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COMMENTS

THE continued ease of the Money Market remains one of the principal features in the economic life of Germany. In any appraisal of the effects of this tendency on economic affairs in general care should be taken against an overestimate. In spite of the liquidity of funds the situation during the last few months has been marked by heavy taxation, economic difficulties of all sorts, and rather slow progress in the creation of new capital. It may, however, be confidently anticipated that, in the long run, easy monetary conditions will influence favourably the general situation. First of all, the lower interest rates will lead to a cheapening of production, and the present plethora of funds has resulted in a sort of automatic revaluation, which, more than the readjustments called for by the so-termed "revaluation" laws, seems destined to contribute to the restoration of Germany's national wealth. The latter had been seriously impaired by the difficulties experienced in disposing of real estate and industrial holdings, as well as by the conversion of shares on a gold basis, and it is only now that monetary conditions are beginning to allow domestic values to adjust themselves to the international level of prices. Looked at from this point of view, the recent activities on the German Bourses, disregarding certain exaggerations, may be considered not so much as a boom in the ordinary sense of that term, but rather as a re-adjustment of share prices on a new and possibly permanent level. A slightly speculative note is to be detected in this movement, and this, which is partly due to inflation and partly to the present fiscal policy, is revealed by the fact that dealings for forward delivery are much more voluminous than cash transactions. It is, however, expected that things will gradually adjust themselves in this respect. Meanwhile, the possibility of floating large loans in the domestic market has helped industry to overcome many of its financial difficulties, and it cannot be denied that the placing of very large orders by the State in connection with the contemplated loans to fight unemployment have and will prove profitable to a wide industrial circle.

THE advance made in the monetary conditions of India was clearly shown in the discussion on the Currency Bill on its second reading in the Indian Legislative Assembly. Sir Basil Blackett, Finance Member, declared that the Currency Report was the most important contribution to Indian currency problems since the Herschell Report of 1893. Since the war the Indian Government has not only been able to restore its finances and to maintain the rupee at a fairly stable level, but can now also plan in advance. It is believed that the Hilton Young recommendations will lead to a real gold standard within a period of five years and will also

amalgamate Indian currency and banking reserves under a single authority independent of the Government. The present conditions are considered steady enough to admit of the stabilisation of the rupee. The present favourable developments in India are likewise reflected in the half-yearly report of the Imperial Bank of India. The profits of this Bank for the half-year amounted to 74,27,354 rupees, as against 69,39,660 rupees for the corresponding period of last year, despite the fact that the average rate of interest was reduced from 6.58 per cent. to 5.65 per cent. After paying 16 per cent. per annum dividend free of income tax and transferring 10,00,000 rupees to reserve, as in the preceding year, the amount carried forward was 29,50,273 rupees, as against 21,97,900 rupees. There is little change in general deposits, but public deposits rose from 22,52,81,052 rupees to 32,54,88,963 rupees. Total Government Securities figure at 20,69,88,971 rupees, as compared with 17,33,75,317 rupees. The report is testimony to the sound management of the Imperial Bank.

THE decline of trade in Czechoslovakia, as reflected in the figures issued by the Czechoslovak Bureau of Statistics, has given rise to grave misgivings in business centres in that country, despite the fact that in view of the prevailing industrial depression common to several countries in Central and Eastern Europe such a result was not altogether unexpected. Compared with the figures for the first half of 1925, the export trade during the first six months of the present year has fallen off by more than a milliard Czechoslovak kronen. Although the balance of trade for the half-year is on the favourable side, there is reason to believe that the present depression may not soon be removed. The main cause of this decline seems to be the high tariff walls that have been erected during the past year in many European countries which formerly figured among Czechoslovakia's best foreign markets. Another factor that has had an appreciable influence is the depreciation of prices in the world's market for some of the most important Czechoslovak products. Exports of sugar, for example, increased by some 28,000 tons, yet the value shows a reduction of about 200 million Czechoslovak kronen. The depreciated French franc and Italian lira have also assisted the dumping of French and Italian goods in Czechoslovakia and other European countries, and have naturally affected home production to a considerable extent. An interesting feature of these figures is the decline in the volume of trade with Germany, both in respect of imports and exports. After Germany succeeded in stabilising her currency she proceeded to increase her Customs duties. This action has not only restricted imports into Germany, but seems also to have so reacted upon the foreign markets that it has become increasingly difficult for these markets to purchase from Germany, with the result that the latter has injured her own export trade. Czechoslovakia is under no delusions respecting the immediate prospects in her former markets. She realises that it has become exceeding difficult for her to maintain her former position therein

and has accordingly set to work to secure fresh markets farther afield. A notable feature of her present activities is the strenuous endeavour that is being made by the export trade to stimulate commercial exchanges with and to conquer fresh markets in overseas countries. This policy, together with that of concluding commercial treaties in other directions, should somewhat ease the situation. The reform of taxation which is to be submitted to the Czechoslovak Parliament should lighten the burden of taxation, and the manufacturers themselves are reorganising their production and sales and improving their plant with a view to concentration and specialisation. The outlook is probably not so dismal as the bare figures would suggest.

TRADE fairs are the order of the day in Czechoslovakia at this time of the year. The Liberec Fair, with its important exhibits of textile goods, glassware and porcelain was held from August 14 to 20, and from the unofficial reports that have come through appears to have been a success. The Sixth Danubian Fair at Bratislava opened on August 22 and continues till September 2. Here furniture exhibits form one of the main features: there is also a special section for small trades and industries with over a hundred exhibitors. The usual exhibits are strongly represented. As an instance of the keenness manifested 63 growers of barley are showing 178 different sets of this grain. The annual Samples Fair at Prague takes place from August 29 to September 5. The total number of exhibitors will be about 2,500, and some special sections have been provided, for sports goods, furniture, radio requisites, etc., in addition to an Ideal Homes Exhibition, a Shoe Industry Show and a Mining Exhibition. Certain foreign countries take great interest in the Prague Fair and the fact that they repeat their displays suggests that satisfactory results are achieved. The United States Pavilion, for instance, proved a success at the last Spring Fair and has again been organised by the United States Commercial Attaché at Prague. The main United States exhibits are tractors, motor car accessories, motor cycles, typewriters and office requisites, cash registers, automatic scales, electrical machines and various household requisites, agricultural produce, etc. The Portuguese Government is arranging an exhibit of colonial produce and wines. The official French Exposition will be a more extensive one than on previous occasions, the French colonies will also be represented this year. According to a statement by the French Department of Overseas Trade, French firms secured at the last Samples Fair orders to a total of over two million francs. Brazil, which for the first time is appearing at any European Fair, has a comprehensive show of her varied products, the exhibit having been organised by the Brazilian Ministry of Commerce, Industry and Agriculture. Great Britain and several other countries will be represented by individual exhibits. The official British representatives have repeatedly called attention to the big possibilities for British goods in the Czechoslovak market and also to the fact that British manufacturers seemed inclined either to ignore this potential market or not to adapt themselves to the prevailing conditions. We share the opinion that Czechoslovakia offers a big field for British enterprise and that it would be advisable for British firms to take advantage of the opportunities offered by Czechoslovak Trade Fairs to introduce their wares into the country.

THE Annual Report of the Conservator of Forests in the Federated Malay States presents an interesting survey of some of the industrial and commercial activities of these States in 1925. Growing prosperity in all directions resulted in heavy demands for timber which could not be completely satisfied, as labour was attracted to the easier and more lucrative employment offered by the rubber plantations, and towards the end of the year there was something approaching a "timber famine" causing prices to become extravagantly high. The total yield of timber on which royalty was levied rose

from 159,298 tons in 1924 to 169,647 tons in 1925. The shortage of labour was also a serious handicap in the case of minor forest products, mainly for exportation. The Damar Penak industry, a resin that has an established reputation in the paint and varnish making trade throughout the world, suffered severely from an insufficient number of native tappers. The output of jelutong, for which there is a growing demand on the part of American chewing-gum manufacturers, showed, on the other hand, an upward tendency, and the potentialities of this industry are said to be excellent. At the end of the year this branch of industry also suffered through the difficulty of getting tappers, and prices rose considerably. The output of guttapercha increased and the whole was sold to Great Britain at prices which rose from 5s. per lb. at the beginning to 7s. per lb. at the end of the year. Departmental exploitation of canes was also commenced. Fourteen species were selected and trial shipments of 23 tons were made to a firm in England, resulting in cabled orders for greater quantities than could promptly be supplied. There would appear, therefore, to be great possibilities of development in this industry. Reports on samples of bamboo for paper pulp manufacture were most favourable. Of the total area of the country about 18.3 per cent. is now reserved forest. Taking all into consideration, industry and commerce in the Federated Malay States are in a very favourable position and the prospects may be described as exceedingly bright.

Most of the principal dailies drew attention to the particularly interesting remarks contained in the address of the chairman of John Hetherington & Sons, Limited, makers of textile machinery, at the annual meeting, a report of which appeared last Monday. The company is very closely connected with the textile industry all over the world, and Mr. M. C. Harman suggested that the word "over-production" should be ruled out of order "until say 90 per cent. of the world's inhabitants were well clad and well fed." The potential demand for cotton manufactures is unlimited, in fact each new year sees the area of possible consumption widened, and the thought so well expressed by Mr. Harman was timely and should serve to counteract the influence of those who are prone to depict trade, and particularly the cotton trade, as in the doldrums. Obviously, a bare recognition of the existence of such certain demand was not enough, and, unqualified, would have invited criticism. Mr. Harman, however, anticipated this and proceeded to combat it in an unanswerable manner. The world's capacity to absorb manufactured goods is, he pointed out, tempered by the price at which goods can be purchased, and is not fixed in relation to the statistics of consumption in former years—figures which are interesting enough, subject to their limitations. The means by which increased buying could be secured at lower prices were, Mr. Harman suggested, in the direction pointed by a far greater use of existing machinery than at present, so that, instead of being loaded with interest, depreciation, and other charges for a great part of the time that it is now idle, it would be fully employed. Fixed charges would remain unchanged, but the resulting output would come "within the reach of that much broader and thicker stratum of buyers which lies below the strata that Lancashire can reach on the existing price basis." Such a conception needs for its realisation an organised and real co-operation between employers and employed. Read in the light of that ideal, Mr. Harman's speech will prove an interesting document. A perusal of it, will, perhaps, reveal something of far more importance. It is evidence of the imperative demands made by modern methods of production upon the resources of old and reputable undertakings for the introduction of the new and the up-to-date in place of obsolete plant and machinery. A response to those demands is the modern definition of enterprise and constitutes the most cordial invitations to future prosperity.

SPECIAL ARTICLES

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

DISCOUNT RATES AND RATES OF EXCHANGE.

By Dr. ERNST DICK.

The problem of the currencies keeps on agitating our poor and troubled world. For many weeks past we have been witnessing the struggle of France, Belgium and Italy to steady a yielding rate of exchange. One measure after another has failed. More and more the experts confess themselves baffled. "The mystery of the lira deepens," the London *Times* wrote early in July, and the phrase was repeated in hundreds of newspapers all over the world. It is the twilight of an old and venerable theory of economics.

In an article contributed to THE ECONOMIC REVIEW last February, I discussed the main conditions required to ensure the stability of currencies. Three points emerged from the examination: (1) "Avoid attempts to alter the magnitude of the public debt; (2) avoid attempts to alter the national revenue in its relation to expenditure; (3) avoid attempts to alter the degree of fiscal protection afforded to the various industries." All these three conditions are being sinned against by the French Government. They are trying to alter everything. They have created, with a fine display of constitutional machinery (i.e. altering the Constitution itself), a *caisse d'amortisation*, a special sinking fund to reduce—and by what fabulous amounts!—the public debt. They have voted new taxes; they have also raised their Customs duties. It is amazing. The aim proposed is to stop inflation, the rising of prices, the issue of new currency, the swelling of figures, and the means employed is this all round adding to the figures of basic prices!

However, by far the worst feature of the proceedings of the Cabinet of M. Poincaré is the raising of the discount rate from 6 per cent. to 7½ per cent. The present paper is intended to set forth a few of the reasons why a rising, and an abnormally high, rate of discount must make for further inflation. (The matter is fully dealt with in my book "The Interest Standard of Currency," pp. 116–157.)

The countries afflicted with, and under the menace of, money depreciation at the present time are France, Belgium, Italy and Poland. Their political and economic conditions differ widely. The only feature which they have in common, apart from the weakness of their currencies, is the fact that their official rate of discount is far above the normal. The conclusion naturally imposes itself that these two features stand to each other in the relation of cause and effect, one being the consequence of the other. Indeed the connection has long been recognised in economic theory, and in countless instances the rate of discount has been raised with a view to checking inflation, and lowered in order to end a course of deflation. The current theory is to the effect that a higher rate causes a restriction of credit and consequently a diminution of the issues of currency with a slowing down of the money circulation, and so the fall of prices and the improvement of the rate of exchange. My contention is that it is all the other way about, and the discount policy which I would recommend is to lower the rate when it is desired to counteract inflation, and vice versa. Of course a theory which has found universal acceptance cannot be entirely wrong. It will be indicated below in what respect the traditional discount theory is well founded.

The question arises whether the rate of discount can be altered at will. There are numerous instances to prove that it can. In November 1924 the rate of the Banque de France was raised to 7 per cent.; during the following months the French rate of exchange fell steadily—its fall overthrowing the first Herriot Cabinet

—until July 1925, when M. Caillaux was appointed Finance Minister and the rate of discount was reduced to 6 per cent., after which the franc remained stable for fully three months. Note well that the discount rate was lowered as a measure to check inflation, therefore contrary to theory, and that the measure succeeded for a time. It was an arbitrary act, and it proves that the thing can be done. Another instance is that of Austria, where the discount rate was reduced in defiance of the warnings (and the threats) of the *Times* expert, who predicted that the measure would cause fresh inflation; but nothing of the kind happened, deflation being more acutely declared than before.

Thus, then, there is already in existence a fund of practical experience to demonstrate the functioning of the discount mechanism. The few exceptions that might be cited only prove the rule. For a certain length of time a vigorous effort may succeed in mastering a currency in defiance of the rate of discount; in the long run, though, the rate will prove the paramount factor.

In surveying an individual case the first thing to take into account is the point at which the rate of discount actually stands, or from which it is moved. Every development sooner or later reaches its limit. Although the price level will fall as the discount rate is reduced, this movement must eventually come to a standstill, because neither prices nor the rate of interest can be reduced to nought. Hence the last reduction of the rate, instead of causing a further fall of the price level, is followed by a turn of the tide. It is this observation that has misled the economists into the belief that a reduction of the rate brings about the rise of prices; they have generalised from the extreme case. The movement in the opposite direction has more scope—paper money prices and the rate of interest can rise to almost indefinite heights, as was proved in the case of Germany and others; however, fundamentally it is the same. There is a striking physical analogy to the process. Water increases and decreases its density as its temperature is lowered or raised; but when the temperature falls below 4° C. the density decreases instead of increasing, and when the temperature rises above boiling point the liquid is transformed into steam. We may apply this law of physics to what happens to money and prices. When the rate of discount is depressed the density of money, i.e. its purchasing power, will increase, and prices fall with the falling of the rate. But only so while the rate of discount is above a certain point; for when it goes below this point prices may be expected to recover again. Likewise in the opposite case: while the rate of discount is being raised the density of money, its purchasing power, decreases. (No analogy holds good in all particulars. A difference to be noted in the present instance is the fact that money depreciates—though with occasional breaks—not only when the rate is raised, but as long as it is kept above normal.)

