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COMMENTS

In a speech to the Council General of the Meuse last Monday M. Poincaré, the Prime Minister, made his anticipated pronouncement upon French politics at home and abroad. Referring to the suggestions that have been made for farming out the State monopolies, M. Poincaré declared that no advantageous offer had come to hand, either for their cession or exploitation. The majority of such proposals, he said, came from foreigners who would be only too pleased to lay their hands on a part of the machinery of national production. The Government, he pointed out, had to choose between an imminent catastrophe and a period of severe sacrifice, and they had not hesitated as to the course they should adopt. The edge of a financial precipice had been in sight, and their first duty was, therefore, to impose new and heavy taxation. Besides balancing the Budget the Government had to consider as well the amortisation of the floating debt. Heavy expenditure had been brought about by former Central European Powers, and Germany's delay in the payment of reparations had placed the French Treasury under a formidable deficit. Since August, however, the renewals of short term bonds had far exceeded the demands for reimbursement. Moreover, the sinking fund would proceed shortly to the optional conversion of a certain quantity of these bonds. Such measures of financial purity were indispensable and urgent, but they alone could not put an end to monetary instability in France, which, while it seemed at first sight to give commerce and industry an artificial and fleeting prosperity, upset all calculations and in the end dried up thrift and killed both private and public credit. The task of restoring the franc and of establishing a sound currency must necessarily be a long one, and, said M. Poincaré, it would be impossible to announce in advance the steps which would successively be taken without risking dangerous speculation in all the markets of the world. Final success must be subject to an improvement in the balance of international trade. It depended, therefore, upon the methodical development of production, the increase of exports, and a ruthless restriction of expenditure on the part of both individuals and the State. On the question of foreign debts M. Poincaré said France has never repudiated them. She had, in fact, already paid large sums in interest and her payments would have been much greater if, owing to the considerable default of Germany in meeting her obligations, she had not been forced to take upon herself the charge of reparations. For the future France was not less determined loyally to pay her debts to the full extent of her ability and within the limit of the possibilities of transfer. The Government had submitted to the Commissions of the Chamber the *dossiers* relating to this great problem, and he hoped before long a discussion would be possible in Parliament. Admitting the need for foreign capital, M. Poincaré concluded that nothing justified the pessimistic rumours and baseless alarms which the so-called *dé faïstes* of the franc were only too prone to circulate.

Work, produce, export—these were the three conditions essential to economic and financial recovery.

FOLLOWING upon the fixing by the Bank of France of the price at which it would, as from Monday last, buy gold and silver coins at 19.75 francs per gramme of fine gold and 59 centimes per gramme of silver, a continuous queue of people with little bags and boxes has been passing through the courtyard of the Bank to the Department where gold and silver purchases are made. Similar scenes have been witnessed outside the branch office of the Bank in the Place Ventadour. For the first time people are enabled to exchange 20-franc gold pieces for 114.70 francs paper and one silver franc piece for 2.45 francs paper. On Monday last, the first day of such purchases, the number of persons bringing gold and silver for exchange to the head office of the Bank totalled more than 1,800, and it is said that the piles of five- and two-franc pieces at the end of the day made an imposing sight on the Bank's counters. Some important transactions took place at the branch office, where it is estimated that lots of gold to the value of 30,000, 25,000 and 10,000 gold francs were purchased in the course of the day.

At a meeting of the Reichsbank Central Committee held last Tuesday, the President of the Bank, Herr Schacht, made a report on the conditions prevailing in German trade circles and the money market during the past three months. He stated that further progress was noticeable in the reconstruction of the capital market. The Reichsbank had increased its note issue, and in consequence the total circulation of the currency, by 300,000,000 Reichsmarks in the period from June 23 to September 23. This development was due in the main, he considered, to the continued taking up of foreign credits. Consequently the reserves of the Bank both in gold and foreign exchange, had been increased. Although the increase in the note circulation gave no cause for immediate misgivings, Herr Schacht stated, it was not desirable that foreign credits should be taken up to an extent beyond the rate of productive development in German trade and industry. It was true, he went on to say, that German industry had made considerable progress, especially in respect of concentration and re-equipment, but the figures of unemployment still showed that the prosperity of single undertakings did not necessarily mean the prosperity of industry as a whole. The increase in the currency circulation was due, said Herr Schacht, not to any rise in industrial production, but to an all too generous use of foreign capital. This was one of the reasons why the Reichsbank had abandoned its fixed rate for the dollar in favour of the open market rate. Such a course enabled the Bank, if necessary, to regulate the flow of foreign capital into Germany. His speech concluded with a denial of the report that the Bank was contemplating the use of gold coins in circulation.

THE Swedish Assessment Commissioners have sent another written communication to the Board of the

Swedish Match Trust concerning the payment of the dividend of 1925 to foreign shareholders, a total value of 5,500,000 crowns (approximately £300,000), without the deduction of tax. In June of this year the company stated that Messrs. Higginson & Co., the issuing house in London, had received the amount in question as the representatives of the British shareholders, whose names the Board in Stockholm did not know, but which could probably be supplied by the banking house. The Tax Commissioners ordered the Match Trust to endeavour to obtain these from the Bank, but in this they were not successful. The Tax Commissioners were not satisfied with the report made to them to that effect and this second communication is in consequence. In their reply the Match Trust state that it is quite correct that the Trust, in the share certificates originally posted in the English language, reserved to themselves the right to send out dividends by post to those who were registered as shareholders. But no conclusions should be drawn from this that registration would be necessary to entitle the shareholders concerned to collect a dividend at the company's offices. The holding of properly transferred shares is decisive for the right of dividend. Neither the company's articles of association nor its prospectus contain any provisions by which the right of ownership must be proved for receiving dividend. Under such circumstances the company's obligation to supply the information asked for by the Tax Commissioners only concerns those shareholders who have received a dividend on their own behalf in so far as they are known to the board of directors. The company finally declares itself willing to supply the Tax Commissioners by October 1 with information about persons known to the company who have thus received their dividend, but emphasises that registration is by no means evidence of a right to dividend or that a registered shareholder, when receiving a dividend from the company, is doing so on his own behalf. The Tax Commissioners have, however, resorted to placing a lien for a considerable amount upon future payments to Messrs. Higginson, and this warrant has been served at the Match Trust's offices by way of security for previously unpaid rates and taxes upon dividends on Match Trust shares. This lien, we learn, will hold good until the whole matter has been finally settled.

INFORMATION reaches us through the French Press to the effect that a group of French nationals have obtained a concession from the Soviet Government for providing all the new weights and measures made necessary by the introduction of the metric system into Russia. Although the information is hazy, it would appear that a mixed Franco-Russian company, the Sovmetre, is to be formed with a capital of 2,000,000 roubles. It will work in co-operation with Soviet official authorities, and is reputed to have been guaranteed orders to the value of 180,000,000 francs for the first three years of its existence. Under the concession obtained the necessary instruments and materials will be imported from France free of duty, and the concession is for a term of twenty years.

New securities offered in the first half of 1926 in the United States of America aggregated slightly over four billion dollars, exceeding the figure for the corresponding period in any previous year. From figures compiled by the *Commercial and Financial Chronicle* it would appear that Corporate financing, which accounts for 70 per cent. of the total, is responsible for this increase. The figures are \$2,522,472,163 in 1925 and \$2,877,993,096 in 1926. Government securities, both foreign and domestic, showed a decline. That municipalities are exercising more restraint in their borrowings is indicated, according to the *Index*, published by the New York Trust Company, by the fact that municipal issues declined from \$752,000,000 in 1925 to \$711,000,000 this year. This decline took place in spite of a single issue of \$75,000,000 City of New York bonds. Prospective

municipal flotations seem to indicate that the year as a whole will show a still further reduction. Considering the domestic corporate securities by classes, the offerings of public utilities, which constitute the largest single group, show the greatest expansion, their new securities in the half-year reaching the high figure of \$1,201,000,000 as compared with \$961,000,000 in 1925. Railroad financing, on the other hand, diminished substantially, by over \$125,000,000, and a similar fall was noticeable in the securities of companies dealing in motors and accessories.

MR. HENRY FORD has once more caused a flutter in the industrial world by introducing in his works the five-day and 40-hour week, without overtime. His workers are to receive six days' pay for five days' work, and are to have Saturdays and Sundays free. This has been done as a matter of business, Mr. Ford is reputed to have declared. The bulk of all manufactures are consumed by the men who make them, and, says Mr. Ford, give them leisure enough and their wants will increase. Their increased consumption makes possible increased production—low cost and mass production. Mr. Ford is no longer interested in the minimum wage; so few of his workers get the minimum that the principle has become unimportant. It is his idea to pay a man what he is worth, and let depart those who are not worth more than minimum wages. In his opinion the whole of American industry is ready for the short week; without it, he asserts, the country will be unable to absorb its production and remain prosperous. It will be necessary in his works to keep machinery running for more than eight hours per day, and so men are to be worked in shifts, since the machinery is too expensive to remain idle. There is, however, to be a complete rest on Saturdays and Sundays. The management hope by these means to discover a way of getting more work done in five days than is now done in six. A shorter working week still is visualised, but the next change, Mr. Ford thinks, will be in the length of the working day.

ON Tuesday last a mass meeting of Lancashire spinners of American yarns, called by the Masters' Federation in Manchester, decided by an overwhelming majority, there being only four dissentients, to close their mills two weeks out of three, beginning on Monday, October 4, until further notice. The mills had previously been working only half their normal 48 hours per week. It was stated officially that so oppressed was the industry by the coal shortage that the expedient of calling this meeting had to be adopted in preference to taking a ballot. The chairman said that there could be no doubt that this much harassed industry had been very sorely hit by the prolonged dispute in the mining industry. The extent of the damage done could not be estimated, but it was obvious that, even if a good demand were present for yarns and the prices obtained were equal to the fixed minimum, the exorbitant rates charged for fuel, both coal and oil, made the running of mills a most uneconomical proposition. Accustomed though they were to working mills unremuneratively, such a condition of affairs as regards coal made it impossible to continue indefinitely, or for much longer. The advance in the price of coal and oil, he went on to say, increased the cost of yarn by an average of one halfpenny per lb. In a number of instances the prices paid for inferior coal had shown an increase of 200 to 300 per cent. on pre-strike rates. The recent fall in the price of raw cotton had not, up to the present, brought any increased demand for yarn, and the need for husbanding the already impoverished capital of Lancashire was as urgent to-day as at any time during the last five disastrous years. Moreover, the practice of large consumers of coal paying very high prices was delaying a settlement of the coal dispute.

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.)

THE FINANCIAL POLICY OF THE SOVIET GOVERNMENT.

THE NEW INTERNAL LOAN.

(From our Russian Correspondent.)

The Soviet Government is floating a new internal loan, for a nominal amount of 30 million roubles, issued at 96 and redeemable in five years, but bearing no interest. It is a lottery loan, and the number of "draws" is 300,000, of which 272,000 are for 100 roubles—which is equivalent to redemption pure and simple, plus a premium of 4 roubles. The number of actual prizes is therefore 28,000, including 20 of 100,000 roubles or £10,600 at the Moscow Bourse rate of exchange, 40 of 50,000 roubles or £5,300, and so on. For the last or twentieth drawing there will be a prize for every 19 bonds. Such bonds do not represent a capital investment, seeing that the subscriber runs the risk of obtaining no return whatsoever for five years. It is a pure gamble.

The terms of this loan show once more the difficulty experienced by the Soviet Government in attracting private capital and savings to State loans. There are three reasons to account for this difficulty. First, in view of the policy with regard to private capital pursued by the Soviet Government it is only natural that private capital should prove suspicious and not hanker after investments in State loans. Second, the private capital and savings which existed in Russia before 1918 have been destroyed, and the building up of fresh capital and savings is painfully slow and limited. And third, in the private market capital earns such very high interest that the Government is unable to compete with it.

The importance of private capital in the Union of Socialist Soviet Republics is one of the questions which divide the leaders of the Soviet party and the opposition. In the circumstances the official figures and those put forward by the opposition can only be quoted subject to reservations. It is, therefore, subject to reservations that we reproduce some of the figures given as the outcome of an enquiry conducted by the Supreme Council of National Economy under the direction of Dzerzhinsky, the results of which have just been published. "The very structure of Soviet economy," says the Special Commission which conducted the enquiry, "excludes the possibility of building up considerable private capital. The Nep, in the course of its five years of existence, has not even produced a very small Morozoff or a very small Poutiloff. . . . Even the number of capitalists with only a few tens of thousands of roubles each does not exceed 1,900. The growth of private capital does not exceed a hundred million roubles a year, an insignificant amount for a country whose annual turnover reaches twenty milliards." According to the reckoning of the Commission the sum total of private capital engaged in industry, trade, transport and building is from 600 to 800 millions of roubles, whereas the State capital sunk in those branches of business amounts to 17 milliards of roubles. Consequently the reserves of private capital, and especially of liquid private capital, in the Union of Socialist Soviet Republics is exceedingly small.

But, on the other hand, as we have already pointed out, private capital finds in the open market opportunities for investment with which the Government is quite unable to compete. "The discount rate actually operating in the private markets of the Union of Socialist Soviet Republics," says the *Economicheskaya Jisn* of September 5, 1926, "is monstrous: from 4 to 12 per cent. per month. Such a rate is unacceptable so far as the Government is concerned." The new loan

will cost the Government 14.35 per cent. It would be difficult for a Government Budget, even for a Soviet Government Budget, to exceed this rate by much, or to come anywhere near to the private discount rate of 48 to 144 per cent. per annum. Under such conditions ordinary loan operations are practically impossible for the Soviet Government. It is true that in April 1925 it was successful in floating a 5 per cent. loan under normal conditions, but it was only a ten million rouble loan. All the other loan transactions of the Soviet Government are not of the nature of ordinary loans.

Until the Decree of February 21, 1925, loans issued by the Government were either forced loans, or loans intended to be placed exclusively among State enterprises and institutions, or loans which were really nothing more or less than an anticipation of taxation. It was after the introduction of the New Economic Policy (the Nep) that the Soviet Government first had recourse to internal credit transactions. The first loan issued was a 10 million poud wheat loan, followed in 1923 by a second larger one and by a 1 million poud sugar loan. These were mere anticipations of taxation, as subscribers had the right to pay their corresponding taxes in bonds of these loans. The two first lottery loans of 1923 and 1924 and the 8 per cent. loan of 1924 were forced loans. The object of the 8 per cent. loan in particular was to utilise for State purposes the reserves of industrial enterprises by substituting for them bonds of this loan. The Peasant Loan of 1924 was at once an anticipatory loan (as the bonds were accepted in payment of the agricultural tax) and a forced loan (as the banks compelled their clients to subscribe to it to an extent proportionate to the credit allowed them). Finally, "the payment vouchers issued by the Central Fund of the Commissariat of Finance" are very short term bonds subscribed by the various State enterprises and institutions.

