor parts and motor cycle parts	200 tons
Bicycles	1,000 machines
Bicycle parts	10 tons
Rubber	2,500 tons
Rubber goods	1,000 tons

The treaties with France, Italy and the United States also provide for annual contingents; but, while the American contingent is usually exhausted in the third quarter of the year, imports of British motor cars fall far short of the number admitted to import.

The probable introduction of a tariff based on weight naturally arouses keen interest among foreign motor car manufacturers. The American trade is particularly concerned in the fate of this Bill, as it is felt that imports of light cars will suffer most, while lorries, tractors, and motor ploughs are likely to benefit by the change. Various endeavours are being made by foreign manufacturers to lessen the effect of a higher duty on passenger cars. The formation of a local company for the manufacture of a particular type is one method suggested; the sale of the licence to local works has also been contemplated; while the import of a car in parts would necessitate the erection of assembling shops. (*The Czechoslovak Market.*)

AGRICULTURE

Official Report on Crops in Bohemia in 1925.—The following data of the areas under cultivation, the average yield per hectare and the total production of the various crops grown in Bohemia in 1925 have just been published by the State Statistical Bureau (the figures in brackets referring to the year 1924) :—

	Area in hectares.		Average yield per hectare.		Total production in quintals.	
Winter wheat	186,163	(178,061)	19.5	(18.3)	3,634,696	(3,260,223)
Summer wheat	38,655	(42,203)	16.4	(17.6)	632,532	(744,007)
Winter rye	413,811	(409,150)	18.6	(15.1)	7,704,548	(6,163,347)
Summer rye	13,541	(15,323)	12.3	(11.0)	166,390	(169,428)
Winter barley	1,241	(1,382)	19.8	(18.0)	24,571	(24,920)
Summer barley	230,359	(218,060)	19.6	(18.4)	4,512,790	(4,018,821)
Oats	404,697	(409,814)	16.6	(16.7)	6,800,467	(6,845,592)
Table beans	86	(91)	12.8	(12.5)	1,099	(1,134)
Peas	11,730	(12,561)	13.0	(14.3)	152,390	(180,274)
Lentils	744	(789)	8.1	(9.6)	5,997	(7,590)
Seed vetch	15,236	(15,928)	12.7	(14.1)	193,082	(224,869)
Horse beans	2,875	(3,259)	18.1	(19.0)	52,044	(62,077)
Rape seed	1,860	(2,193)	12.9	(12.7)	23,954	(27,871)
Poppy	4,150	(4,146)	8.9	(9.3)	36,850	(38,684)
Flax tissue	11,826	(10,275)	5.7	(5.9)	67,770	(60,176)
Hemp tissue	30	(27)	8.3	(7.1)	248	(193)
Early potatoes	9,113	(8,277)	98.1	(88.6)	894,019	(738,507)
Late potatoes	231,457	(230,388)	127.3	(110.4)	29,448,718	(25,427,090)
Chicory	5,306	(5,627)	194.0	(194.4)	1,029,192	(1,093,718)
Sugar beet	142,639	(146,926)	307.2	(288.0)	43,820,668	(42,316,913)
Fodder roots	37,542	(37,946)	289.7	(272.8)	10,877,280	(10,353,024)
Lettuce, etc.	9,412	(9,380)	241.4	(199.7)	2,271,711	(1,873,315)
Clover	387,695	(390,543)	44.2	(40.8)	17,150,734	(15,938,531)
Clover seed	41,269	(40,103)	2.1	(2.2)	84,963	(88,964)
Other green fodder	112,766	(120,525)	29.5	(26.0)	3,323,123	(3,139,215)
Rotation hay	46,503	(46,705)	37.1	(35.4)	1,727,296	(1,652,899)
Hay from permanent pasture land ...	565,823	(567,031)	40.3	(39.7)	22,775,741	(22,500,802)

(*Prager Presse.*)

FRANCE

POLITICAL AND GENERAL

The New Government.—As anticipated, M. Briand has formed another Administration in which he combines the office of President of the Council with that of Minister of Foreign Affairs. The outstanding appointment is, of course, that of M. Raoul Péret as Minister of Finance. A statesman of profound experience, of great financial ability and of marked political honesty, he has undertaken the most thankless and difficult task before the Government in a spirit of patriotic duty, says *Le Temps*, and may be expected to receive every consideration from a Chamber in which he has not a single enemy. The Ministerial Statement is not expected before Tuesday next. Meanwhile M. Péret has made it known that the Bill embodying his proposals to cover the deficit of Fr.4,900 million will be very short, containing no more than two or three clauses, as experience has taught him that lengthy measures consisting of a number of clauses only lead to interminable debates and provoke endless amendments and counter proposals. His first task will be to get the Chamber to pass the Budget with the least possible delay, though it will scarcely be possible, he thinks, to get it through the Chamber and the Senate before the end of March. He will therefore have to ask for a vote on account for two months before the adjournment for the Easter holidays. The recess will be used to continue the negotiations in London for the settlement of the French debt to Great Britain. Questioned as to what tax he would be likely to propose in the place of the tax on payments, he stated that his proposals must first be submitted to the Cabinet and afterwards to the Chamber, but the Press must not overlook the fact that several alternative imposts have already been suggested, such as a tax on production and the doubling of the tax on overturn. In any event, he was confident that the wisdom of both Chambers would be equal to the task of solving their difficulties, and the Government was convinced that it could reckon on the goodwill of all parties in view of the general desire to avoid a further crisis. The last crisis had greatly disappointed their foreign friends, and it was well that this should be borne in mind. What was wanted was an atmosphere of confidence, and a feeling of confidence was just as contagious as one of panic.

TRADE

Foreign Trade in Ores and Metals in January.—The *Nord Industriel* publishes the following data regarding the foreign trade in iron and steel in January :—

Iron Ore.—Imports, 31,700 tons (as against 77,700 tons in December), 11,000 tons of which came from Sweden.—Exports, 610,300 tons (as against 590,000 tons), of which 516,800 tons went to Belgium-Luxemburg (as against 470,000 tons), 39,300 tons to Germany, 30,900 tons to Holland, 20,300 tons to Great Britain, and as much as 3,000 tons to the United States. The increase in the exports to Belgium-Luxemburg is attributed to the termination of the strike in the Charleroi district.

Pig iron.—Imports, 2,657 tons as against 2,915 tons in December.—Exports, 64,889 tons as against 94,142 tons. This drop in exports of close on 30,000 tons is not out of the way, as December is always the best month for this trade, and besides purchasers no doubt had an eye to the increase in the rates of transport due to come into operation on January 1; moreover, the French industry in January was exceptionally busy. Belgium-Luxemburg took 25,574 tons, as against 33,923 tons in December; Italy 16,076 tons, much the same as in the previous month; Great Britain only 8,368 tons, as compared with close on 24,000 in December; Switzerland 6,034 tons, as against 3,804 tons; Germany 4,105 tons, as against 6,261 tons; and the United States 1,578 tons, as against 3,688 tons.

Ferro-alloys.—Imports, 983 tons as against 3,012 tons in December.—Exports, 381 tons as against 206 tons.

Crude steel (*ingots*).—Imports insignificant.—Exports, 2,543 tons as against 3,152 tons in December.

Rolled iron and steel (*blooms, billets, bars, etc.*).—Imports, under 1,000 tons as against 1,634 tons in December.—Exports, 183,397 tons as against 224,486 tons. Great Britain took 61,975 tons as against 82,352 tons, Belgium-Luxemburg 34,346 tons as against 37,172 tons, Italy 16,076 tons as against 17,720 tons, Germany 14,620 tons as against 28,454 tons, Switzerland 7,686 tons as against 6,069 tons, Argentina 7,706 tons as against 8,872 tons, Japan 4,825 tons as against 3,498 tons, and the United States 2,579 tons as against 1,614 tons.

Machine iron and steel.—Imports none, as against 22 tons in December.—Exports about the same as in the previous month, viz., 9,431 tons, of which 4,166 tons went to Belgium-Luxemburg, 1,178 tons to Great Britain, 1,066 tons to Italy, and 989 tons to Germany.

Sheets of all kinds.—Imports, 686 tons as against 937 tons in December.—Exports, 18,118 tons as against 21,758 tons.

Rails.—Imports, 164 tons as against 22 tons in December.—Exports, 19,781 tons as against 26,843 tons. Brazil took 3,667 tons as against 4,088 tons, Japan 2,058 tons as against 3,723 tons, Italy 1,720 tons as against 648 tons, Belgium-Luxemburg 1,698 tons as against 1,013 tons, Germany 1,424 tons as against 608 tons, Switzerland 1,117 tons as against 2,202 tons, and the United States 1,050 tons as against 978 tons.

INDUSTRY

The Output of Coal in January.—The output of coal in January reached a total of 4,251,215 tons for 25 working days, as against 4,085,413 tons in December for the same number of days. The daily output continues to show a steady increase, as will appear from the following figures (in tons):—

	Average daily output.	No. of hands employed.
For the whole of 1913	136,147	203,208
January 1923	121,064	242,566
January 1924	144,680	286,804
January 1925	160,445	311,991
January 1926	170,048	315,204

In the coalfield of the Nord and the Pas-de-Calais the daily output in January was 102,565 tons, or 11,268 tons in excess of the 1913 output.

In the midlands and the south the average daily output of 49,304 tons was 4,154 tons in excess of the figures for 1913.

Within the confines of pre-war France, therefore, the average daily output was 151,869 tons, or 15,722 tons (11.5 per cent.) over and above the pre-war production.

The coal mines of Lorraine contributed an additional 18,179 tons per working day.

The output of metallurgical coke from the coke ovens belonging to the collieries amounted in January to 295,813 tons, or more than 50,000 tons in excess of the monthly average for 1913.

It may be added that the Sarre produced 1,112,658 tons of coal and 22,249 tons of coke.

The market is fairly satisfactory as regards industrial coal, as consumption by the works is comparatively high, and it is expected that will remain so for some time to come, as they have large orders still in hand. As regards household coal, however, the return of spring weather has reduced purchasing, with the result that merchants' yards are overstocked and deliveries are being countermanded. (*Nord Industriel.*)

COMMUNICATIONS

Mercantile Marine Returns for 1925.—The number of vessels entered at French ports in 1925 was 56,625 of a capacity of 55,324,700 tons as against 59,402 of a capacity of 53,640,310 tons in 1924 and 59,516 of a capacity of 51,694,595 tons in 1923, while the number of clearances was 56,440 of a capacity of 55,254,618 tons as against 59,412 of a capacity of 53,555,796 tons in 1924 and 59,347 of a capacity of 51,816,991 tons in 1923. The tonnage of goods landed amounted to 30,633,333 tons as compared with 35,048,141 tons in 1924 and 36,991,654 tons in 1923, while the tonnage of shipments aggregated 10,839,089 tons as compared with 10,154,028 tons in 1924 and 8,837,581 tons in 1923. Incoming passengers numbered 1,663,778 as against 1,605,818 in 1924 and 1,583,995 in 1923, while the number of outward bound passengers was 1,738,651 as against 1,530,708 in 1924 and 1,449,057 in 1923. The following statement shows the extent to which the leading ports shared in the incoming and outgoing goods traffic (in tons):—

Incoming.

Rouen	6,496,638	Nantes	1,791,119
Marseilles ...	4,915,044	Caen	998,412
Bordeaux ...	3,170,223	Saint-Nazaire ...	852,133
Le Havre ...	3,060,068	La Rochelle ...	823,002
Dunkirk ...	2,718,024	Cette	781,352

Outgoing.

Marseilles ...	2,506,486	Boulogne	381,209
Le Havre ...	1,765,381	Saint-Nazaire ...	[320,724
Bordeaux ...	1,463,284	Nantes	294,788
Dunkirk ...	1,108,423	Bayonne	235,633
Caen	637,067	Saint-Louis-du-Rhône	233,591
Rouen	447,122		

(*Journal de la Marine Marchande.*)

GERMANY

POLITICAL AND GENERAL

"The Iron International."—Commenting on the movement to secure an international agreement regarding the production of iron, the *Frankfurter Zeitung* states that the confidence of the iron industry in the ultimate realisation of such a pact has scarcely been lessened—by the delay which has just occurred in the negotiations with regard to an international rail kartell. This confidence, it says, is obviously very great. This is best proved by the proposed form of the pact, viz. no price agreements, no regional market restrictions, but a simple production kartell—a rationing of the world's production, the production quotas for the different iron-producing countries being fixed. This sounds modest; but in reality it is the most comprehensive and thoroughgoing form of international "kartellisation." It could, of course, be contemplated only if it were antecedently certain that no outsiders of importance would subsequently be found outside the pact. That is to say, that it is not merely the amalgamation of the iron industry on the European continent that is reckoned upon, but also the adhesion of the English iron industry, whose demands for protection have just been bluntly rejected by the Government, and even of the American. When the whole iron production of the world has thus been brought under one roof, no special price agreements and no special selling syndicates will, in fact, be any longer required. All that is required is to keep the production closely adjusted to the actual demand in order to secure the level of prices desired. Individual regulations may be made later as required. The iron market of the world will then be under uniform control.