It deserves to be specially remarked that in this matter of the discount rate and its influence on the price movement the reformers are as uncompromising as the orthodox school. All proceed on the assumption that "cheaper" money is borrowed more eagerly. They fail to distinguish between the start and the finish and seem to imagine that the impetus of a movement is the same in all its stages. Physicists, chemists, astronomers would be scandalised if they knew about the methods of their learned colleagues of the department of economics.

Eager borrowing and buying set in after money and goods have reached, or haply passed, the limit of pos-

sible cheapening. Contrariwise the desire to borrow or to buy (which is the same thing) languishes when the fall of prices is imminent and while there is scope for further reductions. We borrow money in order to buy goods. From cheapened money result cheaper goods; nothing could be more logical. But this does not signify that goods will be reduced in price the moment the rate is reduced. The discount rate takes a sudden leap of considerable magnitude; from 5 per cent. to 4 per cent. is one-fifth or 20 per cent. It stands to reason that goods cannot be cheapened at such a rate; the process of cheapening takes time. He who undertakes to produce goods with newly cheapened money has got to buy uncheapened goods and labour. So he risks having to sell at a loss if the price is reduced subsequently. And prices are sure to fall, simply because the buyers expect the fall as a consequence of the cheapening of money; they defer purchases, whereby demand slackens and prices are brought low. The French say: *la hausse amène la hausse*; in the same way *la baisse amène la baisse*. The lowering of the discount rate, which can be decreed without a warning, inevitably brings about the slump of prices, provided the slump has not reached its limit.

The process can be accounted for in a number of ways. Although called by a different name, the rate of discount is a form of interest, and the common rate of interest is largely determined by the rate of discount. Thus by the same decree which raised the French discount from 6 to 7½, the rates of interest of all public loans were raised proportionally. Now the rate of interest is the rate applied in capitalising the money yield of real capital. When the rate is raised the money value of real capital is reduced in the same proportion. For an illustration take the case of an estate. If its net money yield is 600, its price is 10,000 with a rate of interest of 6 per cent.; but its price falls to 8,000 when the rate is raised to 7½ per cent. Now this sudden depreciation of real capital is an immediate inducement for people to try and acquire real capital; for it is profitable to buy *after* the fall of prices. The consequence is that, far from falling, prices will rise; nobody cares to sell while everybody bids for goods. Indeed the rise of prices is the only possible remedy for the enormous damage inflicted on the owners of real capital by such a ruthless execution as is a 25 per cent. raising of the official rate of interest. It is the only way in which the proper relation between the price of capital and its money yield can be restored. If the price of our assumed estate is to be maintained at 10,000, the annual yield must be made to amount to 750 instead of only 600; this necessitates that the price of its products shall be raised from 6 to 7½.

Another way of demonstrating the relation between the rate of interest and the general price movement is as follows:—

A higher rate of interest is equivalent to a shorter term of the loan. Instead of saying how much a sum of 100 yields per annum, we can express the rate by saying how many months or days it takes for 100 to yield one. Thus it comes to the same whether we speak of

- a 4 per cent. loan or a 3 months' loan,
- a 3 per cent. loan or a 4 months' loan,
- a 2 per cent. loan or a 6 months' loan;

for

- a 3 months' loan yields 1 per cent. in 3 months,
- a 4 months' loan yields 1 per cent. in 4 months,
- a 6 months' loan yields 1 per cent. in 6 months.

Instead of taking the year (time) as the unit, we take the per cent. This manner of expressing the ratio enables us to visualise that a higher percentage is tantamount to a shorter time. The 5 per cent. loan returns its yield of one to the lender in a shorter time than the 4 per cent. loan. In other words, the money must circulate faster, it is under a higher pressure, in proportion as the rate of interest is higher. Now by common consent money circulating at an increasing velocity causes prices to rise.

Deflation, or the general depressing of prices, is a most harmful process and ought to be avoided. In stabilising an inflated currency care must be taken not to force matters; the discount rate should be reduced by smallest degrees, and the successive reductions deferred until the price level shows a renewed tendency to rise. The stagnation and unemployment in Germany and Austria these last months is largely due to the excessive and too rapidly repeated reductions of the discount rate. In all the countries with a low rate of 3½ to 4 per cent. deflation has steadily prevailed. It is my opinion that the irresistible decline of the currencies of France, Belgium and Italy is partly caused by the unwise deflationary policy of the stronger countries. For while one set of countries pursues a course in one direction, another set is necessarily forced into the opposite direction. It would greatly assist currency stabilisation in France, Belgium and Italy if the countries with strong money would raise their discount rates a bit. (On this question see my earlier article in *THE ECONOMIC REVIEW*, Feb. 26, p. 189.)

The rate of interest is the sovereign ruler of the currency. It determines the expectations and the calculations of the business world, which in their turn determine the development of the economic conditions. A mistaken handling of the discount mechanism so upsets the monetary structure and tissue as to frustrate all other measures, however wise and brilliant. (They are mostly mean and tyrannical.) As regards the rates of exchange, they depend almost entirely on the rates of discount, and a tolerable degree of stability will not be attained so long as the discount rates of the various countries lie so far apart. The rate of interest constitutes the pressure on the money circulation. No more than two machines under unequal pressure can run at the same speed, can currencies with an unequal discount rate maintain a steady rate of exchange.

THE STABILISATION OF THE FRANC AND BOURSE STOCKS AND SHARES.

By M. PAUL APOSTOL.

The question of the depreciation of French Bourse stocks and shares consequent on the fall in the rate of the franc and that of the effect that stabilisation of the currency is likely to have on those securities, are questions that are now being more and more investigated in business quarters in France and by the French financial Press. In the Report of the Committee of Experts appointed by Decree of May 31 to consider the whole of the currency problem we find the following table showing the depreciation of the gold value of various French securities as a result of the fall in the rate of the franc:—

	Value in gold francs. Average for 1913.	June 30, 1926.	Value on June 30, 1926, in relation to average for 1913.
French 3 per cent. Rentes	87.12	6.88	7.89
Bank of France	4465.00	1809.00	38.77
Comptoir National d'Escompte	1043.50	131.00	12.55
Compagnie Transatlantique	179.00	25.50	14.24
Thomson-Houston	761.00	54.00	7.10
Châtillon-Commentry	2122.50	212.00	10.00
Bruay	1646.00	438.00	26.60
Nord	1677.50	164.00	9.77

On the other hand, the *Information* has published over the signature of M. Olphe-Galliard two long tables under the heading "Transferable Securities and the Depreciation of the Franc," from which we extract the following examples:—

	Gold value. Dec. 31, 1913.	Dec. 31, 1925.	Depreciation % compared with 1913.	Income per cent. in 1913.	1925.
<i>Government Stocks.</i> 1913.		1925.			
3 per cent. Rentes	85.50	8.91	89	3.4	6.3
5 per cent. 1915	76.56	10.03	87	5.6	9.5
4 per cent. Railways 500		38.96	92	4.0	7.6

	Gold value.		Depreciation % compared	Income per cent. in	
	Dec. 31,	Dec. 31,			
<i>Municipal and Real Estate.</i>					
City of Paris ...	353	29.03	91	3.3	5.9
3 per cent. Foncières 1909 ...	247	22.92	90	3.0	4.5
<i>Bank Shares.</i>					
Société Générale	815	157.70	81	4.5	4.4
Crédit Lyonnais	1679	272.93	83	3.8	4.2
Banque de Paris et des Pays Bas	1675	237.60	85	2.3	2.8
<i>Colliery Shares.</i>					
Carmaux ...	2920	286.50	90	3.0	3.6
Haute Loire ...	714.35	228.90	68	5.5	4.2
Montrambert ...	630	227.09	62	3.8	1.8
<i>Railway Shares.</i>					
Est ...	920	115.55	87	3.8	5.9
Lyon ...	1280	148.21	88	4.5	6.4
Nord ...	1708	178.58	89	4.3	6.7
<i>Mercantile Marine Shares.</i>					
Chargeurs Réunis	628	80.22	87	5.5	1.3
Compagnie Transatlantique ...	156	206.08	32	3.8	3.3
<i>Metallurgical Shares.</i>					
Decauville ...	152.50	29.79	80	4.6	5.9
Fives Lille ...	990	251.92	74	5.5	4.0
Denain et Anzin	2350	254.98	88	3.4	1.6
<i>Debentures.</i>					
Est Railway 4 per cents ...	509	41.36	91	3.9	7.0
Lyon Railway 5 per cents ...	624	45.84	92	4.0	8.1
Nord Railway 4 per cents ...	504	48.32	90	3.9	6.0
Suez 5 per cents	587	496.60	15	4.3	0.9

The depreciation in the gold value of French transferable securities is not uniform and does not correspond exactly with the depreciation of the franc. This is but natural, seeing that outside the depreciation of the franc there are other factors which have affected the quotations of stocks and shares—such as the nature of the transaction, fluctuations in the demand, purchases and sales—which naturally react on Bourse quotations.

How will stabilisation of the franc affect the Bourse quotations of French securities? obviously it is impossible to give a precise answer to a question of this kind, but an attempt may be made to determine the chief factors which will probably affect those quotations in consequence of the stabilisation of the franc and of the revaluation of the accounts of various transactions in new gold currency.

Many French undertakings have not increased their share capital since the war, or have only done so to a very small extent. Any capital that they required was obtained by the issue of debentures. It is evident that the position of these undertakings will be very favourable; for while their indebtedness as represented by debentures will undergo depreciation, the gold value of the industrial plant purchased out of this borrowed capital will remain unimpaired. Their balance-sheets revised and expressed in terms of a stabilised currency will in the circumstances show larger net assets than at present.

In certain businesses the balance-sheets continue to evaluate at their pre-war price the value of the real property, which has actually appreciated considerably. One of the reasons why these businesses continue to evaluate their real property below their true value is their desire thus to insure themselves against the depreciation of other items in the balance-sheet affected by the fall in the rate of the franc. Once the franc is stabilised this reason will no longer operate, and the assets of these companies will necessarily be increased as the result of a true valuation of their real property. Two typical examples may be given, the Crédit Lyonnais and the Comptoir National d'Escompte. In their balance-sheet for 1914 the real property of the Crédit Lyonnais was valued at 35 millions, and again at the same amount in the 1925 balance-sheet. But in 1914 it was a matter of gold francs, in 1925 one of paper francs. Now the value of the real property of the Crédit Lyonnais, whose agencies are nearly everywhere

installed in buildings owned by them, is generally valued at the very least at 250 millions. The site alone of the head office of the Crédit Lyonnais on the Boulevard des Italiens is valued at a hundred million francs. And so with the Comptoir National d'Escompte, whose offices in the Rue Bergère alone are valued at several hundred millions of francs, whereas the whole of the real property of this bank figured in its 1914 balance-sheet as of a value of 15 million francs and continues to be valued at that amount in its balance-sheet for 1925.

There has been much talk of late in the French financial Press of this lack of agreement between the actual value of the real property of certain banks and its value as given in the balance-sheets, and this was one of the reasons why Crédit Lyonnais stock experienced such a large rise. It must be pointed out, however, that the balance-sheets of the big French credit institutions do not give a true notion of the assets in foreign currencies in the holding of their foreign branches. And here again a revision of their balance-sheets would very likely show larger assets than are actually disclosed in them.

Stabilisation will of course be followed by an industrial crisis, the result of the restriction of consumption at home, the reduction of exports owing to the rise in the cost of production, and lastly the restriction of credit by the banks. The Report of the financial experts declares an industrial crisis to be inevitable during the first stage of stabilisation. Such a crisis will necessarily react on the industrial and financial position of French companies. As in the case of every country which has achieved currency reform, stabilisation may be followed by the liquidation of a certain number of weak undertakings. On the other hand, healthy enterprises will find their position improve in the course of the period following the crisis, when order and economic prosperity will revive throughout the country.

In conclusion, the following considerations have also to be taken into account. When the national currency experiences a serious fall, stocks and shares are bought not because of the interest they return, but solely because of the security they present as an investment and of the profits likely to accrue from a rise in their Bourse quotations. Once the franc is stabilised these considerations will cease to operate, and transferable securities will regain their erstwhile attractiveness, mainly according to the income they are likely to yield. But, as we have seen by the above table, this income is very small in the case of many French securities, and this fact may have a weakening effect on the rise of the quotations which will naturally follow the revaluation of balance-sheets.

ECONOMIC SURVEY OF GREECE IN 1925.

(Continued.)

AGRICULTURAL PRODUCTION.—4. OLIVE OIL.

The following survey of the oil output in 1925 is taken from the annual Report of the General Bank of Greece.

As compared with the bumper olive harvest of 1924 that of last year naturally showed a considerable decline, as appears from the following table (in thousands of kilogrammes):—

District.	1924.	1925.
Continental Greece ...	5,200	1,180
Euboea ...	3,000	300
Epirus-Thessaly ...	5,900	3,523
The Morea ...	23,460	4,932
Cyclades ...	2,000	160
Heptanese ...	3,250	13,000
Crete ...	38,000	14,000
Ægean Islands ...	31,400	7,739
Total ...	112,210	44,834

To ascertain the value of the oil output during the year under review, regard must be had to the fluctuations of prices during the year, which varied from Dr.21 to 24 per oka in the early months of the year to Dr.26 to 29 after the olive crop had been found to be a

small one. Thus taking the average price at Dr.25 per oka or Dr.20 per kg. we arrive at a total value for the 1925 oil production of Dr.896,689,000.

Greece holds third place among oil producing countries, as may be seen from the following table of the world's olive oil output (in thousands of tons):—

	1924-25.	1925-26.
Spain	200	350
Italy	200	150
Greece	170	70
Tunis	35	45
Algeria	20	15
Portugal	10	10
France	8	5
Morocco	10	3
Asia Minor, etc.	85	100

There is little doubt that, were greater attention accorded to the treatment of the olive trees, notably to regular pruning, and were the harvest in certain quarters to be conducted in less primitive fashion, the enormous difference now existing between the output of these two years would appreciably diminish. The compulsory pruning of the trees should, if necessary, be imposed by law. Such pruning would undoubtedly tend to reduce disease and the consequent loss to Greek oil production.

The Report for 1924 estimated the oil stocks in hand at the beginning of 1925 at 112 million kg., to which should be added the output for 1925 of 44.8 mill. kg., making a total of 156.8 mill. kg. for home consumption in 1925 and 1926. Estimating the annual consumption at 11 kg. per head of a population of 7 millions, it will be found that 154 mill. kg. will be required for home consumption for the two years, so that during the year 1926 at least it will be impossible to permit the export of olive oil, which has been prohibited by orders of September and October last.

