THE

ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS

AND

A JOURNAL OF POLITICAL ECONOMY

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COMMENTS

THE coming International Economic Conference is likely to prove of immense importance. Since the Brussels Conference of 1920 and the Genoa Conference of 1922 the restoration of the financial and economic situation of Europe has certainly improved, but in no case is it safe to say the conditions in any country have become normal or satisfactory. The reasons for this are not difficult to discover, but in the main they all turn on the instability of the exchange. As a result industry everywhere, except perhaps in the United States and in one or two other favoured countries, is living from hand to mouth. The problems arising out of this state of affairs have during recent years occupied the attention of the Economic Committee of the League of Nations and of the International Labour Bureau, who have done their best to ascertain the causes of the cyclical recurrence of crises, and of incidental crises, and to evolve remedies calculated to alleviate the former and obviate the latter. Theoretical investigations, however interesting and useful, have failed to give any satisfactory results, and it was the recognition of this fact which induced the French Delegation to move at the General Assembly of the League of Nations in September 1925 for the appointment of a Committee whose duty it would be to elaborate a programme of work for an International Economic Conference. This met under the chairmanship of M. Georges Theunis, the eminent Belgian financial expert, in April of this year. In the course of the general discussion, which lasted two days, and in which nearly all of the thirty-seven members, representing twenty-two different countries, took part, it was at once apparent that the Delegates were sharply divided into two opposite schools, one aiming at narrowing down the work of the Conference within the closest possible limits, the other anxious to see included in the programme the greatest possible variety of questions affecting agriculture, finance, labour and social legislation. The attitude of the latter school is readily explained by the great diversity of the problems peculiar to the various countries which its exponents represented, but also to the fact that the Committee included among its members a very large number of specialists—industrial, agricultural, financial, labour, and so forth. The chaotic state of mind in which the debate left the Committee forced upon its attention the necessity of securing a clearly thought out and methodical programme restricted to what might be considered absolutely essential to the task imposed upon it by the League.

M. THEUNIS thereupon caused to be appointed three sub-committees, one to deal with industrial output, another for international trade and world-markets, and a third for financial questions as affecting the production, exchange and consumption of agricultural produce and as affecting population. The work mapped out for the latter sub-committee, however, was found too vast for a single body; the members therefore formed themselves into two groups, one taking charge of the purely financial consideration of the questions remitted to it, the other restricting itself to the demographic aspects of those questions. In the course of the general discussion several Delegates objected to the inclusion in the programme of the Conference of any consideration of the question of currency stabilisation. On the other hand, it was felt that, seeing that the instability of the currency is one of the principal causes, if not the chief cause, of the enormous difficulties in the way of the economic rehabilitation of Europe, the whole work of the International Economic Conference would only be built on sand were it to abstain from making recommendations with regard to the currency problem. Any other measures the Conference might propose or any other recommendations it might make would, it was thought, prove futile so long as the various European countries had not stabilised their respective currencies. The Swiss Bank Corporation in its last monthly Bulletin strongly supports the latter view, and hopes that the Committee will eventually include the question of currency stabilisation in its programme. The only thing lacking for the success of the International Economic Conference, in the opinion of M. Theunis, is that public opinion throughout the world should be so educated as to produce a favourable atmosphere likely to make for success. This end will be attained if it comes to be generally recognised that the general prosperity of the world can only be the result of the individual prosperity of its component peoples.

IN spite of occasional declines, the German Bourse still shows considerable powers of resistance. The lowering of the discount rate has undoubtedly stimulated new commitments, and the steadily increasing easiness of the Money Market will most probably assist in getting over the middle and end of month settlements without difficulties being experienced. It is anticipated that the dividends of some large industrial concerns, now falling due, will further strengthen the market. Among others, the coupon of the Farben-Industrie shares has just been detached, yielding about Rmk.60 million to the shareholders of this company. Among the industrial groups that have considerably improved in price, Iron and Steel shares have been most conspicuous. At a recent meeting of the Association of German Iron and Steel Manufacturers it was stated that the exports of castings and finished products were on the increase. Consumption in the home market, however, still lags behind the pre-war total. With regard to new issues, the number and volume has largely diminished. Rmk 67,450,000 only of domestic loans were floated in May. On the other hand, foreign investment markets have been resorted to on an increasing scale, and German loans issued abroad in May amounted to Rmk.144,250,000, a figure which exceeds considerably the average for all preceding months except January, when Rmk. 179,800,000 were floated abroad. The proceeds of these loans have, in part, flowed into the channels of the Money Market, thus further increasing its liquidity. On the other hand, the requirements of trade and industry have remained stationary.

THE first balance-sheet of the German Railway Company appears, almost simultaneously, with an offer to the public of its 7 per cent. Cumulative Preference Stock. The figures shown in it are very much more satisfactory than might have been anticipated from information available at an earlier date. The first business year extends over a period of fifteen months, from October 1, 1924, to December 31, 1925. The working surplus is given at Rmk.818,760,000, of which amount approximately 400 millions were absorbed by interest on the Dawes Reparation Bonds. After writing off Rmk. 150,000,000 for depreciation of plant, etc., there remains a net profit of Rmk.153,110,000, which will be carried forward to a new account. The Railway Company has, therefore, succeeded in appropriating about Rmk.300 million to its Reserve Fund. Goods traffic receipts amounted to Rmk.3,500 million, a figure which is almost double the amount of the passenger traffic receipts. The Board do not hesitate to suggest that these favourable results have been obtained solely because the Company has persistently refused to consider the various proposals made in the direction of lower freight tariffs. It should, however, be borne in mind that nearly 59 per cent. of the goods carried are receiving the benefit of preferential treatment.

A CONSIDERABLE rise has been experienced during the past eight months in the price of Raw Cocoa Beans. Towards the end of last year the value of Accra cocoa, which for simplicity's sake one may regard as the basis of operations in raw cocoa, stood at £36 f.o.b. At the moment its value is £50 f.o.b., with buyers at the price, and sellers very scarce. Much of this rise in price has been attributed to various causes, ranging from combines among shippers to the holding-up of supplies by the farmer. Consequently the manufacturer has been put upon his guard. However, there can be but little doubt that the real cause lies in the fact that demand has exceeded supply. It has been stated, and stated truly, that owing to the depreciation of the franc, France has been unable to purchase its normal requirements. Again, Germany has not yet sufficiently recovered herself to be able to take her 80,000 tons annually. But, on the other hand, American manufacturers have, and are enjoying a considerable increase in the sales of their manufactured articles. It has been estimated that their turnover and orders are at least 15 per cent. better at the present time than they were twelve months ago. There remains a more formidable reason to account for the discrepancy between supply and demand, namely, that, for the first time for many years, world-crops have decreased rather than increased. For years past production and consumption have followed each other closely, and it is easy for one to appreciate readily that when production falls short, and consumption increases, or even remains the same, a rise in price must of necessity take place. The outlook is, therefore, a firm one for some months to come, and will remain so until new supplies begin to reach the markets of the world; that can hardly take place before the early days of November.

THE position of the sugar grower is, unfortunately, not the happy lot of the raw cocoa producer. Sugar, for some time past, has been sold below the cost of production; in fact, in spite of the preference which the British grower gets in the British market and in Canada, he is still selling his raw material much below its actual cost. The new and somewhat severe restrictions which Cuba is bringing to bear on its huge crop may, in about ten months' time, have some effect, but one cannot predict favourably in regard to this industry for at least two years to come. Demerara has recently experienced a most severe drought to add to its other troubles; scarcely a drop of rain fell for nearly nine months, and when one considers how essential moisture is to growing canes one can well appreciate the difficulties in which this colony finds itself to-day. At present the price of sugar is approximately 15s. 6d. per cwt. c.i.f. U.K. ports. That figure represents as nearly as possible what it costs to produce. This naturally allows little or nothing for depreciation or renewals, both of which have to be considered seriously at the end of every crop, and leaves the question of profit out of the picture altogether. The West Indian sugar grower's lot, with the possible exception of during the war and the following boom years, has never been a particularly enviable one, and to-day they appear to be back in their old slough of desperation. Moreover, and this needs to be remembered, there is still in the world a very heavy surplus of sugar over and above normal requirements, and that in spite of the low mark reached by present-day prices.

AN instance of the evil consequences of the recent General Strike in this country is provided by Mr. F. W. Field, His Majesty's Senior Trade Commissioner for Canada, in an interview with Reuter's chief representative in the Dominion. Mr. Field affirmed that much business had been lost, and would be lost, by British firms in Canada as a result of the general strike and the industrial uncertainty in Great Britain. He cited several instances of the loss of business directly attributable to those factors. An order for bulb angles for a ship that was being built at Quebec had been transferred to the United States, while that of a steam turbine set required for Nova Scotia, valued at £8,000, had been given to a Swiss firm, although three British tenders had been submitted for the work. Buyers stated that non-delivery would mean the loss of £800 monthly, and they could not take such a risk. In another instance, a Canadian municipality gave an order to a British firm for cast-iron piping on condition that no strike was called in the United Kingdom. "These are three of many instances that are occurring in this country," added Mr. Field. "My object in drawing attention to them is that firms in Great Britain and their workmen may know that the uncertainty regarding deliveries is causing considerable loss to British trade with Canada." There can be but very little doubt that a similar tale is to be told by British representatives in other countries besides Canada, and, illustrative as such details may prove to be, the tale must remain for ever incomplete. The loss to British trade consequent upon the general strike will be immeasurable, and equally difficult to appraise will be the commercial atmosphere it has created abroad.

MR. HENRY FORD, when announcing recently further reductions in the prices of the products of the Ford Motor Company, went on to refer to the business situation in America and, incidentally, attacked the practice of sale by instalments which was being employed universally by his competitors, though not by the Ford organisation. He was optimistic about business because, he said, the people generally knew what was wrong with it. Debt in the United States had become a national industry. The American people no longer bought, they were backed into a corner and were "sold," and it was a bad business for creditor and debtor alike. This debt situation, he believed, would soon "provide a jolt" which would bring people back to a cash basis. What the real purchasing power of the people was, whether it was greater or less than before, he believed no one could tell until the people got out of debt, and to this declaration Mr. Ford added an attack on credit based on gold. In spite of what many are saying to the contrary, he declared that there was still an enormous field for American motor-car manufacturers in the United States, South America, India, China, Russia, and Africa, and he went on to say that the only thing that prevented his undertaking the manufacture of millions of motor-cars in England for shipment to the British Dominions, "without taking a penny of the proceeds out of the country," was the heavy British tax levied on motor-cars according to the size of the cylinder bore. In attacking the payment by instalment system Mr. Ford was probably on the right line, it is a device which always militates against the less expensive product, and solely for reasons answerable in psychology. He was, perhaps, less correct in predicting the future of the market for his manufactures. In most fields formidable competitors have arisen, and "something" seemingly superior coupled to an easy-payment system constitutes a snare into which the public are generally only too prone to fall.

SPECIAL ARTICLES

THE COAL MINING DEADLOCK IN GREAT BRITAIN. *

BY SIR JOSIAH C. STAMP.

I.

Up to two or three years ago disputes in the coal mining industry in Great Britain usually involved a confusion of differences of opinion about facts, differences about principles and conflicts of view about questions of immediate tactics and behaviour. It is safe to say, however, that the coal industry is to-day more advanced, from the statistical and documentary points of view, than any other at any time.

As a part of the machinery of wage determination set up in 1921 the trading and revenue accounts of all collieries of any size are analysed in great detail on standard lines by independent accountants acting for the owners and the miners respectively. Although no individual colliery details are available to the public, the aggregates of each district, showing the sundry results and expenses, expressed in relation to tonnage, etc., are compiled and are thoroughly well digested by those interested. Further investigations have been made by the recent Royal Commission into comparative facts in the other industries and in other countries, and it may be said that—with one important exception to which reference is made later—there are now no questions of fact having serious economic significance which are not clearly laid out upon the table for anyone to see.

Disputes should now therefore be confined to discussions of principle, but actually they still are intermingled, unfortunately, with conflicting views about the way in which immediate negotiations have been handled on either side. Such temporary matters of course occupy a prominent position during the period of a dispute for they are the immediate irritants of public opinion, but they sink into insignificance as time goes on, leaving bedrock questions still open for settlement.

To-day we have the unique position of a deadlock between an economic impossibility and a psychological or physiological impossibility. On the one hand the existing demands or requirements of the workmen, at any rate until the industry is reconstituted, mean that it cannot be carried on except at a loss over the major part of its operations, and therefore cannot be continuously carried on at all on its present scale. On the other hand the minimum needs of the owners which have to be met if this economic impossibility is to be avoided mean a reduction in the standard of life of many of the men which may be partly mitigated by a lengthening of their hours.

The deadly evolution of economic events has brought about this state of affairs. While there are some points upon which each side might be blamed, neither side can be held completely responsible for the plight of the industry, nor can either side be " blamed " entirely for the stand it has taken. When on all sides and in all countries to-day inconvenient economic facts are being glossed over, it is not difficult to appreciate the reluctance of the men to admit the inevitability of facts so repugnant to their cherished desires and well-being.

II.

It is not generally realised that there are now more men in employment in the industry than before the war, —this despite a reduction of normal output of some 15 per cent. Seven men are now trying to live upon the product that six enjoyed before the war. It is unnecessary to enlarge upon the reasons for diminished consumption: the increase in the use of alternative fuels; the dislocation and alteration of European markets with impoverished purchasers; devices for economising in coal, etc. Whatever these reasons may be, the fact remains that the existing output of the industry is too small for its " ground plan," as indicated by the number of mines in operation and the number of men engaged. This extent is now too great for a stable equilibrium to exist between price and reward.

The first essential therefore is a reduction of the magnitude of the industry by 15 or 20 per cent. It would then be possible for the present output to be maintained by the remaining mines, under conditions which would enable wages on the present scale to be paid without actually incurring losses. It would still leave it completely necessary for the reconstruction of the industry on the lines of the recommendations of the Royal Commission to be carried out, in order that the industry should be on a progressive and satisfactory basis for the future. It is obvious that to take those mines that are worked under the least economic conditions out of the " wage-ascertainments " would mean that the average costs for the remainder of the mines in a district would be more satisfactory and give a margin of profit. If in addition to the reduction in area there were a slight lengthening of the working time for the remainder, the position of stable equilibrium would be more readily reached.

The surplusage of men in the industry has been partly caused by the frequent isolation of the mining villages from other industries and the consequent lack of mobility in labour. New pits in the eastern fields have been manned with new labour instead of with labour transferred from the declining districts. Such a transfer was next to impossible owing to lack of houses. To have left the miners' cottages in the existing areas derelict would not have enabled the country by a magic wand to produce the required houses elsewhere. Every effort has already been made to build houses rapidly to meet the actual shortage, with the result that they have sprung up in unprecedented numbers. Despite this, the problem of coping with the existing shortage has not yet been solved, and it is obvious that the effort would still less meet the requirements of transfer which would be a clear addition to such a shortage since it would " de-house " a large population at present satisfactorily housed. The Royal Commission's report has recognised the necessity for a complete transfer to other industries, and the Government has assumed some responsibility for assisting in every way such contraction of the industry. Exactly what is involved in this operation beyond an extension of unemployment " doles " has not yet been constructively elaborated.

