MOVEMENTS OF CAPITAL.

THE

ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS

AND

A JOURNAL OF POLITICAL ECONOMY

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COMMENTS

Owing to the General Strike it has been impossible for us to print and publish the last two numbers of The Economic Review. In this, and in subsequent numbers, we shall endeavour to give our readers extracts from the Foreign Press, selected during the past fortnight, which contain any bearing of importance upon the economic life of the various countries we normally survey in our pages. The nature of the services performed by this journal forbade us the use, during the crisis, of the multigraph or improvised broadsheet, but we would, however, like to take this opportunity of placing on record our admiration of those among our contemporaries in weekly journalism who, by such methods, bravely kept their heads above water and their messages intact, in spite of unwarranted attempts at suppression. Throughout the whole episode the most universally felt annoyance was the inability to obtain reliable news. The people of this country have no desire for any of the means whereby the independence of the Press may be curbed, and least of all will they appreciate dope or doctored information; it will remain for long notorious that much of what the public could obtain during the crisis was little short of an insult to its intelligence and revolting to its understanding of the vital issues at stake. In spite of all obstacles confronting them, *The Times* and *The New Statesman* succeeded brilliantly in overcoming them, and, in so doing, redeemed worthily an otherwise dismal chapter in the history of British journalism.

It is too early yet to judge of the effects of the Strike upon the foreign trade of this country. The evil done at home is formidable enough, and its reactions are bound to be felt elsewhere. Mr. Winston Churchill stated in the House of Commons that the cost of the Strike to the Exchequer would be £750,000, perhaps less. The same afternoon, Mr. Betterton, in reply to a question, is reported to have said that it had not yet been possible to collect the material for making even an approximate estimate of the amount lost in wages in Great Britain during the General Strike, but it was clear that the amount would run into many millions. The use of the term "wages" in making such a statement tends to place too strong an emphasis upon the burden of loss shouldered by one section of the community alone. The loss is one which, correctly appraised, must depress industry and industrial life as a whole, and which, when so analysed, will reveal the real economic significance of the disastrous episode. The economic consequences of a period of paralysis such as this has been are not to be measured by the cost borne by the Exchequer. Taking all things into consideration, the taxpayer will be asked to defray the expenses of a dangerously inexpensive experiment. The real lesson he has to learn from the unhappy event will be derived from a study of the material Mr. Betterton is endeavouring to collect and collate; to it, and to all that may be implied from it, should our attention be turned with speed.

The rise of the £ to its gold parity (and even slightly above it) has been enthusiastically greeted by the Press and by the public. It is unfortunate that little or no mention has been made of the heavy price this country has had to pay for this. The sacrifices have been great indeed, but as a result of them the credit and good name of Great Britain are the outstanding feature in an otherwise muddled and unstable world. Many difficulties will have to be overcome before trade and industrial prosperity has been completely recovered. But it is comforting to know that, with the Strike settled and the £ sterling at par, the prestige of this country is unrivalled by any other nation.

The Strike had only a comparatively small direct influence on the Foreign Exchanges, violent as some of their movements were. The £ sterling (as against the \$) after a slight natural depreciation to 4.85¼, recovered strongly towards the end, and reached its highest point since the early days of the War at 4.86¾, thus showing the world's confidence in the stability of this country. The other exchanges, apart from Paris, Brussels and Milan, moved quietly with the Dollar. Rio de Janeiro firmed up on the improved financial position of Brazil. The sensation in this market was provided by the three Latin currencies. Paris and Brussels depreciated rapidly at the beginning of the Strike, on the fear, it was said, that British Banks would sell their already depleted holdings in these currencies. However that may be, all the troubles of Europe at the time—the revolution in Poland, the Government crises in Germany and Belgium, the strike in England, etc.—seemed to concentrate their effect on Paris, which itself remained politically the calmest spot. After falling to 156½ and 168 respectively, both Paris and Brussels recovered slightly, but after the official announcement of the end of the Strike the decline became intensified, and at the time of going to press in both cases "record" quotations have been reached with Paris 171 and Brussels 173. The real reason of course for this slump is the world-wide lack of confidence in these currencies, coupled with very big selling on the part of Italy: it appears that in the latter country a big reserve fund had been accumulated at the time when Francs were considered stable currency, and these were now sold, partly because that belief had proved erroneous and partly in order to support the Lira. The feature on Thursday was the long expected break in the Italian

Lira, which reached enormous proportions by Saturday (148). Then Government support came forward and brought the rate rapidly back to 131. Various reasons are given for the sudden drop, as, for instance, that the reserve fund for protection had come to an end, and also that influential circles, for purposes of trade, meant to bring the Lira nearer the Franc. The most plausible cause is that it is too expensive and therefor practically impossible to keep up an exchange by artie ficial means.

A PROMINENT German banker writes to the editor of THE ECONOMIC REVIEW in the following strain: "The Bourse situation has lately grown considerably weaker, the set-back starting mainly in the shipping share market in which the fantastic expectations of the speculators that the companies' American property would be returned to them have not come true. To this must be added the very intricate political situation, the parties of the right and of the left being more or less equally strong in Germany, so that it is very difficult (if not altogether impossible) to get an independent Government with a clear majority. Hence it is impossible to foresee how the present crisis will be solved. My personal opinion is that the price level on the Stock Exchange is perhaps too high, since we see very little of the hoped for improvement in our economic conditions. But perhaps our 'big guns' are much cleverer than myself and are justified in maintaining that Germany is recovering, slowly and no doubt with many interruptions and set-backs, but none the less recovering."

WE do not believe that the General Strike was either engineered or financed by the Soviet Government; but the Bolsheviks greatly rejoiced at this country's crisis and did all they could to aggravate it. They obviously did not care a straw about the position of the British working man: what was of importance and interest to them was the prospect of a general upheaval, the hope that there would be real trouble and bloodshed. *The Times* of May 18 gives the following illuminating summary of the headlines of some Soviet papers during the Strike week:—

"Four and a Half Million Workers on Strike." "Complete Railway Stoppage." "Panic on the Exchange. Great Drop in the Rate of Sterling." "Class against Class." "The Government of the Coal Magnates is Mobilising its Forces and Organising Blacklegs for Fighting the Proletariat." "Britain Cut off from the Continent." "Panic-stricken Bourgeoisie Fleeing to France." "Muzzling the Capitalist Press." "Futile Attempts to Issue Bourgeois Papers." "Unrest Among Troops. Welsh Guards confined to Barracks for Breach of Discipline. Government Statement on Riot at Aldershot." "Powerless Hatred. Comrade Saklatvala Sentenced to Imprisonment." "Communists Active. Councils (Soviets) of Action Formed Everywhere." "Soviets on the Watch. Electric Power Cut Off from one of London's Hospitals Frequented by the Bourgeoisie. The Local Soviet learnt that most of the Medical Staff had enrolled in the O.M.S." "Baldwin Preparing a Bloody Bath for the Proletariat. Troops in London Docks. Blood of Workers shed in Hull." "Sacrilege in Westminster Abbey. Parliament in Darkness." "Trade Union Council Organises Transport, Information, Food, Instructions and Finance Sections. Millions of Copies of the British Worker." "Chaos in London Streets. Bourgeoisie Panic-stricken by Cancellation of Race Meetings and the Appearance of *The Times* as a small Typewritten Sheet of Paper." "Only one Steamer may perhaps be able to leave England." "Railway Transport at a Standstill. Owing to Inexperience of the Blackleg Drivers, Railway Accidents are becoming more frequent." (This is given as a T.U.C. official statement). "Meagre Response to Appeal for Special Constables. Government Mobilising Police Reserves."

The *Izvestia* reports that the Communist Party was extremely active during the strike. "Soviets of Action" were alleged to have been formed everywhere, "even in so 'aristocratic' a seaside place as Brighton," Communists occupying prominent places in such councils. Detachments of the "Labour Defence" were organised in many London districts and Communist leaflets issued, the total daily distribution of these attaining 100,000 copies. The police, says the *Izvestia*, was conducting "an active campaign" for the suppression of "seditious literature," while the "powerless hatred of the bourgeoisie found vent in numerous arrests among the Communists."

This hardly requires comment!

ZINOVIEFF has contributed an article to the *Izvestia* of May 13 which, dull though it is, ought to be reprinted and sent to every friend and admirer of the Soviets in this country. Messrs. Thomas, Macdonald, Snowden and others are referred to in it as "mercenary scoundrels who have again betrayed the English workers," and this is only one of the milder passages in the article! The Soviet Press indignantly proclaims that the British worker has the right to strike, and protests against the accusations of illegality. What we want to know is when the Russian worker will be given the right to strike, the right to have *real* trade unions, and when the Soviet authorities will stop plundering the Russian workers in order to "support" their far better remunerated English fellow-workmen.

FROM a reliable source we learn that the recent slump in the New York stock market has shaken nobody's nerves. Stocks had been obviously too high, they are now, perhaps, too low; but a rapid recovery is not anticipated. Prudence on the part of the public is likely to last for several weeks. At the end of two tremendous slumps it is rather significant to notice first, that there has not been a single failure, or rumour of failure, on Wall Street, and secondly, that it is estimated that less than 6 per cent. of the aggregate value of all stocks dealt in, is being financed at the moment on borrowed money. Neither of these points seems to suggest a weak position, but rather one which might become quickly responsive. In a period of general prosperity it is of interest to note that the American textile industry is not regarded as prosperous. The reasons produced to account for this are first, that during the war more machinery was installed than is now required to the extent of about 20 per cent., secondly, that the rapid changes in female fashions are very disturbing to the principle of mass-production, and thirdly, a combination of causes which conspire to reduce the textile requirements of the country. The United States is producing principally for her own consumption. Competition from abroad is prohibited by tariffs. In the industries to which mass-production is most suitable, motors, tyres, agricultural machinery, typewriters, etc., the American manufacturer can export profitably even in the face of high tariffs; if tariffs are made prohibitive he can, and does, resort to the establishment of factories inside the tariff walls. The field of such exports will probably soon be extended to include boots and clothing.

IN the United States the relations between capital and labour are, in most industries, very excellent. This is attributed partly to the fact that the labourer is also capitalist, and partly because his acquisitive instincts are encouraged, but chiefly peaceable conditions are traced back to the employer who has realised that it is his duty as a member, presumably, of the most intelligent part of the community, to use his brains so as always to be ahead of the worker in ideas which, worked out, are for the benefit of the worker. If the employer is constantly anticipating the demands of Trade Unions for the advantage of "labour" he is destroying the *raison d'etre* of trade unionism. It is remarkable that the trade union membership in the United States is rapidly decreasing. At the same time a way to industrial peace seems indicated.

SPECIAL ARTICLES

MOVEMENTS OF CAPITAL.

By PROFESSOR GUSTAV CASSEL.

The subjoined article is reproduced from the latest Quarterly Report issued by the Statistical Department of the well-known and oldest joint stock banking company in Sweden, *Skandinaviska Kreditaktiebolaget*, to the pages of which the eminent writer and political economist is a regular contributor.

"Many people who have been heavily engaged on the Stock Exchange or in speculations in real estate are now transferring their money to securities with a fixed rate of interest. The high prices obtained have led to sales on a large scale, so that profits have been netted and considerable amounts of cash money have been set free. This money is now being invested in bonds, and an increasing demand for those securities is accordingly being manifested."

I take this quotation at random from a financial paper. It is unnecessary to name the journal, as such statements can be read in almost any financial paper and express a line of thought which is always recurring in one form or another in financial circles. At one time we are told that capital is being withdrawn from bonds and debentures, which afford no chance of profit and do not yield a satisfactory rate of interest, and is being invested instead in shares. At another time it is just the reverse. Or else we hear that capital has been absorbed by widespread speculation in building sites, which has entailed a shortage of capital for other purposes. In fact the observations of the Financial Press on economic topics are based to such an extent on such notions that one almost hesitates to hazard the statement that all these ideas are fundamentally wrong. This is nevertheless the fact. The premises being wrong, it is almost inevitable that a number of deductions made from those premises should be likewise wrong. And seeing that these deductions doubtless in some measure serve, as they are intended, as guides for conduct, it is obviously of no small practical importance to show where the flaw in the reasoning lies and to lay bare the real facts in regard to the movement of capital.

The importance of this will perhaps be still more clearly realised if we consider some of the popular conclusions drawn from these premises. For example, it is a by no means uncommon assertion that large amounts of capital are being accumulated for lack of outlet, or are being hoarded in order to meet anticipated requirements when the time comes. When such statements can be made by people who are engaged in practical affairs, it is scarcely astonishing that outsiders should form peculiar opinions regarding the uses of capital. Those who find difficulty in procuring any capital for their special objects are fond of declaring that the capitalists will not invest capital where it is required, but prefer to let it lie idle, or to invest it in speculations where it does not serve any productive purpose. From such notions people, as we know, are apt to draw very far-reaching conclusions. The most extreme, of course, demand that capital shall be confiscated in order to be devoted to projects of social welfare. But even where people do not go to such lengths, they nevertheless follow quite the same line of thought. As an illustration of this fallacy the National City Bank of New York in their report for December 1925 quote the following characteristic statement, to which large Church organisations have given wide publicity: "Our industries to-day are suffering from too much capital rather than too little. This proposition is absolutely irrefutable. Consequently, the money which lower income taxes would divert to industry will do more good to the public if it continues to be expended in some form of public work or in the payment of salaries to government employees.'

When people propose that capital should be taxed more heavily in order to provide means for the organisation of relief works for the alleviation of unemployment, they are following the same process of thought. Generally speaking, a large number of the fallacies with which we have to contend in the political and economic spheres are based on false premises in regard to the uses of capital and the movements of capital.

In order to make this matter clear, let us confine our attention to the domestic movements of capital, in other words, let us imagine a self-contained economic system, and revert to our first example. Capital is being withdrawn from shares and invested in bonds. What happens? A capitalist sells his shares and uses the money for the purchase of bonds. From his personal point of view he has supplied capital to the market for bonds. But this is a private economy aspect of the matter which cannot possibly be extended to the economy of a social community. For if our capitalist buys bonds, there must be someone else who sells bonds and whose money is thus set free to be used for some other purpose. Then as much capital has been withdrawn from the market for bonds as has been supplied to it. It is this simple fact, that *for every buyer there must also be a seller*, that people are so apt to overlook.

The man who sold his bonds would, of course, have to look out for some new investment. On the other hand, the share-holder, when he sold his shares, would have to find someone to buy them. Let us suppose that the seller of the bonds is identical with the buyer of the shares. In that case the entire transaction merely means that a share-holder and a bond-holder have exchanged their investments, which obviously does not in any way affect the general supply of capital. As a rule, however, the transaction is not so simple. The seller of the bonds may look out for quite a different investment; but then again money is set free for use in some other way. And so on continuously. But sooner or later the circuit must be closed and money be available for the purchase of the sold shares. It is this circuit that prevents people from seeing what really happens when capital is transferred. One would have a much truer idea of the facts if one could conceive the transfer of capital as a direct exchange of investments.

People obstinately cling to the idea that rising prices in the share market consume capital. During a period of keen speculation in shares the popular notion is that capital is streaming into the Stock Exchange. The shares are rising in value, and the aggregate value of the shares on the Stock Exchange is therefore also rising. The Stock Exchange has thus come into possession of increased capital. The public then suppose that capital has been drawn from productive uses into the Stock Exchange, where it merely serves the unproductive purpose of forcing up the prices of shares. But this notion is entirely wrong. If we imagine that the rise in the prices of shares has taken place without any shares having changed hands, this would merely mean that the share-holders set a higher value on their shares. In that case it could not be contended that the Stock Exchange had consumed outside capital. But if it is a time of general speculation and shares are rapidly changing hands, capital certainly flows into the Stock Exchange from outside, but the Stock Exchange at the same time gives out an equivalent amount of capital, which is released when the share-holders sell their shares. Thus the Stock Exchange as a whole has not demanded capital from outside. Speculation in fact does not require any capital in the sense of encroaching on the supply of capital elsewhere, and therefore it does not deprive productive work of any capital which would otherwise have been at its disposal.

These facts will perhaps not be fully realised until it is made clear for what purposes capital is actually consumed, and in what way this occurs. Let us, for simplicity's sake, imagine a case where individual savers invest their savings in a building enterprise. According as the building proceeds these savings are drawn upon for the payment of wages and the purchase of material. When the building is finished the savings have been entirely consumed. But instead the savers are now owners of a house. Capital has flown into this enterprise and has been tied up in it. That no capital has at the same time flown out from the enterprise is due to the fact that the money supplied has been consumed by builder's workers and purveyors and thus no longer constitutes capital. From this simple example we can see what is the fundamental thing in the investment of capital. According as savings are made they are used for taking over newly produced "real" capital. They cannot afterwards be released except according as the "real" capital itself is consumed by amortisation. True that the individual capitalist can sell his property and invest his money in other "real" capital. But in that case someone else must take over his original investment, and in reality all that has happened is an exchange of investments.

It will be seen from the above that new capital is supplied to the market only by saving, and that this capital is immediately tied up in buildings, plants, stocks of merchandise, etc.—briefly, in "real" capital. From this it follows also that any capital which at any given moment exists within a social community is fully occupied, and that a real transfer of capital from one function to another cannot take place at all except in so far as "real" capital is amortised out of the profits which it yields. What is commonly designated as a transfer of capital is merely an exchange of private ownership of certain investments. It is thus obvious that it is not possible by any action on the part of the State to give existing capital any other use than it actually has. Any intervention in that direction will merely mean that the State for some purpose or other takes possession of some part of the new savings which are continuously being made, with the consequence that a smaller amount of new savings will be available for other purposes. If, for example, Parliament votes a grant of money to provide loans for the encouragement of house-building, this grant must be taken from the available savings, and the result must be to reduce the amount of savings which are available for agriculture, industry, private building enterprises or other branches of production. A money grant does not create any new capital, and therefore there must always somewhere be a deficit corresponding to the sum voted. It may happen that this deficit in some measure makes itself felt in private building activity, and to that extent the grant has not even served to relieve the shortage of housing accommodation. It should also then be obvious that it is not possible by any money grants to create new capital for the relief of unemployment. For the grant entails the withdrawal of an equivalent amount of new capital from other uses and thereby gives rise to new unemployment, which possibly may be less, but may also be on a larger scale than that which has been relieved.

Seeing that the new savings are immediately transferred to newly produced "real" capital, and as this applies also to the savings released by amortisation, it is obvious that there can never be any free capital. The notion that "capital is accumulated in large reserves pending an opportunity for investment" must thus be wrong. All capital that exists within a social community is continuously in use. Capital cannot exist in the abstract without any real substratum. Individuals, it is true, can accumulate capital in the banks and keep it in readiness for some coming large investment. But in the meantime the banks must in some way invest the money thus accumulated. The banks naturally prefer short investments, for example, in commodities which have a rapid sale. When the goods pass into the hands of consumers, the capital is released and is thus available for fresh investment. Only in that sense can capital be kept floating. It sometimes seems astonishing that such large sums can be put up at once, for example when a State raises a bond loan of, let us say, 100 million kronor. The explanation is, first, that the State has consumed part of the money beforehand and thus has short-term debts which can be repaid with the proceeds of the new loan, where it is only a matter of the exchange of investments; secondly, that the new loan is paid in stages, and is only gradually drawn upon for State expenditure. So long as the money remains in the banks, the banks can use it to advance money to the subscribers of bonds for their coming payment. The subscriptions can therefore be made to a large extent without necessitating the immediate production of new savings.

To recapitulate, new savings, as well as savings which have been released on amortisation, are immediately used for taking over new "real" capital and are thus tied up in that capital as long as it exists. All capital is therefore continuously in use. A transfer of the capital thus tied up from one use to another is not possible. It is, on the other hand, possible for individuals to exchange investments of capital. But in such exchanges the amount of capital which flows into a particular field of activity must be counterbalanced by a corresponding outflow.

TWO YEARS' ACTIVITIES OF THE BANK OF POLAND.