The balance of all the above loans amounted on August 1, 1926, to some 400 million roubles, viz. :—

First lottery loan	99.9
Second lottery loan	54
First and second 8 per cent. loans	85.4
Peasant Loan	68.7
Commissariat of Finance bonds	93.3

We have left out the "economic reconstruction loan" of 300 millions, which the Government began to issue in December 1925 and 183 million roubles of which has so far been placed. This was a composite operation of Budget subsidies and paper money issues which really had very little in common with what is usually understood by "loans." It was a case of distributing among the various Government economic organisms bonds which these bodies discounted with the Soviet banks. The latter obtained the necessary resources for the purpose either directly from the Government or by re-discounting with the State Bank.

So we see that the internal debt of the Union of Socialist Soviet Republics is, comparatively speaking, insignificant, but that to carry out operations of even such small importance the Government is obliged to have recourse either to compulsion or to methods likely perhaps to attract subscribers but never resorted to by any Government of countries with normal financial systems.

It is only natural that in such circumstances Soviet economists go all lengths to devise the most varied forms of loan calculated to attract subscribers. The Gosplan has just started a scheme for a lottery loan, one-third of the debentures of which are to be redeemed at the rate of 200 roubles per 100 rouble debenture. A bearer whose debenture is drawn in the first year would therefore receive 100 per cent. on his capital for the year; one whose debenture was drawn in the second year would receive 50 per cent. on his capital for two years,

and so on. Consequently the prizes would consist of high rates of interest. Professor Soboleff suggests in the *Economitcheskaya Jisn* of September 18, 1926, the issue to the peasantry of a loan the debentures of which would be accepted in payment for agricultural machinery. An engineer, M. Friedmann, in the *Journal du Commerce et de l'Industrie* (No. 202) proposes the issue of a loan subscription to which would ensure advantages in respect of the installation of electricity. And so on, and so forth.

THE 1926 COTTON CROP.

An optimistic view of the cotton crop outlook is expressed by the National Bank of Commerce in New York. Discussing the situation in the September issue of *Commerce Monthly*, the Bank states that poor prospects over most of the old Cotton Belt are outweighed in the total by promising conditions in the two great cotton States in the West.

Thus far, says the writer, the cotton crop of 1926 has come through a June which was somewhat cool and a July which was showery with a real excess of rainfall in southern Alabama, Georgia, central and east Texas. The piedmont of the two Carolinas and north-east Georgia had been very dry earlier in the year and in places there was considerable cotton which did not come up until July 1. The almost foregone conclusion in the minds of experienced cotton men has been that such a season meant a cotton crop which would not only be poor, but that would even fall below comparatively low estimates which could hardly fail to be influenced by the appearance of a healthy-looking plant. From central Texas to the Carolinas this conclusion seemed more certain in view of the activities of the hopper flea, whose attack forces shedding of the early squares and apparently aggravates the tendency of the plant to put into stalk the vigour which ordinarily makes fruit.

This viewpoint found rather full confirmation in the reports which the farmers of those regions sent in of the condition of their crop on the first day of August. Not a State east of the Texas-Oklahoma line but reported a condition well below that of August a year ago. Furthermore, conditions certainly do not resemble those that last year made the condition so far undermeasure the actual outturn in such important States as Mississippi, Alabama and Louisiana. It may be that the rule of disappointing results in wet years justified a further discounting of even these low condition reports in the eastern States.

But the outstanding feature of the returns was a condition estimate which in Texas and in Oklahoma has not been approached since the record crop of 1920. In this connection one thing must be kept in mind: neither of these States ever before reported so promising a condition on such an acreage as is said to be in cotton there this year. Until four years ago Texas had never had much more than 12½ million acres in cotton. Since that time an additional 6½ million acres has been put into this crop, an increase larger than the total acreage in any other State. In the same period Oklahoma has run its acreage from 3 to over 5.1 million. A yield such as in 1924 on the present acreage would mean a total of over 7 million bales in these two States and the condition reported is much higher than it was in that year in either State.

There was been much trade scepticism about the conditions in Texas on the whole and there is some difficulty in reconciling the official report with all the advices of poor fruiting which have come from central and eastern Texas. Evidently the comparatively clear weather which was enjoyed during the last days of July brought a decided change in the viewpoint of the reporters. Had rainy weather again visited this section, the situation would no doubt once more be serious, but clear day after clear day in the first half of August has given more justification to the optimism of the Government's reporters. Local observers in the northern counties who

admit the handicap of the lack of a bottom crop are now remarking on the rate at which the big plant is putting on a middle and top crop. In the south central counties insect ravages have given the crop a decided set-back and to some extent the south-eastern counties have suffered too. Also the crop is late, but the 1920 season affords a striking example of the way a late crop can catch up and make cotton under very favourable conditions. In the meantime, west and north-western Texas has one of the best crops in years. The largest drop of final yield in Texas below the August estimate in recent years was in 1921, when the season was wet in the eastern part of the State in June and July, but in which the yield was further cut down by the driest August in 34 years following on a dry July in the western part.

Conditions in Oklahoma are very similar to those in Texas. Frequent rains and hopper flea attacks have developed a large plant with very little fruit on it. Despite this lack of bolls the August 1 condition report was placed very high and clear weather through the first half of August lends credence to the belief that the chances are good that the estimate will be realised.

There is still the threat of heavy loss through insect damage in central and eastern Texas and in the bottom lands in Oklahoma, although much of the complaint is of army and boll worms which may ordinarily be checked while clear weather prevails.

In the plains most failures in the past have been due to drought. As a rule these droughts have had their inception early in the year and have been plainly indicated though, of course, not fully discounted in the August 1 report. Reference to Table A shows that the plains section has an adequate reserve of moisture this season. Frost date might yet prove of importance, but it is not the cotton in the early frost belt that makes up the very late crop of these States this season. According to the official crop report for the State of Texas there are more bolls safe in the North-west than in 1925, though many less than in 1924. The other element of uncertainty is the acreage, but the history of acreage estimates in these two States where new land has been coming into cotton so fast is that when major adjustments of early acreage estimates have been necessary they were in an upward rather than in a downward direction.

TABLE A.—Total rainfall and departure from normal in inches for the months of June and July in the principal cotton growing States.*

	Total rainfall.		Departure from normal.	
	June.	July.	June.	July.
North Carolina ...	3.89	5.46	— 1.06	— 0.80
South Carolina ...	4.41	6.24	— 0.38	+ 0.35
Georgia ...	4.05	6.68	— 0.36	+ 0.97
Alabama ...	4.93	6.13	+ 0.67	+ 0.68
Louisiana ...	3.46	4.67	— 1.41	— 1.75
Mississippi ...	3.30	5.39	— 0.88	— 1.11
Arkansas ...	2.60	3.65	— 1.42	— 0.27
Oklahoma ...	4.07	4.10	+ 0.18	+ 1.26
Texas: North-west ...	3.29	3.56	+ 0.03	+ 1.40
West ...	2.33	2.56	+ 0.27	+ 0.79
Central ...	3.35	4.22	+ 0.50	+ 1.96
North-east ...	3.91	7.67	+ 0.33	+ 4.75
East ...	4.89	6.02	+ 1.73	+ 2.42
Coast ...	3.13	3.52	— 0.56	+ 0.30
South-west ...	2.13	3.35	— 0.33	+ 1.05

* July records are preliminary, as reports from a number of stations are still missing.

In Arkansas and in the States east of the Mississippi River the record shows that the estimates made by observers on the first day of August have in nearly all years been able to take fairly good account of the effects of very unfavourable seasons. Louisiana and Alabama stand out as exceptions to this rule and it may be that, particularly in Alabama where showers have been frequent in August, some further allowances should be made in the case of the current crop. In South Carolina,

on the other hand, where the condition reported was well below that of the disastrous year 1921, little criticism can be made of the August 1 estimate on this score.

It is true that the eastern States as a whole report conditions higher than might have been expected in the face of the reports that came in during July, but before rejecting these estimates several things need to be taken account of. One is the record of past August condition reports. Another and major consideration is the fact that underestimates in wet seasons, although natural of themselves, are rather clearly associated with weevil damage. Texas after a wet season in 1920 made a very large crop. North Carolina did the same not only in 1916 but repeated such a performance in 1920. South Carolina in 1919 illustrated the fact that in a wet year late cotton may make a good crop. The explanation which appears evident is that this part of the belt had not up to that time experienced serious weevil damage.

The importance of this for the current season is that, although conditions have been very fair for weevil propagation and these insects are in the belt in considerable numbers in some localities, there is little evidence to date that the season is to experience the damage incurred during such years as 1921, 1922 and 1923. This result seems rather natural after the spread of weevil has been curbed by two extremely dry seasons. At the present time weevil are reported in the hills of Mississippi, but in the delta, where loss in the bottom lands might be expected to be severe, there is little complaint to date despite weather favourable for weevil propagation. From the coastal plains of the Carolinas and other sections weevil complaints are also heard. In a broad way, however, it may be said that up to mid-August there has been no serious weevil damage east of the Mississippi River. West of the River, in Louisiana and Arkansas and in central and east Texas damage which might easily reach major proportions has been encountered from worms and some weevil. The situation is threatening, but the clear weather enjoyed by a large part of this section so far in August has been on the side of the planters.

In the States from Alabama to the east, rainfall in July was comparable to the total received in that month in 1921. The distribution was not altogether even, of course. Texas rainfall also was above the normal in all the reporting districts. The Mississippi Valley States, however, which raise most of the cotton grown in bottom lands in the United States, report a real deficiency during July. Coming in showers, however, the effect of such rainfall as was received has been aggravated. Conditions, too, probably seemed worse to observers who had been through two very dry years in this locality.

Although weevil are not yet seriously damaging the crop in the eastern States, it is true that if these insects appear there in larger numbers later in the season the lack of a bottom crop and the large plant will make the effects more serious. That is one of the uncertainties still surrounding the crop prospect.

There are, of course, other uncertainties and the years in which the August 1 condition has failed dismally to align itself with the final yield furnish good examples of what these uncertainties are. Among the most striking is the 1917 season in North Carolina, when a wet, cold September and frosts as early as the middle of October brought the outcome far below anything that could have been foreseen earlier in the year.

Inasmuch as it has been widely felt that the reports this year did not measure the full extent to which the crop had lost ground during July, it is interesting to notice the years in which the yield has actually gone much below that indicated by the condition on this date. The serious drought which visited west Texas and Oklahoma in August 1922 accounts for the failure of the condition report at the beginning of the month to foreshadow the loss. For purposes of comparison with this season, however, it is well to recall that this and other

droughts in that territory in recent years have had their beginning at least as early as July. This season the crop has gone through July with more than the normal precipitation. The 1923 report could not be expected to forecast the severe drought which came to Oklahoma during August and the very wet weather that so seriously increased boll weevil damage in Alabama and in Mississippi. Of course, crop condition reports do not give any inkling of the sweeping changes of the crop estimates that were caused by revisions of acreage forecasts which amounted to five million acres in 1921 and to two million acres in both 1924 and 1925. These and other major revisions in acreage in the past have been toward higher rather than toward lower figures.

Aside from the crop itself the condition of markets this fall will be the most important element in determining the price this crop will bring. It is too early to form much idea of what other cotton growing countries will produce this season. As far as big producers for the commercial market are concerned, the conditions so far in Egypt are better than those of a year ago, India has had a fair monsoon, while in Russia some decline from the large total reached in 1925 is deemed probable. Whether the 640,000 bales gain made in the crops outside of the United States last year will be maintained is uncertain. At the same time there is a rather full supply of cotton in sight to be carried over to the new season.

The current year is one in which records of the so-called "commercial crop" of cotton may easily be misconstrued. Hester's calculation of 15.6 million bales of cotton moved into sight during the past crop year should be compared with his estimate of 17.3 million bales of lint and linters actually grown. In other words, there was 1.7 million bales of last season's crop which remained on farms or elsewhere and therefore was not catalogued in the so-called "commercial crop." Table B shows the stock of lint cotton in the United States on August 1 and the figures for the visible supply and mill stocks abroad are appended for reference.

TABLE B.—Supply and distribution of cotton for crop years 1924-25 and 1925-26.

	1924-25.		1925-26.	
	(In thousands of running bales.)			
On hand in United States				
on August 1		1,556		1,610
Ginnings after August 1		13,618		15,961
Net imports		303		315
City crop, ginnings from				
new crop, etc.* ...		325		150
Total supply in				
United States		15,802		18,036
Consumed by mills in				
United States	6,193		6,451	
Net exports	7,999	14,192	8,042	14,493
Stocks on hand July 31		1,610		3,543
On hand in mills in United				
States	866		1,097	
In public storage, North...	124		227	
Total in mills and		990		1,324
northern warehouses				
In public storage, South	389		1,709	
Elsewhere (mostly in South)	231		510	
Total in South and		620		2,219
in transit				
United States Stocks ...		1,610		3,543
Visible supply abroad (all				
kinds) †... ..		1,972		2,357
Mill stocks abroad ‡		3,414		§

* Partly estimated.

† *The Commercial and Financial Chronicle*—includes some linters.

‡ International Federation of Master Cotton Spinners' and Manufacturers' Associations.

§ Not available.

The same tendency to retain cotton in primary markets is noticeable abroad as well as in the United States. British India has exported some 300,000 bales less cotton out of a crop about the same size as that of

the previous year. In the face of large accumulation of goods at Bombay the India mills are believed to have used smaller quantities of cotton. These facts indicate a somewhat larger carry-over in the interior. Rather heavy stocks at the Egyptian port of Alexandria illustrate the same tendency in this the fourth in rank among cotton growing countries.

The spinners of the world have in fact been taking less cotton into their mills in the last six months than they did in the latter end of the 1924 to 1925 season. The Far East has, it is true, been in the market in a large way and, while there is considerably more cotton in Japanese warehouses, large imports by that country have clearly been necessitated by the high rate of operations of yarn manufacture. Mills in the United States have also been taking cotton liberally. In other directions, however, spinners' takings show a decline of nearly one half a million bales in comparison with the February to July period of 1925.

With spinners' takings below the corresponding period of last year it is not surprising that the holding movement in growing regions has not served to prevent rather full stocks in marketing channels. It also seems rather clear that mills on the whole have not restrained buying with the purpose of reducing their own cotton holdings, but have been forced thereto by the condition of the goods markets and likely have about as much cotton on hand this August as they did last.

Of the total decline in takings for the last six months some 300,000 bales is to be accounted for in Great Britain and about an equal quantity is attributed to the Continent of Europe. The general effects of stabilising the currency; depression in Bombay; competition with low costs attributed to day and night mill operation in Japan and to depreciation of currencies of competitors in western Europe; the industrial strike and the coal strike—such things easily explain the short-time policy in Great Britain which has culminated finally in a definite scheme of yarn price control. Great Britain's piece goods exports during the 1925-26 crop year were 4.1 billion square yards in comparison with 4.5 in the previous twelve months.