III.

The wage system in operation in the coal industry is extraordinarily complicated. It has its origin in the events of some sixty years ago, and the number of " ingredients " in the calculation to bring the wage down to recent times has been put at over forty. This does not mean, of course, that a wage earner has to go through all these calculations to get his present weekly wage, for the computations were brought to a head or " standard " for the period as immediately before the war. (Incidentally it should be remarked that the immediate pre-war period was a boom period and the claim to perpetuate or standardise the wages of such years, so that they should operate during the periods of less prosperity, would in itself be likely to give rise to considerable difficulty.) Upon this standard has been built a complicated system of percentage additions for the general change in price levels, district adjustments, subsistence allowances and minimum wages. If any new system of computing wages is suggested, so great is the conservatism of the wage earner that the new figures have to be turned into terms of the old before they are acceptable. Men will not relinquish what they know

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and have experienced, however complicated, for something by the operation of which they may some day be unexpectedly deceived. Thus when the 1921 agreement brought in the new principle of dividing between the owners and the men the net proceeds of the industry, the share applicable to the men after such "ascertainment" had to be turned into terms of a percentage addition to the old wage before it was acceptable or workable.

These historical complications, together with the natural differences between the several districts and the different grades of labour, add greatly to the difficulty of the problem and to public mystification whenever miners' wages are under discussion.

Is the principle of the 1921 agreement, that there should be a fixed ratio in which the proceeds of the industry are divided, a satisfactory one? It sounds at first all that could be desired, granted that the ratio agreed upon is a reasonable one. There is no doubt in my mind that the ratio of 85 to 15 (afterwards altered to 87 to 13) on which every £100 of proceeds were to be divided between workmen and owners was a fair representation of what actually happened over a long period before the war, say twenty or twenty-five years. But it is not sufficiently realised that an accurate average for this purpose does not necessarily give a fair annual result, for it turns out to be too rigid as between good years and bad years. The average deviation over a long period from this mean ratio was 40 per cent., which means that the ratio would not have been correct in more than a small minority of those years. I showed before the Royal Commission, that the difference between the amount of wages that actually had been paid to the men before the war over a long period of years and what would have been paid if the agreement had been in force over that period was very marked, although the aggregates for the whole period were identical. The reward of the men would have fluctuated much more violently under the agreement than under the actual method then in force. As labour has no long-period "staying power" it is useless to try to compensate a man for his suffering, during a period of depression, because of the low wage which this fixed ratio gives him, by telling him that in several years to come he will have correspondingly more which will put it right. Capital may bear these differences or fluctuations, but labour cannot.

A fixed ratio of this description means that in the majority of years either the men or the owners are feeling the pinch unduly. There is little doubt that some part of the trouble felt in the last two years would have been avoided if there had been a little more elasticity in this fixed division of the proceeds.

IV.

The difference between prosperity and adversity in the industry is largely measured or borne by that proportion (roughly one-third) which goes to the export trade. Here the world price is an important factor, and when this is translated into sterling, an advance in the value of sterling means that the same world price in foreign currency brings in smaller sterling receipts to the owner. There has been in the past twelve to eighteen months a very marked reduction in the sterling price level which affects British exporters to a considerable extent. In the case of those traders whose purchases of commodities form a substantial part of their outgoings, what they suffer on the one hand may be partly counterbalanced on the other. But in the case of coal where nearly 90 per cent. of the price has represented the reward of labour, if no arrangements have been made in advance, or no easy apparatus exists, for securing a corresponding reduction, then the mine owners' revenue account is depressed on the receipt side and remains constant on the payment side. Something of this kind happened in 1924 and 1925 and helped to exaggerate the plight of the industry from the point of view of its profits to the owners and return to invested capital.

It is not too much to say that at the present time coal in Great Britain is being mined at a considerable average loss, and that if the whole proceeds were given to the men they would be receiving in a number of areas something below a decent minimum wage. Herein lies the economic deadlock. It may be said, "Why not let economic forces take their course and mines be shut and the men find jobs elsewhere?" The answer to this question is that the lack of fluidity of movement, the complexity of the industry, and the dislocation following the war, have made it impossible for such a remedy to work out except with the gravest hardship to vast numbers of deserving and useful citizens.

In our complex civilisation in England, based on interdependency, public opinion has moved too far in the direction of humanitarian instinct to allow the miners to suffer starvation and exposure if the cause is something over which they have absolutely no control and arises from a common calamity like the war. There is this much substance in the men's view that the deadlock may be an economic one, but if it is so vital to the State for it to be on the right lines, then it is a responsibility on the State to see that no well meaning and hard working persons are brought to the gutter.

One of the recommendations of the Royal Commission (as indeed of numerous preceding bodies) has been that the State should acquire the freehold of coal—that is, it should purchase the royalties. No one should make the mistake of thinking that in the royalty question lies the difference between the success or failure of the industry or between the present wage and a decent wage. It is much too small financially for that to be true; the effect probably does not exceed five pence or six pence per ton as against a margin of profit and loss of three shillings or four shillings per ton now in question.

If the whole royalty were to be annihilated it would not solve the present problem. As a matter of fact, in so far as the royalty is a true economic differential like an economic rent, it cannot be annihilated, whoever may own it. But it is a political and social irritant of first importance. It rarely fails to rouse deep resentment when it is graphically presented as a deliberate deduction from the reward of the worker to be paid over to the idle recipient of inherited fortune—especially if the owner happens to be a duke. It stands as a factor in the dispute far beyond its intrinsic importance, and to convey the royalty to State ownership on generous terms would be the best possible tactics from a political standpoint.

But the advantages would not merely be the removal of a social irritant. Not only would the State be put in possession of all coal below a certain level and of all unproved coal, but in the granting of future leases it would be able to impose such terms as would bring the working of the whole industry up to the level of the best. It would enjoy also the great advantage of being able to lease coal for working in accordance with geological conditions and not as heretofore in accordance with accidental, incidental and historical boundaries on the surface. These surface conditions have made the leasing of coal in the past an unnecessarily complicated and uneconomical affair. Again, perhaps, with ten or twenty years of experience of leasing coal, the State Department would accumulate such knowledge as even to enable it to carry out the crucial experiment of State ownership in a competitive area for some particular district. This would do more than any other device to settle the vexed question as to the practicability of State ownership and would eliminate some of the present dangers of civil service control.

One of the solutions of the whole problem suggested by the workers is that the industry should be allowed a fair return upon invested capital, not including new capitalisation through reconstructions, bonus shares, etc., after which the proceeds should be divided or go wholly to the men. Unfortunately for this suggestion there is no means of knowing what has been the invested capital in the past, or, if that figure were known, how much of it is effective in producing the present output.

My own estimate of the capital in the industry made to the Sankey Commission some years ago, together with the known figures of the new capital introduced in the last few years, is the basis generally adopted for argument upon this subject. It is impossible to give a precise estimate of the capital invested because many of the mines come down from periods long ago, for which the records are lost, and the balance-sheets merely show an original figure in one item for the whole property coming down from father to son for generations. But even if the figures were accurately known the question of principle still remains.

It is very difficult to convince the workers that you cannot stereotype the reward of capital and at the same time maintain a progressive industry. Mines are inevitably falling out of use and new mines coming in to maintain a given supply. For those that come in there must be an offer of a return upon capital which will be comparatively equal to or better than the attractions of rival industries. This sets the minimum upon which the industry can progress. In this offer there are several hidden but real essential figures. One is the price of the product at which the estimated tonnage will sell to yield a net receipt that will produce the required proportional return upon the estimated capital outlay. There cannot be two prices on the same article (allowing for quality) in the same market. Therefore the price of coal that is necessary to attract new capital will be the same price as would apply to coal from old mines. It may be a price which will yield a very small return upon old capital, or a very large return. The capital value of the old mines is very different from the capital invested and it must necessarily fluctuate more or less in response to the marginal return in new collieries.

It is not possible to sell one lump of coal at one price because it comes from a new mine, to pay the interest on new capital necessary to produce it, and at the same time to charge a different price for another lump from an old mine which will pay a fixed conventional rate on old capital. But this essential link between margin of new supply and the reward on old capital is nowhere properly appreciated as inevitable in a competitive industry.

V.

Unfortunately disputes between masters and men have been so frequent and have been conducted under such conditions that an unique spirit of distrust exists which renders ordinary negotiation more than usually difficult. If the reorganisation of coal mining on the lines of the Royal Commission's report can be accompanied by a new spirit of conciliation, it would make a profound difference to the future prospects of the industry.

Exactly why the economic disequilibrium of the coal industry should have led into a general strike is not yet clear and probably the story will not be fully written for some time. But there were certain predisposing forces at work :—

First, it is represented on many hands that a concerted attempt is being made by the capitalists to depress the standard of living of the workers ; that the case of the coal miner was merely the beginning of a general campaign ; and that unless workers stand together to defend it at the outset the miners will go under first and the others will follow in succession. The powerfulness of this argument to those to whom it is addressed has little relation to its truth.

Second, there are obvious Bolshevik and revolutionary elements, particularly in the populous centres, which will make the most of any chance of disturbance and dissatisfaction and which resent all measures of conciliation.

Third, there are those who avowedly work to engineer the industry into such a condition that the State will be compelled to take it over. This would be the first step towards the much desired goal of nationalisation in general.

A fourth possibility is that the railway transport workers have been taunted with their action on a certain "Black Friday" when it is alleged that they failed to make good their promise to stand by the miners. Some have felt that when the account or demand was again presented by the miners it would have to be honoured if the occasion were sufficiently convincing ; otherwise it would be clear that the implied undertaking was never given in good faith and was only a sentimental gesture, lacking practical courage.

It appears unlikely, however, that the hearts of more than a minority of those who loyally obeyed the call to cease work were really in the struggle. The reckoning has yet to be made up as between the different sections of labour involved, both as to the wisdom of the general strike, the responsibility for calling it, and the responsibility for terminating it.

THE MELLON-BERENGER AGREEMENT AND FRENCH PUBLIC OPINION.

By Dr. PAUL APOSTOL.

The settlement of the Foreign Debt problem of France is one of the most important elements of the wider problem of the restoration of her finances. Without such a settlement not only is it impossible to establish a true balance-sheet of her financial position, but it would moreover probably be hopeless to expect any American or Anglo-American assistance such as is necessary for the restoration of French finances so long as the question of her interallied indebtedness remains unsettled. Consequently the worse the currency crisis, the greater the necessity for a settlement of the French foreign debt. What then is the actual position of this question as regards the United States now that the Washington Agreement has been signed and that Senator Henry Bérenger has returned to France ? The answer to this question, it cannot be too often repeated, is of the greatest importance in any attempt to forecast the future of the franc.

The Mellon-Bérenger agreement was badly received by a section of the French Press, its criticism occasionally being of a very acrimonious character. Thus Gustave Téry, the witty editor of the *Œuvre*, headed his article "*L'accord* Américain—*La corde* Américaine" (a play on the words which will appeal to French linguists), while Grosclaude, that old prince of punsters, picturing the United States as a mother anxious to take France under her tutelage, christens her "Mater *dollar*osa." But those who appreciate the superb combativeness and the sprightly wit of French journalism need not be greatly alarmed at these little outbursts.

What fault is found with the Mellon-Bérenger agreement ? It is not so much the fact that the agreement, while providing for heavy reductions of the interest which France will have to pay, leaves the principal of the debt untouched. All the same, setting aside motives of a sentimental character, a section of French public opinion considers that France has paid very dearly for her orders and supplies in the United States, and that the American merchants and industrialists who supplied them have gained enormous sums, part of which was confiscated by the United States Treasury through the Excess Profits Tax. According to this section of French public opinion the United States Treasury ought to take this fact into account and reduce to a certain extent the amount of the debt.

This, however, is not the chief fault found with the agreement. What French public opinion blames the agreement most for is the ignoring of any connection with German payments and of all precautions against the effect the transfer of dollars may have on the rate of the franc. But how is France to pay the United States, first, if Germany does not completely fulfil her obligations under the Dawes Plan ; secondly, if, although fulfilling these obligations, she makes payment in kind instead of in gold; and thirdly, if the transfer of dollars, by intensifying the fall of the franc, makes stabilisation impossible? Such are the distressing questions being asked by French public opinion. But the anxiety they occasion is best expressed by the two letters contributed by the well-known engineer Philippe Bunau Varilla to the *Figaro* and *L'Œuvre*, and by the motion submitted to the Chamber of Deputies in which the Socialist group requested the Government to reopen negotiations with the United States.

M. Bunau Varilla wants the Senate and the Chamber when they ratify the agreement to append to the act of ratification a statement to the effect that in settling her debt to the United States and Great Britain France will only use the dollars she will have received from Germany under the Dawes Plan. The Socialist motion, on the other hand, requests the Cabinet to ask the United States Government to agree to the insertion in the agreement of a clause providing for payment in francs to be subsequently translated into dollars, but only after the stabilisation of the franc and so long only as this translation into dollars does not affect the stability of the French currency.

But will the United States Government agree to the insertion in the agreement, or to the addition to that document, of these "safeguard" or "transfer" clauses so called? While freely admitting the reasonableness of the fears expressed by French public opinion, one may well doubt it, bearing in mind the peremptory refusal with which the United States at every stage of the negotiations has met all such proposals. But perhaps some other formula of a more general character, and not to be incorporated in the text itself of the treaty, may be found which will satisfy France.

Without presuming to forecast the future from this point of view, I cannot profess to be very anxious as to the fate of the Mellon-Bérenger agreement, and that for two reasons. First, from what we know of American opinion in general, and of the opinion of the American statesmen who negotiated and signed the agreement in particular, there is not any very great difference between the French and the American points of view. Americans are perfectly well aware that if the Dawes Plan is not faithfully carried out, its breakdown would necessarily involve the breakdown of all other agreements relative to interallied indebtedness. Everything then would have to be reviewed and revised, as in the absence of German payments France would not be in a position to assume the obligations to be imposed by the agreements with the United States and Great Britain.

As a matter of fact, is not this the very idea expressed by the Secretary of the United States Treasury in his Annual Report for 1925 when he said that no nation could be asked to pay to another Government sums in excess of its capacity of payment. That agreements concluded with foreign Governments must be based on the possibility of each particular Government being able to set aside and to transfer to the United States the sums provided for in the arrangements for consolidation. Neither must the principle of capacity of payment exact payment by the foreign debtor to the extreme limit of his present or future capacity. He must be able to maintain and improve his economic position, so that he may be able to balance his Budget and establish his finances and his currency on a sound basis, and to maintain and if possible improve his own standard of living and the standard of living of those under his jurisdiction.

It may therefore be asserted that there is really no difference between the French and American points of view. Only, for many reasons, some of which are connected with her home politics, the United States has refused to insert in the Agreement specific clauses with regard to the Dawes Plan, the capacity of payment of France and the question of transfers.

