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COMMENTS

WE have frequently referred in these columns to the amazing frankness with which certain Soviet leaders and certain organs of the Soviet Press comment on the inefficiency and defects of the present Administration, without, however, having the courage to draw the only logical conclusion from such a realisation of facts. In describing the Communists' endeavours to carry out their programme of strict economy in the Caucasia a correspondent of the *Econmitcheskaya Zhisn* draws a vivid picture of the absolute failure on the part of those in power to achieve anything. The local population met them with the greatest scepticism, and the usual reply they got everywhere was, "We have heard of it for ever so long. When will this lowering of prices actually take place? After we have sold all our corn?" And the general explanation of the failure to introduce real economy was simply: "We haven't had the time. We are sorry. It is a complicated, big and intricate business." No suggestion is made in the Soviet paper how an end should be put to this state of affairs: as usual the Bolsheviks are satisfied with merely describing the deficiency of their own government apparatus. Another Soviet paper, the *Krasnaia Gazeta*, almost openly admits that the much talked of promise of raising the standard of wages has a purely political character and is one of the weapons by which Stalin's group hopes to destroy the Opposition's propaganda. This decision was taken quite unexpectedly, since, according to the paper, the work of the Gosplan (State Planning Department) was already nearing its end when two days before its programme was put before the Government it was suddenly decided to appoint a commission to raise the wages. It remains to be seen whether the Soviet Government, which is extremely short of funds, will be able to carry out this promise given for purely demagogical reasons, and what the workmen's attitude will be if once more they are left disappointed.

A CONFERENCE opened yesterday afternoon in London between representatives of the Shipbuilding Employers' Federation and the shipyard trade unions, when the unions were due to report to the employers their adoption, by a small majority, of the report of the joint committee of employers' and workmen's representatives which was set up in 1925 to investigate the question of foreign competition and its effect upon the shipbuilding and ship-repairing industries. The report of this joint committee was issued last June, and the Central Board of the Shipbuilding Employers' Federation at once signified its intention of adopting it; the representatives of the trade unions did not, however, reach any definite decision until the end of September. The delay which has occurred on the trade union side, and the further reservation in connection with interchangeability and demarcation, have, it is asserted, banished all hope of joint action being taken in time to benefit the industry during the coming winter, and,

indeed, of anything being done in the immediate future to mitigate the prevailing depression. This, perhaps, is too pessimistic a view to merit much attention, and better things may be anticipated as the result of this conference. During the joint inquiry, according to the agreed joint report, the shipbuilders' representatives explained that in many contracts for new work—particularly for bigger ships, those providing most employment—and in the majority of contracts for repair work the margin of difference between British and foreign tenders was not great. They stated that a minor readjustment in handling, some elasticity in the organisation of work, and the loyal and full observance of the 47-hour week would enable much of the new work as well as a greater amount of the ship-repairing work to flow back once more to British industry. The unions have adopted certain recommendations in the report relating to matters which it is in the power of the industry itself to improve, including the extension of the system of payment by results, the recognition that the use of labour-aiding machinery is to be encouraged, and the loyal and full observance of the 47-hour week. It is, however, difficult to make any forecast concerning the outcome of the conference now sitting; even the delegates attending it were reluctant in expressing opinions.

THE Lancashire cotton spinners' movement to work only one week in three in the American section, upon which we commented in these columns last week, has broken down, and spinners have been recommended by the Federation to revert to the twenty-four hour weekly scheme at once. The breakdown of the proposed new scheme after only one day's trial has caused astonishment to everyone in the trade, in view of the overwhelming majority of the ballot in its favour. In spite of this, however, the response to the scheme when inaugurated was so poor that it became evident that it would need to be rapidly abandoned. This is considered a serious rebuff to the Master Spinners' Federation, while, in some quarters, the sudden change of plans is regarded as an indication of lack of unanimity among its members. A possible explanation, says the *Times* correspondent in Manchester, of the failure of the members to carry out their ballot obligations is to be found in the revocation of the Government order as to the free use of foreign coal. This fact, coupled with the possibility of an early end of the coal strike, may have gone some way towards causing the millowners so quickly to throw over the order of restriction they had voluntarily imposed upon themselves.