On the Continent, Belgium and France have maintained a high rate of activity, and Italy has fallen only a little behind the 1925 record. Conditions in the Netherlands have been fair. Polish mills are working almost full time, but Austria and Czechoslovakia are feeling a severe depression in cotton textiles, hampered as the mills are by tariff adjustments and a disappointing turn to the Russian market. The depression in Germany is a little improved at the moment, but has been very severe since last December. The situation has been due to high money rates made necessary to draw capital into Germany, accumulation of goods and the need to meet world prices established by countries whose exchange was rapidly declining and who therefore enjoyed the traditional advantage in the purchase of labour which accompanies this situation. Reports from Russia during the half-year have been optimistic, although, due probably to a good cotton crop at home, the Soviet Union has not been so good a customer of the cotton farmers of the United States as in the previous year.

Undoubtedly there has been a better tone to the cotton goods market in the United States in recent weeks than for some time past. Southern mills reported to the Federal Reserve Bank of Atlanta a considerable reduction in their holdings of cotton goods at the end of June and yarn stocks were below those held at that time in 1925. In Worth Street July was a very satisfactory month and Fall River continues to do a very fair business in comparison with that which has passed there in the last year or two. Coupled with the curtailment which was reflected in the fall of cotton consumption for July below the 1925 figures these circumstances have been responsible for much improvement of sentiment.

Large crop estimates have naturally slowed up

activity in cotton goods markets and for some weeks during the period of crop uncertainty and bi-weekly estimates it will be difficult to market large quantities of goods. The underlying factors, however, may be expected to continue rather favourable.

The three major textile fibres have suffered in the past few years by marked price advances, due in the case of cotton and wool to the threat of a short supply and in the case of silk to an unwonted demand. At the present time readjustments have brought these fibres into a normal relation not only among themselves but with the general run of prices as well. The reduction in rayon prices about six weeks ago gave aid to a competitive fibre, but there has been some reaction of the public against rayon fabrics in favour of those made of the natural fibres. The sharp decline in jute quotations which has taken place now that full supplies are once more in prospect may slow up sales of bag constructions in cotton goods. As a whole, however, adequate supplies of all these fibres may be relied on to bring about a greater use of them and prevent any serious struggle among themselves for the possession of particular markets.

In view of the many things which may happen to cotton between now and the picking, it is impossible to fix a definite idea either of the size of the crop or the price for which it will sell. In view of the many handicaps the trade encountered last season, however, Hester's estimate of 15.2 million bales of American cotton and linters consumed must be considered a very satisfactory movement. In the United States the outlook for fall business is good. Abroad exchange conditions which bring an advantage to one nation usually bring a corresponding disadvantage to a competitor. On the whole there is no set-back in sight to the gradual improvement which has been taking place and American planters may evidently count on a satisfactory demand for their new crop.

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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.)

DENMARK

POLITICAL AND GENERAL

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

The value of the krone has changed very little during the month; there has, however, been a slight increase, the average of the quotations for dollar being Kr.3.77 as compared with Kr.3.78 in July, and for sterling Kr.18.27 (Kr.18.34 in July), corresponding to a gold value of 98.8 öre in August as against 98.7 öre in July.

The progressive adjustment of loans and deposits which has taken place during the present year was maintained. Thus the loans of the three principal private banks decreased by Kr.18 mill., while the deposits decreased by Kr.25 mill. The decline in loans has been rather equally distributed over the various kinds, while the greater part of the decline in deposits is on current accounts, owing principally to the withdrawal of krone credits from abroad.

At the same time the loans of the National Bank have decreased by Kr.10 mill., while the note circulation has been diminished to the extent of Kr.12 mill., viz. from Kr.388.7 to Kr.376.5 mill. as against Kr.442.1 mill. in August 1925.

The turnover of shares and bonds on the Copenhagen Stock Exchange was very small, the weekly average being Kr.0.8 mill. in the case of shares and Kr.1.5 mill. in that of bonds, as compared with Kr.0.9 mill. and Kr.2.4 mill. respectively in July.

There was a slight decline in the index number for Stock Exchange quotations for shares as well as for bonds, the share index number being 87.8 (in July 88.5) and the bond index number 85.8 (in July 86.1), taking 100 as the index number for July 1, 1914. The decrease in shares was solely due to shipping shares, as all other kinds show an increase in value.

The wholesale index number of the Statistical Department has risen 4 points since July, this being due solely to the coal strike in England and the consequent rise in fuel prices.

The trade balance for July shows a considerable export surplus (Kr.19 mill.), imports amounting to Kr.107 mill. and exports to Kr.126 mill., while the import surplus in July 1925 was Kr.7 mill. For the period January to July taken as a whole there was an export surplus of Kr.5 mill. as against an import surplus in the corresponding period of 1925 of Kr.72 mill.

The agricultural exports in August were greater than in July in respect of bacon and smaller for other goods. The average weekly export of butter was 25,618 hkg. (in July 27,438 hkg.), of eggs 990,600 score (in July 1,062,800 score), of bacon 35,884 hkg. (in July 32,572 hkg.), and of meat and cattle 8,936 hkg. (in July 9,074 hkg.).

Prices for exported goods were all higher than in July, the average of the official weekly quotations for butter being Kr.300 per 100 kg. (in July Kr.294), for eggs Kr.1.48 per kg. (in July Kr.1.28), for bacon Kr.1.85 per kg. (in July Kr.1.81), and for meat 56 öre per kg. live weight (in July 56 öre).

Unemployment was considerably greater than during the corresponding period of last year, even though the increase from July to August has been smaller this year than last year. The unemployment percentage at the end of August this year was 17.7 as against 9.8 in August 1925; in the industrial trades the percentage was 19.7 as against 9.9 in August last year.

The State revenue from Excise and Customs was Kr.16.7 mill., Kr.5.4 mill. of which was derived from Customs duties. In August 1925 the corresponding figures were Kr.17.9 mill. and Kr.5.1 mill.

FINANCE

Bank Losses from 1921 to 1925.—The Statistical Department has recently published a report on the working of the Danish banks which shows that for the five years for which uniform statistics are available, 1921 to 1925, an amount of Kr.675 million has been written off. This figure, the *Scandinavian Weekly*, No. 34, points out, only comprises losses of banks which were carrying on business at the time when the writing off took place, so that losses ascertained by liquidation or by the taking over of banks are not included. A report, however, has been worked out also on the latter basis, showing that these losses amount to about Kr.182 million for the years in question, so that the total loss of Danish banks for those years, beyond hidden reserves, runs up to more than Kr.850 million. Of the amount of Kr.850 million written off officially Kr.467 million falls on the Landmansbank (to which has to be added Kr.34 million written off on hidden reserves), while Kr.129 million falls on the Diskontobank and Kr.62 million on the Andelsbank. Kr.53 million falls on a series of banks that have stopped business, and the remainder of the amount has been written off by various banks all over the country. The loans of Danish banks have thus been very serious during the last few years.

Loans to Exporters.—From the same source (No. 33) we learn that during the last session of Parliament the Government was authorised to guarantee up to an amount of Kr.20 million for credits conceded by Danish export firms to foreign firms, an amount which was subsequently increased by Kr.5 million for the support especially of agricultural exports. This guarantee, however, has not proved sufficient, and after negotiations with various foreign bankers through the Privatbanken, Copenhagen, and the banking firm of R. Henriques Junr., of the same town, an arrangement has been made with the Guaranty Trust Company, which will place \$10 million at the disposal of Danish exporters. The landed loan bank, it is added, will issue special export credit bonds for the amount.

TRADE

Foreign Trade Report.—The following table shows the movement of Danish foreign trade during the last five years (in millions of krone):—

	Imports.	Exports.	Re-exports.
1921	1,697	1,410	154
1922	1,553	1,176	107
1923	2,031	1,539	146
1924	2,366	1,976	178
1925	2,095	1,795	171

The above figures undoubtedly point to a marked improvement in the balance of trade during the period in question, the excess of imports over exports, which had risen from Kr.133 mill. in 1921 to Kr.270 mill. in 1922 and to Kr.346 in 1923, having declined to Kr.212 mill. in 1924 and to Kr.129 mill. in 1925. This improvement, says the *Moniteur des Intérêts Matériels*, No. 236, is reflected in the balance of payments, which for 1925 is given as follows by the Official Statistical Office: Commercial deficit, about Kr.130 mill., reduced to about Kr.100 mill. by difference in the exchange; payments for interest and redemption on public and private debts, Kr.65 mill.; fuel supplies to Danish shipping and Danish tourists' expenditures abroad, Kr.55 mill.; or a total debit of Kr.220 mill. As against this must be

set: Navigation receipts, Kr.215 mill., and income of Danish trading concerns and insurance companies abroad, Kr.20 mill.; or a total credit of Kr.235 mill. The result is, therefore, a net profit of some Kr.15 mill

Iceland's Foreign Trade Returns.—During the first six months of the year Iceland exported goods to the value of Kr.17,159,240 (Kr.14,015,800 gold) as against Kr.25,471,423 (Kr.16,818,000 gold) in the corresponding period of 1925, the decrease being due to the lower prices of fish and to the smaller quantities caught. During the period in question the amount of fish exported was 199,439 skippund (1 skippund = 160 kg.) as against 224,828 skippund in the corresponding months of last year. The stock on hand in Iceland on July 1 was estimated at 189,260 skippund.

During the month of July Iceland exported goods to the value of Kr.3,050,950, thus bringing the total for the first seven months of the year up to Kr.20,210,190 (Kr.16,509,650 gold) as against Kr.31,231,664 (Kr.20,788,130 gold) for the corresponding period of last year. The stock of fish on hand on August 1 was 174,748 skippund, or somewhat less than on August 1, 1925. Imports during the month amounted to Kr.4,112,725, bringing the total for the seven months up to Kr.28,849,656, which (with exports totalling Kr.20,210,190) gives an adverse trade balance of Kr.8,619,466. (*Scandinavian Weekly.*)

INDUSTRY

The Iceland and Faroe Islands Fisheries.—The herring fishing season round Iceland is now over. The results are worse than ever before, owing partly to a very sparse occurrence of herring and partly to bad weather. The final result is not yet known, but the figures up to August 29 show that 73,590 barrels of herring had been salted and 23,935 barrels spiced, while the oil factories had received 74,952 measures (1 measure = 150 litres), as compared with 207,599 barrels, 31,557 barrels and 126,258 measures at the same date last year. Owing to exceedingly bad weather the catches since August 15 have been extremely slender, so that the final result will not show much improvement on the above figures, which means that there will be little over 60,000 barrels for export as against 254,000 barrels last year. The fishermen, generally speaking, have suffered heavy losses, while buyers who had not sold in advance will do good business owing to the present high prices ruling for salt herring, about double those of last year. On the south coast of the island, where herring are not generally found during the summer, a considerable quantity has been caught this season. As pointed out in a previous issue (August 27), the experience of last winter shows plainly that the Iceland fishing banks are overworked and that the enormous rush of foreign trawlers involves a serious danger to the preservation of the stock of fish. Last year, for example, there was hardly any fish on the level bed, and trawlers had to go to the uneven lava ground, which is generally avoided owing to the frequent damage caused to fishing tackle. Experienced masters declare that in many places where enormous quantities of fish were found ten and twenty years ago there are now no fish whatever. Notwithstanding the good years 1924 and 1925 many of the trawler companies are now in a bad way, nearly all the trawlers that do not participate in the herring fishery being laid up, as summer operations would be likely to result in heavy losses. Experts declare that owing to reckless fishing the fisheries are in danger, and that further preservation through an extension of the sea limit is the only means of warding off a catastrophe.

The result of the salmon fishing this summer was middling. In the small Ellide river near Reykjavik, which is reserved for sport, some 1,800 salmon were caught. The best haul by rod for one day was 43 salmon.

In view of the fact that an Italian shipping firm has applied for a right to establish a station for up to 18

trawlers in the Farøe Islands, fishing interests in Iceland point out the danger that the carrying out of this scheme may mean for the Iceland fisheries. As the company would eventually be exempted from duty in Italy, the present market there for Iceland split cod would be completely ruined. So far as the Farøe islanders themselves are concerned, the consequence probably would be that they would forsake their cutters and become the hirelings of the Italians. The fishing of the Farøe islanders is at present based on the privileges they enjoy as Danish citizens in Icelandic waters and ports in accordance with the federal law, and in Iceland it is hoped that the matter will not be decided until the Danish-Icelandic Committee, which considers all questions of joint interest to Denmark and Iceland, has had an opportunity of giving its opinion. (*Scandinavian Shipping Gazette*, September 10, 24.)

The White Coal of Iceland.—River-course legislation in Iceland has finally been brought to a termination by the adoption of the Bill relating to waterfall concessions. In 1917 the Althing appointed a commission to examine the question. The purely formal point about the right of property in running water immediately divided the commission, the majority being of opinion that the State was the legitimate owner of all such water, while the minority maintained that the landowner had the right within his property. The Althing ruled, however, that the right of the State to running water was unlimited outside the limits of the village. The Bill which the Althing adopted in its last session is really a compromise between these two opinions. River-courses of less than 500 h.p. are left to the free use and exploitation of the owner of the land through which the water runs. Communities are allowed to exploit a greater quantity of h.p. in so far as the power is to be used exclusively for home consumption and not for the working of factories. In these cases no concession is required, only the permission of the Government. In all other cases exploitation of the power of running water cannot take place without a concession, which Government may grant to Icelandic or Danish citizens so long as the power involved does not exceed 25,000 h.p. Concessions to foreigners can only be granted by special law, and the concessionaire must be a resident of Iceland, and in the case of a company the majority of the board must be Icelanders. Concessions for works of more than 25,000 h.p. always require a special law, whether the applicants are Icelanders or foreigners.

Works of a smaller capacity than 500 h.p. do not pay any tax. Larger works pay from 50 ore to Kr.5 per h.p. a year for the first twenty-five years. After the lapse of that time the tax may be raised to Kr.10 per h.p. The concessionaires will further have to pay expenses in connection with the increased wear and tear of the roads caused by the working of the establishment, and these dues are fixed by Government.

It is obvious that a great invasion of foreigners may mean a danger to the maintenance of Icelandic national culture. The population does not number more than 100,000 persons. On the other hand large industrial concerns cannot be established and kept working in Iceland without foreign labour. Icelandic industries are already now suffering under the want of labour, and should the waterfall industry be maintained by means of home labour, the other Icelandic industries—agriculture, fishing, etc.—would be completely destroyed.

Since Iceland was first peopled it has never had any great immigration of foreigners, but Icelanders now quite realise that in order to keep pace with the rest of the world the technical means of the present day must be turned to account in Iceland, and the time will surely come when Iceland cannot afford to leave all its resources unused. At any rate the time seems now to have come to commence to utilise the waterfalls, but on a smaller scale in order to avoid the dangers mentioned above. Foreign workers who come to Iceland to remain there must become Icelanders and learn the language. There is no animosity against foreigners in

Iceland so long as they do not prove a danger to Icelandic nationality; but they will be a danger if they retain their nationality and language.