Secondly, there is another reason why we are not disposed to take the worst possible view of the fate in store for the Mellon-Bérenger Agreement, and that is that it is of the greatest importance to France that her debt to the United States should be promptly settled, mainly for reasons set forth above. M. Henry Bérenger, speaking on June 3 before the American Chamber of Commerce, said that during the last few years he had come to the conclusion that financial order could not be re-established in France so long as her debts remained unsettled, for a prerequisite for all credit was the confidence a country inspired. The equilibration of the Budget and the stabilisation of the currency, he added, could only be effected after a settlement of the foreign debt.

But besides these reasons of a general character there is a very special one which will compel France to accept the Agreement, and that is that the Agreement, while including in the amount of her political debt that part of the commercial debt arising from the purchase of American stocks, releases France from the obligation of paying to the United States in 1929 $400,000,000, or, at the current rate of exchange, fourteen milliards of francs. Where would she find the money for this?

"We were bound to sign," declared M. Raoul Péret to a representative of the *Avenir*, "otherwise we were threatened the closing of the American market, with a violent rise in the exchange, and with the obligation to pay in 1929 four hundred millions of dollars." "Let those who prefer to see us under the obligation of having to pay in 1929 thirteen milliards to America, for stocks bought and resold by us, say so openly," writes M. Stéphane Lauzanne in the *Matin*.

Not only must the Mellon-Bérenger Agreement be ratified, but it must be ratified as soon as possible, in view of the political situation in the United States and in view especially of the coming partial re-election of the United States Senate. A section of French public opinion and of the French Parliament claims, therefore, that the consideration of the Mellon-Bérenger Agreement by the Foreign Affairs Committee of the Chamber and its discussions by Parliament be placed on the order-paper of the day without further delay.

FOREIGN TRADE OF THE UNION OF SOVIET SOCIALIST REPUBLICS DURING THE YEARS 1924-25 AND 1925-26.

(*Continued.*)

It may be mentioned that, although a campaign for lowering these overhead charges has been waged for several years, the Soviet Press last year announcing a certain amount of success in that direction, the improvements have been rather insignificant.

Such is the position with regard to grain products. No data are available so far as other export goods are concerned, but from the figures to hand it can be gathered that the margin between home and foreign prices is sufficiently great to enable normal overhead charges and the exporter's profit to be covered. For instance, in the case of Siberian butter, the average price of which in 1924–25 in the home market was 18 roubles 88 kopecks per pood, the price abroad was 24 roubles 8 kopecks.*

The balance was thus 5 roubles 92 kopecks, or about one-third more than the home market price; the whole of this balance, however, was nearly entirely swamped by the overhead charges, which on an average amounted to 5 roubles 50 kopecks to 5 roubles 70 kopecks per pood in 1924–25.†

Next, with regard to eggs. In 1924–25 the average price on the home market worked out at 40 roubles per box, the foreign price being 70 roubles 30 kopecks,

* According to the *Economic Review* for October 25 and *Foreign Trade*, No. 10, 1926. The average price was calculated excluding the period January to March, for which no figures are available. Market prices are meant, the purchasing prices probably being somewhat lower.

† *Economic Review*, October 26, page 187. According to "Rural Economy and the Way to Reconstruction" the amount is 6 to 7 roubles (page 258).

or 75 per cent. above the former, a sufficient margin, it would seem, to make export profitable; but overhead expenses came to 27 roubles per box and thus did away with the margin, leaving hardly any balance over.

Flax stands a little better in this respect. According to the *Economic Review* for October 1925 the overhead charges for 1924–25 in comparison with those for 1923–24 were brought down to nearly one-half. Taking into consideration the great discrepancy between the home and foreign prices, this leaves a satisfactory profit for the exporters. But even with regard to flax there is much to be desired in the way of a further reduction of overhead charges, as can be seen from a leading article in *Economic Life* of March 6, 1926. After discussing the problem at some length the Soviet journal suggests that "the question of overhead charges should be made one of the principal questions at the present moment."

The all-absorbing importance of this question is also stressed by the authors of a chapter on export trade in the publication already quoted, "Rural Economy and the Way to Reconstruction." "The question of overhead charges in export trade," they say on page 283, "is an acute problem of exceptional importance, to the solution of which the best learned and practical experts must contribute. Without exaggeration it can be said that the fate of the export of various individual goods, at any rate in the near future, as well as the conditions of their manufacture and cultivation in the U.S.S.R. rest on a timely solution of the problem. This solution must also correspond to the interests of our national economy as a whole."

One can add that on this solution there depends an even greater issue—the fate of the Tchervonetz, which is oscillating at present owing to reasons connected with the issue policy of the Soviet Government as well as the position of the internal markets, but which is also threatened from the balance of payments side. It is precisely because factors of the former category have already considerably weakened the stability of the Soviet currency and confidence in it, that a debit trade balance becomes so dangerous.

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

Fortieth Report of the Commissioner General.—The current Report of Dr. Zimmerman, Commissioner General of the League of Nations for Austria, deals with the period from March 15 to April 15 last.

In the preamble Dr. Zimmerman mentions that the attempts to cover the extraordinary expenditure incurred by the increases granted in December 1925 in the salaries of State employees by effecting economies in the various State departments have not been entirely successful, and that the difficulties are by no means yet overcome. Since the inception of the reconstruction programme the number of State employees has been reduced by 84,900 persons.

During the first quarter of the present year the total of the sums made liquid by the Commissioner General for capital investments of a distinctly productive character amounted to Sch.29.46 mill. The great extent of these sums is explained by the desire expressed by the Austrian Government to speed up during the early months of the year the various public works for which these investments were required, thereby giving employment to the large numbers out of work. In addition to the sum of Sch.3 mill. already released by the Commissioner General for electrification purposes, a further sum of Sch.3.6 mill. has since been granted, so that the aggregate amount released to date for this work in Austria now figures at Sch.12.19 mill. The National Bank has continued to grant credit to agriculture for the purchase of artificial manures, the sums in question to be refunded at the close of the present year. Since the beginning of the year a total of Sch.2.78 mill. has been granted for this purpose.

The purchase of holdings in the International Loan on the open market was continued during the month under survey, the total amount at the end of March being about Sch.28.5 mill. The Schilling Account A showed tobacco receipts Sch.22.6 mill., and Customs receipts Sch.16.1 mill. The balance of Account B, Loans, showed a surplus in March of Sch.284,535,200, of which Sch.224,482,200 was represented by foreign currencies.

The Report then surveys the currency conditions and the state of unemployment, and remarks that the adverse balance of foreign trade has for some time shown a tendency to increase. Under these circumstances everything relative to the politico-commercial policy adopted by the Government is of paramount importance. During the month covered by the Report Austria did not enter into any commercial agreements with other countries, but certain legislative measures of a protectionist character were introduced. (*Neue Freie Presse*, June 6.)

Decontrol.—The modification of the League of Nations' supervision of Austrian finances and economic affairs practically means the removal of control. A subordinate official will now supervise the application of the remaining portion of the International Loan, which will be mainly utilised for the electrification of the railways, and the League's control is reduced to the limits of the pledged revenue and, of course, to the expenditure of the remaining credits. All the conditions imposed, declares the *Oesterreichische Volkswirt* of June 5, have now been fufilled. The Federal final accounts submitted by the Audit Office are satisfactory beyond expectation. The revenue not merely suffices to cover current expenditure, but allows for a surplus even after settling the various investment items. The current year also appears to be developing favourably. The receipts of the Excise and Monopolies are being maintained at nearly the record figure of the best month of last year. This is very important, since it removes the necessity for Austria to apply to the Finance Committee for further advances. The decontrol involves complete freedom for Austria in drafting the Federal Budget, without any restrictions as to the imposition of taxation or as to expenditure; the only important condition is the avoidance of a budgetary deficit, which would involve the re-establishment of the League's control. Financial sanitation has been attained by the control in the past, but only at the cost of a steady impoverishment of the country's economic and social life. The present decontrol releases the strangle-hold on expenditure as long as sufficient cover is provided.

The *Neue Freie Presse* (June 6) does not wish to entertain any illusions concerning the decontrol. The financial progress of the country has been satisfactory; but the confusion of the provinces, their contending interests, the commercial stagnation caused by the loss of markets, the serious industrial situation and the general conditions give ground for much anxiety. Financial sanitation has meant the removal of unreality, the stabilisation of the currency, and the practical exclusion of the possibility of the re-appearance of inflation. It now remains to be seen whether the State can bear further operations without morphia injections; whether it can still continue to exist on a capitalistic basis; whether it will have the necessary power of resistance in the huge demands that must yet be made upon it; and, finally, whether it can lay the foundation of economic prosperity with the failing home consumption, the insufficient capital creation, and by following a policy of isolation that does not show any sign of improvement. It must be stated quite frankly that things cannot go on as they have in the past. The financial sanitation of the country has been attained only by unbounded patience and untold sacrifice on the part of the taxpayers. The task is now to make it possible for the factories to get busy and provide work for the numerous unemployed, to re-establish public confidence and to strengthen every branch of national activity.

Discussing the Austrian decontrol decision, the *Central European Observer* (June 4) points out that the State deficit in 1923 was roughly $22,600,000; in 1924, only $2 000,000; but in 1925 there was a surplus of $800,000. This surplus would have been $7,300,000 had the State employees not demanded an unexpected increase in wages and had the prolongation of the unemployment crisis not required unanticipated expenditure in respect of unemployment benefits. Austria's reconstruction is progressing so favourably as to make its "Lebensfähigkeit" an almost unassailable fact, provided there do not arise in Europe economic crises of such dimensions as to obstruct the continuance of this work of reconstruction. There is certainly no sign at the moment that any such crises are on the horizon or in any way pending. Austria's currency has been stable for three years and for some time has maintained its position wholly without artificial assistance from outside sources. The international loan raised through the medium of the League of Nations for Austria has brought investors in it excellent returns and stands high on the markets to-day. Despite all her difficulties Austria is incontestably and fundamentally sound. Agriculture and water-power are being rapidly developed and will both offer for a long time to come opportunities for safe investment. It is also noteworthy that constantly increasing amounts are being transmitted from foreign countries to Austria for investment in productive enterprises. The largest iron and steel company in Austria is the Alpine Montan Gesellschaft. Its pig iron production rose from 264,000 tons in 1924 to 379,922 tons in 1925, and steel in the same twelvemonth from 237,300 to 304,372 tons. Austria's adverse balance of trade dropped 50 per cent. in that same period, and it is stated that the invisible returns from Austrian investments abroad, from the Austrian foreign commission business, from tourists, and so on, actually erase entirely even the reported adverse balance.

FINANCE

Final Accounts for 1925.—The statement of the Federal final accounts for the year 1925 was issued to the Press by the Audit Office on May 17. The situation therein revealed is more favourable than was expected. Revenue exceeded expenditure by some Sch.76.45 mill., or, making the necessary deductions for certain prescribed items of cost of living advances to State employees and unemployment insurance, by Sch.50.82 mill. The actual revenue collected amounted to Sch.1,076,962,021, or an increase of 25.68 per cent. on the estimates for the year, while expenditure totalled Sch.1,000,510,281, which represents an increase of 7.2 per cent. on the Budget figure. The cash accounts stood at Sch.483,695,895, the original figure at the opening of the year being Sch.465,513,963. The estimates for the year provided for revenue Sch.857 mill. and expenditure Sch.914 mill., thus resulting in a deficit of Sch.57 mill. The actual deficit for the year 1923 was Sch.158 mill., and for the year 1924 Sch.13 mill.

The total yield of the direct taxes in 1925 was Sch.285.4 mill.; Customs, with export and import duties, Sch.200.9 mill.; the consumption taxes, Sch. 85.4 mill.; and fees and dues, Sch.329.7 mill. The following table shows the actual receipts from the various categories of direct taxes, consumption taxes, fees and dues, etc., in comparison with the estimated figures (in thousands of schillings):—

Direct taxes.	Actual.	Estimated.
Property duty	312	100
Personal tax	51,913	25,000
Corporation tax	50,949	40,000
Unearned income tax	15,392	5,000
Income tax	145,400	125,000
Property tax	10,664	15,000
Royalties	4,441	1,200
Customs	196,528	174,000
Export and import duties	4,396	3,300
Consumption taxes.		
Brandy duty	24,977	19,920
Beer duty	31,189	25,000
Wine duty	17,610	17,250
Sparkling wine duty	577	550
Mineral water duty	208	120
Acetic acid duty	78	60
Sugar duty	8,796	7,500
Confectionery duty	499	400
Match tax	1,542	1,400
Miscellaneous	18	70
Fees and dues, etc.		
Stamp duties and legal fees	96,273	54,600
General fees	1,284	770
Railway traffic tax	2,231	250
Securities turnover tax	2,628	5,000
Currency turnover tax	251	100
Bank turnover tax	323	100
Goods turnover tax	223,291	180,000
Subsidiary receipts	3,431	1,000
Fee on Bourse visits	55	12
Recovery fees	834	240
Total	902,476	704,942

The Federal cash receipts from the monopolies and State undertakings, in comparison with the Budget figures, were as follows (in thousands of schillings):—

Monopolies.	Actual.	Estimated.
Tobacco	153,463	134,412
Salt	11,765	9,813
State lottery	6,406	2,539
Explosives	890	632
Total	172,525	147,397
State undertakings.		
Posts, Telegraphs and Telephones ...	662	244
Forests and domains	729	842
State printing works	44	—
Central Mint	7,566	1,268
Wiener Zeitung	305	239
Federal light station	1	—
Federal dispensaries	110	13
Total	9,417	2,607

The various monopolies and the State undertakings have now issued their gold balance-sheets, from which it is seen that the respective net assets are as follows (in millions of schillings): tobacco monopoly, 212.4; salt monopoly, 18.2; explosives monopoly, 3.99; posts and telegraphs, 76.17; forests and domains, 183.7; mines, 3.29; State printing works, 3.8; the Cartographical Institute, 0.66; Central Mint, 21.7; State theatres, 36.17; *Wiener Zeitung*, 0.42; Federal dispensaries, 0.13.

At the close of the past year the National Debt stood at Sch.2.180,523.955, the League of Nations Loan figuring at Sch.1,034,445,555, other currency loans at Sch.925,725,792 and kronen and schilling loans at Sch.220.362,608. (*Der Oesterreichische Volkswirt*, May 29 and June 5; *Neue Freie Presse*, May 17 and 19.)

Public Works and Other Loans.—In a recent speech Dr. Schürff, Minister of Commerce, stated that Austria had received Kr.372 mill. (gold), or about Sch.520 mill., out of the League of Nations Loan of Kr.500 mill. The remainder had been utilised for redeeming advances made to Austria by various countries. Out of a total of Kr.372 mill. (gold) received more than Kr.200 mill. had been applied to covering the budgetary deficits and to expenditure on numerous public works. A certain amount of what remained would have to be ear-marked for the service of the Loan, for further financing the electrification of the railways, and for several other purposes of less magnitude. The electrification plans would demand for the years 1927 and 1928 about 70 millions, whilst 76 millions would have to be held in reserve for the purpose of maintaining the stability of the currency. The idea of negotiating a loan for road construction had now been dropped. The Government would be obliged to raise the necessary funds for carrying out the various works of public service by placing a Public Works issue on the home and foreign money market.

