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COMMENTS

DISAPPOINTMENT will be felt both in this country and in the United States at the decision of France to submit the London and Washington debt agreements to further investigation and scrutiny instead of ratifying them at once. It can hardly be said that the way in which the question of France's foreign indebtedness has been handled does very great credit to the French nation and its chosen representatives. When Senator Bérenger and M. Caillaux signed their respective agreements, however, it seemed that France had definitely decided to settle her debts and thus re-establish her credit. The fact that both agreements will be submitted to further inquiry and discussion, and that therefore a long time may elapse before they are ratified or . . . rejected, seems to indicate that France continues to be very far removed from a settlement with her allies and creditors. In the meantime it is interesting to observe that Germany's credit is infinitely superior to that of France both in London and New York, and it is characteristic of the situation that the quotation of German 7 per cent. 1949 Bonds in New York is approximately 105 whereas that of the French 7 per cent. 1949 Bonds is only 99. However anti-foreign France may be, and however opposed to the London and Washington agreements, it will hardly be possible for her to re-establish her credit abroad unless she recognises her obligations and shows her willingness to pay.

AFTER the end of the war Mr. Lloyd George inaugurated the system of conferences which began at Spa and rapidly became a familiar feature of the troubled political life of Europe. "Ce n'est que le premier Spa qui coûte," as somebody once remarked. It seems that Mr. Lloyd George's system of conferences has definitely been adopted by the distinguished heads of the European banks of issue and of the Federal Reserve Board. We read with astounding regularity of meetings that have taken place between Mr. Strong or Mr. Jay with Dr. Schacht or the Governor of the Bank of England, or of even more important conferences in which all these gentlemen (and possibly some others) have participated. It is to be hoped that more practical good results will result from these periodical meetings than from Mr. Lloyd George's conferences in various fashionable pleasure resorts; but we think that a little more light thrown on these negotiations would be much in the public interest. One would like to know, for instance, whether it is true that at a recent meeting between Mr. Strong and Dr. Schacht the question was discussed of stabilising the franc with the help of Germany. Like this country, Germany is greatly interested in the French stabilisation problem, as she is equally threatened with the danger of French dumping. Further, it is of vital importance to Germany whether

France will use for the defence of the franc her part of the German railway and industrial bonds, as seems to be contemplated in certain quarters. It is hardly likely that France would or even could have recourse to this measure, yet Germany has no means of compelling or preventing her doing so. Was this one of the questions recently discussed by Dr. Schacht and Mr. Strong? It is a great pity that no details have been published with regard to this meeting or to similar meetings, to which the public are gradually getting accustomed but of which they would like to know a little more.

WE have on several occasions referred in these columns to the various economic agreements Germany has lately been able to conclude with a number of important countries. After two years of negotiations France and Germany have just signed two economic agreements of the greatest political importance. One, signed at the Quai d'Orsay on August 5, is an extension and amplification of certain previous and provisional arrangements regulating the Customs relations between the two countries. This new commercial agreement will extend over a period of six months, as from August 20. It concedes to France most favoured nation treatment for such important French export goods as wine, champagne, fruit, vegetables and "primeurs"; while silk goods, dress goods, corsets, hats, boots, gloves, perfumery and motor cars will enjoy considerable tariff privileges. Germany, on the other hand, obtains tariff concessions for chemical products, optical goods, machinery, glass and pottery, leather goods, paper and some agricultural products; and the French colonies and Germany exchange most favoured nation treatment for their respective exports. The second agreement regulates trading relations between Germany and the Saar region, and its essential peculiarity is that it leaves out the German colouring matters and most of the electrical goods, French textile goods and ordinary wines, and that it has no bearing whatever on the great problem of the iron industry. The latter, as is well known, forms the object of separate prolonged and very important negotiations. Although the two new treaties are but of a temporary nature, they will be generally welcomed as a great step towards the establishment of better relations between France and Germany. They are a proof of goodwill on both sides, and must be judged as such. Therefore we entirely agree with the following remarks of the German newspaper *Der Tag*: "The provisional agreement is also of political importance, since it has been concluded under the Poincaré régime. By leaving M. Briand at the head of the Foreign Department they intended to show that the Locarno policy would be confirmed. Until now everybody has waited for some facts to follow words. The first practical step is yesterday's agreement, the importance of which lies mainly in the fact that the change of Government in France has not altered the line pursued by the negotiators. This is a lucky omen for the future, and that is why

we must welcome the treaty." There appear to be several indications that France and Germany are anxious to establish better relations with each other and come to a definite understanding. It is certainly very significant that Germans and Germany are far less unpopular in France to-day than England and the United States; and if only France and Germany manage some day to come to terms about their iron and coal industries we may yet live to see the two countries living as friendly neighbours and sound business associates.

If the situation of the banks is a reflex of the economic conditions in a country, Germany has reason to be satisfied that the economic crisis from which she has been suffering is now passing by. The general feeling in German banking circles is one of confidence, based largely on the results of business during the last two months. The opinion is being fairly freely expressed that business during the present year will permit the distribution of higher dividends than those paid for 1925. The business that has been done during the first half of the year certainly justifies this optimistic view. Progress has been made in practically every branch of banking; but the higher profits may, perhaps, be attributed largely to the lower bank rate and the compulsory reduction of the commission on transactions. Considerable economies have also been effected in the general administration of the banks. A notable feature has been the progress of centralisation and also of the rationalisation of banking activities. The closing of a considerable number of small banks in the provinces has not been due to a decline of business, but solely to the application of more efficient methods, or the progressive process of amalgamation. Mechanical labour is also more and more supplanting human labour wherever possible. The general result is that there has been a remarkable reduction in the number of bank employees and the banks have been able to reduce their expenses account by about 18 per cent. in comparison with the first half of 1925. These various processes of economy are not yet at an end; they will probably be continued over the next two years. It is estimated that by the end of the present year the saving on expenses will be something like 25 per cent. compared with the preceding year. This, in conjunction with better business results all round, is the foundation of the optimistic outlook in German banking circles.

THE demand on the money market in Germany has slightly increased during the last ten days. Funds for longer periods are being asked for mainly in connection with the financing of the new crops. According to the last return of the Reichsbank, bills of exchange and cheques have decreased by Rmk.62 million. The Bank's holding of foreign exchange had diminished to the extent of Rmk.27 million at the end of July. Reichsbank notes outstanding show a decrease of Rmk.326 million. As regards new issues on the investment market, no fresh plans have as yet matured. A new Municipal loan is at present being considered; this is to be given in exchange for the revalued old paper mark loans of German cities. Nothing can be said at the moment concerning the amount of this loan, as negotiations are still being carried on with the various municipalities which will participate in the new issue. Large credits continue to be given in the home market by mortgage banks, savings and municipal banks, chiefly on account of the extension of credits by the Gold Discount Bank. Activity on the Berlin Stock Exchange, after a temporary lull, has again become lively, and in view of the improved situation in the coal, iron and steel industries coal and iron shares have been particularly in demand.

THE German Labour Market, owing to harvest work, is considerably easier. The figures published for the middle of July show a total of 1,718,000 registered unemployed receiving the dole, or 1.3 per cent. less than at the

beginning of the month. This slight decrease is not, however, entirely attributable to the increase in agricultural activity. Reports from various industrial centres, such as the chemical, textile, and to a certain extent, the metallurgical industries, are more favourable than might have been expected. It is rather striking that, so far, the increased activity in the coal trade has not made itself felt to any appreciable extent in the Labour Market. The Ruhr mines, we are told, and other large undertakings are now reaping the advantages of not having neglected the modernisation of their plant and machinery even during the most difficult periods after the war. The improvement in the iron trades as well as the increase in car loadings and general transport are noticeable, but they cannot yet be said to have affected appreciably unemployment figures. The consumption of iron by those industries which are engaged in supplying the needs of the mines has increased considerably, and the demand for scrap iron for blast furnaces is rising and prices, with Rmk.53 for steel scrap, are again approaching the pre-war level. Considerable improvement is also detected in other directions, semi-manufactured goods and wrought and sheet iron are all of them experiencing a better demand.

IN a statement made to newspaper representatives the Polish Minister of Industry, M. Kwiatkowski, declared that the improvement in Poland's economic situation had exceeded all hopes. For instance, the average monthly coal exports last year amounted to 600,000 tons; last month the figure rose to 1,800,000 tons. A similar improvement was noticeable in other industries, particularly in the textile and metal trades. The reduction of the Bank of Poland's discount rate had also done much to improve the situation, and foreign capital continued to be invested in Poland. In conclusion, the Minister declared that the Government was most anxious to speed up the construction of the port at Gdynia in order to facilitate the export trade of the country.

INTEREST in the question of the commercial possibilities in the conversion of coal into oil has again been stimulated by the recent news that, after protracted negotiations, the British and Continental companies and individuals concerned with this problem have arrived at an agreement based on co-operation or fusion. From the outstanding names that figure in this agreement it is clear that the commercialisation of the process associated with the name of Dr. F. Bergius, a German chemist, has reached an important stage and that further developments may soon be expected. Among other well-known names, we note in this connection those of Vickers, Limited; Brunner, Mond and Co.; the Gas, Light and Coke Company; the South Metropolitan Gas Company; the Distillers Company; the International Sugar and Alcohol Company; William Baird and Co.; the United Steel Companies (Rother Vale Collieries branch); the Staffordshire Chemical Company; the Consett Iron Company; Pease and Partners; besides a number of colliery companies. The joint British interests have formed the British Bergius Syndicate, Limited, with Sir John Calder as chairman, in order to acquire British rights in the process. The syndicate formed in Germany is equally as strong and representative as the British concern. The world rights in the process are held by the International Bergius Company, which was registered in Holland in 1921. Half of the shares in this Dutch Company have, however, been acquired by a second Dutch concern, known as the Makot Company. The various British concerns have succeeded in acquiring a large number of shares in the Makot Company and have thus a considerable interest in the exploitation of world rights in the Bergius process. Developments will be followed with much keenness, particularly in view of the crisis not only in the British but also in the international coal industry. A pronouncement of considerable importance will probably be made in the near future.

SPECIAL ARTICLES

CO-OPERATION OF THE BANK OF FRANCE IN THE WORK OF CURRENCY REHABILITATION.

(COMMUNICATED)

After passing the two Bills to increase taxation and to establish a Sinking Fund for the redemption of National Defence bonds, the French Parliament has now voted the third item of M. Poincaré's financial programme, the Bill affecting the Convention with the Bank of France with regard to the purchase of foreign currencies and bills. This Act consists of four clauses. The first provides that the prohibition of purchase of French gold coinage at a price above its face value, i.e. at a premium, will no longer apply to the Bank of France: this will enable the Bank to attract to its vaults the gold hoarded by the people; the second clause authorises the Bank of France to purchase gold and bills in the open market; the third one authorises the Bank for the above purpose to issue notes in excess of the legal limit; while the fourth clause empowers the Minister of Finance to conclude with the Bank of France all the necessary agreements to enable it to prepare the way for the stabilisation of the currency by the rehabilitation of the franc. In this way the new law enables the Bank of France to co-operate with the Government in the work of currency rehabilitation.

This close co-operation of the Bank of France was provided for by M. Caillaux in his first programme of financial and monetary reform propounded in October 1925. The Report of the Committee of Experts likewise stressed the necessity of such co-operation. It will perhaps be remembered that M. Caillaux defined the rôle to be played by the Bank in terms which provoked a certain measure of uneasiness. "It is a scandal," he declared, "to pretend, as there is a tendency sometimes to do, that the Bank of France is a power side by side with the Government; that the Bank may contemplate with complacency the straits of the Treasury while continuing to add to its own wealth, and refuse to bolster up the Treasury whenever and to whatever extent may be required." When M. Caillaux for the second time took over the Portfolio of Minister of Finance, and when the question again came up in connection with the appointment of a new Governor of the Bank of France, he propitiated public opinion by publishing an official statement in which he declared that the independence of the Bank would be strictly safeguarded by the Government.

As for the Committee of Experts' Report, several passages in this document deal with the part assigned to the Bank of France. During the period previous to stabilisation its functions are laid down as follows: "Financial restoration and currency stabilisation cannot be realised if immediate and considerable means of exchange are not available. The use of the gold and silver specie and bullion of the Bank of France gives rise to objection." The Experts, therefore, proposed other means of building up reserves of change, the following among others: (1) Credits to be obtained by the Bank of France. In their opinion an agreement should be made between the Government and the Bank to the effect that the currency and bills resulting from these financial operations are to be devoted to the purpose of stabilisation. (2) Appropriate measures to facilitate the investment in France of foreign capital and to hasten the repatriation of French capital. The Bank of France could take all deposits, whether foreign or French, in the form of bills. (3) The reserve of the Bank of France to be strengthened by the acquisition of gold pieces within the country at a rate approximating to the rate of exchange.

The functions of the Bank of France during the actual period of stabilisation are defined as follows: "The actual period of stabilisation will begin as soon as the

Bank, having definitively decided on a rate of stabilisation, is prepared to purchase and sell gold at a fixed rate, and foreign currency and bills with a margin between the selling price and the buying price corresponding closely to the import and export gold points."

If this plan of the Experts is compared with the Bill that has just been passed, it will be found that they differ in only one respect: the Act does not stipulate that the buying of currency and bills by the Bank of France may only begin from the moment the Bank shall have definitively settled on a rate of stabilisation. It is common talk on the Paris Bourse that such buying has already commenced. Consequently, whereas the Committee of Experts contemplated the purchase of currency and bills by the Bank of France as a measure for the actual period of stabilisation, the new law applies the measure during the period preceding stabilisation.

From every point of view the measures proposed by the Committee of Experts and those embodied in the new Act are identical. In the first place, as suggested by the Experts, the gold reserve which actually guarantees the note circulation, is not to be utilised for the purpose of stabilisation. M. Poincaré's assurances on this point are definite. As stated by him in the course of the debate in the Chamber of Deputies, "Once the Morgan Fund is exhausted we will have no ammunition left to counteract any unfortunate speculation which may set in again to-morrow. But I have no intention of obtaining such ammunition by reducing the stock of specie and bullion of the Bank of France. This stock of the Bank is one of the most substantial securities we possess." Secondly, the Bank having been given the right to purchase at a premium French gold coin, i.e. at a price approximating to the rate of exchange, will be in a position to attract to its coffers a large portion of the gold hoarded in the country. Now what is the amount of this hoarded gold? According to M. Fonville, there was from five to five and a half milliards of gold in circulation in France before the war, and during the war the people poured into the Bank of France in exchange for notes some two and a half milliards of gold coins. Of the remainder of three milliards a very considerable portion was either fraudulently exported or melted down; but in any case the amount of gold still hoarded must certainly exceed one milliard. Thirdly, by the purchase of currency and bills the Bank of France will not only attract those in the hands of foreigners, but likewise those belonging to Frenchmen, i.e. exported French capital. This it hopes to do by raising the rate of discount (this has already been done) and by restricting credits. Industrialists and traders will be told: "We are prepared to give you bills, but only if you bring us gold currency." We are of opinion, however, that the real way of securing the return of exported capital is to restore public confidence. It will always be difficult, in practice, to detect among industrialists and traders applying to the Bank for credits those who are holders of foreign currency and who should be refused bills except against tender of gold currency.

The only objection raised against the new Act is that it may lead to inflation. The objection comes from those who believe that every issue of notes, even though covered by gold, means inflation if such issue is not required for industrial or commercial operations—in other words, for the circulation of goods. In that case a note issue leads to a rise in prices, which means inflation. But, on the other hand, another case may present itself which would involve inflation pure and simple: the Bank of France may sell currency in order to keep up the rate. In that event it will be the holder of notes without any security behind them. The Act provides that in such cases the uncovered notes shall be destroyed. Finally, the rate of the franc may rise and the Bank may

then find itself holding a stock of securities the value of which will be inferior to the amount of notes issued. To guard against this danger the Act stipulates that the ratio of the notes issued to the stock of securities must be periodically revised and restored in keeping with the value of such stock at the rate ruling on the day the revision takes place.