The export of olive oil up to August 31, 1925, when the order prohibiting its export came into operation, amounted to 16.6 million kg., with an estimated value of Dr.322,103,980, or £1,032,386, and was distributed among the various customer countries as follows (in thousands of kilogrammes):—

Italy	7,421
France	2,759
United States	2,098
Great Britain	1,891
Bulgaria	883
Egypt	603
Italy's African Possessions	301
Rumania	139
Yugo-Slavia	134
The Dodecanese	65
Turkey	50
Other countries	260
	16,605

It is impossible to insist too strongly on the fact that the oil production of 1924 would have been a much greater source of national wealth had not only the Government, but also the olive growers, paid greater attention to improving its quality. Oil production, if gradually increased by the grafting on the cultivated trees of the wild olive, of which there are millions in Greece, and by systematically coping with disease, could have quickly and without fear of competition vied with raisin production as a source of revenue from abroad. Unfortunately no serious or sustained efforts towards improving the quality of the oil have so far been made. Example should be taken by Italy, which exported to the United States 22,574 tons of oil out of the latter's total import of 35,044 tons in 1923 and 24,169 tons out of 34,589 tons in 1924, as against Greece's contribution of 447 tons and 1,059 tons respectively, although Greece's average annual oil output is about 40 per cent. of that of Italy.

The compiler of this section of the Bank's Report candidly warns the oil growers that they cannot expect to increase their export to the United States or anywhere else as long as the oil retains its present degree of acidity and its lack of transparency, and as long as

they continue to pack it in old and dirty barrels, all of which defects were pointed out in the Report of March 1925 of the Chamber of Commerce of New York. The degree of acidity of Greek oil is a great bar to its sale on the American market.

The introduction into the United States of oil having more than one per cent. of acidity is prohibited. The recent analysis of 89 samples of oil from 24 provinces of Greece shows degrees of acidity ranging from 1 to 29 per cent. Of these samples four only showed the percentage of acidity low enough to permit of their export to foreign countries, 48 showed 7 per cent., and 37 from 8 to 29 per cent., being only suitable for the manufacture of soap. The reforms necessary for the success of Greek oil on foreign markets can only be achieved by the formation of a general oil producers' association for the purpose of establishing a superior uniform quality of oil and reducing the cost of production. The example of this class of association was set by the olive growers of Pelios, who in April 1922 founded the Pelios Oil Producers' Provident Fund, transformed by Royal Decree in September 1925 into the Pelios Producers' Provident Fund with extended jurisdiction over tobacco and other agricultural products, its revenue being derived from a duty of from 10 to 50 lepta per oka on potatoes, apples, oranges, lemons, wine, oil, olives, etc. This institution has already rendered important services not only to oil production but to agriculture in general by the foundation of experimental nursery gardens, the supply of cheap fertilisers and the issue of publications on agricultural subjects.

Apart from oil, another important commercial product of the olive trees is the fruit itself, especially that grown at Amphissa, Calamata, and Pelios. The price of Amphissa olives on foreign markets during the year varied according to quality from 60 to 135 shillings per 100 okas (about 2½ cwt.) f.o.b. Piræus, barrels included. It is a pity that the same carelessness as regards quality and packing prevails in the case of olives as in that of oil.

The exhibitions held respectively in 1925 by the Chambers of Commerce of New York and Alexandria call for the closest attention on the part of those interested in the olive market. Frauds on purchasers, by placing layers of choice olives on top of those of inferior quality, and bad packing are not calculated to attract custom. Greek producers cannot yet understand the importance of a standard type of any kind of agricultural or industrial product, nor that choice olives should be of uniform size and packed in small barrels, while the inferior ones may be packed in old but clean barrels without the presence of foreign substances or dead fruit. Therefore the institution by Decree of August last, on the initiative of the Pelios Producers' Provident Fund, of State supervision of the Pelios olive trade must be welcomed as a step in the right direction.

The said Decree requires the export of Pelios olives from certain designated ports, the stamping of the barrels with the place of origin and the exporter's name, and the use of new barrels for export to the United States and of properly cleaned barrels for consignments to other countries. Infringement of the Decree involves a fine equal to the value of the consignment, of which half goes to the Pelios Producers' Provident Fund. It is highly desirable that this admirable measure should be extended to all olive growing districts.

The following table shows the export of olives to the chief customer countries (in thousands of kilogrammes):

	1924.	1925.
United States ...	3,490	3,400
Egypt	2,387	3,052
Rumania	2,093	1,986
Bulgaria	1,682	1,758
Other countries	1,437	1,332
Total	11,088	11,529

The value of the olive export for the year may be estimated at Dr.126,820,067, or £406,470.

5. WINE.

The wine output of 1925 amounted to 200 million litres, or 18.2 million less than that of 1924 and 6 million higher than that of 1923. The yield from the various districts in 1924 and 1925 is shown below (in millions of litres):—

District.	1924.	1925.
Attica-Bœotia	20.5	19.5
Eubœa	17.9	16.5
Achaia-Elis	14.5	18.0
Argolis-Corinth	16.0	12.0
Arcadia	23.0	17.0
Messenia	22.5	22.2
Laconia	4.5	3.5
The Cyclades	11.33	9.0
Canea	4.0	8.0
Candia	13.0	10.5
Rethumnas	11.5	6.0
Corcyra	17.3	8.0
Cephalonia	5.77	4.0
Samos	6.4	6.0
Other districts	30.0	39.8
Total	218.25	200.0

At an average price of Dr.4 per litre the above yield may be estimated at eight hundred million drachmas.

According to comparative tables of the wine producing countries published in the Report of the International Agricultural Institute of Rome, Greece holds the seventh place among European wine growing countries, France coming first, and among Balkan countries is preceded by Rumania and Yugo-Slavia. In the Bank's Report for 1924 attention was drawn to the danger threatened by phylloxera to the grape and raisin vines, which together constitute 25 per cent. of Greece's total agricultural output, and to the importance of the Anti-phylloxera Act.

Unfortunately under stress of the cost of living a Decree was published in July 1925 permitting the import of fresh fruit and garden produce without any formality at all, and of potatoes, onions and roots on the simple production of a certificate that they had not come from a district infested by phylloxera. It is to be feared that by this measure, which chiefly operated to the advantage of Italy, due consideration was not given to the danger of the spread of phylloxera by the import of these commodities, whereas in Italy itself their transport is forbidden from phylloxera areas to those that are immune.

In June 1925 the first Greek Vinegrowers' Congress was held in Athens, in which participated over one hundred representatives of the Greek Vinegrowers' Association and other experts. After a discussion lasting three days the Congress passed several resolutions of which some have already been put into practice, such as the abolition of the Charter, the establishment of an independent Raisin Board, the prohibition of the use of raisin-made wine for home consumption, and the prohibition of the use of any saccharine raw material except raisins in the fabrication of wine and spirits.

In addition the Congress recommended the following measures: (1) Reduction of railway rates and better transport facilities by the use of extra trucks; (2) the increase of the excise duty on beer and on beersellers' licences; (3) the repression of unfair competition and adulteration by legislation similar to that passed in France; (4) the establishment of experimental vineyards in the Athens and Patras districts with branches in the more important districts, and of plantations of American vines, at the cost of the Anti-phylloxera Board, the revenues of which institution should be simultaneously increased by the payment of special dues in gold drachmas.

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In addition to ordinary wine a considerable trade is carried on in wine made from raisins. The importance of this industry both to the wine trade and to raisin growing is revealed by the amount drawn by the industry in 1925 on the "Raisin Retention Stock," especially for the preparation of dry wines and "mistelle" (alcoholised must) exclusively for export. In 1924 and 1925 the Retention Board held six auctions of an aggregate amount of 42 million litres, which was placed entirely at the disposal of the wine trade, being taken up by 9 of the 16 Greek wine and spirit distilleries. This amount represents 13 per cent. of the raisin output for 1924 and 24 per cent. of the whole raisin export of 1924-25.

During 1925 the Greek Government entered into the following commercial conventions of six months each, chiefly affecting the export of Greek wine and raisins: (1) with Germany, permitting the export to that country of a maximum of 25,000 litres of dry wine and "mistelle," reducing the tax on raisins from 24 to 16 gold marks, and alleviating the charges on the import of tobacco by a revision of the tariff; (2) with Czechoslovakia, permitting the import of 35,000 hectolitres with a duty of 210 kronen per hectolitre and of 4,000 tons of raisins with a duty of 130 kronen per 100 kg.; (3) with Hungary, whereby the import of Greek raisins was charged with a duty of 12 gold kronen per 100 kg.; (4) with Austria, whereby raisins were charged with a duty of 15 gold kronen per 100 kg. and wine of below 13 degrees with 30 gold kronen per hectolitre, subject to a reduction of these duties in the case where other countries should agree to reduce their duties on these products; (5) with Poland, which accorded permits for the import of wines and spirituous liquors within the measure of the needs of Poland's consumption, and reducing the duty on raisins by 73 per cent.

The following table shows the export of wine to the chief customer countries for the seven months ending July 31, 1925 (in thousands of litres), no official returns being available for the remainder of the year:—

Great Britain	2,184
Egypt	2,942
Belgium	1,670
France	7,922
Germany	1,305
Italy	3,220
Holland	3,231
Other countries	213
Total	22,690

Basing the amount exported during the remaining five months on the proportion of the above figures, we get a total export of wine and "mistelle" for the year of 38,897,000 litres as against 26,468,000 in 1924, the greatest export of wine since the war with the exception of the 53,998,000 litres exported in 1922.

The value of the export for 1925 is estimated by the Statistical Department at Dr.148,984,272, or £477,513.

(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.]

AUSTRIA

POLITICAL AND GENERAL

The Economic Situation.—Public confidence in the gradual restoration of sound conditions in Austrian national economy, which was temporarily shaken to a slight extent at the beginning of July by an untoward event in connection with one of the minor banking institutions of the country (the Zentralbank der Deutschen Sparkassen), is now more robust again. Much comfort is derived from the fact that the financial situation is satisfactory and that savings deposits continue to increase, while greater activity is reported in many branches of industry. The adverse balance of foreign trade, which was very high at the beginning of the year, has been gradually decreasing, and, as foreign tourist traffic is brisker than in recent years, Vienna especially boasting a record number of visitors from abroad during the last two months, conditions are decidedly more favourable now than was expected towards the end of the first half-year.

State Finances.—In spite of the fact that the Government was compelled to disburse a very considerable amount (62.5 million schillings) in connection with the difficulties of the above-mentioned bank, the financial situation is favourable and the excess of revenue from taxation and the monopolies during the first six months of the current year over receipts from the same sources in the corresponding period of last year was far larger than the expenditure, which is besides recoverable, occasioned by the crisis in the affairs of the Zentralbank der Deutschen Sparkassen, as is shown by the following figures (in schillings):—

Yield of taxation (direct and indirect) and of Customs duties.			
January 1 to June 30, 1926	...	480,214,000	
" " " 1925	...	413,115,000	
Increase	...	67,099,000	
Gross receipts from State Monopolies.			
January 1 to June 30, 1926	...	171,612,000	
" " " 1925	...	153,157,000	
Increase	...	18,455,000	
Total increment	...	85,554,000	

Compared with the revenue obtained in the first six months of 1925, Government receipts in the first half of 1926 have increased 16.2 per cent. in the case of taxation and Customs duties and 12 per cent. in regard to the monopolies. There is no danger, therefore, that the advances made by the Government to the Zentralbank der Deutschen Sparkassen will in any way upset the Budget, but the Government is, moreover, intent on recovering them, and though a Bill destined to ensure the repayment of the outlay was withdrawn by the Cabinet at the end of last session, the measure will be revived in a somewhat different form when the National Council meets in the autumn. The purport of the Bill will be to authorise the issue of interest-bearing bonds, guaranteed by the Government, which all institutions of the country entitled to accept savings deposits will be required to subscribe in a certain proportion to the amount of savings deposits held by them, and a portion of the proceeds of the bonds will be employed towards the repayment of the advances made by the Government to the Zentralbank der Deutschen Sparkassen.

Banking and the Bourse.—The difficulties of this institution might have had serious consequences for the economic life of the country but for the prompt action of the Government. It should be remembered that it was at the Zentralbank that many savings institutions of the country kept their surplus funds. In order to preserve intact the confidence of the thrifty it was essential that the Zentralbank der Deutschen Sparkassen should be enabled to discharge its liabilities

towards depositors. The consequences of the failure were thus limited to a very narrow circle of interests, while the public at large did not feel it except through a delay in the reduction of the bank rate, which had been expected at the beginning of June and had to be deferred for about a month. The ultimate fate of the Zentralbank der Deutschen Sparkassen is still in the balance. A committee of experts appointed by the Government is supervising the winding-up, while a Parliamentary Commission is inquiring into the causes of the crisis and will report on them to the National Council.

As stated above, a reduction of the bank rate (from 7½ to 7 per cent.) came into force at the beginning of the month and interest rates on credit balances and overdrafts were also lowered in consequence. As had been the case on former occasions, apprehension was again expressed lest the lower return on savings deposits should induce a slackening of the rate at which such deposits have been accumulating during the last few years. It is, however, apparent now that such anticipations were quite unfounded. The time has not yet come, it seems, when the fixed, though comparatively low, interest yielded by savings deposits loses its attraction for large classes of the population in favour of other kinds of investment.

The Bourse has had a period of greater animation in the last two or three weeks and quotations are appreciably higher than they have been for a considerable time past. The prices of a number of leading stocks and shares on August 17 are shown in the following table as compared with the quotations on January 4, date of the first Stock Exchange meeting in the current year (in kronen):—

	August 17.	January 4.
Wiener Bankverein	92,000	82,000
Boden-Credit-Anstalt	174,000	157,000
Creditanstalt	128,400	104,000
Escomptegesellschaft	260,000	262,000
Donau-Dampfschiffahrtsges.	970,000	425,000
Staatseisenbahn-Ges.	344,500	308,000
Alpine Montan	349,500	238,000
Felten & Guilleaume	374,000	270,100
Hutter & Schrantz	347,000	270,000
Krupp	260,500	169,000
Oesterr. Waffenfabr.	60,000	39,000
A.E.G. Union	71,900	56,600
Siemens-Schuckert	173,900	76,500
Leykam-Josefsthäl	144,500	121,000
Neusiedler	2,200,000	1,500,000
Perlmoser Zementfabrik	2,620,000	1,600,000

The improvement, it should be noted, took place very gradually with only temporary interruptions, and at no time since the beginning of the year was the movement stormy or abrupt. Another fact that needs to be borne in mind is that the quotations are for the old nominal value of shares and are not yet based on the fresh face value which shares are to receive in accordance with the capitalisation of companies under the Gold Balance Act. Quotations in accordance with this law will not come into general use before the beginning of 1927.

Savings deposits, as has already been observed, are on the increase. The latest official figures, for July, record a total amount of over 723 million schillings as against about 356 million schillings at the corresponding period of last year. The official statistics, however, include only the Vienna banks and a limited number of savings institutions in the capital and in the provinces. They do not comprise the smaller co-operative societies and similar organisations, which, as appeared in the course of a recent inquiry, hold between them a considerable amount of savings deposits, probably not very much below the figure representing the savings deposits of institutions included in the official statistics.