The Bank of Poland can now look back on two years of activity. Its foundation was closely connected with the financial and currency reform accomplished in the first months of 1924. Inflation reached its climax at the end of 1923, the amount of currency in circulation increased from January 1923 to the end of the year from 793 milliards of Polish marks to 125,372 milliards, the dollar exchange rising over the same period from 17,850 marks to over 6,000,000. It is obvious that a further movement in this sense must have threatened the country with complete economic ruin. The first step towards financial and monetary sanitation was taken on December 6, 1923, when Parliament voted for the valorisation of taxes according to the gold standard. On January 11, 1924, the Government was authorised to issue with regard to economic and financial matters decrees having the force of law. Thus was financial and currency reform made possible. The creation of the Bank of Poland (Bank Polski) was a leading feature of this reform. On January 14, 1924, the Minister of Finance appointed a committee to co-operate with the Government in drafting the constitution of the Bank, which was signed by the President of the Republic on January 20. Shares were thrown open to subscription as early as January 29. The share capital was fixed at 100 million zlotys (gold francs) in 1,000,000 shares of 100 zlotys each. In order to create a sufficient gold reserve the shares had to be subscribed in gold or foreign currencies. In spite of this there was an excellent response, and on April 28 the Bank began operations. The business of the Bank may be said to be twofold, viz. the emission of bank-notes and the maintenance of the new zloty currency at gold parity, and the promotion of the economic activities of the country by means of short-term credits. It was obvious, from the circumstances which contributed to the establishment of the Bank, on which the whole question of monetary reform depends, that the Board of Directors would be led to concentrate mainly upon the first part of their task.

The Bank was given power to issue bank-notes as legal tender, to be covered to the extent of 30 per cent. by gold in foreign currencies, and 70 per cent. by short-term bills. The Government reserved the right of issuing small coinage to a certain fixed amount. The issue of notes by the Bank should provide for all the requirements of the currency, which had shrunk (reckoned in gold) to a very considerable extent during the last months of the period of inflation. The money in circulation has been from that time as follows (in millions of zlotys):—

	Total.*	Bank-notes.	Small change.	Ratio of small change to notes per cent.
December 31, 1923	103.3	—	—	—
January 31, 1924	174.3	—	—	—
February 29 ...	293.8	—	—	—
March 31	331.2	—	—	—
April 27	317.1	—	—	—
May 31	440.0	244.9	—	—
June 30	489.7	334.4	—	—
July 31	530.8	394.2	—	—
August 31 ...	563.5	430.2	—	—
September 30 ...	591.1	460.3	—	—
October 31 ...	643.0	503.7	—	—
November 30 ...	629.0	497.6	—	—
December 31 ...	675.8	550.8	123.1	22.3
January 31, 1925	694.2	553.1	139.3	25.2
February 28 ...	737.0	549.6	185.7	33.8
March 31	754.8	563.1	189.9	33.7
April 30	752.5	567.1	183.6	32.4
May 31	766.2	557.0	207.5	37.3
June 30	747.1	503.2	243.9	48.5
July 31	746.2	461.6	284.6	61.7
August 31 ...	745.6	439.5	306.1	69.7
September 30 ...	739.6	396.5	343.1	86.5
October 31 ...	761.5	382.4	379.0	99.1
November 30 ...	745.0	361.8	383.2	105.9
December 31 ...	814.9	381.4	433.5	113.7

* This includes the whole of the notes, small change and Polish marks in circulation, but as from June 1925 there have been no Polish marks in use.

These figures show a steady increase in the amount of money in circulation. Throughout 1924 and in the beginning of 1925 the circulation of bank-notes increased steadily and reached its highest point in April of the latter year, but from that point it declined steadily. On the other hand, there was a remarkable increase in the circulation of small change, until it actually exceeded the volume of the bank-note currency. The cause for this extraordinary state of affairs must be sought in the financial deficit, which compelled the Government to exercise to the full its right of issue in respect of small change; but now that the legal maximum has been reached no further increase is possible, and the Government is seeking for other means to meet the financial deficit, especially by a reduction of State expenditures. On the other hand, the general economic crisis produced by the financial reform led to an adverse balance of foreign trade, amounting in 1924 to 212.7 million zlotys and in 1925 to 263.8 millions. This adverse balance, which was particularly large in the first half of 1925 (owing to very bad crops in the preceding year, which compelled Poland to import grain and flour, instead of exporting them as in normal times), caused a large demand for foreign exchange, with the result that there was a very remarkable drop in the Bank's gold reserve. In order to maintain the legal ratio of 30 per cent. the Bank had, therefore, to reduce the note circulation, as shown in the above table. The gold and currency reserves of the Bank are shown in the following statement (in millions of zlotys):—

	Gold (metal).	Foreign currencies and foreign bills (net).
May 31, 1924 ...	71.6	186.6
June 30	83.4	197.1
July 31	93.6	217.9
August 31	98.2	200.8
September 30 ...	99.9	214.7
October 31	100.6	227.5
November 30	102.8	229.4
December 31 ...	103.3	254.1
January 31, 1925 ...	104.2	229.5
February 28	107.0	197.7
March 31	116.6	249.8
April 30	117.4	204.7
May 31	118.7	166.5
June 30	120.2	114.7
July 31	121.7	72.5
August 31	131.9	40.3
September 30	132.0	37.4
October 31	132.3	8.4
November 30	132.7	— 16.9
December 31	133.6	— 2.8

These figures show that, although the metallic reserve of the Bank increased steadily, the stock of foreign currencies and foreign bills declined considerably, which compelled the Bank to reduce effectually the note circulation in order to maintain the legal cover. The ratio of gold and exchanges to notes was on December 31, 1925, 37.96 per cent., compared with 64.89 per cent. in December 1924. Though the legal cover of 30 per cent. was thus maintained, the Bank did not succeed in maintaining the gold parity of the zloty. The demand for foreign exchanges created by the adverse balance of foreign trade became so great in July that the Bank could not afford to meet it, and importers were compelled to buy foreign exchange outside the Bank. Thus the Bank lost its influence on the rate of exchange of the zloty and the zloty dropped. At first, in July and September, the disagio of the zloty was not very serious, but as the Bank continued to be unable to meet the demand for foreign exchanges the zloty experienced a further drop. Even now the zloty is not stabilised and often varies in value, which has a detrimental effect on the economic life of the country. In this matter the Bank can do very little, for its stock of foreign exchange is too small to enable it to influence successfully the rate of exchange of the zloty.

The other part of the Bank's business consists in the granting of credits to business. Credits granted by a bank are, naturally enough, short-term ones, and in normal times the credit capacity of the loaning institution should act as a reserve to which economic life can have recourse in times of depression and need. But in Poland the impoverishment caused by war and inflation led to the abnormal condition that the credit capacity of the Bank of Poland is no longer a reserve, but represents the main source on which the economic life can draw. The credit capacity of the Bank, therefore, is of much greater importance in Poland than in other countries. Although it is true that Poland requires for her economic sanitation primarily long-term credits for investment purposes, it cannot be denied that the severe crisis which befell the country in the second half of 1925 involved also a complete lack of working capital, which was acutely felt by the business world. Under such circumstances the question of short-term credit acquires marked importance, especially when the low loaning capacity of the Bank of Poland is considered. The credits granted by the Bank are as follows (in millions of zlotys):—

	Bills discounted.	Pledged loans.
May 31, 1924 ...	126.5	1.8
June 30	138.8	5.8
July 31	166.7	8.2
August 31	199.7	8.2
September 30	233.7	9.2
October 31	245.0	12.3
November 30	249.5	12.3
December 31	256.9	23.9
January 31, 1925 ...	270.4	21.0
February 28	286.2	24.5
March 31	306.6	20.9
April 30	294.6	22.0
May 31	296.6	22.9
June 30	299.3	28.5
July 31	302.9	28.0
August 31	285.4	25.7
September 30	292.3	21.0
October 31	289.8	32.4
November 30	280.2	33.3
December 31	289.4	36.2

These figures show that the Bank has done very much in order to meet the demand for credit required by the economic life of the country. Especially must it be emphasised that the great restriction in the note circulation had but little influence on the credit operations of the Bank. It is true that the amount of credits granted by the Bank is very small in comparison with the requirements of the country, but the decline of the stock of foreign exchange which compelled the Bank to reduce its note circulation prevents it also from granting credits on a more liberal scale. The Bank likewise granted report credits on the pledge of foreign exchange, to the extent on December 31, 1925, of 36.8 million zlotys. The credit granted to the State (free of interest) amounted in December 1924 to 20.8 million zlotys and in December 1925 to 50 millions, which is the maximum permitted by the Bank charter. The Bank rate is now 12 per cent. for bills and 14 per cent. for pledged loans, but in the case of exporters the Bank allows credits at a lower rate. It must be observed, however, that there is a great difference between the Bank rate and the rate of interest in private business transactions, the last being about four times higher.

The turnover shown in the balance-sheet was as follows (in millions of zlotys):—

Assets.

	Dec. 31, 1924.	Dec. 31, 1925.
Gold	103.3	133.6
Foreign currencies and bills, and other claims abroad	269.0	69.7
Polish silver specie and small change ...	27.5	—
Bills	256.9	289.4
Pledged loans	21.7	36.2
Report credits on the pledge of foreign exchange	2.1	36.8
Government debt (free of interest) ...	20.8	50.0
Immovable securities	29.9	31.3
Movable securities	1.0	1.9
Sundry	19.05	—
Total	751.25	683.98

Liabilities.

	Dec. 31, 1924.	Dec. 31, 1925.
Share capital	100.0	100.0
Reserve fund	—	1.3
Notes in circulation	550.8	381.4
Obligations	69.3	100.9
Obligations in foreign exchange ...	14.9	35.7
Obligations from report operation ...	—	36.8
Interest	2.9	3.8
Sundry	1.2	8.2
Net profit	11.9	15.7
Total	751.25	683.98

The net profit has been divided, in accordance with the Bank charter, as follows (in millions of zlotys):—

	1924.	1925.
To the Reserve Fund, 10 per cent. ...	1.2	1.5
Dividend of 8 per cent. on the share capital	5.3*	8.0
Extra dividend	2.6	3.0
To the State Exchequer	2.7	3.0
Carried forward	0.05	0.1
Total	11.9	15.7

* For eight months.

Finally, it may be of interest to the reader to know something about the shareholders of the Bank. The following figures show the percentage of shares held by various classes of the population:—

	1924. Per cent.	1925. Per cent.
1. Industrial undertakings	38.2	36.0
2. State employees,* the military, and liberal professions	12.7	25.1
3. Banks and bankers	14.4	13.8
4. Commercial undertakings	10.4	10.2
5. Agriculture	8.0	7.5
6. Co-operative societies	2.0	2.0
7. Towns and communes	1.6	1.7
8. Communal savings banks	0.4	0.4
9. The State Exchequer *	10.8	1.1
10. Sundry	1.5	2.2
	100.0	100.0

* The reason why the percentage of shares held by the State in 1924 was so great is that the returns of State employees who had availed themselves of their right to subscribe for shares through the Ministry of Finance were not available at the time the First Report of the Bank was published. This also explains the great increase in the number of shareholders.

As regards the number of shares held by the various holders, the following figures are given:—

Number of holders—	1924.	1924. Total holding.	1925.	1925. Total holding.
of one share ...	38,113	38,113	133,773	133,773
of two shares ...	10,589	21,178	20,376	40,752
of three shares ...	3,365	10,095	5,467	16,401
of from 4 to 24 shares	8,771	60,403	10,772	72,258
of 25 shares and over	6,811	870,211	6,268	736,816
	67,649	1,000,000	176,656	1,000,000

At the last meeting of shareholders held on March 10, 1926, M. Karpiúski, the President of the Bank, said that in the present difficult economic situation the question arose whether it would be expedient to obtain foreign capital in order to increase the Bank's issuing capacity. Though the Council of the Bank did not deny that foreign capital obtained for this purpose might prove very useful to the economic life of the country, the fact must nevertheless be stressed that foreign credit could only benefit that economic life provided there were within the country itself the conditions essential to economic recovery. One such condition was the stability of the currency, which the Bank would protect by all the means in its power. While the views expressed by M. Karpiúski are essentially sound, it must be observed that the means which the Bank has at its disposal to influence the zloty currency are very meagre, and that it is doubtful whether the Bank will be able to effect its object without the aid of foreign capital.

O. L.

ECONOMIC SURVEY

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

AUSTRIA

POLITICAL AND GENERAL

Thirty-ninth Report of the Commissioner General. —The current report of Dr. Zimmerman, Commissioner General of the League of Nations for Austria, covers the period from February 15 to March 15, 1926. In the preamble of the report Dr. Zimmerman states, in connection with the granting of the League credits for the Austrian dairy-farming industry, that the demands of agriculture and the dairies deserve the serious attention of the Government. It is possible that the greatest success will be achieved in this branch of national economic activity. It will be recalled that in the September session the Economic Committee studied the possibility of augmenting agricultural production by the application of a better organisation of credit. The attempt to develop the dairy-farming industry may sooner or later be an incentive to far-reaching efforts in connection with agriculture in general.

The Financial Committee has drawn attention to the necessity of covering the extraordinary grant to Federal employees in January, amounting in all to Sch.15 mill., by the saving of a like amount in some other category of the Budget. This and other measures of retrenchment which will lighten the burden of taxation will, in the opinion of the Financial Committee, be of importance for the entire economic life of the country.

The number of State employees was increased by twenty-one persons during the month of February. The Government justifies this augmentation by the urgent need of certain branches of administration for an increased staff.

The Commissioner General released the sum of Sch.6,366,236 in January and a further sum of Sch.11 mill. in February for purposes of capital investment, besides an additional sum of Sch.550,000 to cover the cost of electrification work carried out in 1925. The balance of the Loan Account in February showed a surplus of Sch.279,247,900.

Discussing the currency conditions and the economic situation, the Commissioner General quotes the latest figures of the National Bank, pointing out that despite the reduction in the discount rate the total circulation of the discount portfolio has increased. He also states that the hitherto record figure of unemployment was exceeded on February 15 last. The report closes with references to the commercial treaty between Austria and Hungary, the results of foreign trade in 1925, the recent decline on the Bourses and the drop in the wholesale prices index number. (*Neue Freie Presse*, April 24.)

Economic Conditions at the Beginning of May.—To watch the trend of economic events in Austria is not a fascinating spectacle. There is no such quick and vigorous recovery as marked the initial stages of reconstruction, and progress, wherever it is found, is naturally slow and gradual, while the evil consequences of the trade depression are still considerably in evidence. An improvement, however, is apparent to anyone who compares longer periods and notes the encouraging symptoms which are not lacking. There is an earnest endeavour on the part of all classes to overcome the difficulties resulting from the foreign trade policy that prevails in nearly all Central European countries. Agriculture has made colossal strides, the currency situation is excellent and the financial position far better than the forecasts. The situation on the labour market is also becoming easier. Though the number of people out of work still exceeds by some 25,000 the figure registered at the same date last year, the improvement compared with the more trying period, which is usually about the middle of February, was far more rapid this year than in 1925. Industry, which has so far remained relatively unprotected against foreign competition supported by insurmountable tariff barriers, is about to be placed on a securer footing through an increase of Customs tariffs, and endeavours are being made on all sides to overcome the difficulties inherent in the situation.

State Finances.—The position of the State establishment during the first quarter of the year was very favourable. The preliminary accounts for January and February are now available, and they compare as follows with two-twelfths of the Budget figures and with the monthly estimates (in millions of schillings):—

	Two-twelfths of budget figures.	Monthly estimates for Jan. and Feb.	Preliminary Accounts.
Current expenditure	120.64	143.21	140.44
Revenue	126.69	148.11	155.97
Excess of revenue over current expenditure ...	6.05	4.90	15.53
Capital expenditure	20.13		
	3.81*	22.93	22.28
Deficit	17.89	18.03	6.75

* This sum is the remainder of an unspent credit standing over from last year and it has been decided to use it in the first two months of the current year. Strictly speaking, the item should not be included in the Budget twelfths.

There is a difference between the Budget twelfths and the monthly estimates which should be clearly understood. With regard to the former, no account, of course, is taken of the fact that revenue and expenditure are unevenly distributed over the year, and in order to forecast more exactly the financial position for the coming months the Government publishes an estimate for each one some time in advance. The latter figures are, of course, more strictly comparable with those of the preliminary accounts made out by the Audit Department and published by the Treasury. Whereas in January and February current expenditure, though below the monthly estimate, was far higher than provided for in the Budget, revenue exceeded both the Budget twelfths and the monthly forecasts, while capital expenditure remained more or less within the limits provided for. Government revenue, it will be seen from the following table, was considerably higher in the first quarter of the year than during the corresponding period of 1925.

	January to end of March (in thousands of schillings). 1926.	1925.
Direct taxation	83,533	54,410
Excise	21,384	19,099
Customs duties	48,884	45,632
Dues, fees and turnover taxes ...	82,144	81,103
Other taxes	943	2,236
Monopolies	83,816	74,101

There is every reason to expect that revenue will continue to come in satisfactorily, and provided no unforeseen additional expenditure on a large scale becomes necessary the position of the State establishment in 1926 promises to be as favourable as it was last year, when a substantial surplus was left after capital expenditure amounting to nearly seventy-six million schillings had been met. There are, however, circumstances which suggest moderation in anticipating too favourable a result. The question of how to finance in future the relief fund for the unemployed has not yet been settled. So far 42 per cent. of the cost of unemployment relief has been borne by the employers, 42 per cent. by the workmen and employees, 12 per cent. by the State and 4 per cent. by the municipalities. It is now proposed to reduce the share of the employers and men and to charge a proportion of the cost to the provinces, but whether the Federal Treasury will have to bear a larger share of the burden is not yet known. The question of the pay of Government servants may also prove a source of additional expenditure, though they have not been pressing their demands lately. The problem may not come up for decision at all in the course of the year, but should it arise the Government may find it hard to make up for an increase of expenditure under that head by retrenchments in other directions. Under ordinary circumstances there would be ample room in the Budget for an increase of pay to Government employees more in keeping with the present cost of living, but the fact that after the breakdown of the old Empire large numbers of public functionaries who had been employed in the former provinces crowded into the Austrian Republic, and had to be provided for somehow, swelled the pension roll to such an extent that it is now a heavy drain on the Treasury. A suggestion was made some months ago to relieve the current Treasury revenue of this charge and to raise a loan for the payment of pensions. In view of the fact, however, that such a transaction would be dependent upon the consent, which is difficult to obtain, of a number of international bodies, the matter has apparently been allowed to drop, so that the Pensions Account still makes expenditure on personnel appear inordinately high, though Government servants as a body are admittedly poorly paid.

Banking and the Bourse.—The reduction of the bank rate by one half per cent. (from 8 to 7½ per cent.) on March 31 has not had the effect of increasing the demands made on the Bank or, consequently, the amount of discounts held by the National Bank. Before the reduction was decided on, discounts figured in the Bank's weekly statement at 74.8 million schillings and one month later they were down to 73.8 million schillings. A further reduction, therefore, was anticipated in many quarters, but the General Council of the Bank refused to sanction it. Austrian economic life having to rely to a considerable extent on foreign short term credits, the National Bank was of opinion that longer experience of the trend of events in Austria and abroad was desirable before another reduction of the rate could be contemplated. It is a fact, however, that money is abundant, and the private rate of discount for fine bank acceptances is 1 per cent. below the official rate. If this tendency is maintained, and conditions in the international money markets continue to cheapen rates, a reduction of the Austrian bank rate may soon be possible.

In this connection it may be noted that savings bank deposits continue to grow, amounting in April to 664 millions. This time last year they stood at 346 millions. It is interesting to compare the monthly figures for the first quarter of the current year with those for the corresponding period of 1925 (in millions of schillings) :—

	Jan.	Feb.	March.
1926	50.6	25.4	23.1
1925	44.9	25.4	24.0

From the above it will be seen that saving this year was more or less on the same scale as in 1925, though the rates of interest deposits were much higher then. As a matter of fact, the official bank rate was 13 per cent. in the first quarter of 1925, as compared with 9 per cent. in January 1926 and 8 per cent. in February and March.

The Bourse which had shown signs of greater activity in the first half of April, suffered a set-back towards the middle of the month owing to the fall of Brünner Maschinenfabrik shares and is now slowly recovering though the quotations of most values are somewhat lower than they were a fortnight ago.

Industrial Conditions and the Labour Market.—With a view to the increase of production and the development of the industrial equipment of the country, the Government some time ago brought in a Bill to afford relief from taxation on capital expenditure (*Investitions-Begünstigungsgesetz*). Under it companies or firms using the whole or part of their net profits in 1926 or 1927 for capital expenditure were to be exempt from taxation on the amount so used, provided the total capital expenditure was twice as large as the amount of net profits appropriated to that purpose. This relief was restricted to the two years named, the Government's object being the alleviation to some extent of the present economic depression. It is doubtful, however, whether many companies or firms will avail themselves of the advantage offered to them, as capital expenditure is in most cases dependent upon other considerations than those connected with taxation.

The Federal Railways placed an order for 175 locomotives of all kinds at the end of March, as part of their rolling stock required renewal. The order, which amounted to about 24 million schillings, went entirely to Austrian works and will thus reduce unemployment in a very important branch of industry.