SURVEY OF CURRENCY CONDITIONS IN SOVIET RUSSIA UP TO JUNE 1926.

(Continued.)

We cannot foresee how the struggle will end, but it is necessary to indicate that this conflict is complicated by the fuel crisis which becomes more and more acute, as well as by the deficit of transport. The coal and oil industries demand already at present the investment of considerable capital, since there is a want of fuel. It is evident that during the next year it will be necessary to import coal from abroad. As the *Ekonomicheskaya Zhizn* (May 29) writes: "If we calculate modestly that the consumption of fuel in the next year will increase in comparison with the current year by 15 per cent. and will reach 2.6 milliard poods of conditional fuel, then even the maximal strain of our fuel resources will not yield the required amount. The import of coal is evidently inevitable."

With regard to transport it appears that the estimated revenue is exaggerated, while that of expenditure is underrated. The cash deficit for the first six months amounts to 84 million chervonetz. It has been decided to help transport not only by continuous increase of tariffs, but also by giving it a subsidy of 25 million roubles.*

We can well understand that in these circumstances the pressure exercised by industry which is spending the last remains of the old capital will be very great and will be complicated by other needs of the State economy. Thus, after scrutinising the causes of the exaggerated issue of currency, we come to the conclusion that at the basis of it there lies the contradiction between the problems of currency circulation, which has a national importance, and the tasks and aims of a State economy, which is based not on its nationally economic valuation, but on the political importance of it for the ruling party. We have to add to this that "planning" of the State economy itself (or even of the entire national economy) creates and increases the failures in the monetary policy of the Government. This planning, which is realised under conditions of an elemental economy which dominates even Soviet economics, is only theoretical. But it takes, however, an active shape. In the course of this year, as we have seen, the planning based on the anticipation of a good harvest, good exports and the development of industry, led to an exaggerated issue of currency. Realities did not justify this "planning."

In the table we have quoted there is indicated the amount of money in circulation and the sums of guarantee fund (cover). In calculating the ratio we take the grand total of paper currency, i.e. bank-notes and Treasury notes. What are the results? On April 1 the grand total of currency in circulation amounted to 1,204,180.1 million roubles, and the cover to 228,284.0 million roubles. Thus the paper currency was secured to the extent of 18.9 per cent.† According to the law, paper money (chervonetz) has to be covered to the extent of 25 per cent. by gold and stable foreign currencies. The Soviet Government is unable to attain this, although it continues to assert that the bank-notes are duly secured. Who is likely to believe, however, that one kind of currency requires security and the other not? The amount of paper currency is increasing while the cover considerably decreases. What is the cause of it? The most striking decrease is that of the

foreign currencies fund. On December 1, 1924, it amounted to 101,385 thousand roubles. Then it began rapidly to decrease, as can be seen from the following table (in thousands of roubles)* :—

On December 1, 1924	...	...	101,385
„ January 1, 1925	...	...	98,670
„ February 1, „	...	...	98,654
„ March 1, „	...	...	95,659
„ April 1, „	...	...	68,277
„ May 1, „	...	...	46,888
„ June 1, „	...	...	51,003
„ July 1, „	...	...	48,937
„ August 1, „	...	...	46,853
„ September 1, „	...	...	46,853
„ October 1, „	...	...	46,763
„ November 1, „	...	...	46,763
„ December 1, „	...	...	48,583
„ January 1, 1926	...	...	48,875
„ February 1, „	...	...	49,667
„ March 1, „	...	...	49,814
„ April 1, „	...	...	50,431
„ May 1, „	...	...	49,981
„ June 1, „	...	...	50,067

The table demonstrates that a striking decrease of the foreign currencies fund took place in April and May 1925. This sudden drop was caused by the necessity of importing foodstuffs, which were exported excessively in 1924. In 1923–24 the import of foodstuffs amounted to 24,754 thousand roubles, while in 1924–25 it increased to 150,183 thousand roubles.†

The decrease in the amount of the gold and platinum cover occurred in February, March and April 1926. On January 1, 1926, the gold and platinum fund amounted to 216,132 thousand roubles. Later this sum decreased as follows :—

	Thousands of roubles.		
On February 1, 1926	210,965
„ March 1, „	187,182
„ April 1, „	177,182
„ May 1, „	176,970
„ June 1, „	177,649

Thus the decrease of the gold reserve already belongs to 1926. The cause of it is that, hoping for an excessive export of agricultural products, the Government had prepared an excessive plan for imports. They intended to export a large quantity of corn and to export it rapidly. However, the plan proved to be exaggerated and could not be carried out. But, on the other hand, it was necessary to pay for the imported goods. What are then the prospects of the maintenance of a stable cover fund? We think that there are no real hopes for an increase. The fact is that there is hardly any foundation to believe that a favourable balance of trade can be obtained in the future. That is already demonstrated by the results of previous years. The following are data concerning exports and imports (in millions of roubles at present-day prices) :—

	Exports.	Imports.	Balance.
In 1923–24	... 522.6	385.4	+ 137.2
„ 1924–25	... 567.5	633.3	— 65.8

Imports have increased owing to a variety of causes, e.g. exhaustion of the old machinery in factories and lack of commodities for general consumption. These causes cannot be ignored, since the want of machinery and industrial goods makes the hunger for commodities ever more acute, and this leads to the fall of the Soviet currency. Next economic year the acute need of imports will increase still more, since it is necessary to start the reconstruction of factories and to import mineral fuel.‡ Export prospects, however, are far from being hopeful. Cereals are the chief export

* This table is compiled from the balance-sheets of the State Bank.

† *Ekonom. Obozrenie*, No. 12, 1925.

‡ The increase in the cost of production in the factories is due to a great extent to the antiquated and worn out machinery. See, for instance, the conditions of "Yugostal" in *Ekonom. Zhizn*, May 25, 1926.

* *Ekonomicheskaya Zhizn*, May 30, 1926.

† In the French publication already mentioned the cover is given as 15 to 18 per cent. on February 1, 1926.

item. In 1924-25 out of a total export value of 567.5 million roubles, cereals amounted to 101,407 thousand roubles. Other agricultural products, such as butter, eggs, flax, hemp, and others, also amount to a considerable sum. Thus in the economic year in question these products were exported to the value of about 140 million roubles. Until now, however, the expansion of agriculture was carried out mainly by seizing land that was still free. But this process is coming to an end, since in 1925 the area under cultivation already reached 95 per cent. of that of 1916. Any further increase of output of agricultural products will depend largely on the amelioration of agricultural methods. This process is very slow, however, particularly since there is no capital in agriculture. Whether the development of agriculture will be able to follow the growth of the population's requirements of foodstuffs is a great and intricate problem. There even exists a danger of a want of foodstuffs in Russia, in which case the export of corn is hardly fraught with optimistic prospects. An important place in exports belongs to oil and timber (62.9 and 62.7 million roubles in 1924-25). But the output of oil becomes more and more stabilised, and the home requirements are growing. The export of oil becomes ruinous to the country. As regards the export of timber, it is hindered by the great increase of prices on forestal goods and the lack of them in the country. In the course of the first six months of 1925-26 these prices increased on an average by 21.9 per cent.* However much the home requirements of timber may be ignored, they cannot be ignored altogether, because this would cause an increased cost of production of Soviet manufactured goods. Thus owing to all the above considerations the attainment of a favourable balance of trade is under present conditions a difficult and complicated problem for the Soviet Government. And a favourable trade balance is the first means of increasing the cover fund for paper money in circulation.

As far as the other natural means of securing paper currency, i.e. gold, is concerned, Soviet literature gives no pleasant hopes of any kind. Analysing the output of gold, one of the Soviet authors comes to the following conclusion: "We can hardly hope for a sharp increase in the output of gold in the course of the next few years." † Hence it must be admitted that the problem of a cover fund is in a quite unsatisfactory state and that the future does not promise any rapid improvement. It is true that Soviet currency is not convertible into gold. But this circumstance weakens its position all the more. Non-convertibility is in itself not particularly dangerous if the cover fund is strong and stable.

(2) *The purchasing power of the Soviet currency.* In their evidence concerning the purchasing power of the chervonetz the Soviet Government continue to quote a double rate: the rate of currency in foreign bank-notes and the home rate or the purchasing capacity of the chervonetz. Such practices would be right if they corresponded to actual conditions, if the correlation between the two rates were not artificial. As a matter of fact it is quite the opposite, as we shall prove further on. The Soviet Government once very energetically strove to obtain the quotation of chervonetz roubles on the Western money markets. In a few cases it was successful. But what were the results? The chervonetz did not become an accepted currency on foreign markets, as usually happens, just because in some places it was quoted. It was not accepted as an equal member into the family of bourgeois currencies. Perhaps there is luck in this apparent misfortune. Would not the chervonetz have been completely crushed during the last months had it been the object of foreign exchange speculation? It is sufficient to recall those very unfavourable reports on the chervonetz which appeared recently in the foreign

Press in order to be convinced that the chervonetz would have perished if it had actually been⁸ bought and sold. The fact that in some Western countries the chervonetz was quoted does not make these quotations any the more real. As long as the chervonetz is not accepted by the West as a paying currency, i.e. while there is neither demand nor supply of it, so long there are no economic reasons for instituting proper foreign rates of exchange. Therefore we consider the published foreign rates of exchange of chervonetz roubles as altogether fictitious. We are supported in this view by the fact of a completely unreal relation between the foreign rate and the home purchasing capacity of the chervonetz. Let us give a table of these rates* :—

Date. ††	Rate of exchange		The purchasing capacity of the chervonetz according to the all-Russian wholesale retail index of Statistics of Gosplan. of Labour.	
	in U.S.A. dollars.	in pounds sterling.	wholesale index	retail index
Parity ...	5.146	1.057	10	10
Oct. 1, 1924 ...	5.148	1.156	6.09	5.21
Jan. 1, 1925 ...	5.161	1.091	5.81	5.06
March 1, ,, ...	5.155	1.082	5.46	4.89
May 1, ,, ...	5.155	1.064	5.09	4.57
July 1, ,, ...	5.148	1.057	5.32	4.71
Sept. 1, ,, ...	5.148	1.059	5.79	5.36
Nov. 1, ,, ...	5.141	1.061	5.71	4.98
Jan. 1, 1926 ...	5.141	1.060	5.46	4.76
March 1, ,, ...	5.135	1.057	5.16	4.45

We see from this table that simultaneously with the greatly decreased purchasing capacity of the chervonetz at home its foreign rate, according to the "free Moscow rate," is equal almost to parity. This can be explained only in one way, i.e. that the chervonetz is not a paying currency in the West. Perhaps in the past the "foreign rates on the free Moscow Exchange" had some importance, perhaps they gave somebody the illusion of wealth. At present this illusion has vanished. In the French publication already mentioned we find the following lines with reference to this: "To-day (April 15) the chervonetz costs not more than 4 roubles in the retail trade. Since its establishment its purchasing capacity was never quite so weak. It does not concern the citizen in the least that the chervonetz is at parity somewhere in Riga or Kharbin, if in a Russian shop it costs 4 roubles instead of 10. This calamity is felt every day, and it hits the citizen directly." † Such is the estimate of foreigners with regard to the foreign rates of the chervonetz. Would it not be more correct not to publish such rates at all? Better a total absence of rates of exchange than the publication of unreal rates which create an impression of some doubtful machinations in the Soviet monetary policy.

Let us now consider the home purchasing power of the chervonetz. From our table it can be seen that this capacity is steadily decreasing. The chervonetz was first issued at the end of 1921. During the time of its existence it has lost one half of its purchasing capacity. How far are these rates of home purchasing capacity true? In the *Ekonomicheskaya Obozrenie*, No. 10, 1925, we find the following observation on this point: "There is no doubt that indices, particularly in our atmosphere, are very conditional. They can but give a certain notion of the fluctuations of the purchasing capacity of chervonetz during a certain period." Thus even the Soviet economists admit that indices of rates of exchange do not give a precise estimate of the purchasing capacity of chervonetz. Russia is too vast a country and the supply of goods in different regions varies. In one place there is an acute hunger for goods, in another place this hunger is not felt so strongly; in

* *Ekon. Obozrenie*, March 1926. In the last issues the rates are not given monthly as before.

† *Supplément au Bulletin Quotidien*, No. 15bis, p. 4. At present even some Soviet economists no longer pay attention to the foreign rate of the chervonetz. Thus in *Ekon. Obozrenie*, No. 10, 1925, we read: "One cannot deny that in the circumstances of the monopoly of foreign trade the rate of exchange of chervonetz does not prove the stability of the currency."

* *Ekon. Zhizn*, No. 112, 1926.

† Buzikov in *Ekon. Obozrenie*, April 1926.

one place you can buy more goods for a chervonetz, in another less. The prices of corn also vary extraordinarily. It is sufficient to say that in April 1926 the difference in the price of a pood of wheat in the Volga region and in Siberia reached 100 per cent. Naturally money costs different prices in these regions. Our table demonstrates that the decrease of the purchasing capacity of the chervonetz proceeds not catastrophically, but with a certain slow sequence. What, then, is the explanation of the recent extraordinary anxiety shown by the Soviet Government in regard to the money circulation? We may say that the noise about the fall of Soviet currency was first of all made by the Bolsheviks themselves—by their Press and by speeches of members of the Government. There are reasons for this fact. The Soviet leaders had to take into consideration the appearance of many special signs which gave evidence of the fall of the chervonetz: the decrease of the volume of current accounts, the throwing of chervonetz on the market and the inclination to seek stable values. We think that, if the Bolsheviks themselves would not shout so much about the fall of the chervonetz, its decrease would not be so noticeable. How is one to explain this decrease? Undoubtedly there are some mutually interdependent factors, e.g. the excessive issue of currency without taking account of the requirements of the general turnover; the dearth of commodities, which creates speculation and an increase of retail prices; and the increase of the cost of production of goods manufactured by the Soviet industry. Is the Soviet Government able to remove the influence of these unfavourable factors on the monetary circulation? There is no certainty that it can do so. The State industries badly require money, and although the Commissariat of Finance resists the pressure of the S.C.N.E., in the end the Red industries may be victorious, and issues of paper money will increase. Further, the cost of production of goods, as can be observed at present, will increase as the machinery is wearing out more and more. Finally, the working of factories at full capacity and the obstacles to an increased output, due to the lack of machinery, will delay production and will create conditions for the rise of retail prices and speculation. The future harvest, the results of which it is too early to forecast yet, will play a great rôle with regard to currency. We shall not discuss how the Government can solve the problem of reconstructing its monetary circulation. But with regard to the past we can say that the monetary circulation was being re-established very energetically with one hand and destroyed with the same energy with the other. Until such policy be eliminated monetary circulation in Russia cannot be stabilised.

ECONOMIC SURVEY OF GREECE IN 1925.

(Continued.)

REMITTANCES FROM EMIGRANTS.

Like other countries (such as Italy, Spain, etc.) with an increasing population and restricted outlets for the activities of such population, Greece possesses a material, if unrecorded, source of wealth in the remittances to their relatives at home by Greek emigrants.

The importance of this contribution to the finances of the nation is sufficient to cause *Oikonomologos* to devote to it an article in its survey of economic conditions during 1925.