All Icelanders agree with reference to the necessity of utilising the water power for the home. Iceland is very poor in fuel, having only peat, and there are smaller waterfalls everywhere eminently fitted for small power stations. One thing, however, greatly hinders electrification, viz. the long distances between the farms, which require expensive transformers and make the building of the lines very costly. The next step will be the utilisation of smaller waterfalls for various factories, especially cloth factories. There are already two such factories worked by water power, and more will doubtless be built in the near future. Great interest is shown in the furtherance of Icelandic industry, especially of the kind for which the country itself provides the raw materials, such as wool, hides and skins, and herring. Such factories might be established without foreign capital and labour, but it is of course quite another matter when it is a question of starting industrial concerns on a large scale for the manufacture of artificial manure or for the mining industry.

There are no exact statistics with regard to the water power of Iceland, but it is supposed to be not less than 4 million h.p., or 38 h.p. per square kilometre and 40 h.p. per inhabitant, and of all this enormous power only about 2,000 to 3,000 h.p. is utilised at present. (*Scandinavian Weekly*, No. 30.)

COMMUNICATIONS

Oil-engined Ferries.—In all parts of the world, even where the respective prices of coal and oil do not favour the motor vessel, it would seem that where ferries, large and small, are needed the internal combustion engine is preferred. There is now approaching the launching stage in Denmark a big train and passenger ferry for the Danish State Railways; another is under construction on the Clyde for service in South America, and a motor car and passenger ferry has just been launched at Aalborg for service between Esbjerg and Fanø. In America Diesel electric propulsion is favoured, and five vessels of this class, about 250 ft. long, are to be built immediately for San Francisco, while for service in New York twelve Diesel electric ferries have lately been ordered.

Work is being pushed forward very rapidly upon the 15½-knot train ferry now under construction at the Elsinore Shipyard, Denmark, for the Danish State Railways. She is to be utilised on the main route between Copenhagen and Esbjerg, the actual passage, as travellers to Copenhagen are aware, between Korsør and Nyborg, taking about one hour. This involves a somewhat strenuous service, since ten or twelve passages are made daily, and the employment of oil engines for such work was considered a rather bold step when the order was placed. The reason was largely constructional, as internal combustion motors permitted three rail tracks to be laid. Although there may not be as much actual economy in the fuel bill when the vessel is under way, there will no doubt be a saving from the absence of stand-by charges.

The new ferry is 310 ft. in length, with a beam over the fenders of 58 ft., the loaded draught being slightly under 12 ft. 6 in. and the displacement 3,120 tons. Two 1,700 i.h.p. Burmeister & Wain trunk piston engines, running at a speed of 160 r.p.m., are to be installed, and a normal loaded speed of 15½ knots will be attained. Most passengers in the trains between Esbjerg and Copenhagen arrange to take their meals in the ferry ship, where good food can usually be obtained in comfort, and spacious and well-fitted dining saloons are provided. In addition, there are large and comfortable smoking and sitting rooms for first and second-class passengers. Many hundreds of passengers can be accommodated, and the vessel is expected to be the best train ferry in service in Denmark. (*Scandinavian Shipping Gazette*, No. 33.)

ESTONIA

POLITICAL AND GENERAL

Economic Programme of the New Government.—

The major portion of the Ministerial Statement consists of an economic programme which covers all the vital national branches. Although the intentions of the Government are expressed for the most part in very general terms, there are a few points which indicate new ventures in the realm of economic policy.

State loans are only to be allotted in cases with which private capital is unable to cope, first of all to agriculture. This no doubt refers to an intention, expressed elsewhere in the statement, to revive the activities of the Agrarian Bank. It must be pointed out, however, that these State loans will assume the character of subsidies, for private capital will only go where some return is expected, and if it avoids agriculture it is on account of the absence of satisfactory security in that direction. It would be a better move on the part of the Government to settle the doubtful question of land ownership, thereby creating the security required, than to inaugurate further State loans, which would in the long run prove the ruin of agriculture.

As regards industrial policy the programme is a general one, consisting in a reduction of import duties on raw materials, a gradual restriction of protective duties, and an allocation of State contracts to home industries. The Government's desire to bring about better relations between employers and employed by means of a revision of the legislation protecting labour is of considerable importance.

The statement mentions the "desirability" of erecting a cold storage warehouse, without emphasising the urgent necessity of such a building on which the Press has for some time been insisting.

The keynote of the economic programme is protection for agriculture, which for some years past has been the trump card of all parties. This standpoint, though right enough in itself, tends to become one-sided, for the slow development of the market for agricultural produce may shortly bring about the necessity for greater activity in the development of other industries, such as shale fuel and manufactures. (*Revaler Bote*, No. 172.)

FINANCE

Foreign Capital in Estonia.—Before the war foreign capital was invested in Estonian industry to the extent of 80 million gold roubles, or about £10,000,000, observes the *Rigasche Rundschau*. Of this sum R.23 mill. was invested in the textile industry, R.18 mill. in ship-building, R.16 mill. in engineering, R.10 mill. in cement, R.7.5 mill. in paper mills and R.3 mill. in veneer factories. The war and the revolution led to the withdrawal of the greater part of this capital and to-day the amount of foreign capital invested in Estonian industries is estimated at about £2,360,000, the greater part being of British origin, as shown by the following table:—

Textile industry	... ..	England	... ..	£900,000
Cement industry	... ..	England	... ..	40,000
Paper industry	... ..	England, France	... ..	300,000
Leather industry	... ..	Holland, Germany	... ..	100,000
		England	... ..	25,000
		Sweden	... ..	50,000
Match industry	... ..	England	... ..	300,000
Veneer industry	... ..	England	... ..	100,000
Sawmills	... ..	England	... ..	25,000
Slaughter houses & cold storage	... ..	England	... ..	50,000
Breweries	... ..	England	... ..	150,000
Engineering	... ..	France	... ..	70,000
Tobacco	... ..	England, Sweden	... ..	100,000
		Total	... ..	£2,360,000

In addition to the above, foreign capital is invested in Estonian banks to the extent of £150,000, or 30 per cent. of the entire resources, and £1,200,000 as current credit in Estonia's foreign trade, so that the total investment of foreign capital in Estonia is estimated at £3,710,000 or Emk.6.7 milliard. (*Riga Times*, August 28.)

TRADE

Balance of Trade for the First Half-year.—The value of goods exported during the first half of the current year amounted to Emk.4,420 mill., as compared with exports to the value of Emk.4,302 mill., resulting in an export surplus of Emk.118 mill. In the first half of 1925 the import value amounted to Emk.4,749 mill. as against an export value of Emk.4,151 mill., or a deficit of Emk.598 mill. The improvement in the balance of trade is thus due to a decrease of Emk.447 mill. in imports and an increase of Emk.269 mill. in exports. The total turnover has dropped by Emk.173 mill.

In the individual groups of imports a comparison with the first half of 1925 gives the following results: The import of grain and flour has fallen from Emk.1,034 to Emk.923 mill., although the quantity imported this year is greater. Fish was imported to the value of Emk.121 mill. (118 mill.), and other foodstuffs, beverages and delicacies to the value of Emk.457 mill. (469 mill.). The revival in the leather industry brought the imports of leather and hides from Emk.116 mill. up to Emk.224 mill. Seeds and plants were imported to the value of Emk.61 mill. (56 mill.) and paper to the value of Emk.84 mill. (99 mill.). There was a heavy drop in the imports of textile raw materials (cotton) from Emk.965 mill. to Emk.608 mill. This decrease is due to the difficulty of finding foreign markets for the textile industry. The export of yarns to Germany has fallen off owing to the increased duties imposed by that country and the absence of a trade agreement, while the Soviet Union has failed to renew former contracts. Imports of textile goods have increased from Emk.370 mill. to Emk.409 mill. In the metal and machine groups the imports consisted of metals, Emk.115 mill. (204 mill.); metal goods, Emk.188 mill. (177 mill.); agricultural machinery, Emk.82 mill. (44 mill.); other machinery, Emk.296 mill. (313 mill.); and instruments and apparatus, Emk.36 mill. (23 mill.). Imports in the stones and earth group have increased from Emk.48 mill. to Emk.63 mill., and coal was imported to the value of Emk.154 mill. (117 mill.). The latter increase is chiefly due to the growing requirements of the ice-breakers and the rise in prices. Imports of oils and fats amounted to Emk.207 mill. (221 mill.), fertilisers to Emk.207 mill. (221 mill.), and chemicals to Emk.127 mill. (158 mill.).

Exports of grain fell from Emk.131 mill. to Emk.24 mill., and this trade is scarcely likely to revive. Exports of dairy produce show a marked increase, particularly in the case of butter; the total in this group was Emk.1,076 mill. for the first half of 1926, as compared with Emk.780 mill. in the corresponding period of last year, a record amount being registered in June, viz. Emk.354 mill. The export of fish is developing slowly, having increased from Emk.15 mill. to Emk.27 mill. Live stock was exported to the value of Emk.29 mill. (26 mill.). There has been a marked increase in the export of leather, from Emk.100 mill. to Emk.230 mill.; any further development appears to be dependent on Russian contracts. Exports of timber and wood goods have risen from Emk.377 mill. to Emk.644 mill., and according to all appearances are likely to touch record figures during the next few months. The value of the paper exports remains practically unchanged, Emk.508 mill. (515 mill.). Flax exports have risen from Emk.857 mill. to Emk.1,008 mill., but they showed a decrease during the last two months. The difficulty of finding markets for textile products is plainly reflected in the export total, Emk.693 mill. as compared with Emk.871 mill. The cement industry also reports a falling off in exports, Emk.69 mill. as compared with Emk.139 mill. Chemicals (matches) were exported to the value of Emk.53 mill. (43 mill.). (*Revaler Bote*, No. 168.)

Decrease in Imports from Germany.—The fact that German trade is steadily losing ground in Estonia can no longer be denied. A recent article on this subject in

an Estonian journal has been energetically taken up in the German Press, and in consequence an effort is to be made to examine German imports from Estonia in the light of statistics. At best it will be but an endeavour, as the Estonian Statistical Office employs methods in drawing up foreign trade statistics which leave much to be desired in the way of lucidity. Some effort has recently been made to classify imports into Estonia according to their country of origin, whereas formerly only the country from which the goods happened to be imported was recorded. For instance, although Estonia has no direct trading connection with Egypt, that country plays an important part in her import trade, since the cotton imported from England comes originally from the Nile. As, however, the origin of many consignments of goods cannot be ascertained without great difficulty, these are still registered according to the old method. The statistics, therefore, are not uniform, and give in many cases an erroneous impression of the real extent of trade between Estonia and any given country. This is chiefly true of raw materials, while manufactured goods generally originate in the country from which they are imported.

Germany's share in the Estonian import trade is shown in the following table (in millions of Estmarks):—

	Total imports.	Imports from Germany.	Percentage.
1924	8,204	3,003	36.6
1925	9,664	2,841	29.5
1926 (six months)	4,303	1,387	36.8

Without losing first place in the Estonian import trade, German imports dropped from 36.6 per cent. in 1924 to 29.5 per cent. in 1925 and rose again in 1926 to 36.8 per cent. The latter increase is solely due to the faulty method of compiling statistics referred to above.

A detailed idea of the import of German goods can be obtained from the examination of the individual groups of commodities. Grain, flour and fodder of German origin are to be found on the Estonian market only in steadily decreasing quantities, whereas the statistics show an increase in the German imports from 11.7 per cent. of the total imports in 1924 to 15.7 per cent. in 1925 and to 24.3 per cent. in the first half of 1926. In the same way official statistics show the import of textile raw materials from Germany as increasing from 5.4 per cent. in 1924 to 13.5 per cent. in the first half of 1926, whereas it is impossible for Germany to be the country of origin of these goods.

In the foodstuffs and delicacies group German imports have declined from 61.5 per cent. to 41.6 per cent. and 24 per cent. respectively. This decrease is partly due to the change in the official statistical methods (registration of tobacco, rice, etc., under country of origin), but it is also true that other countries are putting up serious competition with Germany in supplying Estonia with overseas produce. Estonia's total imports in this group amounted in 1925 to nearly a milliard Estmarks. The same inaccuracy in the official statistics is noticeable in respect of all branches of imports, and it is an undeniable fact that the German market is steadily declining, particularly with regard to textiles and machinery. In the first half of 1926 there was a slight increase in certain branches (coal, metals) in which the volume of trade has been influenced by outside events, such as the coal strike in England. The cause of this decline is the competition put up by other countries, which by granting credits under favourable conditions, are able to gain an advantage over Germany.

No doubt the absence of a trade agreement between Estonia and Germany is largely responsible for this state of affairs, for the number of States to which the terms of the Franco-Estonian tariff agreement apply is steadily increasing. If Germany desires to retain her position as Estonia's chief source of supplies, the question of the granting of credits and the legal settlement of mutual relations by a detailed trade agreement will have to be faced by her without delay. (*Revaler Bote*, September 6.)

SOCIAL AND LABOUR CONDITIONS

Emigration Statistics.—The great importance attributed to the emigration question in all lands has occasioned the Central Bureau for State Statistics to gather data regarding the number of emigrants from Estonia. The first results have been published in the monthly journal *Eesti Statistika* (No. 57), and afford much interesting information, even though the method of collecting the statistics offers no great guarantee for the accuracy of the figures. The estimates are made according to the foreign passports issued, and it is naturally difficult to decide how many of the travellers are genuine emigrants. The work has nevertheless been carried out with great care, and probably affords an approximate idea of emigration in 1924 and 1925. At the beginning of the current year better methods were put into practice, so that future statistics will be deserving of greater confidence.

The number of travellers leaving Estonia who can with some certainty be described as emigrants amounted in 1924 to 1,222 and in 1925 to 2,676, an increase of more than 50 per cent. According to occupation, skilled workmen predominated in 1924 (311 with 104 dependents), while in 1925 agricultural workers were in the majority (638 with 504 dependents). From the latter figures (only 76 agricultural workers emigrated in 1924) it is easy to deduce that in consequence of the agrarian reform the state of the Estonian agricultural labour market has seriously deteriorated, which fact is confirmed by the number of persons seeking employment within the country. The fact that the statistics actually refer to emigrants is proved by the number of dependents travelling at the same time; in 1924 these represented 22.5 per cent. and in 1925 41 per cent. of the total. As regards the destination of these emigrants, in 1924 America stood first with 682 and Europe second with 471; in 1925 America took 1,886 and Europe 682. Whereas in 1924 170 emigrated to the United States and 86 to Brazil, the number of emigrants to the latter country rose to 1,637 in 1925. Among European countries, Russia with 532 in 1925 and 155 in 1924 and Latvia with 60 and 155 emigrants respectively absorbed the greatest number of Estonian emigrants. There were 8 emigrants to Africa and Asia in 1924 and 24 in 1925, and to Australia 36 and 62 respectively.