The *Frankfurter Zeitung* draws attention to the political significance of such plans. It does not subscribe to the optimistic views of those who see in them the abolition of international disputes and "the establishment of the United States of Europe." Those who know the history of industry, and particularly that of industrial kartells, will judge more cautiously. They know that such kartells are always merely a truce, that for the fight for markets they substitute the fight for quotas, and that this fight always becomes more acute as the termination of the kartell agreement approaches. They will ask who pays the cost, and the answer will be: materially the manufacturer and consumer, and politically the State. But even a truce may be preferable to open war. And the iron manufacturing industries may be injured seriously by the war if it results in the iron producing industries undercutting each other chiefly in international markets to the advantage of the foreign manufacturer, who is able to purchase raw materias and semi-products at low dumping prices. These, however, are momentary considerations. The enormous power of taxation which such international kartells acquire is permanent—the power of taxing the entire iron manufacturing industry and all iron consumers, limited only by what remains of international competition, the effect of which, however, it is difficult to estimate in advance. And the political power of so gigantic an industrial concentration also remains a permanent factor, and it can establish its own economic and taxation policy independently of that of the State and, in fact, far beyond its limits. The problem of the regulative and legislative power of the State as opposed to agglomerated private economic forces—which has been a problem during the whole of the last decade—is brought once more to the front by these plans for an international iron kartell. Recent experiences have merely emphasised these apprehensions. In the first place, the international kartell does not in itself mean peace; it does not mean the exclusion from international politics of these economic wars of competition as a matter of course. On the contrary, the converse danger, that internationally the policy of the States will merely be made to subserve these economic struggles, is much more imminent. It is an old trick to represent economic individual interests or special interests, once they have attained a certain magnitude, as general national interests, in the promotion of which all the resources of the State must be enlisted. And now, parallel to the international coal kartell plans, run those for an international coal kartell. And it is not impossible that in the fight for the quota, round which everything here turns, we shall come to a war of subsidies with England. This would mean the intensification, not the mitigation, of political antagonisms.

The *Frankfurter Zeitung* points out that the German iron industry has during the past two years been syndicated to a point never reached even before the war. One result of the policy of the iron associations has been that, while foreign competition is entirely excluded, prices have increased in certain districts in Germany by as much as 35 per cent.—and this during the Government's campaign of price reduction! The policy has been to take full advantage of the duty and freight difference on the home market, and to sell cheap on foreign markets. While the German iron industry has made full use of the dumping catchword in regard to France—refuted by the small French figures of iron imports into Germany—for the purpose of raising the German duties on iron it has itself been practising dumping on a large scale. The undoubtedly unfavourable position of the producing industry is really to be attributed to the unfavourable position of the German iron manufacturing industry. The price policy of the former is seriously threatening the life of the latter. The export allowances paid to the manufacturers are far from securing them an equality of competitive conditions in the world's markets. In their much more important home market, moreover, they are most seriously handicapped by the high home prices for iron.

The German iron workers and iron consumers may judge from what has already taken place the danger which threatens them. No doubt they are told something different at present, viz. that the purpose of the international iron pact is not the raising of the price of iron in Germany but only on the world's market, and that this would mean the mitigation of the disadvantages under which the German iron manufacturing industry at present suffers. Unfortunately this argument will not hold water. For apart from the fact that, pending the ultimate establishment and actual operation of the international kartell on the world's market, the dumping war over the quota will still go on for a considerable time to the detriment of the German manufacturers, so long as the German iron duties remain in force there is no relief for them in prospect. The German iron syndication enables full advantage to be taken of these enormous duties at any time. The international syndication of iron, however, if it facilitates the increase of iron prices internationally, brings with it a further danger threatening the manufacturing industry with annihilation, which has been approaching in an ever increasing measure of recent years, viz. the danger of being completely undercut on a large scale by the manufacturing works associated with the iron producing industry, or of being forced to amalgamate with that industry. The higher the price of iron for those who are obliged to buy it, the stronger is the competitive superiority of those other undertakings of the same kind which obtain their iron from resources of their own. The struggle of the mixed works against the purely manufacturing works, of which quite enough is known from the history of the coal and iron kartells, may have terrible developments in the higher stages of the iron-working industry.

For Germany, therefore, the plans for an international iron kartell once more press the problem of the German iron duties immediately into the foreground. To-day these duties are already without any real justification. They will become entirely meaningless if by the creation of the Iron International the control of the iron market is placed in its hands. That the German iron industry should be placed in a position—apart from the function of internationally rationing production—of taxing and holding in subjection the German manufacturers and consumers, must universally be regarded as an impossibility. Over and above this, however, the problem of the State is placed in a new and terrifying light by these international kartellisation plans, which transcend the confines of the individual States. Control by the State or control by the great economic forces—this is becoming more and more the problem of the future in European civilisation.

The *Kölnische Zeitung* learns that the negotiations regarding the formation of an international rail kartell are practically concluded, although several questions have still to be settled with the English participators. These questions, however, being of a purely formal nature no difficulty is anticipated in this respect. It is reported that a price of £6 per ton has already been agreed upon for current transactions in rails.

INDUSTRY

Position of German Industries in February.—The coal output in the Ruhr district, although showing a slight increase, is still very low, but the deliveries to the United States will continue to provide employment for several months to come. The latest production figures given for February are 330,300 tons per working day, as compared with 329,600 tons in January. In Upper Silesia the total February output was 1,320,000 tons, a decrease of 130,000 as compared with the previous month.

The total sales of the German Potash Syndicate for January and February, according to the *Vossische Zeitung*, are estimated at 0.95 and 1.7 million d.ctr. respectively, while the respective figures given in the Chamber of Commerce report are 1.4 and 1.2 million d.ctr.! A seasonal increase in the foreign sales is also reported.

The iron and steel goods industries report an increase in orders, particularly from abroad. The iron exporters Otto Wolff & Co., Cologne, and the Alfred Wirth Engineering Works, Erkelenz, have concluded with the trade representative of the Russian Soviet Government a four years' credit agreement for the supply of pipes, plates, wire, drilling and boring machinery, the amount involved being upwards of R.Mks.30 million. The Mannesmann Works, Düsseldorf, have received an order from Japan for turbine tubes to the value of about £30,000, while numerous contracts from other countries are also being executed by this company. At Krupps and Thyssens, on the other hand, the reductions in staff are still going on. The Van der Zypen & Charlier Works, Cologne-Deutz, have obtained a French contract for the delivery of 1,500 railway wagons; the value of the contract is said to be R.Mks.12 million. In the automobile industry considerable improvement is recorded. (*Wirtschaftsdienst.*)

HOLLAND

POLITICAL AND GENERAL

End of the Ministerial Crisis.—The meeting of the Second Chamber, summoned at the instance of the Socialist Party to consider a proposal that the Queen should be asked to dissolve the Chamber, took place on March 2 and ended, as was anticipated, in the defeat of the motion, all the other parties voting unanimously against it. Two days later the ministerial crisis, which had lasted since November 11, was unexpectedly terminated by the formation of an extra-Parliamentary Cabinet under the leadership of Jhr. de Geer, who was Minister of the Interior in the Colijn Administration. The new Premier, who has also taken over the Portfolio of Minister of Finance, with Jhr. van Karnebeek as Minister of Foreign Affairs, is supported by Dr. J. B.

Kan as Minister of the Interior; Dr. J. C. Koningsberger, former President of the Volksraad in the Dutch East Indies, as Minister of the Colonies; Dr. J. Donner, Anti-Revolutionary, as Minister of Justice; Prof. L. A. van Royan as Minister of War and the Navy ad interim; Dr. H. van de Vagte, Anti-Revolutionary, as Minister of Public Works; Dr. M. A. M. Waszink, Catholic, as Minister of Education; and Dr. J. R. Slotemaker de Bruïne, Christian Historical, as Minister of Labour, Trade and Industry.

The new Government met Parliament on March 11, when the Premier made the usual Ministerial statement in the Second Chamber. After pointing out that the Cabinet was independent of any party, that no one of its members represented in the Cabinet either a party or a group and that the Government would only remain in office until such time as the Chamber again possessed a Parliamentary Government majority prepared to take over the reins of government, Jhr. de Geer stated that the chief items of the programme would be retrenchment and reduction of taxation, notably a reduction by half of the special income tax instituted during the war and the abolition of the supertax levied for the same purpose on the household tax and on the sugar excise. Further, the Government would co-operate energetically in all matters calculated to promote the supremacy of Law amongst the nations and to lead to simultaneous and mutual reduction of armaments. They would take steps to bring about a fusion of the Departments of War and the Navy into one Department of Defence and institute a more thorough enquiry into the question of splitting up the Navy. A further simplification of the defensive forces would be undertaken, *inter alia* by concentrating the defence of the country in the hands of mobile forces, thus rendering possible a considerable reduction of the special personnel for fortress and coastal defence. Other items of the programme included further legal regulations for the collective labour contract, the extension of the limits within which the Labour Act will be enforced, and an amendment of the Licensing Act in the direction of local option. Further, the Premier stated that the question of the representation at the Vatican would be dealt with essentially on its own merits. The vote of November 11, he said, was partly the result of pronounced political considerations. The recall of the Envoy on the ground of this vote alone would, therefore, be out of place in the sphere in which this Cabinet wished to live and act. In the opinion of the Cabinet, such recall would only come within the scope of its policy if, in view of the new situation created by its action, the Chamber showed itself indisposed to appropriate funds for the representation. For that reason, the Chamber would be given an opportunity of considering the matter on its merits, and whether the decision was in favour or against maintaining the Vatican Legation such decision would not affect the position of any member of the Ministry.

The *Gazette de Hollande* regards the Ministerial statement as a well-balanced document. The programme drawn up by the new Cabinet, it says, implies a break, at any rate in spirit, with the Colijn régime. Unintentionally perhaps it is calculated to induce the Socialists and Radicals as well as the Left wings of the parties of the Right to give it their support. The further legal extension of the collective Labour Contract only aims at what is desired by the Catholics, viz. a collective labour contract binding on all employers and workers in the same industry, even on those who have neither co-operated in nor opposed its realisation. The extension of the sphere in which the Labour Act shall be enforced has for years past been a special Socialist demand. It aims more especially at bringing under the Act shop assistants and office clerks (perhaps also the transport workers), making the eight-hour day also binding for them. The introduction of local option has for a long time past been advocated by the democratic groups both of the Right and the Left, though Bills aiming at its introduction have several times been rejected by the First Chamber. Whilst the Colijn Cabinet proposed more particularly to relieve direct taxation and the large capital-forming incomes by abolishing the Defence Tax (a special income tax to cover the costs of the war crisis), Jhr. de Geer restricts himself to reducing that tax by 50 per cent., at the same time abolishing the supertax on the Household Tax and on the sugar excise, which will relieve large families and lighten the burden of indirect taxation. With regard to disarmament, on which no accord exists between the Left and the confessional Democrats, the Cabinet confines itself to support of international efforts to arrive at mutual disarmament. The attempt to save for the present the representation at the Vatican is doubtless calculated to prevent the Catholics from offering opposition at the very outset. If the new proposal is rejected, there is no reason why the Cabinet, or Jhr. van Karnebeek, or even the only Catholic Minister in the Cabinet, should resign. The chances for the success of the plan, however, are not increased by this fact. The Christian Historicals will not change their attitude even if the proposal now comes from a Cabinet with a Christian Historical leader, whilst the Socialists and the Radicals will scarcely be inclined to relieve the Coalition of the Right of this bone of contention. Presumably, concludes our contemporary, the Second Chamber will not adopt too critical an attitude. This, however, is by no means a guarantee that the life of the new Cabinet will be a long one.

POLAND

FINANCE

Revised Budget for 1926.—The original national estimates, as published in The Economic Review of November 27, gave rise to considerable criticism and have since been revised. The following definite figures of the revised Budget for 1926 were published recently by the *Kurjer Poznánski* (in zlotys):—

Administration—	Revenue.	Expenditure.
President of the Republic ...	227,020	1,587,098
Sejm and Senate	52,225	7,998,500
State control	99,200	3,855,240
Cabinet Presidency	19,101	2,183,165
Ministry of Foreign Affairs ...	8,995,100	29,460,438
,, ,, War	11,360,989	504,185,482
,, ,, the Interior ...	12,404,380	178,072,539
,, ,, Finance	871,951,855	93,023,234
,, ,, Justice	35,461,990	83,000,000
,, ,, Industry and Commerce	4,028,269	17,343,925
,, ,, Railways	195,350	3,041,400
,, ,, Agriculture	10,962,876	32,949,756

	Revenue.	Expenditure.
Administration (*contd.*)		
Ministry of Public Instruction	7,492,230	270,040,000
,, ,, Public Works ...	18,257,308	57,593,195
,, ,, Labour	892,946	77,629,475
,, ,, Land Reform ...	6,536,555	29,849,054
,, ,, Pensions	23,720,000	169,812,437
Public Debt	—	108,143,658
Total	1,012,867,394	1,719,568,596
Public Enterprises—		
(*a*) Cabinet Presidency :		
Polish Telegraphic Agency	—	120,000
State printing works ...	77,653	—
Monitor Polski	548,524	—
(*b*) Ministry of War :		
Military workshops ...	—	9,500,000
(*c*) Ministry of Finance :		
State graphic establishments	100,000	—
(*d*) Ministry of Industry and Commerce :		
Posts and telegraphs ...	21,469,636	—
Mines and ironworks ...	581,287	—
Manufacture of telegraphic and radio apparatus ...	—	897,956
(*e*) Ministry of Agriculture :		
Forests domains	38,024,528	—
Total	60,801,638	10,517,956
Monopolies—		
Ministry of Finance :		
Saccharine	50,000	—
Salt	31,887,400	—
Tobacco	200,000,000	—
Spirits	211,000,000	—
State lotteries	6,572.650	—
Matches	5,000,000	—
Total	454,510,050	—
Grand total	1,528,178,982	1,730,086,552
Reorganisation of public enterprises	72,000,000	—
Reform of public administration...	130,000,000	—
Grand Total	1,730,178,982	1,730,086,552

The effective expenditure is really only 1,600,086,552 zlotys, since the saving made by the proposed reform of the public administration and amounting to 130 mill. zlotys should naturally be deducted from the grand total as shown above. Virtually, the deficit of about 202 mill. zlotys is converted into a balanced Budget at around 1,600 mill. zlotys.