During the year under review the remittances to their families from Greek settlers in foreign countries declined from £8,500,000 (sterling) to £6,547,121. These figures are approximate, as they only comprise such sums as have been remitted through banks, and are exclusive of those transferred from bank to bank in the ordinary course of business, of those sent through the post in American notes or brought home by travellers. The abundance of such notes on the Greek markets is apparent, where they fetch a premium of 40 lepta per dollar instead of 15 lepta, the rate on drafts and money orders.

The remittances through banks in 1925 are made up as follows:—

National Bank of Greece	...	...	£ 2,233,009
Other banks	...	...	4,324,121
Total	...	...	£ 6,547,121

Remittances from America, however, are subject to various influences. In the first place the number of Greek emigrants declined from 21,462, the annual average for the years 1911 to 1919, to 2,469, the annual average for the period 1919 to 1923, and the United States Immigration Act of 1924 reduced this proportion to a minimum, as it only permits the entry of 250 Greeks a year. Whereas emigrants from Greece numbered 32,528 during the first half of 1924, they only amounted to 27,781 during the corresponding period of 1925. But in addition to the reduction in the number of emigrants, their remittances are also affected by the political situation of Greece and the value of her currency. The maximum amount of remittances, some £15,000,000, was recorded during the period of Greece's extension of territory after the war, when the drachma stood at par, but declined to half that amount after the national misfortunes and the depreciation of the drachma. If remittances influence the rate of exchange, the latter also reacts upon the former, and distrust of the drachma affords an explanation of the investment of late of the savings of Greek emigrants in real estate in the United States. At a moderate estimate the capital of Greeks in America must amount to a milliard dollars, a mighty national force, the beneficent effects of which have made themselves felt in the past not only in support of the national business, but also in the economic relief of the agricultural population and in the execution of works of national benefit, especially in the Peloponnese.

This source of wealth is, however, gradually drying up from various causes, of which the principal are: the gradual Americanisation of Greek emigrants, their distrust of their native country owing to the laws from time to time passed concerning bank deposits in foreign currencies, the depreciation of the drachma, the crisis in America due to the excessive appreciation of the dollar, and finally the lack of concern shown by the Greek Government for the organisation and support of Greek culture in America, and for encouraging the repatriation of emigrants.

THE POST OFFICE SAVINGS BANKS.

The Post Office Savings Banks, instituted in 1915, showed in their balance-sheet for 1925 53,196 depositors, representing a capital of Dr.62,756,129. At the end of the first six months of the year the number of depositors was 60,272 and the amount of deposits Dr.86,271,144. It should be observed that the Post Office Savings Banks have increased the limit of deposits from Dr.10,000 to Dr.25,000, with interest still at 5 per cent.

The importance of these institutions may be judged from the following table showing the operations of the Savings Banks during the six years up to the close of 1924 (in drachmas):—

Year.	Books issued.	Books cancelled.	Deposits.	With-drawals.	Deposits payable.
1919	4,219	181	5,020,467	1,849,311	3,171,156
1920	3,269	323	4,087,660	3,780,680	306,980
1921	5,547	307	8,269,415	4,187,729	4,081,686
1922	5,572	577	13,467,413	8,908,386	4,559,027
1923	7,320	630	37,118,209	19,442,308	17,675,901
1924	12,384	839	69,519,848	42,657,050	26,862,798

The balance-sheet of which the above table is an abstract shows that in 1924 the Savings Bank of Athens held first place with deposits of 22 millions and withdrawals of 17 millions.

THE COST OF LIVING.

The cost of living showed a considerable increase during 1925, as may be judged from the following monthly index numbers of the cost of living in Athens for 1924 and 1925, published by the National Bank of

Greece, accompanied by the monthly rates of exchange on London:—

	1924.		1925.	
	Ex- change.	Index numbers.	Ex- change.	Index numbers.
Figures for 1914 ...	25	100	25	100
January ...	223	1,325	261	1,416
February ...	252	1,313	295	1,420
March ...	263	1,359	309	1,449
April ...	238	1,343	269	1,419
May ...	216	1,285	270	1,408
June ...	249	1,240	293	1,498
July ...	254	1,324	304	1,472
August ...	249	1,318	316	1,484
September ...	250	1,331	332	1,503
October ...	258	1,369	358	1,547
November ...	257	1,429	366	1,610
December ...	260	1,436	476	1,644

Taken quarterly, the average index numbers for the two years were as follows:—

	1924.	1925.	Increase in 1925.
1st quarter ...	1,332	1,428	7.2 %
2nd „ ...	1,289	1,432	11.1 %
3rd „ ...	1,324	1,486	12.2 %
4th „ ...	1,411	1,600	13.4 %

From the above figures it will be seen that the cost of living in Athens during the past year increased appreciably in comparison with the preceding year.

The fall of the exchange naturally affected the price of foodstuffs, fuel and textiles, and a further contributory factor was undoubtedly the increase of rents, but these two factors were not alone responsible for the rise in the cost of living, which is common to most countries, the causes of which were duly discussed at the International Trade Congress held in Rome last year, at which 37 countries were represented. These causes, notably a depreciated exchange, the main cause of the increased cost of living in any country, and the subsidiary causes indicated at the Congress, such as higher standards of living, increase of taxation and wages, reduced production due to the declining yield from labour, were especially aggravated in the case of Greece, essentially an agricultural country, by the depression in agriculture largely due to the sudden increase of the population caused by the influx of Greeks from Asia Minor and other countries, which, while largely increasing the consumption of agricultural produce, has for various reasons not brought about a corresponding increase of agricultural produce.

AGRICULTURAL PRODUCTION.—1. TOBACCO.

Last year's tobacco output, as compared with that of 1924, is shown below (in tons):—

	1924.	1925.
Continental Greece (pre-war) ...	7,754	14,180
Thessaly ...	8,002	10,166
Epirus ...	357	448
Peloponnese ...	2,800	3,964
Islands ...	5,164	8,526
Macedonia ...	12,000	15,426
Thrace ...	2,833	3,141
Total ...	38,910	55,771

According to the returns of the Volo Tobacco Dealers' Association, the 1924 output corresponds to the production from 470,488 stremmata (about 47,049 hectares, the stremma being 1,000 square metres) distributed as follows: 84,748 stremmata in Thessaly, 6,172 in Epirus, 142,641 in Macedonia, 36,105 in Thrace, 98,520 in pre-war continental Greece, 15,250 in the Morea, and 15,835 in the islands.

The increased output of last year is due to the extension of the area planted with tobacco by 180,000 stremmata. Taking the yield at 70 kg. per stremma, the increased output for 1925 will be found to correspond practically to the extended area under cultivation. The quality is superior to that of the 1924 crop, except in Macedonia and Thrace, where it is rather lower.

In the other Balkan States (the inheritors of Turkish tobacco since the Balkan wars) the yield in 1925 was as follows: Bulgaria, from a cultivated area of 450,000

stremmata, or 24,000 stremmata more than last year, the output was only 30,000 tons, as against 38,135 tons in 1924, the decline being due to cold weather and pests; Yugo-Slavia, 32,000 tons, as against 30,609 tons; Rumania, 19,000 tons, as against 13,000 tons; and Turkey, 47,000 tons, as against 60,008 tons.

The output of other European tobacco-growing countries in 1924 was: Germany, 16,300 tons; France, 24,430 tons; Italy, 41,320 tons; Hungary, 19,000 tons; Czechoslovakia, 5,710 tons; and Belgium, 6,820 tons. Outside Europe, the United States produced 563,000 tons in 1924 and 581,823 tons in 1925, and China 184,000 tons in 1924 and 220,000 tons in 1925.

The value of the Greek tobacco output in 1925 may be approximately estimated at Dr.2,509,695,000.

Home consumption of the tobacco produced is relatively very small. In 1924 the factories produced 5,298,876 kg. of prepared tobacco, as against 5,369,278 kg. in 1923, which in view of the spread of tobacco cultivation and the increase of the population in 1924 constitutes a marked decline, which can only be attributed to the growth of contraband and clandestine consumption among the rural populations, which will be largely checked by the prohibition of the sale of tobacco in packets as from January 1, 1926. In order to appreciate the extent of clandestine consumption of tobacco by a population little addicted to cigarette smoking it will suffice to note that packet tobacco represents 37 per cent. of the total consumption. A further proof is afforded by the fact that the official annual consumption per head of the population is 757 grammes, as against 902 grammes in Bulgaria, 1,440 grammes in France, 1,370 in Great Britain, 1,507 in Czechoslovakia, 1,359 in Spain, 1,546 in Sweden, and 2,658 in the United States.

From the raw tobacco entering the factories during the year (1924) there issued 3,791,582,960 machine-made cigarettes, 66,726,000 hand-made, and 66,726,000 packets of tobacco, the equivalent of 768,843,680 cigarettes, giving a total of 4,627,152,640 cigarettes a year, or 12,853,202 a day, which, estimating the number of smokers at two million, or one-third only of the total population, gives an allowance of six cigarettes per head per day, which is obviously absurd. A further proof of illicit manufacture is given by the official consumption of cigars, which works out at 2,200 cigars a day for a population of two million smokers.

The yield from the taxes on tobacco consumption is as follows (in millions of drachmas):—

Nature of tax.	1923-24.	1924-25.
Tax on wrappers ...	469.4	615.0
Industrial tax ...	6.9	9.7
Tax on tobacco workers ...	13.1	18.6
Price of cigarette papers ...	20.0	22.2
Proportion of compulsory loan ...	22.4	24.6
Total ...	532.1	690.3

The tax on tobacco consumption was doubled in 1925, amounting to Dr.172 per kg. on tobacco and small cigarettes known as dames, Dr.176 per kg. on cigars, and Dr.212 per kg. on foreign cigarettes, with a general supplementary tax of Dr.15.80, to which a further Dr.20 was added in February 1926.

In 1925 the factories manipulated 5,983,389 kg. of tobacco, which gives an excess consumption of 684,513 kg. compared with 1924. This circumstance, the effect of the restriction of contraband, is the more remarkable that the taxation of consumption increased in 1925 as was the case in almost every country. From the raw tobacco supplied to the factories during 1925 were manufactured 4,361,897,760 machine-made cigarettes, 58,533,520 hand-made, and 31,483,890 packets of tobacco equivalent to 693,503,360 cigarettes. This output gives a consumption of 5,113,924,640 cigarettes a year, or 14,200 a day, being seven cigarettes per head on a smoking population of two million, which if still below actuality shows a certain restriction of contraband. As regards cigars, 7,542 kg. were taxed during the year as against 4,100 in 1924, corresponding

to a consumption of 1,508,400 cigars a year, an amount still small for a population of two million smokers. Of the cigars consumed 5,356 kg. were imported, the remainder being manufactured at the Triccala factory.

The tax on tobacco consumption for the calendar year 1925 realised Dr.848,165,733, an increase of Dr. 193,852,891 on the yield for 1924, of which Dr.43 mill. was due to increased taxation and Dr.150 mill. to increased consumption.

The number of tobacco factories at work throughout the country is 74, which is out of proportion to the limited home consumption of tobacco. Of these factories 56 belong to the State and 18 to private owners under State supervision. Of the State factories 28 (one half) are completely insanitary and unsuitable for their purpose. In view of the fact that the majority of these factories are very small—during last year 20 of them were responsible for the production of 5,271,602 kg. of tobacco, the other 54 only producing 712,387 kg. between them—we are forced to the conclusion that the speedy suppression of the superfluous factories is necessary, not only in order to save rent and wages, but for the sake of more complete supervision under more sanitary conditions for the whole working staff.

The table given above shows the yield from the taxes on tobacco consumption during the year under review and that of the preceding year, but in order to appreciate the importance of tobacco production to the national revenue the yield from the taxation of tobacco in every form should be considered, as shown in the following table (in millions of drachmas):—

Nature of tax.	1923-24.	1924-25.
Land tax	150.1	209.0
Supplementary tax for the refugees...	26.0	26.6
Special contribution	3.2	29.6
Tax on land insurance	30.0	41.8
Proportion of compulsory loan	15.0	20.9
Export duty	64.3	35.3
Total	289.0	417.0

Tobacco, as Greece's chief agricultural product, is her most important source for the acquisition of foreign currency in payment of its export, the amount of which is shown below (in metric tons):—

Country.	1921.	1922.	1923.	1924.	1925.*
Germany...	10,518	15,402	8,782	18,520	6,669
Un. States	4,487	9,393	1,857	7,876	7,202
Italy ...	1,693	3,200	2,895	6,235	3,439
Holland ...	2,800	1,832	1,857	3,038	771
Egypt ...	3,428	3,057	1,804	1,822	1,191
Belgium ...	682	778	1,771	1,338	521
Gt. Britain	505	908	287	557	473
France ...	151	524	73	204	69
Others ...	1,936	1,658	2,036	1,292	555
Total ...	26,201	36,754	21,365	41,885	20,893

* For the first six months.

On the basis of the output for the first six months of the year of nearly 21 million kg., and on the analogy of the total output for 1924 of 41.8 mill. kg., of which about 20 mill. kg. was produced in the first half, the total output for the current year may be estimated at some 41 mill. kg. Taking the average price of this output at Dr.45 per kg., we have a total value of Dr. 1,880,873,280, or, at the average rate of Dr.312 to the £, £6,028,440 sterling.

Fortunately the Government, at length awakening to the importance of this source of revenue, revised its original oppressive policy towards tobacco, and by Decree of December 24, 1925, suppressed the taxes under 18 heads which composed the total tax on tobacco, and reduced it to 16 per cent., with an additional 10 per cent., the share of the forced loan attributable to tobacco.

By Decree of October 31, 1925, the Government created in Volo, Salonica and Cavalla offices for the protection of tobacco divided into departments for trade, production and labour, of which the functions are the promotion of tobacco production and trade by the institution of experimental farms, the distribution of selected seeds and of manure, tools and machinery, by the suppression of adulteration, resistance to unfair

competition, and by the settlement of differences between producers and dealers.

By Decree of July 11 the Government suppressed Act No. 2,896 of 1922, so injurious to the tobacco industry by burdening the export of tobacco with disproportionate costs of production.

The situation of the industry at the end of the year under review may be summed up as follows. The reduction at the end of 1924 of the disastrous export duty to 2 per cent. came too late, and the prejudicial effect on the industry of the high cost of production, the Act of 1922 being still in force, the demand for cheap tobacco, and the increase of tobacco cultivation in the other Balkan States were so many contributory factors to the fall in prices. Last year brought with it a more extensive production, an increase of import duties on tobacco imported into Germany, a continuous tendency of the world's market towards cheap tobaccos and a corresponding tendency in the United States to use Greek tobacco for blending; but it also brought with it the removal of the prohibition to export raw tobacco, which reduced appreciably the cost of the commodity. Thus the export was no lower than in 1924, and the output found a market in spite of high rates on loans and the scarcity of bank credits.

The stagnation of the Greek tobacco trade is due not so much to over-production as to the price of Greek tobacco. Many countries producing cheap tobacco have increased and continue to increase their output without incurring any crisis in the industry, owing to the growing demand for tobacco throughout the world. What is required is the reduction to the utmost limit of the cost of production from planting to shipment, by following the general tendency towards cheap tobacco. The protection of the Greek commodity by commercial conventions, the encouragement of the export of cigarettes by the suppression of import duties on raw material, the grant by the Government, by special institutions or by the National Bank of larger and more systematic credits to the industry, the reduction of railway rates and freights on tobacco—a measure already adopted by Yugo-Slavia—such are the measures which the Government must not hesitate to adopt with the new trend of its tobacco policy.

[In the fourth paragraph on p. 115 of last issue the Treasury bonds were said to be redeemable from April 1, 1927, to April 1, 1948: the latter year should have read 1938.]

(To be continued.)