Figures relating to iron ore and pig iron production during the first quarter of the current year are now available, and they compare very favourably with the figures referring to the corresponding period of the three preceding years, as will be seen from the following table (in metric tons):—

Iron ore, 1st quarter	1926	...	...326,566	metric tons
,, ,,	1925	...	... 72,094	,, ,,
,, ,,	1924	...	...214,985	,, ,,
,, ,,	1923	...	...249,465	,, ,,
Pig iron ,, ,,	1926	...	...108,000	,, ,,
,, ,,	1925	...	... 74,000	,, ,,
,, ,,	1924	...	...107,000	,, ,,
,, ,,	1923	...	... 73,000	,, ,,

The enamelled ironware branch of the metallurgical finishing industries continues to be well employed and a new factory which started work with 600 workmen at the beginning of the year has now 760 on its pay roll and hopes to reach 1,000 before long. Small ironware has also been finding a better sale recently. Until a few weeks ago rubber factories were working overtime and they are now normally busy. The cellulose industry is working at full capacity. Spinning mills are finding it less easy to obtain foreign orders than they did last year, when Germany was a big customer. The clothing industry, on the other hand, has obtained some advantages through the conclusion of the commercial treaty with Hungary and is likely to increase its turnover considerably.

The number of unemployed in receipt of relief has fallen from 231,000 at the beginning of February to 175,000 in the middle of April. This represents a drop of over 20 per cent. as compared with the highest figure recorded this year, while the decrease in the corresponding period of 1925 amounted only to 7 per cent.

Foreign Trade.—The foreign trade returns for the first two months of the year are less favourable than the corresponding ones for January and February 1925, and the adverse balance is much higher than it was a year ago, as the following statement (in millions of schillings) shows :—

	January and February 1926.	1925.
Imports	441.7	371.6
Exports	239.1	264.4
Adverse balance ...	202.6	107.2

It must be observed, however, that the higher Customs tariff which came into force on January 2, 1925, had induced importers to enlarge their stocks during the last quarter of 1924, so that the import requirements in the first quarter of 1925 were considerably smaller than in the corresponding period of 1926. This accounts for the increase in imports this year. With regard to exports, the decrease recorded for the first two months of 1926 is due to the difficulties with which Austrian foreign trade has had to contend owing to the tariff policy of neighbouring States. The figures for February, however, are substantially better than those for the previous month, as will appear from the following statement (in millions of schillings):—

	February.	January.
Imports	217.4	224.3
Exports	130.7	108.4
Adverse balance ...	86.7	115.9

Imports therefore dropped to the extent of about 3 per cent., while exports increased by close on 20 per cent.; the adverse balance in February therefore was only 75 per cent. of what it was in the previous month. The position would seem to justify a reform of the Austrian Customs tariff, which is the lowest in Central Europe. All political parties are in principle agreed as to the necessity of increasing certain tariff rates, as with the existing duties Austria, surrounded as she is by Protectionist countries, finds it increasingly difficult to hold her ground. A Bill to amend the tariff in this sense is now being considered by a Parliamentary committee. (*Association of Austrian Banks and Bankers' Report.*)

FINANCE

Audit Office's Statement for 1925.—According to the statement recently issued by the Audit Office the Treasury account for the year 1925 shows an improvement of Sch.86.44 mill. on the Budget figures. The Estimates for the year provided for a deficit of Sch.81.97 mill., whereas the annual accounts were actually closed with a surplus of Sch.4.47 mill. The total Budget expenditure amounted to Sch.782.94 mill. and the total revenue to Sch. 894.57 mill. Expenditure to the account of capital investment required Sch.75.96 mill., while the current account closed with a deficit of Sch.31.2 mill. The Budget revenue exceeded the estimates by Sch.71.04 mill., but investment expenditure was Sch.5.27 mill. and the current account expenditure Sch.0.61 mill. below the Budget figures. The direct taxes yielded approximately Sch.285 mill. (an increase of Sch.72 mill. on the estimates); stamp duties, dues and legal fees plus the turnover tax brought in a round Sch.326 mill. (+Sch.84 mill., of which the turnover tax accounted for an increase of Sch.43 mill.); the consumption tax yielded Sch.85 mill. (+Sch.13 mill); and Customs collected about Sch.196 mill. (+Sch.22 mill.).

Treasury Returns for January and February.—The Treasury returns for January and February are as follows (in millions of Schillings):—

	Estimated.	Actual results.	Difference. Favourable.	Adverse.
January.				
Expenditure	74.97	73.34	1.63	—
Revenue	75.90	74.35	—	1.55
Surplus	0.93	1.01	0.08	—
Capital investment expenditure	8.02	7.57	0.45	—
Total deficit... ...	7.09	6.56	0.53	—
February.				
Expenditure	68.24	67.10	1.14	—
Revenue	72.21	81.62	9.41	—
Surplus	3.97	14.52	10.55	—
Capital investment expenditure	14.91*	14.71	0.20	—
Total deficit... ...	10.94	0.19	10.75	

*Including a supplementary grant of Sch.2.5 mill. for the electrification of the Federal railways.

The direct taxes yielded Sch.29 mill. in January and Sch.27 mill. in February, as against an estimated sum of Sch.17 mill. only, while Customs collected during the two months' period reached the sum of Sch.33 mill. (*Mitteleuropäische Wirtschaft*, April 4; *Wirtschaftliche Nachrichten*, April 25; *Neue Freie Presse*, March 27 and April 16.)

Preliminary Estimates for April and May.—The preliminary estimates for the months of April and May show a slight improvement on those for March, the total deficit, including expenditure to the account of capital investment amounting to Sch.12.21 mill. for April and to Sch.12.77 mill. for May, as against Sch.13.20 mill. for March. The estimated expenditure to the budgetary account in both of these months is somewhat below that of March, while the estimeated revenue for April is a fraction above and that of May a fraction below the estimated revenue for March. We give below the figures for the months of April and May (in millions of Schillings):—

	April.	May.
Current expenditure ...	68.84	70.35
Current revenue ...	72.49	70.84
Surplus	3.65	0.49
Capital investment expenditure	15.86	13.26
Total deficit... ...	12.21	12.77

(*Wirtschaftliche Nachrichten*, April 25; *Neue Freie Presse*, April 27.)

TRADE

Foreign Trade Returns for January.—The January returns of Austria's foreign trade show that the adverse balance of trade has improved by about 6 per cent. in comparison with the average monthly adverse balance for the last quarter in 1925. Imports fell off by nearly 25 per cent.; and although the export figure is lower than that of the monthly average, exports relatively increased in value in January. The following table compares the January result with the monthly averages of the fourth quarter of 1925, of the two months January and February 1925 and also with the monthly average for the whole of the past year (in millions of schillings):—

Monthly Average.

	Jan. 1926.	Jan.-Feb. 1925.	4th quarter 1925.	Whole year 1925.
Imports.	224.3	185.8	293.6	240.2
Exports	108.4	132.2	171.3	164.4
Adverse balance	115.9	53.6	122.3	75.8

A comparison with the months of January and February last year does not give a fair idea of the development of Austria's foreign trade, since imports at the beginning of last year were abnormally small on account of fiscal measures. It should, however, be noted that exports have also considerably fallen off in comparison with the months of January and February last year and were in January 1926 actually about one-third lower than the monthly average for the whole of the past year. The following instructive figures reveal the development in the various categories of imports and exports (in millions of schillings):—

Monthly average.

	Jan. 1926	Jan.-Feb. 1925.	4th quarter 1925.	Whole year 1925.
Live Stock.				
Imports... ...	16.0	14.4	22.8	21.7
Exports... ...	0.7	0.7	2.0	2.2
Adverse balance	15.3	13.7	20.8	19.5
Foodstuffs and articles of consumption.				
Imports... ...	58.9	45.4	82.6	64.2
Exports... ...	2.2	2.9	3.2	3.1
Adverse balance	56.7	42.5	79.4	61.1
Mineral fuel, raw materials and semi-manufactured articles.				
Imports... ...	78.5	66.1	80.9	71.0
Exports... ...	23.8	29.1	33.0	32.5
Adverse balance	54.7	37.0	47.9	38.5
Manufactured Articles.				
Imports... ...	68.5	54.9	100.0	77.4
Exports... ...	79.0	94.2	127.3	119.1
Favourable balance	10.5	39.3	27.3	41.7

In all these categories imports in January 1926 show a falling off in comparison with the average monthly value of imports in the last quarter of 1925. Compared with the monthly average for the whole year the importation of raw materials only shows an increase of about 10 per cent., this being largely due to the rise of coal imports from a monthly average of Sch.19.1 mill. in 1925 to Sch.22.1 mill. in January 1926. The importation of manufactured articles fell about 31 per cent. in comparison with the monthly average for the last quarter and by about 13 per cent. in comparison with the monthly average for the whole year. The exportation of raw materials, which experienced an augmentation during the second half of 1925, dropped in January by about 27 per cent. in comparison with the monthly average of the last quarter and remains about 10 per cent. below the figure for the beginning of last year. Most unsatisfactory is the exportation of manufactured articles in January last, which represents only 62 per cent. of the monthly average exports for the fourth quarter of 1925 and 66 per cent. of the monthly average for the whole year. The decline in the exportation of manufactured goods is a result of the economic crisis, which has become more acute. (*Der Oesterreichische Volkswirt*, No. 27.)

Tariff Revision.—There has of late been much controversy in Austria over the question of the revision of the Customs tariff. A large section of industrialists and merchants are strongly in favour of free trade, while others are equally as strong in their advocacy of higher tariffs. Considerable hopes were entertained that the Government would adopt far-reaching measures to protect home industries; it appears, however, that the Government is contenting itself with what is known as "the little programme." The proposals that have met with fairly general acceptance affect about one-fourth of the total tariff items, states the *Neue Freie Presse* of April 14. A number of the items will be adjusted according to the outcome of the economic negotiations with Germany, Czechoslovakia and Rumania. One of the main features of the alterations is a much heavier tariff rate for woollen fabrics, the present rate of Kr.185 (gold) with a complementary *ad valorem* duty of 5 per cent. to be increased to Kr.280 (gold) and an *ad valorem* complementary duty ranging from 5 to 12 per cent. This will result in a pronounced rise in prices. The introduction of this higher duty is incomprehensible, for the output of the home manufactories of these commodities is quite insignificant and the clothing industry will be hit very hard. The increase for yarns will have a serious effect upon the retail trade. A petroleum duty is to be introduced; but it is believed that this will not come immediately into force and that the Government will hold in reserve the right to impose it at any moment considered opportune. Another important alteration is the higher rate for footwear, which has been justified as a means to combat the "dumping" of foreign boots and shoes on the Austrian market. Heavier rates will also be imposed upon the importation of rye, cheese, butter and pork dripping, and probably also upon potatoes. The sugar and live stock duty may be doubled, a new duty imposed on milk, whilst the duty on iron will be increased from Kr.2.5 to Kr.5. Motor car tyres, agricultural and dairy machinery, and paper goods will also be taxed more heavily.

AGRICULTURE

Dairy Farming Progress and League of Nations' Credit.—For some time past Austria has been making great efforts to increase its output of milk and dairy products. Hitherto Vienna alone has imported from Czechoslovakia between 100,000 and 150,000 litres of milk per month, for which some Sch.15 to Sch.20 mill. per annum have had to be paid out of the country. Other Austrian towns, too, have made large imports of milk; the total payments have aggravated the country's adverse balance of foreign trade. In Austrian agricultural circles it is now pointed out that in the current year there will be an actual surplus of milk produced within the country itself. To deal with the surplus of milk a considerable number of co-operative dairies for the production of butter and cheese are to be equipped with the aid of the Government, who are to devote a sum of Sch.12 mill. to this purpose. It is hoped in this way not merely to turn out butter and cheese enough to meet the needs of home consumption, but also to start an export trade in these products. (*Central European Observer*, March 12.)

The release of a portion of the League of Nations loan for the purpose of fostering the dairy-farming industry should lead to very happy results. The amount is not so considerable that its direct application is of great significance for national economy; indirectly, however, a great stimulus will be given to the industry and also to allied industries, especially if the orders for the necessary plant for the new dairy installations are placed with home manufacturers. In addition to the League of Nations loan further sums will be contributed by the various co-operative concerns and also from quarters directly interested in developing this branch of the nation's economic life. Even then it may be necessary to apply to the banks for assistance. In view of the fact that the credits required would be short-dated the banks would not hesitate in granting them.

In general, the importance of dairy farming is not sufficiently appreciated, for it really is the backbone of the Austrian agricultural industry. The financial significance of this industry will, however, be realised when it is recalled that there are in Austria about a million cows, yielding an aggregate of approximately 5 mill. litres of milk per day, with an annual productive value of some Sch.700 mill., which is superior to the value of the cereal production, not to mention the iron and coal output. The dairy-farming industry forms the basis of Vienna's food supplies. The average daily consumption of milk in Vienna is one-third of a litre, thus an average family of three persons spends per month Sch.15 for milk. For the sake of the nation's health the consumption of milk should be increased; the fostering of the production of milk in the country will also prove a valuable economic asset. Up to the present Austria has been paying about Sch.40 mill. per annum for imported milk; as things are now developing Austria will become completely independent of foreign supplies. (*Wirtschaftliche Nachrichten*, April 24.)

COMMUNICATIONS

Commercial Air Service in 1925.—For the first time the official statement of foreign trade in 1925 contains a separate account of the volume and value of imports and exports transported by air. The general returns for 1925 were reproduced in The Economic Review of April 9 last; the participation of the commercial air service in the total volume of trade is shown below:—

	Imports.		Exports.	
	Quantity in kilogrammes.	Value in schillings.	Quantity in kilogrammes.	Value in schillings.
Foodstuffs ...	157	868	311	8,026
Cotton goods ...	2,094	50,232	2,429	89,610
Woollen goods ...	117	7,449	4,098	226,500
Silk goods ...	336	55,851	5,455	798,260
Clothing	36	10,077	8,037	791,000
Basket work ...	—	—	271	9,606
Paper and paper wares	964	5,573	457	4,200
Rubber goods ...	51	819	838	6,770
Waxwork goods ...	—	—	281	4,908
Leather and leather goods	583	54,000	1,795	111,352
Skins, furs, etc. ...	227	48,036	7,554	1,503,900
Goods made of wood	18	1,440	1,063	47,747
Glassware ...	82	1,150	55	2,200
Ironmongery ...	101	800	928	11,200
Other goods of common metal ...	40	2,956	618	28,790
Machine parts ...	20	1,210	308	3,000
Electro-technical requisites ...	38	768	527	16,001
Vehicles' parts ...	347	9,300	1,149	29,857
Instruments ...	5	319	292	6,805
Chemicals ...	271	6,190	8,044	117,252
Toys	—	—	262	5,470
Literature and objects of art ...	4,429	8,480	919	13,282

About half of the above mentioned quantities of imports and exports transported per air were to the account of Hungary, after which follow in importance, in respect to Austrian air imports, Czechoslovakia, Germany, France, Great Britain and Switzerland; and, in respect to exports per air, Yugo-Slavia, Poland, Rumania and Czechoslovakia. It should be observed that the above figures refer solely to commercial exchanges and therefore do not include passengers' luggage, air post packets, nor the commercial transit traffic. (*Mitteleuropäische Wirtschaft*, *Neue Freie Presse*, March 27.)

DENMARK

Economic and Trade Conditions in March.—The National Bank of Copenhagen and the State Statistical Department supply the following information on the economic and industrial conditions in Denmark in March.

The improvement in the value of the Danish krone, following upon the publication of the retail price index number in February, and bringing down the dollar to Kr.3.86 and sterling to Kr.18.70, continued during the first part of March. In the middle of the month the value of the dollar decreased to Kr.3.82 and sterling to Kr.18.55, and this level has since been maintained. The average of the exchange quotations in March was therefore considerably lower than in February, namely Kr.3.84 for the dollar and Kr.18.60 for sterling, as against Kr.3.95 and Kr.19.12 respectively in February, corresponding to a gold value of 97.2 öre in March and 94.4 öre in February.

The reduction of the loans of the three principal private banks at the end of March has been considerably enhanced by the fact that the Landmandsbank, at the close of its yearly accounts, has had to write off losses on its credit and current accounts. If the loans of the three banks are taken as a whole, they have since the end of February been reduced to the extent of over Kr.100 mill.; the deposits, on the other hand, have remained practically unchanged since the end of February.

While the foreign balance of the three private banks has remained largely unchanged, their debt in Danish kroner has during the last month been reduced to the extent of Kr.13 mill.; besides, considerable amounts of short-dated securities (Exchequer bonds) taken up abroad have now been redeemed. It is therefore natural that the cash held by the National Bank should have been somewhat reduced, though this reduction only amounts to a matter of Kr.17 mill.

The loans of the National Bank to the private banks in March have been increased by Kr.20 mill., while other loans have been reduced by Kr.9 mill. The amount of currency notes has been increased by Kr.13 mill. to Kr.411 mill. as against Kr.452 mill. at the end of March 1925.

The monthly report of the Official Bank Inspector on the position of the 192 private banks in Denmark at the end of March, including the National Bank, shows (in thousands of kroner): Cash, 647,000; loans and shares, 416,300; home bills, 438,000; mortgage bonds and loans, 473,600; overdraft against guarantee, 888,000; overdraft on account current, 466,900; sundry debtors, 43,500; share capital, 255,100; reserves, 107,100; deposits, 2,257,200; foreign balances against Denmark, 84,100; acceptances, 2,800; sundry creditors, 92,400.

A calculation of Denmark's foreign capital balance for 1925 shows at the end of 1925 a total debt of Kr.1,640 mill., while Kr.640 mill. was owing to Denmark from foreign countries, the net debt thus amounting to Kr.1,000 mill. as against Kr.1,275 mill. at the end of 1924. This decrease in the nominal amount of kroner was principally caused by the increase in the value of the krone during 1925, the result of which has been that, while the debt abroad in foreign currency at the end of 1924 was reckoned on the basis of a dollar rate of 5.69, at the end of 1925 it was calculated on a dollar exchange of 4.05.

The improvement in the value of the krone in 1925, on the other hand, has had the effect that the net debt, expressed in gold kroner according to the dollar exchange at the end of 1925, amounts to Kr.925 mill. as against Kr.835 mill. at the end of 1924, an increase which, however, does not mean that a new debt has been incurred, but only that the debt in kroner owing to foreign countries during the course of 1925 has become a debt in more "weighty" kroner.

The turnover of shares and bonds on the Copenhagen Stock Exchange was nearly the same as in February, the average weekly turnover for shares being Kr.2.0 mill. and for bonds Kr.3.5 mill. as against Kr.2.2 and Kr.3.5 mill. respectively in February. In the index number for Stock Exchange quotations there has been a considerable reduction in the case of shares and only a small increase in the case of bonds, the share index number for March being 91.7 (February 95.1) and for bonds 87.8 (February 86.7), taking 100 as the index number for July 1914. The smaller quotations for shares, principally shipping shares, have mainly been caused by the recent payments of dividends.

The wholesale price index number of the Statistical Department for March was 158 as compared with 165 in February, the reduction being mainly due to decreasing prices in the world market, as for instance in the case of foodstuffs; furthermore prices have been reduced for several goods produced in the home market.

The trade balance in February was more favourable than in January, even when the shortness of the month is taken into consideration, and considerably more favourable than in February last year. Imports in February amounted to Kr.134 mill. and exports to Kr.124 mill., showing an import surplus of Kr.10 mill. as against Kr.26 mill. in January and Kr.23 mill. in February 1925.

Agricultural exports in March were greater for most goods than in February. The export of eggs was greater and that of butter somewhat less than in February. The average weekly export of butter was 24,042 hkg. (in February 24,268 hkg.); of eggs, 1,016,200 score (in February 476,800 score); of bacon and pigs, 37,059 hkg. (in February 34,558 hkg.); and of meat and cattle, 11,628 hkg. (in February 9,115 hkg.).

Prices of all exported goods were lower than in February. The average of the official weekly quotations was for butter Kr.328 per 100 kg. (in February Kr.348); for eggs, Kr.1.29 per kg. (Kr.1.83); for bacon, Kr.1.81 (Kr.1.91); and for meat, 52 öre (54 öre) per kg. live weight.

Conditions in the labour market were better than during the preceding month, but worse than in the corresponding month of last year. The unemployment percentage was 23.2 at the end of March, as against 14.7 per cent. at the end of March 1925. In the industrial trades the percentage was 20.6 against 12.1 last year.

The State Revenue from Excise and Customs in March was Kr.13.7 mill., of which Kr.4.4 mill. was derived from Customs duties. In March 1925 the corresponding figures were Kr.13.3 and Kr.4.0 mill.