As compared with the original Budget the main economies in the Administration expenditure have been effected by the Ministry of War to the extent of about 185 millions; by the Ministry of Education, 45.5 millions; by the Ministry of Public Works, 13.3 millions; by the Ministry of the Interior, about 12 millions; by the Ministry of Land Reform, about 11.4 millions; and by the Ministry of Finance, nearly 10 millions.

In his speech on the Budget proposals M. Zdziechowski, the Minister of Finance, expressed the opinion that in addition to the economies already provided for it would be possible soon to increase the railway receipts, since so far no serious efforts towards economy had been made in this direction. A reorganisation of the State enterprises was necessary in order to improve the general profits from these undertakings. The Government's financial policy was based on sound principles, and the revised Budget figures for 1926 expressed with sincerity that it was possible to reduce expenditure to its present level without fresh legislation and without affecting the existing State administration.

Foreign Loans of Intelligence.—From various statements made by the Minister of Finance and from numerous reports that have recently appeared in the Press it is evident that efforts are being officially made for the realisation of further foreign loans. The Bankers Trust Company is in touch with competent Polish authorities with a view to negotiating a big loan, the exact amount of which has not yet been announced; the Ministry of Finance has, in fact, issued a statement to the effect that the supposed conditions of the loan as reported in certain journals have no foundation, since nothing has yet been agreed upon. The Ministry further states that there is no truth in the suggestion that the Polish Government intends to raise another loan in Italy.

The *Prager Presse* learns from its representative at Warsaw that the Bank of Poland has received from the Bank of England a credit of £1,000,000 against gold pledges. From the same source comes the information that negotiations are taking place between the largest United States electro-technical concern and the Agricultural Bank respecting the purchase of the electrical works at Chorzow in Upper Silesia and those at Siersa in Western Galicia. If a satisfactory agreement is arrived at the electrification of Poland will be undertaken on a large scale.

The Currency Problem.—Despite all the endeavours of the Government the zloty still lacks the firm support which ordered economic conditions and particularly a balanced Budget would give it. From time to time it has been the object of attack on the part of international speculators who have an interest in its depreciation. Quite recently such outside speculation again succeeded in bringing about a temporary drop in the zloty exchange. The attack was facilitated, states the *Central European Observer*, by the fact that the Bank of Poland had only a comparatively small amount of metal reserve at its disposal and was thus unable to take immediate counter measures. The setback in the zloty exchange is, however, in no way justified by the existing economic circumstances and may be regarded as a merely temporary movement. The foreign trade balance continues to be favourable, so that the Bank of Poland's metal reserves can soon be restored. In addition to this, the Bank of Poland has in Great Britain a still untouched credit of 20 mill. francs (gold). Revenue receipts in January were largely in excess of the estimated yield, and no recourse to banknote printing was necessary to meet a Budget deficit. The Government is also drafting measures for a new adjustment of the rules relating to the currency and exchange transactions. These measures will include drastic penalties for currency speculation. Further, an influx of foreign exchange to the Bank of Poland is expected from the growing balance of foreign trade. The Government is making endeavours in many other directions to complete the necessary reforms and reconstruction of the economic and financial conditions. All these considerations are bound eventually to exert their due influence upon the zloty.

Discussing this subject in the columns of the *Wirtschaftsdienst*, Dr. Curt Poralla contends that the recent depreciation and fluctuations in the zloty course are still an expression of the precipitated currency reform of 1924 and also of the unreal and bolstered up revenue of the national Budget, in addition to being a reflection of the adverse balance of payment. The decision of the Bank of Poland to permit foreign capital to participate in the Bank for the purpose of increasing the note circulation denotes a turning point in the Polish currency policy. The failure of the numerous measures to prevent the fluctuation in the exchange has lent the foreign participating capital greater determining power and signifies the impotence of Poland to bring the country's finance into order without resorting to foreign assistance. Although there are signs of a coming improvement in the currency situation the zloty must be considered as endangered until foreign financial assistance becomes an established fact.

Certain other publicists do not take such a pessimistic view of Poland's currency situation. In the *Mitteleuropäische Wirtschaft, Neue Freie Presse*, Dr. Fritz Seifter reviews the developments during the opening weeks of the present year, and concludes from them that a marked improvement has set in and is likely to continue. Dr. Richard Kerschapgl, in his article in the *Wirtschaftliche Nachrichten*, compares the situation in Poland with that of Austria in 1922, with the difference that the Polish currency is more favourably placed, chiefly on account of the pronounced improvement in Poland's foreign trade. These two writers represent a widely held opinion that the Polish currency is not beyond redemption and that the worse stage has, perhaps, already been passed.

Treasury Receipts in 1925.—The Ministry of Finance has issued a report relative to the provisional receipts from the State monopolies and public contributions during the past year. According to this report the yield from the above-mentioned sources accounted for 1,332 mill. zlotys, which represents a falling off of about 10 per cent. as compared with the estimated figures. The yield of the monopolies alone was 395 millions or about 9 per cent. higher than the estimates; the deficit was caused by the decline in the returns from the capital levy. The yield of the direct taxes was 346 mill. zlotys, that of Customs and Excise 284 millions, while the remaining indirect taxes brought in 112 mill. zlotys.

State Railways Deficit.—In the Communications Committee of the Seym the Minister of Railways stated that the railways Budget for December 1925 and for the first quarter of 1926 would show a deficit of 24 mill. zlotys. It was proposed to increase the receipts, not by raising either passenger or freight tariffs, but by abolishing certain facilities hitherto granted for various categories of merchandise. In this way it was hoped to avoid placing obstacles in the way of the country's trade. The programme of new construction would be limited to the unavoidable minimum, but it was hoped in the course of the year to provide direct communication between Upper Silesia and the sea. (*Central European Observer.*)

The net earnings of the Bank of Poland in 1925 amounted to 15,727,000 zlotys, of which the State's share totals 3,053,000 zlotys. It has been decided to pay a dividend of 11 per cent., states the *Central European Observer.*

TRADE

Foreign Trade Returns for 1925 and January 1926.—The foreign trade of Poland continues to develop favourably. According to the official figures reproduced in the *Danziger Zeitung*, imports in December last were valued at 83,517,000 zlotys, while exports attained the value of 186,888,000 zlotys. The favourable balance for the month was thus 103,371,000 zlotys, as compared with a favourable balance of about 70 millions in November. This large favourable balance is chiefly due to the policy of maintaining import restrictions and at the same time stimulating the exportation of coal and cereals in particular in every possible manner. The figures do not, therefore, represent normal conditions. Numerous criticisms of the Government's commercial policy have of late appeared in the Polish Press, and the introduction of the export duty on wheat and the expressed intention to impose a similar duty on oats suggest that the Government has recognised the danger of this artificial support of foreign trade.

Following the figures published in the *Agence Economique et Financière*, the main imports were as follows (in zlotys): agricultural products, 6,892,000; forestry products and products of the timber industry, 313,000; raw materials and products of the mining industry, 3,573,000; other raw materials, 23,344,000 (cotton, 12,493,000; tobacco, 5,148,000); manufactured articles, 40,297,000; colonial products and miscellaneous, 8,585,000. The chief exports were (in zlotys): agricultural products, 103,298,000; forestry products and products of the timber industry, 20,341,000; raw materials and products of the mining industry, 33,648,000 (coal, 19,385,000; zinc, 6,123,000; lead, 1,685,000; motor spirit, 1,926,000; petroleum, 1,511,000; mineral oils, 1,274,000; other raw materials, 2,576,000; manufactured articles, 26,617,000; colonial products and miscellaneous, 224,000

The returns for December bring the grand total for the year to 1,401,792,000 zlotys for exports and 1,657,473,000 for imports, the balance for the year being an adverse one of 255,681,000 zlotys. The development of trade throughout the past year is shown in the following table (in thousands of zlotys):—

	Exports.	Imports.	Difference.
January ...	107,485	168,860	— 61,375
February ...	103,026	150,700	— 47,674
March ...	120,026	189,924	— 69,468
April ...	89,605	182,293	— 92,688
May ...	105,893	185,651	— 79,758
June ...	103,632	169,404	— 65,772
July ...	86,903	173,257	— 86,354
August ...	102,986	116,445	— 13,459
September	108,905	72,842	+ 36,063
October ...	131,508	80,083	+ 51,425
November...	154,505	84,497	+ 70,008
December	186,888	83,517	+ 103,371
Total	1,401,792	1,657,473	— 255,681

The improvement during the last five months of the year is very striking. This advance was well maintained in January of the present year, although the favourable balance was not quite so high as in December. The *Danziger Zeitung* gives the value of imports in January as 68,492,000 zlotys and that of exports as 159,304,000 zlotys. The favourable balance was therefore 90,812,000 zlotys.

The decline in the export figures for January was largely due to the decrease in the cereal exports. The exportation of coal, on the other hand, shows an improvement on the preceding month, the figures being 643,000 tons in December and 664,000 in January. Of the total coal exports 149,497 were consigned via Danzig, 145,155 tons being for shipment overseas. It is reported that the Polish exporters have secured a new contract from Italy for the supply of 500,000 tons of coal, chiefly for the Italian railways.

New Customs Tariff Regulations.—In accordance with the new tariff regulations that came into force on January 1 last the number of articles subject to duty has been increased by over 200. The duty on some articles has been abolished, on others increased by as much as 75 per cent., and on others reduced by over 50 per cent. or otherwise revised. The main reductions are on chemical dyes and the raw materials for making these dyes, combed wool and crude silk. The new tariff imposes no duty on the importation of foreign cereals and flour with the exception of wheaten flour, and fats and fertilisers are also admitted duty free. The new duty on agricultural machinery is 10 to 56 zlotys per 100 kilogrammes. Building materials, ceramic and stone wares are subject to an increased duty of from 25 per cent. to 50 per cent., the latter rate of increase being applied to pottery goods. A similar increase is made in the duty of chemical materials anp products; metals (with the exception of copper) and metal wares will pay an increase of 40 to 45 per cent; leather an increase of 50 per cent., and footwear an increase of from 50 to 75 per cent., while rubber goods are taxed 300 per cent. Petrol, wood coal and turpentine likewise come under the increased rate, as also do cattle, fish, poultry, pigs, horses and seeds. Bleached and dyed cotton, silk and jute tissues are also subject to a heavy impost. The reductions in the tariff rates, it should be noted, are applied to those goods which are not produced within the country, or to those that are likely to be produced to any extent during the present year. (*Dziennik Ustaw.*)

INDUSTRY

Central European Economic Conference's Report on Polish Industry.—At the recent Central European Conference held at Vienna the condition of industry in Poland was among other matters discussed. In the report reproduced by the Viennese Press attention is drawn to the very serious situation in the Polish textile industry, in which there will soon be general stagnation unless the Government takes immediate steps to assist its revival. A later message from the Warsaw correspondent of the *Prager Presse,* however, states that the Polish textile industry has shown signs of improvement of late, chiefly on account of numerous orders from Russia and Rumania. The iron industry remains slack, the output decreasing from month to month; in certain districts all the blast furnaces have been closed down since the beginning of the year. The orders placed by Russia for agricultural machinery and implements have occasioned a slight improvement in the machinery and engineering branch, but otherwise there is little activity. The situation in the oil industry remains uncertain and the stocks on hand are being augmented, with but little prospect of early disposal. The coal industry has begun to revive to a certain extent, and new markets have been secured. The export of cereals and live stock has been fairly satisfactory, and has helped to improve the general agricultural situation, while the sugar exporters are doing fairly well, chiefly in the trade with the neighbouring States and with Great Britain. The timber industry has been assisted by the depreciation of the currency, and it is expected that exports will further improve in the early spring.

UNITED STATES

The United States Treasury.—Despite warnings from Congress that an increase in taxation may be necessary in another year because of the reduction in the Federal revenues to be accomplished by the new tax law, the condition of the Treasury as indicated by its statement of receipts and expenditures discloses that the Federal Government is in a position to stand a very substantial drop in its collections and still show a surplus at the end of the fiscal year, writes Mr. H. E. Sargent in the New York *Annalist.*

As of February 19, the latest Treasury statement, the total ordinary receipts of the Government aggregated $2,225,000,000 for the fiscal year to date, as compared with $2,170,000,000 for the corresponding period of last year. Expenditures chargeable against ordinary receipts aggregated $2,131,000,000 for the fiscal year to date, as compared with $2,136,000,000 for the same part of the fiscal year 1925. As a result, the indicated surplus for the fiscal year to date is more than $93,000,000, against only $33,000,000 a year ago.

Considerable confusion has been thrown around the probable effect of the tax reduction of 1926 upon the Federal revenues because of the method of estimating losses by tax reduction obtaining in Congress. According to the official estimates issued by the Senate and House Conference Committee, the new tax law will mean a reduction in revenue of $387,000,000 for the calendar year 1926 and a loss of $343,000,000 for the calendar year 1927. While these figures are very imposing and would seem to indicate a truly enormous tax cut, they mean absolutely nothing from the standpoint of the ability of the Treasury to operate under lessened revenues through tax reduction.