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ECONOMIC SURVEY

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

FRANCE

POLITICAL AND FINANCIAL

Financial Reform.—A series of important measures have been proposed by the Government and carried through Parliament, where they met with little resistance. When the rate of exchange of the franc had reached 240 to the £ and a general panic seemed imminent Parliament realised that the time had come to accept any measures proposed for the salvation of the currency. M. Poincaré in his proposals follows the main lines of the Experts' recommendations. It will be remembered that M. Caillaux thought the fresh burden of taxation proposed by the Experts too heavy (5 milliards in 1927) and reduced it to 3 milliards. The effect of M. Poincaré's proposals, which are already law, was to introduce new taxes and increase the old ones so as to add to the fiscal burden of France 2 milliards in 1926 and 9 milliards in 1927, a figure which exceeds very considerably that proposed by the Experts. The yield of the new taxes is intended to provide the necessary resources for extra-budgetary payments (the so-called "Treasury charges") as well as for supplementary expenditure not included in the Budget for 1926.

According to the full and explicit report submitted by M. Cheron, the General Reporter of the Finance Committee of the Senate, the payments which the Treasury has to meet in 1926 are as follows (in millions of francs)

Repayment of short term internal debt	125
Repayment of external debt (£2 million to the British Treasury, £3.5 million to the Bank of England, etc.)	1,160
Interest on advances due to the Bank of France ...	400
Supplementary expenditure—	
Civil service, army and pensions	869
Syria and Morocco	300
	<hr/>
	2,854
Against this sum there will be available out of German payments (after deduction of various expenditure for reconstruction, etc.)	830
	<hr/>
Net total	2,024

As far as next year is concerned, the Government contemplates the repayment of a certain portion of the 7 milliards of Treasury bonds which mature during the year, and considers that adequate resources must be provided to meet the demands of the holders (say 3,860 millions). The total needs of the Treasury are therefore as follows (in millions of francs):—

Repayment of internal debt	3,860
Repayment of external debt	3,740
Supplementary expenditure to be included in the Budget for 1927	2,300
	<hr/>
Total	9,900

Allowing 1,000 millions for the available balance of German payments, the new resources to be found will amount to some 9 milliards of francs.

It must be noted that this is the first time since the war that solid resources will be provided for the repayment of debt, instead of these maturities being paid by means of fresh advances from the Bank of France, as has been the practice hitherto. It must also be observed that in the present conditions a conversion loan is out of the question, and taxation is therefore the only sound means of meeting these payments.

The law of August 3 imposing the new taxes gives the Government large powers in various directions. In the first place, Ministers are allowed to introduce economies in the management of Government affairs by abolishing various posts and reducing the staff. But they are also empowered to fix by decree the rates of different kinds of taxes and duties. The new law permits the Government to increase the Excise duties

up to the limit of their pre-war proportion to the value of the goods, but no rate is specified and the duties are to be established by decree. A new tax on transport is appointed, to yield some 1,500 millions a year. The rate is 32.5 per cent. on passengers' tickets and 11.5 per cent. on the transport of merchandise. A supplementary tax is also imposed on automobiles and transport by waterways. The same principle as in the case of the Excise is applied to Customs duties: the Government is empowered to establish by decree coefficients which are to be applied to the Customs tariffs in order to secure to home industries the necessary protection which they have lost because of the depreciation of the franc. Thus the Government is left the right to increase the Customs duties. The turnover duty is fixed at the flat rate of 2 per cent., which also means an increase for certain businesses which heretofore were subject to a smaller duty. It is interesting to note that the Government is given the power to abolish the "luxury tax" in the case of such French exports as this tax prevents from competing with foreign goods. So much for the principal items of indirect taxation.

As regards direct taxation, M. Poincaré's idea is to reduce the super-tax (the general income tax) while increasing the rates of the tax imposed on different schedules of income. The maximum rate of the super-tax is fixed at 30 per cent. of the income, instead of 50 per cent. On the other hand, the income tax on capital rent, on industrial profits, on salaries and wages is increased by 50 per cent. A very considerable increase in taxation is imposed on agricultural income: not only is the rate of the tax fixed at 12 per cent. instead of 7.2 per cent., but a method of calculating the income is introduced which almost doubles the amount liable to taxation. The land tax is also considerably increased. The expected yield of these increases in direct taxation amounts to some 2,800 millions per annum.

A reform is also introduced in the legislation on succession duties, which in certain cases amounted to as high as 80 per cent. of the succession. The new law fixes the maximum rate at 40 per cent. This and certain other amendments incline the Government to expect that declarations as a result will be more in keeping with the truth, and that a part at least of the existing fraud will be prevented by this liberal legislation. As a consequence the Government is of opinion that this reform will produce about 1,000 millions of fresh revenue.

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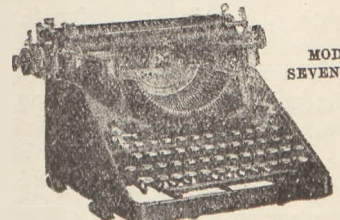
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We now come to a question which occupies a separate place in M. Poincaré's scheme, the Sinking and Management Fund for the National Defence bonds. This fund, proposed by the Experts, is established with a view to manage and redeem the most dangerous part of the national liabilities, the Floating Debt (see THE ECONOMIC REVIEW, July 16). The principal resources of this fund will be (1) the yield of the succession duties, (2) the yield of a special 7 per cent. extraordinary tax (to be collected once only) on all transfers of real estate, business and goodwill, and (3) the revenue from the tobacco monopoly and various other items. (The Government believes that the Budget will balance even without the yield of the succession duties, and therefore proposes a special allocation of these.) Out of these receipts the fund is to repay the bonds when asked; they must also take all necessary measures for the consolidation of the Floating Debt. The statutes of the fund will be included in the Constitution, and the fund will remain in existence until the Floating Debt is finally liquidated. As for the current needs of the Treasury, new bonds can be issued up to the limit of 5 milliards.

Finally there is the measure which permits the Bank of France to purchase gold and foreign bills at their market value in order to constitute what is called a "masse de manœuvre," a fund for the mitigation of exchange fluctuations. Not until this law was carried through Parliament had the Bank the right to purchase gold at a premium over its legal value in francs. But what is most important, the fresh notes issued by the Bank in order to buy gold and foreign bills will not be included in the total amount of notes subject to legal limitation (58.5 milliards being the maximum amount). It must also be observed that the Bank of France has raised its discount rate by 1½ per cent., from 6 to 7½ per cent. The rate of interest on Treasury bills has also been increased. This seems to be a beginning of monetary restriction in France.

The vigorous measures proposed by M. Poincaré met in general with a very good Press. Nevertheless objections have been raised against various parts of his programme. In the opinion of the Left (the Socialists and a section of the Radicals) the financial difficulties of France cannot be solved in that way. The large increase in indirect taxation will, according to them, lead only to higher prices and will therefore provoke fresh note issues. Besides, they think it is a burden which will be borne exclusively by the working classes. They also protest against several liberal measures in favour of those paying high rates of direct taxation. In the opinion of the Left, the burden imposed on the nation's wealth by the war can only be met by a levy on everyone's means by a Capital Levy.

It is necessary to note, on the other hand, that the Finance Committee of the Senate thought the increase in the rates of direct taxation proposed by the Government excessive, and only voted it because they did not want to interfere with the work undertaken by M. Poincaré. As to the Sinking Fund, all parties agree that it is a necessary thing; the "industrialisation" of the management of the Tobacco Monopoly meets also with general approval. The *Temps*, however, complains that the new system (the monopoly being attached to the Sinking Fund) perpetuates the existence of the monopoly, which should have been abolished once for all. As for the law on gold purchases by the Bank, it met with a certain opposition in various quarters. It is observed that this law gives the Bank the right to issue any amount of notes subject only to the condition of holding gold and foreign bills against these issues. Of course the reserve of the Bank is strengthened in that way, but there remains nevertheless the fact that the volume of purchasing power will be increased.

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GERMANY

POLITICAL AND GENERAL

General Developments in June.—One of the outstanding political events of the month of June was the referendum in respect of the property of the Royal Houses, which resulted in nearly 14½ million votes in its favour, but nevertheless involved the rejection of the proposal to expropriate without compensation, one half of the possible votes in Germany amounting to 20 million. The Reichstag declared itself incompetent to settle the question, but prolonged the Sequestration Act (which prohibits the question from being carried before the Courts) for six months, before breaking up for the summer recess. Before doing this, however, it raised the grain duties considerably, though only till the end of the year.

In the realm of State finance the Government sustained a severe defeat in an arbitration suit against the Reparations Commissary for mortgaged taxes. The Commissary had objected to the postponement of the increase in the tax on beer till the end of the year and the German Government appealed to the Court of Arbitration at the Hague, not in virtue of this particular case, but in order to decide whether the Commissary had the right to object to every reduction of the mortgaged taxes or only to such as might endanger the fulfilment of the Dawes Plan. The Dutch arbitrators pronounced in favour of the first alternative, so that the Commissary won the case. New measures have been introduced for the assistance of German agriculture through the Prussian Treasury, with the co-operation of the Reichsbank, by which loans may be raised on the farmers' stocks of grain now stored with the various societies up to two-thirds of their value against acceptances, which will pass through the Prussian Treasury, if necessary, to the Reichsbank. The Reichsbahn has issued Rmk.150 million of 7 per cent. preference shares, of which Rmk.100 million have been placed on the open market at 95½ per cent., the loan being heavily over-subscribed. The number of unemployed amounted to 1.75 million in the middle of June, but had decreased to 1.63 million by the end of the month. The number of bankruptcies and businesses under supervision in Germany has again decreased, but the figures for the half-year are still much higher than in the corresponding period of 1925 and 1924, as shown in the following table:—

	1924.	Bankruptcies. 1925.	Supervisions. 1926.	
April	135	684	1,288	918
May	304	778	1,052	742
June	595	740	949	486
Second Quarter	1,034	2,182	3,289	2,146
First quarter	132	2,163	6,013	4,641
First half ...	1,166	4,345	9,302	6,787

The amalgamation movement in Germany is extending continually to fresh branches of industry. The German match factories have just instituted a common sales company. The Daimler and Benz companies have recently amalgamated and United Steelworks have now taken over the Siegerland works of the Charlottenhütte. The most important iron companies in Upper Silesia have amalgamated to form the "Vereinigte Oberschlesische Hüttenwerke A.G." Among the various international iron syndicates concerning which negotiations have been carried on for many months past in Cologne, Paris and London, the tube syndicate is said to have come into being, although no particulars are published as to the participants or the conditions. The rail cartel is still reported to be completed, but the actual signature of the compact is continually postponed. The formation of a wire syndicate is encountering considerable difficulty on account of the great number of concerns involved.

The potash works, including the Wintershall group

are endeavouring to effect an increase in price to the extent of between 10 and 20 per cent. The decisive meetings had not been called before the end of the month. June sales, amounting to 828,000 d.ctr. pure potash, were about double those of the previous month. (*Die Bank*, August.)

INDUSTRY

Revival in the Mining Industry.—The lively activity on the Ruhr coal market is maintained in undiminished proportions. The output from the Ruhr pits, which on certain given days exceeded the average daily output of the last years before the war and averaged in the second week of July about 366,600 tons as compared with 379,800 tons in 1913, still shows an upward tendency. The shipment of coal, which owing to the British coal strike is proceeding in hitherto unequalled proportions through the Rhine-Ruhr ports and Rotterdam, has recently been somewhat checked by reduced coal consignments to the Duisburg and Ruhrort ports, where the transshipment apparatus was inadequate to cope with the extraordinary pressure. The forced coal consignments to the disputed sales areas have given rise to complaints on the part of home coal consumers in regard to insufficiency and unpunctuality of supplies in certain classes of fuel which are greatly in demand. This shows that in spite of the greatly increased output the demand for certain high quality classes of coal cannot always be fully met.

The extraordinary success of Ruhr coal abroad in markets formerly supplied with English coal has been recently discussed in the British coal trade, where it is feared that even when the strike is over it will be difficult to oust Ruhr coal from the position it has gained in the past months in the disputed sales areas. The growing output is necessitating a steadily increasing re-engagement of workers in the mines, and at quite a number of pits extra shifts have been introduced.

The improvement of the position on the iron market is making visible strides, due—in addition to the effects of the British strike, which undoubtedly gave the first impetus to the revival of the iron industry—to an increased consumption of iron, chiefly in those branches of the industry which supply mining requirements. These industrial branches depend upon the pits, whose financial position has improved enormously, and who are therefore giving large orders, after having shown great reserve in the bestowal of contracts in the earlier part of the year. The growing revival in the iron trade is making itself most distinctly felt on the scrap market, which is always a good barometer of market conditions in the iron and steel industry. Here the slight reanimation has developed a definite and firm tendency. With a keen demand and lively business activity prices have again risen on the scrap market and amount to Rmk.52 for iron scrap and Rmk.53 for steel scrap, which are approximately pre-war rates. The revival on the scrap market is at present restricted to blast furnace material and business remains quiet in cast scrap, while there is no increased demand from the foundries. Nevertheless prices for cast scrap have risen.

As regards the other branches of the market the large demand for semi-manufactured goods from England continues. Business on the bar iron market has increased and there is a greater demand on the home market. Occupation at the works, which require delivery periods of four weeks, is generally satisfactory. Much longer delivery periods are required for Universal iron; in the case of the United Steelworks sometimes as long as two months and over, as they have only one Universal iron plant working at the Dortmund Union and both those belonging to Thyssen are closed down. The depressed export prices for bar iron have recently become firmer, though any established improvement in the export business is naturally subject to the stabilisation of the franc. The importance of the solution of this question to the German iron industry is shown by the fact that 80 per cent. of all contracts for bar iron in the Steel Union depend on export and only 20 per cent. on home

requirements. If it is taken into consideration that the export price for bar iron is about Rmk.95 f.o.b. Antwerp, which means Rmk.88 ex works, it may easily be believed that, as stated by the United Steelworks, the average return from the sale of bar iron (home and foreign sales reckoned together) is only Rmk.105. Even if in the case of other works, as for example Hoesch, the relation between home and foreign sales is rather more favourable than with the Steel Trust, whose constituent firms have always worked chiefly for export, this does not alter the predominant importance of the solution of currency conditions in franc inflation countries to the development of sale conditions in the German iron and steel market.

The receipts of contracts for hoop iron have somewhat increased during the last few weeks and price competition on the foreign market has slackened a little without any great improvement occurring in the prices secured. There is a marked revival in the sheet market. The foreign demand is much more active both for coarse and fine sheet, and the works record an increase in contracts. An increase in foreign sales has occurred in the wire market also, both in the case of drawn wire and wire manufactures, while sale activities in home business continue quiet. (*Hamburger Fremdenblatt*, July 26.)

The Leather Industry in the Light of Foreign Trade.—As the leather industry under normal conditions of production draws about 60 per cent. of its demand for hides from abroad, while the import and export of leather and leather goods represent a considerable value, a comparison of the results of former normal periods with the latest statistics is of great interest. During the whole of 1925 foreign trade in the leather industry gave the following results (in Reichsmarks):—

	Imports.	Exports.
Hides and skins	317,801,000	11,103,000
Leather	81,946,000	205,616,000
Shoes and leather goods ...	25,315,000	90,602,000
Total	425,062,000	307,321,000

The import surplus, therefore, consisted solely of those raw materials for the leather industry necessary to meet the home demand for leather, and a small quantity of leather fittings for other manufactures, of which a certain proportion is exported without it being possible to ascertain the exact amount involved. In any case the development of foreign trade was favourable and showed that there was a ready market for considerable quantities of raw material, leather and leather manufactures. In consequence of the great economic depression, but also owing to the removal of the embargo on the export of raw hides and skins, foreign trade has taken a distinctly downward trend in 1926.