According to sex 52.5 per cent. of the emigrants in 1925 were males (51.4 per cent. in 1924) and 47.5 per cent. females (48.6 per cent. in 1924).

In 1925 87.6 per cent. of the emigrants were Estonians (in 1924 79.3 per cent.), 1.6 per cent. Germans (in 1924 6.6 per cent.) and 6.8 per cent. Russians (in 1924 6 per cent.). The 1925 percentages of the individual nationalities are given minus the Jews, who have a higher emigration percentage. (*Revaler Bote*, No. 196.)

The Wage Question.—The question of an increase in wages has been much to the fore of late in the Estonian Press. No one denies that the present scale of wages is extremely low, nor are the employers lacking in goodwill to improve the position of their workers, but the present difficult economic position of industry renders any increase impossible. *Paewaleht*, an organ closely allied to the Government, recently went so far as to publish an article in which it was asserted that 100,000 persons in Estonia led an existence unworthy of human beings, a statement which cannot be allowed to pass unchallenged.

According to official statistics 28,400 persons were employed in June in the greater industries, and in the course of the month earned Emk.160 million. This gives an average monthly wage per head of Emk.5,600. If it is taken into consideration that this number of workers includes 11,490 women and 455 minors, there can hardly be any question of an "inhuman existence" among workers. It is freely admitted that the economic situation does not at present admit of affording workers any opportunity of laying by money, but at the moment the sharp competition in international industry forces a

poor country like Estonia to place economic possibilities first in weighing up the wage question. (*Revaler Bote*, September 4.)

COMMUNICATIONS

The Railway System.—The Estonian railway system consists at the present time of broad gauge lines (1,524 m., Russian type) of a total length of 1,130 km. and narrow gauge lines (0.750 m.) of a total length of 666 km. The lines in commercial use consist of 673 km. broad gauge and 489 km. narrow gauge, making a total of 1,162 km.

Broad gauge lines.

	Km.
1. Reval-Narva (Russian frontier Leningrad direction)	220
2. Tapa-Walk (Latvian frontier)-Isborsk (Russian frontier, Pskov direction)	320
3. Reval-Haapsalu-Rohukula-Baltiski	133
Total	673

Narrow gauge lines.

	Km.
1. Reval-Wiljandi-Parnu	249
2. Turi-Paide-Tamsalu	62
3. Liiva-Nomme-Waana	21
4. Kastna-Eidapere	13
5. Riiselja-Orajoe	44
6. Walk-Moniste	39
7. Sonda-Mustwee	61
Total	489

The relation of Estonian railways to the total area is 2.4 km. of railroad to 100 sq. km., and to the population 10.1 km. of railroad to 10,000 inhabitants.

The railway system dates in the main from pre-war times, but was extended during the war by two small narrow gauge lines (Paide-Tamsalu and Liiva-Waana). The Estonian Republic has, since its inception, built the narrow gauge lines Riiselja-Orajoe (44 km.) and



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Walk-Koikkulu (a part of the Walk-Moniste line) as well as the line Sonda-Mustwee (61 km.).

A new line from Eidapere to Parnu (77 km.) is being constructed and will be opened in 1927. This line will shorten the journey from Reval to Parnu by over 100 km., reducing the distance to 148 km.

All the railways are now the property of the State, with the exception of the 20 km. long line Rakwere-Kunda, which belongs to the Port Kunda Cement Works.

The value of the Estonian railways is estimated by the Government in millions of Estmarks as follows:—

	Broad gauge.		Narrow gauge.		Total.	
Cost of construction ...	3,603	£2,000,000	1,427	£800,000	5,030	£2,800,000
Buildings ...	2,529	£1,400,000	182	£100,000	2,711	£1,500,000
Locomotives and cars ...	1,310	£728,000	599	£332,000	1,909	£1,060,500
Material ...	164	£90,000	63	£35,000	227	£125,000
Total ...	7,606	£4,218,000	2,271	£1,267,000	9,877	£5,485,500

The cost of a kilometre of broad gauge line is assessed at 6.7 million (£3,702) and of narrow gauge line at 3.5 million (£1,944).

The railways when taken over by Estonia in 1919 were in a very bad condition, little repairing work having been done during the war and many buildings and constructions having been destroyed and replaced by temporary ones. In spite of great financial difficulties the most urgent repairs were carried out during the first few years of Estonian independence, including the construction of new iron bridges, in particular one over the Narova river, and also the erection of new stations and railway buildings.

At the present time the inventory of the rolling stock of the Estonian railways shows the following figures:—

Broad gauge railways.

Locomotives...	...	...	...	...	104
First and second class carriages	...	...	...	...	54
Third class carriages	...	...	...	...	183
Goods train cars, covered	...	...	...	...	2,775
Goods train cars, open	...	...	...	...	398
Special passenger train carriages	...	...	...	...	86
Special goods train waggons	...	...	...	...	390

The rolling stock of the narrow gauge railways has remained unchanged and the inventory at the end of 1925 included:—

Narrow gauge railways.

Locomotives...	...	...	...	...	99
Saloon carriages	...	...	...	...	4
Service waggons	...	...	...	...	7
Sleeping cars, second class...	...	...	...	...	9
Second class carriages	...	...	...	...	6
Composite second and third class carriages	...	...	...	...	12
Third class carriages	...	...	...	...	61
Special passenger train cars	...	...	...	...	26
Goods train cars, covered	...	...	...	...	573
Goods train cars, open	...	...	...	...	60
Special goods train cars	...	...	...	...	326

the aggregate rolling stock of the narrow gauge railways being thus represented by 125 passenger and 1,486 goods train cars.

The equipment of the broad gauge railways is fairly adequate for the requirements of the actual traffic on these lines, but in the near future the Minister of Ways and Communications proposes to improve the efficiency of the locomotive stock by ordering new locomotives. It is further intended to purchase motor waggons for the passenger traffic on lines where the movement is not considerable, for instance on the tracks Reval-Paldiski, Walk-Isborska and Tartu-Elwa, the latter being a suburban line. The amount of rolling stock on the narrow gauge railways is not entirely adequate. In consequence of the economic development of the country and the extension of certain narrow gauge lines the general traffic, especially as regards merchandise, has grown considerably. The rolling stock has, however, remained at the same level during recent years. In order to complete the rolling stock 60 new goods train cars and 4 passenger train cars have been ordered this year at the railway workshops in Moisekula, for

delivery within the year. The percentage of waggons and locomotives under repair has substantially decreased; thus at the end of 1925 the percentage of locomotives under repair was reduced to 19.7 per cent., of passenger train carriages to 18.7 per cent. and of goods train cars to 3.5 per cent. (*Estonian Economic Review*, No. 3.)

FRANCE

GENERAL AND FINANCIAL

Value of the Franc.—The value of the franc on the foreign markets continues to vary in dependence on current political events and even on rumours. The financial Press lays stress on the fact that in many cases the rise in foreign exchanges is due to purchases made for French account in the foreign markets. The *Agence Economique et Financière* complains of the actual state of mind in commercial circles, where the depreciation of the franc is apparently looked upon as its natural condition. Every political event, therefore, however small its importance, stimulates the buying of foreign exchanges. On the other hand, it is observed that foreign money accumulated by French business men during the first half of the year was largely sold by them when the foreign exchange rates began to fall (July-August), thus provoking a certain panic. Now they are obliged to buy new foreign cheques in order to pay for the merchandise they import.

Purchase of Gold by the Bank of France.—Purchase of gold by the Bank of France at the current market price was permitted by the law of August 7, 1926 (see *THE ECONOMIC REVIEW*, August 13). It may be remembered that previous to the passing of this law the Bank has not had the right to buy national gold coin at a price higher than the pre-war legal parity. In accordance with the new law, the Bank has issued a regulation announcing the beginning of operations on September 27. The price is to be fixed according to the world prices and to the rate of exchange, less a certain rebate. The Bank will now pay Fr.19.75 for a gramme of fine gold and Fr.0.59 for a gramme of fine silver. A point which is of particular interest with regard to these purchases is that the Bank of France is given the right to issue fresh bank-notes for the purpose; these bank-notes are not to be included in the legal limit, but they must be re-absorbed when the gold leaves the vaults of the Bank. M. Poincaré stated in the Chamber that he could not promise that these bank-notes would be shown in the Bank's balance-sheet. It seems that the notes issued to cover the purchases of foreign money which have probably been made are not included in the balance-sheet; therefore the public is unable to know the real volume of the circulation.

In an article recently published on this subject in the *Journal des Finances* the writer asks the Government how the purchase of the £2,000,000 paid to the British Treasury has been effected, and whether the bank-notes (if any) issued for this purchase have been re-absorbed. The paper complains about the figures not being published, thus leaving the public in total ignorance of these important facts.

Protection of French Companies from Foreign Control.—The movement started by the "Etablissements Kuhlmann" (see *THE ECONOMIC REVIEW*, September 17) is following its course. Another chemical products company, "Pechiney," is issuing "B" shares giving the right to a number of votes twenty times as great as that of the ordinary shares. The conditions are even more stringent than in the Kuhlmann case. Former shareholders are not given any preference with regard to the subscription of new shares, the Board being given the right to allot these "to whom and in what way it considers it necessary." In this way it is expected that the control of the company will remain in French hands.

The economic Press has devoted considerable attention to an article in the *Frankfurter Zeitung* declaring that German financial circles were in no way interested in acquiring control of French companies. The purchases of Crédit Lyonnais and Kuhlmann shares, about which so much had been said, were purely speculative operations, like many other purchases of the kind (e.g. on the Lille Bourse in the case of mining shares). To acquire on present terms control of French companies would be for German financial circles not only a very bold stroke from a commercial point of view, but also a very awkward step from a political and psychological point of view. Notwithstanding these declarations, French companies continue to take measures against foreign control, and the general meeting of shareholders of the Crédit Lyonnais will probably also vote a fresh issue of shares of the kind indicated above.

TRADE

Foreign Trade Returns for August.—The foreign trade returns for August published by the Ministry of Finance disclose a favourable balance of trade even more considerable than that registered in July. It will be remembered that from August 1925 to July 1926 the only month in which a favourable balance of trade was recorded was May. The figures for the last six months are as follows (in millions of francs):—

	Imports.	Exports.	Balance.
March	5,095	4,960	— 135
April	5,020	4,353	— 667
May	4,390	4,460	+ 70
June	5,181	4,671	— 509
July	5,016	5,244	+ 228
August	5,235	5,543	+ 308

The explanation of the August favourable balance is not to be found, as was usually the case, in a decrease in the volume of imports. On the contrary, the volume of imports has considerably increased, while that of exports shows a slight fall, as will be seen by the following table (in thousands of tons):—

	August.	July.	Difference.
<i>Imports.</i>			
Foodstuffs	416	369	+ 47
Raw materials and semi-manufactured goods	3,362	3,132	+ 230
Manufactured goods	105	106	— 1
Total	3,883	3,607	+ 276
<i>Exports.</i>			
Foodstuffs	103	145	— 42
Raw materials and semi-manufactured goods	2,297	2,322	— 25
Manufactured goods	460	401	+ 59
Total	2,860	2,868	— 8

The balance of trade, therefore, has improved notwithstanding the fact that the imports, especially of raw materials, have shown a large increase. The explanation is to be found in the fall in value of the imports, due to the recovery of the franc on the international market. The prices of many imported wares calculated in foreign moneys have fallen in terms of francs.

	August.	July.	Difference.
(In millions of francs.)			
<i>Imports.</i>			
Foodstuffs	1,240	965	+ 275
Raw materials and semi-manufactured goods	3,313	3,365	— 52
Manufactured goods	682	686	— 4
Total	5,235	5,016	+ 219
<i>Exports.</i>			
Foodstuffs	388	459	— 71
Raw materials and semi-manufactured goods	1,509	1,522	— 13
Manufactured goods	3,646	3,263	+ 383
Total	5,543	5,244	+ 299

If we compare these figures with the statistics as to volume we will see that, notwithstanding the considerable increase in the quantity of imports of raw

materials, the total value of these imports has diminished. On the other hand, there is an increase in the value of the foodstuffs imported which exceeds by far the increase in the volume of these imports. This is due to a great extent to the rise in the world prices of many products included in this category.

INDUSTRY

Activity in the Northern Region Textile Industries.

—The Northern region (Lille-Roubaix-Tourcoing) is one of the two districts (the other being Alsace-Lorraine) in which the French textile industry is concentrated. The factories, reconstructed to a large extent since their devastation during the war, show remarkable progress. There is no doubt that this increased activity is due, in part at least, to the depreciation of the franc. If we compare the figures of the imports of raw material for the first eight months of the year with the corresponding period of 1925 we will at once see the important progress achieved by these industries.

Wool.—The arrivals of raw wool in the Northern region were as follows (in tons):—

	1926.	1925.
January	20,865	14,646
February	23,447	14,529
March	18,226	7,498
April	21,183	9,661
May	23,065	8,397
June	19,053	12,627
July	11,890	12,309
August	23,212	16,323
Total	160,941	95,990

The difference is in favour of this year, which shows an increase of about 65,000 tons, or about 70 per cent., as compared with the year 1925.

Cotton.—As far as raw cotton is concerned progress also is observed, though not to the same extent as in the case of wool. The arrivals of raw cotton were as follows (in tons):—

	1926.	1925.
January	6,525	6,613
February	8,536	7,412
March	7,000	5,485
April	7,751	7,344
May	8,396	7,281
June	6,247	5,602
July	5,214	5,398
August	8,889	5,627
Total	58,557	50,822

Flax.—The third raw material necessary to the textile industry, flax, also shows the same advance. The imports of Russian flax were (in tons):—

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	1926.	1925.
January	3,940	2,043
February	3,998	2,104
March	4,727	1,406
April	4,669	1,855
May	5,317	1,759
June	2,615	3,452
July	2,015	5,003
August	2,702	4,025
Total	29,980	21,647

It will be seen that the increase amounts to a little over 8,000 tons, or about 40 per cent., as compared with the corresponding period of last year.

Exports.—The increased imports of raw material correspond to an increase in the exports of textile goods, as shown by the following figures:—

	Tissues.		Woollen thread.		Cards of wool.	
	1926.	1925.	1926.	1925.	1926.	1925.
January	1,919	1,580	628	575	1,082	1,053
February	1,808	1,570	621	639	959	1,060
March	1,829	1,570	576	511	1,202	843
April	1,812	1,401	442	596	1,357	1,093
May	1,672	1,482	425	418	1,511	489
June	1,634	1,325	524	549	1,506	641
July	1,784	1,373	503	473	2,175	710
August	1,686	1,483	536	594	1,672	862
Total	14,144	11,784	4,255	4,355	11,464	5,751

Except for woollen thread the figures for 1926 show an increase as compared with 1925. It is particularly considerable in the case of the cards of wool, the exports of which have more than doubled. It is to be noted that cards of wool are exported to Germany in ever growing quantities. The average export to this country was 400 tons a month before April, and this has risen to 1,275 tons in July and 900 tons in August.