ON Tuesday last Sir William Gowers, the Governor of Uganda, was entertained at Manchester by the British Cotton Growing Association. In the course of a speech which was warmly received by its hearers Sir William remarked that some of them had visions of the time when Empire supplies, rather than those from either Egypt or America, would rule the markets in this country. Both Uganda and Nigeria, countries with which he had been associated, were closely linked with Manchester. The natives were not only producers

of what Manchester wanted, but consumers of what she had to sell. Cotton, he said, was the life-blood of Uganda. More than 94 per cent. of its exports in 1925 were cotton. It was very precarious for the economics of a country that that should be so and made it vitally important that the colony should produce a quality of cotton which should always command a ready market in Lancashire, and at a good premium. Since 1911, the year in which Uganda definitely entered the field as a cotton producer, her output had increased from 9,000 bales to 196,000 bales in 1925. That was the high-water mark. Climatic conditions would keep the output this year down to 180,000 bales. Next year, Sir William forecasted, would bring the crucial test, owing to the heavy fall in the price of American cotton. With the latter commodity down to 7d. per lb. the price left for the native in Uganda might prove disappointing. However, the Government were helping to the best of their ability. They had introduced and distributed new seed, from which better results were to be expected in the future both as regards yield and staple; a laboratory for cotton research work had been established at Kampala; and plans had been laid for the extension of railway facilities in the country.

ACCORDING to the *Bulletin* of the British Engineers' Association there has been a decline of about £7,000,000 in the exports of British manufactures during the month of August as compared with the month of July. This, as the writer says, is an unpleasant but perhaps salutary reminder of the serious economic consequences that must inevitably attend a stoppage of coal-mining in this country. According to the evidence available, however, activity in the engineering trades is still fairly well maintained, and is certainly greater than might have been expected in the circumstances. The exports of machinery for the month of August totalled 38,848 tons as against 43,981 tons in July, but it was not to be expected that this surprisingly high figure could be maintained. The total for August compares favourably with the monthly average of 36,764 tons in the second quarter, and even with the monthly average of 45,265 tons in the first quarter of the year. It is considered gratifying that the miscellaneous classes of machinery continue to make a good show in the exports, and that the imports of machinery do not show the increase that might have been expected. The use of imported fuel, and in a greater degree the increased consumption of foreign iron and steel, have helped materially to maintain production in the execution of orders previously booked, while orders of considerable value are still being placed with British firms for both the home and export markets. Probably, the section of the industry which at the present moment is faring best is the constructional side, together with the supply of equipment, as, for instance, engines and boiler-house plant for power-houses. Textile machinery is reported to be fairly active, but the seasonal lack of demand for agricultural machinery has now set in, while marine engineering as a whole remains depressed, in spite of a few notable orders for new ships.

DISCUSSING the West African palm oil industry, Mr. Ormsby-Gore, in a Blue Book published last Tuesday, replies to the attacks of the late Lord Leverhulme on the Government and on the system of native rights and customs in regard to land. It is perfectly clear, writes Mr. Ormsby-Gore, that the type of concession which Lord Leverhulme enjoyed in the Congo is out of the question in a British Protectorate, for it involves the provision by the Government of labour for the working of the concession. The British Government have again and again laid down that under no circumstances will they undertake to provide compulsory labour for private profit in any British Dependency. They draw a vital distinction between compulsory labour for essential public works and services, such as road construction and maintenance, and labour for plantations. Quite apart from the ethical question involved, they have

always felt that once the principle is departed from there would be no real limit to the commitments of Government, and no basis for discriminating between one employer and another or one industry and another. There can be no doubt that the system which obtains in the Congo does involve not only monopoly rights; but also the elements of compulsion; and the trouble with compulsion in any form is that it is only successful in the long run if it is carried out consistently and completely. It is no use imagining that a voluntary system can be combined with a small element of compulsion. Any such scheme breaks down at the point where you are not prepared to go further with compulsion. "Consequently," writes Mr. Ormsby-Gore, "I rule out any schemes for the development of the palm industry which involve (1) compulsory labour in any form, (2) compulsion to sell fruit at a particular price, (3) compulsion to sell to a particular individual or concessionaire."