The Treasury operates entirely upon a fiscal year basis. The condition of its finances at the end of a calendar year, so far as evidenced by the difference between receipts and expenditures, is of itself in no way a reflection of the actual financial position of the Government. The end of a calendar year is only the end of the first half of the fiscal year, and the largest receipts from taxation are collected during the latter half of the fiscal year, which is the first half of a calendar year. How misleading estimates of the effect of tax reduction upon a calendar year basis may be can be seen from the estimates of the results of tax revision upon the fiscal year position of the Treasury.

Preliminary official estimates of the effect of the Revenue Act of 1926 indicate a loss of revenue for the fiscal year of 1926 of only about $195,000,000 and for the fiscal year 1927 of only about $319,000,000. Thus for the current and succeeding fiscal years there would be a total reduction in revenue resulting from tax revision of about $514,000,000, which is some $216,000,000 less than the total reduction for the present and succeeding calendar years.

These estimates of losses in revenue are made on the basis of estimates of tax collections for the fiscal year 1926 made by the Treasury on the assumption that the Revenue Act of 1924 was to continue in force. Under the 1924 rates the Treasury expected for the fiscal year 1926 total receipts from internal revenue aggregating $2,744,000,000, consisting of $1,880,000,000 from income taxes, including both corporation and individual and including about $182,000,000 of back taxes, and $864,000,000 from miscellaneous tax receipts, including excise taxes.

For the fiscal year 1926 under the new law and the old law—the Revenue Act of 1926 operating from Jan. 1 to June 30, and the Act of 1924 being in effect from June 30, 1925, to Dec. 31, 1925—preliminary estimates call for total receipts from taxation of $2,548,200,000. Tax receipts during the fiscal year 1926, under the two laws would be made up from the following sources: Corporation income taxes, $987,200,000; individual income taxes, $539,500,000; back taxes, $180,000,000, and miscellaneous taxes, $841,500,000. The increase of more than $100,000,000 in lost revenue in the fiscal year of 1927 over the reduction for 1926 is accounted for by the fact that all the tax receipts of 1927 will be collected under the new law with its materially lower rates and with its greatly restricted schedule of excise taxes, due to the repealing of so many of the sources of revenue contained in the 1924 act. For all practical purposes the effect of the new revenue law will be of only slight consequence to the position of the Treasury at the end of the fiscal year 1926.

Because the full effect of the new law is postponed until the fiscal year 1927, it is entirely possible that the losses in revenue during that year may be considerably less than now estimated. For one thing, it is a fundamental principle of the new law that reasonable rates of taxation, as exemplified in the new surtax rates, which run to a maximum of only 20 per cent. instead of 40 per cent. under the 1924 act, will produce more revenue than high surtaxes. The Treasury has found by experience that when the revenues are stimulated by reduced rates of taxation, this stimulus is reflected in receipts during the second year after tax reduction has been accomplished.

Taxes collected by the Treasury until next January will be paid upon incomes earned in 1925 when the 1924 act was in effect. Taxes collected after next January will be upon incomes earned in the calendar year 1926, during the first part of which tax reduction was assured and during the latter part of which lessened taxation was an actuality. Such stimulation to revenues as is derived from tax reduction will therefore have had its chance to come into play during the calendar year 1926 and be reflected for the first time in the returns made during first half of the calendar year 1927, which is the closing six months of the fiscal year 1927.

Foreign Trade Returns for January.—The Bureau of Statistics of the Department of Commerce at Washington on February 13 issued a statement of the foreign trade of the United States for January and the seven months ending with January. The value of merchandise exported in January 1926 was $399,000,000, as compared with $446,443,088 in January 1925. The imports of merchandise are provisionally computed at $414,000,000 in January 1926 as against $346,165,289 in January the previous year, leaving an unfavourable trade balance against the United States on the merchandise movement for the month of January 1926 of $15,000,000. Last year in January there was a favourable trade balance on the merchandise movement of $100,277,799. Imports for the seven months of 1925–26 have been $2,577,522,820, as against $2,106,536,977 for the corresponding seven months of 1924–25. The merchandise exports for the seven months of 1925–26 have been $2,945,492,856 as against $2,947,704,335, giving a favourable trade balance of $367,970,036 in 1925–26 as against $841,167,358 in 1924–25. Gold imports totalled $19,351,202 in January 1926 against $5,037,800 in the corresponding month of the previous year, and for the seven months they were $106,957,870 as against $98,516,432. Gold exports in January 1926 were $3,086,870 as against $73,525,943 in January 1925. For the seven months of 1925–26 the exports of the metal foot up $74,790,201 as against $131,319,182 in the seven months of 1924–25. Silver imports for the seven months of 1925–26 have been $38,176,361 as against $46,764,644 in 1924–25, and silver exports $58,375,520 as against $69,698,492. Following is the complete official report :—

TOTAL VALUES OF EXPORTS AND IMPORTS OF THE UNITED STATES.

(Preliminary figures for 1926, corrected to Feb. 11, 1926.)

MERCHANDISE.

	January. 1926.	1925.
	$	$
Exports	399,000,000	446,443,088
Imports	414,000,000	346,165,289
Excess of exports ...	—	100,277,799
Excess of imports ...	15,000,000	—

Seven months ending January.

	1926.	1925.	Increase (+) Decrease (—).
	$	$	$
Exports... ...	2,945,492,856	2,947,704,335	— 2,211,479
Imports... ...	2,577,522,820	2,106,536,977	+ 470,985,843
Excess of exports	367,970,036	841,167,358	—
Excess of imports	—	—	—

EXPORTS AND IMPORTS OF MERCHANDISE, BY MONTHS.

	1925–26.	1924–25.
	$	$
Exports.		
July	339,660,368	276,649,055
August	379,822,746	330,659,566
September	420,368,140	427,459,531
October	490,566,814	527,171,781
November	447,804,082	493,572,921
December	468,270,706	445,748,393
January	399,000,000	446,443,088
February	—	370,676,434
March	—	453,652,842
April	—	398,254,668
May	—	370,945,110
June	—	323,347,775
Seven months ended January	2,945,492,856	2,947,704,335
Twelve months ended June	—	4,864,581,164
Imports.		
July	325,648,257	278,593,546
August	340,085,626	254,542,143
September	349,953,680	287,144,334
October	374,073,914	310,751,608
November	376,431,290	296,147,998
December	397,330,053	333,192,059
January	414,000,000	346,165,289
February	—	333,387,369
March	—	385,378,617
April	—	346,090,950
May	—	327,518,721
June	—	325,215,735
Seven months ended January	2,577,522,820	2,106,536,977
Twelve months ended June	—	3,824,128,375

GOLD AND SILVER.

	January. 1926.	1925.
	$	$
Gold.		
Exports	3,086,870	73,525,943
Imports	19,351,202	5,037,800
Excess of exports ...	—	68,488,143
Excess of imports ...	16,264,332	—
Silver.		
Exports	9,762,969	11,384,799
Imports	5,762,760	7,338,559
Excess of exports ...	4,000,209	4,046,240
Excess of imports ...	—	—

	Seven months ending January 1926.	1925.	Increase (+) Decrease (—)
	$	$	$
Gold.			
Exports	74,790,201	131,319,182	— 56,528,981
Imports	106,957,870	98,516,432	+ 8,441,438
Excess of exports	—	32,802,750	—
Excess of imports	32,167,669	—	
Silver.			
Exports	58,375,520	69,698,492	— 11,322,972
Imports	38,176,361	46,764,644	— 8,588,283
Excess of exports	20,199,159	22,933,848	—
Excess of imports	—	—	—

EXPORTS AND IMPORTS OF GOLD AND SILVER BY MONTHS.

	Gold. 1925–26.	1924–25.	Silver. 1925–26.	1924–25.
	$	$	$	$
Exports.				
July	4,416,452	327,178	8,349,302	9,190,362
August	2,135,690	2,397,457	8,284,991	8,632,067
September ...	6,784,201	4.579.501	7,487,317	10,345,205
October ...	28,039,190	4,125,268	8,783,376	9,465,022
November ...	24,360,071	6,689,182	8,118,093	9,401,403
December ...	5,967,727	39,674,653	7,589,470	11,279,630
January ...	3,086,870	73,525,943	9,762,969	11,384,799
February ...	—	50,599,708	—	6,832,647
March	—	25,104,416	—	7,916,717
April	—	21,603,945	—	9,322,618
May	—	13,389,967	—	6,535,761
June	—	6,712,480	—	2,522,492
Seven months ended January	74,790,201	131,319,182	58,375,520	69,698,492
Twelve months ended June ...	—	248,729,698	—	108,828,727
Imports.				
July	10,204,112	18,834,423	5,238,437	7,127,613
August	4,861,736	18,149.981	7,273,298	7.041,630
September ...	4,128,052	6,656,155	4,504,024	7,082,962
October ...	50,740,649	19,701,640	5,601,851	5,828,572
November ...	10,456,115	19,862,384	4,049,035	6,481,416
December ...	7,216,004	10,274,049	5,746,950	5,863,892
January ...	19,351,202	5,037,800	5,762,760	7,338,559
February ...	—	3,602,527	—	4,928,910
March	—	7,337,322	—	6,660,750
April	—	8,869,883	—	4,944,807
May	—	11,392,837	—	3,390,180
June	—	4,426,135	—	4,918,601
Seven months ended January	106,957,870	98,516,432	38,176,361	46,764,640
Twelve months ended June ...	—	134,145,136	—	71,607,902

(*Commercial and Financial Chronicle.*)

The Rubber Supply.—*The Guaranty Survey*, the monthly publication of the Guaranty Trust Company of New York, in its latest issue discusses the Rubber situation from the American angle, and reviews the development of the industry since 1909. The conclusion arrived at from the various influencing factors is that "a serious problem now faces the rubber industry, and that, with the present rubber acreage and the probable annual increase in rubber consumption, we are confronted with a prospective rubber shortage within a few years." The *Survey* points out there has been little planting since 1918 and practically none since 1920. Trees planted at the present time will not yield to any considerable extent until about 1932. It has been authoritatively estimated that in about three years consumption will overtake the potential production from the present area and that by 1931 the accumulated supplies will have been consumed and an actual shortage will result.

This analysis, according to the *Survey*, is based upon the maintenance of the present technological and psychological basis; but the increased use of reclaimed rubber and of rubber substitutes may upset these calculations. The vagaries of consumption in the face of extremely high prices must also be reckoned with. Under the stimulus of high prices the production of reclaimed rubber in the United States has increased from 179,200,000 lb. in 1924 to 320,320,000 lb. in 1925. The Department of Commerce in the United States calls attention to the growing capacity of the reclaimed rubber industry, and estimates that about 448,000,000 lb. will be produced and used in 1926. It must be observed, however, that with present methods of reclamation only from 10 to 15 per cent. of reclaimed rubber can be used in tyre production.

In any event, the efforts of American rubber manufacturers to enter the field of rubber production on a much larger scale are entirely praiseworthy. At the present time less than 4 per cent. of rubber investment is in the hands of American capital. Practically none of it is domiciled within our political jurisdiction. Labour and climatic requirements do not promise a great development of rubber plantations outside of the Middle East in the near future. American investment in unrestricted areas in this region would, however, render the rubber manufacturers more independent and would tend to stabilise the industry. Experiments have been conducted, moreover, which are believed to indicate the possibility that ultimately rubber may be grown in the South-western and Western sections of the United States in sufficient quantities to supply a large proportion of the domestic demand.

The artificial restriction of supply under the Stevenson Restriction Act during a period of highly augmented demand is undoubtedly to be regretted. On the other hand, it must be recognised that the restriction plan was introduced during a critical period in the rubber producing industry and that discarding the plan upon the sudden advent of high prices might have done great injury to rubber manufacturers who had contracted for forward commitments.

Sir Robert Horne's intimation that the present high price of rubber may be ascribed largely to increased American demand, rather than to the operation of the Stevenson Restriction Act, is undoubtedly founded on impressive statistical evidence. American imports of crude rubber increased from 314,000 tons in 1924 to 385,000 tons in 1925. In view of the fact that the United States regularly consumes more than 70 per cent. of the world's production, an increase of 23 per cent. in American demand was certain to have a tremendous influence on prices. World consumption of crude rubber increased from 470,000 tons in 1924 to about 550,000 tons during 1925. It will be noted that there was also a notable increase in rubber consumption outside of the United States. Imports to the United States, however, accounted for almost 90 per cent. of the additional consumption.

A factor in the increased American demand for crude rubber in 1925 was the wholesale adoption of the balloon tyre for automobiles. Although the balloon tyre first made its appearance in 1923 and did not loom into prominence until the middle of the following year, its production during the first eleven months of 1925 was equal to more than half the output of cord and fabric tyres combined as compared with a relative output of only one-sixth in 1924. The balloon tyre requires from one-fourth to one-third more rubber than the high-pressure types. During 1925, moreover, there was a considerable increase in the total number of casings and tubes made, the production for the first ten months being slightly in excess of the total production for 1924.

The increased demand for rubber has been reflected in a spectacular rise in price, which in turn has focused the attention of the American rubber industry, the Government of the United States and the American public on the Stevenson Act for restricting the exports of rubber from British possessions in the Middle East. This region is the source of practically the entire output of plantation rubber. The British possessions contain 69 per cent. of the rubber acreage, Netherlands India 29 per cent. and the remaining 2 per cent. is in the French colony of Indo-China. Since 1923 more than 93 per cent. of crude rubber supplies have come from the Middle East. The balance is largely wild rubber from Brazil. A little wild rubber is also collected by the natives of Africa.