Production and the Labour Market.—Though it is of course difficult to prognosticate, there is a reasonable likelihood that an improvement of conditions in many

branches of industry is at hand. In the case of the iron industry the higher duty placed on the semi-manufactured products under the recent amended Austrian Customs tariff, as well as the revision which the agreement between the Austrian and Czechoslovak iron works will undergo in favour of the former, have already caused the leading Austrian shares of the iron group to rise considerably above the average value at which they had been quoted on the Vienna Bourse during the last two months. An arrangement has also been made between the Austrian works and the finishing industry whereby the latter will obtain the benefit of the deferred rebate on its exports. It had been feared that the higher cost of the semi-manufactured product caused by the increase of duty would react unfavourably on the competitive ability abroad of the finishing industry, but the deferred rebate scheme will counterbalance this effect. A considerable amount of relief is expected to come to many industries out of the coming into force of the commercial agreement with Hungary, which was signed on February 8 but only ratified on August 14. The final acceptance of the agreement by Hungary was made subject to a number of conditions, compliance with which caused the delay. The amendment of the Customs tariff law, imposing higher duties on a large number of articles, will not become immediately operative in many cases, as existing commercial agreements lay down definite rates which cannot be changed at will by a one-sided Act of the Austrian legislature. However, when the commercial agreements at present in force expire or are denounced the new rates may be of material assistance to Austrian negotiators.

The number of unemployed has remained more or less stationary for the last two months and at the end of July 137,908 were in receipt of regular benefit under the insurance scheme. There were, however, a further 14,600 receiving an emergency dole, while the number of unemployed not qualified to receive relief was about 20,000.

The Unemployment Insurance Act has recently been amended, and though the reform does not alleviate the charges weighing on production, the maximum amount which capital and labour will have to contribute towards financing the scheme has at least been limited. The reform could not be expected to satisfy fully either the work-givers or labour, but it was on the whole the best compromise that could be made under existing conditions.

Foreign Trade.—The adverse trade balance, which was abnormally high in January, amounting in fact to 115.9 million schillings, gradually dropped in the course of the following months, the deficit being 86.7 million in February, 84 million in March, 80.1 million in April and 78.4 million in May. It is thus approaching the low monthly average of last year, which was 77.9 million. While, therefore, the position with regard to visible exports and imports appears to be less favourable than it was in 1925, there is good ground for the belief that invisible exports are larger in the current year. The summer months have brought a great number of foreigners to the country, while the number of Austrians who have gone abroad for their vacations is probably smaller than in recent years.

It remains to be seen what will be the effect of the higher Customs duties on the foreign trade situation of the country, but the expectations are decidedly favourable. It is, of course, an irony of fate that Austria, the large majority of whose population inclines to free trade, has been compelled, after unsuccessful efforts to arrive at working agreements on liberal principles with her neighbours, to adopt a kind of protective tariff herself, but no other avenue of escape appears to have been

open out of a difficult position which had been created by the trade barriers erected by neighbouring States. (*Report of the Association of Austrian Banks and Bankers.*)

ESTONIA

POLITICAL AND GENERAL

General Economic Situation.—The elections which took place in May have not effected any material change in the general composition of the Estonian Parliament. As hitherto, no party succeeded in obtaining a majority, and no Government can be formed without the coalition of several parties. The Right is represented by the Farmers' or Agrarian Party, the Left by the Socialists, the former holding 23 and the latter 25 seats. The remaining 52 seats are divided among eight parties. It is intended to introduce a more stable and less costly system of State administration, in connection with which a reform of the Constitution is under discussion.

The budgetary year will in future begin on April 1, and the first three months of 1926 will be considered a separate period. The report of the Treasury for this transitional period shows the total receipts to be Emk. 1,872 million, as compared with Emk. 1,737 million during the first three months of 1925. The surplus is largely due to the increase in Customs duties (Emk. 358 mill. as compared with Emk. 282 mill.), the increase in the receipts from the spirit monopoly (Emk. 296 mill. as compared with Emk. 214 mill.), and favourable returns from the railways and postal, telegraph and telephone services. According to the statement of the Treasury the receipts from the railways for the first three months amounted to Emk. 345 mill. as compared with Emk. 255 mill. for the same period last year. The figures available for the State revenue for April show a still more marked improvement, the receipts for that month reaching Emk. 767 mill. as compared with Emk. 620 mill. last year, an increase of about 24 per cent. Estonia has entered into agreements with Great Britain and the United States in relation to the funding of her debts to these countries, in virtue of which she will have to pay in 1926 £47,530 and \$100,000 respectively. Towards these amounts £27,530 and \$50,000 have already been paid, and the balances fall due on November 1 (£20,000) and December 15 (\$50,000). In spite of these payments and the increased demand for foreign currency usually observable at this time of the year, it has been possible to keep the reserves of the Eesti Pank at a satisfactory level. The volume of money in circulation reached its lowest point on June 10 with Emk. 3,181 mill., as compared with

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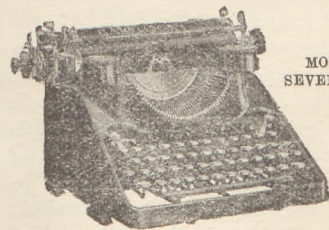
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Emk.3,568 mill. on April 30. During the same period the cover in gold and foreign currency declined from Emk.1,297 mill. to Emk.1,148 mill., the relation between the money in circulation and the cover remaining about the same, viz. 36.36 and 23.09 per cent. The rates of exchange for foreign currencies have not changed, but the banks have consented to waive the extra charge of $\frac{1}{4}$ — $\frac{1}{2}$ per cent. commission which they formerly added to the rates quoted. The new arrangement came into force on July 1.

During the months of April and May the foreign trade of Estonia showed further signs of steady improvement. The totals for the first five months are about the same as last year, yet imports and exports are much better balanced, the excess of imports, which is usually accentuated during the first half of the year, being only Emk.122 mill. as compared with Emk.501.5 mill. last year and Emk.100 mill. in 1924. The most striking feature in the development of Estonia's foreign trade is the rapid growth of butter exports, which in the course of the first five months reached the record figure of 2,086 tons as compared with 1,480 tons last year and 607 tons in 1924. The total value of dairy products exported during the same period was Emk.722 mill., as compared with Emk.540 mill. last year. The considerable stocks of flax which remained unsold in the autumn have now been disposed of. Up to the present 7,387 tons have been exported this year, as compared with 3,809 tons during the first five months of 1925. The export of sawn timber showed extraordinary activity in May, owing to the fact that stocks accumulated during the preceding months in consequence of exceptionally good winter roads could not be exported for lack of shipping facilities. In May alone 7,842 standards were shipped, and the total shipments from January to May amounted to 12,614 standards as compared with 12,572 standards during the first five months of 1925. The export of cement suffered during the winter, but increased in May and still further in June, bacon, matches and sole leather showing record figures.

The British coal strike and financial difficulties in Russia nevertheless had a somewhat adverse effect on certain Estonian industries. Exports of ply-wood, for instance, fell to 360 tons in May this year as compared with 1,088 tons in April and 692 tons in May 1925. Paper exports were lower in May than in the preceding months. To a less extent the same applies to exports of textile goods, and this reduction reacted on the imports of cotton. As regards imports, fertilisers were imported in large quantities and the figures for agricultural machinery increased to a very considerable extent. Fertilisers, however, did not reach the exceptionally high level of last year. The heavy imports of coal during the winter, chiefly for the use of foreign vessels, have now ceased and were only 6,215 tons in May as compared with 9,709 tons in May 1925. Transit trade has shrunk to a minimum since Leningrad has become ice-free once more.

Trade within the country has been fairly active. The exhibition-fair held annually at Reval was opened in June and attracted a considerable number of visitors, both from the country and abroad. Arrangements are being made at Dorpat and other towns for various congresses and festivals. Estonian health resorts such as Pernau, Hapsal, Arensburg and Hungerburg are fairly well frequented.

Industries working for the Russian market, such as the textile, paper and leather industries, have fulfilled their orders under contracts made last year and are now negotiating with the Soviets for fresh orders, which are expected to be considerable. Meanwhile other markets had to be found in order to keep the works going and the paper mills succeeded in booking large orders from England, France and Holland. Industrial enterprises have recently concluded the re-valuation of their assets and will shortly publish their balance-sheets in stable Estmarks. This will place industry on a better financial footing.

Weather conditions did not favour the winter corn, and the prospects regarding the rye harvest are not hopeful. An official report on June 15 estimated the crop at 15 per cent. below the average. In the south-eastern parts of Estonia conditions are particularly bad and here farmers have in many cases had to place winter fields under summer corn. As was to be expected the area under flax has been considerably reduced.

Wages have remained stable and no change has taken place on the labour market. In April the cost of living rose from 117.9 to 118.7, and in May dropped to 118.2. Higher prices for bread and vegetables were responsible for the rise in April, and considerably lower prices for eggs, milk and butter as well as a reduction in the price of bread accounted for the improvement in May. (*Estonian Economic Review*, No. 3.)

FINANCE

Customs Revenue for the Half-year.—According to the official returns the receipts from the Customs during the first six months of the year show a marked increase over previous years, and are considerably in excess of the Budget estimate. This is due to the expansion of foreign trade and also to the higher duties on certain foodstuffs.

Revenue from duties at the Custom-houses on the frontier for the first half of 1926 amounts to Emk.770 mill. as compared with Emk.589 mill. in the corresponding period of 1925, Emk.598 mill. in 1924 and Emk.650 mill. in 1923. In addition to this there was the revenue from duties on goods sent by post, which also exceeds that for the corresponding period of the preceding years. The total Customs receipts for the period under review amount to Emk.826 mill., an increase of Emk.203 mill. over the same period of 1925.

Receipts from harbour dues for the first half-year amounted to Emk.38.6 mill. as compared with Emk.24.5 mill. in 1925, Emk.29.8 mill. in 1924 and Emk.31.4 mill. in 1923. The increase is also due to the greater volume of foreign trade.

During the first six months of the year goods were imported into Estonia by ship and rail to the amount of 272,000 tons as compared with 162,000 tons in 1925, 245,000 tons in 1924 and 214,000 tons in 1923. The total volume of goods in transit in the first half of 1926 amounted to 478,000 tons as compared with 192,000 tons in 1925, 321,000 tons in 1924 and 297,000 tons in 1923. (*Estonian Consul General's Report*, July 15.)

TRADE

Foreign Trade in Woollen Materials in 1924 and 1925.—An examination of the following figures for 1924 and 1925 shows that woollen materials are being imported into Estonia in increasing quantities:—

	1924.		1925.	
	Tons.	Emk.	Tons.	Emk.
Woollen material of more than 5 sq. m. to 1 kg. ...	85.5	111,775,070	91.5	95,144,910
Woollen materials of less than 5 sq. m. to 1 kg. ...	19.6	31,283,230	42.8	51,132,560
Woollen materials for industries ...	5.0	2,359,700	2.4	1,014,170
Total ...	110.1	145,418,000	136.7	147,291,640

The total export of woollen materials from Estonia amounted in 1925 to 28.5 tons of a value of Emk. 42,677,700 as compared with 41.6 tons valued at Emk.51,677,390 in 1924, which shows a falling off in this line. In 1924 the export consisted mainly of lighter materials, while in 1925 heavier materials were exported to the partial exclusion of the former. There is no re-export of imported woollen materials, exports consisting chiefly of the products of home industries. The factories have extended their foreign markets for the more expensive materials, and cheaper materials have been imported. The principal countries from which Estonia imports woollen materials are as follows:

	1924.		1925.	
	Tons.	Mill. Emk.	Tons.	Mill. Emk.
Germany	65.0	82.1	72.0	74.0
United Kingdom ...	28.7	43.4	24.1	32.6
France	3.3	3.9	17.4	16.9

Lighter materials of more than 5 sq. metres to the kilogramme were imported in the period under review, principally from Germany. In 1924 lighter materials were also imported from the United Kingdom, but in 1925 there was a preponderance of the heavier materials. (*Estonian Consul General's Report, July 15.*)

Import of Metals in 1924 and 1925.—A comparison between the totals for 1924 and 1925 shows that the import of metals into Estonia is steadily increasing, 17,050 tons valued at Emk.359,457,320 having been imported in 1925 as compared with 11,710 tons valued at Emk.263,432,440 in 1924, or an increase in volume of 45 per cent. Cast iron was imported mainly from Germany, the United Kingdom and Belgium to the amount of 1,271 tons of a value of Emk.12,418,560 in 1925, as compared with 738 tons of a value of Emk. 7,082,590 in 1924. In 1925 the import from Germany was 849 tons, from the United Kingdom 202 tons and from Belgium 214 tons. At the same time 9,600 tons of scrap iron was exported, mainly to the United Kingdom, in 1924, and 6,800 tons, chiefly to Finland, Germany and Spain, in 1925. Iron was imported, mainly from Germany and Belgium, to the amount of 14,159 tons valued at Emk.282,132,990 in 1925 as compared with 9,711 tons valued at Emk.203,628,390 in 1924.

The various kinds of iron imported during the period under review are shown in the following table (in tons):—

	1924.	1925.
Pig iron	5,806.7	7,866.9
Rails	314.8	608.9
Wrought iron	809.8	640.6
Hoop iron	—	1,280.5
Iron sheet over ½ mm. ...	1,429.1	1,843.9
Tinned sheet	1,332.8	1,842.4

Steel was imported, chiefly in bars, from Belgium to the amount of 1,324 tons valued at Emk.33,223,650 in 1925, as compared with 1,046 tons valued at Emk. 25,888,010 in 1924. Among other metals, zinc was imported in 1924 to the amount of 37 tons, and of 43 tons in 1925; lead, 102 tons in 1924 and 110 tons in 1925; copper, 61 tons in 1924 and 60 tons in 1925. (*Estonian Consul General's Report, July 15.*)

INDUSTRY

Industrial Development.—There are at the present moment five match factories in Estonia, which produced about 207 million boxes of matches in the past year. Since 1922 the output has been more than trebled, this development being attributable to the rapid growth of export. Thus in 1923 only 349.5 tons of matches were exported, in 1924 the export rose to 939.8 tons and in 1925 it amounted to 1,686.7 tons of a value of Emk.117.3 million. Up to 1924 England and Germany were the only customers for Estonian matches, but last year the United States, Denmark and Sweden purchased considerable quantities. The development of the Estonian match industry is favoured by the fact that abundant material both for the matches and the boxes is available on the spot. (*Prager Presse, July 13.*)

Three large shipyards in Estonia are in a state of inactivity owing to the lack of orders. The chemical factory owned by R. Meyer has had to retrench owing to dull conditions prevailing. Its activity is now confined to the pressing of oil and asphalt from shale. In the Estonian leather industry thirteen factories exported goods for Mk.11.6 million in 1924 and for Emk.26 million in 1925. These factories produce principally sole leather and uppers. There are two large cement factories in Estonia, whose yearly production exceeds 140,000 barrels. Great economy has been achieved by the adoption of shale in place of coal as fuel in both factories. Estonia's Portland cement has gained a world-wide reputation and is exported in ever

increasing quantities. The Estonian product is sent as far as Honolulu, and to Miami on the coast of Florida. The following figures illustrate the development of this branch of Estonia's export trade: 6,400 barrels in 1921, 20,100 in 1922, 45,200 in 1924 and 52,500 in 1925. (*Riga Times, July 24.*)

The Oil Shale Industry.—The Estonian oil shale problem is of quite recent origin, notwithstanding that for about a hundred years the attention of geologists has been drawn to the valuable mineral resources in this part of the world. Until the war there was no economic inducement to search for a practical solution of the problem, as the coal and oil industries were rapidly gaining ground and fully satisfying the world's requirements in respect of fuel.