The first quarter of last year was still influenced by the forced import quotas from Alsace-Lorraine. In the second half-year a marked decrease in the turnover became apparent, so that the only approximately normal period of production during 1925 was the second quarter,

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which is compared in the following table with the first quarter of 1926. The official statistics for hides and skins are given in Reichsmarks :—

	Imports.	Exports.
Second quarter 1925 ...	75,519,000	905,000
First quarter 1926 ...	34,942,000	17,904,000
Total ...	— 41,577,000	+ 16,999,000

The sum of these two values gives the amount of the decrease in raw material employed this year as compared with 1925. Apart from the reduced import of raw hides, the forced sales of raw materials which began in the second half of 1925 and reached their highest point in the first quarter of 1926 demonstrate the unfavourable position of the leather industry. Foreign trade in leather attained the following figures in the second quarter of 1925 as compared with the first quarter of 1926 (in Reichsmarks) :—

	Imports.	Exports.
Second quarter 1925 ...	19,337,000	42,078,000
First quarter 1926 ...	8,830,000	68,831,000
Total ...	— 10,457,000	+ 26,753,000

These figures prove that in spite of the drastic reduction in the dressing of hides in the first quarter of 1926, the leather industry was unable to place the much smaller quantity of leather produced on the home market. Leather exports greatly increased, at the same time imports dropped heavily, and the sum of these two differences shows the extent of the reduction in the quantity of leather worked up into finished articles in the first quarter of 1926 as compared with the second quarter of 1925, in consequence of the absence of home sales occasioned by the reduced purchasing power of the population.

The statistics of foreign trade in leather goods, footwear and saddlery in the second quarter of 1925 and the first quarter of 1926 are as follows :—

	Imports.	Exports.
Second quarter 1925 ...	6,330,000	22,094,000
First quarter 1926 ...	4,681,000	19,050,000
Total ...	— 1,649,000	— 3,044,000

The reduced imports, chiefly in regard of footwear, show the weakness of the home market, while the falling off in exports may be attributed to unfavourable foreign markets and the fact that German export prices were not low enough to rouse the interest of purchasers abroad.

There was but little change in the unfavourable situation of the leather industry in April and May of the current year. The export surplus of leather decreased in spite of much larger quantities being worked up, the difference being absorbed by the German leather trade. Nevertheless there has been no great animation in the shoe trade. Foreign trade in leather footwear resulted in April and May in an unparalleled import surplus amounting to 62,000 pairs in April and 72,000 pairs in May, chiefly due to large imports from Czechoslovakia, which totalled 145,000 pairs.

In spite of increased working up in the leather industry there is no improvement in the home shoe market. Employment in the leather industry is very irregular and quite inadequate. Those of the large firms which run their own retail shops are in the most favourable position, nearly all the other factories being obliged to work with a reduced staff and short hours. As a number of factories have failed to reopen after financial collapse, it is difficult to understand why the leather industry bought eagerly at increased prices at the recent auctions of hides. An increase in the price of leather cannot improve either home or foreign trade; indeed, it is much more likely that the import of leather and footwear will increase yet further, rendering the sale of the augmented home production very difficult. Neither the prices on the foreign market nor the general economic conditions in Germany can offer any justification for an increase in the price of leather and footwear which is bound to follow the enhanced value of raw hides and will doubtless have a particularly unfavourable effect

on the home market. The leather industry was never less in a position to afford to enter into transactions at a loss or to accumulate stocks of unsaleable goods (*Deutsche Allgemeine Zeitung*, July 22.)

Balance of Trade in the Chemical Industry.—In view of the fact that the export industry must make good Germany's imports of foodstuffs and raw materials if a deficit is to be avoided in the balance of trade, it is of particular interest to follow this balance in the several export industries. In some cases it results in a deficit, in others an export surplus, the balance of trade of the textile industry generally showing the greatest deficit. In the first half-year of 1926 the deficit amounted to only Rmk.90.8 million, but in the previous six months it was Rmk.561 million and in the first half of 1925 as much as Rmk.905 million. The second largest deficit was provided by the oil industry (Rmk.302 million in the first half of 1926), and the next, at a considerable distance, by the tobacco industry.

The greatest surplus was realised in the metal industry, amounting in the first half of 1926 to Rmk.1,078 million, of which Rmk.583 million was provided by the iron industry, Rmk.303 million by the machine industry and Rmk.157 million by the electro-technical industry. The chemical and dye industries follow.

This branch of industry is in the fortunate position of being able not only to compensate with the export of home raw materials for the necessary imports of foreign raw materials, but also to achieve a considerable surplus of exports. The following table shows the imports and exports in the chemical and dye industry (in thousands of Reichsmarks) :—

	1925.		First half of 1926.	
	Imports.	Exports.	Imports.	Exports.
Hard-coal tar, oil and derivatives ...	23,303	40,193	12,424	20,379
Mineral phosphates ...	17,305	96	6,195	257
Pyrites ...	21,006	186	7,763	82
Potash salts ...	—	49,264	—	23,184
Thomas phosphates ...	28,744	3,286	15,873	694
Sulphate of ammonia	73	85,401	122	52,630
Other chemical raw materials ...	48,903	52,951	22,409	41,888
Mineral dyes ...	5,961	1,016	1,150	700
Total ...	145,295	232,402	65,936	139,814

The most important export item is sulphate of ammonia, and potash salts come second. Hard-coal tar is now more exported than imported, and various chemical raw materials also show a considerable export surplus in the first half of 1926, chiefly owing to the increased export of fertilisers (apart from those specified separately in the table). In the aggregate the export surplus in raw materials was valued at Rmk.74 million in the first half of 1926 as compared with Rmk.87 million in the whole of 1925.

Imports and exports of manufactured goods were as follows (in thousands of marks) :—

	1925.		First half of 1926.	
	Imports.	Exports.	Imports.	Exports.
Chemical manufactured goods ...	90,858	414,271	31,727	222,081
Dyes and dye-goods ...	20,792	277,555	12,977	153,301
Total ...	111,650	691,826	44,704	375,382

The export of manufactures has not greatly increased as compared with that of raw materials. As the import of chemical manufactures has dropped the result for the first half of 1926 shows an export surplus of Rmk.331 mill. as compared with Rmk.580 mill. in the whole of 1925. (*Deutsche Allgemeine Zeitung*, July 29.)

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HUNGARY

POLITICAL AND GENERAL

Final Report of the Commissioner General.—In accordance with the decision of the League of Nations, Mr. Jeremiah Smith relinquished on June 30 last his office as the League's Commissioner General for Hungary. His final Report, which has just been issued, covers the period of May and June 1926 and also surveys in retrospect the whole of the reconstruction period. The Report shows that the work undertaken by the League in conjunction with the Hungarian Government has been entirely successful; the hoped for results have all been achieved.

According to the provisional Treasury returns for the financial year ended June 30, 1926, revenue exceeded expenditure to the extent of about 62 mill. gold kronen; the final accounts for the year will in all probability show a still higher surplus. Since the inauguration of the reconstruction plan on May 1, 1924, the Hungarian Government has closed two complete financial years, each with a respectable surplus. It was chiefly this fact that led the League of Nations Council to decide upon decontrol for Hungary as from June 30, 1926. The whole responsibility of the management of the country's finances has thus devolved again upon the State itself. Although the level of the Budget is somewhat higher than that originally anticipated by the reconstruction programme, there is no reasonable ground for doubting that it will be possible to keep it at approximately the estimated figures. This largely depends upon two factors, viz. the maintenance of a sound and conservative policy on the part of the National Bank, and, secondly, in the cautious drafting of the Budget. The management of the Bank has proved satisfactory; there is an ample reserve of foreign bills and every indication that the Bank will continue to follow its past policy. Much pressure will doubtless be brought to bear upon the Government to increase expenditure in the pursuit of various purposes; but there are important factors of a practical nature that will probably prevent the Government from disturbing the equilibrium of the Budget. If an augmented expenditure should result in a budgetary deficit the Government will not be able to resort to an international loan for cover, since according to the Peace Treaty Hungary must not pledge her receipts as security of a foreign loan without the approval of the Reparations Commission, and this approval will not be forthcoming. Moreover, without this security it would be practically impossible to raise such a loan abroad. Nor can the Government rely upon a fresh inflation, for the National Bank has the sole right of issuing notes, is independent of the Government, and, according to its statutes, may not advance money to the Government in the form of loans. Under the existing conditions an internal loan is also next to impossible. The only practicable means that the Government could adopt to cover any eventual budgetary deficit would be to increase taxation; but such a measure would prove so extremely unpopular that it would itself serve to curb any tendency in the direction of higher expenditure.

The League of Nations Loan assigned in 1924 to cover the Budget deficits over a period of two and a half years amounted to Kr.203 mill. (gold). During the course of the financial year ended June 30, 1924, the sum of about Kr.70 mill. (gold) was actually required to cover the deficit; but since then it has not been necessary to draw further upon the Loan for this purpose. At different times, however, the Government has been empowered to draw a total of Kr.100 mill. (gold) for the purpose of capital investment. The remaining portion of the Loan amounts to about Kr.81 mill. (gold), for the control of the application of which M. Ter Meulen has been appointed by the Finance Committee.

After explaining the reasons that induced Hungary to apply to the League for assistance, and also the basic principles of the reconstruction programme, Mr. Jeremiah Smith states that the execution of the plan has exceeded all expectations. Since June 1924 the Budget has been

balanced. This surprising success has been achieved not by a diminution in expenditure, but by increased revenue in comparison with the reconstruction estimates which resulted from the stabilisation of the currency and the consequent strengthening of public confidence. Hungary's problem was twofold: on the one hand, financial and budgetary, and, on the other, economic. The responsibility of the League of Nations was restricted to the financial and budgetary problem, leaving Hungary to adapt its economic situation to the altered conditions. The work of the League was to create a stable basis. In Section III of the Report the Commissioner General gives the details respecting the situation of the Reconstruction Loan as at June 30, 1926.

The sums received in May and June from the revenue pledged as security for the Reconstruction Loan, in comparison with those received from the same sources in April 1926 and also in May and June last year, were as follows (in millions of paper kronen):—

	April 1926.	May 1926.	May 1925.	June 1926.	June 1925.
Customs ...	125,077	119,417	98,417	114,163	83,537
Tobacco monopoly ...	133,142	138,103	117,321	131,180	116,715
Sugar duty	28,987	31,678	26,059	31,335	40,240
Salt monopoly	11,504	9,571	8,953	12,903	10,087
Total	298,710	298,779	250,977	289,581	250,579

Converted on the basis of the multiplier of 14,500, the pledged revenue in May amounted to about Kr.20.6 mill. (gold), and that in June to Kr.19.9 mill. (gold). In addition to the above amounts Customs received in specie sums corresponding to a total of Kr.10,918 (gold) in May and Kr.14,425 (gold) in June. According to the provisional returns the pledged receipts for the security of the loan service amounted in the financial year 1925-26 to a total of Kr.258 mill. (gold). The total gross receipts in May and June last, in comparison with those of May and June 1925, were as shown below (in milliards of paper kronen):—

	May 1926.	May 1925.	Differ- ence.	June. 1926.	June. 1925.	Differ- ence.
Pledged re- ceipts ...	298.7	250.9	+ 47.8	289.5	250.5	+ 39.0
Other re- ceipts ...	643.5	548.2	+ 95.3	398.3	393.9	+ 4.4
Total ...	942.2	799.1	+ 143.1	687.8	644.4	+ 43.3

Converted into gold values the May gross receipts represented Kr.64.9 mill. (gold), as against Kr.55.5 mill. (gold) in May 1925, while the June gross receipts totalled Kr.47.4 mill. (gold) as against Kr.44.4 mill. (gold) in the preceding June. The preliminary estimates for May provided for gross revenue at Kr.54.8 mill. (gold) with a surplus of Kr.3.4 mill. (gold); the actual receipts were greatly in excess of the estimated figure, with the result that the surplus for this month was raised to Kr.10.5 mill. (gold). The preliminary estimates for June provided for a surplus of Kr.73,742 (gold); the actual revenue fell short of the estimated amount by Kr.2.6 mill. (gold), so that there resulted a deficit of about Kr.2.5 mill. for the month. The surplus of Kr.62 mill. (gold) for the financial year 1925-26 is a very hopeful sign, especially taking into consideration the fact that appreciable reductions in taxation were made during the year—the sugar duty was, for instance, modified by 22 per cent.

During the month of May the Commissioner General approved the expenditure of Kr.50 mill. (gold) for purposes of capital investment, including among other items an outlay of Kr.5.8 mill. (gold) on the Posts and Telegraphs department, Kr.6.6 mill. (gold) for completing the laying of the cables between Budapest and Vienna, Kr.3.1 mill. (gold) for the railways, and Kr.3.0 mill. (gold) for the erection of dwelling-houses.

In regard to the financial situation the Report mentions that the foundation of the National Bank was one of the most important tasks of the reconstruction programme and that the Bank's situation to-day is sounder than could have been expected. The preparations for

issuing the payment medium of the new monetary system are well under way and the execution of the complete programme will encounter no particular difficulties. The new coins and banknotes should be issued on January 1, 1927, on which date the obligatory pengő currency will be introduced. The bank-note circulation is higher than last year, but has not reached the figure regarded in previous Reports as a reasonable maximum. Reserves will probably grow during the next few months, and the permanent stability of the currency cannot be doubted. The long term loans, service of which must be paid in foreign currency, exercise a considerable influence upon the Hungarian international payment balance. The present long term currency loans subject to interest service are as follows (in gold kronen):—

Loans issued since the beginning of the reconstruction period (May 1, 1924): (a) The 7½ per cent. (in Italy 7 per cent.) State Loan of 1924 in various countries and foreign currencies, 320,556,421 (annual interest, 32,907,810); (b) the 7 per cent. Dollar Loan of February 1, 1925, 14,805,000 (1,184,400); (c) the 7½ per cent. Hungarian United Municipal Loan of July 1, 1925, 49,350,000 (4,802,693); (d) the 7½ per cent. Mortgage Loans of the Hungarian Land Credit Institute of January 5, 1926, and June 1, 1926, 38,822,300 (3,237,363); (e) the 7½ per cent. Agricultural Loan of April 30, 1926, 24,675,000 (2,009,045).

Burdens from the Peace Treaty and similar obligations: (a) Interest guarantee for the Southern Railway, 3,604,292; (b) British Clearing obligations, 12,017,518; (c) French Clearing obligations, 1,832,618 and 216,792; (d) Italian Clearing obligations (provisional figures), 108,590; (e) Reparations items, 5,000,000; (f) the 5 per cent. (in the United States 3 per cent.) International Credit Assistance Bonds of 1921, nominal amount of loan, 12,782,854 (annual interest, 1,266,071).

Pre-war obligations: (a) The 4 per cent. Gold Bonds of 1880, 1881, 1887, 1888 and 1892, 578,229,219 (annual interest service, 13,249,419); (b) the 4 per cent. Bonds of 1910, 32,516,960 (541,407); (c) the 4½ per cent. Bonds of 1913, 16,013,580 (352,654); (d) the 4½ per cent. Bonds of 1914, 98,344,781 (2,174,034); (e) the 3 per cent. Obligations of the Austro-Hungarian State Railway Company of different dates, 85,055,081 (1,218,355); (f) payable to the Austro-Hungarian Railway Company interest, 164,643; (g) the 6 per cent. Consolidated Treasury Bills in French francs of January 31, 1922, 14,654,430 (879,266); (h) the Budapest 4 per cent. and 4½ per cent. Loans of 1910, 1911 and 1914, 199,135,768 (7,013,052).