FRANCE

POLITICAL AND GENERAL

The Repayment of Interallied Debts.—The Franco-United States debt agreement did not meet with an enthusiastic reception in Paris. Many people object that it was by no means clever to hand over to the Americans bonds entitling them to recover huge sums while the payment of reparations by Germany is in no way guaranteed. The *Journal des Débats*, rebutting these arguments, lays special stress on the fact that the bulk of the payments are to be made after 1930, for according to the new agreement France is to pay until that year sums not much in excess of her actual annual payments (20 million dollars, as interest on her "commercial" debt). Should an agreement not be reached France would have to pay in 1929 the whole capital of its "commercial" debt to the United States amounting to some 400 million dollars. As this sum represents the price of American war stock purchased by the French Government in 1919, non-payment of this debt would mean bankruptcy. The chief merit of the agreement, according to the *Journal des Débats*, is that it eliminates the question of this repayment. Moreover, there is a possibility now of obtaining new credits in America. In 1926 France is to pay 30 million dollars to the United States, this sum being only 10 millions in excess of the yearly payment of 20 millions included in the Budget for 1926, as well as in previous budgets. In addition to these 10 millions, there still remains the sum of £4,000,000 to be paid to the British Treasury before April 1, 1927 (according to the provisional undertaking entered into by the French Minister of Finance), which is not included in the Budget of 1926.

The principal resources of these extra-budgetary payments are the receipts from Germany under the Dawes Plan, which are expected to yield some Fr.2,490 million, the gold mark being reckoned at Fr.6.10 (the actual rate is 7.50). These receipts are to cover Fr.479 million, expenses of the Occupation Army; Fr.400 million for deliveries in kind to the devastated areas; Fr.1,000 million for cash payments to the devastated areas; and Fr.611 million on account of the inter-allied debts.

This last named sum is not quite sufficient to cover the necessary payments (£4 million and $10 million), but the shortage of some Fr.200 million should not be difficult to provide for, even without recourse to the so-called *clause de report*.

FINANCIAL

The Budget.—After long and arduous debates in both Chambers the Budget for 1926 was definitively voted on April 29, after having been first brought in by M. Caillaux in June 1925. The principal figures as shown in the Estimates published in the *Journal Officiel* (April 30) are as follows (in millions of francs):—

Expenditure.

1. National Debt ...		20,287.8
2. Public authorities (the President of the Republic, the Chambers, etc.) ...		47.1
3. Public departments—		
Ministry of Finance	4,113.6	
Department of Liberated Areas ...	439.0	
Ministry of Justice ...	153.2	
Ministry of Foreign Affairs	166.3	
Ministry of the Interior ...	361.3	
Ministry of War	4,296.5	
Ministry of Marine ...	1,433.1	
Ministry of Public Instruction	1,778.4	
Ministry of Commerce and Industry (including Posts and Telegraphs)	396.3	
Ministry of Labour ...	810.6	
Ministry of Colonies	269.5	
Ministry of Agriculture	236.9	
Ministry of Public Works (including the Mercantile Marine and Air departments)	1,908.6	
Ministry of Pensions	640.1	17,003.5
Total ...		37,338.4

It will be seen from this table that a great part of the expenditure is absorbed by the National Debt charge, which represents 54 per cent. of the total. This is a much higher proportion than that shown in the British Budget, where National Debt charges in the Preliminary Estimates for 1926–27 amount only to 43.5 per cent. of the total expenditure. Of the sum of about 20 milliard francs included under the head of National Debt some 15 milliards represent interest and sinking fund on different types of national liabilities; the remaining 5 milliards are on account of pensions, a liability that will disappear automatically as the recipients die off.

The sum absorbed by the fighting forces amounts to Fr.5,730 million, or 15 per cent. of the total expenditure, as compared with 14 per cent. in Great Britain.

In a summary appended to the Budget a separate entry is given for the cost of collection of the taxes, exploitation of monopolies and Government enterprises amounting to Fr.1,620 million, or over 4 per cent. of the Budget total. The corresponding figure in the British Budget, as shown under the two heads of "Customs and Excise" and "Inland Revenue," is £11,785,000 (1926–27 Preliminary Estimates), so that the cost of collection in England is much lower than in France, being only 1½ per cent. of the total expenditure.

The various sources of revenue are shown in the following tabular statement (in millions of francs):—

Direct Taxation.		
Real estate taxes (land tax, etc.) ...		907
Income tax—		
On profits from trade and industry...	2,150	
On profits from agriculture ...	80	
On wages, salaries and appointments	330	
On capital rent ...	1,792	
On liberal professions ...	126	
		4,478
Super-tax (general income tax) ...		2,870
Taxe civique ...		580
License duties ...		60
Mineral rights duties ...		65
Sundry ...		261
Total ...		9,221
Indirect Taxation.		
Customs ...		2,736
Indirect taxes—		
Sugar ...	445	
Alcoholic drinks ...	2,450	
Railway tickets ...	700	
Motor vehicles and bicycles...	353	
Theatre tickets, horse races, etc. ...	68	
Miscellaneous taxes ...	403	4,419
Turnover tax ...		6,445
Total ...		13,600
Other taxes.		
Registration (property transfer taxes, succession duties, etc.) ...		5,876
Stamp duties ...		1,403
Stock exchange transactions ...		261
Miscellaneous ...		19
Total ...		7,559
Total receipts from taxation ...		30,380
Non tax revenue.		
State monopolies and enterprises ...		3,509
Property belonging to the State ...		583
Different receipts (*recettes d'ordre*) ...		2,026
Miscellaneous ...		1,000
Total ...		7,118
Grand total ...		37,498

The most striking feature of this Budget, as compared with the British one, is the much greater importance attaching in France to indirect taxation.

The actual yield of taxation in England in 1925–26 is shown in the following table (in thousands of £):—

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

		In France (1926 Budget) (in millions of francs).
Direct taxation (Land tax, mineral rights duty, property and income tax, super-tax, excess profits duty and corporation profits tax)	342,541 or 50%	9,221 or 30%
Indirect taxation (Customs, Excise, motor vehicle, etc., duties) ...	256,103 or 37%	13,600 or 45%
Other Taxes (Estate duties, stamp duties, etc.)	85,900 or 13%	7,559 or 25%
Total	684,544 100%	30,380 100%

The figures also show the disparity existing between the taxation imposed on the commercial, industrial and working classes and that levied on the agricultural population. The sum in respect of income tax to be paid by the latter is only 80 millions, whereas commerce and industry have to pay 2,150 millions. But even under other schedules people do not pay what they should because of fraud and insufficiency of control. A financial expert published an article in the *Information* (April 17), in which, after having analysed the available figures, he came to the conclusion that with the exception of wages and salaries the income tax in France under all schedules does not yield the amount of revenue it should. As far as the agricultural profits tax is concerned, the reason lies in a kind of fiscal privilege extended to the rural population; as regards the other schedules, he says, the reason is to be found in an insufficiency of administrative control.

In connection with the question of assessments it is interesting to note the great proportion of tax revenue supplied by Paris; in proportion with the whole of France Paris yields 55 per cent. of the super-tax, 53 per cent. of the income tax in respect of wages and salaries, 44 per cent. of the income tax in respect of commercial and industrial profits, and 38 per cent. of the income tax in respect of profits of the liberal professions.

There are, too, many complaints as to the excessive taxation imposed on capital. All dividends pay 18 per cent. in income tax. But, in addition, every company is called upon to pay every year a so-called *taxe de transmission* representing 0.84 per cent. of the value of its capital, as shown by the average quotation of its bonds and shares during the past year. The tax is payable each year irrespective of whether any dividend is distributed or not. The reason why these incomes are so severely taxed by Parliament is because they can so easily elude the super-tax.

As was pointed out in a previous issue of THE ECONOMIC REVIEW, the high rates of exchange and the rising prices are liable to disturb to a certain extent the Budget equilibrium. But the Press lays special stress on the fact that revenue is estimated without undue optimism, chiefly on the basis of the actual returns of 1924. The revenue returns for the first quarter of this year were not very disappointing; on the contrary the figures were higher than the corresponding ones for last year, in particular those of indirect taxation.

It may also be noted that the Estimates for 1926 show a surplus of Fr.160 million.

TRADE

Franco-German Trade Relations.—In the April issue of the monthly review *La France Textile* an analysis is given by M. Pavlovsky of the conditions now ruling in the Franco-German trade in textiles, more especially as regards cotton goods. (For the wool industry see THE ECONOMIC REVIEW, April 16.)

In the conversations over the subject between the French and German delegates in connection with the commercial treaty negotiations the former are, in the opinion of the writer, in a much weaker position than their opponents. The Germans possess a new and highly protective tariff, while the French have to base their proposals on the old-fashioned tariff of 1892, which is by no means in keeping with present conditions. (It must be explained, however, that even the specific Customs duties have not been left as they were before the war, the general as well as the minimum tariff being subject since 1920 to multiplication by special co-efficients, which double, treble, and even quadruple the pre-war rates; but obviously, the franc being now at one-sixth of its pre-war value, the protection thus accorded to the home industries is much less effective). After the loss of Alsace and Lorraine, Germany began to increase her home production of textiles; but even this increased output was not sufficient to meet the home demand, notwithstanding the fact that the foreign demand for German textiles suffered a considerable falling off. The German manufacturers asked for protection against the influx of foreign imports, and the Government introduced new duties following mainly the pre-war gold tariff. For a tissue of the simplest quality these represent from 30 to 35 per cent. of the value of the merchandise. This measure forced up the prices on the German market up to 30 per cent. above the world prices. The high prices of tissues were against the interests of the manufacturers of ready-made clothing, who were not able to raise their prices in the same proportion. In the opinion of the *France Textile* this important branch of German industry (employing 1,300,000 workmen and 30,000 h.p in 1913) is a natural ally of the French exporting industry.

The Treaty of Versailles imposed a duty free yearly quota for textiles to be exported from Alsace-Lorraine to Germany until January 1925. Under this favourable treatment French exports of cotton goods to Germany have been very considerable (in tons):—

	Cotton yarns.	Cotton tissues.
1922 (monthly average) ...	8,520	10,220
1923 (during the German crisis)	2,180	3,220
1924	6,770	16,890
1925 January	3,335	20,118
February	1,576	3,351
March	1,769	2,510
April	2,135	2,555
May	2,422	2,907
June	2,292	2,643
July	2,146	3,260
August	2,250	3,720
September	2,387	4,334
October	3,119	5,693
November	1,283	1,926

It will be seen from the above that since the expiration of the favourable clause of the Treaty French exports suffered a considerable decrease. In the opinion of the writer this is due to the German protective duties. France, he insists, cannot be accused of being a protectionist country, because on an average the French Customs duties, for instance, represent no more than 3 per cent. of the value of the wool yarn and no more than 10 per cent. of that of the wool tissues. The proportion is almost the same for cotton goods. Meanwhile Great Britain is contemplating imposing 33 per cent. ad valorem duties on French textiles, and American duties are as high as 90 per cent. As for Germany, she has raised her duties for certain wares by more than 100 per cent. as compared with pre-war rates; and there is even a case (silk laces) in which the actual duty is tenfold the pre-war rate. The writer further insists upon the impossibility of Germany maintaining her high tariff and of France according the minima duties to German imports. It is very difficult to conciliate these two conditions, and that is why, concludes M. Pavlovsky, the Franco-German Commercial Treaty negotiations are so prolonged.

It may be pointed out that this question is a more difficult one in relation to textiles than to any other merchandise, because the textile industry in France is obliged to import foreign raw materials which are paid for in foreign currency; that is the reason why this branch of industry benefits to a much less extent than other industries from the depreciation of the franc, and why it already suffers from foreign, and especially German, competition. The advantages accruing from the payment of wages in a depreciated currency and from other factors creating the so-called "export premium" for French production are already counterbalanced in many branches by technical perfection and better business methods ruling in the German industry. Fears therefore exist as to the probable extent of German competition in the future when the franc will have been stabilised, and stronger Customs protection is therefore asked for. Notwithstanding all these difficulties textile production in France continues to increase, as shown by the following figures :—

1926	Average production of a spindle in cotton spinning.	Average production of a loom in cotton weaving.
Jan.	1,973 kg. (1,952 kg. delivered)	557 metres (578 m. delivered)
Feb.	2,009 kg. (1,995 ,, ,,)	561 ,, (552 ,, ,,)
Mar.	2,236 kg. (2,236 ,, ,,)	613 ,, (603 ,, ,,)

The Price Movement.—Figures are already available to show the movement of general prices in April. The general wholesale index number followed its upward line: January, 647; February, 649; March, 645; April, 664. The rise of prices in April was very considerable (19 points). This reflects the influence of the rate of foreign exchanges, which continues to advance (the average rate of the £ having moved from 136 in March to 144 in April). As usual, foodstuffs show a far more considerable advance than industrial products :—

	Food.	Industrial.
January	531	748
February	535	749
March	537	740
April	561	753

The index number of prices for imported foodstuffs shows a still greater advance, passing from 580 in March to 624 in April. As to retail prices, they followed the tendency of the wholesale prices, and rose in Paris from 480 in January to 495 in February, to 497 in March, and to 503 in April. The rise in the wholesale prices in April is not yet reflected in these index numbers, but will probable appear in next month's figures.

INDUSTRY

Coal Output in the Devastated Areas.—The output of coal in the Nord and Pas-de-Calais in March showed a further increase, thus testifying to continual progress in the reconstructed mines.

	March.	Increase as compared with February.
Coal	2,802,557 tons	320,124 tons
Briquettes	211,580 ,,	12,657 ,,
Coke	247,318 ,,	35,449 ,,

The daily output of coal works out at 103,798 tons. The progress achieved is shown by the following figures :

Average in 1913 ...	91,296 tons a day
January 1926 ...	102,625 ,, ,,
February ,, ...	103,476 ,, ,,
March ,, ...	103,798 ,, ,,

The March daily output is the highest ever reached in the Nord and Pas-de-Calais. It represents 113.6 per cent. of the pre-war output. (*Nord Industriel*, No. 18.)

The Iron and Steel Industry in March.—On March 31 there were 147 blast furnaces in operation (against 146 on February 28); 29 furnaces were ready to work and 44 in course of construction or undergoing repairs. The March output, compared with that of the two previous months, works out as follows (in thousands of tons) :—

	Thomas-Gilchrist pig.	Foundry iron.	Conversion pig.	Special iron.	Bessemer pig.	Total pig iron.
January ...	563	146	35	18	1	763
February ...	524	138	28	15	2	707
March ...	580	136	29	24	3	772

The average daily output of pig iron works out at 24,500 tons in January, 25,200 tons in February, and 25,740 tons in March, thus showing a steady increase.

The production of crude steel has increased on a still larger scale (in thousands of tons) :—

	Thomas-Gilchrist steel.	Open hearth steel.	Electric steel.	Bessemer steel.	Crucible cast steel.	Total crude steel.
January ...	449	200	7	4	1	661
February ...	435	183	6	5	1	630
March ...	497	215	6	6	1	725

The average daily output of crude steel shows a steady increase from 21,300 tons in January to 22,500 tons in February and to 24,190 tons in March.

GERMANY

POLITICAL AND GENERAL

The Russo-German Negotiations.—Negotiations between the German Government and the Union of Socialist Soviet Republics have recently been announced from London as somewhat of a sensation. Dr. Hans von Eckhardt, writing in *Wirtschaftsdienst*, considers this attitude quite uncalled for, as the necessity for Russo-German consultations in regard to the inevitable consequences of the German Locarno policy appears obvious from the point of view of both countries. Since Rapallo the two States have been on friendly terms and the economic agreements of October 10, 1925, have served to strengthen the relations between them. It was therefore necessary to assure Moscow that German policy towards Russia would remain unchanged even in the event of Germany becoming a member of the League. Chicherin was particularly in need of such a declaration because §16 of the Statutes of the League was likely to arouse in the Soviet Union the fear that Germany might allow herself to be used against Russia by the League. This could never be, as German and Russian interests are in many respects to such an extent identical that no anti-Russian combination could ever count on German support. In order to announce this fact boldly and frankly in the general interest, a Russo-German neutrality agreement seemed highly desirable, especially as nobody's interest could be prejudiced by it, and it would merely constitute a further step towards general peace.

The news that the Russo-Lithuanian Guarantee and Neutrality Agreement is as good as concluded should be received in the same spirit. The treaty is said to include territorial guarantees, engagements for mutual neutrality, and an embargo against participation in other coalitions. In addition to this, trade and transit questions are said to be regulated and Memel is reported to be given a monopoly of Russian transit trade together with a series of privileges. This would lend an entirely different aspect to the present vague situation in Eastern Europe. A Lithuanian-Russian understanding would not be without effect on the attitude of Estonia and Latvia, and the plan of a Union of Baltic States, propagated particularly from Reval, would come to nothing. Estonia and Latvia would have to consider whether the nature of their economic interests did not also point to an agreement with Russia. The Moscow proposal to conclude guarantee treaties might perhaps fall on more willing ears in Riga, Reval and Helsingfors than the wooing of Poland. However this may be, the cause of economic peace would be well served by a Russo-Lithuanian agreement. In view of the fact that Lithuania is closely linked both commercially and politically with Germany and in many ways is dependent on German goods and German markets, Germany cannot fail to rejoice over this development. Present and future Russian trade is so extensive and complex that Germany need not fear competition, and a simplification of transit via Memel and through Lithuania, and the establishment of closer relations between this neighbour of Germany's and Russia assorts well with German interests. This is particularly the case in view of the fact that Lithuania has recently expressed willingness to ratify the German-Lithuanian trade treaty of 1923, which she has hesitated to do for nearly three years.

Under such circumstances recent developments afford equal cause for satisfaction in Germany and in Moscow, and it is moreover gratifying that the Soviet Republics, so soon after their refusal to take part in the Disarmament Conference, should have given so plain a proof of pacific intentions. The English Government recently expressed itself against the granting of credits to Soviet Russian undertakings, with the result that a negative attitude was also adopted in New York, so that the proposal of the German big banks to afford credits to the Soviet Government received no support in that quarter. Germany alone is not in a position to guarantee Russian credit requirements to the necessary extent. The position is such that Russia can only be set on her feet by the aid of the Anglo-Saxon financial resources in conjunction with German labour. Germany, therefore, would welcome improved relations between Russia and the world powers. There can be no question of commercial jealousy in regard to Eastern Europe where Germany is concerned. On the contrary, the sooner the crushed powerless East can be reinstated, the better for all States and economic forces holding interests in Eastern Europe. From which it follows that every kind of tightening of German-Russian relations is to the interest of Europe as a whole and of the economic development of the world.

FINANCE

Reich Revenue Returns for March.—According to a recently published survey of the position of the Central Reich Treasury, the March receipts amounted to R.Mk.451.57 million, while the corresponding expenditure totalled R.Mk.690.34 million, representing a deficit of R.Mk.238.77 million (in February R.Mk.35.13 million) for the month. Since the outset of the financial year in April 1925, revenue has amounted to R.Mk.7,178.27 million and expenditure to 7,641 million, so that the financial year closes with a deficit of R.Mk. 462.73 million. The floating debt amounted on March 31, 1926, to R.Mk.70.84 million. The March receipts mentioned above include R.Mk.138.4 million returned by the Commissary for Mortgaged Revenue from the month of February. The mortgaged Customs falling due in March amounting to R.Mk.161.7 million have not yet reached the Reich Treasury and have been deducted from the total revenue. (*Hamburger Fremdenblatt*, April 23.)

According to the *Deutsche Allgemeine Zeitung* (April 20) Reich revenue from taxes and duties amounted in March to R.Mk.442,934,472 as compared with R.Mk. 466,701,746 in February. Returns from the ownership and transport tax have greatly decreased, from R.Mk.319 million in February to R.Mk.270.6 million in March. Receipts from mortgaged Customs and consumption duties have increased from R.Mk.138.5 million to R.Mk.161.7 million, and other consumption duties from R.Mk.9.1 million to R.Mk.10.4 million. While revenue from taxes has decreased by about R.Mk.48.5 million as compared with the previous month, returns from Customs and consumption duties have risen by about R.Mk.24.5 million so that a minimum decrease of R.Mk.24 million has occurred.