COMMENTING upon the recent bankruptcy legislation, the current number of the *Commercial Monthly* of the National Bank of Commerce in New York stresses that for some time past it has been apparent to the business community that regrettable practices have developed under the shelter of bankruptcy in the United States. In order to rectify this much thought and effort have been expended by interested and public-spirited individuals and groups. Their endeavours are now beginning to show appreciable results, and during the early months of this year Congress passed a Bill amending, as from August 27 last, the national bankruptcy laws. It is pointed out that unscrupulous individuals have often used bankruptcy proceedings to perpetrate a fraud. In this connection, those who are well-informed on the point have indicated the abuses that have arisen in certain well-defined channels, and among these the following may be instanced: collusive petitions, fraudulent compositions and unlawful preferences, easy discharges, and the ineffective provisions for criminal prosecution. A number of the recent amendments are directed towards making collusive petitions less attractive; towards discouraging prospective bankrupts from choosing involuntary proceedings when such an one is, in fact, a willing bankrupt. Previously, when a bankrupt made an offer of composition the procedure of adjudication was stayed automatically, but under a new amendment the normal procedure will not necessarily be suspended. Other provisions are added with the intention of making discharges from bankruptcy less easy. If assets are transferred with the intent to defraud creditors within twelve months prior to the bankruptcy, this will act as a bar to discharge. Formerly, the period was only four months. Quite a number of the recent amendments are designed so as to make existing criminal provisions more effective, it being considered clear that if those who are in the habit of playing fast and loose with the law are always faced with the threat of a severe term of imprisonment, their activities will be discouraged. It is pointed out that one of the aspects of bankruptcy legislation most often criticised is one that has received no attention in the recent enactment. It has been urged that if the judicial and administrative responsibilities of the bankruptcy procedure were made separate, better results would be obtained. In the United States the courts carry the burden of both functions, while in England an administrative official, the Inspector General in Bankruptcy, handles the administrative portion of the task. Moreover, in England there are salaried "official receivers," while in the United States the court appoints and awards fees to a private individual. Such a practice, it is alleged, has occasioned a good deal of fee-seeking, and has resulted in many bankruptcies being engineered by persons solely interested in the profit out of fees arising therefrom. However, Congress did not see fit to commit the United States to the plan of official receivers, although the advisability of such plan will, it is believed, become patent in the future.

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 PEACE OF THOIRY.

THE QUESTION OF ECONOMIC CAPACITY.

By Professor JULIUS HIRSCH.

The agreement reached between Stresemann and Briand at Thoiry appears to be of more importance than any political step taken since the Dawes Plan—perhaps, even, since the conclusion of peace. If successfully carried out it will mean for Germany a more rapid liberation of the country, the recovery of confiscated and lost territory, the completion of her economic organisations and, above all, a gain—which it would be difficult to over-estimate—in esteem abroad and in hope at home. For France it will mean a most valuable aid in the stabilisation of her currency and her industrial situation, the relief of the taxpayer, and the possibility of coming to an understanding with her transatlantic creditors. Very probably, too, she will feel the withdrawal of her army of occupation more as an economic relief than as a burden, for with the funds for reparation purposes thus released she can carry out greater relief work at home. It must be remembered that the *poilu* in the Rhineland can no longer travel by tram, as that cost him two francs! The mark of a good treaty is that both sides should gain by it.

What, then, are the undertakings of the two parties? According to the lines distinguishable at present—which are so clear that they can hardly be mistaken—the agreement provides for the following undertakings on the part of France:—

1. The evacuation of the second and third zones of occupation in the year 1927, preceded by a rapid reduction in the number of the troops in occupation, who will be made as inconspicuous as possible.

2. The restitution of the Saar district in the following year.

3. Abandonment of the opposition to the restitution of Eupen-Malmédy: Belgium may then reasonably be expected to give her consent.

The undertakings on the part of Germany are:—

1. Early payments to Belgium	
for Eupen-Malmédy	.. Mk. 120 million
Re-purchase of the Saar	
mines 250 to 300 million

Total Mk. 370 to 420 million
-------	-------------------------------

2. Co-operation in the mobilisation of about 1½ milliards of State Railway Bonds; interest and redemption of this mobilised loan.

3. Abandonment of the transfer objection, that is, the protection provided by the Dawes Plan to the German exchange in the event of its being too heavily burdened by reparation payments.

Is Germany able to carry out these undertakings?

In view of the importance of the end to be attained there can hardly be any doubt with regard to raising the funds required internally. Even if the resources in taxation should not be adequate, Germany would raise the necessary amount by means of an internal Liberation Loan.

The mobilisation of the Railway Bonds and the question whether and how we are to provide for both the payment of the 400 millions in exchange and the service of interest and redemption—these are beset with many more problems and difficulties.