According to the *Wirtschaftliche Nachrichten* (June 5) the province of Steiermark has concluded arrangements with Messrs. Baker, Kellog and Company of New York for a loan of $3.5 mill., to be followed at a later date by a further loan of $1.5 mill. The present issue is at 92 per cent. bearing interest at 7 per cent., redeemable in twenty years. The loan has been secured on the property and the revenue of the province. The main object of the loan is for the construction of local railways, for advances to the milk co-operative societies, the regulation of waterways and advances to various towns.

TRADE

Foreign Trade Returns for February.—According to the statement issued by the Ministry of Commerce foreign trade in February showed a favourable tendency, the volume of imports being considerably lower and the volume of exports much higher than in the preceding month. The total value of the imports amounted to Sch.217.4 mill. as against Sch.224.3 mill. in January, while that of the exports was Sch.130.7 mill. as against Sch.108.4 mill. The adverse balance of trade in February was thus Sch.86.7 mill., or approximately Sch.30 mill. lower than in January. The following tables show the volume of the various categories of imports and exports in February, and in the two first months of the present year in comparison with the figures for the corresponding period last year (in millions of schillings):—

Imports.	Feb. 1926.	Jan.-Feb. 1926.	Jan.-Feb. 1925.
Livestock	12.8	28.8	28.8
Foodstuffs and articles of consumption	54.9	113.8	90.8
Raw material and semi-manufactured goods	68.5	147.0	132.0
Manufactured goods	78.7	147.2	109.8
Gold and silver bullion and specie	2.5	4.9	10.2
Total	217.4	441.7	371.6
Exports.			
Livestock	0.5	1.2	1.5
Foodstuffs and articles of consumption	2.2	4.4	5.7
Raw materials and semi-manufactured goods	28.0	51.8	58.0
Manufactured goods	98.2	177.2	188.4
Gold and silver bullion and specie	1.8	4.5	10.8
Total	130.7	239.1	264.4

The results for the first two months of 1925 were affected by the coming into force of the new tariff regulations, whereby imports were reduced. In comparison with last year the first two months of the present year showed a marked increase in imports, and a corresponding decline in exports.

The Eleventh Vienna Trade Fair will be held from September 3 to 12, 1926. The entries are said to be very numerous and there is every prospect, it seems, of satisfactory results being achieved.

INDUSTRY

The Coal Problem.—The situation in the Austrian coal industry is, states the *Oesterreichische Volkswirt* of June 5, far from satisfactory. The output has steadily fallen since January last, and a short time ago two large pits in the Steiermark had to close down on account of the bad state of the market. The Zillingdorfer mines are working on short time, since foreign coal is being offered on the Austrian market at a cheaper rate than the home product. At the prevailing prices the Austrian coal industry cannot pay its way. The importation of foreign coal has also fallen off, which reflects the bad state of industry in general.

The *Central European Observer* of May 21 points out that Austria's annual output of coal is about 3,000,000 tons, most of it (95 per cent.) being lignite of 3,000 to 4,000 calories, and that this quantity meets about one-third of the requirements of home consumption, while two-thirds are mainly met by imports from Czechoslovakia and Germany. Of recent years coal has also been imported from Poland, Yugo-Slavia and Great Britain. The competition among these countries has recently become much keener owing to the fact that the Austrian Government, in an effort to balance imports and exports, is attempting to restrict coal imports and to increase the home output. According to the experts Austria's coal resources are considerable and can meet the country's requirements for the next 200 to 300 years. Since 1914 the number of lignite mines in Austria has doubled, while those of pit-coal have trebled. They are equipped in up-to-date fashion, so that it would be possible, without much outlay, to increase the output by 100 per cent. if only a market for the coal could be assured. Home consumption is represented by some 42 per cent. of lignite, 52 per cent. of pit-coal and 6 per cent. of coke. Since 1922, when home consumption attained its maximum (over 9,000,000 tons), there has been a gradual decline, and last year's figure was 600,000 tons lower, the State railways taking 200,000 tons and the industries 400,000 tons fewer than in 1922.

A reduction of coal imports has been attained, since 1922 in particular, by increased exploitation of the country's water power. According to the official programme, water power is to be increasingly utilised till the home consumption of coal falls to 6,000,000 tons, or one-half of the quantity now imported. The various rivers and lakes of Austria are capable of supplying annually some 4,000,000 h.p. To enable electricity to take the place of coal, 1,850,000 h.p. would suffice. Up to the end of 1918 Austria possessed water power in operation to the extent of 172,000 h.p.; since then 130,000 h.p. has been put in operation, while a further 120,000 h.p. will be made available during the course of the present year. Austria will thus be utilising some 25 per cent. of the entire water power capacity.

The competition among foreign countries to maintain their hold on the Austrian coal mraket has been further sharpened by the pressure exerted on the State railways by the colliery proprietors, who demand that the railways should use inland and not imported coal. The coal-owners declare that if they obtain the contracts they want from the railways they will be able to reduce the price of coal.

There is little doubt that the situation in the Austrian coal trade as above indicated will have a considerable influence on the commercial treaties to be concluded with neighbouring States, for a decline in the coal exports of those countries to Austria would reduce their own coal output, increase unemployment and produce other unwelcome results.

Some interesting material is contained in the recent pamphlet issued by the Austrian Coalmine Owners' Federation, the summary of which is published in the *Neue Freie Presse* of May 28. The pamphlet makes proposals for fostering the development of the home coal industry. It points out that whereas in other countries, and particularly in the neighbouring States, the coal industry is protected by tariff measures and import duties on coal, Austria adopts the contrary policy, which is of course most acceptable to other countries. In respect of commercial policy the Federation suggests: the imposition of a duty or an anti-dumping duty on brown coal; an increase in the countervailing items of the turnover tax; the calculation of the turnover tax according to the value of the imported goods, free frontier. In respect to public deliveries it is urged that the decree of 1909 be more strictly enforced, by which the coal industry would benefit, and that the railways and other State institutions should place their coal orders with the home industry during the slack summer season. A request is also made for increasing the credit facilities and improving the conditions, especially in regard to long-term credits, with a view to attracting both home and foreign capital to the Austrian coal undertakings. Various other measures of less direct importance are likewise recommended.

It is worthy of note that wages in the Austrian coal mines as in December 1925 were for most categories 40 per cent. to 83 per cent. higher, while coal prices were from 40 per cent. to 55½ per cent. lower than in January 1923. During this same period the prices for most materials used in connection with coal-mining have risen very considerably.

SOCIAL AND LABOUR CONDITIONS

Employment of Women.—According to recently published official statistics, as many as 363,196 women are engaged at Vienna in various occupations, i.e. every other Viennese woman is entirely or partly earning her own living. In Vienna the number of women old enough to work is 753,473. Four out of every five Viennese women between the ages of 18 and 45 are earning money. Whereas before the war there were only 3,000 lady clerks in the banks and insurance offices, the number of such persons at the present time is some 10,000. The railways employ three times as many women as before the war, and in the postal, telephone and telegraph services twice as many are employed. This year there are 1,460 more lady teachers than in the early part of 1914. At the same time one should bear in mind that the total population of Vienna is 10 per cent. less than before the war. An interesting feature is the reduction in the number of domestic servants as compared with the days before the war; it has dropped from 134,265 to 90,141, i.e. by more than 40,000. This is a proof of the more difficult material situation of the middle classes, for which nowadays a servant girl is an unobtainable luxury. (*Central European Observer*, May 14.)

DENMARK

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

The gold value of the Danish krone appreciated slightly during the month, the sterling rate declining from Kr.18.58 to Kr.18.48, the dollar rate from Kr.3.83 to Kr.3.81. The average of the exchange quotations was for sterling 18.54 in May as against 18.57 in April and for the dollar 3.82 in May as against 3.83 in April, corresponding to a gold value of 97.6 and 97.4 gold öre respectively.

There was a decrease in the deposits and loans of the Bank. The loans of the three principal private banks were thus reduced by Kr.33 mill., while deposits were reduced by Kr.13 mill. The comparatively greater reduction in loans enabled the banks to reduce their debt to the National Bank, the loans of which have consequently been reduced by Kr.24 mill.

The amounts due to the National Bank from abroad have increased by Kr.9 mill.; at the same time the notes in circulation have decreased by Kr.11 mill., and now amount to Kr.400 mill. as against Kr.467 mill. at the end of May 1925.

The turnover of shares and stocks on the Copenhagen Stock Exchange was again smaller than in the preceding months, the average weekly turnover being for shares Kr.1.0 mill. and for bonds Kr.2.0 mill. as compared with Kr.1.3 mill. and Kr.2.4 mill. respectively in April.

In the index number for Stock Exchange quotations the decline in shares as well as in bonds has continued, and manifested itself in all groups of shares. The share index number for May was 87.7 (in April 89.4), for bonds 85.4 (in April 86.4), taking 100 for July 1914 as the basic index number.

The wholesale price index number of the Statistical Department rose one point, and is now 158. This increase does not indicate a general rise in prices, but is the result of a series of incongruous movements of which the most prominent was an increase in the price of fuel caused by the British coal strike. Apart from this the prices have remained practically unchanged since April.

The trade balance for the latter month shows a very favourable relation between imports and exports, the former amounting to Kr.115 mill. and the latter to Kr.137 mill., which gives an export surplus of Kr.22 mill. as compared with an adverse trade balance in April 1925 of Kr.11 mill. The adverse trade balance for the first four months of the current year was only Kr.14 mill. as against one of Kr.68 mill. in the corresponding period of last year.

The May agricultural export of butter and meat was somewhat greater than in April, but the export of eggs and bacon was smaller. The average weekly export was for butter 27,396 hkg. (in April 27,110 hkg.), for eggs 933,100 score (in April 1,086,200 score), for bacon 30,518 hkg. (in April 34,661 hkg.), and for meat and cattle 14,308 hkg. (in April 12,570 hkg.).

The prices for agricultural produce were generally higher than in April, except in the case of butter, for which the price was lower. The average of the official quotations was—for butter Kr.293 per 100 kg. (in April Kr.305); for eggs, Kr.1.12 per kg. (in April Kr.1.02); for bacon, Kr.1.92 per kg. (in April Kr.1.87); and for meat, 58 öre per kg. live weight (in April 56 öre).

Unemployment is worse than in the corresponding month of last year, the return for May being 15.6 per cent. as compared with 12 per cent. last year. In the industrial trades the percentage was 16.3 this year as against 12.4 in May 1925.

The State revenue from Customs and Excise in May amounted to Kr.19.8 mill., Kr.8.2 mill. of which was provided by the Customs. In May 1925 the corresponding figures were Kr.17.0 and Kr.5.6 mill. respectively,

FRANCE

POLITICAL AND GENERAL

Fall of the Briand-Peret Ministry.—The last political crisis (M. Péret's resignation followed by that of the whole Government) was due to financial difficulties. The "lack of support" M. Péret stressed in his last declaration is interpreted as an allusion to the resistance he met with on the part of the Bank of France over the question of gold reserves. The question was raised because the so-called "Morgan fund" in America was to a certain extent utilised for the purpose of influencing the foreign exchange rates, and fresh means were necessary to carry on the defence of the franc. The proposal to utilise the gold reserves of the Bank is reported to have met with the approval of the Committee of Experts, but the Bank of France did not consent to the operation. It is not yet known whether the Experts thought it to be a part of the general stabilisation plan or an immediate essay to drive the exchange rates back. Many Chambers of Commerce have voted resolutions protesting against this proposal and insisting upon the necessity of not touching the gold reserve, "which is the only guarantee of the note circulation."

Another prominent fact in the financial life of France is the vote of the Radical Party Congress on the Franco-American debt agreement. The resolution declares that the agreement should be voted by Parliament only under the reservation that France shall in no way pay more than she will receive from Germany. This condition having been turned down by the United States, its support by the strongest party in the French Chamber does not seem to make the debt settlement easier.

Revenue Returns for May.—Statistics which have recently been published do not prove to be quite satisfactory. As was pointed out in a preceding number of THE ECONOMIC REVIEW (June 4), April closed the series of months for which comparison with the preceding year was very difficult on account of a variation of the delays allowed for the payment of direct taxes. The revenue (exclusive of exceptional resources) showed during the first five months of the year the following variations (in millions of francs):—

	1926.	1925.	Increase.
January ...	3,929	2,676	+ 1,253
February ...	2,210	1,879	+ 371
March ...	2,063	1,980	+ 83
April	2,967	2,842	+ 125
May	2,068	1,893	+ 175

May as compared with the corresponding month of the preceding year shows a decrease in the direct taxes collected (– 185 mill.) and an increase in the yield of the indirect taxes and of monopolies (+ 357 mill.). As far as the latter taxes are concerned, notwithstanding the increase a shortage still exists as compared with the Budget evaluation (– 50 millions). A very characteristic item, the general turnover tax shows since May 1925 an increase of only 120 millions (from 390 millions to 510 millions) or 31 per cent., while the rate of the tax increased by 35 per cent. and the value of the turnover according to the general wholesale price index number should have risen by 16 per cent.

The first five months together show the following results (in millions of francs):—

	1926.	1925.	Increase.
Direct revenue taxation	3,474	3,386	+ 88 or 2½%
Estates taxes and stamp duty (succession duty included)	3,211	2,527	+ 684 or 27 %
Different kinds of luxury taxes	589	422	+ 167 or 40 %
Indirect taxation of non-necessaries (alcohol, tobacco, gunpowder) ...	1,817	1,583	+ 234 or 15 %
Consumption taxes (Customs, Excise, turnover, etc., duties)	4,072	3,286	+ 786 or 24 %
Real estate and enterprises belonging to the State	74	57	+ 17 or 30 %
Total	13,237	11,261	+1,976 or 18½ %

If compared with a table which has been published for the first four months of the year, the proportion of increase in the different items shows a certain constancy. The only exception is represented by direct taxation, which shows a very small increase as compared with the preceding year (2½ per cent.), which is still less than that disclosed in the April table. As to indirect taxation, it may be observed that even those taxes which should have been favourably influenced by rising prices did not produce a sufficient increase (see note above on the turnover tax).

TRADE

Foreign Trade Returns for May.—For the first time since August 1925 the foreign trade balance of France in terms of francs shows an excess of exports over imports as will be seen from the following statement (in millions of francs) :—

	Imports.	Exports.	Balance.
February ...	5,245	4,409	— 836
March ...	5,095	4,960	— 135
April ...	5,020	4,353	— 667
May ...	4,390	4,460	+ 70

There are considerable changes in the volume figures for May as compared with April (in thousands of tons) :—

	May.	April.	Difference.
Imports.			
Foodstuffs	365	421	— 56
Raw materials and semi-manufactured goods	3,128	3,652	— 524
Manufactured goods	114	110	+ 4
Total	3,607	4,183	— 576
Exports.			
Foodstuffs	104	107	— 3
Raw materials and semi-manufactured goods	2,175	2,157	+ 18
Manufactured goods	346	329	+ 17
Total	2,625	2,593	+ 32

Thus, the most prominent feature of the last month's balance is the sharp fall in imports, especially in raw materials and foodstuffs. This probably may have been caused by the sudden and unexpected rise in foreign exchanges which occurred in May. Prices were much too low to justify the purchase of foreign raw materials at the then prevailing rates of exchange, as this could only produce a certain hesitation among French manufacturers. Moreover the rise in exchanges and the uncertainty of the financial outlook prevented them from committing themselves to new large operations.