INDUSTRY

Franco-German Potash Agreement.—Final negotiations, resumed in Lugano on April 8 between the delegates of the German Potash Syndicate and the representatives of the Société Commerciale des Mines de Potasse, led on April 10 to a decision to convert the present provisional agreement into a long-term contract on a firm basis. Germany will continue to be reserved to the German Potash Syndicate and France and the French colonies to the Société Commerciale. Deliveries are to be distributed between the two groups in accordance with the growing foreign demand. In regard to the United States no change in the agreement is to be made for the present. Economic activity and sales organisation will be developed in all countries according to mutual requirements. The most important feature of the new contract which, it is reported, will come into force on May 1 for a period of not less than seven years, is its protracted duration, which will put an end to the prevailing uncertainty of conditions. An important development of the potash industry in the interests of the two countries concerned as well as of consumers throughout the world is expected to result from this agreement. (*Kölnische Zeitung*, April 11; *Frankfurter Zeitung*, April 12; *Deutsche Allgemeine Zeitung*, April 13.)

The *Berliner Tageblatt* publishes the following details of the Franco-German Potash Agreement. Outside German and French territory (including colonies, protectorates, and territories under mandate) the total volume of annual sales is fixed at 840,000 tons of pure potash, 70 per cent. of which is covered by the German Potash Syndicate and 30 per cent. by the Société Commerciale des Potasses d'Alsace. If the effective sales of the two participants only amount to 825,000 tons of pure potash, a special delivery of 3,000 tons will be credited to the Société Commerciale and the remainder up to 840,000 tons will be distributed according to the schedule. Any excess over and above the 840,000 tons of pure potash will be delivered half to the credit of the German Potash Syndicate and half to the credit of the Société Commerciale. If in the first four years of the agreement total foreign sales of 840,000 tons are not attained, the Société Commerciale will receive in the fifth year a preference delivery of 8,000 tons minus the 3,000 tons mentioned above. If in the fifth year the total of foreign sales does not reach 840,000 tons, the excess over and above the maximum reached previous to that date will be divided between the participants, 50 per cent. going to each. Thus if the maximum foreign sales effected in the first four years were 700,000 tons and in the fifth year 800,000 tons, the difference of 100,000 tons would be delivered, 50,000 tons for the credit of the Alsatian and 50,000 tons for the credit of the German potash industry. The duration of the agreement will be fixed for the present at ten years, but may be dissolved after seven years subject to one year's notice. (*Hamburger Fremdenblatt*, April 17.)

The Dye Industry.—In pre-war times German foreign trade in dyes and dyestuffs attained very considerable proportions, as it participated in the world's dye trade directly to the extent of 75 per cent. and indirectly through foreign producers in co-operation with German firms to the extent of 13 per cent. The total export of dyes amounted in 1913 to about 2.62 million d.ctr. of a value of Mk.298 million. The dye exports consisted of 41.6 per cent. of aniline sulphur, alizarin and indigo dyes, and 50 per cent. of the total dye exports went to England, the United States, China, Austria-Hungary and Japan.

Since the war far-reaching changes, which went hand in hand with the endeavour to build up national industries, have occurred in the chemical industry of the world. This particular industry is recognised as being equally important in peace and war, and no cost or trouble is therefore spared in its development in the individual countries. The compulsory deliveries of chemical products, particularly of dyestuffs, imposed upon Germany are intended to tide over the time which must elapse before independence of German import is established, wherever this is not, as in the case of the United States, already achieved. It is therefore interesting to observe the development of the German dye industry since the signing of the Peace Treaty as compared with the position in 1913 and its proportion in regard to the balance of foreign trade (in millions of d.ctrs.) :—

	Export.	Percentage of 1913.	Proportion of tar-sulphur dyes and indigo.	Percentage of total exports.	Imports.
1913 ...	2.61	100.0	1.08	41.6	0.75
1920 ...	1.01	38.8	0.27	27.4	0.11
1922 ...	1.52	58.3	0.52	34.5	0.083
1923 ...	1.21	46.2	0.33	27.7	0.07
1924 ...	1.03	39.6	0.27	26.7	0.12
1925 ...	1.38	53.0	0.34	24.0	0.35

Compulsory deliveries, foreign competition, coupled with commercial-political measures, inflation and foreign encroachment upon Germany's economic existence have left their mark all too plainly on the balance of the German dye trade, so that the present result stands at little over one-half of the 1913 figure. Even this shows considerable improvement as compared with the preceding years. The distribution of exports among the former chief purchasers is particularly significant. In spite of the increase of the total exports the export of tar and sulphur dyes is scarcely one-third of the 1913 result, and has relatively fallen off during the last three years. The following table shows the redistribution of foreign participation (in d.ctrs.) :—

	1913.	1922.	1923.	1924.	1925.
England ...	456,495	84,995	92,997	57,426	160,221
United States	299,926	142,775	93,397	56,231	78,405
China ...	298,107	197,317	115,862	109,948	141,175
Japan ...	51,037	50,088	45,999	17,024	22,073
Austria-Hungary	200,951	79,313	53,951	15,288	19,405
Percentage	49.9	36.2	33.1	24.7	30.3

Last year the former chief importing countries only participated in Germany's total export to the extent of 30.3 per cent. This is due in the first place to the loss of the Austrian and United States markets. The first is political, the second an economic phenomenon. The latter is connected chiefly with the development of the American chemical industry in general and that of the dye industry in particular. The United States, which in 1914 was only able to cover 5 per cent. of the home demand, in 1924 with 87 factories produced 343,400 d.ctr. of dyes, which satisfied about 90 per cent. of home requirements. American competition has also had a marked effect on Germany's market in Eastern Asia and Japan.

It is nevertheless believed in American circles that the German chemical industry will recover its position in the world market, and various signs of this movement have been noted. In the first place the establishment of the I.G. Farbenindustrie A.G., and in relation to this the business connections brought about between H. Metz & Co. and the General Dyestuff Corporation, the Consolidated Chemical Company, and the Dyestuff Chemical Company, and further the nomination of B. Ludwigs, the importer of the firm of Leopold Casella and Co. controlled by the Dye Trust, as vice-president of the General Dyestuffs Corporation. In addition to this there is the creation of the Canadian Dyestuffs Corporation in Montreal, to which all important Canadian dye importers belong. The latter have acquired the sole right to import German dyes, and are therefore considered by the Americans as an affiliated company of the German Dye Trust. The establishment of the Teerfarben A.G. in Zurich is also looked upon as an added support to German industry.

Syndicate Extensions.—The contract of the Pig Iron Union will run for four years after the end of 1926 unless a written objection is lodged before July 1. Objections are expected, but negotiations are pending for the renewal or extension of the agreement. The Pig Iron Union is the most firmly established organisation of its kind in the great industries, and in contrast to the other large sales syndicates has come very well through the post-war and inflation period. It is not possible to predict the course of the negotiations, but a keen struggle may be expected over the quota question, which is rendered more acute by the peculiar structure of the Union. The Pig Iron Union is a sales syndicate which only concerns itself with that part of the pig iron production coming on to the market which is the output of its own members. There is also a quota rate fixed for the iron worked up at the individual works, but it is very high, and there are no restrictions as in steel production, so that no practical limitations are imposed on the works. The sales quotas are, however, very low in some cases in proportion to the total output, as shown in the following table :—

	Tons.	Percentage
August Thyssen	52,652	9.283
Bochumer Verein	7,205	1.270
Dt. Luxembourg	35,667	6.288
Gelsenkirchen	65,545	11.556
Rombach (Concordia and Westph. Steelworks)	5,083	0.896
Hötsch	324	0.057
Niederrhein Hütte	2,100	3.702
North German Foundry	27,546	4.856
Westphalian Ironworks	6,516	1.149
Eschweiler Bergw. Ver.	9,901	1.746
Klöckner	26,732	4.713
Gute Hoffnungs Hütte	7,145	1.260
Haigerer Hütte	5,824	1.027
Henrichshutte Niederschelden ...	19,800	3.491
Hesse-Nassau Hüttenverein ...	2,408	0.425
Hochofenwerk Lübeck (Rolandshütte, Hütte Kraft, Herrenwyk)	68,941	12.154
Jlseder Hütte	906	0.160
Krupp	15,754	2.741
Mathildenhütte	6,200	1.093
Phoenix (v. d. Zpyen)	24,852	4.381
Rheinstahl	7,030	1.239
Stahlwerk Becker	19,859	3.501
East German Pig-Iron Syndicate...	34,553	6.092
Charlottenhütte	21,786	3.841
Siegener Eisenhütte	8,058	1.421
Friedrichshütte	8,804	1.552
Alte Herdorfer Hütte	2,050	0.361
Birlenbacher Hütte	2,750	0.485
Grünebacher Hütte	1,750	0.309
Niederdreisbacher Hütte	1,975	0.348
Geisweider Eisenwerke	2,597	0.458
Peipers & Co.	3,075	6.542
Storch und Schöneberg	10,819	1.907
Kölsch-Fölscherwerks	3,408	0.601
Kupferhütte Duisburg	19,785	3.488
Total	567,213	100.000

These quotas are valid for the whole of 1926. It will easily be seen that several of the larger works have a relatively small participation in the sales, for instance the Hoeschwerke and the Bochumer Verein. These works have hitherto worked up the greater part of their own output and had no particular interest in the pig iron market. In consequence of the depression in the iron industry, however, the necessity of selling pig iron instead of working it up has naturally grown stronger, and this will doubtless lead to discussions in the forthcoming negotiations. Similar conditions have now arisen within the Coal Syndicate, where owing to the decreased demand from many foundries in the iron industry, the formerly popular consumption quota would be gladly surrendered against a corresponding increase in the sales quotas. As works with a very small share would not have much to fear from a free market this plan is likely to meet with encouragement in many cases. (*Frankfurter Zeitung*, April 3.)

The Upper Silesian Hard Coal Syndicate which expired at the end of March has now been prolonged for a further year, i.e. till March 31, 1927, under the compulsory amalgamation of the mining company Georg von Giesches Erben, the Oehringen Bergbau A.Gc. and the Gewerkschaft Castellengo, ordered by the Reich Ministry of Economics. Already last year considerable difficulty was experienced in renewing the Syndicate, chiefly owing to differences regarding participation quotas in the syndicate sales. The tedious negotiations which then ensued finally ended in an agreement between the individal managements of the Upper Silesian hard coal mines, cokeworks and briquette factories, with the exception of Georg von Giesches Erben, whose mining interests in Western Upper Silesia are limited to the Beuthen Heinitz pit. Last year the Reich Ministry of Economics ordered the provisional extension of the Syndicate till May 15, 1925, in order to allow the Heinitz mine to come to a belated agreement. As no movement of this kind had been made by May 15, however, the mine in question was compulsorily amalgamated with the Syndicate by order of the Ministry. Apparently the quota question was once more at the root of the trouble which this year hindered the three companies from agreeing voluntarily to the extension of the Syndicate. (*Ibid.*, April 9.)

Bankruptcies in the Textile Industry.—The German textile industry and trade have the unhappy distinction of occupying first place among all branches of industry in regard to bankruptcies. During the past quarter the total number of firms in financial difficulties shows a further large increase. According to the estimates of the *Textilzeitung*, textile bankruptcies represent 28 per cent., and textile firms under supervisions 28.6 per cent. of the total figures, while in 1925 the proportion was 25 per cent. The number of bankruptcies and supervisions as a whole has decreased considerably in Germany from January to February and from February to March. This movement has been followed in the textile industry only in the case of bankruptcies, while firms under supervision have on the contrary increased. Thus textile bankruptcies amounted in January to 609, in February to 545 and in March to 501, while textile firms under supervision rose from 425 in January to 446 in February and 450 in March. Within the textile industry, the retail trade still suffers most severely. The wholesale trade and industry, however, have been involved to an increasing extent during recent months. The following table gives details of the distribution of bankruptcies and firms under supervision in the textile industry :—

	Industry.	Wholesale trade.	Retail trade.	Total.
	Bankruptcies.			
First quarter, 1926 ...	264	191	1,200	1,655
Fourth quarter, 1925 ...	182	95	749	1,026
	Supervisions.			
First quarter, 1926 ...	246	146	899	1,321
Fourth quarter, 1925 ...	133	74	501	708

(*Kölnische Zeitung*, April 7.)

AGRICULTURE

Condition of the Reich Crops.—The weather conditions during the winter 1925–26 have not had too unfavourable an effect on the crops as a whole. Severe cold prevailed only from the end of November to the middle of December and in the second half of January, in each case attended by copious snowfalls. Apart from this, the weather during the winter months was chiefly mild and showery, except in the latter part of March, when a dry period was accompanied by cold winds which caused several night frosts. Opinions as to the state of the crops vary, but for the most part the autumn crops seem to have stood the winter well. Their development is generally described as satisfactory, except for the late sown crops, which were too weak when the winter set in. Damage consequent on winter climatic conditions does not seem to have occurred to any great extent, but much harm has been done by floods and by mice and snails. Spring sowing has been started everywhere, where the state of the ground permitted. On the basis of the figures 2 = good, 3 = medium, 4 = poor, the following is the estimate of the average state of the Reich crops : Winter wheat, 2.8 (April 1925, 2.6) ; winter spelt, 2.6 (2.7) ; winter rye, 2.8 (2.5) ; winter barley, 2.7 (2.6). (*Deutsche Allgemeine Zeitung*, April 13.)

COMMUNICATIONS

Report of the Hamburg-America Line.—The long-expected annual report of the Hamburg–America Line has at length been published, and according to the *Deutsche Allgemeine Zeitung* (April 15) it is so scanty that no trustworthy impression of the position of the company can be gleaned from it. The total gross profits are summarily shown as R.Mk.16.302 millions as compared with R.Mk.7.96 million last year. Whereas the 1924 gross surplus of R.Mk.7.652 million was for the most part absorbed by taxes, social demands and costs, and no writing off on the fleet could be effected, in the profit and loss account for 1925, after deduction of taxes and social demands which have been reduced to R.Mk.7.015 million, in addition to R.Mk. 0.099 million for interest on loans, a net profit of R.Mk. 9.38 remained. No writing off has been accounted for in this sum, and as it is intended to write off R.Mk.7.95 million on ships and tugs, R.Mk.0.596 million on land, buildings and plant, and R.Mk.0.663 million on participation and securities, after deducting a further R.Mk. 0.03 million for the endowment of the land purchase tax reserve account, a sum of R.Mk.0.139 million remains to be carried over to the new account.

The *Deutsche Allgemeine Zeitung* points out that without belittling the improvement in the company's results as compared with last year, the proportion of writing off cannot be described as above the normal. Taking the registered value of the fleet at R.Mk.91.4 million, the writing off quota works out at 8.7 per cent. In 1913 R.Mk.30 million was written off by the Company on a registered value of ships of R.Mk.254.6 million, representing 12 per cent., while the 1925 writing off of the Norddeutscher Lloyd amounted to R.Mk.11,128 million on a fleet of an estimated value of R.Mk.131.3 million, or 8.5 per cent. In 1913 the gross profits of the Hapag, amounting to Mk.68 million, were four times as large as the 1925 result, and after a greater deduction for writing off a 10 per cent. dividend was distributed on Mk.150,000 of share capital. This comparison is not intended to depreciate the energetic reconstruction activities of the German shipping companies, but to counteract the numerous erroneous representations which are being circulated, suggesting that Germany has almost regained her pre-war economic strength.

The balance sheet of December 31, 1925, shows an increase compared with the previous year in the number of ships (inclusive of new construction), river steamers, tugs, lighters and special craft from R.Mk.76.4 million to R.Mk.91.4 million (264.1 million in 1913). This increase is chiefly accounted for by the delivery of the new motor-ship "Friesland," 6,252 g.r.t., the "Hamburg," 21,000 g.r.t., the "Cobra," 21,000 g.r.t., and the "New York," 21,000 g.r.t. As apart from this the sales and scrapping of vessels were greater than the purchases, and a lighter as well as the steamer "Arabia" were lost in March 1925, the total tonnage of the fleet was only increased by 7,000 g.r.t., from 449,337 to 456,554 g.r.t.

The *Hamburger Fremdenblatt* (April 10), in discussing the balance-sheet of the Hamburg–American Line, points out that the Norddeutscher Lloyd with an approximately equal capital (R.Mk.53,625,000) has written off R.Mk.2.7 million more than the former, and further complains that nothing is said in the report in regard to transactions pending. In spite of very lengthy negotiations nothing is yet known as to the fate of the Harriman concern, but in the latest notifications of sailings the United American Line steamers "Reliance" and "Resolute" are shown under the ownership of the Hamburg–American Line alone, whereas they have hitherto always been announced as in the joint ownership of the United American Line and the Hapag. The result of the negotiations between the Hamburg–America Line and the Norddeutscher Lloyd is awaited with as much interest as that of the Hapag–Harriman transactions, says the *Hamburger Fremdenblatt*, and it considers that the policy of silence in this connection is quite uncalled for.

HUNGARY

POLITICAL AND GENERAL

Twenty-third Report of the Commissioner General.—It is probable that in a few months Mr. Jeremiah Smith, Commissioner General of the League of Nations for Hungary, will relinquish his important office. In his current (twenty-third) Report Mr. Smith makes certain preparations for his departure by reviewing the development of Hungary's national finances, expressing his pleasure over the happy and satisfactory course they have taken. A more interesting feature of the Report is, perhaps, the stress that is laid not only on the full success of the work of reconstruction but also on the revival of national self-confidence. The numerous statistics that are submitted demonstrate very clearly that in every branch of her economic activity Hungary is in a far better position to-day than a year or so ago. The railway returns, postal traffic, coal consumption, the demand for raw materials in general, the decline in the number of unemployed, not to mention the increased tributary capacity, all testify to the real improvement that has been accomplished. Against this the large number of insolvencies signifies but little, since the failures are mainly of mushroom firms that sprang into being after the war and which were really superfluous. These insolvencies are, in fact, one expression of the process of sanitation. The Report itself is summarised hereby.

Mr. Jeremiah Smith gives the following analysis of the main sources of national income in relation to the entire revenue from the financial year 1923–24 to the end of the first half of the year 1925–26. The State naturally draws revenue from sources other than those mentioned in the table; but such receipts are of no particular importance and do not influence the Budget.

Sources of National Revenue (in percentages of total revenue).

	1923–24.	1924–25. 1st half-year.	1924–25. 2nd half-year.	1925–26. 1st half-year.
Direct taxes ...	14.2	14.4	15.5	25.1
Turnover taxes ...	36.5	27.6	25.5	18.9
Fees and dues ...	16.6	10.6	12.2	9.6
Consumption taxes	9.6	8.3	10.2	12.4
Customs	8.3	20.4	20.3	15.3
Salt monopoly (net)	1.6	3.6	2.3	2.9
Tobacco monopoly (gross)	13.2	15.1	14.0	15.8

The striking feature of these figures is the steady percentual increase in the importance of the direct taxes and the constant decline in the share of the turnover taxes. The augmentation of the direct taxes may be partly attributed to the improvement in the general conditions and partly to the progress made in the administration and in the collection of taxes, whilst the decline in the turnover taxes is at least partially due to the reduction from 3 per cent. to 2 per cent. in the tributary rate. The general result indicates a tendency in the desired direction. In regard to the movements of Customs receipts since 1923–24 it is pointed out that a rigorous system of import prohibition, import licences and contingents was in force, which was repealed in 1924–25, a tariff with high rates being substituted. This tariff is in turn being modified by reason of the conclusion of commercial agreements, and it is probable that the percentual quota of Customs will under normal conditions not exceed the figure for the first half-year of 1925–26. During the first half the financial year 1925–26 the yield of the sources of revenue above mentioned was as follows (in millions of gold kronen): direct taxes = 83.4; turnover taxes = 63.1; fees and dues, etc. = 31.8; consumption taxes = 41.3; Customs = 50.9; salt monopoly (net) = 9.9; tobacco monopoly (gross) = 52.7. The rise in the yield of direct taxes is the more striking when it is recalled that for the whole of the financial year 1924 the receipts from this quarter amounted to only Kr.93.1 (gold) mill., or but a round Kr.10 mill. more than in the first half of the current budget year.

The figures given hereby show the results of the Treasury accounts for the third quarter of the current financial year, the figures of the receipts being the sums actually collected, whilst those of expenditure are from the monthly estimates, corresponding very closely to the actual returns (in millions of gold kronen):—

Third quarter 1925–26.	Revenue.	Expenditure.	Surplus.
January	56.8	55.7	1.1
February	60.1	58.1	2.0
March	50.9	48.2	2.7
Total	167.8	162.0	5.8

The last quarter of the year does not belong to the favourable periods in respect to revenue and it is therefore doubtful whether it will close with a surplus. The sums received in March from the revenue pledged as security for the Reconstruction Loan were, in comparison with the amounts received from similar sources in the preceding month and in March 1925, as follows (in millions of paper kronen):—

Pledged Revenue.	February 1926.	March 1926.	March 1925.
Customs	121,283	147,488	128,483
Tobacco monopoly	111,163	130,952	107,460
Sugar duty	43,844	25,019	45,031
Salt monopoly...	18,743	13,014	13,060
Total	295,033	316,473	294,034

Converted into gold on the basis of the multiplicator of 14,500 the pledged receipts in March represent Kr.28.8 mill. (gold), as against Kr.20.3 mill. (gold) in the preceding month, and Kr.20 mill. (gold) in March 1925. In addition to the above mentioned sum Customs received in specie the equivalent of Kr.3,935 (gold). The Customs receipts for March are the highest since the beginning of the current financial year. The fall in the yield of the sugar duty was due to the fact that sugar purchases were reserved in expectation of a reduction in the duty.