The situation underwent a change during the war, and particularly during the post-war period. Towards the end of the war the fuel crisis in Petrograd interested the Russian fuel authorities in the oil shale resources in the Estonian province and shale works were established in 1916-17 at Kohtla station on the railway line from Petrograd to Reval. These works were never closed down, as the fuel problem remained acute during the German occupation and have since become a question of great economic importance to the Free State of Estonia. It is expected that the European oil consumption, which has remained far behind that of the United States, will be bound to develop on American lines and that the prospects of oil on the world market, therefore, will become very bright in the near future. Natural oil resources are, however, very limited. They do not appear to correspond to the future requirements of the world and international interests must therefore concentrate on a research for new oil sources, among which Estonian oil shale deposits are attracting serious attention.

The Estonian oil shale question must thus be viewed from two standpoints, from the point of view of its usefulness as the nation's fuel and from the point of view of the international oil requirements.

The value of oil shale as a substitute for wood and coal fuel has been appreciated by Estonian industries and railways ever since it came into use some five years ago, and it may now be taken for granted that within a few years the greater part of Estonian fuel requirements will be covered by oil shale. In spite of various difficulties connected with the use of oil shale for heating purposes, chiefly arising from the large amount of ashes, which represent over one-third of the weight of the mineral and a considerably greater proportion of its volume, industry and railways find it a profitable substitute for wood and coal. Special methods of adapting the boilers are now in use and new methods of employing shale have been introduced in order to

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minimise the adverse effects of the unfavourable organic composition of the shale. The existence in the country of a national fuel makes the industries independent of foreign fuel supplies as well as of the fluctuations which occur in the international fuel market.

The composition of shale from the heating point of view in comparison with other fuels, as shown in the following table, will give some idea of its calorific value :—

	Shale oil, 1st quality.	Wood.	Peat.	Coal.	Anthracite.
Calorific value organic parts...	7,800 - 8,800	4,600 - 4,800	5,000 - 5,200	7,500 - 8,500	8,000 - 8,700
Percentage of moisture ...	16 - 20	20 - 30	25 - 45	2 - 6	1 - 4
Percentage of oil ...	36 - 40	0.5 - 1	2 - 8	3 - 12	2 - 5
Calorific value ...	3,200 - 3,500	3,000 - 3,400	2,400 - 3,400	6,500 - 8,000	7,000 - 8,100

The calorific value of first quality oil shale is about equal to the value of wood and to about 40 per cent. of coal. The market price of first quality is Mk.10 per pood franco pit, or Mk.623 per English ton. The freight to Reval is Mk.3.9 per pood or Mk.219 per ton, so that a ton of shale costs the consumer Mk.864 or about 9s. 7d., which would correspond to a price for coal of 21s. to 22s. The above calculation shows that the price now paid for shale fuel in Estonia comes very near the price of coal, and in the event of a further reduction in coal prices might appear unprofitable. Shale fuel is being produced in three qualities, differing in size and organic composition. The calorific value varies from 3,200 to 3,500 for first quality (screened lumps), 2,500 to 2,800 for second quality (unscreened lumps), and 2,100 to 2,400 for third quality. The market price is Mk.10 per pood for the first, Mk.7.50 per pood for the second, and Mk.5 per pood for the third. The market is at the present time established by the State Shale Works, which are the greatest producers of shale fuel. The State works at Kohtla have continued to carry on the industry started by the Russian Government in 1916 and have since 1919 greatly increased their output, as can be seen from the following table, which gives the output of the State works in tons :—

	Kohtel.	Kukkera.	Vanamois.	Total.
1918-19 ...	9,648	—	—	9,648
1920 ...	45,844	—	281	46,125
1921 ...	85,511	3,740	7,276	95,527
1922 ...	127,410	11,522	—	138,932
1923 ...	173,739	28,111	—	201,850
1924 ...	201,900	33,335	—	235,235
1925 ...	192,199	47,511	—	239,710

Large shale fuel consumers are, however, taking up oil shale concessions and extracting the shale fuel for their own account. The Northern paper and pulp works and the cement works are already working their own fields, and the private shale output amounted in 1925 to 50,000 tons and is rapidly increasing. The price of shale is adversely affected by the cost of transport, which amounts to 33 per cent. of the price of the first quality and 66 per cent. of the price of the third quality. These railway freights appear abnormally high, and a means will no doubt be found to reduce them.

Under these circumstances it may be expected that the cost of shale oil will be lowered in the near future, and this, combined with the perfecting of shale heating methods and the discovery of a means of utilising the ashes, will enable shale fuel to play a valuable part in the economic progress of Estonia. The problem of the utilisation of oil shale ashes has not so far been properly handled, although a hint for future research is afforded by their composition, as they contain all the elements of Portland cement. Some practical use is in fact made of the ash by the Portland cement works at Port Kunda and Asserin. These works use the cheap quality oil shale, which is dried, pulverised and injected

into revolving kilns. The ash becomes an ingredient of the cement clinkers.

The chief consumers of shale fuel are the cement works, the railways and the factories. On the broad gauge railways all the locomotives are worked by shale and on the narrow gauge lines shale is being gradually substituted for wood. The following table shows the growth of the consumption of shale fuel in Estonia (in tons) :—

	1918-19.	1920.	1921.	1922.	1923.	1924.	1925.
Cement works	1,135	12,288	37,244	113,554	102,995	43,230	80,600
Railways	424	8,293	9,234	14,903	34,209	46,450	90,200
Industry and gasworks	8,089	24,914	10,824	5,775	18,856	44,240	63,100
Total	9,648	46,125	57,302	134,232	156,060	133,920	233,900

The general consumption of fuel in Estonia is estimated at about 750,000 tons of coal fuel, which would represent about 2 million tons of shale. A certain amount of fuel will under present circumstances have to be supplied in the form of wood and coal, and the limit of shale fuel consumption can hardly exceed one million tons. Much work has still to be done before this limit is reached. The workable fields of oil shale extend from the Kadrina meridian along the railway line Reval-Narva up to the eastern frontier of Estonia. They consist of 5 shale strata interlined with limestone. The principal fields cover an area of about 3,000 square kilometres, workable to a depth of 100 metres. The average oil shale content is estimated to be 1.3 m. of a specific weight of 1.3, which brings the oil shale resources to $1.3 \times 1.3 = 1.7$ ton per square metre or a total of 3,000,000 (sq. m.) $\times 1.7 = 5,100,000$ tons. Putting the unavoidable loss at 20 per cent., the productive resources of the Estonian oil shale fields may be estimated at 4 milliard tons. The maximum annual shale fuel consumption of one million tons would cover only 1/4000 of the actual resources, which leaves an ample margin, therefore, for other than fuel purposes, and in particular for oil distillation. The Estonian oil shale is one of the richest in the world, containing 19 to 20 per cent. of pure oil, but it has many peculiarities as regards form and organic content which necessitate special methods of treatment. The economic opportunities offered by the distillation of oil shale in Estonia are of considerable importance, but can only be realised with the help of international capital. The oil reserves of the country

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are estimated at about 800 million tons of crude oil, so that given an industry producing 8 million tons annually the reserves would last for 100 years. Such an output would equal the pre-war production of Russia, or about 6 per cent. of the present oil production of the world. The establishment of an oil industry in Estonia which would be in a position to make full use of the existing resources would require the investment of foreign capital to the extent of several million pounds sterling. The Estonian oil shale industry will gradually discover the best solutions of the technical and economic problems with which it is at present confronted, and thus gain the confidence of the outside world and the means to develop all the resources at its command. (*Estonian Economic Review*, No. 3.)

FRANCE

POLITICAL AND FINANCIAL

The "Caisse de Gestion."—The series of financial measures which constitute M. Poincaré's programme of reforms has been achieved by the vote of the National Assembly incorporating the Statutes of the "Caisse de gestion" in the Constitution. Thus the resources with which it was endowed are now solemnly vested in it by constitutional law. Whether this Sinking Fund for the floating debt will succeed in redeeming the National Defence Bills, or to what extent, remains nevertheless to be proved; it is no longer a legislative question, and depends entirely on the surpluses of receipts over expenditure during the ensuing years. The attribution by law of certain resources to the "Caisse de gestion" leaves open the further question, whether the amount of Bills whose repayment will be asked for by the holders will not exceed the amount of the resources which will be available for the purpose. But what is very important is that the financial measures brought forward by M. Poincaré have secured, as far as one can see, a very considerable surplus of receipts over expenditure. This surplus, calculated to meet in part the short term debt coming to maturity, may be considered as guaranteeing France to a certain extent against inflation, which in 1925 was the chief means of repaying maturing State liabilities.

Revenue Returns for July.—The revenue returns for July are quite satisfactory. The normal receipts for the last five months were as follows (in millions of francs):—

	1926.	1925.
March	2,063	1,980
April	2,967	2,842
May	2,068	1,893
June	2,312	1,811
July	3,584	2,420

The rise in the Treasury receipts for July is quite usual, but it must be observed that even in proportion to the receipts of the first half-year the July returns are much more considerable than in 1925.

The difference between the revenue returns for July 1926 and the corresponding month of 1925 (some 1,160 millions) is chiefly due to the increase in the proceeds of indirect taxation and monopolies (898 millions). The remainder is due to direct taxation. The reason why the yield of indirect taxation rose to such an extent is because of certain duties imposed on the value of merchandise, which value is constantly rising. Thus the general turnover tax produced an amount exceeding by more than 80 per cent. the corresponding amount in July 1925. It is also true that its rate has been increased.

If compared with the corresponding period in 1925, the first seven months of the current year show the following increases in the proceeds of different categories of taxation:—

	Per cent.
Direct income taxes	7
Property transfer, stamp, etc., duties	34
Luxury taxes (automobiles, theatre tickets, etc.)	37
Indirect taxes on non-necessaries (alcohol, tobacco gunpowder	17

	Per cent.
Consumption taxes (turnover, Excise, Customs, etc., duties)	31
Real estate belonging to the Government and various State enterprises	34

As may be seen from the above table, the proceeds of direct taxation increased to a far less extent than those of other kinds of taxation.

TRADE

The Franco-German Provisional Trade Agreement.

—The Franco-German trade agreement concluded on August 5, which will come into operation on August 20, is a remarkable document from many points of view. As far as purely tariff stipulations are concerned, there is a special list of French goods which obtain the benefit of various reductions of duty on imports into Germany. The system is much more complicated for German imports into France. As is well known, France has two Customs tariffs: the "tarif maximum" and the "tarif général." But by different treaties and agreements various intermediate rates are established for various countries (not benefiting wholly by the minimum tariff); these rates are established in the form of reductions in per cent. of the difference between the general and minimum tariffs. Clause 2 of the agreement stipulates that German goods enumerated in a special list will benefit by certain reductions, the proportion of these reductions remaining the same, whatever be the changes introduced in the French tariff. But new increases in the rates themselves (general and minimum) being possible, the agreement stipulates that the rise in French Customs duties in so far as it does not exceed 30 per cent. of the actual rates will not be applied at all to German goods, which will continue to pay the reduced rate, as if no change had taken place. Nevertheless these rates must be inferior to those under the minimum tariff. Increases in tariffs exceeding 30 per cent. will be applied to German imports, but there is still another list of goods for which even these increases (i.e. beyond 30 per cent.) are limited by the rise in French wholesale prices (as shown by the official index number), which they must not exceed. It will be observed, therefore, that the agreement contains stipulations of special application to a country with a fluctuating currency, where measures can be taken in order to prevent the annulment of tariff protection by the depreciation of the currency.

Another feature of the agreement is that it applies also to Algeria and to certain other French colonies. As to the larger French African colonies and protectorates, most favoured nation treatment is to be granted to German imports.

Three declarations accompany the agreement. The first concerns the negotiations for a definitive commercial treaty, which are to be started after the publication of the draft of the revised general tariff in France; the second touches the eventual negotiations of both Governments with regard to the agreements between the metallurgical industries of both countries; while the third expresses the intention of the French Government to extend to German nationals most favoured nation treatment in the colonies and French protectorate or mandated countries. France and Germany, therefore, would appear to be resuming normal relations.

Foreign Trade Returns for July.—The foreign trade returns for July show an excess of exports over imports for the first time, with one exception (in May), during the last twelve months. Taking the figures as to the value of the imports and exports, we find the movement to have been as follows (in millions of francs):—

	Imports.	Exports.	Balance.
January	4,483	3,868	— 615
February	5,244	4,409	— 835
March	5,095	4,960	— 135
April	5,020	4,353	— 667
May	4,390	4,460	+ 70
June	5,181	4,671	— 510
July	5,016	5,244	+ 228

The explanation of this sudden change is found in the

figures as regards volume for July as compared with those for June (in thousands of tons):—

Imports.		July.	June.	Difference.
Foodstuffs	...	369	386	— 17
Raw materials and semi-manufactured goods	...	3,133	3,409	— 276
Manufactured goods	...	106	99	+ 7
		3,608	3,894	— 285
Exports.		July.	June.	Difference.
Foodstuffs	...	145	166	— 21
Raw materials and semi-manufactured goods	...	2,322	2,142	+ 180
Manufactured goods	...	401	436	— 34
		2,868	2,744	+ 124

A very strong falling off will be observed in the imports of raw materials, coinciding with an increase in similar exports.

INDUSTRY

The Coal Output in June.—The figures of the coal output in June are now available. The total is larger than in May, but owing to the greater number of working days the average daily output works out at a figure slightly inferior to that for the preceding month:—

	Average	1913	...	...	Daily output.	Number of
					Tons.	hands.
					136,147	203,208
January	1923	...	...	...	121,064	242,568
"	1924	...	...	...	144,680	286,804
"	1925	...	...	...	160,445	311,391
"	1926	...	...	...	170,048	315,204
May	"	...	...	...	171,396	310,568
June	"	...	...	...	170,382	311,608

The total average is considerably in excess of that for 1913, but the excess varies in different regions:—

	Average daily output.	Increase %
	Tons.	as compared with 1913.
Mines in pre-war France—		
Nord and Pas-de-Calais (de-vastated regions)	107,075	17
Midland and Southern mines	40,081	3

SOCIAL AND LABOUR CONDITIONS

The Movement of Prices in July.—The figures published by the General Statistical Office reveal a quite unprecedented record in the upward movement of prices. The wholesale price index number gives the following results:—

	General index number.	Foodstuffs.	Industrial products.
May	702	597	794
June	754	646	848
July	856	703	990

The sharp rise in the general index number is principally due to the rise in the group of industrial products. Among the goods of this last group the rise was specially great in the case of textiles and minerals.

Retail prices also show an upward trend, but the movement is far less accentuated: May, 522; June, 544; and July, 574.