Whether the Railway Bonds can be quickly mobilised to this amount depends, in the first place, on the United States. Technically there remains much to be arranged here: whether the interest coupons are to be made out in dollars, whether the bonds should be placed in an investment trust—which would also be better for the

exchange purposes of France—and many other details. In view, however, of the great demand, in particular for German investments, the American market will certainly not refuse to take them for some time—especially as such bonds are among the safest and most sought after investments—provided its stipulations are complied with. These are:—

1. That the bonds shall not be taken at quite their full value. If the Dawes Loan at 7 per cent. is quoted at about 105 per cent., the 5 per cent. Railway Bonds can hardly reach a market value of more than 75 per cent. Probably the proceeds will not be quite as much as 75 per cent., as the banks will require their share. This, moreover, only

2. If the purchasers are secured against any future difficulties in regard to transfer. This security can be given them neither by Germany nor France alone, but only by the Transfer Agent. There also remains

3. The objection that the sale of such bonds is merely the partial mobilisation of an aggregate debt which has not yet been determined; that is to say, that the furniture of a debtor is being sold whose debt as a whole is not by any means yet established. This is, in the main, the defect in the Thoiry Agreement viewed as a whole: Germany's total debt has not yet been determined. The purchaser consequently demands that this title of debt shall first of all be forthcoming. This is a matter for the Transfer Agent to decide.

The view expressed in the Press that the bonds would have first to be "handed over" indicates ignorance of the facts. The Reparations Commission has already 11 milliards of German railway bonds. It can put these on the market, however, only if the creditor is assured of the goodwill of Germany, who pays the interest.

By the imposition of this loan the foreign credit market, which has hitherto been so well disposed, will doubtless be very appreciably restricted for a considerable time with regard to German economic requirements. Nor will the Reich or the individual States be able for a considerable time to count upon the foreign loans which they so much desire. This means a very grave economic sacrifice. Are we to make it for the sake of the Saar, and the Rhine and Eupen-Malmédy? If anyone says No, let him at least cease to call himself a Nationalist.

But what is the position as regards the payment of foreign currency? Can we abandon the transfer clause? A curious change has been quietly taking place in the administrative offices of Germany. It used to be said, "We will not raise the amounts in taxation." This was the argument of insufficient taxable capacity. Then in the first Dawes year, when we were still regarded as being too weak for any great financial effort, the Schlieben financial policy took out of industry in excess taxation almost as much as the entire cost of reparations should amount to in the "normal year" 1928-29. The fact that we must now pay 300 millions more than the Dawes Plan had contemplated is the result of our having been too heavily burdened. It would not be entirely without interest to establish who is responsible. If well-known government offices talked about "the passivity of industry" while economic experts had long before seen that the output of Germany's industries was on the increase, they must certainly assume part of the responsibility borne by the wrongly informed Minister of Finance. In any case, the argument of insufficient taxable capacity has for the present been rendered somewhat ineffective by our short sighted taxation policy.

On the other hand, the idea that we shall not be able to transfer is almost universal. Hitherto this view has prevailed nearly everywhere abroad—most definitely

in England, where there is obviously a negative interest in the effects, from the point of view of world economics, of a large German export trade, upon which the process of cash transfer can alone be based in the long run. In Germany the thesis, obviously untenable, that every amount could be transferred was maintained by individuals, but the official view was that only few could be so treated. The director of the Reich Association of German Industry has recently outlined the approximate limits in question: In deliveries in kind some 700 millions—perhaps rather more—will be transferred. The transfer possibilities in regard to gold payments are much smaller. From the last agreement with the transfer agent, however, foreign countries will in many cases draw other conclusions. If it were certain that an amount of something over a milliard gold marks would not be transferable, we should have done better not to conclude the agreement. We should then, no doubt, have had to pay, not 300, but 500 million marks in two years' time in taxes. If the amount could not be transferred abroad, however, it would of course have to be lent out in Germany. The entire sum of 500 millions would at least remain a considerable time for the use of German industry, which is still in need of capital. While we have now increased our deliveries as a result of our own by no means over-wise taxation policy, and have also agreed to transfer, in the years when we are less burdened, 300 millions more than required by Dawes, we have at least not strengthened belief abroad in our own belief in the transfer argument. The German Minister for Economics recently regretted that the German public concerns itself much too little with reparation questions. Has this effect of our policy been sufficiently considered in the official quarters concerned?