Although the excessive claims of foreign credit could under certain circumstances prove an obstacle to the stabilisation of the currency, there is no indication that the above-mentioned sums are in any way endangering the currency position. The short-dated loans fluctuate from time to time and are consequently difficult to determine at any given moment; but they do not materially affect the currency.

The following table shows the development of Hungary's foreign trade from January to May, 1926, compared with the figures for the corresponding period of last year (in millions of gold kronen):—

	1925.			1926.		
	Imports.	Exports.	Adverse balance.	Imports.	Exports.	Adverse balance.
January ...	63.4	35.2	28.2	53.3	53.3	0.0
February ...	58.8	39.9	18.9	62.7	50.3	12.4
March ...	57.7	52.2	5.5	70.5	49.1	21.4
April ...	52.6	46.6	6.0	61.9	43.6	18.3
May ...	52.8	52.6	0.2	58.4	49.7	8.7
Total ...	285.3	226.5	58.8	306.8	246.0	60.8

The aggregate volume of foreign trade in the first five months of 1926 was greater than in the corresponding period of 1925, imports rising by 8.6 per cent. and exports by 7.5 per cent. There was also a slight increase in the adverse balance.

According to the report issued by the Ministry of

Agriculture on June 26 last, the wheat crop in Hungary is estimated at 18.60 mill. double cwts. this year as against an actual crop of 19.50 mill. double cwts. last year, and rye at 9.68 mill. double cwts. as against an actual crop of 8.26 mill. double cwts. last year. The wheat harvest over the period 1920 to 1924 yielded an annual average of 13.87 mill. double cwts. The inland consumption of wheat and rye together for food and seed totals about 18 mill. double cwts., so that there should be an appreciable surplus for exportation. The present harvest prospects are good.

There has been a steady downward course in the number of bankruptcies and arrangements for the benefit of creditors during the first six months of the present year, as shown in the following table:—

	Bankruptcies.	Arrangements for the	
		benefit of creditors.	Total.
January ...	67	292	359
February ...	67	280	347
March ...	51	227	278
April ...	81	185	266
May ...	73	166	239
June ...	58	131	189

The general retail index number (after the *Pester Lloyd*) has moved downwards from 21,817 in June and 20,884 in December 1924, to 18,776 in June and 17,750 in December 1925 and to 16,820 in June 1926. The movements of the wholesale index number have been from 22,078 (paper) or 1.33 (gold) in June and 23,466 (paper) or 1.60 (gold) in December 1924, to 20,326 (paper) or 1.41 (gold) in June and 18,832 (paper) or 1.30 (gold) in December 1925, and to 17,612 (paper) or 1.22 (gold) in June 1926. The total amount of deposits with the Post Office Savings Bank and with thirteen of the leading Budapest banks has risen from Kr.231.3 mill. (gold) at the end of 1924 to Kr.449.9 mill. (gold) at the end of 1925 and to Kr.516.3 mill. (gold) at the end of June 1926. The figure of unemployment stood at 24,598 in June 1924 and rose to 33,095 in December 1924, and to 36,873 in March 1925, since when there has been a steady decline in unemployment, the respective figures being 34,013 in June and 26,711 in December 1925, 29,218 in March, 28,776 in April, 27,598 in May and 25,558 in June 1926.

FINANCE

National Bank Report.—The report of the activities of the Hungarian National Bank in 1925 shows that the total operations for the year amounted to Kr. 213,116,251,229,273, representing an increase of Kr. 62,933,236,065,728 in the turnover for the year as compared with 1924. The total cash transactions figure at Kr.229,843,342,722,890, an increase, that is, of Kr.89,078,797,049,804 on the total for the preceding year. The value of the stock of gold coin and gold bullion, as also of foreign and commercial coins, calculated on the basis of 1 kilogramme of fine gold equals 3,794 pengő, amounted on December 31, 1925, to 59,264,380.83 pengő or 740,804,760,375 kronen, the increase of value during 1925 being Kr.233,382,773,206. The metal reserve of the Bank reached its highest level on November 7 at Kr.3,344,359,410,139, and its lowest level on January 23 at Kr.2,472,501,598,423. The average for the whole year was Kr.2,836,979,494,182. The note circulation on December 31, 1925, was Kr.5,193,937,447,379, as against Kr.4,513,989,561,419 on December 31, 1924. The average circulation for the year was Kr.4,491,804,045,558. The proportion of the aggregate circulation (including liabilities payable on demand) actually secured by the metal reserve was 56.46 per cent. The rates of interest were as follows: (a) In the discounting business, for bills and warrants, 12½ per cent. from January 1 to March 26; 11 per cent. from March 27 to May 27; 9 per cent. from May 28 to October 21; 7 per cent. from October 22 to December 31, the average for the year being 9.76 per cent. (b) in the loan business, Bonds of the 1925 Hungarian State Loan (League of Nations), 13 per cent. from January 1

to March 26; $11\frac{1}{2}$ per cent. from March 27 to May 27; $9\frac{1}{2}$ per cent. from May 28 to October 21; $7\frac{1}{2}$ per cent. from October 22 to December 31, average for the year, 10.26 per cent. The total value of bills discounted during the year amounted to Kr.11,772,388,794,320, which together with the bills and warrants held by the Bank at the close of 1924 amounted to an aggregate value of Kr.13,749,276,665,278. At the end of 1925 the Bills and warrants still held by the Bank totalled in value Kr.1,677,266,272,152. In respect of public liabilities, the cash deposits, book transfers, remittances from other banks, plus the balance due to the State as from 1924, amounted in all to Kr.54,878,097,627,642. After deducting the various outgoing sums there was a net balance of Kr.2,376,988,180,035 due to the State at the end of 1925. Other liabilities totalled Kr.56,884,237,257,834, and the total of sums paid out in 1925 amounted to Kr.56,613,293,787,306. After making the necessary deductions for inter-branch transfers the aggregate amount of current account liabilities on December 31, 1925, was Kr.287,317,927,523.

The General Manager submitted the following statement in respect of the profits realised and the distribution thereof (in gold kronen):—

Net profits for 1925	11,999,292.80
Profits brought forward from 1924	8,698.39
<hr/>	<hr/>
Total available profits	12,007,991.19
For Pensions Fund to secure pension claim of the employees (5 per cent.)	600,399.56
Special endowment for augmentation of Pensions Fund	5,386,105.66
Appropriated for Reserve Fund (10 per cent.)	1,200,799.12
To shareholders (8 per cent. of share capital)... ..	2,400,000.00
<hr/>	<hr/>
Remaining profits	2,420,686.85
Additional dividend of 2 per cent. (making 10 per cent. in all)	600,000.00
State participation in profits on basis of this extra 2 per cent., being 4 per cent.	1,200,000.00
Part of surplus profits still remaining to shareholders, viz. $\frac{1}{2}$ per cent.... ..	150,000.00
State participation in surplus profits on basis of this extra dividend = $1\frac{1}{2}$ per cent.	450,000.00
<hr/>	<hr/>
Carried forward as undistributed profits to the accounts for the year 1926	20,686.85

The dividend for the year is therefore 10.50 gold kronen per share, this representing 10.5 per cent. on the share capital of Kr.30 mill. (gold).

TRADE

Commercial Agreement with Great Britain.—The Hungarian Press announces that a commercial agreement has just been signed in London between Hungary and Great Britain, providing for the reciprocal granting of most favoured nation treatment in all respects to the subjects of both countries. A protocol has also been signed concerning the extension of the *status quo* between the two countries until the ratification of the agreement has taken place. By the provisions of this agreement business firms on either side desiring to carry on business in the other country will have no obstacle placed in their way, while the subjects of the contracting parties shall enjoy identical rights in either country in respect of patents, trade marks, etc. The agreement also provides that the two countries shall give effect to the conventions and statutes concluded at Barcelona in 1921 respecting the freedom of transit and navigable waterways of international concerns, and also to the conventions and statutes concluded at Geneva in 1923 respecting railways and Customs formalities, etc. The agreement remains in force for a period of ten years.

It is pointed out in connection with this agreement that British imports into Hungary during the past year amounted to approximately £1,000,000, representing an increase of about 50 per cent. on those of the previous year, while Hungarian exports to Great Britain represented a total value of about £365,000.

Commercial Agreement with Yugo-Slavia.—A commercial agreement has been signed at Belgrade between Hungary and Yugo-Slavia, based on the principle of

most favoured nation treatment. Arrangements were made at the same time for facilitating the traffic between the two countries. As in the case of the agreement with Great Britain, the treaty with Yugo-Slavia provides that the two countries shall give effect to the conventions and statutes concluded at Geneva for the regulation of railway matters, Customs formalities, and also of the administration of bridges, highroads, etc., on the new frontier. The agreement further secures to Yugo-Slavia the right of transit communications. The settlement of the question of direct tariffs on the Hungarian and Yugo-Slav railways should have a stimulating effect upon the commercial relations of the two countries. The present agreement is valid for three years. (*Pester Lloyd*, July 25.)

AGRICULTURE

Production Crisis in Agriculture.—In a contribution to the *Pester Lloyd* of July 7 M. Ivan Dresner deals with the question of the prevailing production crisis in Hungarian agriculture. It is, he states, being more and more recognised by experts in the country that the present crisis cannot be overcome until there is a radical reorganisation of home agriculture. Before the war Hungarian agriculture presented a harmonious unity; the various branches were well balanced and fitted well one into the other. The application of the provisions of the Peace Treaty has caused a dislocation, and has not only reduced the total area under cultivation but has left Hungary worse off than before in respect of the quality of the soil. The loss of Trianon reduced Hungary's grasslands (both pasture and meadows) by 73 per cent., while arable land was reduced by only 42 per cent. The part that was cut off was, however, of superior quality to that which remains. The present population is comparatively well supplied with arable land, but lacks sufficient land for pasturage, etc. The total area of pasture land to-day amounts to 1,761,321 catastral-joch, and provides grazing for 1,920,026 horned cattle in addition to swine and sheep. The pasturage for horned cattle is far too small and is not of very good quality. Although Hungary is primarily an agricultural State, the number of cattle per hundred of the population is lower than in the neighbouring countries. In Czechoslovakia, for instance, there are 38 to 39 head of cattle for every 100 persons, whereas in Hungary the average is only 28.7 head. There is also a difficulty in obtaining a sufficiency of natural fodder.

A successful increase in agricultural production in Hungary can only be obtained by the development of the cattle-breeding industry; and this in its turn depends upon an improvement of the cultivation of the pasture lands. This would require the investment of considerable capital, which is difficult to obtain, and secondly, when it is available, the farmers have so many other urgent uses for it that it is doubtful whether they would consider the fundamental necessity of the development of the pasture lands. As things now are, there is little prospect of much progress being made in Hungarian agriculture in the near future.

Sugar and Tobacco Production.—The Hungarian sugar industry is passing through a difficult time. For a number of years there was a continuous increase in production, but last year a decline set in. The total area under beet cultivation in 1925 was about 12 per cent. less than in 1924, while the raw sugar production fell off from 2 mill metric cwts. in 1924 to only 1.6 mill. metric cwts. in 1925. Out of the 1925 campaign there remains a surplus of about 7,000 truckloads available for export or approximately 30 per cent. less than in the preceding year. The manufacturers are experiencing such difficulty in disposing of this reduced quantity that they are contemplating a further reduction in the sugar production next season.

In 1925 the total area under tobacco cultivation was 29,904 catastral-joch, or 704 more than in 1924; the total production of 153,172 metric cwts. of tobacco was,

however, 42,000 metric cwts. lower than in 1924. The average yield per joch was 518 kilogrammes, as against 669 kg. in the preceding year. The quality was not so good as that of the previous crop. (*Pester Lloyd*, July 12.)

LATVIA

GENERAL

The Economic Situation.—Although Latvia is established on a sound financial basis which admits of the most favourable augury for her future development, the Latvian industrial machine is at present somewhat hampered by the lack of raw materials. Before the war the factories of Riga were supplied with raw materials by the Russian ships which came to remove the Russian merchandise warehoused in the ports of Riga, Libau and Windau, and carried these raw materials on their outward journey as freight. It is impossible to compare pre-war and post-war Latvia from an economic point of view, as before the war Latvia was nothing more than a factor in the Russian industrial system, pursuing entirely different aims from her present-day objects. In many cases local interests were ignored and products from other Russian provinces were introduced into Latvian territory for manufacture. The industry of Riga was very important before the war, the number of establishments in the neighbourhood of the Latvian capital numbering 372 and employing more than 85,000 hands, with a staff of 15,000. The annual turnover amounted to 220 millions of gold roubles, which would represent Lats 825 million at present-day value. The present position is entirely different, Latvia's Budget amounting to a total of only Lats 160 million. It should be remembered that before the war labour was very cheap and Russia could absorb an unlimited quantity of industrial products. During the years 1915, 1916 and 1917 the Russian Government requisitioned a great part of Latvia's industrial equipment, 30,000 waggons of miscellaneous articles, tools and machinery valued at over 500 million gold roubles. By the terms of the treaty of September 2, 1920, between the Governments of Moscow and Riga the restitution to Latvia of the material removed to Russia was stipulated, but the provisions of the treaty have never been put into execution. Under these conditions it is not to be expected that Latvian industry could assume its former scope; moreover, the Government has realised that any extension of industry on a large scale would only provoke an economic crisis in view of the lack of markets, and confines itself to encouraging those branches of industry whose production easily finds a market at home. To this end it promotes the production of national raw materials with a view to exporting them either in the raw state or in the form of manufactures produced in the country. This endeavour applies particularly to flax, timber, chemical products, glass, etc.

The balance of Latvian foreign trade has developed as follows in weight and value from 1921 to 1925:—

	Imports.		Exports.	
	Tons.	Thousands of lats.	Tons.	Thousands of lats.
1921	168,636	70,647.3	214,630	29,264.9
1922	381,223	107,370.1	559,095	101,992.0
1923	574,361	211,857.3	876,827	161,978.3
1924	924,385	255,904.5	743,830	169,647.1
1925	946,289	279,838.8	590,122	179,578.7

Latvia's balance of trade, therefore, shows a deficit, although the export total shows a steady increase. This movement is certain to continue with the development of national production. Great hopes had been placed in the Russian transit trade, but they have not yet been justified except in the case of timber and wheat. The Russian Commissariat for Foreign Trade is beginning to export flax, butter, game, etc., but only in very small quantities up to the present. A certain number of Riga forwarding agents receive consignments of Russian petrol and other by-products of naphtha from Russia.

The marked increase in imports demonstrates the

growing purchasing power of the country. An effort is being made to endow agriculture and industrial enterprises with highly priced equipment and machinery, which explains to a large extent the deficit in the balance of trade. A considerable amount of business is done every year at the annual fair at Riga (July 20 to August 5) particularly in agricultural machines, chemical fats, highly bred cattle and mechanical and electrical apparatus. (*Gazette de Prague*, June 30.)

FINANCE

The Budget for 1926-27.—The Latvian State Budget for the current fiscal year, 1926-27, is footed with Lats 165,927,000, being the total amount of revenue, as against expenditure estimated at Lats 165,789,000, so that there is a theoretical surplus of Lats 137,000. This year's Budget is five million lats in excess of last year's and 15 million lats greater than that of 1924-25.

It is intended, as usual, to procure the greater part of revenue (this year 54.4 per cent.) through taxation. A lower estimate has been made this year of the income from State monopolies, viz. 17.5 per cent. as compared with 19.9 per cent. last year and 24.3 per cent. two years ago. The flax monopoly figures in the respective periods with 10.66 per cent., 4.5 per cent. and 2.5 per cent. The income from Customs duties has been reduced by three million lats, while an additional Lats 6 million is expected from the State forests, viz. Lats 18.6 million as compared with Lats 12.8 million.