A comparison of the figures as to value and volume for the first five months of 1926 with the corresponding period of last year shows the following increases :—

	Value.	Volume.	Pure value increase.
Imports.			
Foodstuffs	+ 43%	+ 20%	+ 23%
Raw materials and semi-manufactured goods	+ 57%	+0.7%	+ 56.3%
Manufactured goods ...	+ 45%	+ 17%	+ 28%
Exports.			
Foodstuffs	+ 27%	+ 7%	+ 20%
Raw materials and semi-manufactured goods	+ 26%	+ 4%	+ 22%
Manufactured goods ...	+ 20%	+ 12%	+ 8%

It has been already noted (see THE ECONOMIC REVIEW, June 4) that the pure value increase is much larger in the case of imports than in the case of exports. The general cause of the increase in value—the depreciation of the franc—proved to be much more effective in the case of the former than in that of the latter (see, in particular, manufactured goods and raw materials). It is interesting to note that this difference has increased since April and would seem therefore to justify the opinion that the more the franc falls, the cheaper French goods are sold in the world market. But the fall of the franc also stimulates the exporters to make false declarations as to value, in order to avoid the return to France of the proceeds of their sales, which they are obliged to effect according to a recent law (see THE ECONOMIC REVIEW, June 4). This may have influenced the value figures for exports.

INDUSTRY

The French Iron and Steel Industry and Germany. —As mentioned in a previous issue (June 4), the idea is beginning to prevail on both sides of the Rhine that the only possible solution of the metallurgical industry problem is to be found in an agreement between French and German manufacturers. Such a direct agreement would have a favourable effect on the organisations of iron and steel production in both countries. It is pointed out that France, replete with iron ore, must export it on a large scale. She is obliged therefore to seek out new markets, as the mines, expecially those of the north-eastern region, require intensive and costly methods of extraction, which can only be justified by a high rate of output. In pre-war times Germany was the only consumer of the minette ore supplied by the north-eastern mines of France. In 1913 the Meurthe and Moselle regions sent to Germany 1,590,000 tons, while Alsace and Lorraine supplied about 2,900,000 tons. In 1924 the amount sent to Germany reached a total of 2,298,000 tons, of which only 1,100,000 tons came from the North-eastern region. In 1925 the exports from this part of the country declined further, to 1,739,320 tons. Germany is actually buying no more than 50 per cent. of its pre-war imports of Lorraine minette ore. But it must be noted that Germany's total demand for iron ore is not below the pre-war level. In 1913 Germany's consumption of foreign ore was about 14 million tons, of which 4 million were supplied by French mines. Germany produced before the war about 7 million tons of iron ore (according to M. Pawlowsky, *Nord Industriel*, No. 21). It has been shown in a special article on the iron ore question (see THE ECONOMIC REVIEW, May 28) that Germany has for some time past utilised Norwegian and Swedish ore from the Kirunavara, Gellivara and Lerasara mines. During the war Germany's purchases considerably increased and came to 6 million tons a year, of which three-fourths were supplied to the Ruhr industry. It was also shown that after the war Germany purchased great quantities of ore in Spain, Algeria, Tunisia and Canada. The German metallurgists were therefore accused of boycotting the French minette ore in order to revenge themselves for the occupation of the Ruhr. There is some truth in this, but, as revealed by a special commission of French engineers in 1923, the high railway tariffs in Germany and France were the most important factor in checking French exports to Germany.

The average price of a ton of various ores in Duisburg at the end of 1924 was as follows :—

	Iron content. Per cent.	Price in Marks.
Swedish ore	64	25.25
Moroccan	60	28.0
Canadian	50	19.50
Bilbao	55	22.20
French	35	13.0
Lorraine	30	11.0
Segré	30	11.70

If the price of coke be taken as Mk.20 per ton, the average cost of production for pig iron will work out as follows :—

	Per ton.
Iron from Swedish ore	Mk.71.20
„ Canadian ore	71.90
„ French ore : Briey region ...	71.80
Lorraine region ...	74.60

The Lorraine ore was thus automatically eliminated by its competitors, as no German metallurgists would pay Mk.3 more for a ton of pig iron produced. The Canadian and Briey ores were on the same level, but the Swedish ore gave much better results. Moreover, the German metallurgists, by increasing their orders to Wabana (Canada), benefited by favourable freight conditions, whereas, on the other hand, they were obliged to submit to excessive increases in the tariffs of the French, Luxemburg and German railways. Owing to all these circumstances, the cost of production of a ton of pig iron from French Briey ore exceeded by more than Mk.1

the cost of pig iron produced from Swedish ore. It will thus readily be understood why the Germans did not purchase French ore. It must also be recognised that German manufacturers did not avail themselves of the iron ore of Normandy; but now, after a record output of 1,253,000 tons, they have begun again to turn attention to it as they did before the war. The reason for this is to be found in the facilities for transport by water and in the cheap freights. (*Nord Industriel*, No. 21.)

GERMANY

POLITICAL AND GENERAL

Economic Conditions in May.—According to the report of the Prussian Chamber of Commerce there has been little change in the economic situation during May as compared with the previous month. At the beginning of the month certain political events such as the Government crisis in Germany, the strike in England and the coup d'état in Poland threatened to check economic development. The fears entertained in this connection, however, were not justified; the firm attitude of the Bourse was not shaken and sales of coal showed a slight increase. The difficulties of the coal-mining industry have nevertheless not been overcome, as evidenced by the additional dismissal of miners. The balance of trade showed a credit surplus of only Rmk.53 mill. as compared with Rmk.278 mill. in March. The export surplus for the first quarter of 1926 amounted to Rmk.428 mill., which was a great improvement as compared with 1925. No essential improvement took place in the labour market. Notwithstanding a reduction of 2 per cent. in the number of unemployed from May 1 to 15, there are still 1,743,000 persons out of work.

The position of the Ruhr coal mining industry improved somewhat as a result of the strike in England, though not to the extent expected. The stocks of coal at the mines have been reduced by about 300,000 tons, but those of coke have grown by about 80,000 tons, total stocks still amounting to 9 mill. tons. The conditions in the machine industry have further depreciated, but business in special machines continues active. In consequence of the further fall of the franc the German machine industry is underbidden by French and Belgian firms.

In the shipping industry the general strike in England occasioned a further drop in freights, which was felt on the overseas markets as well as in North Sea and Baltic shipping on account of the release of tonnage originally bespoken for English coal. The surplus tonnage had a particularly prejudicial effect on the service to Finland and Sweden. Freights for timber shipments to Holland fell by from 1 to 2 gulden, and those to Belgium and France by from 2 to 4 gulden.

The trade agreement with Spain has been ratified and came into force on June 1, together with the trade agreement with Portugal. An agreement for the mitigation of Customs duties was concluded with Denmark, an additional tariff agreement with Austria and a trade agreement with Honduras. (*Hamburger Fremdenblatt*, June 4; *Deutsche Allgemeine Zeitung*, June 5.)

FINANCE

Reparation Payments to May 31.—The Agent General for reparation payments supplies the following review of receipts and payments (in gold marks) for the second year up to May 31. The receipts for this month amounted to Mk.88,012,257.88, while the total receipts for the year up to May 31 amounted to Mk.823,294,982.67 so that with cash in hand on August 31, 1925, amounting to Mk.107,013,270.89 there was a total balance in hand on May 31 of Mk.930,308,253.56. These receipts were counterbalanced by payments in May of Mk. 43,793,371.35 to France, Mk.22,123,735.86 to Great Britain, Mk.6,622,097.23 to Italy, Mk.8,781,537.94 to Belgium, Mk.5,436,565.72 to Yugo-Slavia, Mk.583,327.21 to Rumania, Mk.35,304.10 to Japan, Mk.462,979.04 to Greece and Mk.31,177.41 to Poland. Inclusive of sundry payments the total payments for the second annuity year up to May 31 amounted to Mk.97,828,576.86, so that the cash in hand on that date amounted to Mk. 89,839,182.46. (*Deutsche Allgemeine Zeitung*, June 11.)

Reich Revenue Returns for April.—According to the recently published returns of Reich revenue and expenditure in April, receipts from taxation amounted to Rmk.584.5 mill. administration receipts to Rmk.5.9 mill. and revenue under the Extraordinary Budget to Rmk.68.631 mill. or a total of Rmk.590.6 mill. Expenditure for the general administration of the Reich amounted to Rmk.368.3 mill., including an item of Rmk.15 mill. for reimbursement of debts and interest and another of Rmk.37.9 for allocations to the loan repayment fund. Allocations to the provinces represented Rmk.207.2 mill., extraordinary expenditure Rmk.5.09 mill., and reparation payments Rmk.28.9 mill. The total expenditure amounted to Rmk.609.6 mill. (in March Rmk.690.3 mill.), so that the deficit for the month of April amounted to Rmk.18.9 mill. In addition to this there are items of revenue and expenditure to be placed to the debit of the past financial year, receipts amounting to Rmk.22.04 mill., and payments amounting to Rmk.79.7 mill., representing a further deficit of Rmk.57.7 mill. Thus the total Treasury deficit for the month of April amounts to Rmk.76.7 mill.

The reduction in Reich revenue from taxation will compel the Reich to have temporary recourse to the money market to augment its funds. This is to be effected by means of the issue of Reich Treasury Bills. These Treasury Bills will only secure a favourable reception if they can be discounted by the Reichsbank. At present there is no banking law authorising such procedure. However the necessary measures for securing such authority are to be taken, fixing the limit for Reich Treasury Bills to be discounted by the Reichsbank at Rmk.400 million. The agreement of the Reichsbank to provide the Reich with working credits to the extent of Rmk.100 million will not be affected by the new measure. The Reparations Commission, which had to be consulted in connection with the alteration of the law, has signified its approval. (*Deutsche Allgemeine Zeitung*, June 4.)

Further Reduction of the Discount Rate.—The Reichsbank has announced a further reduction in the discount rate from 7 to 6½ per cent. and in the rate for loans from 8 to 7½ per cent. as from June 7. This is the third time during the current year that the Reichsbank has, at fairly regular intervals, reduced its rates.

On January 12 the reduction was from 9 to 8 and on March 27 from 8 to 7 per cent. At the general meeting of the Reichsbank held as long ago as March Dr. Schacht indicated 6 per cent. as approximately the normal discount rate; it is therefore somewhat astonishing that the expected reduction did not take place sooner, in view especially of subsequent developments in the money market. The reason for the delay must be sought in the manifold uncertainties of the international situation, the German Government crisis, the British strike and the Polish Revolution. The settlement of various of these factors has removed anxiety in this direction or at least mitigated any fears as to their effect on foreign currency credits. In the meantime developments on the money market rendered the step urgently necessary on the part of the Reichsbank. The difference between the rates in the open market and those of the Central Note Institute had, in consequence of the excessive liquidity of the market, become too great.

Even at the time of the previous reduction in March the difference between the 7 per cent. rate and the 6 to 6½ per cent. private rate of that period for bank-endorsed commercial bills was somewhat high. This tendency was in the meantime maintained, and business at the end of May was extraordinarily slack. Even at the end of April no fresh bills were handed in to the Reichsbank, there were very few private demands and a decrease occurred in rediscounting. The end of May brought a slight increase in capital deposits, of which Rmk.70 mill. was represented by bills and cheques, while re-discounts diminished from Rmk.111 mill. to Rmk.38 mill. In view of the difficulty of obtaining good bill material as deposits the present reduction in the discount rate is quite comprehensible from the Bank's point of view.

In view of to-day's decision, Dr. Schacht's statement made a few weeks ago before the Industrie und Handelstag seems somewhat contradictory. He then announced that there could be no question of a reduction in the discount rate because such a measure would tend to increase liquidity on the money market and force further funds into long term credits which in the normal way would work back on to the money market, in which case a sudden revulsion on the capital market would be likely to react all the more sharply. It is true that long term issues have experienced so heavy an increase during the past months that a contraction of the capital market appears to lie within the bounds of possibility. On the other hand it has recently been suggested that the long term market is more or less satisfied, and a certain cessation has actually occurred in this direction during the last few weeks. The fact that the reduction has only been fixed at ½ per cent. would indicate caution in view of the possibilities indicated above. The effect of the Reichsbank's decision on general banking conditions must not be overlooked. A reduction in the general rate of interest may be expected, which should bring some relief to the economic situation. (*Kölnische Zeitung*, June 7.) The *Deutsche Allgemeine Zeitung* (June 9) points out that the downward tendency of the Reichsbank discount rate constitutes a welcome reduction of the discount discrepancy between Germany and the great Anglo-Saxon money centres, of which London is only maintaining the 5 per cent. rate, in force since September 3, 1925, on account of the strike, while the discount rate of the American Federal Reserve Bank has been 3½ per cent. since April 23, 1925. The weak currency States of Western and Southern Europe (France, Belgium and Italy), which still maintain a 7 per cent. discount, are of less importance in international clearing. Of the smaller countries Switzerland with 3½ per cent., Sweden with 4½ per cent. and Denmark and Norway with 5½ per cent. have still comparatively low discount rates.

According to the *Deutsche Allgemeine Zeitung* the development on the money market is not a natural consequence of the economic crisis, but has been brought about rather by the excess accumulation of money by means of foreign credits which preceded it. This surplus accumulation was not dispersed by means of a definite deflation policy, but was thrown back on the market during the crisis, giving rise to the present abnormal state of liquidity.

Recent Bourse Developments.—The development of quotations on the German share market has been in no way uniform of late. The recent widespread tendency to speak of a general upward trend is quite unwarranted. The upward movement which influenced gradually nearly all branches during the first three months of the year has not been maintained. The bulk of the securities have been neglected during May, and it was not possible to maintain the maximum rates of March or April. This is particularly true of industrials, which are suffering from the stagnation of trade, so that the shares of waggon, locomotive, machine and metal companies together with those of the textile industry, all of which followed the upward movement in the early part of the year, experienced considerable reductions.

The following table shows the development in the case of a number of leading securities:—

	Maximum rate in April. per cent.	Rate at the beginning of June. per cent.
Textile Securities.		
German Woollen Goods ...	49	43
Gruschwitz Textil ...	49	45
Hammersen	99 incl. 8½% div.	88 ex div.
Norddeutscher Wollkämmerei	109 incl. 6% div.	109
Schlesische Textil ...	59	42
Stohr Kammgarn	139 incl. 6% div.	120 ex div.
Machine, waggon and locomotive securities.		
Berlin-Carlsruhe Industrie	78	72
Berlin Maschinen Schwarzmopf	82	74
Busch Wagon	49	45
Deutsche Maschinen ...	69	61
Gorlitzer Wagon	39	29
Gothaer Wagon	57	50
Humboldt	59	46
Linke Hoffmann	59	56
Orenstein und Koppel ...	90	77
Rheinmetall	31	23
R. Wolf	51	41

A similar development has occurred in the case of a number of other shares, such as those of the potash branch and a number of chemical shares on whose balance-sheets great hopes had been set only to be doomed to disappointment. The following securities all belong to this class:—

	Maximum rate in April. per cent.	Rate at the beginning of June. per cent.
Chemische Heyden ...	100	83
Th. Goldschmidt	90	84
Oberschlesische Kokswerke	88	76
J. D. Riedel	72	59
Scheidemandel	42	35

The so-called "release securities" were similarly unable to maintain the level reached in the first quarter of 1926 in consequence of the general release of private German property in the United States. The general line of development is characterised by the sinking of securities without dividend, though with some important ex-exceptions. (*Hamburger Fremdenblatt*, Jun 8.)