As recently as 1910 the rapidly developing automotive and rubber products industries had to depend for 91 per cent. of their rubber upon the wild product gathered by natives from widely scattered trees in the jungles of Brazil and Africa. The limited supply thus made available drove the price of rubber in that year up to the high point of \$3 per lb.

Continuing, the *Survey* follows the rise and fall of prices, their causes and effects, and concludes: "While prices have receded considerably during the past two months, the level remains extremely high. The Stevenson Committee, in which the producers were represented, had deemed 36 cents an adequate price to cover the cost of production and pay the fairly high return required by the industry. That the administrators of the export restriction scheme have recognised the abnormality of the situation is indicated by the fact that the export quota has been increased 15 per cent. for the quarter beginning February 1, instead of the maximum of 10 per cent. provided for by the Stevenson Act. The present export allowance of 100 per cent. of standard production does not mean, however, that export restriction has been entirely removed. The Department of Commerce estimates that about 13 per cent. of the possible production is still being withheld. On the other hand, one of the leading rubber firms maintains that lack of labour will limit the rubber production in the restricted area to 95 per cent. of standard production for the present three months period. Whatever the case may be, the maintenance of rubber prices above 36 cents in the course of the next half-year will in all probability release sufficient production to remove the practical effect of the export restriction plan."

The Rayon Industry in 1925.—The production and consumption of rayon in the United States, writes Mr. Thomas J. Biggins in *Commerce Reports*, continued their steady growth during 1925. The output of the American plants for the first half of the year is given by the Silk Association of America as slightly over 24,000,000 lb., and as they have been working at capacity all year, their annual production is estimated by trade sources to approximate 50,000,000 lb. This figure shows a remarkable increase over the output of recent years. In 1920 the American plants produced 8,000,000 lb., and in the following year 15,000,000 lb. In 1922 a further increase to 24,000,000 lb. occurred and in 1925 this volume was produced from January to June, inclusive.

Despite the enormous increase in production the manufacturers have been unable to satisfy the demand for rayon. Figures compiled by important rayon manufacturers show that the knit-good industry was the largest consumer of rayon, taking 25 per cent. of the entire American consumption in 1923. The hosiery manufacturers followed with 22 per cent. and considerable quantities were taken by the cotton mills, silk mills, and other branches of the textile industry.

One important advantage to the consumers of rayon is the price stability. The producers announce their prices for the coming quarter, open their books for orders, and allot their output. During a considerable portion of 1925 premiums were paid for immediate deliveries of yarns.

Rayon is also being produced in increasing quantities in practically all of the important manufacturing countries of the world.

France, the old home of the natural silk industry, has a well-established rayon industry. Until recently this industry was localised in the south, but it has now become well rooted in the Roubaix-Tourcoing woollen-textile district of the north. The large output of the French works, moreover, is absorbed almost entirely in the country.

England has not been slow to make rayon production one of its important textile branches, and the cotton and wool textile circles have become large users. The first manufacturers have increased their productive capacity to the extreme limit and new factories are frequently built. One of the largest English producers has started a branch of the works in Canada, India, and other countries.

In Germany the break-up of the munition-manufacturing industry after the war provided the stimulus for the production of rayon, in order to keep factories employed. The industry has prospered, and at present is in a much better position than the other textile branches in Germany.

Quite remarkable is the development of the industry in Italy, where it is favoured by abundant water power, domestic production of the necessary chemicals, and good as well as very cheap labour. This country has attained in about four years a powerful position as a manufacturer and exporter of rayon. The Italian consumption is mainly of the home product, and each year there is an increasing surplus for export.

The Japanese annual demand for rayon is increasing steadily and at present amounts to 3,500,000 lb. At first consumers in Japan did not seriously consider the use of the artificial product. The cultivation of the silkworm is a national industry on which the prosperity of the country depends, and, naturally, anything that retarded the production of silk was looked on askance. The lower price and increasing popularity of rayon, however, have resulted in the import of large quantities, and its manufacture in Japan on a large scale is now assured.

The competition of foreign yarns is dependent chiefly on the American supply available for consumption. In 1922 the importation totalled 2,088,000 lb. In the following year it amounted to 3,906,000 lb., almost double the takings of 1922. This was followed by an appreciable price cut by the principal American producers, which resulted in greatly reduced imports in 1924. In 1925, however, the inability of the plants in the United States to supply the demands for the fibre was reflected by the influx of much larger quantities of yarns from abroad.

The following table shows the monthly imports for the last three years :—

Imports of yarns, threads and filaments of rayon into the United States.

	1923.		1924.		1925.	
	Volume in lb.	Value in $.	Volume in lb.	Value in $.	Volume in lb.	Value in $.
Jan. ...	190,925	362,069	251,951	380,238	205,627	285,645
Feb. ...	140,672	237,663	132,717	187,937	619,408	678,940
Mar. ...	398,505	814,521	87,430	97,472	522,139	576,907
April ...	466,073	948,997	89,444	104,415	431,686	513,066
May ...	250,691	425,942	96,555	166,481	332,737	409,556
June ...	373,805	634,976	144,664	164,795	308,592	348,844
July ...	501,709	761,385	78,050	93,029	546,695	562,551
Aug. ...	243,129	365,078	119,196	151,098	590,357	657,559
Sept. ...	295,489	460,500	181,614	245,852	622,304	690,075
Oct. ...	519,718	858,187	170,120	236,661	825,233	1,046,782
Nov. ...	309,294	507.287	170,238	230,334	—	—
Dec. ...	216,027	361,426	190,008	236,246	—	—
Total ...	3,906,037	6,738,031	1,711,987	2,294,558	5,004,778	5,769,925

The Available Wheat Supply.—Wheat on farms on March 1, according to the estimates of all the crop experts, totals less than 100,000,000 bushels. This compares with 112,000,000 bushels a year ago. The supply position suggests that with ordinary milling and export demand our supply of wheat at the end of the season should be far below what is considered a reasonably safe carry-over. That should make the market this spring peculiarly susceptible to factors affecting the new crop.

By way of comparison, says the *Wall Street Journal*, this is the first time since 1895 that the farm supply of wheat on March 1 has been as low. Our population has increased 60 per cent. since then, so on a per capita basis 100,000,000 bushels of wheat in 1895 would require 160,000,000 as an offset now.

Estimates made by the different crop experts averaged 89,000,000 bushels as the farm supply on March 1 of this year. The estimate of Mr. B. W. Snow was the largest, at 96,000,000 bushels. Taking his figures, the total supply of wheat on July 1, 1925, was 764,000,000 bushels. This includes the official estimate of crop, farm, and elevator stocks, visible supply and net imports.

Following the Snow estimate, domestic consumption, plus exports, winter wheat seed and an allowance of 30,000,000 bushels for farm feed and waste, would make a total distribution of 519,000,000 bushels to March 1. Deducting that from the total supply of 764,000,000 bushels would leave 245,000,000 bushels in all positions on March 1, 1926. This would be the supply to answer all demands for the next four months.

Domestic consumption and spring seeding should call for 170,000,000 bushels out of the 245,000,000 on hand on March 1. This would leave 75,000,000 bushels to take care of the exports from March 1 to June 30, and provide a carry-over into the next crop. By way of comparison, it may be said that a year ago the supply for export and carry-over was 137,000,000 bushels, the exports in the four months were 50,000,000, and the carry-over on July 1, 1925, was 87,000,000 bushels.

The figures certainly show a small supply, but to make a bullish situation it must be complemented with a demand for domestic consumption and exports. Flour business is slow and exports have been small. The European financial situation is such as to discourage import business. But with that small supply, it is certain that only a slight increase in demand will be necessary to make the market peculiarly susceptible to the crop outlook.

If the supply actually is as small as the figures indicate, the force of it should begin to be felt before the end of April, and from that time on the new crop will be a source of anxiety to the trade.

Progress of the Motorship.—The recent inauguration of transatlantic motor passenger service has directed general attention to the increasing importance of the motorship as a factor in ocean transportation, says the National Bank of Commerce in New York. Continuing in the February issue of the *Commerce Monthly*, the Bank says the internal combustion engine by its fuller utilisation of fuel energy is testing the supremacy of the steam engine as a prime mover on the seas. The tonnage of motorships building in the world has risen from 8 per cent. of the total in 1921 to 49 per cent. on September 30, 1925, all but equalling the tonnage of steamships under construction. Conservatively considered, one ton of oil in a Diesel engine will furnish the equivalent in power of two or three tons of oil or from four to six tons of coal under a boiler. This property gives the motorship a decided advantage over both the oil-burning and coal-burning steamers. However, the lower fuel consumption of the motorship does not necessarily mean lower fuel costs, as Diesel oil is more expensive than fuel oil and there is quite a spread at times between coal and oil prices. The initial cost of installing an oil motor of medium power has been estimated to be at least 25 per cent. greater than the cost of an equivalent steam plant. Continued motorship construction, however, indicates that there are enough plants of superiority to outweigh these disadvantages even when an unfavourable coal-oil ratio all but eliminates direct fuel savings. To-day nearly one-half of the tonnage of motorships afloat lies in the 4,000 to 8,000 gross-ton class. But improvements in design have made it practicable to install the internal combustion engine in larger vessels of many different types.

In the field of the large passenger liner, long thought to be out of reach of the motorship, steady progress has been made. A 17,000 ton motorship capable of making 17 knots has just been commissioned in the transatlantic passenger service. Motorships form 13 to 22 per cent. of the fleets of Norway, Denmark and Sweden. Great Britain with Ireland owns the largest actual tonnage of motorships, but motorships comprise only 4 per cent. of their total registration. Although Britain is also the largest builder of motorships, the motorship has not taken hold there as it has on the Continent.

Great interest in motorships has recently been shown in Italy, where particular attention is being paid to the large motor liner. Italy bids fair to surpass Germany and take second place as a builder of motor-driven vessels. In the long run the future of the Diesel-propelled vessel depends on the ability of the oil industry to keep oil prices on an economic level in comparison with coal. There is the possibility that a declining production of petroleum, or a strong demand for other petroleum products such as gasoline will result in the future in higher oil prices. The economy of internal combustion engines would justify the continued use of oil in the face of some degree of price increase, and it seems quite possible that the Diesel motor will be developed to use lower grades of oil than is now the practice. If this is accomplished, a higher level of oil prices will probably discourage the use of oil as fuel under boilers rather than in the internal combustion engine.

The matter is one of competitive costs rather than absolute limitation of oil supply, since higher price levels will make possible a more effective recovery of oil from existing sources of supply, while for the longer future oil shales, and coal itself, can be made to furnish the necessary fuel whenever prices make it profitable.

FOREIGN BANK RATES.

	Per cent.		Per cent		Per cent.
Amsterdam	3½	Dublin	6	Prague	6
Athens	10	Geneva	3½	Reval	9
Belfast	6	Helsingfors	7½	Riga	8
Belgrade ...	6	Kovno	7	Rome	7
Berlin	8	Lisbon	9	Sofia	7
Brussels	7½	Madrid ...	5	Stockholm ...	4½
Bucharest ...	6	Moscow ...	8	Tokyo	7 .3
Budapest ...	7	New York...	4	Vienna	8
Copenhagen...	5½	Oslo	6	Warsaw	12
Danzig	9	Paris	6		

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

SPECIAL ARTICLES

(Whilst the Editor of "The Economic Review" welcomes in these columns the expression of all shades of opinion on matters of economic controversy, he is not necessarily identified with any particular opinion expressed.)

AN ECONOMIC LOCARNO.

After the signing of the Locarno Treaties in London, M. Skrznyski, the Polish Premier and Minister of Foreign Affairs, expressed the view to representatives of the Press that the political Locarno must be followed by an economic one. These words afford an excellent diagnosis of the present economic situation, especially in Central Europe. To begin with, it may be asserted that the economic crisis through which post-war Europe is passing cannot be ascribed to the same causes which accounted for the regular periodical crises of pre-war times. The latter were only of a temporary nature, but following the war the European economic crisis became permanent, and periods of recovery are rather an exception than the rule. The general theories of economic crises do not avail to explain the economic difficulties with which England, Germany, Poland, Austria and other countries have to contend, for these problems are quite different in character, being rather political than economic. The Austrian problem is political through and through, while the economic difficulties of France, Germany, Poland and even England are also political in origin. First, in the States which issued victorious from the war there is the heavy burden of State expenditure, mainly for military purposes, which is felt to be particularly onerous now that these countries have been impoverished by the war, a reduced national income having to bear the cost of increased armaments. The defeated States, on the other hand, are called upon to bear an equal burden in the form of reparations. In addition, it must be remembered that the war was waged not only at the expense of the present but also of the future, through internal and external loans raised by the belligerent countries. These three factors, therefore—armaments, reparations and war debts—constitute an enormous burden which impoverished Europe can ill bear, and which by themselves would suffice to ruin her economic life.

But the difficulties are further aggravated by a protectionist and even prohibitive Customs policy, which may be defined as "economic nationalism." This economic nationalism is a great impediment to economic recovery. The basis of modern capitalist production is mass production subject to international division of labour. Before the war economic evolution tended in this direction, various countries being associated as mutual sellers and purchasers. The economic independence of civilised countries was a thing of the past, and they were bound together under a system of international economic co-operation. To use the terms introduced by some German economists, it may be said that national economy (*Volkswirtschaft*) developed into a higher system called *Weltwirtschaft*, just as the mediaeval *Stadtwirtschaft* had developed into *Volkswirtschaft*. This evolution, which is only a corollary of concentrated capitalist production on a large scale, is the essence of all modern economic progress; but it is only possible under a policy of free trade or of relatively moderate protectionism such as obtained before the war. A highly protectionist foreign trade policy was the result of the growing *Volkswirtschaft* during the period of mercantilism; but modern economic progress must look upon it in the same way that mercantilism looked upon the mediaeval system of internal Customs barriers. Before the war mercantilism seemed to have been killed, for the moderate protectionist tariffs which existed then were not so high as to prevent countries from entering into reciprocal trade relations. But the war brought about great changes. International economic co-operation between the European countries was interrupted and the several States were compelled to aim at self-dependence. This policy was largely successful, but since the war its very success has stood in the way of permanent economic recovery.