The three principal items of revenue are entered as follows: Taxes and dues Lats 101,282,000, monopolies Lats 29,026,000, and State property and Government undertakings Lats 31,108,000.

The expenditure side contains the following items: State institutions, Lats 2,470,000 as compared with Lats 2,364,000 last year; Foreign Affairs, Lats 2,493,000 (Lats 2,261,000 last year); maintenance of internal security and conduct of home affairs, Lats 8,434,000 (Lats 8,194,000); Courts of Justice, Lats 3,502,000 (Lats 3,129,000); education, Lats 19,889,000 (Lats 17,949,000); social legislation and the protection of labour, Lats 12,874,000 (Lats 9,554,000); health, Lats 2,371,000; agriculture, Lats 7,717,000; communications, Lats 12,071,000; State debts and interest thereon, Lats 3,597,000 (Lats 2,572,000); invested State capital, Lats 35,066,000; and State defence, Lats 45,535,000.

The expenditure for social legislation and the protection of labour is double the estimate for the year 1924-25 and Lats 3,320,000 more than in last year's Budget. Various State subsidies are estimated at Lats 6 million, while Lats 9.3 million has been set aside for the construction of ways, bridges and ports. Lats 1.1 million has been assigned for amelioration purposes and Lats 18,610,000 for different credits, particularly for agricultural purposes. Civil Service expenditure has been reduced by Lats 2.8 million. (*Riga Times*, July 3.)

Currency and Coinage.—The Director of the Credit Department of the Ministry of Finance has made a statement in which he asserts that the stability of Latvian currency has in no way suffered from the decline of the French franc, as the Lat is based on the gold value of the gold franc and the fluctuations of the paper franc have no effect upon it. The stock of small coin has increased and new one and two centime pieces have arrived from abroad to the extent of five million coins in each case. The supply of two-lat pieces has also been increased by one million, so that Latvia now possesses a plentiful supply of metal money both in circulation and in reserve. One million new five-lat notes are to be issued in the coming month and a corresponding sum in ten-lat notes will be withdrawn from circulation. The foreign currency fund has diminished slightly in connection with recent payments to Great Britain and the United States, though the activity of the Bank of Latvia has not been in any way hampered in view of the large and increasing supplies. The loans of State credit institutions increased last month by Lats 2.4 million, but this applies only to the Land Bank, for the aggregate loans of the Bank of

Latvia declined from Lats 119.9 million to Lats 117.7 million.

The annual report of the Bank of Latvia for 1925, which has been recently published, illustrates the caution observed by the Ministry of Finance in operations connected with the issue of currency. Whenever silver specie has been put into circulation a corresponding amount of Treasury notes have been withdrawn, as shown by the following table :—

In circulation	Treasury Notes.	Specie.	Total.
January 1, 1924 ...	46,400,000	8,200,000	54,600,000
January 1, 1925 ...	39,774,200	13,161,000	52,935,200
January 1, 1926 ...	31,871,000	23,411,000	55,282,000

The Bank of Latvia was as cautious in the employment of its rights of issue in 1925 as in previous years, adhering strictly to the principle of providing full cover (100 per cent.) of gold and stable foreign currency for all issues. Notes issued by the Bank of Latvia in 1925 only amount to about 25 per cent. of the legal limit. The following table shows the development of notes in circulation during the past four years :—

	Provisional ten-lat notes.	Fifty-lat notes.	Hundred-lat notes.	Total.
January 1, 1923	9,800,000	—	—	9,800,000
January 1, 1924	22,964,500	—	35,500	23,000,000
January 1, 1925	24,507,000	—	6,400,000	30,907,000
January 1, 1926	6,393,800	14,141,400	8,098,800	28,634,000

During 1925 the Bank of Latvia began to withdraw the provisional ten-lat notes from circulation in view of the issue of fifty-lat notes and the proposed delivery of the new twenty-lat notes. (*Riga Times*, July 17.)

TRADE

Trade Agreement with Germany.—After five years of negotiations the trade agreement between Germany and Latvia was signed in Riga on June 23 last, together with an agreement regarding the fulfilment of the Provisional Convention of July 15, 1920, for the resumption of relations between Germany and Latvia. This agreement settles the question of reparations on the assumption that the mutual claims of the two countries cancel each other, so that no payments are to be effected. The trade agreement is based upon the principle of the most favoured nation, and includes an understanding in regard to railway and steamship services.

The exchange of goods between Germany and Latvia has developed favourably during the last few years, and Germany takes the first place in Latvia's foreign trade statistics for 1925 with a turnover of Lats 156.7 million. German exports to Latvia represented Lats 116.3 million of this sum, as compared with Lats 99.7 mill. and Lats 96.8 million respectively in the two previous years, so that there has been a steady increase in goods imported into Latvia from Germany. The chief item in the German exports in 1925 was that of manufactured goods, which represented Lats 64.7 million, the exports of the textile industry leading with Lats 21.5 million, followed by the metal industry with Lats 17.8 million. Germany is thus Latvia's greatest source of supply and contributes almost half of the demand for imported goods.

Latvian exports to Germany are also growing, having increased from Lats 12.3 million in 1923 to Lats 27 million in 1924 and Lats 40.2 million in 1925, or 22.5 per cent. of Latvia's total exports. The chief items here are foodstuffs and delicacies, which represent Lats 23.8 million. In this group Latvian exports to Germany have increased more than four hundred-fold in the last two years. Thus in 1925 Germany took 74 per cent. of the Latvian butter export, which amounted to 7.1 million kilogrammes. (*Hamburger Fremdenblatt*, No. 179.)

The Meat Export Trade.—The Latvian meat export trade continues to increase from month to month. According to the Export Meat Control Department 340,336.5 kilogrammes of meat were exported during June, including 337,648.5 kg. of bacon and 3,088 kg. of salted pork. In addition to this the Latvian firm of Mariott and Seligmann exported 8,587 kg. of meat of Russian origin.

During the first half of the current year Latvian meat exports totalled 1,409,109.9 kg., in addition to 156,200 kg. of bacon made from Russian pork and exported by Messrs. Mariott and Seligmann. The following comparative table illustrates the progress made in this branch of Latvian export trade (in kilogrammes) :—

	1925.	1926.
January	70,403.3	249,623.8
February	86,486.5	187,565.7
March	39,785.2	193,210.0
April	38,173.8	182,834.3
May	36,365.8	258,220.6
June	24,508.0	340,336.5
Total	295,693.6	1,409,109.9

The meat export for the whole of last year returned a sum of Lats 2,061,826.45 kilogrammes, 68.36 per cent. of which has been already realised this year. The above table shows the rapid development of Latvian bacon exports, which have increased by nearly 380 per cent. in the first half of the current year as compared with the results achieved in the same period of last year. It is interesting to note that June was a record month in respect of the export of bacon. (*Riga Times*, July 24.)

INDUSTRY

The Timber Industry.—The timber industry is now in full swing in Latvia observes the *Economists*. Rafting operations have been very brisk and the sawmills are working under high pressure. The workmen tried to take advantage of the situation by demanding higher wages. In the meantime, however, the strike wave in the timber branch has subsided.

The export trade consists mostly of small transactions, though business on the whole is brisk. Agents of English firms figure prominently in the Latvian market.

Export statistics for the current year reveal a considerable decrease compared with the results achieved in the same period of last year, the timber exports returning only Lats 8.7 million as compared with Lats 12.8 million in 1925. The export of deals and boards declined by 50 per cent. and that of pulpwood only represented 25 per cent. of last year's figure. The export of splint shows an increase of 65 per cent., while trade in pit-props showed no fluctuation in the first quarter of this year.

Some improvement was registered in the month of April, demonstrated by Latvian exports to England, which amounted to 17,880 loads as compared with 17,981 loads in the same month of 1925 and only 5,932 loads in 1924. Latvia maintained its fourth place next to Sweden in the English market. It should be observed, however, that the above mentioned quantities include some transit timber as well. The timber transit traffic was rather extensive in the first quarter and contributed over 35 per cent. of the entire timber export. (*Riga Times*, July 3.)

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AGRICULTURE

Development of Farming.—In respect of agriculture Latvia is divided into four regions. In Kurzeme there are large areas cultivated with grain, clover, clover-seed and potatoes. In Zemgale, especially in the district of Jelgava, there is a decline in the cultivation of cereals and an increase of stock farming and flax growing, while clover is predominant in the district of Bauske; a new field of rural enterprise has been entered upon in Zemgale, namely, the cultivation of beetroot for the requirements of the first Latvian sugar factory, which is nearing completion in the vicinity of Jelgava. The cultivation of clover predominates in Vidzeme, where the dairy industry is highly developed; it may be observed that Vidzeme contributes 68 per cent. of Latvia's butter export, and flax growing is more extensive in Vidzeme than in Zemgale. The fourth region, Latgale, embracing part of the former Vitebsk and Pskov governments, represents about one-fourth of the territory of Latvia and accounts for a third of the population. This region is sub-divided into two sections by the former Moscow-Windau-Rybinsk railway. In the northern half clover is mainly cultivated, while south of the railway the tillage is still distributed among three crops. Here flax is decidedly predominant, this section producing about 50 per cent. of the entire Latvian crop. The area under flax in Latgale has been almost doubled since 1913 owing to the suitability of the soil, the abundance of labour and the good prices paid for flax by the Government Flax Monopoly Department. In respect of agricultural progress, however, it must be admitted that Latgale is far behind the other regions of Latvia. The Latgallian farmers are only now beginning to exert personal initiative, the co-operative system is slowly gaining ground, stock farming is still an innovation, and the use of machinery and fertilisers is still limited and tentative. The union movement is only in the initial stage in Latgale, where there is an absence of the great agricultural organisations which have contributed to the prosperity and progress of Kurzeme and Vidzeme. There have been recent indications of a revival in Latgale, and the attention of the Government has been directed to its needs, so that its agricultural future may be considered as assured.

As regards stock farming, Latvian farmers have always made a point of breeding only the best milch cattle and producing the best quality hay and provender. Of all the horned cattle in Latvia 65.9 per cent. are milch cows, 2.3 per cent. are bulls and the remainder calves. The development of stock farming is supervised by 505 control stations for milch cows, 377 for bulls and 16 associations for the breeding of bulls. During the past four years central organisations embracing more than 10,000 farms with about 120,000 head of milch cows registered 11,424 head of breeding cattle. Annual fairs are arranged for promoting cattle breeding in the country, 68 fairs of the kind having been held in Latvia in 1925. The registered cows render on an average 2,051 kilogrammes of milk per annum, with a fat content amounting to about 3.78 per cent. Serious attention is also paid to horse-breeding, though no remarkable results have yet been achieved. During the war Latvia lost the greater part of her cattle and horses, and it has therefore been necessary to import a large number for breeding purposes, especially stallions and mares from Sweden, Estonia, Denmark and Prussia.

From the foregoing information it is evident that farming in Latvia is making normal progress. As regards the distribution of land, Latvia may be classed among agricultural republics with a predominant number of small and medium-sized farms. According to the agricultural census of 1923 there were 193,741 farms, which were classified according to size as follows:—

Up to 2 hectares	...	8.17 per cent.
From 2 to 10 hectares	...	32.46 per cent.
From 10 to 20 hectares	...	26.18 per cent.
From 20 to 30 hectares	...	11.92 per cent.
From 30 to 50 hectares	...	10.76 per cent.

From 50 to 100 hectares	...	9.27 per cent.
Over 100 hectares	...	1.24 per cent.

Latvian farmers do not live in villages but in separate farms, which is conducive to greater initiative and self-reliance. The co-operatives and parishes take the place of the Russian village communities as the link of contact among Latvian farmers. In respect of administrative affairs the rural population unites in districts, of which there are over 500 in Latvia, and these enjoy self-governing rights, their elected district councils administering local affairs under control of the Home Office. In every district the population organises its own rural militia, which now presents a fairly important force based on internal co-operation. The Latvian farmers have established the Farmers' Union, which has developed into a powerful political party with no fewer than 16 representatives in Parliament, and there are other rural organisations which are also represented in the House. The number of rural members of Parliament ought to be more than the present 28, and it is to be hoped that the rural population will in time be adequately represented in the legislative institution of the country, which comprises altogether 100 members. (*The Riga Times*, July 17.)

CENTRAL AMERICA

HONDURAS

General Report.—The economic conditions in the Republic of Honduras for the year ended July 31, 1925, are described in the Report of Mr. Arthur H. King, H.M. Consul, Tegucigalpa, which has been issued by the Department of Overseas Trade.

In the introduction, Mr. King shows how the political situation affected the country's economy, the main features being the destruction of property during the disorders, the consequent serious addition to the internal debt, and the comprehensible hesitation of merchants to carry large stocks of goods. An endeavour has been made to raise a loan of \$20 mill. in the United States; but a provision is that the external debt must be settled, and it is feared that the conditions at present are not sufficiently stable to warrant the investment of foreign capital. On October 29, 1925, an arrangement was concluded between the Council of the Corporation of Foreign Bondholders and representatives of the Government for the liquidation of the country's external indebtedness, which, if ratified by Congress, will materially improve the financial situation. The agreement provides for the payment of £40,000 annually over a period of 30 years.

The revenue in 1924-25 amounted to £858,594, and expenditure to £744,139. This represents an increase of £262,266 on the revenue of the preceding year; but is not due to more prosperous conditions. The country's internal obligations are estimated at about £1,700,000. During the year the Bank of Honduras was authorised to issue 250,000 pesos of paper money (£25,000) on condition that the Bank destroyed old and worn bills to the value of 199,763 pesos. The total circulation was increased to 673,042 pesos, which is still within the prescribed limits. In times of civil strife, when public funds are diverted to military purposes, the Government finds itself in a perpetual condition of financial embarrassment, and is obliged to have recourse to foreign companies operating in Honduras for funds with which to discharge its pressing obligations.

The total value of imports in the year 1924-25 amounted to 12,752,761 United States dollars, as compared with \$11,137,917 in the preceding year, whilst exports totalled \$11,983,051 in 1924-25 and \$7,897,006 in 1923-24. The United States held the premier position in respect to both imports and exports. Great Britain was second on the list for imports and third for exports. In 1924-25 imports from Great Britain amounted to £159,184 compared with £80,024 in the preceding year. British goods in many cases worked

out dearer than the American article. Great Britain has to face continually increasing competition in cotton goods from the United States and other countries. There is a large market throughout the whole of Central America for cheap lines of cotton suitings, prints and grey shirtings; but complaints are made that British makers do not concern themselves sufficiently with these possibilities. Mr. King continues to explain the situation in the various branches of trade, and also describes the industrial and mining situation. In respect to agriculture he mentions that the exportation of bananas during the year was a record, 2,500,000 stems being shipped to Great Britain alone. The remaining portions of the Report deal with the various other agricultural products, and also the situation of transport and communications. Detailed statistics are given in the Appendix.

SALVADOR

General Report.—In the same volume as the Consular Reports on Guatemala and Honduras, recently published by the Department of Overseas Trade, appears a Report on El Salvador by Mr. H. C. Swan, Acting British Consul, San Salvador.

The export revenue of the Republic during the first five months of 1925 was 34.8 per cent. less than for the corresponding period in 1924; but the import revenue held up well, advancing by 38.53 per cent. The combined revenue receipts for the period in question for loan service purposes (70 per cent.) was \$2,108,591 in the 1925 period and \$1,883,226 in the 1924 period. The Budget law for 1925 and 1926 provides for revenue at 18,205,860 colones, and expenditure at 18,166,715 colones for the fiscal year ending June 30, 1926, the surplus being 39,145 colones. The actual budgetary result for the calendar year 1924 showed a deficit of 473,447 colones, instead of the estimated surplus of 89,864 colones. Mr. Swan gives the details of revenue and expenditure and states that the figures show an amelioration in the moral and financial health of the Republic. There are distinct signs of economy. In regard to banking it is shown that on December 31, 1924, the total subscribed and paid-up capital of the three banks of issue in El Salvador, together with actual reserve, was as follows (in colones): paid-up capital, 10,560,000; reserve, 4,050,000; banknotes in circulation, 14,537,750.