As regards the Thoiry agreement, however, the transfer question obviously appears as follows:—

The payments for the coal mines in the Saar district to be purchased by the Reich, which in no case can be transferred at once by Germany to Belgium. It will not be difficult to raise the gold amounts required as a foreign loan and to pay them off in a few decades. Whether the foreign currency reserve of the Reichsbank will co-operate in the matter or not, is a mere question of expediency. It is regarded by many as being sufficiently large in any case. For the transfer, then, the interest and redemption of the railway bonds have again to be added as items in the permanent burden. Not by any means an additional burden in marks. This amount must remain the same as before. But we shall be obliged to convert permanently into foreign currency a somewhat larger amount in Reparation marks than we have previously had to do. On the basis of our burden hitherto the annual transfer for public and private debts may be estimated approximately as follows:—

Total burden on private industry annually, approximately	300 million marks
The English Reparation payment, a pure transfer, absorbs	250 „ „
Charges for the Dawes Loan, about... ..	90 „ „
Charges for 1½ milliards, interest and redemption of railway bonds	90 „ „

This burden on account of the bonds remains a serious matter, but it certainly cannot for the present be regarded as unbearable, particularly as much larger amounts have in fact been transferred by Mr. Gilbert in the last few months. From these cash sums which have been transferred in any case, the amount for the mobilised railway bonds will have to be provisionally diverted in the first place. The importance of the end to be reached here outweighs any possible doubts. The additional burden is heavy but, in view of the burdens formerly assumed by private industry, not unbearably great. The fact that we have the greatest possible concern in interesting extensive circles in the more important foreign countries in our permanent solvency—with which, again, the permanent prohibition policy of the purchasing countries in regard to German

goods is in conflict—is a further very important element in German interests.

The “complete solution” has only just been begun. The next step must be a reasonable determination of the total burden of Germany. This, again, is dependent, as regards our creditor countries, upon how the creditor of our creditors, namely America, finally makes her terms. It is not only the position of France that will be strengthened if Germany and France now appear for the first time together as negotiators for a loan before the great American creditor. The position of Europe as a whole will be different when the first and second debtor, giving in common a guarantee of peace, which America with justice has always required, enter together the beautiful Treasury building in Washington. The preliminary peace of Thoiry will then be transformed into a final peace, and the world war will be ended by the world peace.

MODERNISING PERSIA.

By V. F. M.

In August 1922 a contract was signed by the Persian Minister in Washington with Dr. Millspaugh, until then Economic Adviser at the Department of State. Dr. Millspaugh was engaged as Financial Adviser to the Persian Government, but this title was subsequently changed to the more significant one of Administrator General of the Finances of Persia. Dr. Millspaugh, accompanied by eleven American assistants, arrived in Teheran on November 18, 1922, and he still continues in the employment of the Persian Government. His book*—“a personal, not an official narrative”—is a summary of his activities in Persia down to the spring of 1925 and a sort of *pro domo sua* to explain the conditions and the scope of the task undertaken by the Americans in Persia. Though evidently written in the first instance for the American public not very familiar with Persian affairs, the book is a useful epitome of the situation for the period following immediately that described in the very interesting work by the Hon. J. M. Balfour, late Chief Assistant to the British Financial Adviser in Persia (“Recent Happenings in Persia,” London, 1922).

Dr. Millspaugh's mission has had the advantage of working under exceptionally favourable political conditions: since the abrogation of the Anglo-Russian Treaty of 1907 and of the Anglo-Persian Agreement of 1919, no one would now suspect any foreign State of intentions contrary to Persian aspirations to political independence. More than that: since the accession to power and the extraordinary career of Riza Khan, now Riza Shah Pahlavi, Persia for the first time after many and many years has benefited by a strong rule. An effectual unification of the Persian provinces has been realised and no occupations, no turbulent tribes, no semi-independent chiefs hamper now the trade and the economic development of the country. No one of Dr. Millspaugh's predecessors has ever enjoyed such advantages.

The author describes in detail the difficulties met with at the outset of the mission's activity: absence of reliable information, the usual intrigues, opposition of some private Persian interests, inveterate bad habits and routine, the inconvenience of interpreters to whose services the Americans, unfamiliar with the language of the country, were obliged to have recourse. Most of these difficulties have been overcome and many excellent measures proposed, though one would wish Dr. Millspaugh had been more explicit in his indications as to the stage of the latter's realisation.

Dr. Millspaugh as the Administrator General of the Finances of Persia has been entitled to be present at the weekly meetings of the Cabinet; all appointments

* *The American Task in Persia*. By Arthur C. Millspaugh, Administrator General of the Finances of Persia. (London: T. Werner Laurie Ltd. Price, 15s.)

of officials having to do with the Finances, from Under-Secretaries of State downwards, are made on his recommendations. The Treasury in all its branches is under the effectual control of the American mission. Dr. Millspaugh proudly joins together in one phrase "the law and my contract."

The financial progress for the year ending March 21, 1925, is indicated by the fact that "the deficit had been brought down to probably 0.5 per cent. of the total Budget." Few European countries can boast of such an achievement, but one would like to know more in detail how this result has been attained.