INDUSTRY

Position of the Coal Market.—In consequence of the protracted coal strike in England, which shows no signs of coming to an end, the output and sales of Ruhr coal have experienced further improvement. The Coal Syndicate has recently notified really gratifying results during the early days of June. Reports from English sources show that long period delivery contracts secured for Ruhr coal are creating some uneasiness in England while casual deliveries are thought of less seriously. The daily output in the Ruhr, which averaged 342,000 tons in May, fell in the first days of June to 314,000 and 327,000 tons, but rose on June 5 to 356,500 tons. No further daily output figures are available for the moment, but it may be assumed that there has been an increase, or at least, that the latest rate has been maintained.

In contrast to the limited results of the first weeks of the strike, which were restricted by the deficient supply of waggons, greater reduction of stocks is now being effected. During May standing stocks were reduced by something like 500,000 tons, while in the first five days of June a reduction of 103,000 tons was effected, so that, at this rate the stocks should be reduced during June by about 600,000 tons. This represents a 12 per cent. reduction of the total 9 million tons of stocks. While coal sales are increasing, coke stocks are accumulating. It must be remembered, however, that increased coal output involves greater coke production, while coke is more valuable and more easily disposed of than fine coal; it is more easily stored and yields more valuable by-products, for which there is always a good sale.

The Benzole Union reports the conclusion of a number of contracts with English importing firms. The shutting down of the English coke ovens is beginning to make itself felt. In Holland and Belgium large purchases of benzole have been effected for English firms, for immediate delivery. If the coal strike continues the demand is likely to be maintained. Some of the deliveries are effected via Hamburg, others via Rotterdam. (*Frankfurter Zeitung*, June 9.)

According to a Hamburg report, after the arrival of 42,277 tons of English coal at that port during the first half of May, coal imports from England have entirely stopped. In spite of this no corresponding increase in the delivery of Ruhr coal to Hamburg has taken place. During the first half of May 740 tons and during the second half 2,184 tons of Ruhr coal reached Hamburg, whereas during April 193,527 tons of English coal arrived in that port. (*Ibid.*, June 8.)

The Upper Silesian Mining Industry.—The position of the hard coal mining industry in German Upper Silesia continues to be unfavourable. The hopes placed in the continuance of the British strike have not been fulfilled. A slight weakening in competition has been observed, but to such a small extent that no appreciable improvement in sales has ensued. A few deliveries to the Baltic ports and Hamburg, to which practically no consignments had been made for some months previously, must be attributed to the strike. No noteworthy decrease in stocks could be effected. The month of May was nevertheless distinguished by an absence of holiday shifts. The estimated average daily output amounted to 52,000 tons as compared with 50,000 in April. This figure represents a considerable reduction as compared with the results of the earlier months of the year, which showed a daily average output of 60,000 tons. The month's output is about equal to that of April (1,200,300 tons), but is 25,000 tons below that of January. Export is very much reduced, from 80,000 tons at the beginning of the year to 45,000 tons in May. Czechoslovakia still takes 80 per cent. of the exports, and Austria the greater part of the remaining 20 per cent. Any considerable supply to the Northern States in consequence of the British coal strike is out of the question, as Eastern Upper Silesia, favoured by the low Polish currency, can deliver there much more cheaply than Western Upper Silesia. Stocks of coke have increased since the end of April from 166,000 tons to 181,000 tons, so that at the present moment 2½ times a month's output is lying idle at the pits. The sale of by-products (tar, ammonia, benzole) is satisfactory.

The position of the iron industry in German Upper Silesia has in no way improved during the last few weeks. So few contracts come in that the works are only able to utilise a small proportion of their capacity. Export prospects show as little sign of improvement as the home demand, as keen competition is met with in all markets on currency grounds. The Polish Upper Silesian iron industry secures all the Baltic States' trade in consequence of the cheap Polish freights, and the loss of Russia, formerly an important customer, is keenly felt. Under these circumstances it is impossible to find a market for the output of the six blast furnaces which are still working, and stocks are steadily piling up. If the pig iron market does not soon experience a serious revival, an early closing down of more blast furnaces will have to be resorted to. The steelworks are also very inadequately employed. They receive so few contracts that for the most part they are not working beyond 30 per cent. of their capacity. The depression in shipbuilding and in the locomotive and waggon industries still makes itself acutely felt, and orders for cast and wrought iron are very inadequate. The wire industry also complains of lack of business. The works engaged in the production of railway material are perhaps the most unfavourably situated of all, as the Central Railway Office still maintains its reserve in the placing of contracts. In view of the absence of markets prices are very low. (*Frankfurter Zeitung*, June 5.)

COMMUNICATIONS

The Reichsbahn Report.—The Reich Railway Company has published its first report. This is for the year 1925 and it covers a period of fifteen months, as the business year is to correspond in future with the calendar year. The results for the period (all in millions of Reichsmarks) were 1,711 from passenger traffic, 3,536.9 from goods traffic and 420.8 from various sources, making a total of Rmk.5,668.7 million. On the other hand, expenditure amounted to 1,300.6 for officials' wages and salaries and 430.4 for various allowances to employees, 172.9 for wages to platelayers, etc., and 329.8 for wages to workshop hands. The sum of 493.5 (8.7 per cent. of the gross revenue) is allocated to pensions, etc., and 287.1 to "sundry personal expenditure," of which, unfortunately, no details are supplied. For fittings and working material 540.2 and for the upkeep and renewal of buildings 606.9 was expended, while 571.2 went to locomotives and machine plant, sundry expenses amounting to 117.4. The following table is the result of the above figures (in millions of Reichsmarks):—

Working revenue		5,668.7
Personal expenses	3,014.2	
Material expenses	1,835.7	4,849.9
Working surplus		818.8
Reparations debt	399.3	
Compensation reserve	113.4	
Legal writing off	150	662.7
Net profits		156.1

Out of this net profit Rmk.2.9 mill. was paid in dividends on preference shares which had been handed over to the Reich. The remaining Rmk.153.1 mill. will be carried forward in full to the new account, this procedure, together with the writing off of Rmk.150 mill., being explained by the fact that the current year has so far shown far less favourable results than the previous one, and that it is necessary to be prepared for all emergencies.

The report itself falls into two distinct parts, one commercial and the other technical. From it we learn that the total waggon supply for the calendar year 1925 amounted to Rmk.37.8 mill. as compared with Rmk.40.7 mill. for 1913 (taking into account the alteration in frontiers). The total staff amounted on a yearly average to 733,000 as compared with 693,000 in 1913, 332,000 (264,000) being officials and 401,000 (429,000) workers. A comparison of the stock of locomotives and waggons is only partially practicable on account of the new boundaries. It shows an average for the year of 813,000 waggons as compared with

637,000, the surplus being distributed fairly equally between passenger and goods waggons. About 29,000 locomotives are available, almost the same number as existed in Germany in 1913. Although it is stated that construction activities are restricted, 860,000 tons of iron construction material has been purchased, representing 10 per cent. of the output of the German rolling mills. Locomotive coal to the extent of 12.4 million tons and 1 million tons of coal for other purposes was consumed during the fifteen months under review.

The balance-sheet of the German Reichsbahn differs fundamentally from that of all other undertakings in that the company is not the proprietor of the railway system or the whole of the plant, and even the new plant constructed by it (the company is obliged to continue development at its own expense) passes over into the proprietorship of the Reich. The company retains merely the working rights, which together with the working rights over the old plant constitutes its chief asset. This has been assessed at the value of the company's basic capital, reparation debts, and the one-fourth of the preference shares on which the Ministry of Finance has a claim, and which in the meantime has been taken over by the Reich. As the opening balance sheet of October 1, 1924, is quoted in the report it is impossible to make some comparison. The figures are as follows (in millions of Reichsmarks):—

	October 1, 1924.	December 31, 1925.
Assets.		
Working rights	24,500.0	24,500.0
Working rights in new plant ...	—	239.0
Working stock	631.6	485.4
Cash	162.9	144.2
Credit balance with Banks	(in cash)	344.6
Claims	72.6	118.3
Liabilities.		
Original shares	13,000.0	13,000.0
Preference shares ... ... (2,000 handed over)	1,500.0	1,376.0
Reparation debts	11,000.0	11,000.0
Working reserve	756.1	756.1
Debts	111.0	38.3

From the general statements of the report it appears that the administration hopes to maintain the balance between income and expenditure, without resorting to measures other than the reductions in expenditure already decided upon. The reductions in the staff may be considered completed in all districts, apart from the workshops. When the latter have been reorganised repairs will be likely to take up much less time than at present.

The company has not always been in a position to satisfy all the requirements in regard to tariff, among them many which were fully justified. Nevertheless at the end of the business year 59 per cent. of all goods forwarded were subject to exceptional rates as compared with 62 per cent. at the beginning of the year. The average freight returns are 35 per cent. higher than before the war, or below the general percentage of increase. The working figure for the calendar year 1925 is reckoned at 85.13 per cent. and for the year under report at 85.56 per cent., as compared with 72.12 per cent. in 1913 for post-war Germany or 70.10 per cent. for her pre-war area. (*Hamburger Fremdenblatt*, June 9.)

Shipping Companies' Balance-sheets for 1925.—Now that reports are available of the business results for the second year since the reintroduction of a stable currency it is possible, with the help of the balance-sheets, to obtain some idea of the financial status of German shipping. The most important feature in the following table is the raising of the Norddeutscher Lloyd to the head of the German shipping companies, in consequence of the increase in this company's tonnage to a total of 613,000 tons as a result of the taking over of the Roland, Hamburg-British Africa and Horn Lines, in which it already held large interests. Next in order comes the Hamburg-Amerika Line, followed after a long interval by the Austral-Kosmos Line, the Hansa Line and the Hamburg-South America Line.

	Tonnage (in 1,000 g.r.t.)			Registered value (in Mk. per g.r.t.)			Share capital (inMk. per g.r.t.)		
	1925.	1924.	1913.	1925.	1924.	1913.	1925.	1924.	1913.
Lloyd ...	613	415	907	215	201	162	87	99	138
Hapag ...	456	449	1,360	200	170	195	120	123	116
Austral-Kosmos ...	208	170	167	173	200	125	146	178	203
Hansa ...	190	157	431	142	101	80	63	87	58
Hamburg-Sud Amerika ...	162	160	384	220	227	163	151	128	65

It is possible that changes in the order of importance of these companies may occur during the course of the year, as the process of amalgamation cannot be considered as in any way complete. During the current year the Austral-Kosmos Line has been strengthened by the inclusion of the Hugo Stinnes Line, which it acquired in the beginning of 1926, thereby doubling the pre-war dimensions of its fleet. The Release Bill which, it is hoped, will pass through the United States Parliament at latest during the autumn session, will be of the greatest importance to the financial development of German shipping in 1926, as with the passing of this law not only will the necessary funds be available for strengthening the reserves, but also for carrying out the rationalisation measures already decided upon.

In considering the final balance-sheet figures, the value of which is impaired by the diverse and by no means exemplary methods of balancing favoured by the companies, an upward tendency may be observed in the process of development. Even though the liquidity would leave much to be desired under more favourable business conditions, nevertheless in the five balance-sheets under review, under the heading "Internal writing-off accounts," provision is made for the formation of reserves which can be utilised in cases of special need. The past year provided a dividend for the shareholders of the Hamburg-South America Line, while the remaining companies decided to retain their surplus profits, possibly with the intention of giving their shareholders a special bonus on receipt of the expected reparation money. The profit and loss account below gives the results of the five companies in question (in millions of Reichsmarks).

The changes in the profit and loss account, in the first place, show that the pressure of taxation as compared with the previous year has considerably abated in spite of the increased turnover. With regard to costs, the specification of which leaves much to be desired, the tendency is to a further decrease in respect of capital and tonnage. The reasonableness of the general complaint of all five companies with regard to the burden of social welfare contributions and taxation cannot be judged in the absence of precise data.

In general it may be asserted that the reconstruction of German shipping lines may be considered as assured, and that their future development may be looked forward to with confidence. At any rate the results of the early months of 1926 prove that German shipping business is at any rate no worse than last year so far as

	Lloyd.		Hapag.		Austral-Kosmos.		Hansa.		Hamburg-Sud Amerika	
	1925.	1924.	1925.	1924.	1925.	1924.	1925.	1924.	1925.	1924.
Costs	7.33	2.7	7.01	7.65		0.8	0.79	0.78	1.75	1.69
Taxes and contributions ...		2.1			1.44	0.8	0.76	0.84	1.39	1.44
Interest	2.9	3.1	0.1	—		?	—	—	—	—
Writing off...	12.06	6.25	9.24	0.08	?	?	—	—	—	—
Dividends	—	—	—	—	—	—	—	—	2.0	1.6
Carried forward	0.47	0.42	0.14	0.19	—	—	0.08	0.05	0.004	0.004
Costs per g.r.t.	15	19	15	17	7	9	8	10	19	19
Gross profits per g.r.t. ...	36.5	35	36	18	?	?	8.5	11	31.5	29

passenger traffic is concerned, while its power of competition appears to be assured in respect of freights by the capacity of its thoroughly up-to-date ships and the slow but steady increase of German exports.

The following table shows the assets and liabilities of the five companies in 1924 and 1925 (in millions of Reichsmarks) :—

	Lloyd		Hapag.		Austral-Kosmos.		Hansa.		Hamburg-Sud Amerika	
Assets.	1925.	1924.	1925.	1924.	1925.	1924.	1925.	1924.	1925.	1924.
Ships account	132.0	90.0	91.5	76.5	36.0	34.0	27.0	15.9	35.7	34.5
New construction	6.0	9.7	—	1.2	4.9	3.5	—	—	—	—
Cash and Bank	5.4	3.9	1.6	1.5	6.5	3.8	2.2	0.4	3.3	4.1
Debts and bills	35.7	12.5	11.9	8.2			3.6	8.5	2.0	1.7
Participation and securities	4.9	16.8	8.5	10.3	0.1	0.2	0.8	0.9	4.8	4.2
Stocks	3.8	6.3	2.4	3.8	0.2	0.2	0.6	0.4	0.9	1.3
Immovable assets	5.8	4.6	7.0	6.9	—	—	0.9	0.9	0.3	0.2
Liabilities.										
Capital	53.3	41.2	55.1	55.1	30.3	30.3	13.0	13.0	25.5	20.5
Valorisation account ...	3.2	3.7	4.3	—	—	—	—	—	—	—
Reserves	10.0	10.0	8.0	8.0	5.0	5.0	1.3	1.2	3.0	3.0
Internal writing off ...	35.0	27.0	26.0	26.1	6.6	2.7	6.8	12.3	12.0	12.1
Creditors	36.9	24.0	29.0	18.7	4.9	4.2			11.5	5.6
Credits	38.2	27.7					11.0	—	—	—
Sundry reserves	11.4	10.0	0.2	0.2	—	—	3.0	3.0	3.0	3.0

(*Frankfurter Zeitung*, June 10.)