The Coal Output in July.—The total output of coal in July was less than in June notwithstanding the fact that the number of working days was the same, viz. 4,381,366 tons as against 4,429,981 tons. The daily output works out as follows as compared with previous months (in tons):—

	Daily output.	Number of hands.
Average 1913	136,147	203,208
January 1923	121,064	242,568
" 1924	144,680	286,804
" 1925	160,445	311,997
" 1926	170,048	315,204
June	170,382	311,608
July	168,514	311,957

The total average is largely in excess of the pre-war rate. Even after deduction of the Alsace-Lorraine output (16,624 tons) the daily output of the mines situated within the confines of pre-war France represents 151,890 tons, as compared with the pre-war rate of 136,147 tons. The excess, however, varies in different regions:—

Pre-war France—	Average daily output. Tons.	Increase as compared with 1913.
Nord and Pas-de-Calais (devaluated areas)	105,594	16%
Midland and Southern mines	46,296	3%

GERMANY

POLITICAL AND GENERAL

The League of Nations, World Economics and the Dawes Plan.—Dr. Stresemann, in the speech he recently delivered at Geneva, maintained that the moral life of nations was of far greater importance than any material development, but nevertheless the solidarity now attained by the League will prove of great service to universal and at the same time, it may be hoped, to German economics. Owing to the war many countries which formerly constituted important markets for European industry have cultivated tendencies towards self-sufficiency, as shown by the working up of cotton and jute in the East Indies and the increased industrial activity in Australia, Canada, and Brazil, and even, more recently, in Chile, not to mention many European countries. Self-sufficiency, however, will never be the highest degree of development. The best example of this truth is the United States of America, which, possessing ample supplies of raw material together with the most highly refined system of manufacture, is nevertheless dependent on the world market for the disposal of the greater part of her raw material, particularly cotton and copper, though on one occasion, in the case of a bad harvest, there was a suggestion of prohibiting the export of cotton. The League cannot prevent these tendencies towards self-sufficiency, but it can use its influence to hinder an artificially forced development by means of protective duties and subsidies, thus securing scope for natural economic forces. If it can bring about a fair distribution of work among manufacturing countries on the basis of technical deliberations it will have achieved much.

A further economic rapprochement among the nations will be the result of the newly achieved political solidarity, which was itself seriously threatened by the economic conditions. It is true that already before the war there were economic combines, like the rail cartel, according to which the home market was reserved for each contracting party, while the international markets were shared, so that even the United States, while selling at low prices at home, offered no competition abroad. These international agreements were nevertheless powerless to prevent the war, because precisely that political support was lacking which is now to be secured through the League of Nations. Politics have therefore rendered a great service to economics, even though the results may not manifest themselves directly, in that a politically secured basis has been provided for the reconstruction of the economic relations destroyed by the war.

Such institutions as the International Chamber of Commerce, of which Germany is already a member, are pursuing the same aims as the League. This body, as long as a year ago, put in a plea for the revision of the Dawes Plan, not on Germany's behalf, but recognising plainly that its execution constitutes a disturbance of natural trade relations which will become increasingly prejudicial to those countries which in virtue of the Treaty of Versailles consider themselves entitled to reparations. One of Germany's most important tasks in the League will be to represent the impossibility of carrying through the Dawes Plan. Apparently the other side are beginning to be aware of this, for the Reparations Committee has reduced the two "improvement" payments due from Germany in the next two years from Rmk.500 mill. to Rmk.300 mill. The major part of the sums to be supplied by Germany consists of deliveries in kind (from September 1, 1925, to May 31, 1926, Rmk.486 mill. out of a total of Rmk.924 mill. due for payment). It has only been possible to comply with

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the requirements of the Dawes Plan by loading to the last extreme the already overburdened German economic system, directly by industrial taxation and indirectly through the State Budget and raised railway freights. The required sums have been forthcoming and Germany's willingness to pay has been attested.

Of paramount difficulty in the carrying out of the Dawes Plan is the question of the transfer abroad of the sums or goods collected. This task has been allocated to the Transfer Committee, which regulates deliveries in kind and cash payments according to the Reparations Recovery Act, and settles the extent of deliveries in kind each quarter. With the reduction of the forces of occupation in Germany, which, it is hoped, will be the first tangible result of Germany's entry into the League, yet larger sums will be released for deliveries in kind. Industrial circles among the Allies, however, regard imports from Germany on the Dawes Plan basis as "reparation dumping" and are resisting any suggestion of increased German deliveries in kind. It is to be expected, therefore, that greater sums will be available for cash transfer, but such can only be effected so long as no difficulty arises in the foreign currency market and no danger threatens the German mark. The German money and capital market moulds itself largely on foreign fluctuations, and the tide of foreign loans to Germany is rising. Prussia has contracted a 20 million dollar loan and a new Reich loan is imminent. The balance of payments will soon show a considerable deficit, and the balance of trade is already in debit. It will be difficult to carry through the payment of interest and the covering foreign credits without any disturbance of the currency. It is doubtful whether any large cash transfers can be effected on the basis of the Dawes Contributions, and if this proves impracticable the money will remain in Germany. What can be done with it? It must be placed where it will earn interest. Industry will get cheap credit, which will aid in one direction and prove an obstacle in another. That would be contrary to common-sense and only constitutes one more argument in favour of a revision of the Dawes Plan. (*Hamburger Fremdenblatt*, September 11.)

FINANCE

Reich Revenue Returns for August.—According to a recently published review of the Reich revenue from taxation, Customs and contributions in August the total receipts for the month amounted to Rmk.651,431,943, as compared with Rmk.708,004,927 in July. During the first five months of the financial year the total receipts amounted to Rmk.2,814.7 mill., as compared with an estimate for the whole year of Rmk.6,465.3 mill. Recurring ownership and transport taxes yielded Rmk.459,744,147 (Rmk.472,082,538) and non-recurring taxes brought in Rmk.2,140,081 (Rmk.4,318,423). Sequestered taxes and consumption duties produced Rmk.186,449,426 (Rmk.227,001,519), while the remaining consumption duties accounted for Rmk.3,088,289 (Rmk.4,576,225).

Income tax from wage contributions with Rmk.93 mill. shows practically no change as compared with the previous month. Contributions from interest on capital decreased from Rmk.10.3 mill. to Rmk.3.3 mill. and other classes of income tax from Rmk.142.6 mill. to Rmk.122.2 mill., in which connection it should be pointed out that July, being the first month of the new quarter, was sure to register high returns in the last two categories. The corporation tax dropped from Rmk.65.4 mill. to Rmk.52.7 mill. and the general turnover tax from Rmk.80.6 mill. to Rmk.61.9 mill. The capital tax, in consequence of the number of contributions falling due in August, returned Rmk.57.4 mill. as compared with Rmk.7.1 mill. in July. Among taxes on capital movements the company tax, with Rmk.3 mill. as compared with Rmk.2.5 mill. in the previous month, showed a slight improvement, but the Bourse turnover tax, with Rmk.5.1 mill. as compared

with Rmk.6.2 mill., decreased a little. This return from the Bourse turnover tax is nevertheless very satisfactory as compared with the earlier months of the year. The bill tax remained unchanged with Rmk.2.7 mill. Passenger transport produced Rmk.16.6 mill. as compared with Rmk.13.8 mill., and goods transport Rmk.12 mill. as compared with Rmk.11.5 mill. in July.

Returns from Customs duties show a considerable decrease as compared with the greatly augmented receipts in July. They fell from over Rmk.113 mill. in that month to Rmk.64.8 mill., while they amounted in June to Rmk.63.1 mill., in May to 54.7 mill., and in April to Rmk.48.1 mill. The tobacco tax brought in Rmk.39.1 mill. as compared with Rmk.38.1 mill., the sugar tax Rmk.27.8 mill. as against Rmk.25.1 mill., the beer tax Rmk.26.2 mill. as against Rmk.24.7 mill., and the brandy monopoly Rmk.14.7 mill. as in the previous month. Receipts from the wine tax have further decreased, from Rmk.3.96 in June to Rmk.1.3 mill. in July and Rmk.0.7 mill. in August, and the champagne tax, which returned Rmk.1.3 mill. in July, dropped again to Rmk.0.6 mill. (*Deutsche Allgemeine Zeitung*, September 16; *Hamburger Fremdenblatt*, September 15.)

INDUSTRY

The Cement Industry.—There can be no doubt that the position of the German cement industry has been steadily strengthened of recent years both from without and from within. The almost complete amalgamation of the regional interests of the industry into three great associations, the West, North and South German Unions in Bochum, Heidelberg and Berlin respectively, the fusion of the Silesian works, the friendly relations of cement unions with the Foundry Cement Union in Düsseldorf, all point, not only to a definite trust formation in the most important building industry, but also to an endeavour towards the highest form of rationalisation.

The order of June 26, 1916, prohibited the establishment of any new cement works and necessitated the closing down of many works already in existence, and this general condition was prolonged by the capital shortage prevailing in the building industry in the post-war period. The German street system, which consists of some 200,000 kilometres of roads, was kept in but a poor state of repair even in the time of stabilised district and State finances, and even then repairs were chiefly effected with tar-macadam, asphalt and stones, while concrete streets, in spite of the extent to which they have been adopted by countries such as the United States, Italy, etc., are extremely rare in Germany. It is only quite recently that a change has begun in this direction. For a time all post-war building activities in the west came to a standstill in consequence of the Ruhr conflict. Then came the formation of the United Steelworks and the amalgamation of the iron-cement works of the Gelsenkirchen Mining Company in Schalke with the Foundry Cement Union in Düsseldorf, whereby the position of the latter in relation to the Portland Cement Unions was greatly strengthened, enabling the former concern to penetrate into the markets of the non-Silesian undertakings. Up to the outbreak of the British coal strike the situation of the German fine coal mining industry was a desperate one, and a suggestion was made to manufacture cement mixed with fine coal. It was proposed to place on the market 600,000 tons of iron cement for the account of the Gelsenkirchen Mining Association and Gutehoffnungs Foundry alone, while the total supplies from all the German cement factories amounted at the most to 8 million tons yearly. The recent understanding arrived at between the West German Cement Union (including all three cement unions) and the Düsseldorf Foundry Cement Union, which involves certain concessions on both sides, has for its aim not only the prevention of over-production, the utilisation of the favourable freight conditions and other advantages of rationalisation, but in the first place the perfecting of technical processes.

The German cement industry, from a natural standpoint, is more favourably placed than perhaps any other for developing a high degree of efficiency and for producing the highest quality goods, for it has at its disposal the so-called "deep-sea lime," the excellent quality of which even the Americans envy. If American production with 25 million tons represents at least six times the German output, this is due to the outclassing of the German industry by means of advanced mechanical processes.

Great hopes are fostered in the interested quarter that the coming revival in the building trade will affect Portland cement also, although the proportion of cement in housebuilding does not exceed 3 per cent. of the cost of all material used. Nevertheless the popularity of iron construction in Germany is growing in consequence of the malleability and stability of the cement. The expectations founded on street construction and large building programmes by great industrial undertakings are, however, much greater. The building plans of the I.G. Farbenindustrie are still undecided, and after endlessly protracted indecision some definite programmes are likely to be laid down in other quarters. In any case, sooner or later new construction and remodelling will become necessary in the course of industrial transformation. As regards the equally important street construction, great plans are afoot for the building of a grand motoring route from Hamburg to Genoa and Milan. The foreshadowed modernisation includes the raw material itself, and an entirely new sort of cement is to be manufactured which will attain in three days a solidity of 400 kilogrammes and after four weeks a pressure resistance of 600 kilogrammes to the square centimetre, as compared with 250 and 450 kilogrammes in the present standard product.

It is maintained in competent quarters that the price development in the cement industry will be favourably affected by the processes of amalgamation and rationalisation. In 1925 the cement industry was the first of all the building industries to reduce its prices. Competition from weak currency countries is spurring on the German works, whose financial position is good at the moment, to further price reductions. (*Hamburger Fremdenblatt*, September 14.)

AGRICULTURE

Harvest Statistics.—The Reich Statistical Office has now published estimates of the grain crops at the beginning of August which show that the harvest as a whole is satisfactory and, in the case of oats, even excellent. It may be remembered that last year the final November returns were markedly in excess of the August estimates, the surplus amounting to 3.4 million d.ctr. in the case of winter wheat and 4.3 million d.ctr. in that of winter rye, while summer rye returned 0.4 million d.ctr. less than the August estimate. The following table gives details of the August estimates in 1926 and 1925 as compared with the November returns in 1925 and 1924 and in pre-war times:—

	August estimate.		November returns.		
	1926.	1925.	1925.	1924.	1911-13 (average).
Winter wheat—					
Area under cultivation (1,000 ha.)	1,455	1,358	1,416	1,272	1,456
Yield per hectare (d.ctr.) ...	19.1	19.5	21.0	16.4	22.8
Total (1,000 d.ctr.)	27,788	26,468	29,761	20,910	33,201
Summer wheat—					
Area under cultivation (1,000 ha.)	145	159	135	195	201
Yield per hectare (d.ctr.) ...	18.9	16.1	17.8	17.3	22.1
Total (1,000 d.ctr.)	2,746	2,563	2,412	3,366	4,450
Winter spelt—					
Area under cultivation (1,000 ha.)	125	125	125	122	279
Yield per hectare (d.ctr.) ...	12.3	12.9	12.4	9.5	14.9
Total (1,000 d.ctr.)	1,531	1,622	1,545	1,165	4,154

	August estimate.		November returns.		
	1926.	1925.	1925.	1924.	1911-13 (average).
Winter rye—					
Area under cultivation (1,000 ha.)	4,651	4,327	4,622	4,123	5,059
Yield per hectare (d.ctr.) ...	15.9	17.4	17.2	13.5	18.7
Total (1,000 d.ctr.)	73,984	75,369	79,050	55,839	104,534
Summer rye—					
Area under cultivation (1,000 ha.)	80	115	86	136	105
Yield per hectare (d.ctr.) ...	12.1	11.4	11.3	10.7	12.6
Total (1,000 d.ctr.)	973	1,315	978	1,459	1,316
Winter barley—					
Area under cultivation (1,000 ha.)	159	118	127	107	—
Yield per hectare (d.ctr.) ...	20.6	23.0	24.9	19.8	—
Total (1,000 d.ctr.)	3,292	2,707	3,172	2,125	—
Summer barley—					
Area under cultivation (1,000 ha.)	1,325	1,330	1,307	1,339	1,352
Yield per hectare (d.ctr.) ...	17.3	16.2	17.5	16.3	21.1
Total (1,000 d.ctr.)	22,911	21,605	22,819	21,874	28,701
Oats—					
Area under cultivation (1,000 ha.)	3,475	3,490	3,452	3,525	3,884
Yield per hectare (d.ctr.) ...	18.9	15.7	16.2	16.0	19.8
Total (1,000 d.ctr.)	65,695	54,893	55,845	56,540	76,803

Rye is somewhat below the November return for 1925, and does not quite reach the estimate for last August, although the area under cultivation is somewhat larger. This fact is interesting in view of the large rye harvest of last year, which brought with it a slump in prices. No great transformation has been attempted in German agriculture, although rather more wheat has been sown, the area under cultivation having regained pre-war dimensions. Oats have given a splendid return, the estimate being 10 million d.ctr. in excess of last year's November returns. In this connection, however, it must be pointed out that last year's harvest was of excellent quality, whereas this year's suffered from rain. The returns would have been yet larger if it had not been for the numerous floods. It remains to be seen whether the farmers' desire last year to make the harvest appear as small as possible will have the same effect this year in the excess of November returns over August valuations. (*Hamburger Fremdenblatt*, September 13.)