It is evident that the successful military expeditions of the new ruler of Persia, though absorbing large sums of money, have made it possible to establish financial representatives in places hitherto considered as hopeless. Such a recalcitrant taxpayer as the famous Sheikh of Muhammarah undertook in November 1923 to pay 500,000 tomans of his arrears and immediately paid up in cash 100,000 tomans. Since then that opulent feudal chief has been brought to perfect quiescence. A better control over the assessment of lands, which had not been checked for more than half a century, must have been also the source of a considerable increase in revenue.

Though the former Russian Banque d'Escompte, with all its assets and liabilities, has been transferred to the Persian State in virtue of the Soviet-Persian Treaty of 1921, it appears that the Persian Government has not yet succeeded in creating a self-supporting national banking organisation. Persia still continues to depend on the help of the Imperial Bank of Persia, a British institution. Dr. Millspaugh on several occasions mentions the advances granted by the Imperial Bank of Persia, which substantially helped the American mission in its endeavours to save the Persian Budget, as well as that of the municipality of Teheran, from a deficit (pp. 47, 196, 225, 242).

A more interesting innovation in the financial system consists in the new taxes proposed in Persia. There is no need to insist on the original projects of the American mission, which included such ambitious measures as the introduction of an income tax, of a tax on negotiable instruments, of a sales tax, etc. (p. 208). The final proposals were more adapted to the local conditions. The amendment of the tobacco tax law introduced on the advice of the American mission and hurriedly voted by the Majlis is believed to produce half a million tomans of additional revenue yearly. Later on the Persian Minister of Finance introduced two more Bills: one for a Government monopoly of sugar and tea and the other for a tax on matches. Both are ear-marked for special requirements. The sugar and tea monopoly (estimated to produce 5,000,000 tomans yearly) is going to form a special national fund for the construction of railways. The revenue from the tax on matches (200,000 tomans yearly) is assigned to sanitation.

However laudable these attempts to increase the national resources may be, it is questionable whether in a poor country like Persia this additional burden of indirect taxation will be easily supported by the people. Dr. Millspaugh estimates the amount of the new taxes voted by the Majlis at "twenty-five per cent. of Persia's present revenue." It may be not altogether out of place to quote here the testimony of an expert who was Dr. Millspaugh's immediate predecessor: "The resources of Persia are amply sufficient to provide an adequate revenue for all her legitimate requirements without increasing the burden of taxation in any respect" (Hon. J. M. Balfour, *op. cit.*, p. 135).

Territorial questions with regard to Persia having completely receded into the background, the principal items of international interest concerning that country are now oil and railways. In the south the situation is controlled by the D'Arcy concession now belonging to the Anglo-Persian Oil Company, but the "five northern provinces" (Khorasan, Astarabad, Mazandaran, Gilan and Azarbaijan) are theoretically open to initiatives coming from abroad.

The Soviet Government by the Treaty of 1921 renounced all the concessions and economic rights formerly belonging to the Russian State or Russian citizens. But by Article 13 the Persian Government in its turn has promised not to hand over any of the renounced or transferred concessions to any third State or its citizens, but to preserve them for the good of the Persian people (p. 121). Consequently the point at issue was to know which of the former Russian concessions were still in force previous to 1921, and this does not seem to have been definitely settled. The Persians were anxious to introduce American capital into the area from which Russia has retired and there would probably be little opposition on the part of other interested influences to having an American buffer between Russia in the north and the zone of the southern concessions. Moreover, such a combination would contribute to lessen elsewhere any tension between the British and American oil groups. Two American companies competed for the North Persian oil: the Standard Oil Company of New Jersey and the Sinclair Exploration Company. But the fact is that Persian oil has no independent outlet. In such circumstances the Standard Company tried to associate with the Anglo-Persian Company, which possesses the monopoly of oil transport in the south; but this association was contrary to the request of the Persian Government that the stock capital and management of the company should be perpetually in American hands. The Sinclair Company followed a different course and hoped to combine the concession in the northern provinces of Persia with the eventual concessions to be obtained from the Soviet Government. When this latter plan collapsed the Company wired to the Persian Government that it could no longer go on with the northern oil concession (p. 293). Dr. Millspaugh says that he urged the Government to give a decision in favour of either of the two American companies, but he admits that "any oil produced in North Persia in excess of that sold in the local market will have to be transported to or through Russia, to or through Iraq, to or through Turkey, or through South Persia to the sea.