GERMANY

POLITICAL AND GENERAL

The Economic Situation in July.—According to the reports of the Prussian Chamber of Commerce on the economic situation in July, the Ruhr mining industry is still feeling the influence of the British coal strike, the effects of which are increasingly favourable. The immediate result of the strike on the Ruhr pits during the month under report was primarily the entire absence of unworked shifts. The Syndicate's sales in the uncontested area remain as poor as in the previous month. Consignments by the Syndicate to the contested area during the first 22 working days of July showed an increase of about 12 per cent. The standing stocks of coal at the pits have decreased by about 500,000 tons as compared with the previous month.

The increasing output has occasioned the engagement of fresh hands in almost every direction. While the number of hands employed in the Ruhr coal mining industry in May amounted to 365,234, this figure had been increased at the end of June to 366,382. Owing to the taxation burden laid upon labour, the mine-owners are fearing new demands for increased wages.

The German Upper Silesian hard coal output showed a further increase in July. With 27 working days and a daily average output of 57,979 tons, the month's production is likely to be raised to 1,570,000 tons. The standing stocks have decreased from 121,783 tons at the end of June to 37,000 tons on July 24.

The progress made in June in the iron ore mining industry in the Siegerland, Lahn and Dill district was maintained in July. It was possible to engage new hands, and it is hoped that further additions to the ranks of the workers employed will be made during the coming month. There was a reduction in the output of the Central German lignite mines. Sales of pure potash rose to about 900,000 d.ctr. The demand increased rapidly, particularly in the latter half of the month, and there was an increase in home orders.

Following the coal industry, the iron industry also appears to be taking advantage of the British strike. There is certainly but little change in the pig iron industry, but there is a slight revival here and there in the rolled iron market. The foreign market is still under the influence of the falling franc, though the Steel Works Union reports an increase of short period contracts for semi-manufactured goods destined for England at somewhat better prices.

The pig iron market continues languid. The position on the zinc market remains favourable. The situation of the machine industry is still uncertain, and further partial working restrictions have been effected. In other directions there were signs of gradual improvement, and there has been a lively demand for certain special machines. The improvement in the metal market continues.

In the chemical industry the volume of contracts and output was satisfactory in respect of intermediate products, heavy chemicals and pharmaceutical and photographic articles. Conditions were good where artificial silk was concerned, but not quite satisfactory in the case of dyestuffs. The demand for nitrate fertilisers is relatively good. There was a slight improvement in the motor industry, though no increase could be effected in the very reduced number of hands employed. Foreign competition makes itself acutely felt in the private car trade. Although slightly increased activity was observed in the building trade, the position must still be described as far from satisfactory. There is no improvement in the pianoforte industry. In the rubber industry business in bicycle and motor car tyres has revived slightly, though occupation in the other branches diminished during July.

In the cloth industry the general relaxation of the conditions had a favourable effect on the position of the labour market. In the cotton industry also there was a turn for the better, though the position of the cotton spinning industry is still unfavourable. The ready-made clothing industry was well occupied. The silk industry gives cause for anxiety in all branches. While there is a slight improvement in the linen spinning industry, the linen weaving mills, particularly in the case of the finer processes, report no improvement in the conditions.

In the margarine industry the heavy demand for liquid oil from America has declined, so that prices have fallen. The oil industry suffered from the flooding of the market with the produce of Dutch oil and margarine concerns. (*Deutsche Allgemeine Zeitung*, August 5.)

FINANCE

Reich Revenue and Expenditure.—According to the report laid before the Ministry of Finance in regard to

budgetary developments in the first quarter of the financial year, revenue under the ordinary Budget amounted to Rmk.590.6 mill. in April, Rmk.482.1 mill. in May and Rmk.451.3 mill. in June. Total expenditure amounted to Rmk.575.5 mill. in April, Rmk.490.1 mill. in May and Rmk.535.4 mill. in June. This resulted in a surplus of Rmk.15.1 mill. in April, and in deficits of Rmk.8 mill. and Rmk.84.1 mill. in May and June respectively. The total deficit for the three months was therefore Rmk.77 mill. According to the Finance Ministry's method of dividing up into twelve the remaining surplus from the Budgets of 1924 and 1925, and crediting the twelfth parts thus obtained to the individual months of 1926, this deficit was covered by three monthly instalments of Rmk.30.6 mill., in all Rmk.91.8 mill., so that the returns for the first three months show a surplus of Rmk.14.8 mill. It is only owing to the revenue of the month of April, when the effect of the reduced taxes had not made itself fully felt, that there was not a deficit. It must be remembered, however, that no due date for the payment of income tax fell during the first quarter. According to statements made by the Reich Finance Minister in the Budget Committee, considerable hopes had been placed in the June returns. The Minister declared that while April had certainly been an abnormally favourable month, income tax, which constituted a very important source of revenue, should first begin to make itself felt in the June results. The deficit, however, rose from Rmk.8 mill. in May to Rmk.84.1 mill. in June. German State finances are obviously approaching the first critical months which will decide whether the 1926 Budget will balance or not, and it is probable that the situation will be clearly defined by the autumn. The expenditure of the extraordinary Budget, which has been covered by means of loans, amounted to Rmk.116.5 mill. in the first three months of 1926. (*Deutsche Allgemeine Zeitung*, August 1.)

June Balance-sheets of the Great Banks.—The June balance-sheets of the great Berlin banks show, like the April balance-sheets, an increase in credit balances, although not to the same extent as in March and April. The increase amounts to about Rmk.125 mill., from Rmk.4,731 mill. to Rmk.4,856 mill., as compared with an increase of Rmk.200 mill. in the April balance-sheets. The increase in credit balances corresponds approximately with that of the outstanding debts, which rose from Rmk.5,153.9 mill. to Rmk.5,267.8 mill., i.e. by Rmk.114 mill. Liquid funds have increased to a somewhat greater extent, from Rmk.2,839.7 mill. to Rmk.3,033.4 mill., that is by about Rmk.293 mill. as compared with Rmk.104 mill. in March and April. The average liquidity of the six Berlin banks has therefore improved from 56.2 per cent. in April to 59.4 per cent. in June. The improvement is fairly evenly distributed over all the great banks (the Mitteldeutsche Creditbank shows a considerable increase, from 62.8 per cent. to 70.3 per cent.), only one institution, the Discontogesellschaft, showing a slight reduction in liquidity from 54.8 per cent. to 54.2 per cent. The decrease in securities in respect of the Darmstädter and Dresdner Banks is noteworthy, and may be explained by advantageous utilisation of the recent activity on the Bourse. The number of bills taken on an average has increased considerably, decreases having occurred only in the case of the Discontogesellschaft and the Dresdner Bank.

The development among the 85 credit banks (as compared with 83 in April) shows about the same features as that of the six great Berlin banks, though more attention is bestowed in their case on current banking business, so that deposits on current account which dropped by Rmk.41 mill. with the Berlin banks decreased here by only Rmk.26 mill. The Hessian Giro Central has recently been added to the ranks of Giro Centrals, so that these now number 15. A certain amount of stagnation is reported in this branch, and if the Hessian Giro Central is disregarded there is a decrease in credit

balances as compared with an increase of Rmk.257 mill. two months ago. On the other hand long term loans increased by about Rmk.60 mill. to Rmk.354 mill. (*Deutsche Allgemeine Zeitung*, August 1.)

According to the *Hamburger Fremdenblatt* (July 31) the balance-sheets of the German banks at the end of June include 123 banks as compared with 120 in April, 85 Credit banks as compared with 83, 20 State and Provincial banks, 3 Mortgage banks and 15 (14) Giro Centrals. The following figures will give some idea of the movement under the more important headings as compared with the end of April and the end of February (in millions of Reichsmarks):—

	June 30.	April 30.	Feb. 28.
Cash, currency and coupons	137	127	106
Credit with note and clearing banks	103	79	76
Bills and Treasury notes ...	2,383	2,424	2,155
Credit with banks	1,393	1,364	1,420
"Reports" and loans	478	406	306
Advances on goods and shipments	415	447	497
Securities	275	243	214
Debit balances	5,776	5,594	5,182
Total credit balances	9,564	9,387	8,909
Current accounts	(3,882)	(3,849)	(3,751)
Deposits	(5,682)	(5,538)	(5,158)
Acceptances and cheques	345	356	368

INDUSTRY

Price Conflict in the Potash Industry.—Negotiations between the Potash Syndicate and the representatives of German agriculture with regard to the increase in the home prices for potash opened on July 12, and at the end of a fortnight these preliminary discussions between the two parties concerned had led to no result. The industry nevertheless on July 28 lodged a request for an increase in prices with the Reich Potash Council, which is composed of representatives of the potash works, the farmers and the dealers, and has the right of final decision in the matter of alterations in prices. No decision was arrived at here either, as the farmers maintain that the necessity for a general increase in the price of potash fertilisers has not been convincingly proved. It was considered more prudent not simply to outvote the farmers, partly owing to unwillingness to disturb the good feeling existing between sellers and purchasers, and partly because the veto of the Reich Minister of Economics against the increase stands threateningly in the background. The potash industry, which at first asked for an increase of 30.55 per cent. on kainite, has reduced its requirements to an all round average increase of 18 per cent. on the current prices.

No one doubts the precarious position of the potash industry, which has recently been demonstrated by the Bourse quotations registered in Berlin, as shown in the following table:—

	April 1.	June 1.	July 29.
A.G. für Kaliindustrie	147	137.50	129
German Potash Works	128.87	128	111.50
Westeregeln Potash Works	143.25	124.75	145
Aschersleben Potash Works	136	114	135.50

It will be seen that potash securities have not participated in the great boom which the quotations for the larger German undertakings recently experienced. This is the more astonishing as these potash companies paid very fine dividends for 1925 (A.G. für Kaliindustrie 12 per cent., German Potash Works 9.6 per cent., Westeregeln and Aschersleben Potash Works 10 per cent. each). It is clear from the present quotations for potash shares that the Bourse considered the payment of these dividends as a mere political measure undertaken to encourage the shareholders, who had gained nothing from their shares for several years.

In order to understand the present position of the potash industry and the price conflict called into being by it, it is necessary to visualise the sales conditions of this undertaking. The total sales of the Potash Syndicate, which unites all works (formerly the Alsatian works also), amounted in 1913, which constituted a

record year, to 11,103,000 d.ctr. of pure potash valued at something over Mk.100 million. For an industry in which over a milliard marks is invested this does not represent a very large sale. Nevertheless the industry yielded good interest at the time. Home and foreign prices were good, and there were well-founded hopes, based on statistical research, that sales would increase steadily, as the agrarian area of the world would stand increasingly in need of potash fertilisers. If the line of development followed by the potash industry in the two decades previous to the war had been uniformly maintained, this industry would by 1925 have arrived at sales amounting to 25 million d.ctr. As a matter of fact, however, the development proved to be very different, as the following recent results go to show. The sales of the Potash Syndicate in pure potash were as follows (in millions of d.ctr.):—

1922.	1923.	1924.	1925.	1926 (half-year).
12.96	8.86	8.42	12.26	5.91

The results of the Alsatian potash industry must be added to these figures if any conclusive comparison is to be made with the pre-war returns given above. The sales of the 17 Alsatian pits varied between 2½ million d.ctr. in 1922 and 3.10 million d.ctr. in 1925. The result of these statistics proves that the sale of potash, although the world has become re-accustomed to its use since the war, has not resumed anything like the development indicated in 1913. The above figures also show that the market is subject to great fluctuations, and that the potash industry is directly dependent upon the prosperity of agriculture in general and German agriculture in particular. The year 1922 was a record year, when the farmers spent a great deal of money on the ground which had been neglected during and after the war, and in 1923 came the reaction. Things went so far that in the last quarter the deliveries of the Syndicate sank to 68 per cent. below those of the previous year. The year 1924, the first year of stabilisation, also showed a great falling off in sales as compared with 1922, while the 1925 results ran apparently counter to the great depression in agriculture. That was, however, a period when ample supplies of credit were available for agriculture, and even so the 1925 home sales with 7.67 million d.ctr. remained far behind the record year 1922 with 9.70 million d.ctr. After the fairly satisfactory results of 1925 came a renewed period of reaction. The potash sales in the first half of 1926 dropped by 1.40 million d.ctr., or 21 per cent. as compared with the previous year, in spite of the cheap prices for the salts. The decrease was mainly attributable to a falling off in the home demand.

The potash industry in seeking how to raise its inland prices argues thus. It is impossible to maintain present prices, which are at or below the pre-war level. The prices of working materials are 40 to 60 per cent. and wages 60 to 70 per cent. above pre-war rates. As home sales are far greater in volume than foreign sales (in 1925 7.67 million d.ctr. went to home sales and 4.58 million d.ctr. to foreign sales) all the money gained on foreign sales is lost on home sales. The opponents of the price increase maintain that keen rationalisation within the industry will minimise the effect of the higher cost of labour and working material if it is possible to force up the sales by means of low prices. The drastic nature of the rationalisation which has been effected is shown by the following figures: 165 out of an available 235 shafts have been closed down; only 70 remain ready for production, of which only 42 are actually working, the remaining 28 serving as a reserve. Now that objections are being raised to the potash industry's demand for higher prices, it is asserted that this scheme of rationalisation has been carried too far, but this sort of criticism is obviously beside the mark. It is not rationalisation which has brought the potash industry into its present position, but the accompanying circumstances connected with this system of concentration. The potash industry has rigorously closed down below

ground, but has carried out a vast amount of factory construction above ground, and as building costs a great deal of money, heavy debts were incurred in this connection. Thus the Wintershall concern involved itself in a foreign loan of Rmk.300 million, of which two instalments to a total of Rmk.240 million have already been placed, while the remaining Rmk.60 million has yet to find a market. In addition to this the potash industry is burdened with the Dawes Loan, estimated at Rmk.123 million, and other engagements reckoned at Rmk.50 to 70 million. The potash industry is thus indebted to the extent of Rmk.475 to 500 million, which where foreign loans are concerned not only entails a heavy rate of interest (7 per cent.), but reimbursement will have to be effected by 1953, starting at once. The debts of the industry thus burden it to the extent of Rmk.35 million annually, and it is confronted with the problem of finding this sum out of a total turnover of Rmk.125 million at present prices, in addition to providing a dividend for the shareholders.

From the point of view of its heavy obligations the industry is no doubt justified in proposing an increase in home prices, but whether the sales will fall off in consequence of the increase is a question which is dependent on the prosperity of agriculture. It is impossible to say whether German agriculture will profit to a greater extent by this year's harvest than by that of last year, as the result of the harvest still remains uncertain. It is therefore not a favourable moment to bring forward the proposal for raising the price of fertilisers. Unfortunately foreign agriculture is not in too flourishing a condition, so that no greatly increased foreign sales can be counted upon. The foreign sales of the German and Alsatian potash industries together amounted in 1913 to 5 million tons, while in 1925 they amounted to 6.30 million tons. This increase is not at all in proportion to the building extension in the large potash concerns, and it should be noted that the foreign demand is for treated products rather than for raw salts.

The position of the potash industry is not an easy one, and it is to be hoped that the difficulties in regard to price increases may find an early settlement. It is unlikely, however, that the matter will be arranged without some delay, and it is probable that August, the month which sees the start of autumn fertilising, will pass without bringing any increase in prices. (*Deutsche Allgemeine Zeitung*, August 1.)