The gross receipts from all sources in March were as shown below, as compared with March 1925 (in milliards of paper kronen):—

	March 1926.	March 1925.	Difference.
Pledged receipts	316.4	294.00	+ 22.4
Other receipts	422.0	472.70	— 50.7
Total	738.4	766.70	— 28.3

Converted into gold value the total gross revenue in March amounted to Kr.50.9 mill. (gold), showing an actual surplus of Kr.2.7 mill. (gold), as against the estimated figure for this month of Kr.48.2 mill. (gold) representing a surplus of but Kr.66,781 (gold).

The Preliminary Estimates for the month of April provide for a gross expenditure of Kr.48,230,784 (gold) and a gross revenue of Kr.48,607,747 (gold); surplus = Kr.376,963 (gold). In addition to the ordinary current expenditure the above figure for gross expenditure includes the amounts due in April to the various States in respect to the service of the national pre-war debt in accordance with the terms of the ratified Innsbruck Agreement. The estimates of the Reconstruction Programme for the month of April last provided for expenditure at Kr.34,125,000 (gold) and revenue at Kr.30,825,000, the deficit being Kr.3.3 mill. (gold). The Preliminary Estimates for this month thus provide for an increase of Kr.8,739,605 in expenditure and of Kr.12,416,963 in revenue, as compared with the Reconstruction Programme, or a resultant improvement of Kr.3,676,963 (gold).

Reviewing the financial situation the Report points out that the successive increases in the gold stock of the National Bank made further progress in March. The stock of noble metal was augmented in February by the equivalent of 200 milliard paper kronen and in March by a further 100 milliards, so that the effective note circulation at the end of March was covered by gold by more than 22 per cent. On the other hand, there was a further seasonal drop in foreign bills, without affecting the general cover of notes which rose from 56 per cent. to 57.6 per cent. during the month. This improvement in cover is explained by the fact that the effective note circulation touched the lowest level since July 1925, and also by the increase in private deposits. At the end of March 1926 the effective note circulation stood at a round 500 milliards, or about 11 per cent. more than at March 31, 1925, and about 8½ per cent. lower than the highest point touched at the end of last year. There was a decline in the discounting and credit business, which was still, however, some 200 milliards above the level reached a year ago.

Referring to the general depression that has prevailed throughout Central Europe during the past few months Mr. Jeremiah Smith states that Hungary has not been able entirely to escape this influence, although, being mainly an agricultural country, she has not felt the effects so severely as many of the more industrial countries. Nevertheless, it appears that the prevailing conditions have induced some of the Hungarian banks, the chief money-lenders, to adopt a more cautious and reserved attitude. Although the Bank rate has been at 7 per cent. it has not been possible to discount even first-class commercial bills under 10 per cent. on the open market. In the provinces a higher rate has been demanded. Under the present circumstances there appears the curious anomaly of a high rate of interest at the moment of monetary liquidity. It is true that during the last few months the number of insolvencies in Hungary has been high, that the Bourse has been feeble, and that the yield of the turnover taxes in February, even taking into consideration the modification of 33.3 per cent., was 14 per cent. lower than in the corresponding month a year ago. Despite these facts, a general survey of all available statistics does not warrant the supposition that there is a serious or prolonged economic depression in the country. In February 1926, for instance, the goods traffic on the railways exceeded the figure for February 1925 by 21 per cent., although the general situation a year ago in relation to the season cannot be denoted as unfavourable; the coal consumption has similarly improved by 13 per cent.; the postal traffic (including parcel post) by nearly 12 per cent.; and the consumption taxes yielded practically the same amount. The aggregate value of imports and exports was 15 per cent. higher in February last than in February 1925, and the unemployment figure has dropped 20 per cent. In short, the economic situation of the country is certainly not unsatisfactory, and hopes are now entertained that the large financial houses will place greater confidence in the prevailing conditions. The publication of the "gold balance sheets" should have a beneficial effect in this direction, since they will provide a firmer basis for granting credits.

With reference to the foreign debt the Report recalls that the Innsbruck Protocol of June 23, 1923, for the regulation of the various pre-war obligations of Hungary and Austria on the initiative of the Reparations Commission fixed, in conjunction with the Prague Agreement of November 6, 1925, the service of the different debts and also provided for the creation of a special organ, the *Caisse Commune des Porteurs Etrangers des Dettes Publiques Autrichiennes et Hongroises*, to receive the payments of the said debts and to distribute them among the accounts of the different holders. The Innsbruck Agreement has now been ratified by all the interested Powers and the *Caisse Commune* has accordingly commenced to collect the payments due. The Hungarian debts embraced by this Agreement include the Four Per Cent. Gold Revenue Loan, the Four Per Cent. Loan of 1910, the Four-and-a-half Per Cent. Revenue Loan of 1913, the Redemption Loan of 1914, and the "Steg" Obligations. The Budget for the year 1925–26 provided for the amount of Kr.12,880,000 (gold) in respect to the Hungarian obligations and also for the cover of this amount. Owing to the delay in the ratification of the Innsbruck Agreement the sum to this account in the current financial year is now about Kr.7.7 mill. (gold), whilst the Estimates for the year 1926–27 provide Kr.14,590,000 (gold) for the service of the debt.

The provisional figures of Hungary's foreign trade in February last have now been issued and show an adverse balance of Kr.12.4 mill. (gold), as compared with a favourable balance of Kr.0.1 mill. (gold) in January 1926 and an adverse balance of Kr.18.9 mill. (gold) in February 1925. The figures of the value of imports and exports in January and February 1925 and 1926, together with the respective balances are as follows (in millions of gold kronen):—

	1925.			1926.		
	Imports.	Exports.	Balance.	Imports.	Exports.	Balance.
January	63.4	35.2	— 28.2	53.3	53.4	+ 0.1
February	58.8	39.9	— 18.9	62.7	50.3	— 12.4
Total	122.2	75.1	— 47.1	116.0	103.7	— 12.3

The rise in imports in February 1926 as compared with the preceding month and also with February 1925 was largely due to the heavy purchases abroad of future supplies for the tobacco monopoly, amounting in all to about Kr.6 mill. (gold). Most of the other commodities that were imported in any appreciable quantities were semi-manufactures for completion of manufacture in Hungary, or goods such as machinery, electrical apparatus, seed, etc., for productive purposes. The increase in the importation of luxury articles was very slight. Despite the drop in value as compared with January, exports continued to show a tendency to improve in comparison with the figures of a year ago, the main increases being in cattle for slaughter, other live-stock, eggs (which represented a value of Kr.4.8 mill. (gold) and occupied the third position in the list of exports), animal fats, fresh and cooked meat, poultry and raw hides. There was also a rise in the exportation of wheat and maize, whilst flour, the principal item in exports, remained at practically the same value as in February 1925. The volume of rye exported was also about the same as a year ago, but owing to a sharp drop in price the value registered in February 1926 was about half of that of February 1925. The prices of wheat, flour, maize and sugar have also fallen but not to the extent of the price of rye.

The price index number published by the *Pester Lloyd* shows that prices as at March 31, 1926, touched the lowest level since the beginning of the Reconstruction process. The index number of the Hungarian Statistical Bureau for wholesale prices was 17,588, this being also the lowest record. On a gold basis the index was 1.23 in relation to the pre-war figure of 1.

The number of unemployed belonging to the Social Democratic Trade Unions was 28,818 as at March 31, 1926, as against 29,135 at the end of February 1926 and 36,873 at the end of March 1925.

The number of insolvencies since the beginning of the present year is as follows :—

1926.	Bankruptcies.	Compulsory arrangements for the benefit of creditors.	Total No. of cases.
January	67	292	359
February	67	280	347
March	51	227	278
Total 1st quarter	185	799	984

The deposit and current account items increased from Kr.455.2 mill. (gold) at the end of February to Kr.462.3 mill. (gold) at the end of March. The crop prospects remain favourable. (*Pester Lloyd*, April 29.)

FINANCE

International Loan Statement of March 31.—In Appendix 2 of the Twenty-third Report of the Commissioner General of the League of Nations for Hungary the situation of the International Loan account is shown as at the end of the first quarter of the present year. We reproduce hereby the copy as published in the *Pester Lloyd* under date April 29 last.

International Loan Account, March 31, 1926.

Creditor country.	Total loan. (in original currency).	Total loan (in gold kronen at rate of exchange on June 26, 1924).	Total loan (in gold kronen at rate of exchange on March 31, 1926).
Great Britain ...	£6,480,214	138,352,568.90	155,525,136.00
United States ...	$6,000,000	29,610,000.00	29,610,000.00
Italy ...	L.147,560,000	31,449,275.36	29,305,416.00
Switzerland ...	Fr.24,900,000	21,742,680.00	23,674,920.00
Sweden ...	Kr.3,782,625	4,943,890.87	5,008,195.50
Czechoslovakia	C.Kr.69,195,550	10,049,855.00	10,116,389.41
Holland... ...	Fl.4,150,000	7,681,650.00	8,212,850.00
Hungary ...	$2,021,000	9,973,635.00	9,973,635.00
Total ...	—	253,803,555.13	271,426,541.91

Creditor country.	Amounts released (in original currency).	Amounts (in gold kronen at rate of exchange on date of release).	Balance of account as at March 31, 1926 (in gold kronen).
Gt. Britain	£3,348,213 19s. 11d.	73,320,047.85	75,168,000.24
United States ...	$3,743,982.02	18,476,551.26	11,133,447.74
Italy ...	L.89,576,053.59	19,354,851.24	11,614,601.94
Switzerland	Fr.16,881,790	15,757,647.99	7,638,153.48
Sweden	Kr.3,014,965.53	3,962,147.14	1,011,231.71
Czecho-slovakia	C.Kr.69,195,550	10,175,263.44	—
Holland...	Fl.2,650,474.98	5,111,043.04	2,934,575.68
Hungary ...	$2,021,000	9,973,635.00	—
Total ...	—	156,131,186.96	*109,500,910.70
Supplementary; Kr.295,936,922,696 (Hungarian) (at rate of exchange = 14,481 on March 31, 1926)			20,436,221.44
£377,344 3s. 9d. (exchange = 24.000) ...			9,056,260.68
$917,320 (exchange = 4.935)			4,526,974.20
Fr.1,954,100 (Swiss—exchange = 0.9508)			1,857,958.28
Fl.240,216 (exchange = 1.979)			475,387.46
Total balance available...			145,852,812.85

* In this amount the following items are included which the Treasury has remitted to the Loan Account:—1. Working capital; 2. Currency in settlement of interest; remittance of advances from supplementary additional revenue granted as cover for monthly deficits. These sums amount to Kr. 295,936,922,696 (paper); £377,344 3s. 9d.; $917,320; Fr. (Swiss) 1,954,100; Fl. (Dutch) 240,216.

Progress of Thrift.—In illustration of the progress made in Hungary in the realm of savings and deposit accounts the Commissioner General of the League of Nations for Hungary gives in Appendix 3 of his current Report some eloquent figures revealing the total amount deposited at various dates in the years 1924, 1925 and 1926 as savings accounts and current accounts at the Post Office Savings Bank and at thirteen of the leading banks at Budapest. The data, reproduced below, show that the aggregate sum of these deposits has risen from Kr.76.7 mill. (gold) in June 1924 to Kr.462.5 mill. (gold) in March 1926, the increase being constant except for a slight drop of Kr.0.2 mill. (gold) in February 1926.

Development of Savings and Current Accounts (in millions of gold kronen).

1924.	June.	Sept.	Dec.	
Savings accounts:				
In paper kronen	2.6	7.9	23.8	
In foreign currencies ...	0.4	1.5	2.5	
Current accounts:				
In paper kronen	55.3	114.1	160.6	
In foreign currencies ...	18.2	20.8	44.3	
Total	76.7	144.4	231.3	
1925.	**March.**	**June.**	**Sept.**	**Dec.**
Savings accounts:				
In paper kronen	44.1	68.1	86.5	119.2
In foreign currencies ...	3.0	3.4	4.1	4.2
Current accounts:				
In paper kronen	184.7	211.4	218.0	243.9
In foreign currencies ...	39.1	50.3	68.9	82.6
Total	271.1	333.2	377.5	449.9
1926.	**Jan.**	**Feb.**	**March.**	
Savings accounts:				
In paper kronen	118.5	119.2	125.6	
In foreign currencies ...	5.8	7.5	8.4	
Current accounts:				
In paper kronen	233.8	237.9	240.5	
In foreign currencies ...	97.3	90.6	88.0	
Total	455.4	455.2	462.5	

(*Pester Lloyd*, April 29.)

Report of the British-Hungarian Bank.—The statement of the British-Hungarian Bank for the year 1925, which is being submitted to the general meeting of shareholders on May 12, shows that the net value of the Bank's property, upon revaluation in the new currency unit, stands at about 12 mill. pengoes. According to the profit and loss account the gross profits for the year 1925 amount to Kr.62,700 mill. (paper), whilst the net profits figure at Kr.7,977,625,000. The Board has proposed a dividend of Kr.2,000, which corresponds to an 8 per cent. dividend of the new pengoe share capital. The sum of Kr.454.5 mill. (or 36,364 pengoes) is to be placed to reserves, whereby the reserve funds is increased to 5,600,000 pengoes. After the necessary statutory deductions have been made the sum of Kr.1,159,982,000 remains to be carried over to the new account. (*Pester Lloyd*, April 25.)

RUMANIA

POLITICAL AND GENERAL

The New Government and its Policy.—On the resignation of the Liberal Government under M. Bratianu the task of forming a new Ministry was entrusted to General Alexander Averescu. On March 30 the new Cabinet was duly constituted, M. I. Mitilineu being given the office of Minister of Foreign Affairs, General C. Coanda that of Minister of Industry and Commerce, General L. Mirescu that of Minister of War, and M. I. Lapedatu that of Minister of Finance. The *Bursa* of April 11 reproduces a manifesto issued by the Government in which is set forth the economic programme of the new Ministry, the main points of which are: *Land reform.*—The present Government intends to carry on and complete the work of the preceding Government by extending the application of Land Reform to the forests and marshy districts; the acquisition of land by the peasants will be facilitated by granting sufficient credit. *Collaboration with foreign capital.*—The Government considers that it is impossible to arrive at normal conditions without the assistance of foreign capital; some of the administrative and legislative measures of the late Government will consequently have to be repealed. *Encouragement of production.*—The Government's aim will be to encourage economic production by the gradual reduction of the obstacles placed in the way of the exportation of national products and to facilitate the importation of raw materials necessary for maintaining home industry. *Financial policy.*—Efforts must be made at a favourable moment to stabilise the currency, without which the Budget cannot be effectively balanced nor can the exchange be brought to a normal state. As production is augmented, credits facilitated and commerce developed the Government will proceed to the normalisation of the Budget, assuring, at the same time, the necessary means to all the public services and an adequate remuneration corresponding to the cost of living to all public employees. To accomplish this the national expenditure must be drastically revised. *Repairs to ways of communication.*—Prompt attention will be paid to the reparation of existing railways; further extensions must be undertaken in order to link up the principal economic centres of the provinces. This work will be undertaken with the assistance of private capital. *Development of agriculture.*—A large section of the people regard agriculture as the mainstay of the country. The Government intends to encourage this branch of economic life without prejudice to other industries. Facilities will be established for enabling the peasants to acquire technical instruction in agriculture and cattle breeding. Special attention will be given to viniculture, which is at present passing through a serious crisis. The Government will strengthen the activities of the co-operative movement and will create a national institution of agricultural credit in order to provide the necessary funds for the development of agriculture. *War debts.*—The Government intends to find an equitable solution to the problem of the war debts. *Internal policy.*—The Government proposes to grant to minorities the opportunity of development in accordance with their aspirations and of participating to the utmost degree in the economic and intellectual life of the country. Special attention will be given to public instruction and facilities for higher education will be offered to the general public. *Foreign policy.*—The Government will continue the work of the late Ministry in consolidating the relations with friendly Powers and will also endeavour to re-establish normal relations with the remaining countries.

In a contribution to the *Central European Observer* of April 9 on the political situation in Rumania the Bucharest correspondent of that journal states that as General Averescu's party was represented by only seven members in the last Parliament the solution to the Ministerial crisis came as a surprise to the public at large. The initiated, however, consider that this was the only possible course. It is argued that in the state in which the country finds itself at present it would have been unwise, short of a coalition, to have placed the reins of Government in the hands of a political group which could be paralysed by a too powerful Opposition. Two years of protracted negotiations have proved that a coalition between the Nationalists and the Tsaranists was impossible. General Averescu, on the other hand, enjoys the general support of the Liberals. It is significant, too, that the new Ministry contains three former members of the Nationalist party. In regard to national finance it cannot be denied that M. V. Bratianu, Minister of Finance in the last Cabinet, succeeded to a large extent in regulating expenditure and consolidating Rumania's external debt. Yet much remains to be done in the way of economic and financial recovery. The necessity for inducing foreign capital to co-operate in the exploitation of Rumania's natural resources is universally recognised, but so far the conditions created by the Rumanian legislator do not seem to have attracted the attention of foreign capitalists to any marked degree. The railway system is lamentably inadequate to cope with the ever increasing exigencies of trade, and the whole output of the country, particularly of the oilfields, is affected by the inefficient service. It has been calculated that for the reconstruction of the railways alone a sum of £25,000,000 would be required. The leu has fallen to the lowest level yet reached (Lei 1,190 = £1) and the cost of living is steadily going up. The latest index number shows that the average price of commodities has risen to 48 times the pre-war level, and the new protective duties on textiles and metals, which came into force on April 1 last, will undoubtedly cause a new increase in the cost of living. Judged by their attitude in the last Parliament, the present Government will probably not deviate greatly from the course hitherto pursued.

Guarantee Treaty with Poland and Prospects of a Treaty with Italy.—On March 26 last the old treaty with Poland expired and a fresh guarantee treaty was signed. The two Powers mutually guarantee their political independence and territorial integrity and agree to assist each other in case of non-provoked aggression on the part of a third party on their respective territories, in respect to all frontiers of the two States. The terms of this defensive treaty are contained in the *Danziger Zeitung* under dates March 31 and April 21 last. The Rumanian Press in general seems favourable to this treaty; the Polish Press, on the other hand, is divided in opinion. The *Nowy Kurjer Polski* accepts the new treaty as a great advance, while the *Warszawianka* declares that an understanding with Rumania, in addition to that with France and Czechoslovakia, forms a guarantee of peace in Eastern Europe. The *Gazeta Poranna Warszawska*, however, considers the treaty a retrograde step and thinks it is a mistake for the agreement to be so closely connected with the weak League of Nations Council.

The *Central European Observer* learns from Bucharest that the new Rumanian Premier has the intention of paying a visit to Rome. General Averescu's sympathy for Italy and the Fascist régime are well known and it is not surprising that the Rumanian public expect from him a considerable improvement in the relations with that country. From a well-informed source closely connected with the Government it is asserted that on the occasion of the visit to Rome negotiations will take place for a pact of friendship between Italy and Rumania. The Rumanian Press entertains hopes that Italy will sign an agreement recognising the annexation of Bessarabia by Rumania, an agreement which Italy has so far declined to sign in view of her own treaty with Soviet Russia. It is stated that negotiations with regard to this matter are already proceeding between Bucharest and Rome.