With reference to agriculture it is stated that the 1924-25 coffee crop was a disappointment, yielding only 626,881 sacks; but it is estimated that the 1925-26 crop will create a record with a probable production of over a million sacks. Germany was easily the largest importer of coffee from Salvador, purchasing 139,058 sacks. Great Britain's purchases totalled only 3,669 sacks. Sales to the United States fell from 153,085 in 1924 to 88,790 sacks in 1925. The total exports of coffee in 1925 amounted to only 465,779 sacks, as against 680,228 sacks in 1924. Cotton was first exported from El Salvador in 1923 (51,000 kilogrammes); in 1924 the exports rose to 403,000 kilogrammes. Sugar exports fell from 9,224 tons in 1923 to 5,447 tons in 1924. Other agricultural products maintained approximately their relative places; but rubber seems to be no longer produced.

General trade conditions may be described as continuously improving. The country is attaining a degree of prosperity, luxury and stability hitherto unknown in its history. There is an inflation of demand for personal and household requisites of a more refined type, a desire for improved and faster means of locomotion and for many things hitherto thought superfluous. The import trade is beginning to recover from the crisis of a few years back. In 1924 imports totalled \$11,453,500, as compared with \$8,770,500 in 1923 and \$7,427,000 in 1922. Exports in 1924 figured at \$24,367,500, compared with \$17,058,000 in 1923 and \$16,214,000 in 1922. Discussing the openings for British

trade the writer considers that there is no reason why British goods should not be imported more largely. British firms are apparently not so alive as those of the United States as to the possibilities of this market. Some lines of British goods which might be usefully introduced or pushed more vigorously on the Salvador market are agricultural machinery, bicycles, boot polishes, confectionery, disinfectants, dyestuffs, fancy goods, fencing wire and fencing, haberdashery, household requisites, kitchen utensils, motor-cycles, office requisites, novelties, paper manufactures, perfumed soaps, perfumery and cosmetics, pharmaceutical specialities, photographic apparatus and materials, porcelain and china, rubber goods (including motor-car and bicycle tyres), small tools and toys.

No practical progress has yet been made towards the exploitation of the concession for boring wells for petroleum, which was granted to a Salvadorean concern in 1912; but it is stated that evidence of the existence of petroleum deposits is now available. There is still no sign of the renewal of mining operations. Industry generally remained in 1924 in much the same condition as in 1923. The last section of the Report deals with transport and communications in the Republic.

The crops in Mexico have suffered considerable damage from floods, which have also hindered mining and road building operations.

A CONTRACT has been signed with a Belgian firm for the construction at San Salvador of the "Neuvo Hospicio," a home for the care of the poor and sick. The structure is to be of reinforced concrete.

MEXICO has 45,782 automobiles, or 1 to every 311 of the population. Of these, 38,107 are passenger cars, 483 omnibuses and 7,192 trucks; there are in addition 648 motor cycles in use in the country. Some 97 per cent. of these machines are of United States manufacture.

THE ECONOMIST'S BOOKSHELF.

THE COST OF LIVING.

The Cost of Living. By NORMAN DEARLE, M.A., D.Sc.
Lond. (London: Philip Allan & Co., Ltd. Price, 3s. 6d.)

Recent rapid changes in the value of money have brought the cost of living into the foreground of the nation's life. The violent upward movement of commodity prices called forth demands for wage increases sufficient to prevent a continual lowering of the workers' standard of living. The increased cost of living was seized on as a justification for haphazard wage increases in numerous industries, especially when the excess profits duty stood at 80 per cent. Index numbers still form the basis of wage rates in certain occupations. Apart from this, the cost of living looms large in the evidence of one of the parties in every dispute concerning wages. The prominent position of the subject has led to considerable comment on index numbers and the methods of their compilation. The wider subject of the cost of living has been subjected to little close and critical analysis. Mr. Norman Dearle has therefore performed a considerable service by his examination of this important and topical subject.

Before proceeding to an examination of the book itself it might be suggested that the cost of living has loomed too large in wage negotiations. The lax interpretation of the phrases "a living wage" and "the cost of living" have left in their train a series of wage difficulties the settlement of which must precede any real return to that prosperity which alone can ensure to the worker ameliorating living conditions. It was most unfortunate that the war years witnessed a general raising of the standard of life. Britain emerged from the conflict with reduced real capital both at home and abroad. Long arrears of depreciation, the dissipation of reserves, loss of customers, a heightening of competition and taxation on a colossal scale, handicapped

industrial reorganisation and development. A simultaneous insistent demand for a higher standard of life unaccompanied by increased efficiency has prevented all but the most favourably placed industries from achieving even a moderate measure of prosperity. The maintenance of the increased standard continues to be the watchword of the coal miners, though it has been demonstrated that for a short time at least the industry can survive in its present dimensions only if the standard is reduced.

Mr. Norman Dearle has subjected the cost of living to a careful and searching analysis. At the outset he points out that the cost of living varies in different occupations. Over and above the necessities of human existence—food, shelter, clothing and fuel—there must be provided the requirements of bodily and mental efficiency which vary with every class of worker and are indeed subject to variation within each class with the tastes, habits and psychology of individuals. The cost of living becomes therefore an average cost of living. Any figure operating for the whole State would have to be modified to meet special existing circumstances. Rents are normally higher in London than in the provinces. Coal is cheapest near the pits.

The measurement of the cost of living involves the use of index numbers, the composition of which has been widely discussed in numerous publications. The difficulties of accurate compilation are fully appreciated and valuable suggestions for their improvement are put forward.

A considerable portion of the work is devoted to an historical account of changes in the cost of living and the numerous factors causing such changes. This survey gives Mr. Dearle ample opportunity to discuss special problems. Changes in the value of currency and in the velocity of money and credit expansion or extinction come in for examination. The author's comments on these matters, though they contain no particularly novel features, are always shrewd and pointed. The real cost of living is affected by these changes in so far as they affect the rate and cost of production. The money changes and their effect on the worker are too obvious to need discussion here.

The last fifty pages are occupied by an examination of the war and subsequent periods. Here Mr. Dearle is at times on controversial ground. He states that the great demand and shortage of supplies enabled manufacturers and producers to shift much direct taxation, especially excess profits duty, on to the consumer. The assumption that taxation can be shifted easily leaves out of consideration the essential truth that the seller of commodities will strive for the highest price obtainable in the market despite the pressure of or freedom from fiscal burdens. On page 125 there is a mistake in the amount of the excess profits duty, which in 1920 was increased to 60 per cent. and not restored to 80 per cent. Incidentally, this is the only mistake of fact which the reviewer has been able to discover.

The important part played by taxation in the cost of living is really more complex than the author admits. Even the indirect taxes and local rates cannot be written down definitely as falling on consumers. The increased price necessitated by a tax on a commodity reduces the demand frequently to an extent which compels producers to accept a price lower than the previous price plus the tax. Portion of an indirect tax therefore frequently falls on the producer. Taxes on commodities marketed in small quantities sometimes affect the quality of the commodity. How is this to be shown in comparative cost of living tables? Direct taxation tends to stay where it falls. But heavy direct taxation often influences production and therefore indirectly operates to hold up prices. To get the final effect of taxation on the cost of living one must endeavour to discover the effects of the Government expenditure. After all, taxation is the transfer of wealth from the individual to public authority, and the utilisation of the transferred wealth by individual owners and by the public authority

should be calculated if we are to arrive at a final satisfactory verdict regarding the effects of taxation on the cost of living. Mr. Dearle has not given an adequate impression of the intricacies involved in his discussion of this particular topic.

It seems to the reviewer that Mr. Dearle has taken too popular a view on the subject of profiteering. Price is really determined by supply and demand. The vendor of goods endeavours to sell at the highest price obtainable. The buyer must buy in the cheapest market. Where prices were very high it demonstrated a strong demand or shortage of supplies, either of which is ample justification for a high market. No doubt the Government were very slack about the terms of some of their contracts. From the taxpayer's viewpoint this slackness was unpardonable. From the seller's point of view advantage must be taken of every favourable turn in the market. Unusually high prices are normally, and were in this case, followed by a huge drop. Stocks had to be liquidated at knock out prices. The author rightly points out that consumers should make a greater effort to protect themselves.

It will be noticed that the somewhat critical nature of these comments has been directed almost entirely at small side issues. "The Cost of Living" is an admirable book. The subject has been handled in a masterly manner. The author combines well the historical and analytical methods. He writes clearly. He reasons logically. He is a shrewd observer. Though the work is small, the subject receives exhaustive treatment. He arrives at the only possible conclusion, that the real cost of living can be reduced only if the national dividend is increased. Though one cannot always agree with the opinions expressed, the author's good sense and weighty reasoning will impress the reader. The clearness of both thought and expression ensure an appreciative reception.

D. M. SANDRAL.

PUBLICATIONS RECEIVED.

Canadian Economic Conditions. By Anthony J. McMillan, formerly Agent-General for Manitoba. Reprinted from "The Financial Times," London.

Expansion und Volkswirtschaftliche Bedeutung Deutscher Ueberseebanken. By Dr. L. Lange.—Wirtschaftsstudien, No. 6. (Karlsruhe: G. Braun. Price, Mk.3.)

Fourth Year Book of the International Federation of Trade Unions, 1926. (Amsterdam—London: Labour Joint Publications Department. Price, 10s.)

Kölnner Sozialpolitische Vierteljahresschrift. No. 2. (Halberstadt: H. Meyer. Price, Rmk. 15 per annum.)

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

The Calcutta Review. July 1926. (Calcutta.—London: Kegan Paul, Trench, Trubner & Co., Ltd. Price, Re.1; annual subscription, 16s. post free.)

The Electrical Industry in Germany: The Financial and Competitive Position. (London: Economic and Statistical Department, British Electrical and Allied Manufacturers' Association, Inc. Price, 10s. 6d. net.)

The Gold plus Goods Standard. Mutual Credit Handbook, No. 1. (National Union of Conservative and Unionist Associations. Price, 3d.)

The Gold Standard. Unionist Workers' Handbooks, No. 26. (National Union of Conservative and Unionist Associations. Price, 3d.)

The International Significance of the Depreciation of the Zloty in 1925. By Feliks Mlynarski, Ph.D. (Warsaw: The Polish Economist.)

FOREIGN BANK RATES.

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

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

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.
1920.			1923.								
Jan. 16	367.9	296.6	Jan. 12	162.8	157.0	Apr. 18	177.5	164.7	July 17	160.3	157.5
May 14	391.2	325.5	Feb. 16	177.2	157.5	May 16	171.2	163.7	Aug. 14	158.6	157.0
July 16	418.8	316.9	Mar. 16	192.4	160.3	June 20	167.8	162.6	Sept. 18	158.3	156.0
Dec. 17	257.0	263.8	Apr. 20	198.5	162.0	July 18	167.1	162.6	Oct. 16	154.1	154.8
1921.			May 18	198.1	159.8	Aug. 15	175.3	165.2	Nov. 13	153.2	153.7
Jan. 14	244.2	245.9	June 15	190.0	159.3	Sept. 19	167.9	166.9	Dec. 18	153.0	153.2
Apr. 15	202.8	204.8	July 20	177.3	156.5	Oct. 17	172.5	170.2	1926.		
July 15	194.4	194.1	Aug. 17	174.6	154.5	Nov. 14	173.3	169.8	Jan. 15	151.6	151.3
Oct. 14	170.2	180.7	Sept. 14	173.2	157.8	Dec. 12	171.7	170.1	Feb. 12	148.4	148.8
Dec. 16	153.2	167.9	Oct. 19	166.0	158.1	1925.			Mar. 12	146.1	144.4
Dec. 30	150.0		Nov. 16	171.7	160.8	Jan. 16	174.8	171.0	April 16	148.1	143.6
1922.			Dec. 14	177.0	163.4	Feb. 13	175.2	168.9	May 21	150.2	144.9
Jan. 20	144.0	164.0	1924.			Mar. 13	172.8	166.3	June 18	151.7	146.5
May 19	162.1	160.6	Jan. 18	178.6	165.4	April 17	161.9	162.5	July 16	153.9	
July 14	165.1	160.3	Feb. 15	187.9	167.0	May 15	158.7	159.0	Aug. 6	156.7	
Sept. 15	161.2	154.3	Mar. 14	182.1	165.4	June 19	160.6	157.6			
Dec. 15	161.2	155.8									

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
June 18 ...	73.6	163.6	60.4†	121.1	83.5	109.4	89.9	127.3	105.1	77.6	101.15	... June 18
July 23 ...	80.9	171.6	60.4†	123.7	86.7	100.0	97.1	132.0	100.0	78.8	103.03	... July 23
„ 30 ...	77.8	174.2	60.4†	127.2	88.0	100.0	97.1	135.2	98.5	79.4	103.78	... „ 30
Aug. 6 ...	77.8	176.5	60.4†	127.2	88.2	103.1	97.1	136.8	98.5	78.8	104.44	... Aug. 6

† 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.

IN NEW YORK.				IN LONDON.		IN NEW YORK.				IN LONDON.	
Week ending	Indus- trials.	Bonds.*		Indus- trials.	Gilt edged.	Week ending	Indus- trials.	Bonds.*		Indus- trials.	Gilt edged.
1920, Jan. 1	128.5	94.1		172.4	99.7	1925, Jan. 3	150.7	101.6		133.8	117.5
1921, Jan. 1	89.9	89.0		116.3	88.6	„ 17	151.8	101.9		137.8	117.5
Aug. 20	<i>80.3</i>	90.4		105.4	93.3	June 6	158.2	105.3		128.0	115.3
Oct. 29	91.1	92.0		<i>91.1</i>	94.4	„ 27	160.0	104.7		123.7	<i>113.0</i>
1922, Jan. 1	100.0	100.0		100.0	100.0	July 18	165.9	103.2		<i>120.4</i>	115.5
May 13	114.6	102.4		114.9	117.9	Aug. 1	165.8	<i>101.5</i>		122.2	115.7
Sept. 16	123.8	107.6		115.2	112.5	„ 22	176.2	102.5		126.3	117.3
Oct. 7	123.9	106.1		113.3	<i>111.7</i>	Dec. 19	188.9	103.3		130.6	112.8
1923, Jan. 1	121.7	102.5		119.5	113.3	1926, Jan. 2	195.5	103.6		133.3	113.0
Mar. 17	129.2	98.5		129.3	117.0	„ 9	196.1	103.6		135.1	113.1
„ 24	127.3	<i>97.8</i>		129.2	118.1	Feb. 13	199.9	104.9		132.0	114.8
Apr. 28	124.1	99.3		137	122.8	Apr. 17	<i>168.7</i>	106.9		121.8	113.3
June 9	119.7	100.8		130	123.5	May 1	176.8	107.6		122.6	114.7
Oct. 27	<i>105.7</i>	99.7		126	119.7	„ 8	172.9	107.2		<i>119.5</i>	<i>112.5</i>
1924, Jan. 1	117.4	98.4		121.3†	114.5	June 25	185.8	106.9		125.8	113.7
„ 19	119.1	100.1		119	<i>112.2</i>	July 24	190.6	106.4		123.1	113.5
June 21	115.3	103.3		<i>118.2</i>	118.0	„ 31	197.8	106.2		122.9	113.4
Nov. 8	130.1	103.7		133.7	120.4	Aug. 7	203.7	107.0		123.5	113.4

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

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