YUGO-SLAVIA

POLITICAL AND GENERAL

Extent of the Economic Crisis.—The present crisis from which Yugo-Slavia is suffering is being reflected in all branches of the financial and economic life of the country, and both the Government and private organisations are giving the most serious attention to measures for alleviating the situation. The *Trgovinski Glasnik* of September 11 last states that at the recent congress of the Chambers of Commerce and the various economic organisations of the country the consideration of remedial measures formed the main part of the agenda. As a result of the deliberations it is now hoped that the different organisations will be able to work very closely in conjunction with the authorities with a view to surmounting the prevailing crisis. Up to the present joint work in this direction has been impossible, and it may be that this failure to co-operate has been partly responsible for the continuance of the crisis.

As regards the extent of the present economic decline the *Central European Observer* of September 10 makes some apposite comments. The economic crisis has been considerably sharpened of late. This crisis is a result partly of the deflation policy which Yugo-Slavia has been carrying out during the last two years, and partly of the credit tightness, increased costs of production and an excessive protection policy. The value of the dinar in 1925 as compared with 1923 rose indeed by nearly

100 per cent., but this increase was accompanied on the other hand by a drop in prices on the home market by about 25 per cent. on the average. This brought into a condition of crisis above all the export industry and agriculture, the products of which formed the main items in exports and could be sold to foreign countries only very much below cost price. In consequence of this it was found necessary to restrict or stop production altogether, which entailed a rapid rise in unemployment, the number of unemployed persons being estimated at 100,000. The effect of the rise in the value of the dinar on the fall of prices in the home market was paralysed chiefly by the introduction, in the summer of 1925, of high protection duties, which made objects of daily use become dearer by from 30 to 50 per cent. on the average. The introduction of these duties brought about a considerable increase in the State financial resources, which depend to the extent of one-sixth on the proceeds from the Customs duties, but on the other hand it led to higher costs of production in agriculture and thus called forth new wage movements that are bringing production into a much more difficult situation.

This crisis is already reflected in the trade balance, which maintains only with difficulty an insignificant surplus. During the first half of the current year the weight of the exports was larger by 21 per cent. than that of the exports in the corresponding period of 1925, but the value of the exports dropped by 7 per cent. It is interesting to note that the export of industrial products shows a considerable falling off and that the increased exports refer to raw materials and agricultural produce.

An economic crisis is painfully felt also in transport. It is declared that the railways may be expected to show by the end of the year a deficit of several hundred million dinars. River transport is in an equally unfavourable situation. These circumstances compel the State administration to introduce economies in the State expenditure. The first step in this direction is to be a reduction in the number of government offices and State officials, a reduction which is to be brought into effect in the new budget estimates. Various enterprises are also to lose their State control, because experience has shown that the State authorities are unable to manage effectively industrial enterprises. The harm of this State control is particularly evident from the decline in the production of tobacco.

FINANCE

Budgetary Retrenchment.—In the opinion of well-informed circles the next Budget, upon the drafting of which the Ministry of Finance is now busily engaged, will probably be a milliard dinars lower than that of the current year, which amounted to 12,504 mill. dinars. Drastic cuts have already been made in several of the departmental budgets and the Ministry of Finance is contemplating still further reductions in expenditure. In spite of these items of retrenchment the general opinion prevails in economic circles that the amount assigned for capital investment is still at too high a level and that it must be considerably curtailed if the present economic crisis is to be successfully overcome. It is recommended that all moneys required for capital investment should be met out of loans. If this recommendation were adopted a much higher sum than a milliard dinars could be saved.

The Ministry of Finance is also reported to be considering measures for cutting down the expenditure items of the Budget already approved for the current year; probably several hundred millions will be saved in this way. The measures envisaged by the Government have laid the foundation for hopes in respect of an early improvement in the general economic situation, more especially in relation to industry and commerce. A satisfactory harvest this year would also tend greatly to effect an improvement in national economy. (*Morgenblatt, Zagreb, August 29.*)

TRADE

Trade with the United States and Holland.—The *Trgovinski Glasnik* has of late been directing attention to the disproportionate development of Yugo-Slav trade with the United States and Holland. Imports from these countries tend more and more to increase very considerably both in volume and value. Though exports to the United States and Holland have grown at an even greater rate than imports from these countries, the respective volumes and values of the exports are so small, in comparison with the imports, that the adverse balance of trade is growing at an alarming rate.

During the past four years imports from the United States have steadily risen from 98,964,512 dinars to 320,877,209 dinars, while exports to the United States from Yugo-Slavia have grown from 5,154,373 dinars to 50,613,021 dinars. Consequently the adverse balance of the commercial exchanges with the United States has reached the figure of about 270 mill. dinars, while four years ago it was only 93.8 mill. dinars. The average value of imports from the United States during this four-year period is 238 millions, the average value of exports to the United States 25.5 millions. The average adverse balance is thus 212.5 mill. dinars.

The trade with Holland shows similar developments, as the following figures indicate (in dinars):—

	Imports from Holland.	Exports to Holland.
1921	47,355,669	1,553,162
1922	95,390,901	14,064,009
1923	76,174,476	16,331,270
1924	73,994,063	36,641,026
1925	159,496,226	28,345,103

In its issue of August 5 last our contemporary expresses the opinion that such a development of the commercial exchanges with the two countries is not at all necessary. Many of the commodities imported from the United States and from Holland could well be manufactured in Yugo-Slavia, while there is ample room for the development of typical Yugo-Slav exports to these countries. The chief commodities at present being shipped to the United States are industrial and medicinal plants; wool, skins and feathers; clay, etc., and stone; artificial manures; timber products; paper goods; earthenware, etc. With regard to the Dutch market, Yugo-Slavia should be able to augment her exportation of fruit, vegetables, hay, flour, medicinal plants, minerals, etc., and particularly of tobacco.

According to the German Press the Yugo-Slav Ministry of Communications has placed an order with a German firm for the supply of 20 express engines for the Yugo-Slav railways on Reparation account.

INDUSTRY

The Output of Coal.—The production of coal in Slovenia during the month of May amounted to 105,294 tons, as against 114,273 tons in April 1926 and 122,918 tons in May 1925. During the first five months of the present year the total output registered 681,543 tons, whereas the total for the corresponding period of last year was 773,994 tons, a decline therefore of 92,451 tons. Deliveries have also receded, 110,912 tons having been put on trucks in May as against 112,435 tons in April. But the decline in sales is not in proportion to the dropping off in the output of the mines, with the result that the stocks on hand have been relatively reduced. Unemployment among the miners has increased during the past few months. At the end of August some 2,500 miners in the Slovenian fields were out of work.

A conflict has arisen between the private mine-owners and the Government. The owners have made representations to the Government, pointing out the menace to the coal mining industry of the country if the State requirements are not placed with the various private mines. The Government, on the other hand, considers that the price of the coal from these mines is too high

and reserves to itself the right to purchase in the open market. It maintains that it has definite contracts only with some of the Croat mines, which are notably weak in capital and whose output is very small. The mine-owners have since expressed their willingness to reduce the price of coal by 10 per cent. if the Government will assure them a considerable portion of the State deliveries. (*Morgenblatt*, Zagreb, July 21 and September 5.)

SOUTH AMERICA

ARGENTINA

Political and Financial.—The Ordinary Sessions of Congress were opened at the beginning of the month. Reviewing the general situation of the country, the Presidential Message arrives at the conclusion that, in spite of certain isolated adverse factors, it is upon the whole eminently satisfactory. Notwithstanding the adverse balance of last year's intertrade, due to a momentary decline in the value of exports coinciding with exceptionally heavy imports and the world-wide trade depression, the Argentine peso has maintained its value, private wealth is increasing, the relations between capital and labour are satisfactory, the nation's prestige abroad has evidently been accentuated, and the strong faith of the people in the immense resources and present and future prosperity of the country is abundantly justified. Conditions are improved as regards the public debt as a result of the consolidation of a considerable part of the floating liability, and the high level of the country's credit has been evidenced by the favourable conditions of the 20,000,000 dollars consolidation loan recently floated, and the fact that the loan was subscribed several times over in the space of a few minutes. The foreign debt, which on December 31, 1924, amounted to \$687,000,000 paper, is stated to have increased, as a consequence of the negotiation of consolidation loans, to \$833,000,000 on December 31, 1925, and the internal debt to have increased from \$836,000,000 to \$910,000,000 paper, the total of the consolidated debt, internal and foreign, on December 31 last, being therefore \$1,743,000,000 paper. The total of the floating debt on April 30 last, exclusive of the State Railways debt, calculated at \$193,000,000 paper, is stated to be \$479,000,000 paper, composed of the following:—

<i>Internal.</i>		\$ paper.
Short term loans	... ..	341,000,000
Exchange difference	... ..	35,000,000
Conversion fund	... ..	16,000,000
<i>In the United States.</i>		
Loan of 27 million dollars	... ..	63,500,000
Loan of 10 million dollars	... ..	23,500,000
		\$479,000,000

This, the Presidential Message declares, represents a reduction, resulting from consolidation, of nearly \$195,000,000 paper, as compared with the figure indicated in the previous message to Congress. Finally, reform of the principles of taxation is suggested, the Message reiterating the necessity for legislative sanction of the implantation in the Republic of income tax.

Towards the end of the month the Senate voted a project of law, declaring in force, with modifications, for the remainder of the current year the Budget of 1925, the Chamber of Deputies having favoured the sanctioning of further "duodecimos" to the end of August only. Submitted to the Lower House, a question of privilege was raised in regard to the Senate's action, and the matter has been referred to the Budget Committee of the Chamber of Deputies. The Executive meanwhile has forwarded a message to Congress, expressing the hope that the Government may be provided, without unnecessary delay, with a duly authorised Budget for 1927, and recommending that the resolutions of the former Budget Committee in regard to the projected

measure for the current year be adopted as the project of next year's budget, having regard to the fact that the greater part of the members of the former committee have been re-elected. If this plan were adopted the estimated expenditure for 1927 would be \$674,983,559 paper and revenue \$675,000,000. Continuing the present Finance Minister's steady policy tending to gradual consolidation of the floating debt, reductions of over \$24,000,000 paper were effected during the month of June, at the end of which month the total non-consolidated debt amounted to a little over \$454,000,000. During the past month a loan of 5,000,000 dollars in the United States was cancelled from part of the 20,000,000 dollars consolidation loan recently negotiated, and according to declarations made by the Minister in the Senate the only remaining foreign loan comprised in the floating debt, 27,000,000 dollars, due in February next will also in due course be consolidated. The foreign floating debt thus eliminated, there will only remain the internal, and it is declared that if the projects of Dr. Molina obtain the sanction of Parliament, the whole of this also, in which is included the \$35,000,000 paper still figuring on the books of the Banco de la Nacion as owing to the British Government for differences in exchange will have totally disappeared within a relatively short period of time. The only other matter of general interest which has occurred during the past month is contained in a message submitted by the Executive to Congress, requesting authorisation to transfer from the federal capital to the Province of Cordoba the principal arsenal of war and to employ, in the purchase of the necessary lands, constructions, installations, etc., an amount not exceeding \$15,000,000 paper. (*Monthly Review of the Bank of London and South America Ltd.*, September.)

BRAZIL

Exchange and Currency.—Dr. Leopoldo de Bulhões, who was twice Minister of Finance of Brazil, and is still an accepted authority on financial matters, affirms that Dr. Bernardes has enjoyed the undeviating collaboration of his Minister of Finance, Dr. Annibal Freire, and also of the President of the Bank of Brazil, Dr. James Darcy, in the process of re-establishing national credit and stabilising exchange. This policy has been achieved partially by withdrawing an excess of paper currency gradually from circulation, also by the restraining influence of the Bank of Brazil on exchange rates, but still more by augmenting revenue to a figure exceeding authorised expenditure. For many months past, he adds, the Central Bank has prevented a rapid advance in rates which might normally have come into operation by virtue of the recent foreign loans granted to this country.

Dr. Bulhões points out that under the Government of Rodrigues Alves from 1904 to 1906 the exchange rate was controlled and only permitted to rise slowly, and without upsetting commercial interests. Later, the Government of Affonso Penna succeeded in actually fixing the rate at about 15d. between 1907 and 1910, during which period there were in circulation convertible notes which could be exchanged for gold on demand at the Caixa de Conversao. However, this method of stabilising exchange was not able to withstand the world crisis of 1914, and until the Caixa was closed available notes were being converted into gold which left the country.

As this vital question of currency and exchange is now engaging the foremost minds of the country, headed by the President-elect, Dr. Washington Luiz, many writers are advocating that a broad study in all its bearings must devolve upon national Congress before resolving finally in what manner, and at what rate, the value of the milreis shall be ultimately governed. The question that is thus submitted is, in brief, what is the rate most expressive of Brazil's economic status, and what is likely to prove most conducive to the sound

and progressive development of her natural resources. (*Ibid.*)

The Budget for 1926 and for 1927.—Approval has been given by Congress to the legislative resolution budgeting the Federal revenues for 1926 at 121,646,000 milreis gold and 1,097,716,000 milreis paper. As the budget of expenditures was not approved by Congress the estimated expenditures for 1925 were extended by law to cover 1926. They amount to 84,412,953 milreis gold and 1,044,599,321 milreis paper, as follows (in milreis paper and gold):—

1925 and 1926 Expenditures.