RUSSIA

FINANCE

The Currency Crisis.—The keen attention bestowed by the European and American Press during the months of April and May on the Russian currency was a little belated, for the height of the crisis was reached during the months of January and February, when the Soviet leaders were often seriously anxious about the position of State finances, even though they may now refuse to admit it. In order to appreciate the value of the preventive measures taken and the meaning of the process of reconstruction it is necessary to recapitulate, at least in outline, the causes of the Russian currency crisis.

In the spring of 1925 an estimate was made of the value of the harvest which the autumn results failed to justify. Instead of the expected record harvest, the actual returns proved but moderate. The false spring valuation had led to an export programme which promised large revenue in foreign currencies, which were to be used for the import of goods to the value of a milliard of roubles. Orders were accordingly placed abroad. The blow was all the greater, as not only was the harvest itself far behind expectations, but the farmers, who had been granted numerous facilities and liberties in the optimistic days of spring, refused to sell the grain, partly because they wished to lay up in case of future bad harvests and partly because the State was not in a position to deliver to them, in return for their produce, sufficient quantities of textiles and agricultural implements. The grain export programme had been based with a certain amount of justification on an unusually good world grain harvest, and had derived its optimism, quite correctly from a theoretical point of view, from the hope that a proportion of the South Russian grain would reach the market sooner than the North American. Reluctance to sell on the part of the farmers destroyed this hope also.

When the results of this over-estimation and exaggerated programme became known in Moscow in December 1925 it was already too late to obviate a financial crisis. Foreign engagements were now as far as possible dissolved, but part of the orders could not be revoked and had to be paid for, not in corn, but in gold and foreign currencies. This led in January and February to the Chervonetz crisis.

Ruthless and decisive measures were now set in motion in such a manner as could only be possible in a State ruled by a dictator. The import programme was reduced from Roubles 1 milliard to 650 million. The circulation of paper roubles was diminished between December 1, 1925, and April 1, 1926, by Roubles 66 million and the other species of money within the same period by Roubles 38 million. The Customs rates for all superfluous import goods—and in Russia there is a very great deal which is considered superfluous—were enormously increased. Control of the Customs was carried out with the utmost rigour. Journeys abroad, especially on the part of State functionaries, formerly much encouraged, were only permitted in rare cases subject to a special tax of Roubles 220 for officials and Roubles 330 for private persons.

The purchase of gold and other foreign securities was prohibited and, together with every other species of speculation in currencies, subjected to the strictest supervision, being moreover made punishable by exile or shooting, the execution of the higher financial officials providing a salutary example. The machinery of Government was rigorously simplified. All posts which seemed in any way superfluous were abolished, all expenditure reduced. Thus the Russian State Bank alone, in its Moscow branch, dismissed on May 15 a thousand employees. The unemployment dole only amounts to from 9 to 12 roubles a month, so that it does not cost the State too great a sum to swell its army of unemployed. Salaries and expenses were drastically reduced and wages slightly, and that only in certain branches. The taxation screw was given an extra twist or two where the farmers were concerned, with the idea of forcing them to part with their grain.

These radical measures for maintaining the stability of the currency have hitherto succeeded so far that the legal cover for notes in circulation has been kept up in full. One sign of the improvement in the situation is that the State Bank has returned to Berlin the Rmk.20 million in bullion previously kept on deposit with German banks. According to well-informed foreign circles in Moscow, the measures taken appear adequate to exclude any danger to the Chervonetz during the coming financial year. Russian financial circles indicate June as the final month for the process of reorganisation. (*Hamburger Fremdenblatt*, No. 129.)

According to the recently published report of the Finance Commissariat, the quantity of State money issued on May 1 amounted to Roubles 514 million as compared with Roubles 510.9 million on April 1. The money in circulation is distributed as follows: State treasury notes, R.359.9 mill. (on April 1 R.355.8 mill.); silver coinage, R.141.5 mill. (R.142.2 mill.); copper coinage, R.8.3 mill. (R.8.2 mill.); bronze coinage, R.0.1 mill. (R.0.03 mill.); small paper tender, R.4.3 mill. (R.4.6 mill.). Simultaneously with the increase in Russian State monetary circulation, the Chervonetz bank-note circulation has increased by Roubles 10.5 million. The increased circulation of money in the country is remarkable inasmuch as the Soviet Government had recently announced a reduction in the monetary circulation on account of the currency difficulties, though the new issues during April are described in Russian quarters as merely temporary seasonal phenomena. (*Hamburger Fremdenblatt*, May 20.)

TRADE

Foreign Trade Returns for 1925-26.—The Finance Commissariat has published the following data with regard to the foreign trade of the Soviet Republics during the first quarter of the financial year 1925-26 in comparison with the total results of the financial year 1924-25 and also with those of the first quarter of 1924-25. The following table shows the figures for trade over the European frontier during the first quarter of 1925-26 (in thousands of roubles):—

	Exports.	Imports.
Great Britain	67,414	42,728
United States	7,701	41,802
Germany	32,161	39,332
Holland	7,316	4,619
France	13,065	5,725
Czechoslovakia	30	7,906
Denmark	3,963	350

The turnover of foreign trade over the European frontier during the whole financial year 1924-25 was as follows (in thousands of roubles):—

	Exports.	Imports.
Great Britain	185,442	107,806
United States	21,169	188,252
Germany	87,005	101,602
Holland	20,514	33,878
France	22,133	9,079
Czechoslovakia	377	21,800
Denmark	13,697	1,666

Great Britain takes first place in both tables, while Germany takes second place in the first and third in the second, the United States occupying second place.

The following table supplies a comparison between the foreign trade of the Soviet Republics during the first quarter of 1925-26 and 1924-25 (in thousands of roubles):—

	Exports.	Imports.
First quarter, 1925-26	172,813	205,089
First quarter, 1924-25	119,277	101,055
Total financial year 1924-25 ...	507,644	633,311

(*Revaler Bote*, No. 92.)

The *Rigasche Rundschau* (No. 92) publishes the report of the Central Customs Administration for March, according to which Russian exports in that month were valued at Roubles 57,404,000 and imports at Roubles 56,992,000, resulting in a credit balance of Roubles 412,000. This improvement in the balance of trade is all the more remarkable as the deficit amounted to Roubles 10.5 mill. in February. The chief contributing factors to this improvement were the exports of wheat, linseed cakes, beans and peas, and in partiuclar that of butter (R.3.5 mill.) and eggs (R.1 mill.). The export of furs increased by Roubles 9.1 mill. and that of manganese ore by Roubles 2.4 mill.

Imports, which are Roubles 3.3 mill. higher than in February, show increases in metals, chemical products, seeds and leather. The import of cotton and other fibres has fallen considerably, this being presumably due to ice conditions. With the reopening of navigation these dear articles, owing to the lack of which the textile industry has been partly brought to a standstill, will no doubt put a less favourable complexion on the balance of trade.

Exports of the Oil Industry.—Exports of petroleum and petroleum products from the Soviet Union during the first half of the economic year, i.e. from October 1, 1925, to March 31, 1926, amounted to 616,100 tons, representing an increase of 24 per cent. in comparison with the corresponding period of the previous year. While the export of benzine has increased by 75 per cent., that of lubricating oil by 25 per cent. and that of fuel oil by 70 per cent., the export of petroleum has diminished by 42 per cent. Germany and Great Britain take chiefly benzine and France and Belgium lubricating oil, while Italy requires naphtha products. (*Hamburger Fremdenblatt*, May 11.)

Commercial Treaty with Norway. — The trade treaty between Norway and the Union of Soviet Republics which has recently been ratified by both countries has now come into force. In form the treaty is similar to that concluded between the Soviet Republics and Italy, though it is far less complicated than the Russo-German treaty, as the relations between Soviet Russia and Norway are of a far simpler nature and do not demand such detailed legal regulations. The exchange of goods between Russia and Norway is of the simplest character. Half of the Russian exports consist of rye and half of the Norwegian exports of fishery products, particularly herring and stokfish. In 1913 Norway exported to Russia Roubles 9,770,000 worth of goods and imported from that country goods to the value of Roubles 6,696,000. In 1924 and 1925 the balance of trade between the two countries showed a balance in favour of Norway with exports totalling R.4,098,000 and R.5,224,000 respectively, as against Russian exports aggregating R.2,306,000 and R.1,756,000. Under the new treaty preferential treatment is to be given to Norwegian fish and fish products, and the question of fishing in the northern waters has been settled by means of concessions. The agreement has been drafted on most favoured nation lines, and applies to private persons as well as to corporate bodies. (*Rigasche Rundschau*, No. 72.)

INDUSTRY

Statistics of Industrial Production.—The *Frankfurter Zeitung* (April 24) publishes the following statistics of production for Russian industry. The Donetz coal trust produced from October 1, 1925, to March 31, 1926, 434 million poods (in the previous half-year 256 million poods), representing 98.9 per cent. of the production programme in the first quarter and 109 per cent. in the second. The Moscow coal trust "Moskugos" produced during the same period 495,600 tons or 91 per cent. of the programme. The "Kusbasstrust" coal trust in Kesnez Becken produced 414,000 tons (107 per cent.). In the naphtha industry a considerable development has taken place during March, when the production of 638,000 tons represented 98 per cent. of the programme for that month. A naphtha spring has been tapped in the Krosny district which produces 105,000 poods of paraffin naphtha daily. During the first half of 1925-26 the export of the Naphtha Trust "Asneft" via Batum amounted to 450,800 tons, or 45,000 tons more than in the first half of 1924-25. Production in the metallurgical industry in the half-year October to March was as follows: cast iron, 1,013,000 tons (88.4 per cent. of estimate); Martin iron, 1,372,000 tons (94.3 per cent.); and rolled iron, 1,021,000 tons (91.8 per cent.). The iron output has thus experienced a not inconsiderable increase as compared with the last half of 1924-25.

Output of Iron Ore and Manganese Ore.—The *Hamburger Fremdenblatt* of May 11 learns that the production of iron ore in Russia during the economic year amounted to 4,180,000 tons as compared with 9,000,000 tons in 1913. According to the decision of the President of the Commissariat of Economics, the output of iron ore is to be increased to such an extent during the next few years that in 1928-29 the production of the current year will be trebled. At the same time it is intended to increase the export of iron ore, which this year amounts to 240,000 tons, to 800,000 tons in 1928-29. The production of manganese ore, which amounted to 1,131,000 tons in 1913, will reach this year only 516,000 tons. Here also the Commissariat of Economics intends to effect a gradual increase, so as to realise an output of at least 1,294,000 tons in 1928-29.

Development of the Cement Industry.—Russia's demand for cement will, according to a report from Moscow, amount to 9.7 million casks during the current year, as compared with 11 million casks in 1913. The ever growing Russian demand for cement will probably amount to 30 million casks by 1929–30. As, however, the highest possible output of the existing works, even taking into account the uttermost possibilities of development and expansion, cannot exceed 15,800,000 casks, the probable 1927–28 demand will remain uncovered to the extent of 20 million casks. Three new cement factories, therefore, are to be built in the Ukraine, Siberia and West Russia respectively during 1926–27, each with a production capacity of 3 million casks; they are to be ready to start working in 1927–28. In the latter year six more cement factories are to be built in various other districts, with an estimated total output of 6,500,000 casks. In addition to these a number of smaller cement factories are to be erected, so that by 1929–30 the home production will be in a position to meet the demand. (*Hamburger Fremdenblatt*, May 11.)

The Asbestos Industry.—Many rumours have recently been current in interested quarters to the effect that the Russian asbestos industry had succeeded in concluding some sort of international agreements. At one time it was suggested that an understanding had been arrived at with the smaller producers, Australia, India and Cyprus; more recently it has repeatedly been asserted that a rapprochement had taken place between Russia and the larger producers, notably Canada and Rhodesia. Nothing definite, however, has so far come to light. It is nevertheless remarkable that the complementary nature of Russian and Rhodesian asbestos has been repeatedly pointed out in recent Soviet official announcements. Russian asbestos has never played a decisive part in the world production of this article, the pre-war output amounting only to something like one-tenth of the world production, while it is only during the last year or two that it has shown signs of emerging from the utter state of unimportance to which it sank in the first years following the war. In addition to the deposits in the Urals, estimated at some 3 million tons, there are others of a similar nature in Siberia. A great future is prophesied for the latter, but at present they are negligible. Russian asbestos differs from the Canadian variety in that the fibre is longer and softer. The two varieties are often confounded in the consuming countries. The Ural product is preferable to Canadian Chrysotil on account of its entire lack of odour, which is of great importance for filtering purposes. There are five different varieties of Russian asbestos varying according to length of fibre from $1\frac{1}{4}$ inch to $\frac{1}{8}$ of an inch. The output of types IV and V ($\frac{3}{8}$ and $\frac{1}{8}$ of an inch) represents about 60 or 65 per cent. of the total; the former is used for asbestos board and roofing tiles, and the latter to make asbestos paste for fireproof interlinings and piecework. It is hoped that it will be found possible in future to export types III and IV in large quantities. As regards markets, Central Europe and Great Britain are the most important, as in pre-war times. Strict adherence to classification is of the greatest importance in respect of export.

The production of asbestos in the Urals is at present in the hands of two organisations. About 90 per cent. of the total output is attributable to the "Uralasbest" (the State association of asbestos works in the Bachenovo district), and the remainder to the American firm of Hammer, which under the style of Allied American Corporation has been working a concession in the Alapajewsk district since 1912, without, however, any great show of success. The export of asbestos is undertaken by the Ural Metal Mining and Foundry Syndicate known as the "Uralmet." Great attention is being paid to the development of output. An asbestos mill and sorting station to be equipped with modern machinery, with an estimated output of 30,000 tons, is in course of construction. The existing electric plant is also to be extended. Investments to the extent of two million roubles are expected for the year 1925–26. During the past year the output was as follows: asbestos, 12,634 tons; asbestite, 2,774 tons; asbestos paper, 482 tons; and other asbestos goods 44 tons. The programme for the current year provides for a considerable increase, viz. 20,000 tons of asbestos, 3,000 tons of asbestite, 5,000 tons of asbestos paper, and 40 tons of asbestos goods. During the past year the export of asbestos rose from 5,634 to 6,171 tons. (*Hamburger Fremdenblatt*, May 20.)

FOREIGN BANK RATES.

	Per cent.		Per cent.		Per cent.
Amsterdam	$3\frac{1}{2}$	Dublin	6	Prague	6
Athens	10	Geneva	$3\frac{1}{2}$	Reval	9
Belfast	6	Helsingfors	$7\frac{1}{2}$	Riga	8
Belgrade ...	6	Kovno	7	Rome	7
Berlin	$6\frac{1}{2}$	Lisbon	9	Sofia	7
Brussels	7	Madrid ...	5	Stockholm ...	$4\frac{1}{2}$
Bucharest ...	6	Moscow ...	8	Tokyo	7.3
Budapest ...	7	New York...	$3\frac{1}{2}$	Vienna	$7\frac{1}{2}$
Copenhagen...	$5\frac{1}{2}$	Oslo	$5\frac{1}{2}$	Warsaw	12
Danzig	7	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 $9\frac{1}{2}$ per cent.