This policy of self-dependence which prevailed during the war led in many countries to the establishment of new industries, artificial growths fostered in order to supply wants which could no longer be met from abroad owing to the interruption of international trade relations. These new industries should have disappeared after the conclusion of peace. But when the war had come to an end, instead of facilitating their liquidation and thus contributing to the return of an international economic equilibrium, European governments continued to support this unnatural state of things and so perpetuated the policy of self-dependence out of which economic nationalism has grown. These conditions have been aggravated, first, by changes in political frontiers which have caused industries intimately associated with a certain national economic system to be torn away from the system to which they organically belonged and included in a totally different one. This has happened in the case of Alsace-Lorraine, Upper Silesia, Austria, Czechoslovakia, and other countries. Secondly, we have the rise of various new States of comparatively small area and population, especially in the centre and east of Europe. These changes would not have been of such great importance from an economic point of view but for the high protectionist Customs policy that is so characteristic a feature of post-war Europe's economic life. This Customs policy has developed under pressure of those artificially created industries and of the industrial crisis that threatened to become general after the war. It must be remembered that the outbreak of hostilities caused a vast transfer of capital and labour to industries directly connected with war, such as the iron and steel industry. After the armistice, when confronted with the problem of how to provide employment for large masses of demobilised soldiers, many governments turned to protectionism as the best means of reviving industry, and that may be taken to be the explanation of the economic nationalism of the present day. But it is clear that such a policy could not provide a final solution of the problem, and the only effect of it has been to produce the permanent economic difficulties against which Europe has now to contend. This policy of economic nationalism, viewed from the standpoint of economic progress, which rests on international co-operation, must be regarded as a step backward. The various States of post-war Europe look upon their neighbours as enemies with whom war is to be waged by means of Customs tariffs. This attitude, which is contrary to the whole spirit of modern economic evolution, must necessarily result in perpetuating the economic crisis and finally ruining the economic life of Europe. Under this policy a vast concentrated industry engaged in mass production and working with the latest achievements of technical science and organisation cannot be realised, especially when one considers the smallness of the various States in Central and Eastern Europe. Protectionism may well serve the purposes of the United States of America with her immense area and over a hundred million of population, but for these midget European States such a policy can only spell economic suicide. Production on a large scale is impossible, and general impoverishment the inevitable result. So long as this policy endures the permanent economic recovery of Europe is impossible. Large foreign loans (as from the United States) can only serve as a temporary remedy, for the permanent sanitation of Europe can only be worked out by Europe herself, by a thorough change of her Customs policy. European States must cease to regard their neighbours as enemies. They must realise that the war is at an end, and that they must enter into friendly economic relations with their neighbours. A Customs war between two European States, such as we have seen recently between Germany and Poland, both on the verge of ruin, can only be regarded as an act of folly. A genuine spirit of peace, the spirit of Locarno, must be infused into the economic relations of States, international economic co-operation must be resumed. Europe needs not only political, but economic pacification. Economic nationalism is ruining Europe, and only an economic Locarno can save her. O. L.

THE ECONOMIC SITUATION IN GERMANY.

By Dr. H. Goez, Berlin.

(*Continued.*)

In addition to the industrial crisis which I have hitherto discussed there is the crisis by which German agriculture is at present affected. During the period of inflation the agricultural interests also converted their profits as speedily as possible into material securities in order to protect them from depreciation. Since the stabilisation of the currency agriculture also has been suffering from a serious lack of working capital. Even during the normal times before the war it required adequate credits in spring and summer for the purpose of financing the supply of seed, fertilisers and machinery of all kinds as well as harvesting costs. These credits were repaid after the sale of the crops. At present, when there is a general scarcity of money and capital, agriculturists can obtain such credits only at very high rates of interest. Long-term credits on real property, say in the form of mortgages, can hardly be obtained at all. Personal credits are granted only to the large land proprietors, but not to the great body of landowners without means or to the peasant farmers.

The agricultural crisis is thus in the first place a capital crisis.

Every national economic crisis is at the same time a market crisis. To the economic causes of the present crisis which come under the head of production, those coming under the head of market or sale must be added.

During the inflation period the German trade machinery has also been developed and expanded to a degree incompatible with the extent of the market. The increase in the distributing trade may be shown by two items alone. In Berlin in 1913 there were 31,600 registered firms, while in 1924 this number exceeded 61,000, i.e. nearly double. Owing to this economically unjustified increase in the distributing machinery of German economic life, naturally only a small part of the total turnover in goods accrues to the individual distributor, and even this proportion has diminished as compared with the pre-war period. What is more natural than that the individual distributors should endeavour to make a high profit on their small turnover? The expansion of the distributing machinery, therefore, necessarily leads to increases in price. Each increase in price, however, results in a diminution of sales and so carries with it the germ of an economic crisis.

A further result of the high prices of German goods is that foreign goods, being cheaper, are marketed in Germany on a larger scale than was the case before the war. This clearly indicates the direction in which the German trade balance has developed. The foreign traders owing to their greater capitalistic strength are, in many cases, in a position to grant German customers more favourable conditions of payment and larger credits than it is possible for the German undertakings to do in view of the lack of working capital. The increased activity of foreign undertakings on the German market naturally renders the economic crisis more acute.

This is all the more serious, as the German home market *per se* is no longer so receptive as it was before the war. The home consumption has undergone a fundamental change compared with the pre-war period. It has heavily declined and, moreover, will not in the future reach the pre-war level. The purchasing power of the population has fallen owing to the losses in capital during the inflation period and to the heavy burden of taxation. Industry and trade, owing to their own precarious position, are in many cases unable to pay salaries and wages up to the real pre-war standard. To this must be added the slump in house-building, which previously had provided all the industries with remunerative orders. The weakening of the home market constitutes one of the main causes of the present economic crisis.

An additional factor is the difficulties which hamper the sale of German goods abroad. First of all, there are the production costs of the goods, which are frequently still higher than the corresponding costs abroad, so that the demand for German goods abroad is thereby restricted. Secondly, it is impossible for the German trader to grant long credits in transacting foreign business. Even before the war the individual competing provinces and undertakings frequently outbid each other in the matter of long credits. The manufacturer had often to be the customer's banker. This practice of giving long credits to the purchaser has now exceeded the former limits. A sale abroad is often impossible without granting credit. German industry, which is itself suffering from shortage of capital and credits, is unable to grant such credit. Thus it is outdistanced abroad, and often even at home, by foreign competitors. Finally, Germany's foreign trade is hampered by her obligations in respect of deliveries in kind by virtue of the Treaty of Versailles. These deliveries in kind according to the Dawes Report prove an obstacle to the resumption of private economic relations. It is certain that the greatly reduced demand for German goods abroad constitutes a further cause of the present crisis in Germany.

All these causes—and they are only the most important—have led to the great economic crisis in which Germany is at present involved.

An indication which, as far back as February 1925, pointed to the coming crisis was the continuous decline in the price of shares. The price level of German shares fell from month to month. The German Stock Exchange evidently had no faith in the economic development. The German Stock Exchange proved to be right. First, the difficulties of the Deutsche Werke became known, difficulties which led to a reorganisation of this large State undertaking. There followed the collapse of the Stinnes Combine, which at the end of May was no longer able to meet its obligations from its own resources ; a few weeks later the Lothringer Combine got rid of a number of its interests. And now the series of collapses continued without interruption. To mention but a few other names, the Sichel Combine and the Stumm Combine may be cited. Important firms, such as the Kahn Combine, had to apply for official business control. Large undertakings, like the Rheinmetall, published remedial proposals. In the automobile industry, which is particularly hard hit by the crisis, 15 firms have hitherto succumbed. Insolvency is extending also to agriculture—the collapse of the Landbundgenossenschaft (Land League) is typical of the peculiar character of the straits to which agriculture has been reduced. All these collapses indicated that we were on the eve of a great stabilisation crisis, which was to provide for an economic regeneration of our still unnatural market conditions. This crisis, upon which we have now entered, will compel the reduction of the entire economic machinery to dimensions compatible with the present potentialities of production and sale.

The cleansing process is in full operation. The German bankruptcy figures are now greatly increasing. Every month between 1,300 and 1,600 undertakings go bankrupt. In 1925 there were 11,510 bankruptcies, and business control was ordered in 5,590 cases. However hard hit the persons concerned may be, every bankruptcy is of advantage to the whole community in the present crisis ; for in Germany there are still tens of thousands of firms more than before the war. Every firm that fails increases the turnover of those remaining and so increases their profits. These failures show how the individual industrialists, notwithstanding the needs of the time, are racing each other to convert their works. In this race the tardy entrant is left lying on the track. It is not the duty of industry to wait until the last comer has caught up.

The result of these bankruptcies is a heavy increase in unemployment. The number of unemployed in receipt of full relief has reached 1½ million ; those in receipt of partial relief number 820,000. In considering these figures it must be remembered that, owing to the return of agricultural labourers after the harvest and the cessation of building activity, a certain seasonal increase in unemployment has to be recorded every year in winter. Nevertheless, the number of unemployed and short-time workers is appallingly high. The 1½ million of entirely unemployed, i.e. able-bodied men, are at present eliminated as active members of German economic life. They are living in poverty and distress ; they have no longer any savings, as in former times, to tide them over such critical periods.

The crisis, however, not only lowers the standard of living of the unemployed and short-time workers, but also that of all employees and workers. In times of crisis the undertakings are not in a position to pay high salaries and wages. Owing to the excessive supply of labour, as against which there exists during crises only a small demand and but few new posts to be filled, the labour of the individual is cheap.

Another consequence of the present crisis is that many German undertakings are not in a position to pay their shareholders any dividends. It is as much as they can do to find the necessary ready money for current business expenses and alterations. There is nothing left for distribution to the shareholders. This stoppage of dividends naturally depresses the quotation of the shares.

The economic crisis, with its disparity between supply and demand on the capital market, finds expression also in the rate of interest. In 1925 first class industrial credits fluctuated between 9 and 12 per cent. Credits on mortgage security had to pay interest of 15 to 18 per cent. The high rates of interest and their disproportion to the profits of production prevented the majority of industrial undertakings from taking up such credits. These figures show the uncertainty which still prevails in the economic life of Germany. It may be illustrated by one further figure: As the Munich Chamber of Commerce states in its annual report, 80 per cent. of all bills of exchange are at present protested in Germany. Any comment on this figure is superfluous.

Finally, the present economic crisis exercises very regrettable effects upon the movement of the population. The number of births is still considerably less than before the war. In 1913 the births numbered 459,688 in each quarter of the year ; in the period from January 1, 1924, to March 31, 1925—i.e. in five quarters—the births averaged only 321,000 in each quarter. The decrease, therefore, is about 138,000 births per quarter.

With regard to the extent of the existing crisis I may, in addition to the figures relating to bankruptcies and unemployment, cite the following :—

Germany's production to-day amounts to 70 per cent of the pre-war figure. Notwithstanding this great diminution in the volume of production it is impossible to dispose of the goods produced entirely on the home market. This fact indicates the impoverishment of Germany owing to the war and the Versailles Treaty. Before the war the national wealth of Germany amounted to about 400 milliards of gold marks, whereas to-day it is little more than half that amount. So much has the war, the peace and inflation cost the economic life of Germany. The purchasing power of the nation is to-day diminished by the interest on the lost 150 to 200 milliards. And at the same time the German trade balance shows an excess of imports of about 4 milliards of gold marks in 1925.

Nearly all the countries of the Old World became poorer during the war. Other countries, particularly if they possessed raw materials, became industrialised during the war, when foreign goods no longer reached their markets. These two circumstances have led to an international disturbance in the exchange of goods, and this fact intensifies the German crisis. The trade balance is the largest item of the payment balance. The German payment balance—i.e. the difference between all payments of foreign countries to Germany as assets and all payments by Germany to foreign countries as liabilities—has also become unfavourable. Before the war Germany had a favourable payment balance owing to the revenue from German capital abroad, the earnings of the German mercantile marine and the profits of German insurance companies in international trade. In the years 1913–14 the German balance was from about 1 to about 1½ milliard gold marks. To-day, after the loss of all these sources of revenue, the German payment balance is unfavourable to the extent of 2 to 3 milliard gold marks. This amount must be paid by Germany to foreign countries in excess of what she receives from international trade. The payment of her foreign debts is at present only possible by means of material securities—for example by the sale of shares, houses, etc., to foreign countries—unless foreign countries facilitate the liquidation of her obligations by the granting of credits. At present German industry has contracted foreign credits amounting to some 2 milliard gold marks.

At the beginning of 1926 Germany's economic position as a whole is extremely unsound. This cannot be disputed. The possibilities of profit are restricted in almost every branch of trade. The difficulties under which the population labours are widespread and great. It is impossible simply to pass over the pitiable troubles of the German people. We must take care, however, not to regards the economic position of the country too pessimistically. There are certain circumstances which point to a gradual improvement of the situation when the cleansing crisis—the crisis, it is to be hoped, preceding the cure of Germany's economic troubles—has been overcome.