FINANCE

Results of the 1925 Budget.—The Minister of Finance recently submitted to the Cabinet his report on the budgetary encashments and expenditure for the financial year 1925 and his proposals for the distribution of the surplus. The revenue from January 1 to December 31 amounted to Lei 32,596,485,607; those for January 1926, to the account of the 1925 Budget, attained the sum of Lei 902,270,061, while the estimated receipts during the five complementary months of the financial year figure at 3 milliards, thus bringing the grand total to Lei 36,498,755,668. National expenditure for this period, proved and estimated, amounts to Lei 31,750,000,000. The result is a surplus of revenue over expenditure of Lei 4,748,755,668. One milliard of this surplus has been ear-marked in the 1926 Budget for augmenting the salaries of State employees as from July 1, 1926. The balance of Lei 3,748,755,668 will be distributed as follows. The sum of Lei 1,200 mill. has been reserved until the definite liquidation of the State railway accounts for covering the credit approved on May 8, 1925, for repairs to rolling stock. The credit approved on March 11, 1925, for the construction of two telegraphic connections between Leordina and Copilas and between Visnita and Kutz, forming a part of the plan of national defence, requires the sum of Lei 1,702,802. The credit approved to meet the cost of the communal elections totalled Lei 25,000,000, but this has been specially covered by the surplus of the encashments of the communal funds. The establishment of the King Ferdinand I. Foundation required Lei 200 mill. A sum of Lei 250 mill. has been remitted to the liquidation account of the National Bank, in accordance with the convention of June 19, 1925. A further sum of Lei 300 mill. is allotted to the floating capital account of the State railways, in conformity with the agreement of June 13, 1925 (up to 10 per cent. of the total surplus). The State requires Lei 42 mill. for the draining of certain flooded areas of the Danube and another 10 millions for the promotion of cattle breeding and the protection of the health of animals, this latter sum being placed at the disposal of the institute founded for this purpose by Royal Decree of December 23, 1925. The increase of 50 per cent. in the salaries of State employees, in accordance with the terms of the 1926 Budget, will swallow up Lei 243,218,875. There remains a net surplus of Lei 1,476,833,991, to which should be added s aum of about 300 millions from various State departments. The grand total is, therefore, Lei 1,776,833,991.

On the strength of this surplus the following credits have been opened by the various Ministries for repairs, dotations, etc., the programme having been approved by the Minister of Finance and the Cabinet: *Ministry of War*, for the continuance of the programme of dotations necessary for national defence, Lei 320 mill.; *Ministry of Communications*, the necessary quota in 1926 for continuing the work of construction of tunnels and railways, etc., as provided by current contracts, Lei 300 mill.; *Ministry of Public Instruction*, for the continuance of the work of building schools, etc., Lei 200 mill.; *Ministry of Public Works*, for the construction of roads and the erection of polytechnic schools, Lei 80 mill.; *Ministry of Finance*, for the construction of Customs buildings and the buildings of the Senate Palace, Lei 70 mill.; *Ministry of Communications*, for Port works and dotations to other services, Lei 50 mill.; *Ministry of Public Health*, for building purposes and fresh dotations, Lei 40 mill.; *Ministry of Culture and Fine Arts*, for new buildings and for speeding up work already commenced, Lei 40 mill.; *Ministry of Industry and Commerce*, for the erection of the Commercial Academy, Lei 10 mill.; *Ministry of Agriculture*, for building extensions, Lei 10 mill.; *Ministry of Foreign Affairs*, for the building of Legations, Lei 10 mill.; *Ministry of Justice*, for the continuation of works at Jassy and Galatz, Lei 7 mill. Allowing for the absorption of the surplus by the above mentioned credits there still remains a sum of Lei 639,933,921, which will be distributed as follows: for the payment of war debts and requisition coupons (plus 50 millions of the indemnity funds), Lei 150 mill.; for the settlement of the credits of the financial year now ended, Lei 100 mill.; reserved till the definite closing of the accounts, Lei 389,833,991, and should there then remain a surplus it will be added to the sum of Lei 100 mill. above mentioned for the settlement of credits of the closed financial year. (*Bursa*, No. 1,116.)

TRADE

Chief Exports in 1925.—The provisional figures of the main exports in 1925 show a drop in the total value from Lei 23,816 mill. in 1924 to Lei 22,786 mill. in 1925. The export of cereals, live stock, petroleum and timber, with which the provisional statistics alone deal, represent more than 90 per cent. of the total exports of Rumania during the past year. The decline in the total value of the exports was caused by the fall in cereal exports, which totalled only 841,587 tons to the value of Lei 7,262.7 mill., as against 1,410,013 tons to the value of Lei 12,159.2 mill. in 1924. The crops for the most part were satisfactory; there are consequently large stocks of cereals in hand. The following table gives the figures of the exports of the various cereals and their derivatives in 1925 in comparison with those of the preceding year:—

	Quantity (in tons). 1925.	1924.	Value (in Lei 1,000). 1925.	1924.
Wheat	5,238	121,615	70,481	1,213,320
Rye	660	30,517	6,788	234,990
Maize	580,087	739,860	4,917,344	5,685,367
Barley	182,692	275,331	1,463,569	2,347,254
Oats	20,728	91,365	204,127	645,834
Millet	10,360	15,675	72,942	111,570
Wheaten flour ...	25,747	116,527	451,724	1,836,014
Bran	16,075	19,123	75,766	84,888
Total ...	841,587	1,410,013	7,262,741	12,159,237

In the other three categories an increase in exports was registered in 1925 as compared with 1924. The export duties constituted a less serious obstacle for these than for the cereal exports. In respect to the export of live stock, as given in the table below, the increase in the exports of swine is particularly noteworthy, having risen from 81,722 head to the value of Lei 633.6 mill. in 1924 to 201,671 head to the value of Lei 1,573.0 mill. in 1925.

	No. of head. 1925.	1924.	Value (in Lei 1,000). 1925.	1924.
Stallions	11	23	390	753
Geldings	81	62	1,937	1,452
Mares	6	8	288	166
Colts	—	3	—	9
Bulls	1,078	467	26,950	12,036
Cows	5,905	3,269	127,660	60,693
Oxen	79,117	101,020	2,143,944	2,110,660
Buffaloes	44	282	1,136	6,427
Young bullocks and heifers	34	2	374	18
Calves ...	—	5	—	15
Sheep	47,200	3,487	54,739	5,123
Ewes	1,252	602	1,480	434
Lambs	11	20	5	6
Kid goats	—	3	—	—
Swine	201,671	81,722	1,573,024	633,598
Total (in tons) ...	78,416	69,700	3,931,927	2,831,390

The export of timber showed an appreciable increase in value on that of the preceding year, although the actual volume was lower than in 1924. The following table gives the weight and value of the main classes of timber exported in the two years:—

	Quantity (in tons). 1925.	1924.	Value (in Lei 1,000). 1925.	1924.
Firewood ...	1,212,391	1,515,532	909,292	1,003,090
Fir trunks ...	50,960	65,651	53,507	47,908
Oak for building	22,034	4,122	143,224	20,611
Folious timber	52,595	36,629	184,081	146,515
Stakes and props	847	1,684	1,701	3,365
Fir planks ...	883,460	570,371	3,998,348	2,821,308
Other resinous woods ...	148,340	253,758	602,013	1,115,398
Oak sleepers ...	130	180	844	901
Total ...	2,420,757	2,447,927	5,893,010	5,159,096

The most important increase was recorded for products of the oil industry, the total volume being 783,101 tons to the value of Lei 5,698,988,000 in 1925, as against 435,890 tons to the value of Lei 3,366,951,000 in 1924. (The original figures of the volume of oil exports in 1925 were previously published by the *Bursa* and reproduced in THE ECONOMIC REVIEW of March 26, when the total was given as 766,540 tons. These figures have since been revised, as shown above.) The exceptional increase of oil exports compensates for almost half of the adverse balance in the cereal trade. Owing to Government measures the oil industry has been obliged to force sales, so that despite the increase in the volume of exports the actual profits realised have been but slender.

The complete returns of the import trade for the past year have not yet been issued. It is, however, safe to state that the year will close with a considerable adverse balance in foreign trade. Although there was a pronounced improvement in maize exports during the third quarter of the past year, the first nine months closed with an adverse balance of more than Lei 2,000 mill. From data already to hand it is clear that imports have not decreased to any extent during the last quarter, so there is no likelihood of the adverse balance being transformed into a favourable one. (*Bursa*, March 1.)

INDUSTRY

Record Oil Output in 1925.—The past year was a very satisfactory one for the oil industry, the total output of the oilfields exceeding that of 1924 by 462,400 tons and that of 1913 by 428,406 tons. The development since 1920, as compared with the output of 1913, has been as follows (in tons): 1913, 1,885,225; 1920, 1,037,048; 1921, 1,163,242; 1922, 1,365,765; 1923, 1,515,637; 1924, 1,815,231; and 1925, 2,313,631. The companies operating in Rumania have not contributed to the same extent to this development, as will be observed from the following table of the individual output of the chief concerns showing the rise or fall of production in comparison with 1924 (in tons):—

	1925.	Difference compared with 1924.
Astra-Romana	392,944	— 57,645
Creditul Minier	379,249	+ 157,006
Steaua Romana	319,628	+ 44,231
Phoenix Oil Company Ltd. ...	268,762	+ 79,726
I.R.D.P.	253,838	+ 76,171
Romano-Americana	220,032	+ 57,280
Colombia	106,733	+ 24,268
Sirius (International)	74,236	+ 20,661
Concordia	73,360	+ 14,084
Aquila Franco-Romana	30,849	— 21,575
Petrol Block	26,167	— 5,966
Prahova	13,716	+ 1,085
Romania Petrolifera	13,211	+ 1,441
Sondrum	10,800	+ 10,800
Petrol Govora	10,530	+ 5,401
Dacia Romano Petrol Syndicate ...	9,274	+ 3,592
Inter Omnium Petrolifer	9,198	+ 7,683
Victoria	8,735	— 5,878
Minerva	8,730	— 5,447
Romano-Belgiana	8,452	+ 3,013

The refineries were also more active in 1925 than in 1924. During the first nine months of the year they consumed 1,573,470 tons of crude oil, manufacturing 1,544,904 tons of various products, as against a consumption of 1,193,390 tons of crude oil and a production of 1,168,494 tons in 1924. The internal consumption of the general market has grown, 802,722 tons of the various oil products being absorbed in 1925 as against 719,346 tons in 1924. (*Bursa.*)

The Fresh-water Fisheries.—Among the natural resources of Rumania the fisheries must be accounted an important economic activity. In a recent issue of *L'Economiste Roumain*, Dr. P. P. Daia, General Director of the Rumanian State Fisheries, deals with the actual conditions. That part of the Danube which washes the southern frontiers of Rumania from Calafat to Sulina, he writes, skirts a zone of low-lying land subject to inundation and forming a group of marshes, pasturages, reed beds, forests, hay meadows, etc., which extend over an area of 1,189,680 hectares. Of this total of alluvial land and water area belonging to the State it is reckoned that there are about 600,000 hectares of marsh and river channels of the Danube which abound in fresh-water fish. According to the statistics of the Ministry of Agriculture this rather important area has hitherto produced only an average of 20,000,000 kilogrammes of fish, that is about 34 kilogrammes per hectare. The exploitation of the marshes came under the régime of the State monopolies in 1895, since when until the end of 1924 the annual yield of fresh and salt fish has varied from as low as 6,422 tons in the year 1916 to the record of 31,662 tons in 1907. The total in 1924 was 25,057 tons, which represents the third best yield since 1895. In 1923 the yield was 23,512 tons; in 1922, 17,162 tons; in 1921, 17,267 tons; in 1920, 23,952 tons; in 1919, 9,489 tons; in 1918, 7,114 tons; and in 1913, 20,371 tons. The total price obtained in 1924 was higher than in any of the preceding years, amounting to Lei 219.9 mill. as against Lei 207.1 mill. in 1923, Lei 88.4 mill. in 1922, Lei 64.0 mill. in 1921, Lei 89.7 mill. in 1920 and Lei 22.9 mill. in 1919. Of these totals the State's share was Lei 76.2 mill. in 1924, Lei 72.5 mill. in 1923, Lei 24.4 mill. in 1922, Lei 27.8 mill. in 1921, Lei 24.2 mill. in 1920 and Lei 7.8 mill. in 1919. These figures do not represent the whole quantity of fish caught in Rumanian waters, especially since the war, for the production of 50,000 hectares of marsh and 50,000 hectares of ponds which are privately owned must be added. The State only keeps a record of the fish caught in its own waters, and even here some omissions may occur in registration. Including the estimated catch of fish in private property and the amount consumed by fishermen the total production of 700,000 hectares is about 41,900 tons. This is a small yield and should be raised to at least 200 kilogrammes per hectare.

Dr. Daia gives a complete list of the quantity of all the various kinds of fish caught during the year, the chief being: carp, 6,019,441 kg.; pike, 3,066,575 kg.; bleak, 3,947,156 kg.; carassin, 1,525,771 kg.; sheat fish, 1,492,063 kg.; and sandre, 1,277,458 kg. The total of black caviar was 21,270 kg.; bleak caviar, 13,616 kg.; and carp caviar, 14,268 kg.

The following table shows the profit and loss account of the State fisheries during the period 1920 to 1924 (in thousands of Lei):—

	Gross revenue.	Expenses.	Net revenue.
1920 ...	25,864	6,652	19,211
1921 ...	32,449	8,746	23,703
1922 ...	35,555	9,333	26,224
1923 ...	83,008	14,503	68,506
1924 ...	97,125	21,762	75,363

(*L'Economiste Roumain*, No. 3.)

RUSSIA

POLITICAL AND GENERAL

The Economic Crisis.—The beginning of March found Russia in the throes of a particularly acute crisis in respect of industry, currency and credit, which in the absence of considerable aid from without must become yet further aggravated. The cause of this state of affairs must be sought primarily in the destruction by the Soviet Government of capital and of the sources that feed capital within the country. Having brought this about, the Government is finding it impossible to re-create capital under the Communist régime and the result is the destruction of credit and of confidence and the exclusion of all possibility of obtaining credits from abroad on a scale and under conditions corresponding to the needs of the Soviet administration.

The *Agence Economique et Financière* (April 10) publishes the Soviet statistics for the months of January and February, omitting, however, several unfavourable index numbers:—

	January.	February.
Output of nationalised industry (in millions of roubles)	536	552
Production of coal (in thousands of tons)	2,007	2,119
Production of rolled metal (in thousands of tons)	168	177
Production of cotton fabrics (in thousands of metres)	166	167
Number of workers	1,814,000	1,832,000
Turnover of the various Bourses (in millions of roubles)	305.6	304.2
Index numbers, (i) Wholesale ...	1,902	1,939
(ii) Retail	230	234
Deposits and current accounts in five banks (in millions of roubles)... ...	1,178	1,177
Discounts and advances (in millions of roubles)	2,126	2,172

In comparison with October, the first month of the financial year 1925-26, the value of production has increased by 5 per cent. This increase is insignificant and does not correspond to the prophecies of a spectacular advance in industry during the present business year. The extremely low capacity of the worker appeared to increase during 1924–25. This movement slowed down in 1925–26; in February 1925 the productivity of the worker had increased 35 per cent.

in comparison with February 1924, whereas in February 1926 a comparison with February of the previous year only shows an increase of 7 per cent.

The proportion due to salaries in the cost price of production increased in February by 2 per cent. If a comparison is made with January 1925 it will be found that the cost price in February 1926 has increased by 15 per cent.

In the table quoted above, which is taken from the *Economitcheskaya Jisn*, only one branch of fuel is mentioned, viz. coal, the production of which has increased 5.6 per cent. as compared with the previous month. On the other hand the production of petrol, which does not figure in the table, has decreased by 8.2 per cent. While the production of rolled metal, according to the table, has increased by 5.2 per cent., the production of cast iron has dropped 9.4 per cent. and that of steel 2.4 per cent. The output of the chemical industry and that of the cement industry both show a reduction. The textile industry, however, taken as a whole, shows a certain increase.

Some increase in industrial production is apparent in February in such as the leather and woollen industries, which will be forced to reduce their output shortly for lack of raw materials. In these industries restricted hours will soon be necessary, and yet not only has the number of hands not been reduced, but it has actually been increased by 21,000.

The chief hindrance to production is the insufficient import of raw materials, metals, and industrial tools. In many cases the actual quantities of raw material reaching the factories is far below the already very scanty estimates. This is the case in the cotton and leather industries, the metallurgical industry, certain branches of the chemical industry, etc. The difficulty of obtaining adequate supplies of fuel continued during February. Hasty efforts are being made to substitute wood and peat for coal. This has caused great trouble in certain industries, such as the cement works. The transport difficulty is still acute, and the quantity of goods with which the railways were unable to cope in February was actually greater than in January. Salaries increase more rapidly than costs of production, the latter being due in some industries to increased expenditure in respect of fuel and raw material. The development of production is further hindered by inadequate financial resources, and the number of unpaid or prolonged bills is steadily increasing.

The situation is particularly grave when the circumstances which have brought it about are considered. Production cannot be developed and transport is defective because the rolling stock is worn out. The import of rolling stock and raw materials is insufficient because the Soviet Government cannot succeed in increasing export, and this in a year of good crops means that the Government is unable to get possession of cereals while nationalised industry remains incapable of supplying the needs of the peasants. It is a vicious circle, and meantime, in spite of the necessity of restricting production, the Government, for political reasons, is obliged to increase the number of workers to avoid swelling the ranks of the unemployed. An increase in prices will ensue, and commerce and industry will feel the consequences. A further rise in prices took place in February, the wholesale index number showing an increase of 1.9 per cent. as compared with January and the retail index number an increase of 1.8 per cent. The increase was much greater for agricultural than for industrial products; in retail prices the respective proportions of increase are 3.1 per cent. and 0.6 per cent. Among industrial prices the most important increases are in wood (5.6 per cent.), herring (4.9 per cent.), chemical products (2 per cent.), shoes (1.8 per cent.), and metal articles (1.8 per cent.). The price of meat increased 7 per cent. in February and that of cereals and fodder 4.4 per cent. One very bad sign is the great difference in the price of cereals in the various districts. Barley cost in the Cossack district 73 kopecks and in the Volga district 127 kopecks, and wheat 113 and 194 kopecks respectively. This is owing to defective circulation, which disorganises trade.

Development of Concessions.—In spite of the acute economic crisis, the tense situation with regard to currency and credit, increasing unemployment, the desperate condition of the working classes, and the various hindrances which occur from time to time in Russian export, the Soviet concessions programme continues to develop favourably. The number of agreements in this connection concluded up to January 1, 1926, was 117, of which 86 were pure concessions and 31 were given to mixed companies. The concessions hitherto granted in European and Asiatic Russia are distributed among the following countries:—

	Pure concessions.	Mixed companies.	Total.
Germany	20	9	29
England	16	5	21
United States ...	11	2	13
Sweden	4	1	5
Norway	4	1	5
Japan	4	–	4
Italy	4	–	4
Poland	2	2	4
France	3	–	3
Denmark	3	–	3
Finland	3	–	3

Germany, who has great industrial and trading interests in Russia, naturally takes first place, but it is remarkable that the United States should hold as many as 13 concessions when the Government at Washington still declines to recognise the Soviets, or even to negotiate with them. Belgium, on the other hand, before the war always interested in the most varied Russian undertakings, has hitherto secured no concessions, while France is very reticent.

The nature of the concessions is indicated in the following table:—

	Pure concessions.	Mixed companies.	Total.
Trade	18	15	33
Working-up industries	20	3	23
Mining industry ...	20	1	21
Transport	6	6	12
Agriculture	16	–	16
Timber	2	4	6
Building	2	–	2
Sundry	2	2	4

These concessions are naturally still in course of development. The period for arriving at the estimated output averages 1 to 2 years for the working-up industry, 4 years for the raw material producing and working industries, and in some cases 6 to 7 years. If production is maintained at full contract strength a total of 75,000 hands will be employed, and the capital required for the full working of the concessions will amount to R.110 to R.140 million, most of which will be supplied by foreign concerns, though Russian capital participates in 31 concessions.

A large proportion of the concessions, especially in the mining industry, are likely to develop in course of time into undertakings of the greatest economic importance to the country. It must not be forgotten that for the present these concerns are in the earliest stage, and are to a certain extent pioneer undertakings which will serve as examples to those that follow, but they have nevertheless taken the initial step toward utilising the manifold dormant possibilities. (*Wirtschaftsdienst.*)

FINANCE

Position of the State Finances.—*Wirtschaft und Statistik* (No. 6) publishes a review of Soviet State finances which includes the following table of Budget estimates of revenue since 1923–24 (in millions of roubles):—

	1923–24.	1924–25.	1925–26.
Revenue from taxation ...	633.1	1,317.0	1,885.0
Revenue from other sources ...	800.4	1,303.9	1,956.4
Total of ordinary revenue ...	1,433.5	2,620.9	3,841.4
Extraordinary revenue ...	457.0	254.7	158.1
Total	1,890.5	2,875.6	3,999.5

The actual results of the Budgets for 1923–24 and 1924–25 were as follows (in millions of roubles) :—

	1923–24.	1924–25.
Revenue from taxation	788.5	1,306.3
Revenue from other sources	935.3	1,286.7
Total of ordinary revenue	1,723.8	2,593.0
Extraordinary revenue (including emissions 126.3 in 1923-24) ...	574.4	256.3
Total	2,298.1	2,849.3

On the whole Russia's finances, in spite of the depreciation of the chervonetz, have developed favourably since 1923–24. In that year there was even a surplus over the Budget estimates, while the 1924–25 results were not far off the estimated total.