THE ECONOMIST'S BOOKSHELF.

FELIX PINNER.

"Germany's Economic Leaders." (Deutsche Wirtschaftsfuhrer.) (Verlag der Weltbuhne, Berlin.)

I have before me the fifteenth and greatly enlarged edition of Dr. Pinner's brilliant book on Germany's industrial and financial leaders. It is a collection of essays which have appeared in the well-known weekly *Die Weltbuhne* and elsewhere, and is really the economic history of Germany during the last fifty years represented biographically.

The reader gets introduced to Germany's most eminent captains of industry and finance, who all contributed to building up her economic might, e.g. the two Rathenaus, Albert Ballin, Thyssen, Krupp, Henckel von Donnersmarck, both Siemenses, the Mannesmanns—only to mention a few. It is well that the author has at last filled the gap so noticeable in the first impressions of the book, which was the absence of an essay on Emil Rathenau. For the creator of that world firm the "A.E.G." was, as an industrialist, far more important than his brilliant son Walter. Dr. Pinner, who is the author of a large volume on Emil Rathenau, has now included a very useful essay on that interesting personality. Dr. Pinner's "Portrait Gallery," as he himself calls it in the preface, is, however, by no means filled only with pictures of people of merit. The author not only characterises those who built up the economic might of Germany, but also those who did so much to shatter it and whose role during the process of destruction and decadence was so very sinister. Among these we find in the foreground Hugo Stinnes, Otto Wolff, Havenstein, Helfferich and Castiglioni.

There is much in this book with which one may disagree, but credit must be given to the author for having been as impartial as a work of the kind allows him to be. We can but draw attention to one or two particularly interesting essays. Walter Rathenau is described as primarily a brilliant dialectician and a statesman rather than a captain of industry. With this we entirely agree, but it seems to us that the late German statesman hardly deserved the accusation of being superficial. The longest and the only really violent essay is that on Stinnes: the greater part of it appeared during Stinnes' lifetime and has a strongly fighting character. Dr. Pinner calls Stinnes "the organiser of the disease of the German people," considers him a "parasite that has grown around the sick body of the country's economic life," and maintains that if Helfferich was the initiator of inflation and Havenstein its organiser, the main exploiter of it was

Hugo Stinnes. A very warm essay is dedicated to the late Albert Ballin, a figure well known in London before the war. But the author need not have raised again the painful question of the great man's death. After all, it is quite immaterial whether Ballin's death was due to natural causes or whether he killed himself. What matters is that his heart ceased to beat when that Germany to which he was so devoted ceased to exist. At the moment of his tragic death Albert Ballin could not have fancied that his creation, that his beloved "Hamburg-America Line" would recover with the comparative quickness with which it did. He merely saw that what he had given thirty painful years of his life to build up was collapsing and that the German Empire was collapsing too. He, "the admirals' little Jew," could not overlive what his sovereign master and the other princes seem to have withstood so well. And Ballin's death on the very day when the streets of Berlin and Hamburg were flooded with a mob of revolutionary soldiers and workmen has a deeply symbolical character.

Among the essays on Germany's great bankers the outstanding one is on Carl Furstenberg. The author has succeeded in giving an extraordinary vivid picture of the fascinating and peculiar personality of the old gentleman who presides over the destinies of the Berliner Handelsgesellschaft.

It would be impossible to enumerate here all the essays and discuss their merits and demerits. The book makes fascinating reading, the author's brilliant style is well known and of his competence it is unnecessary to speak. What an excellent thing it would be if some equally well-equipped author wrote a similar book on the great financial and industrial leaders of this country! G.S.

SHORT NOTICES.

Revue d'Economie Politique. La France Economique. Annuaire pour 1925. (Paris: Recueil Sirey.) In 1923 the editor of the well-known economic journal *Revue d'Economie Politique* had the happy idea of devoting every year the March–April issue to a review of French economic life during the past year. This in course of time has grown into a big volume of the most instructive kind. All the principal economic questions are treated in it by competent authorities, and it supplies a mass of facts and figures illustrative of French economic life, many of which are not otherwise available to the general public, e.g. the monthly figures of the floating debt. Financial questions, foreign trade and the balance of payments are especially well treated. Of special interest are the articles by Professor Rist on Reparations and Interallied Debts and on the Budget. M. Meynial's contribution on The Balance of Payments and M. Vergeot's on Capital Issues are also valuable, not only on account of the data they supply, but because of the competent views they expound. Different kinds of economic activity (the coal, iron, electric, transport and other industries) as well as social questions are dealt with exhaustively in special articles. Some fault, however, is to be found with the present issue: thus, the Budget estimates of revenue for 1925 have been omitted, as well as a comparison of them with previous years; but year by year the review shows steady improvement. It is a most valuable publication, and if only the systematic presentation of available data and comparison with previous years can be still further improved, *La France Economique* will become absolutely indispensable to every student of French economic life. M.G.

PUBLICATIONS RECEIVED.

Hints about Investments. By Hartley Withers. First impression. (London: Eveleigh Nash & Grayson, Limited. Price, 6s. net.)

Industrial Conditions and Labour Legislation in Japan. By Iwao F. Ayusawa.—International Labour Office, Studies and Reports, Series B (Economic Conditions), No. 16. (Geneva.—London: P. S. King & Son, Ltd. Price, 2s.)

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

Italy, the Central Problem of the Mediterranean. By Count Antonio Cippico, Senator of the Realm of Italy. (New Haven, U.S.A.—London: Humphrey Milford, Oxford University Press. Price, 10s. 6d. net.)

Refugees and Labour Conditions in Bulgaria. International Labour Office, Studies and Reports, Series B (Economic Conditions), No. 15. (Geneva.—London: P. S. King & Son, Ltd. Price, 10d.)

COMPANY MEETINGS.

THE TELEPHONE MANUFACTURING COMPANY, LIMITED

EFFECTS OF REORGANISATION SCHEME.—GOOD PROSPECTS.

The fifth annual general meeting of the Telephone Manufacturing Company, Limited, was held on the 17th instant, at the Cannon Street Hotel, London, E.C.

Mr. Fred T. Jackson, chairman and managing director, said that the combined balance-sheet of their British subsidiary companies showed a profit for the past year of £73,822, subject to depreciation reserve and income tax, as compared with £68,575 for 1924, an increase of £5,246. The profits on this side of the business should be greater still in the current year. From the combined balance-sheet of the British Installation Companies' assets it would be seen that the installations stood at £523,660, being £7,426 less than last year. The revenue of these companies from all sources in a normal year should amount to about £150,000.

Turning to the accounts of the parent company, the Chairman said that the directors decided, in view of the approval of the scheme for the financial reorganisation of the company, to revalue its principal asset, namely, its investments in subsidiary companies, and to utilise the surplus in writing off the past trading loss, goodwill, etc. The revaluation gave a surplus of £148,394, which, plus the investment reserve of £32,052 had been applied to writing off the trading loss over two years and seven months of £61,269; goodwill, £55,752; discount on issue of income bonds, £20,546; and special litigation, £19,624. This left a balance surplus of £23,273, which had been placed to a special reserve, and which would be appropriated next year to writing down expenses to be met in connection with the forthcoming issue of ordinary shares. He stated at the last annual meeting that the company required very little new capital—only a conversion of the bank and bond indebtedness into capital of a permament nature. This was just what the new financial scheme did. The new capital provided, after paying off the bank and income bonds, would, with revenue released, provide sufficient funds for their ordinary business requirements.

THE FUTURE.

As to the future, the scheme for the financial reorganisation of the company was approved by a very large majority, and was now an accomplished fact. They could look forward to a steady development, untrammelled by the load of debt and interest charges which had been very heavy fetters in the past, and had so limited the productive capacity of the business, with the result that they had been unable to extend their permanent share capital at the right moment. In addition to the extra working capital provided, after paying off the bank and income bonds, a sum of over £80,000 per annum, which had been absorbed in the past in meeting interest and sinking fund requirements, would be released for further working capital, and, the directors hoped, dividends. The moment they received the approval of the Court to the scheme the whole outlook completely changed for the better, and they could not thank Mr. M. C. Harman too much for putting forward a scheme which placed the company in such a sound financial position, free from all charges and debt. The knowledge that the company's finance was now in order had had a remarkable effect on the number of inquiries they were receiving. The quality of their productions was already well known to the big telephone organisations that counted, and they could work to competitive prices.

PROFIT PROSPECTS.

The position at the moment was that the contracts they had in hand and in sight would be sufficient to cover the company's overhead expenses during twelve months' working from now, leaving practically the whole of the gross profits of any further orders which might be carried out during the twelve months as net profit for the shareholders, available for reserves and dividend purposes. This was quite apart from the net revenue of the installation side of the business, which should produce a net profit of approximately £50,000, even if they did no better in this department than they did last year, when they had perforce to impose restrictions upon the development of this side of the business. They had just received invitations to tender for very large quantities of telephone apparatus from various sources which had already had experience of the company's products, and he had no doubt they would secure a proportion of these contracts. When shareholders took into consideration the fact that this position had been brought about in a very short space of time—in fact, only since the improved financial position of the company had been known—they would, he thought, agree with him that the prospects of the company on the manufacturing side were much brighter. In actual contracts in hand they had nearly five times as much work as they had at the end of May 1925. In conclusion, the Chairman said that he was by far the largest individual shareholder in the company, and that his holding was now greater than ever. At no time, even during the most difficult days through which the company had passed, had he ever sold a single share, and his confidence in the future of the company was complete.

Major-General Gerald Bird, M.C., seconded the resolution, which, after a brief discussion, was carried unanimously.

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
1920.		
Jan. 16	367.9	296.6
May 14	391.2	325.5
July 16	418.8	316.9
Dec. 17	257.0	263.8
1921		
Jan. 14	244.2	245.9
Apr. 15	202.8	204.8
July 15	194.4	194.1
Oct. 14	170.2	180.7
Dec. 16	153.2	167.9
Dec. 30	150.0	
1922		
Jan. 20	144.0	164.0
May 19	162.1	160.6
July 14	165.1	160.3
Sept. 15	161.2	154.8
Dec. 15	161.2	155.8

Date	10 Commodities	Bd. of Tde Monthly Average
1923		
Jan. 12	162.8	157.0
Feb. 16	177.2	157.5
Mar. 16	192.4	160.3
Apr. 20	198.5	162.0
May 18	198.1	159.8
June 15	190.0	159.3
July 20	177.3	156.5
Aug. 17	174.6	154.5
Sept. 14	173.2	157.8
Oct. 19	166.0	158.1
Nov. 16	171.7	160.8
Dec. 14	177.0	163.4
1924		
Jan. 18	178.6	165.4
Feb. 15	187.9	167.0
Mar. 14	182.1	165.4

Date	10 Commodities	Bd. of Tde Monthly Average
Apr. 18	177.5	164.7
May 16	171.2	163.7
June 20	167.8	162.6
July 18	167.1	162.6
Aug. 15	175.3	165.2
Sept. 19	167.9	166.9
Oct. 17	172.5	170.2
Nov. 14	173.3	169.8
Dec. 12	171.7	170.1
1925		
Jan. 16	174.8	171.0
Feb. 13	175.2	168.9
Mar. 13	172.8	166.3
Apl. 17	161.9	162.5
May 15	158.7	159.0
June 19	160.6	157.6

Date	10 Commodities	Bd. of Tde Monthly Average
July 17	160.3	157.5
Aug. 14	158.6	157.0
Sept. 18	158.3	156.0
Oct. 16	154.1	154.8
Nov. 13	153.2	153.7
Dec. 18	153.0	153.2
1926		
Jan. 15	151.6	151.3
Feb. 12	148.4	148.8
Mar. 12	146.1	144.4
April 16	148.1	143.6
May 21	150.2	144.9
28	149.8	
June 4	150.2	
,, 11	151.4	
,, 18	151.7	

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
May 21 ...	71.7	161.5	60.4†	108.8	89.8	109.4	87.0	124.9	105.9	81.8	100.12	... May 21
,, 28 ...	71.7	161.4	60.4†	104.4	90.3	109.4	87.0	128.9	103.7	81.2	99.84	... ,, 28
June 11 ...	73.6	158.6	60.4†	115.8	88.7	109.4	89.9	128.0	105.9	78.8	100.91	... June 11
,, 18 ...	73.6	163.6	60.4†	121.1	83.5	109.4	89.9	127.3	105.1	77.6	101.15	... ,, 18

† Nominal. * 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.

Week ending	In New York. Industrials.	In New York. Bonds.*	In London. Industrials.	In London. Gilt edged.
1920, Jan. 1	128.5	94.1	172.4	99.7
1921, Jan. 1	89.9	89.0	116.3	88.6
Aug. 20	*80.3*	90.4	105.4	93.3
Oct. 29	91.1	92.0	*91.1*	94.4
1922, Jan. 1	100.0	100.0	100.0	100.0
May 13	114.6	102.4	114.9	**117.9**
Sept. 16	123.8	**107.6**	115.2	112.5
Oct. 7	123.9	106.1	113.3	*111.7*
1923, Jan. 1	121.7	102.5	119.5	113.3
Mar. 17	**129.2**	98.5	129.3	117.0
,, 24	127.3	*97.8*	129.0	118.1
Apr. 28	124.1	99.3	**137.9**	122.8
June 9	119.7	100.8	130.6	**123.5**
Oct. 27	*105.7*	99.7	126.5	119.7
1924, Jan. 1	117.4	98.4	121.3	114.5
,, 19	119.1	100.1	119.1	*112.2*
June 21	115.3	103.3	*118.2*	118.0
Nov. 8	130.1	103.7	133.7	**120.4**

Week ending	In New York. Industrials.	In New York. Bonds.*	In London. Industrials.	In London. Gilt edged.
1925, Jan. 3	150.7	101.6	133.8	117.5
,, 17	151.8	101.9	**137.8**	117.5
June 6	158.2	**105.3**	128.0	115.3
,, 27	160.0	104.7	123.7	*113.0*
July 18	165.9	103.2	*120.4*	115.5
Aug. 1	165.8	*101.5*	122.2	115.7
,, 22	176.2	102.5	126.3	**117.3**
Nov. 7	195.4	102.7	134.1	114.7
Dec. 19	188.9	103.3	130.6	112.8
1926, Jan. 2	195.5	103.6	133.3	113.0
,, 9	196.1	103.6	**135.1**	113.1
Feb. 13	**199.9**	104.9	132.0	114.8
Apr. 17	168.7	106.9	121.8	113.3
May 1	176.8	107.6	122.6	114.7
,, 8	172.9	107.2	119.5	112.5
,, 29	176.9	107.2	126.4	114.7
June 12	182.6	106.9	126.4	114.1
,, 19	189.1	107.3	125.2	113.8

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

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