"Any of these suggested routes of transportation will present extreme difficulty" (p. 291). The peculiarities of the geographic situation of Persia are especially conspicuous in the railway question. According to Dr. Millspaugh, "there is in existence at the present time no concession or contract for the construction or operation of a railroad in Persia" (p. 277). On the other hand the author seems to doubt "whether an extensive or expensive system of railways is practical in Persia." He is rather a believer in the extension of paved highways and the development of motor-trucks traffic. It is true that the importance of railways for Persia cannot be solely gauged by "tangible fiscal and business estimates." Railways are needed to consolidate the internal unity of Persia and to secure a better administration. Consequently there has been elaborated an ambitious scheme of railways connecting Teheran with the Caspian, the Black Sea (through Turkey to Trebizond) and the Persian Gulf (Muhammarah), and even of a line linking Khanikin (Iraq) with the actual terminus of the Indian lines at Duzdab (west of Nushki). Dr. Millspaugh rightly says that Persian railway building will be greatly influenced by the project of a pipe-line and a railway from the Iraq oilfields to Haifa. If constructed, this railway may prove "the shortest and presumably the cheapest route for commerce between Persia and Western Europe" (p. 280). More immediate interest may centre in a plan elaborated by the American mission to connect the famous district of Seistan (formerly an apple of contention in Russo-British politics) with Duzdab (135 miles), which would facilitate the shipment of Seistan wheat to the Indian market.

One of the clauses in the contract under which Dr. Millspaugh is working in Persia provides that he "shall as far as possible exert his utmost endeavours to extend, facilitate, and encourage the investment of foreign

capital in Persia, with a view of overcoming in every way the economic crisis in Persia and to contribute to the economic development of Persia on a sound basis." Expectations of realising a loan for \$10,000,000 were directly connected with the employment of the American advisers and with the plans concerning oil concessions (p. 18). However, to use the words of a well-informed correspondent writing in 1926: "Some cogent remarks were made by the Administrator General of the Finances in a lecture on his return from leave last autumn anent the popular idea that America, being a fabulously rich country, would make Persia . . . a large development loan without asking awkward questions or insisting on more than a trifling *quid pro quo*."

Other hopes were entertained with regard to an eventual limitation of the opium culture in Persia. In order to advance this plan interests connected with the Opium Conference in Geneva were supposed to be desirous to come eventually to Persia's aid. But these hopes too have proved vain so far.

If some exaggerated expectations with regard to Persian affairs have necessarily waned, there still remains the fact of a very substantial progress in Persia's external and internal situation. The efforts of the American mission certainly account for a good deal in the stimulation and the support of the reformatory

movement inaugurated by the new Shah and the Majlis. One can only wish full success to the technical endeavours of the mission towards rejuvenating Persia and creating security for the peaceful collaboration of Persia with foreign enterprise.

While general descriptions of Persia are very numerous and while the Customs statistics published under the supervision of the Belgian advisers constitute a trustworthy source of information with regard to Persia's foreign trade, no reliable or recent data are available with regard to Persia's general economics, her Budget or her financial position. Better than anybody Dr. Millsbaugh was in a position to know these subjects, and it is to be regretted that perhaps a too strict conception of professional duty has not allowed him to present a summary of the principal exact data in the form of an appendix to his book. Some minor objection may be made to a somewhat inconsequent and unusual way of transcribing Persian words and names for which English papers and current works have meritoriously adopted a uniform and scientific spelling. The proofs of the book have evidently not enjoyed the final touch of the author's hand, for the Anglo-Persian Agreement of 1907 was not annulled *during* the World War (p. 113) and Haifa is not a port on the Red Sea (p. 268).

ECONOMIC SURVEY

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

FRANCE

FINANCE AND GENERAL

M. Poincaré on the Financial Situation.—In a letter addressed to the Chairmen of the Financial Committees of the Chamber and of the Senate M. Poincaré pointed out the progress realised in many branches of the financial administration under his control. The figures quoted in this document show the difference between the receipts of the Treasury during the first seven and during the first eight months of 1926 as compared with the corresponding periods of last year:—

	January to July.	January to August.
Income taxes ...	+ 8%	+ 22%
"Old" direct taxes	— 35%	— 14%
Property transfer duty stamps, etc. ...	+ 28%	+ 31%
Customs ...	+ 25%	+ 31%
Indirect taxation ...	+ 29%	+ 34%
Turnover tax ...	+ 39%	+ 45%
Monopolies ...	+ 22%	+ 75%

The increase in the yield from the income taxes is due partly to the success of the Government's appeal for anticipated payment. As regards the monopolies, it is known that the increased proceeds are principally due to the higher prices of tobacco and matches.