Ministry of Justice	99,978,223	3,519,917
Ministry of Foreign Affairs	2,042,420	5,265,642
Ministry of Marine	95,075,823	1,000,000
Ministry of War	177,938,976	200,000
Ministry of Agriculture	44,901,552	235,126
Ministry of Communications	375,831,582	9,806,548
Ministry of Finance	248,830,745	64,385,720
Total	1,044,599,321	84,412,953

By converting the above revenue and expenditure items into paper at 7d. per milreis they work out as follows:—

	Paper contos.
Estimated revenue	1,566,917
Estimated expenditure	1,370,188
Anticipated surplus 1926	196,729

Some of the principal items incorporated in the revenue estimates are:—

	Gold contos.	Paper contos.
Import dues, etc.	118,590	77,580
Excise dues	—	351,154
Stamp duties	20	259,000
Income tax	—	71,500
Lottery tax	—	2,060
Sundry revenue	2,000	5,931
Patrimonial revenue	100	8,110
Industrial revenue	250	234,416
Extraordinary revenue	486	59,575
Ear-marked revenue	15,700	28,390
	137,146	1,097,716
Less amount authorised to be set aside for service of foreign debts	15,500	—
Total estimated revenue	121,646	1,097,716

The taxes on several sources of revenue have been augmented, and the estimated amount to be received from receipt stamps alone has been increased by some 61,000 contos. The stamp for 600 reis which previously had been necessary on any receipt for the amount of Rs.20 \$000 and upwards now only applies to receipts for amounts of Rs.20 \$000 to Rs.1,000 \$000, and on receipts for any amount above the latter figure a stamp of Rs.1 \$000 is now obligatory.

The estimated revenue to be derived from income tax is less than the previous year's estimate by about 10,700 contos, evidently based on the experience of the past two years' collections, although the tax in question has been increased. A new tax has been created on the value of prizes distributed by theatres, cinemas, and other houses of entertainment, and there is also an additional tax of 3 per cent. imposed on articles of silk entering the country, in order to foster the national silk industry.

Among the articles of consumption, the tax on tobacco will amount to about 70,000 contos, alcoholic drinks will approximate 99,500 contos, matches will bring in about 24,000 contos, boots and shoes 11,000 contos, perfumery 12,500 contos, pharmaceutical specialities 8,000 contos, conserves 9,000 contos, cotton goods 59,000 contos, hats 6,500 contos, wines 9,000 contos, and coffee and tea 6,500 contos.

Under the new Budget Law the Government is again authorised to issue 50,000 contos in Treasury bills in anticipation of revenue to be collected, but these bills must be withdrawn from circulation before the end of 1926.

The Budget estimates of the Federal Republic for the year 1927 have just been published. The total revenue is estimated at 122,073 contos of reis (gold) and 1,071,725

contos (paper), while expenditure is placed at 107,122 contos (gold) and 1,055,453 contos (paper). These figures, however, do not include special living allowances to public employees, which, if granted, would absorb a further 75,000 contos.

The Minister of Finance affirms that the present Government may fairly claim to have reorganised national finances, placing them on a sound basis of equilibrium as between public revenue and expenditure. With the maintenance of the financial policy now established, the deficits which have been an annual budgetary feature should become a tradition of the past.

Perhaps the most satisfactory feature of the new Budget proposals is that full provision has been allowed for resuming the service of external loans, the interest and amortisation of which were postponed until August 1927 by virtue of the Funding Loan of 1914. Moreover, although the "Tabella Lyra," which embraces extra ratios payable on the salaries of public servants, is still considered provisional and is annually subject to the approval of Congress, it involves a minimum sum of 75,000 contos, and this amount has been allowed for apart from the expenditure forecast, and with this item included there is anticipated a small deficit of only 1,065 contos.

The allocation to the Ministry of Finance is considerably augmented so as to recommence the redemption of the sterling loans of 1883, 1888-89, 1895, 1901, 1903, 1906, 1908, 1910-11, 1913-14, and of the franc loans of 1908 and 1911, which altogether will absorb about 14,100 contos in the coming year.

Another salient feature resulting from the recent financial reorganisation is the consistent diminution in the annual deficits. The first year of Dr. Arthur Bernardes' administration, 1923, saw this item reduced by half, to 224,374 contos; in the subsequent year it was down to 89,738 contos, and last year it was converted into a small surplus of 340 contos.

Press comments on the proposals express frank appreciation of the improved state of the national finances that has been consummated by the present Government. (*Monthly Review of the Anglo-South American Bank of London and South America; Pan-American Bulletin.*)

Reports of the Bank of Brazil.—The Report of the Bank of Brazil for 1925 shows that a net profit of 141,508 contos of reis (about £4,180,000 at the current rate of exchange) was realised during the year, as against 99,666 contos in 1924, representing an improvement of 41,842 contos. A dividend of 20 per cent. was distributed and the sum of 14,150 contos carried over to the Reserve Fund, bringing the total of this Fund to 118,775 contos. Current account loans, discounts and rediscounts accounted for 1,578,370 contos as against 1,366,378 contos in 1924, an increase of 211,992 contos. The rates at which exchange operations were conducted

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during the year fluctuated between 5 19/32d. and 7 9/16d. The deposits at notice account figured at 2,133,199 contos, which was 22,476 contos lower than the 1924 amount. Current account deposits rose by 261,444 contos, attaining the figure of 7,130,239 contos. During the course of the year paper money to the extent of 257,000 contos was withdrawn from circulation. From the date of the commencement of the Bank's contract with the Brazilian Government to the end of 1925 a total of Rs.134,156 : 651 \$000 in Treasury notes has been withdrawn from circulation. According to the Bank's programme the total withdrawals of notes in circulation up to June 30, 1926, should be Rs. 215,162 : 914 \$182. The Gold Reserve held as part guarantee of paper money in circulation was augmented during the year by £462,549 13s. 5d. by the purchase of gold bars from Brazilian mines. The Bank's stock of gold and gold bonds at the end of 1925 figured at Rs.383,463 : 301 \$360 currency or £12,782,110 0s. 11d.

The Bank of Brazil's balance-sheet for the first half of 1926 is, states the *Jornal do Commercio*, a fresh and substantial proof of the prosperity of the great banking institution of Brazil and also reflects credit on the administration. Bills discounted during the six months amounted to 658,535 contos of reis (about £19,750,000) and advances on current account figured at 256,479 contos (about £7,700,000). The note circulation is given at 592,000 contos and the metallic gold reserve at £11,353,884 sterling. Money in circulation amounted at the close of the half-year to 256,907 contos. A reserve of 125,000 contos covers the nominal capital of 100,000 contos. After deducting the sum reserved for the cancellation of notes there remains a balance of 67,999 contos. The deposits accounts as at June 30, 1926, stood at 1,163,776 contos.

THE ECONOMIST'S BOOKSHELF.

ENGLAND THROUGH GERMAN EYES.

Englander: VON RUDOLF KIRCHER. (Frankfurter Societats-Druckerel, Frankfurt a/M. 1926.)

It is always interesting to hear the opinions of a qualified foreign observer about one's country. The very fact that such a critic is an alien, an outsider, enables him to command a degree of impartiality that cannot be attained by the native. His manner of thinking, the way he approaches men and matters, his whole outlook in fact puts him in a unique position for giving a most valuable account of what he has observed. Needless to say, we do not mean here the, alas, too numerous authors who after a sojourn of a week or two in a country come home and parade as great authorities on it. Russia, for instance, has been a particularly unfortunate victim of such trippers, who have used reams and reams of paper to describe what they have seen there during a stay, the briefness of which is out of all proportion to their prolixity and whose sole qualification is infinite arrogance. Such views are naturally valueless. On the other hand, the greatest importance should be attached to the authoritative statements made by the foreign researcher, the impartial observer who submits to close scrutiny all he sees in a country and then raises his voice to tell the world the results of his research.

We have before us a specimen of the best kind of work of this type: it comes from Germany. The London correspondent of the *Frankfurter Zeitung* has embodied in a handsome volume called "Englishmen" the fruit of many years of study and observation, and has thus made a most valuable contribution towards a better understanding and appreciation of this country by the German reading public. This beautifully illustrated book (how well the Germans can do these things!) is divided into six sections bearing the following significant headings: "Legatees," i.e. those who have inherited the great traditions of the past, "Novators," "Figures," "Men and their Problems," "About the

Spirit of the City," and finally "Press Magnates." Under each of these headings we find a number of masterly written personal character sketches, rather reminiscent of those which achieved notoriety for the "Gentleman with a Duster," but infinitely superior to them in quality. Under the first heading (Legatees) are grouped essays on Lord Balfour ("The Scholar-Politician"), Mr. Asquith, the Chamberlains, Lord Curzon ("A Servant of the State"), Mr. J. H. Thomas ("The Joy of Living") and Lord Derby ("Sinking Powers"). Among the "Novators" we find Mr. Stanley Baldwin, Mr. Lloyd George, Mr. Macdonald and Dean Inge. Mr. Winston Churchill, Sir Robert Horne, Lord Birkenhead and a few other junior politicians are classed as "Figures." In the section "Men and their Problems" we meet Lord Grey, Lady Astor, Mr. Frank Hodges, Mr. Wheatley, Bertrand Russell, Lord Reading, and last but not least Mr. Hobbs. Then the author takes us to the City and introduces us to Mr. McKenna, the Governor of the Bank of England, the late Lord Leverhulme, Lord Bearsted and others. Finally come the Press Magnates, and here of course much space is devoted to the late Lord Northcliffe and Lord Beaverbrook. Interesting comments are made on Mr. Garvin, Mr. T. P. O'Connor, Mr. Spender and other prominent members of the profession.

We cannot possibly enumerate all the essays or even quote from them. But from the long string of names we have just mentioned our readers will see that Herr Kircher has made a genuine endeavour to introduce his fellow-countrymen to all the outstanding figures of the present-day life of this island. We should like to quote from his preface because it very ably sums up the whole book:—

"These Essays will deal with human beings, with English, with British human beings. They will deal with Statesmen, Thinkers, Business People; with typical Britons who are important both in the present and in the future. They make England: they are England . . . Some will lead us into the deepest depths of the problems of the English Race. Others are but shades that glide slightly over the stage of life. But they all present to us the British spirit, British life. We see Champions, we see Prophets, High Priests. We see decay and Champency. We have not chosen our figures because of a system. We meet them freely in the work of everyday life. They open to us a picture which is manifold: the wealth of the public life of this Island."

Herr Kircher has had a difficult task to tackle: it is not easy for a foreigner to understand the British Race, however great his knowledge, his insight and his skill. But credit must be given to the distinguished German journalist for having brilliantly acquitted himself of his task. He has collected a mass of information and has shown a power of appreciation and understanding which is quite remarkable. There are just a few slips in the book, but they are probably due to oversight. Thus Mr. Kipling is described as Mr. Baldwin's brother-in-law, Lord Astor is said to be co-proprietor of the *Times*, etc.: these are mere trifles. What is infinitely more important is that although one may disagree with the contents of many an essay the book makes fascinating reading and is well worth studying even by those who are quite familiar with the characters described therein. We highly recommend it for immediate translation into English. G. S.

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A COURSE of Six Lectures on "ECONOMIC, SOCIAL AND POLITICAL LIFE OF THE ITALIAN COMMUNES IN THE THIRTEENTH CENTURY" will be given (in English) by PROFESSOR G. SALVEMINI (late Professor of Mediæval and Modern History in the University of Florence) at THE LONDON SCHOOL OF ECONOMICS (Houghton Street, Aldwych, W.C.2) on THURSDAYS, OCTOBER 7th, 14th, 21st, 28th, and NOVEMBER 4th and 11th, at 5 p.m. At the First Lecture the Chair will be taken by Mr. R. H. Tawney, B.A., Reader in Economic History in the University. Admission Free, without Ticket.

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STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.
1920.			1923.			1925.					
Jan. 16	367.9	296.6	Apr. 20	198.5	162.0	Jan. 16	174.8	171.0	April 16	148.1	143.6
May 14	391.2	325.5	July 20	177.3	156.5	Feb. 13	175.2	168.9	May 21	150.2	144.9
July 16	418.8	316.9	Oct. 19	166.0	158.1	Mar. 13	172.8	166.3	June 18	151.7	146.5
Dec. 17	257.0	263.8	1924.			April 17	161.9	162.5	July 16	153.9	148.7
1921.			Jan. 18	178.6	165.4	May 15	158.7	159.0	Aug. 20	155.8	149.1
Jan. 14	244.2	245.9	Feb. 15	187.9	167.0	June 19	160.6	157.6	" 27	154.7	
Apr. 15	202.8	204.8	Mar. 14	182.1	165.4	July 17	160.3	157.5	Sept. 3	154.8	
July 15	194.4	194.1	Apr. 18	177.5	164.7	Aug. 14	158.6	157.0	" 10	151.5	
Oct. 14	170.2	180.7	May 16	171.2	163.7	Sept. 18	158.3	156.0	" 17	154.8	
Dec. 16	153.2	167.9	June 20	167.8	162.6	Oct. 16	154.1	154.8	" 24	151.5	
Dec. 30	150.0		July 18	167.1	162.6	Nov. 13	153.2	153.7			
1922.			Aug. 15	175.3	165.2	Dec. 18	153.0	153.2			
Jan. 20	144.0	164.0	Sept. 19	167.9	166.9	1926.					
May 19	162.1	160.6	Oct. 17	172.5	170.2	Jan. 15	151.6	151.3			
July 14	165.1	160.3	Nov. 14	173.3	169.8	Feb. 12	148.4	148.8			
Sept. 15	161.2	154.3	Dec. 12	171.7	170.1	Mar. 12	146.1	144.4			
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
Sept. 17 ...	86.3	203.2	60.4†	110.5	86.7	103.1	102.9	105.9	91.9	81.2	103.21	Sept. 17
" 24 ...	86.3	183.3	60.4†	108.8	81.4	103.1	102.9	105.1	93.8	84.7	100.98	" 24

† 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	80.3	90.4	105.4	93.3	June 6	158.2	105.3	128.0	115.3		
Oct. 29	91.1	92.0	<i>91.1</i>	94.4	" 27	160.0	104.7	123.7	<i>113.0</i>		
1922, Jan. 1	100.0	100.0	100.0	100.0	July 18	165.9	103.2	<i>120.4</i>	115.5		
May 13	114.6	102.4	114.9	117.9	Aug. 1	165.8	<i>101.5</i>	122.2	115.7		
Sept. 16	123.8	107.6	115.2	112.5	" 22	176.2	102.5	126.3	117.3		
Oct. 7	123.9	106.1	113.3	<i>111.7</i>	Dec. 19	188.9	103.3	130.6	112.8		
1923, Jan. 1	121.7	102.5	119.5	113.3	1926, Jan. 2	195.5	103.6	133.3	113.0		
Mar. 17	129.2	98.5	129.3	117.0	" 9	196.1	103.6	135.1	113.1		
" 24	127.3	<i>97.8</i>	129.0	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>	112.5		
1924, Jan. 1	117.4	98.4	121.3	114.5	Aug. 14	205.5	106.3	123.9	113.5		
" 19	119.1	100.1	119.1	<i>112.2</i>	Sept. 11	200.0	106.7	129.3	112.3		
June 21	115.3	103.3	<i>118.2</i>	118.0	" 18	194.6	107.0	128.4	112.2		
Nov. 8	130.1	103.7	133.7	120.4	" 25	196.4	106.4	128.1	111.8		

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