We have seen that the key to the present economic situation is to be found in the need of our industry and agriculture for credit and capital. The reconversion of invested capital into working capital is in full swing. The credit facilities on which the Reichsbank lately decided mean a relief of the German money market. In addition to this the reconstitution of capital is indispensable. Certain beginnings in this direction have already been made. It is true that in general production does not yet earn revenues which can pass into the economic cycle in the form of new capital. The mobilisation of fixed capital by means of real estate credits, e.g. in the form of gold mortgage bonds, is still in a bad way. The formation of capital, has, however, been begun by the increased savings deposits of wage and salary earners. Before the war, for example, there were savings in the Prussian savings banks to the amount of 12.6 milliard gold marks. This money, which was accumulated by many small savers, did not remain in the banks, but flowed through many channels into trade and served to strengthen the working capital. To-day the savings bank deposits amount to only about 1 or 2 milliard gold marks. The consequence is that money is lacking for the stimulation of industry, commerce and agriculture. Nevertheless, the year 1925 showed a resumption of saving to a noteworthy extent.

The technical transformation of works to suit the altered conditions was also advanced considerably in 1925. Within a measurable period German industry will once more be on an equal footing with foreign countries from the standpoint of technical ability, if not from that of capital power. As a result the quality of the goods will rise, and, at the same time, by the extensive adoption of standardisation and "type" production the cost of production, and consequently prices, will fall. Good preliminary work in this respect has also been done in 1925.

The Customs laws of 1925 afford German industry and agriculture during the transition period a certain protection against foreign competition in the German market. The duties are in general not sufficiently high to exclude foreign competition entirely, so that the industries are obliged to continue to try all the possibilities of industrial systematisation and carry out necessary alterations.

Progress in systematisation and the reduction of prices constitute an essential condition for increased exports. In 1925 it was found possible to conclude commercial treaties with a number of countries and thus regain relations with the world's commerce. Commercial agreements were made with England, the United States of America, Italy, Russia, Belgium, Spain, Switzerland and Austria. In this fact also an indication of improvement in the situation can be seen.

Germany's export trade is supported by the operations of the newly established Gold Discount Bank, whose function it is to grant export credits. The work of this Bank will doubtless prove advantageous during the present year.

The year 1925 brought about the careful reorganisation of German industry into rigid, organically connected branches. These amalgamations into combines and trusts are intended to reduce administrative costs and thereby lower the cost of production and marketing charges. Thus the six large chemical undertakings have been amalgamated into one great aniline combine. Similar trusts have been planned for the mining, potash and textile industries. The tendency towards systematisation also finds expression in these combines, so that an indication of approaching improvement is also apparent in this development.

The fact that the action instituted by the Government to lower the price of goods is gradually showing results, may also be regarded as an essential preliminary to the coming rehabilitation of our economic system. The wholesale index number, which at the beginning of 1925 was 138, fell during the year, and particularly in the last months, to 121—that is about 15 per cent. This decline in wholesale prices affected retail prices for the first time in January this year. Whoever has had occasion to observe the clearance sales, price reductions and discounts prevalent at present will have recognised that a more drastic lowering of prices than hitherto is imminent.

I also see a factor pointing to an early improvement in our economic position in the fact that the demand for superior work and superior workers is becoming clamant. Notwithstanding the excessive unemployment, well-trained, competent men, such as skilled technical workers, men with university training, etc., once more find it relatively easy to find posts. For the natural result of the entire systematisation of economic life is that the untrained and less competent members of a staff are got rid of, but are replaced by others, fewer in number but possessing special qualifications.

Taken as a whole, it may be said of the present crisis in Germany that the country's economic system has been attacked by a grave internal malady which is ultimately attributable to the conditions of the Versailles Treaty and the Dawes Report and to the errors of the period of inflation. This malady is approaching its climax. Germany is in the midst of a crisis of the utmost magnitude. As it is apparent that her economic system still possesses sufficient internal vitality to surmount this crisis, it is possible to hope for its rehabilitation. But a long path has yet to be travelled.

There is every reason why the entire economic world should follow the development of the German crisis sympathetically, for in the long run not only Germany but all countries engaged in international trade will be affected by its issue. It will be apparent that the German nation can support the burdens imposed upon it as a result of the Peace Treaty only if the equilibrium of the world's economic system is restored. The restoration of the equilibrium of the world's economic system cannot be brought about, however, at the cost of one nation alone, but only at the cost of all the nations which form part of that system. As Lord Inchcape has justly said: "In the modern world, which is so closely knit together economically, no nation can suffer without bringing misfortune on others, and no nation can become rich on the poverty of another."

THE ECONOMIST'S BOOKSHELF

THE FUTURE OF GOLD.

Die Zukunft des Goldes (The Future of Gold). By Dr. Kurt Herrmann. (Berlin: Speyer & Peters.)

This book deals with one of the most interesting monetary problems, and, in the opinion of Dr. Herrmann, the future of gold is closely connected with the future of the dollar. This is due, first, to the fact that the balance of commerce as well as the balance of United States payments is active not only towards one or several countries, but towards the whole world. There is practically no hope that this balance will be turned into an adverse one. Therefore the world's gold production can take, in the main, no other direction than the one leading to America or to where America orders it to be placed. Secondly, Dr. Herrmann holds, that every movement of general prices in the United States must have a repercussion on the level of prices in European countries because of the large quantities of food, raw materials and half-finished goods most of them are obliged to import from America. Thus, the dollar prices determine to a great extent the cost of production and the level of prices in Europe, i.e. the purchasing power of European monetary units. Gold inflation and its depreciation seem to Dr. Herrmann unavoidable under present conditions, nor are they to be checked or prevented by the policy of the Federal Reserve Board. In a most interesting analysis of the United States banking statistics, he shows that the net demand for credit under the Federal Reserve system (loans and discounts less deposits) was moving in connection with the gold in-and-out flow. At certain moments when gold was flowing into the country, the Federal Reserve system became even indebted to the country's economy, instead of the country being indebted to the banks. Part of the gold influx was being utilised for replacing the credit inflation of war-time with gold inflation, and if the "bullish" development in the United States continues, the increasing gold basis will be utilised for extending credit until the extreme limit, given by the legal ratio of cover, is reached; although here it is not quite clear why, if the ratio of cover is below 100 per cent., credit extension cannot be limited by appropriate measures.

There is no remedy to be discovered in loans to Europe since they will only increase the already enormous indebtedness to the United States. Moreover, there is very little possibility of their repayment by means of an excess of European exports to the United States over imports. Thus, the only possible effect of such loans would be new shipments of gold to America or a fresh burden of indebtedness to her. The only way out of this situation would appear to be through an eventual change in America's balance with *non-European* countries, this balance becoming adverse for the United States (e.g. by increased imports of raw materials), and the balance of Europe with such countries becoming simultaneously active. Only under this triangular system of payments can Europe again become a receptacle for gold or divert its stream from an American direction.

This excellent book is founded on a very careful study both of facts and of theory, and is in every way commendable as a contribution to the study of monetary problems. —— M.G.

A LEGAL SYMPOSIUM.

Cambridge Legal Essays. (Cambridge: W. Heffer & Sons, Ltd. Price, 12s. 6d. net.)

This excellent volume is a collection of sixteen essays on various aspects of law and legal history, and is written in honour of three well-known and much-appreciated teachers of law in Cambridge, Dr. Henry Bond, the Master of Trinity Hall, W. W. Buckland, Regius Professor of Civil Law, and Courtney Stanhope Kenny, Emeritus Professor of Law at Cambridge and author of "Outlines of Criminal Law." The tribute paid to these scholars is a noble one, and comes from a group composed of their past and present colleagues and pupils at Cambridge. Nearly every branch of law is represented here. Mr. G. G. Alexander writes on "Recent Developments in Conveyancing Law" in the light of the legislation which came into operation this year, which must be considered as beginning with Lord Birkenhead's Act, however much that Act has been subject to subsequent amendment and repeal. An excellent paper is contributed by Mr. Arthur Goodhart entitled "Liability for the Consequences of a Negligent Act." Legal history is represented by Prof. Jenks, who contributes an excellent article—"According to the Evidence"—tackling a difficult question in the development of trial by jury, and another by Prof. H. D. Hazeltine, who deals with "The Renaissance and the Laws of Europe." Dr. C. T. Carr advocates an overdue reform in an article on "The Citation of Statutes," well appreciating a source of plentiful trouble to lawyers when pleading was a more technical matter than it is to-day. Incidentally he reminds us that Lord Mansfield once non-suited a plaintiff for describing as "4 Ph. & Mar." an Act which, on reference to the Parliament Roll, appeared to be "4 & 5 Ph. & Mar." Two well-known American law teachers will be found among the collaborators in this volume, Dean Roscoe Pound and Prof. J. H. Beale of Harvard. The former writes on "Certain Maxims of Equity" and the latter on the "International Jurisdiction of Courts." Among others, all of them eminently readable and suggestive papers, we would cite Mr. H. F. Jolowicz on the "Assessment of Penalties in Primitive Law" and Mr. E. C. S. Wade on "Misrepresentation in Equity." Enough has been pointed out to give some indication of the wide sweep in legal studies made by the scholars who have contributed to this symposium, and it would be perfectly safe and correct to say that there are few persons interested in law who will fail to find several papers in the collection much to their liking. The editors, Dr. Percy H. Winfield and Dr. Arnold McNair, have been fortunate in both the team selected and the work subsequently performed.

PUBLICATIONS RECEIVED.

Bulletin of the Pan American Union. March 1926. (Washngton, U.S.A. Price, $2.50 per annum, plus 75 cents.)

International Labour Review: March 1926.—International Labour Office. (Geneva.—London; George Allen and Unwin, Ltd. Price, 2s. 6d.; annual subscription, 24s. post free.)

Life and Letters of Thomas Jefferson. By Francis W. Hirst. London: Macmillan and Co., Limited. Price, 25s. net.)

Money and the Money Market in India. By P. A. Wadia, Professor of Politics and Economics, and G. N. Joshi, Professor of Economics and History, Wilson College, Bombay. (London: Macmillan and Co., Limited. Price, 21s. net.)

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Prospettive Economiche. Sixth year, 1926. Part II. By Giorgio Mortara. (Città di Castello: Soc. An. Tipografica Leonardo da Vinci.)

Revue Economique Internationale. February 1926. (Brussels: 123, Rue de la Victoire. Price, Fr.18 French; annual subscription, 50s.)

Survey of International Affairs 1924. By Arnold J. Toynbee, Director of Studies in the British Institute of International Affairs. With a Preface by the Rt. Hon. H. A. L. Fisher. (London: Humphrey Milford, Oxford University Press. Price, 25s. net.)

The Amalgamation Movement in English Banking, 1825–1924. By Joseph Sykes, B.A. (Leeds), M.Com. (Manchester), Assistant Lecturer in Economics, University College, Exeter. (London: P. S. King & Son, Ltd. Price, 10s. 6d. net.)

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The History of the South Wales Miners. By Ness Edwards. (London: The Labour Publishing Company Limited. Price, 2s. 6d.)

The Secret of High Wages. By Bertram Austin, M.B.E., M.A., and W. Francis Lloyd, M.A., A.M.I.E.E. With Foreword by Walter T. Layton, M.A. (London: T. Fisher Unwin, Ltd. Price, 3s. 6d. net.)

Wage Changes in Various Countries, 1914 *to* 1925. Studies and Reports, Series D (Wages and Hours), No. 16.—International Labour Office. (Geneva.—London: P. S. King & Son, Ltd. Price, 2s. 6d.)

LECTURES ON COMMERCIAL DEVELOPMENTS IN THE NEAR EAST.

On Monday next, March 22, at 3.30 p.m., a lecture on Commercial Developments in Turkey will be given at the City of London College, White Street, Moorfields, E.C., by Nadji Bey, Commercial Attaché for Turkey, when it is hoped that the Turkish Ambassador will be in the Chair. The lecture, which will be illustrated by lantern slides, will be open to the public.

COMPANY MEETINGS.

LONDON AND THAMES HAVEN OIL WHARVES LTD.

The twenty-eighth ordinary general meeting of the London and Thames Haven Oil Wharves, Ltd., was held on March 16 at Winchester House, E.C., Lord Kylsant, G.C.M.G., the chairman, presiding.

The Chairman said: Gentlemen, this is the twenty-eighth annual meeting of the company and the twenty-sixth over which I have had the pleasure to preside as your chairman. The position attained by this company, both commercially and financially, is a wonderful testimony to those who have devoted their time and ability to the practical management of this great business, and also to the sound and conservative financial policy which your board have always pursued. The accounts indicate a position of increased stability and steadily expanding business. The profits for the year 1925 from trading and investments, including the sum brought forward from 1924, amounted to £149,455, or over £25,000 more than for the previous year. An interim dividend on the ordinary shares at the rate of 5 per cent. per annum, free of income tax, has already been paid, and we now recommend a final dividend at the same rate, making a total dividend of 10 per cent., free of tax, and a bonus of 5 per cent., free of tax, to be paid at the end of June next.

Our business in England again shows satisfactory expansion. The continued appreciation of our work by the whole of the petroleum trade bears ample testimony to the soundness of this policy. This company does not deal in petroleum or in any of the products it handles. Our sole business is to provide oil storage and refineries and other facilities, which are at the disposal of the whole of the trade, for the purpose of any operation in connection with petroleum which any responsible firm desires to carry on. Our storage installations now amount to about 800,000 tons tankage, and are increasing constantly. Where such large quantities of petroleum are handled the company's revenue is not unduly affected either by good or bad trade, as, when through bad trade the oil remains in store longer than usual, the increased amount of rental-paying products tends to compensate for the diminished turnover. The charges the company makes to its clients remain as reasonable as hitherto, and, whenever possible, advantages are given to customers. In these circumstances I think we are justified in continuing to look forward to the future of the company with confidence, assured that its development will follow a normal course of progress and expansion.