ITALY

POLITICAL AND GENERAL

Treaty with Spain.—The Italian Press published on August 17 the full text of the Treaty of friendship and arbitration that was recently signed at Madrid between Italy and Spain. The Agreement, which is termed the Pact of Madrid, is valid for a term of ten years, at the end of which period it is automatically renewed for a further period of five years failing denunciation by either of the contracting parties six months before its expiration. The Pact provides that if one of the contracting parties be attacked by a third Power the other contracting party shall observe neutrality. It further provides for the reference to a Conciliation Commission, or if necessary to The Hague Court, of disputes that may arise between the two contracting parties. The *Messaggero* believes that all European States will welcome this new move, since the Pact demonstrates the pacific intentions of Italy. The treaty has no particular problem in view and is not connected with Spain's claim for extended powers in Tangier or with her demand for a permanent seat on the League of Nations Council. The *Giornale d'Italia*, while recognising the claims of Italy and Spain regarding the Mediterranean, says it cannot be disputed that Great Britain must needs keep a watchful eye on the Mediter-

anean on account of her communications with India. The new treaty will, however, probably shift the balance of power in the Mediterranean from Great Britain and France to Italy and Spain. The rapidly increasing trade between Italy and Spain has also served as a powerful factor in this new endeavour to link the two countries more closely together. It is averred that they have reciprocal aims and aspirations, and that where one country is weak in any particular compensation may be found in a corresponding strength of the other. They hope by joint efforts and interests to extend their relations with the Latin American countries and in those vast areas to find the necessary outlet for emigration, with its resultant increase of exports to the countries so populated by their nationals.

Whether this treaty is really as innocuous as the Italian Press asserts cannot yet be proved. Newspapers in Italy are rarely permitted to offer unfavourable criticism. It is significant, however, that *La Voce Repubblicana* dares to see in the treaty an anti-democratic move on the part of the two Powers concerned to check the French diplomatic and military successes, which were sensitively affecting the balance of Mediterranean power. Great Britain, it states, stands aloof in a benevolent attitude.

FINANCE

Capital Movements of Joint Stock Companies.—The figures tabulated below show the variations in the capital of joint stock companies in Italy during the first six months of the present year. It will be noted that the increases in capital, irrespective of the capital of new companies formed during the year, considerably exceed the aggregate sum of reductions of capital and of liquidations. The figures quoted are extracted from the details published in the *Bollettino di Notizie Economiche* for July, and in the *Report of the General Fascist Confederation of Italian Industries* of August 1:—

Description.	New companies.		Increase in capital.		Liquidations.		Reduction of capital.		Total investment.	Total withdrawals.	Difference in plus or minus.
	No.	Capital. Lire.	No.	Increase. Lire.	No.	Capital. Lire.	No.	Reduction. Lire.			
Banks	42	166,519,500	42	160,513,000	12	24,876,000	7	37,750,000	427,032,500	62,626,000	+ 364,406,500
Insurance	6	25,439,000	9	15,870,000	2	1,100,000	3	4,500,000	41,309,000	5,600,000	+ 35,709,000
Mining	27	15,716,903	18	114,040,000	4	2,510,000	5	15,365,000	129,756,903	17,875,000	+ 111,881,903
Metal trades	19	4,402,000	13	21,237,500	7	10,485,000	2	3,037,500	25,639,500	13,522,500	+ 12,117,000
Engineering	75	71,581,250	65	81,348,250	29	21,810,000	15	28,622,556	152,929,806	50,432,556	+ 102,497,250
Automotive	4	589,000	3	3,730,000	—	—	2	1,560,000	4,319,000	1,560,000	+ 2,759,000
Chemical	45	12,187,000	48	92,587,000	20	26,982,250	9	4,828,224	104,774,000	31,810,474	+ 72,963,526
Textile	56	32,799,500	79	283,479,000	14	68,366,500	9	10,745,760	316,278,500	70,112,260	+ 237,166,240
Miscellaneous manufacturing	85	30,309,250	81	109,869,540	26	27,454,800	13	7,528,385	140,178,790	34,981,185	+ 105,197,605
Agricultural, allmentary	82	40,546,500	59	83,946,250	37	34,067,750	21	95,704,050	124,492,750	129,771,800	— 5,279,050
Electrical	18	16,900,000	41	625,070,000	7	6,190,000	3	96,500,000	641,970,000	102,690,000	+ 539,280,000
Real estate	122	28,325,100	83	100,132,990	14	13,950,000	10	7,202,000	128,458,090	21,152,000	+ 107,306,090
Building	125	51,479,200	64	101,587,300	11	4,550,000	9	104,224,120	153,066,500	108,774,120	+ 44,292,380
Aqueducts, minerals waters & spas	6	1,170,000	6	2,610,000	—	—	—	—	3,780,000	—	+ 3,780,000
Hotels, restaurants, theatres	44	11,122,000	27	35,511,000	12	8,557,500	7	8,344,937	46,633,000	16,902,437	+ 29,730,563
Mercantile companies	215	166,797,900	108	274,427,150	71	41,466,100	26	21,084,500	441,225,050	62,550,600	+ 378,674,450
Printing and publishing	48	13,306,000	25	27,207,200	18	7,192,500	8	10,316,800	40,513,200	17,509,300	+ 23,003,900
Transports and communications	42	124,529,200	54	370,520,000	21	64,494,100	10	60,609,907	495,049,200	125,104,007	+ 369,945,193
Other companies	29	4,098,000	26	12,029,500	16	4,539,740	13	4,567,700	16,127,500	9,107,440	+ 7,020,060
Total	1,090	817,867,303	851	2,615,715,986	321	368,592,240	172	522,489,431	3,433,533,289	891,081,679	+ 2,542,451,610

Treasury Statement for the Financial Year 1925-26.

—According to the figures issued by the Ministry of Finance and published in the *Bollettino di Notizie Economiche* for July and the *Report of the Association of Italian Corporations* of August 1, the total receipts, including ordinary and special revenue, the receipts of the public services, and also sundry receipts, amounted in the financial year ended June 30, 1926, to the sum of L.25,217,475,009, as compared with a total of L.25,844,861,824 in the financial year July 1924 to June 1925. Of this total the yield of direct and indirect taxation accounted for L.18,431,420,946, as against L.16,655,338,919 in the preceding year. It should be noted that for the year 1925-26 the receipts of the Post, Telegraph and Telephone departments are not included, since these departments now prepare their own separate budgets; but the items in question are included in the

Treasury account for the year 1924-25. In regard to expenditure decreases were effected in the budgets of the Ministries of Public Instruction, the Interior, and Communications, and also in several departments of the Ministry of Finance. The other ministries exceeded the expenditure of the previous year. The statement respecting the budgetary situation in the financial year just closed shows that actual revenue collected exceeded the estimated figure by about L.3,730 mill., while actual expenditure fell slightly below the estimated amount. We give below, in summarised form, the budgetary situation for the financial year 1925-26 as published by the Treasury (in millions of lire):—

	Receipts.		Expenditure.		Actual Surplus or deficit
	Estimated.	Actual.	Estimated.	Actual.	
Ordinary receipts and expenditure	16,494.6	19,986.5	14,211.7	14,122.6	+5,863.8
Special ditto	166.3	403.7	4,790.4	4,778.3	—4,374.5
Total ...	16,660.9	20,390.2	19,002.1	18,900.9	+1,489.3
Loans and disbursements for railway construction	250.0	250.0	250.0	250.0	—
Variations in Capital Account ...	3,773.8	3,827.9	1,759.8	1,759.6	+2,068.2
Grand total					
1926 ...	20,684.7	24,468.1	21,011.9	20,910.5	+3,557.5
1925 ...	19,707.0	26,180.1	21,628.5	21,509.3	+4,670.8

The Treasury statement for the year July 1925 to June 1926 (inclusive) is as follows, in comparison with the corresponding figures for the preceding financial year (in lire):—

	Revenue.	1925-26.	1924-25.
Ordinary receipts.			
Revenue from national property		267,708,474	88,362,612
Yield of direct and indirect taxation		18,431,420,946	16,655,338,919

	Total	Total	Difference
	investment.	withdrawals.	in plus or minus.
	Lire.	Lire.	Lire.
Public services.			
Posts	—	—	592,232,398
Telegraphs	—	—	164,453,366
Telephones	—	—	160,003,387
Sundry services [toward costs	94,229,305	—	89,446,426
Repayments and contributions	133,608,924	—	278,837,491
Sundry receipts	1,910,479,144	—	1,485,135,359
	20,837,446,795	—	19,513,809,968
Special receipts. [to expenses			
Repayments and contributions	102,234,948	—	29,159,585
Sundry receipts	400,492,136	—	972,906,083
Residual assets	158,887,124	—	50,575,151
	21,499,061,003	—	20,566,450,787
Other receipts.			
Railway construction loans ...	6,627,897	—	637,507
From sundry loans and credits	3,621,237,066	—	5,205,398,201
Accountancy balance items ...	90,549,043	—	72,375,329
Total	25,217,475,009	25,844,861,824	

<i>Expenditure.</i>			
Ministry of Finance—			
Service Internal Debt ...	3,878,286,724	3,854,841,672	
Other expenditure ...	6,597,045,102	7,495,483,169	
Ministry of Justice and Public			
Worship ...	466,286,194	420,713,358	
Ministry of Foreign Affairs ...			
Public Instruction ...	1,309,450,691	1,142,970,565	
the Interior ...	612,453,543	736,326,072	
Public Works ...	1,247,653,381	1,190,879,496	
Communications ...	449,340,553	1,068,999,971	
War ...	2,698,457,466	2,639,460,110	
Navy ...	1,079,290,391	963,376,282	
Air ...	370,914,645	—	
Colonies ...	422,690,440	259,861,147	
National Economy ...	368,780,171	244,420,121	
Total ...	19,664,070,585	20,576,633,623	

In a statement made on August 2 last Count Volpi, Minister of Finance, mentioned that the effective public debt stood at L.89,863,000,000 and that Treasury bonds amounted to L.17,000 mill., while the annual interest due on loans stood at about L.75 mill.

TRADE

Foreign Trade Returns for the Half-year.—The value of imports in May amounted to L.2,505.9 mill. as against L.2,435.6 mill. in May last year, thus showing an increase of L.70.3 mill., while exports were valued at L.1,300.6 mill. as against L.1,439.8 mill. in May 1925, a decrease of L.139.2 mill. In June imports amounted to L.2,755.9 mill. as against L.2,885.3 mill. in May last year, a decline of L.129.4 mill. Exports in the same month were valued at only L.1,636.3 mill. as compared with L.1,783.5 mill. in June 1925, a drop of L.147.2 mill. The figures of imports and exports for the first six months of the present year as compared with those of last year were as follows (in millions of lire):—

	Imports.		Exports.	
	1926.	1925.	1926.	1925.
January ...	1,953.5	1,864.9	1,118.6	1,127.2
February ...	2,249.4	2,111.9	1,356.2	1,400.5
March ...	2,417.1	2,523.1	1,456.9	1,489.6
April ...	2,474.5	2,605.5	1,401.8	1,341.9
May ...	2,505.9	2,435.6	1,300.6	1,439.8
June ...	2,755.9	2,885.3	1,636.3	1,783.5
Total ...	14,356.5	14,426.5	8,270.5	8,882.5

The adverse balance of foreign trade for the first half of the present year figures at L.6,086 mill., whereas the adverse balance for the first half of 1925 was only L.5,844 mill. The decrease of over 600 millions in exports during this period is a very unsatisfactory feature, and is not counterbalanced by a corresponding decline in imports. On the other hand, exports in June were higher than in any other single month of the period under survey, though this was also a characteristic of the preceding year.

Precise details of foreign trade for the whole half-year period are not yet available; but the data issued concerning trade in the first five months of the year and published in the *Corriere della Sera* of August 15 show that the decrease in exports was largely occasioned by the diminution in textile goods to the extent of L.205 mill., the consignments abroad of such goods having dropped from L.3,005 mill. to L.2,800 mill. In addition to this serious decline, the main decreases were in agricultural and animal products, to the extent of L.175 mill.; in sulphur, L.11.5 mill.; and in skins, hides, etc., L.5 mill. This loss of trade was partially compensated by an increase of L.46 mill. in automobile exports, L.26 mill. for tyres, L.24 mill. for hats, L.15.5 mill. for buttons, L.14 mill. for chemical products, L.8 mill. for marble, L.5.5 mill. for mercury, and L.0.7 mill. for zinc ore. The most important decreases in imported goods were: agricultural and animal products, L.925 mill.; textiles and raw materials, L.33 mill.; chemical products, L.7 mill.; and mineral phosphates, L.3 mill. Coal imports increased by L.166 mill.; machinery, apparatus and parts, L.135 mill.; raw industrial materials, L.82 mill.; timber, L.74 mill.; skins, hides

etc., L.72 mill.; raw elastic rubber, L.49 mill.; mineral oils, L.35 mill.; cellulose, L.12 mill.; and metals, L.12 mill.

Trade with Spain.—The recent conclusion of a Treaty of friendship with Italy and Spain is considered by the *Corriere della Sera* of August 13 last an opportune moment to submit the following particulars of the commercial exchanges between the two countries.

Previous to the war Italian exports to Spain were less than the imports from that country; in fact the average exports for five years (1908 to 1912) were L.13 mill., while the imports from Spain amounted to about L.32 mill. After the war this unsatisfactory condition of things from the Italian point of view underwent a change, and the commercial balance in the Iberian Peninsula is now in favour of Italy. In 1923 exports to Spain were valued at L.124 mill. and the imports from Spain at L.113 mill.; in 1924 exports were L.182 mill. and imports L.173 mill., and in the past year exports were L.305 mill. and imports L.286 mill. In consequence of this development the balance of trade between the two countries has become increasingly favourable to Italy. The most important of Italy's exports are agricultural products, such as beans (54 mill.), eggs (10 mill.), dried peas (6 mill.), and raw hemp (12 mill.). Italy's industrial exports to Spain are specially strong, particularly automobiles, the export of which in 1925 exceeded 1,572 vehicles of a value of about L.39 mill., and pneumatic tyres to a value of over L.28 mill. The chief imports from Spain are lead, to a value of about L.75 mill. in 1925, fish and products, about L.122 mill. and mineral ores, value about L.20 mill. From this it will be seen that commerce between the two countries is regulated by the Italian requirements of raw products, for which Spain receives in exchange finished manufactures.

Temporary Imports.—The enormous development of the system of "temporary imports" speaks for itself and has undoubtedly exercised a remarkable influence on the national economy of Italy. It is common knowledge that the entry into Italy, duty free, of certain raw materials is intended to assist the manufacturers of goods for export and that the concession of exemption from Customs dues is equivalent to a reduction in the cost of imported raw materials, intended to ensure a corresponding reduction in the cost of goods manufactured for exportation. In the first four months of the current year the "temporary imports" have exceeded a value of L.300 mill., while the same period of last year showed a total of L.114 mill. and that of 1924 only L.57 mill. As a direct consequence, the re-exportation of the relative manufactures for the same period of four months rose to L.137 mill. in 1924, L.223 mill. in 1925, and L.395 mill. in 1926. Such success has attended the operation of this system that the Government has agreed to the extension of this form of commercial assistance by the application of a similar benefit to other classes of trade. (*Corriere della Sera*, August 13.)