The decrease in extraordinary revenue in 1924–25 is particularly noticeable. This category consists of the realisation of State funds, sale of export currency, credit operations, issue of money, revenue from the mint, etc. The increase in the revenue from taxation in proportion to income from other sources in the 1924–25 Budget is remarkable. If it is taken into account that the net result of revenue from sources other than taxation, e.g. Posts, Telegraphs, Railways, etc., is very small in view of the heavy costs involved, revenue from taxation in the two Budget years 1923–24 and 1924–25 amounts to 80 per cent. of the total. In the taxation revenue column the relation of direct to indirect taxation has developed as follows (in millions of roubles) :—

	1923–24.	1924–25.
Direct taxation ...	411.1	588.6
Indirect taxation ...	377.4	717.7
Total	788.5	1,306.3

The increasing importance of taxation as a source of revenue, and also of indirect taxation, is due to the peculiar economic position of the country, above all to the inadequacy and poor state of repair of the technical means of production.

The actual expenditure amounted in 1923–24 to R.1,921.7 million, leaving a surplus of R.376.4 million. No statement has yet been made with regard to 1924–25 expenditure, but according to estimates revenue and expenditure balance. The new financial policy aims at meeting outstanding debts by means of loans. These loans were of three kinds, natural loans, forced loans and free loans. The first were paid off in 1924, the second were loans subscribed by industrial workers and employees in State undertakings and co-operatives, and the last are ordinary loans such as are issued in non-communistically organised countries. The standing debt amounted on April 1, 1925, to R.271.2 million.

The Draft Budget for the coming financial year 1925-26 shows a further increase in indirect taxation as appears from the following table (in millions of roubles) :—

	Estimate. 1924–25.	Estimate. 1925–26.
Direct taxes	646.6	584.0
Indirect taxes	670.3	1,301.0

The alterations in and development of finances for the coming financial year are shown in the following table (in millions of roubles) :—

	1924–25.	Percentage.	1925–26.	Percentage.
1. *Revenue.*				
Total ...	2,875.6	100.0	3,778.6	100.0
Ordinary	2,620.8	91.1	3,260.5	95.8
Extraordinary	254.7	8.9	158.1	4.2
2. *Expenditure.*				
Total ...	2,875.6	100.0	3,778.6	100.0
Ordinary ...	2,462.2	85.6	3,298.5	87.3
Extraordinary	413.4	14.4	480.1	12.7

The details of the projected Budget for 1925–26 are as follows (in millions of roubles) :—

Revenue.

A. Ordinary—	
1. Direct taxes	569.0
Agricultural unit tax	235.0
Indirect taxes	976.2
(*a*) Excise	825.7
(*b*) Customs	150.5
(*c*) Duty	150.3
Total revenue from taxation	1,695.4
2. Transport and communications	1,445.0
State domains and undertakings	430.6
Repayment of State expenditure	43.4
Various	6.2
Total of revenue from sources other than taxation	1,925.0
Total of ordinary revenue	3,620.5
B. Extraordinary	158.1
Total	3,778.6

Expenditure.

Army and Navy	624.5
Railways, Posts and Telegraphs	1,387.4
Industry and electrification (subsidies)	183.2
Agriculture	276.7
Education, Hygiene, Social and Labour Policy ...	237.6
General Administration, Economic Commissariat, and Public Works	430.1
Operations of the Treasury	212.8
Payments to the local Budgets...	321.3
Sundry expenditure	105.0
Total	3,778.6

TRADE

Foreign Trade in February.—The *Agence Economique et Financière* (April 10) publishes the following table showing the development of foreign trade during the months of January and February (in millions of roubles) :—

	January.	February.
Exports	34.8	43.2
Imports	61.2	53.6
Balance	—26.4	—10.4

Thus in spite of the Soviet Government's efforts to increase exports and diminish imports, the imports are still largely in excess of the exports and the balance continues to be adverse.

The principal export articles which show an increase are furs (R.6,486,000 as compared with R.2,542,000) and flax (R.10,516,000 as compared with R.6,825,000). The principal imports which show a decrease are textiles (R.18 million as compared with R.21 million), paper and cellulose, alimentary products and worked leather.

It is a peculiar characteristic of Russian policy in regard to foreign trade that no preference is shown to those foreign countries which have recognised the Soviet Government. Germany, which was the first to acknowledge the Soviets "de jure," after holding first place in Russia's foreign trade in 1913 has in 1924–25 changed places with the United States, a country that will not even recognise them "de facto." The Soviets prefer to develop trade with countries that remain obdurate to their régime in Russia, hoping to decide these countries to recognise their power.

A loan of $500,000 has been made by a Leipzig fur merchant to the Soviet Russian trade organisation. Centrosojus, for the purchase of Russian furs, to be shipped to Germany before the end of May.

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	7	Lisbon	9	Sofia	7
Brussels	7	Madrid ...	5	Stockholm ...	4½
Bucharest ...	6	Moscow ...	8	Tokyo	7.3
Budapest ...	7	New York...	3½	Vienna	8
Copenhagen...	5½	Oslo	5½	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.

THE ECONOMIST'S BOOKSHELF.

WAGES.

Some Problems of Wages and their Regulation in Great Britain since 1918. By ALAN G. B. FISHER. (London: P. S. King & Son, Ltd. Price, 12s. 6d. net.)

Wage Changes in Various Countries, 1914 to 1925. International Labour Office. (Geneva.—London: P. S. King & Son, Ltd. Price, 2s. 6d.)

The Secret of High Wages. By BERTRAM AUSTIN and W. FRANCIS LLOYD. With a Foreword by WALTER T. LAYTON. (London: T. Fisher Unwin Ltd. Price, 3s. 6d. net.)

The first of these works embodies the fruits of very diligent and careful research into the wage problems which confronted the nation in the unstable period since the armistice. The writer commences by defining the position at the cessation of hostilities. He rightly stresses the aggravation of the difficulties by rapid changes in the value of currency. The main part of the book presents a very accurate historical account of the workings of the Interim Court of Arbitration and the Industrial Court. Separate chapters are devoted to Trade Boards and to the Mining and Railway negotiations. The writer deserves the highest commendation for the skilful manner in which he has presented these difficult and intricate subjects. His terse summaries of the issues raised during these negotiations together with his examination of the briefs of contending parties demonstrate a fine sense of scholarship. Mr. Fisher's obvious yet striking impartiality does not prevent him from disposing curtly of the numerous ill-founded grievances which always rear their heads in times of acute industrial contention. He examines wages in various industries and the attempts at their satisfactory regulation in the light of modern economic theory as modified by present-day humanitarian opinion. He confesses that the conclusions are "negative and disappointingly vague." The failure of the various well-meant efforts to secure industrial peace by compulsory arbitration is due mainly to the lack of any settled principles to guide the arbitrators in their decisions. The evolution of a system of principles to be applied in particular cases must precede any satisfactory development of industrial courts. The judges in these cases, especially at the outset, cannot subsist entirely on judge-made law. Mr. Fisher has done well to examine the causes of the breakdown. His book will be a valuable starting-point for those who will take up the broken fragments of a movement the necessity for the consummation of which on sound and durable lines has received such recent demonstration. They will find in it much stimulating matter and many valuable suggestions. Mr. Fisher's opinions are so well-founded that it is regrettable that he has exercised so much restraint in their expression. A little liveliness would have added to the interest of a book, the intrinsic merit of which is bound to attract attention.

The book on "Wage Changes in Various Countries" is an addition to and enlargement of two similar volumes which were published previously for shorter periods. Figures of real and money wages and the comparative cost of living in all countries where statistics are collected are conveniently arranged. The introduction to the mass of figures contains the necessary explanations for their intelligent interpretation. The method of calculating real wages is the simple one of establishing a relation in each country between money wages and cost of living index numbers. Some incalculable elements have necessarily been omitted. To pretend that such published figures can be anything more than a guide to the comparative weal or woe of wage-earners in various industries and in numerous countries would be to deny the existence of human frailty. The figures originate in almost all cases from Government Departments. The accuracy of compilations from the Labour Office needs no commendation here. One striking feature of recent wage changes common to all countries is that the wage-earner nearest to the margin of subsistence is affected soonest when money wage changes are necessitated by a change in prices. A rise of prices results in a diminution of the difference in rates paid to skilled and unskilled workers and a fall in prices operates conversely. Is it that the subsistence theory is not yet dead? A close study of the real wages reveals another interesting fact. In almost all countries the sheltered industries pay higher rates than those industries which are subjected to international competition. This should give pause to those who find in wage reductions an easy remedy for any decline in international trade. This book is an invaluable work of reference. It will be a great help to the student of wage questions and a godsend to the unscrupulous orator.

Messrs. Austin and Lloyd's book is proclaimed as "the new industrial gospel" and has been lauded in the sensational Press. The work appears appropriately in a yellow cover. The secrets revealed contain nothing not already widely known even to that ill-informed fellow, "the man in the street." To understand clearly the real value of these secrets and of the work generally let us quote from the general observations: "A.—The success of an enterprise is, in a large measure, dependent upon a strict adherence to the policy of promotion of staff by merit and ability only. B.—It is more advantageous to increase total profits by reducing prices to the consumer, at the same time maintaining or improving quality, with a consequent increase in the volume of sales than by attempting to maintain or raise prices." Secret A illustrates the fatuousness of these writers. Secret B demonstrates their confusion of thought, which needs no elaboration here. Vague generalisations containing an element of truth irritate the intelligent reader. Supply and demand are economic phenomena which explain much, not excluding wage rates. The demand for labour in a certain territory is dependent to some extent on the utilisation of the resources of that territory. This demand tends to be increased if the resources are managed with the maximum of skill and enterprise. It seems to the reviewer that in this respect many British firms have nothing to learn from the United States. Nevertheless we must not blind ourselves to the fact that some industrial and commercial undertakings are managed by dead men. Their motto is stability (a disguised name for stagnation). They carry on their businesses this year in the same way as last year, implying that they have learned nothing in a whole twelve months. Their organisation is not subjected to constant overhaul to ensure that methods both of production and distribution can be adjusted rapidly to future requirements. They are slow to scrap machinery and men. Unless some drastic change takes place this kind of business dies, but, like the merry monarch, takes an unconscionable time in the process. Where and when control is vested in such hands wage-earners and shareholders suffer. It is easy to say "bury the dead." It is difficult to remove a directorate who explain in most convincing language that the losses of the company are entirely due to the stagnant state of trade. This is the lesson which Messrs. Austin and Lloyd have attempted to teach. It is regrettable that this well-meant effort was not attended with more regard for economic tendencies and industrial and commercial practice. The revealer of secrets which are already widely known makes heavy demands on our patience and politeness.

D. M. S.

INTERNATIONAL AFFAIRS IN 1924.

Survey of International Affairs, 1924. By ARNOLD J. TOYNBEE. With a Preface by the Right Hon. H. A. L. FISHER. (London: Humphrey Milford, Oxford University Press. Price, 25s. net.)

The year 1923 was the blackest in the history of Europe since the outbreak of the war in 1914. The occupation of the Ruhr, the bombardment of Corfu, the Separatist anarchy in the Rhineland were manifestations of a spirit of implacability which bade fair to engulf the nations in irretrievable ruin. The problems raised by the war, far from being solved after five years of peace, seemed rather to have contracted all the symptoms of permanent insolubility.

The year 1924, on the other hand, was not merely bright by contrast with its predecessor; it marked a definite turning-point in international policy after the war. A new spirit of conciliation began to replace the old bitter spirit of intransigeance; the accumulated animosities of a decade began to be forgotten in the hopes born of strenuous collaboration. But this was not brought to pass simply by a change of attitude; the change of attitude was itself made possible by the forces of stability which had been working slowly but surely beneath the chaos on the surface. Thus the new nations that emerged from the war were already manifesting a vitality which surprised even their own foster-fathers, whilst the League of Nations, though its positive achievements were small, was establishing itself as a potent instrument of international public opinion. Indeed, the League, for all its apparent weakness, had by its one outstanding success in Austria indicated the pathway along which the solution of the major problems was to be sought.

The new orientation which took place in 1924 found expression in two directions. In the first place the problems of security and reparations were withdrawn from the irrational arbitrament of the bayonet and transferred to the more promising atmosphere of the conference table; and secondly, what was equally important, they were at long last separated from one another and were thus shorn of the irrelevancies incidental to their mutual association. The results of these new methods were that the reparations problem was settled by the only persons capable of dealing with it, namely economists, and that the security problem, relieved of the incubus of reparations, became linked in the public mind with its appropriate concomitants, arbitration and disarmament. The importance of the advance made in 1924 is that both problems, which had harried Europe ever since the Armistice, were at length placed in their proper perspective. It is no matter that the Dawes Plan is not yet definitely assured of success or that the Geneva Protocol is dead: a solid foundation was laid on which the ultimate solution must be based and that is why the year 1924 is a landmark.

The development of these momentous events is admirably traced by Mr. Toynbee in the present volume. Mr. Toynbee has chosen, both in this volume and in its predecessor, a method which he says is provisional, but which we hope he will not relinquish in subsequent volumes. Instead of giving a chronicle of the events of the year to which the volume ostensibly relates, he confines himself to specific problems, the outlines of which can be properly grasped in retrospect, and carries the narrative through several years up to the end of the year named in the title of the volume. Thus we get a conspectus of the security problem from the failure of the British and American Treaties of guarantee in 1919 to the breakdown of the Geneva Protocol discussions in 1924, while American Continental affairs, for instance, are reserved for the next volume. This, we think, is a better method than to give a comprehensive survey ending with each winter solstice, and enables any given subject to be included or omitted according to whether it has reached a suitable climax where it can be dropped. A current history needs to be something more than an annual register, and in its present style the series eminently conforms to the first-mentioned category.

Two other main subjects dealt with in this volume are the movement of population and Soviet Russia. The former reached an important development in 1924 with the second American Immigration Act, and Mr. Toynbee takes the favourable opportunity of reviewing the whole question from the last quarter of the last century. The year was of great significance as regards Russia in that she obtained recognition from a large number of States which had hitherto withheld it, including Britain, France and Italy. This gives Mr. Toynbee the opening for a very useful survey of the methods and aims of Communist propaganda and for a discussion of the influence on Russia's foreign relations of the discord between the Third International and the Russian Foreign Office. The failure of the Russo-Rumanian negotiations for a settlement of the Bessarabian question in 1924 was one of the few cases in which that year did not register an improvement in international relations, and the question still remains a latent source of future disturbance.

Another section deals with isolated European developments in 1924, the most important of which was the unexpected settlement of the dangerous Fiume dispute between Italy and Yugo-Slavia. Here again Mr. Toynbee gives a consecutive account of the dispute from 1921 onwards. Significant also of the general appeasement in 1924 was the satisfactory rectification of the Jubaland frontier between Britain and Italy, the history of which, covering several years, is traced in a short section on Tropical Africa. The volume concludes with the texts of a large number of important international documents relating to the various subjects comprised in the survey.

J. C. J.

SHORT NOTICES.

Willing's Press Guide 1926. (London: James Willing, Ltd Price, 2s. 6d. net.) This is the fifty-third issue of this valuable little press guide and advertisers' directory and handbook. It contains a concise and comprehensive index to the Press of the United Kingdom, a list of telegraphic news and reporting agencies, a directory of the principal colonial and foreign journals, and a variety of general and most serviceable information. The present edition has been carefully revised and its information brought up to date. No expense has been spared in order to assist and retain its well-earned reputation as the handiest and readiest book of reference in regard to the Press of the World. Suggestions, corrections, and information calculated to further and improve the scope of this work will be gratefully received, and the Publishers respectfully request that any change in the title, day of issue, price, publisher, or office of any publications therein may be notified to them, together with particulars of any that may be discontinued during the year. New matter should be sent at once to the Editor, in order to secure insertion in the next issue. Much care has been taken in the preparation of the classified lists of newspapers and periodicals, as may also be said of the section which is devoted to classifying the titular changes and amalgamations which have taken place at various times during recent years. This section will afford considerable help to those tracing the history of some of the oldest periodicals, and greatly assist in a search for many which are otherwise difficult to find owing to some alteration in the leading title.

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Obituary

DEATH OF PROFESSOR A. A. TSCHUPROW.

The death has just occurred in Geneva of Professor A. A. Tschuprow, one of the leading economists of our time. Few Russian scholars have enjoyed such universal recognition and world-wide fame. In this country he had the rare distinction of being an Honorary Fellow of the Royal Statistical Society, and Russian Correspondent of the Royal Economic Society, while Mr. J. M. Keynes in *A Treatise on Probability* referred to him as one of the " three great Russians " (*i.e.* Russian Statisticians). His career was short and brilliant. Born in 1874, he went to school in Moscow and graduated at Moscow University in 1896. Thence he proceeded to Berlin and Strasburg, at which latter University in 1901 he took the degree of Doctor of Political Science. In the following year he started teaching statistics at the Economic Institute in St. Petersburg, and in 1908 he defended a treatise at Moscow University entitled " Essays on the Theory of Statistics," for which he got the degree of Doctor of Political Science and Statistics. A few years later he was elected a corresponding member of the Russian Academy. Leaving Russia in 1917, he first lived for two years in Stockholm, whence in 1920 he proceeded to Dresden. He did serious research work there, declining many brilliant professorships (*e.g.* Heidelberg University). In 1924 he was invited by the University of Christiania and some Swedish learned societies to tour the Scandinavian countries with a series of lectures, and an extremely warm reception was accorded to him there. Finally, in 1925, he moved to the centre of Russian scholarship and learning in exile—Prague, where he was promptly elected a professor of the Russian Faculty of Law. While attending a session of the International Institute of Statistics in Rome (of which he was a most distinguished member) he was taken ill and had to be removed to Geneva, where, however, even the best specialists were unable to help him. The Science of Statistics owes very much indeed to its Russian exponents : among these Professor Tschuprow undoubtedly holds one of the leading places. His premature death will be mourned by all his friends and pupils who have lost in him a brilliant and stimulating colleague and master. G.S.

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date	10 Commodities	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			Mar. 12	146.1	144.4
1922			Nov. 16	171.7	160.8	Jan. 16	174.8	171.0	,, 26	145.2	
Jan. 20	144.0	164.0	Dec. 14	177.0	163.4	Feb. 13	175.2	168.9	April 2	146.5	
May 19	162.1	160.6	1924			Mar. 13	172.8	166.3	,, 9	145.7	
July 14	165.1	160.3	Jan. 18	178.6	165.4	Apl. 17	161.9	162.5	,, 16	148.1	
Sept. 15	161.2	154.3	Feb. 15	187.9	167.0	May 15	158.7	159.0	,, 23	147.2	
Dec. 15	161.2	155.8	Mar. 14	182.1	165.4	June 19	160.6	157.6	,, 30	148.4	

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
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
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. 26 ...	72.2	165.7	60.4	108.8	87.7	102.2	92.8	108.3	97.1	72.9	96.81	... Mar. 26
Apr. 9 ...	72.2	162.3	60.4	106.1	88.3	102.2	92.8	110.7	100.7	75.3	97.10	... Apr. 9
,, 16 ...	72.2	170.0	60.4	107.0	88.1	106.2	89.9	111.5	102·2	80.0	98.75	... ,, 16
,, 23 ...	72.2	162.3	60.4	107.0	86.4	106.2	89.9	114.6	102.2	80.0	98.12	... ,, 23
,, 30 ...	72.2	163.9	60.4	107.9	87.9	106.2	89.9	117.0	103.7	80.0	98.91	... ,, 30

* Revised Quotation.

SECURITY PRICES.

The following table shows 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	129.3	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. 13	**199.9**	104.9	132.0	114.8
June 9	119.7	100.8	130.6	**123.5**	Mar. 20	178.5	105.1	126.6	113.6
Oct. 27	*105.7*	99.7	126.5	119.7	Apr. 3	173.1	105.4	126.2	113.5
1924, Jan. 1	117.4	98.4	121.3	114.5	,, 10	172.5	106.1	124.5	113.5
,, 19	119.1	100.1	119.1	*112.2*	,, 17	168.7	106.9	121.8	113.3
June 21	115.3	103.3	*118.2*	118.0	,, 24	178.6	107.0	123.5	113.5
Nov. 8	130.1	103.7	133.7	**120.4**	May 1	176.8	107.6	122.6	114.7

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

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