For some time past the board has devoted particular attention to the development of petroleum storage in France. We became aware that a certain independent group—that is, independent of any oil interest—was proposing to erect petroleum storage in the Port of Le Havre. After going into the matter very carefully and ascertaining that your company's advice and financial help would be welcomed, we decided to entertain the proposal and to take an interest in the French concern. Every detail has been studied by the company's experts, and there is now in existence in Le Havre an installation of 100,000 tons of oil storage which is in every respect a model plant, representing the very latest improvements and most up-to-date methods both in storage and handling. This company, owing to its practical experience, and thanks to the broad spirit of co-operation evinced by its French friends, has been able not only to plan the building of this installation but also to influence the policy by which it will be governed in operation.

The Le Havre storage depot will be run entirely on the well-known and established lines of this company's English installation, although naturally in matters of detail there may be some minor variations in consequence

(*Continued at foot of previous column*).

of the difference between French and English laws and regulations. The board have no doubt whatever that this policy, securing as it does the advancement of its own interest by acting first and last for the good of the State and the prosperity of the trade it serves, will be instrumental in building up in France a business which will eventually become as important and as much respected as is our own in this country, and in which you, as shareholders in this company, will be largely interested. I hoped to have been able to inform you to-day that the first ship consigned with oil for the Le Havre installation had already discharged its cargo there, but, with that caution which has been so advantageous to this company's interests in the past, prospective clients have been held back for a few more days, and it is now expected that the first cargo will be discharged into the new storage by the end of this month. the first ship being due at Le Havre on March 24. In dealing with the French Company controlling the Le Havre installation, the trade may rest assured that they will be as safe as when dealing with the Thames Haven Company, and we have complete confidence that those at the head of the French Company will prove worthy partners of the great traditions we have established in this country.

The Chairman concluded by moving the adoption of the report and accounts.

Mr. Alfred C. Adams seconded the resolution, which was carried unanimously.

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date	10 Commodities	Bd. of Tde Monthly Average	Date	10 Commodities	Bd. of Tde Monthly Average	Date	10 Commodities	Bd. of Tde Monthly Average	Date	10 Commodities	Bd. of Tde Monthly Average
1920.											
Jan. 16	367.9	296.6	1923								
May 14	391.2	325.5	Jan. 12	162.8	157.0	Apr. 18	177.5	164.7	July 17	160.3	157.5
July 16	418.8	316.9	Feb. 16	177.2	157.5	May 16	171.2	163.7	Aug. 14	158.6	157.0
Dec. 17	257.0	263.8	Mar. 16	192.4	160.3	June 20	167.8	162.6	Sept. 18	158.3	156.0
1921			Apr. 20	198.5	162.0	July 18	167.1	162.6	Oct. 16	154.1	154.8
Jan. 14	244.2	245.9	May 18	198.1	159.8	Aug. 15	175.3	165.2	Nov. 13	153.2	153.7
Apr. 15	202.8	204.8	June 15	190.0	159.3	Sept. 19	167.9	166.9	Dec. 18	153.0	153.2
July 15	194.4	194.1	July 20	177.3	156.5	Oct. 17	172.5	170.2	1926		
Oct. 14	170.2	180.7	Aug. 17	174.6	154.5	Nov. 14	173.3	169.8	Jan. 15	151.6	151.3
Dec. 16	153.2	167.9	Sept. 14	173.2	157.8	Dec. 12	171.7	170.1	Feb. 12	148.4	148.8
Dec. 30	150.0		Oct. 19	166.0	158.1	1925			„ 19	147.9	
1922			Nov. 16	171.7	160.8	Jan. 16	174.8	171.0	„ 26	148.0	
Jan. 20	144.0	164.0	Dec. 14	177.0	163.4	Feb. 13	175.2	168.9	Mar. 5	146.4	
May 19	162.1	160.6	1924			Mar. 13	172.8	166.3			
July 14	165.1	160.3	Jan. 18	178.6	165.4	Apl. 17	161.9	162.5			
Sept. 15	161.2	154.3	Feb. 15	187.9	167.0	May 15	158.7	159.0			
Dec. 15	161.2	155.8	Mar. 14	182.1	165.4	June 19	160.6	157.6			

CHART ILLUSTRATING TABLE I.

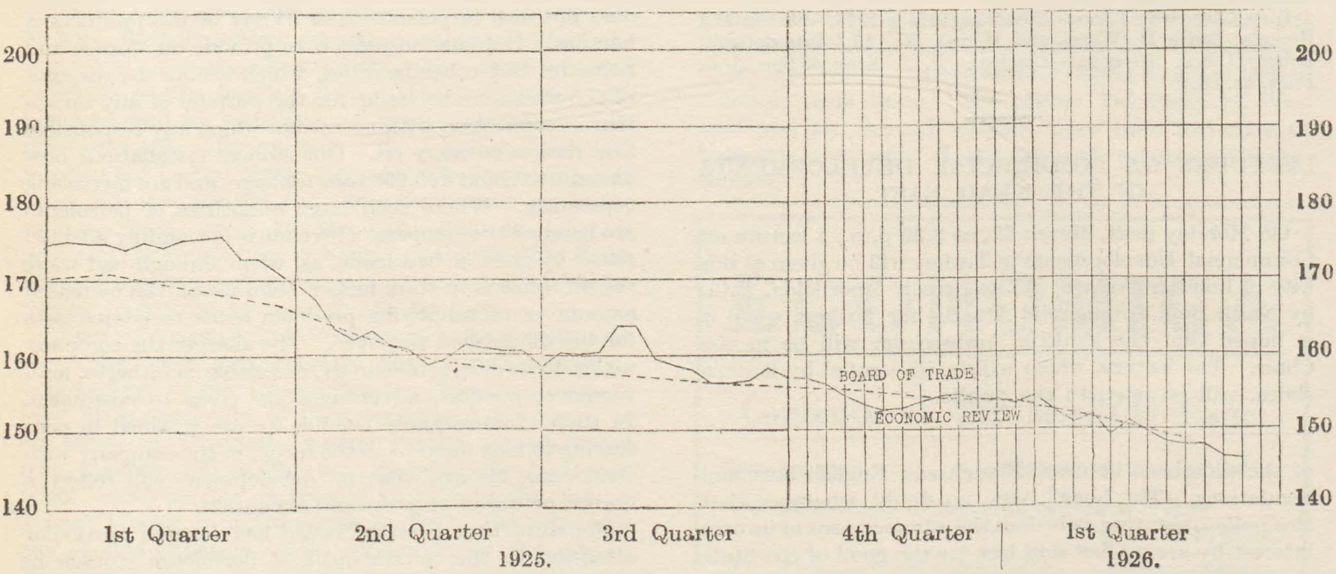


TABLE II.

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
Feb. 5 ...	72.2	165.2	63.2	114.0	92.2	102.2	100.0	114.6	94.1	78.8	99.65	... Feb. 5
Mar. 5 ...	72.2	170.0	59.7	110.5	86.9	102.2	94.2	112.3	94.1	74.1	97.62	... Mar. 5
„ 12 ...	72.2	171.6	59.7	107.0	87.4	102.2	94.2	110.7	94.9	74.1	97.40	... „ 12

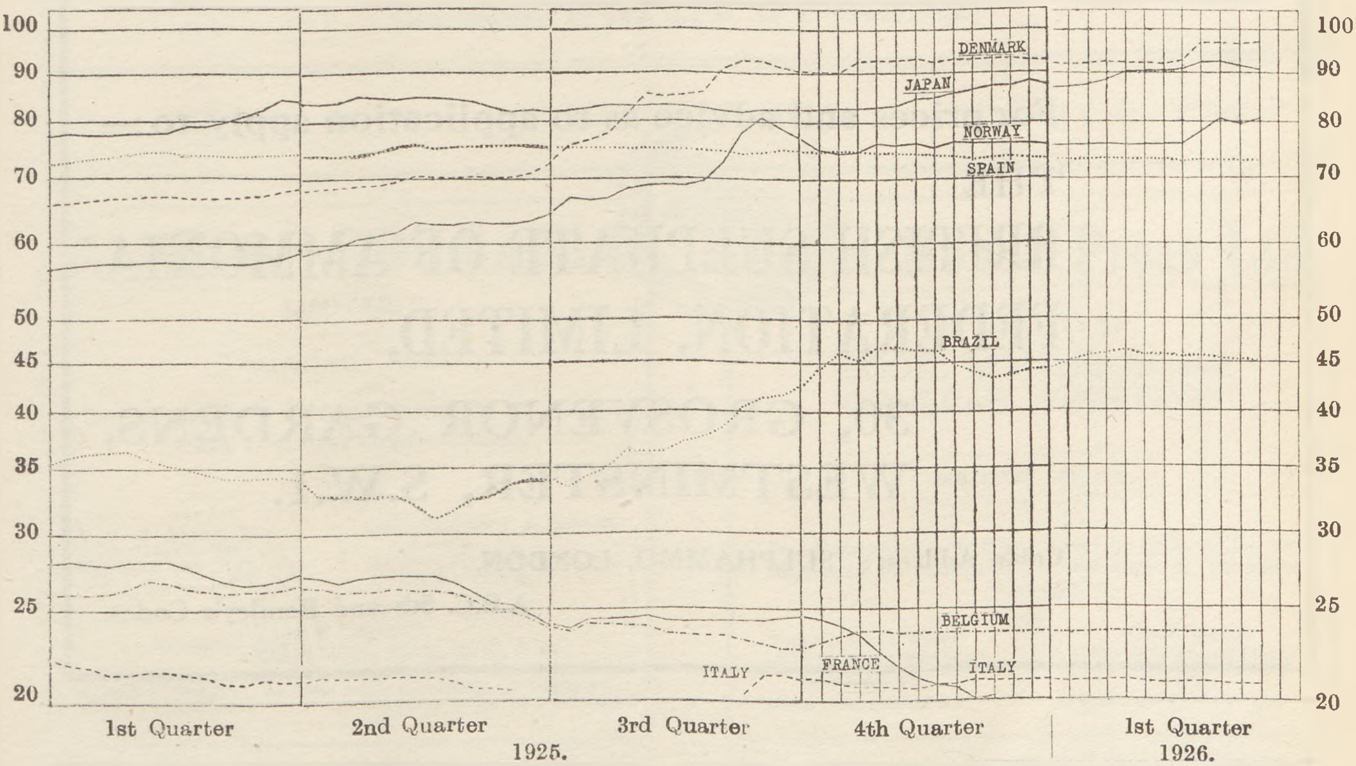
* Revised Quotation.

THE PAPER CURRENCIES.

(Percentage of Dollar Parity to Week ending March 13, 1926.)

Week Ending	Denmark.	Japan.	Norway.	Spain.	Brazil.	Belgium.	Italy.	France.
Mar. 13 ...	97.3	91.0	80.7	73.1	45.2	23.5	20.8	18.8
,, 6 ...	96.8	91.6	79.6	73.1	45.3	23.5	20.8	19.1

LOGARITHMIC SCALE



SECURITY PRICES.

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

In New York.			In London.		In New York.			In London.	
Week ending	Industrials.	Bonds.*	Industrials.	Gilt edged.	Week ending.	Industrials.	Bonds.*	Industrials.	Gilt edged.
1920, Jan. 1	128.5	94.1	172.4	99.7	**1925,** Jan. 3	150.7	101.6	133.8	117.5
1921, Jan. 1	89.9	89.0	116.3	88.6	,, 17	151.8	101.9	**137.8**	117.5
Aug. 20	*80.3*	90.4	105.4	93.3	June 6	158.2	**105.3**	128.0	115.3
Oct. 29	91.1	92.0	*91.1*	94.4	,, 27	160.0	104.7	123.7	*113.0*
1922, Jan. 1	100.0	100.0	100.0	100.0	July 18	165.9	103.2	*120.4*	115.5
May 13	114.6	102.4	114.9	**117.9**	Aug. 1	165.8	*101.5*	122.2	115.7
Sept. 16	123.8	**107.6**	115.2	112.5	,, 22	176.2	102.5	126.3	**117.3**
Oct. 7	123.9	106.1	113.3	*111.7*	Nov. 7	195.4	102.7	134.1	114.7
1923, Jan. 1	121.7	102.5	119.5	113.3	Dec. 19	188.9	103.3	130.6	112.8
Mar. 17	**129.2**	98.5	129.2	117.0	**1926,** Jan. 2	195.5	103.6	133.3	113.0
,, 24	127.3	*97.8*	129.0	118.1	,, 9	196.1	103.6	135.1	113.1
Apr. 28	124.1	99.3	**137.9**	122.8	Feb. 6	197.3	104.7	131.7	114.7
June 9	119.7	100.8	130.6	**123.5**	,, 13	**199.9**	104.9	132.0	114.8
Oct. 27	*105.7*	99.7	126.5	119.7	,, 20	198.4	105.9	129.8	114.6
1924, Jan. 1	117.4	98.4	121.3	114.5	,, 27	190.4	105.6	129.1	114.3
,, 19	119.1	100.1	119.1	*112.2*	Mar. 6	184.8	104.7	129.1	114.0
June 21	115.3	103.3	*118.2*	118.0	,, 13	185.1	105.1	127.1	113.7
Nov. 8	130.1	103.7	133.7	**120.4**					

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

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