INDUSTRY

Italy and World Motor Car Production.—From data contained in a recent official report and from other sources it is possible to compare the figures of the output of the Italian automobile industry with that of the output of similar industries in European countries, and also in the United States, whose production is over four million motor cars per annum. According to these statistics, Italy occupies sixth position amongst the leading nations in the construction of automobiles, with a production for 1925 of slightly less than 40,000 cars, while holding fifth position as regards exports, with over 29,000 cars sold abroad, thus following very close to Great Britain. These figures testify to the rapid growth of the Italian industry in particular, with its exportation of over 73 per cent. of its own production, while the United States, whose motor car manufactures exceed those of Italy by more than 100 per cent., does

not export more than seven and a half per cent. of its output. Italy therefore takes first place among the nations for exportation in proportion to production. Among the nations whose exports abroad form a notable part of their output one should mention Canada, with a production of about 160,000 vehicles and exports of 45 per cent. ; and France, with a production of 177,000 vehicles and an exportation of about 35 per cent. The reason of this varying expansion in automobile production is partly to be found in the cutting of prices at which cars are sold abroad. The falling off in the exportation of German cars, which in 1925 scarcely absorbed 3 per cent. of the total production (reckoned at about 55,000 cars), is due to the higher prices asked for them. The German industrialists are concerned with this situation and are studying how precisely to render their output more efficient and economical. The American industrialists are hoping to supplant international competition ; their efforts in this direction are to be seen notably in the production organisations, which are now devoting their attention to the copying of the best features of Italian models. (*Corriere della Sera*, August 12.)

COMMUNICATIONS

Railway Statistics.—According to data published by the Ministry of Communications, the total mileage of the Italian State railways is at present 16,500 kilometres. Before the war there were 150,000 employees engaged on these railways ; this number was increased to 241,000 in 1921, but has since been reduced to 175,000. The average distribution of the staff per kilometre was 10.7 employees in 1913, 14.6 in 1921 and 10.9 in 1923. Reckoned on the basis of a million axle-kilometres there was an average of 38.7 employees in 1913-14, 64.3 in 1920-21, 60.4 in 1921-22 and 35.3 in 1924-25. The average fuel consumption for 1,000 ton-kilometres was 53.9 in 1913-14, 78.6 in 1921-22 and 58.7 in 1924-25. The unsatisfactory results of the year 1921-22 were attributed to the comparatively small deliveries of German reparation coal. Before the war practically only British coal was used. Losses through claims for damaged goods, based on the average of L.100 mill. worth of transported goods, was L.1.18 mill. in 1913-14, L.7.31 mill. in 1921-22, and L.0.54 mill. in 1924-25. These figures suggest that goods are now handled more carefully on the Italian railways than in pre-war and post-war times. There is obviously also greater supervision now than hitherto, for the total claims for loss by theft on the railways in the working year 1924-25 amounted to only about a million lire, as against L.50 mill. in 1921-22. With regard to railway finances it is shown that whereas in the year 1913-14 there was a surplus of L.28 mill., there was a deficit of L.1,042 mill. in 1919-20, and from that year to 1923-24 there were annual deficits of L.1,321 mill., L.1,432 mill., L.1,032 mill. and L.412 mill. successively. But in the year 1924-25 a surplus of L.176 mill. was realised.

As compared with the year 1921-22 economies to the extent of L.523 mill. were effected and receipts increased by L.1,085 mill. in the working year 1924-25. The traffic returns show an improvement both in the transport of passengers and of goods. The number of passengers conveyed per kilometre on the State railways in 1913-14 was 4,930,000,000 ; in 1921-22, 6,640,000,000 ; and in 1924-25, 8,300,000,000. Goods transport has risen from 41 mill. tons in 1913-14 to 39 mill. tons in 1920-21, 41 mill. tons in 1921-22, and 63 mill. tons in 1924-25 ; reckoned on the basis of ton-kilometres the figures are : 1913-14, 7,070 mill. ; 1921-22, 8,600 mill. ; and 1924-25, approximately 12,000 mill. Vast technical improvements have also been made during the past few years. Moreover, the economies that have been effected have enabled important works to be successfully financed.

According to the *Corriere della Sera*, it is estimated that railway receipts for the working year 1926-27 will be L.5,062 mill. and expenditure L.4,712 mill., as against

receipts at L.4,332 mill. and expenditure at L.4,132 mill. in the preceding year. Thus the estimated surplus for 1926-27 is L.350 mill., as compared with a surplus of L.200 mill. in 1925-26. There has therefore been a steady improvement in railway finances over the past few years. The Italian Government has approved the scheme to bore a tunnel through the Stelvio, which will enable a direct line to be established between Milan and Munich. The new line will probably be electrified throughout and will considerably improve the communications with Central Europe.

SOCIAL AND LABOUR CONDITIONS

Price Index Numbers at the End of the Half-Year.—

The price index numbers published by Professor Riccardo Bachi of Rome show that there was a slight increase in prices in Italy during the course of the first six months of the present year. Taking the year 1913 as a basis of comparison there was an increase of 1.8 point, and taking 1920 as the basis, an increase of 0.2 point on January last.

	January.	March.	May.	June.
Vegetable foodstuffs ...	142.8	142.6	150.4	153.5
Animal foodstuffs ...	125.3	123.0	119.1	117.3
Chemical products ...	75.3	75.0	75.0	75.3
Textile goods ...	97.3	90.8	89.1	94.0
Minerals and metals ...	78.8	77.0	79.1	81.1
Building materials ...	106.8	103.2	102.2	102.2
Plant products ...	150.0	144.3	133.6	131.7
Miscellaneous goods ...	115.6	113.8	112.5	115.1
General Index No. (basis 1920)	113.2	111.0	111.6	113.4
" " (basis 1913)	707.0	693.4	687.0	708.8


Consumption of Wheat.—A propos of the recent discussion that followed Sir Daniel Hall's presidential address to the Agricultural Section of the British Association on the world's food supply and consumption, the following paragraph may be of interest.

In an interview granted by Dr. Borghesani, director of the Scientific Section of the International Institute of Agriculture, to a representative of the *Tribuna* some illuminating figures concerning the consumption of wheat per head of the population of Italy and other leading countries were given. The figures are as follows (in quintals): Germany, 0.6 ; Austria, 1 ; Belgium, 1.8 ; France, 2 ; Italy, 1.9 ; Great Britain, 1.7 ; Switzerland, 1.4 ; Spain, 1.6 ; Egypt, 0.9 ; United States, 1.6 ; Argentina, 1.9 ; India, 0.3 ; Czechoslovakia, 1. Italy, it was stated in the interview, has a comparatively large consumption of wheat, and this obviously exercises a strong influence on production and quality and causes an insufficiency of supply without the aid of imports. This insufficiency constitutes a social and economic weakness of the country. Dr. Borghesani observed, in closing, that other ingredients were possible in the making of bread and that the use of these would help to diminish the importation of wheat and would thus assist the agricultural situation and the feeding of the population of Italy, while at the same time improving the balance of foreign trade.

FOREIGN BANK RATES.

Per cent.	Per cent.	Per cent.
Amsterdam 3½	Dublin..... 6	Prague 6
Athens 10	Geneva..... 3½	Reval 9
Belfast 6	Helsingfors .. 7½	Riga 8
Belgrade 6	Kovno..... 7	Rome 7
Berlin 6	Lisbon..... 9	Sofia 7
Brussels 7	Madrid 5	Stockholm .. 4½
Bucharest 6	Moscow 8	Tokyo 7.3
Budapest 7	New York ... 4	Vienna 7½
Copenhagen ... 5	Oslo 5½	Warsaw .. 10
Danzig 5½	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.

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

THE ECONOMIST'S BOOKSHELF.

THE ELECTRICAL INDUSTRY IN GERMANY.

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.)

This survey of the electrical industry in Germany contains an illuminative account of the general economic position of industrial finance and organisation of production in the heavy industries and of the progress achieved and difficulties encountered by the electrical industry. Despite the technical nature of much of the work and the frequency of statistical tables interest is maintained throughout. From the first sentence to the last the reader is attracted by the masterly handling of a very intricate theme. From the armistice until the stabilisation of the currency German industrialists have been handicapped by the gravest financial difficulties. The stabilisation of the currency, the Dawes report and the import of American capital have relieved the pressure and enabled the industrial leaders to carry out a policy of rapid development. From the political point of view German industry is faced with the problem of providing from 1928-29 onwards an annual exportable surplus of £150 millions. Temporary alleviation may be obtained by foreign investment in Germany. The payment of interest on such investments will operate to augment the sums due abroad in the future. The authors of this work after a comprehensive survey of the German internal economic position consider the attainment of such an exportable surplus beyond Germany's capacity. The sequitur results in the confident prediction that there will be another gathering of experts in 1928-29 to settle the Reparations problem.

It seems to the reviewer that this conclusion is based too rigidly on an analysis of the financial difficulties and their effects on production. An exportable surplus may be increased enormously by a decline in consumption particularly of imports and an increase of production provided that outlet abroad can be found for this increased production. One of the weaknesses of this conclusion and of the book generally is that too little attention has been paid to marketing in general and to world demand and potential world demand in particular. The authors of this work have examined the competitive position from the point of view of production and costs of production and have not paid sufficient attention to consumption. When manufacture is in control of a large group of producers the effect of price upon demand becomes a vital commercial consideration. The conclusion would, therefore, be more acceptable had it been based upon a demonstration that the world could not take, at prices above costs of production and distribution, the commodities which Germany is capable of throwing upon its export markets.

Apart from this particular feature the authors have stressed too much the effects of financial difficulties. Low costs of production and skilful marketing promise a high yield of profit especially when production is on a tremendous scale. Provided that risks are not abnormal, finance in its search for profit ignores territorial boundaries. The stream of American capital which has flowed steadily into Germany will continue to be reinforced by the external investors of other countries and by internal accretions of profit. The Bankers' platitude that a sound undertaking will not wither for lack of capital applies perhaps within a restricted sphere. But it cannot be demonstrated that Germany's industries come within the ambit of these restrictions.

The burden of taxation provides an interesting feature of the relative competitive position of Great Britain and Germany. The effect on particular industries has been presented in the clearest possible way. The two countries suffer about equally under this disability. Their rivals bear no similar weighty burden. In some

cases this advantage is only temporary and will be more than outweighed by the evil consequences of national neglect to impose adequate taxation.

A peculiar feature of Germany's present position is the extent of Government holdings in private enterprise. Apparently this Government investment was augmented by the necessity of supplying capital and credit to essential industries during the period of financial chaos. Part of this investment obviously represents an official desire to influence policy in certain "key" industries. Of course the British Government has similar investments, but British prejudice against State undertakings has operated to confine such investment to spheres where Government influence is considered essential to national security. In Germany the State apparently considers that it should utilise its might to influence industrial development and if necessary to enforce industrial combinations or amalgamations.

Germany continues to be a leader in trustification. Apparently the large form of business organisation with rigidity of control throughout suits the German temperament. This work shows that recently this development has been vertical rather than horizontal. Here the authors rightly find a danger. Vertical organisation of a particular undertaking tends to concentration on the production of commodities which cannot always be produced most economically within the ambit of such a concern's operations. This offsets the advantages of reducing cost of transport and deleting middleman's profits from necessary raw materials. Moreover, production on a small scale of commodities required for the final consumer's goods hinders a satisfactory horizontal organisation which could concentrate production in the most favourable localities and deliver at the lowest prices. It seems likely that the vertical combines will tend to delete some steps in their chain of commodities when they discover that these lead to increasing and not decreasing costs. Whenever reorganisation of industry is attempted on a colossal scale under the spur of national necessity it seems certain that many structures will have to be erased. The vital question is the soundness of the foundation rather than the appropriateness of any particular superstructure. The authors have demonstrated that in the electrical and allied industries a few false steps have been taken.

From the above it will be clear that the British Electrical and Allied Manufacturers' Association have examined a very interesting subject in a very interesting way. It is inevitable that the impartial observer will visualise the numerous achievements of the German heavy industries from a different angle than those who suffer from competition with them. Germany is not only a competitor but a market. The policy of the victorious allies has determined that we shall feel the competition more keenly than we shall realise the advantages of the market. Whatever progress has been made in Germany will lead directly or indirectly to advantages to the consumers in other countries. These advantages will go right through society and percolate to unexpected places. The pessimism created in the minds of our electrical industry by the satisfactory developments of their competitors in Germany need not be shared by those interested in other commodities or avocations. The market for the products of the heavy industries is a large one and there is room for prosperous industries in all the large industrialised countries. The authors of this work have given much valuable information, but they have failed to show the capacities of the market, an examination of which may have led to a less pessimistic conclusion.

D. M. SANDRAL.

PUBLICATIONS RECEIVED.

Bastiat and the A B C of Free Trade. Translated from the Writings of Frédéric Bastiat, and edited by Lorenza Garreau. (London: T. Fisher & Unwin Ltd. Price, 3s. 6d. net.)

Methods of Conducting Family Budget Enquiries. Studies and Reports, Series N (Statistics), No. 9.—International Labour Office. (Geneva.—London: P. S. King & Son, Ltd. Price, 1s 6d.)

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.
- 9. Bacon.
- 10. Sugar.

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

TABLE I.

10 Com- modities.		Bd. of Tde. Monthly Average.	10 Com- modities.		Bd. of Tde. Monthly Average.	10 Com- modities.		Bd. of Tde. Monthly Average.	10 Com- modities.		Bd. of Tde. Monthly Average.
Date.			Date.			Date.			Date.		
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	187.8	162.6	Sept. 18	158.3	156.0
Dec. 17	257.0	263.8	Apr. 20	198.5	162.0	July 18	187.1	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	148.7
July 14	165.1	160.3	Feb. 15	187.9	167.0	May 15	158.7	159.0	Aug. 13	155.6	
Sept. 15	161.2	154.3	Mar. 14	182.1	165.4	June 19	160.6	157.6	„ 20	165.8	
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
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
„ 13 ...	82.0	172.1	60.4†	121.1	84.5	103.1	98.6	137.5	98.5	79.4	103.72	„ 13
„ 20 ...	82.0	170.7	60.4†	121.1	84.9	103.1	101.4	137.5	98.5	78.8	103.84	„ 20

† 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- tri-als.	Bonds.*	Indus- tri-als.	Gilt edged.	Week ending	Indus- tri-als.	Bonds.*	Indus- tri-als.	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>97.1</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	108.1	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>	129.0	118.1	Feb. 13	199.9	104.9	132.0	114.8
Apr. 28	124.1	99.3	137.9	122.8	Apr. 17	<i>168.7</i>	106.9	121.8	113.3
June 9	119.7	100.8	130.6	123.5	May 1	176.8	107.6	122.6	114.7
Oct. 27	<i>105.7</i>	99.7	126.5	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	119.1	<i>112.2</i>	Aug. 14	205.5	106.3	123.9	113.5
June 21	115.3	103.3	<i>118.2</i>	118.0	„ 20	200.7	105.9	126.5	113.1
Nov. 8	130.1	103.7	133.7	120.4					

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

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