M. Poincaré's letter contains some interesting particulars with regard to the position of the Treasury. The figures of subscriptions to National Defence Bills show the confidence of the public in the Government:—

Excess of new subscriptions over repayments—			
August 1-15	+ 752	millions
" 15-31	+ 1,003	"
September 1-15	+ 634	"

The increased receipts from taxation as well as the afflux of subscriptions to Treasury Bills permitted the Government to reduce its debt to the Bank of France by Fr.1,700 million; but it was also able to repay on account of its different foreign debts for August and September amounts to £7.2 million, \$15.9 million, and Fl.650,000.

The Money Market.—There was much talk at the end of September of the tightness of money on the Stock Exchange, and the financial papers advised dealers to

curtail their commitments. It was feared that money for the carry over of dealings for the settlement would be dear, because too many people were "bullish" and needed credit for the maintenance of their speculations for a rise. Notwithstanding a certain reduction in commitments, money at September 30 was very dear. The rate was 11 per cent. in the *Marché Officiel*, and 14 per cent. in the *coulisse*. It is said that the cost of certain operations in the latter market at the close was 18 per cent.

These rates gave rise to many rumours as to the strengthening of the Bank of France's restrictive policy in the matter of credit. The Government was reported to be selling foreign bills in order to withdraw francs from the market and thus create a tightness of money, but these rumours have been refuted by the Ministry of Finance.

Notwithstanding dear money the Bourse is rather "bullish." The *Journal des Finances* (Oct. 1) says that the questions raised in Thoiry are very far from being solved; therefore, the definite stabilisation of political and economic conditions cannot be expected in the near future. Fluctuations are still inevitable. The motto for the Paris Bourse, according to this paper, therefore, must be: "Carpe diem!" Other papers point out the increased interest of the public in French stocks and shares, due to the revival of confidence in the Government.

INDUSTRY

The International Steel Agreement.—The reasons for which the European steel manufacturers have been compelled to come to an agreement are well known. The capacity of production of the metallurgical industries in most European countries has increased since the war, but the consumption of steel during the last few years has proved to be almost equal to the pre-war rate. The enormous increase in iron and steel consumption in the United States has been met by the American industry, and the European manufacturers are forced to sustain very strong competition. The international iron cartel is to be based on the same principles as other organisations of that kind. At the beginning of every three months the members fix the quantity of steel to

be produced during that period. This quantity is divided among them on the basis of a fixed proportion.

The production of crude steel in 1926 as compared with last year is shown in the following table (in thousands of tons):—

	Jan. to March 1925. 1926.		April to June 1926.
Germany	12,195	2,551	2,744
France	7,446	2,035	2,063
Belgium	2,411	544	837
Luxemburg	2,084	540	541
Sarre	1,575	414	412
Total	25,711	6,084	6,597

If the year's production be calculated on the basis of the April to June figures, it will amount to about 26,400 tons.

It is reported that the amount to be fixed for the first three months of the working of the cartel is to be calculated at the rate of 27,000,000 tons a year (*Le Temps*, Sept. 26). The respective shares of the members vary slightly in proportion to the total quantity produced, but when this quantity reaches 30 million tons a year, the distribution of the quotas becomes a definitive one:—

Germany	43.18	per cent.
France	31.19	" "
Belgium	11.63	" "
Luxemburg	8.23	" "
Sarre	5.77	" "

(Belgium claims 13 per cent.)

The manufacturer who exceeds the quantity allotted to him is to pay a fine of \$4 per ton in excess. In the contrary case (shortage as compared with the quota) he is to receive a premium, but this shortage is paid for only up to 10 per cent.

The *Temps* explains the difficulties the fixing of this agreement met with. Agreement with regard to certain fundamental principles was reached long since, but many difficulties arose in fixing the quotas for individual manufacturers. So far as the German manufacturers were concerned the matter was comparatively easy, because of their powerful organisations, both local and central. But difficulties presented themselves in the case of France. The necessity of negotiating with each individual manufacturer was the principal one, and it was only last week that MM. Laurent and de Wendel, the leaders of the Comité des Forges, succeeded in definitely settling this delicate matter with the French manufacturers.

During the last days of September the papers reported that a new difficulty had arisen, the Belgian manufacturers not being satisfied with their share; and a final agreement was only reached on September 30, when the Belgian demands were satisfied. The Belgian share is to be 295,000 tons a month or 3,540,000 tons a year, which represents the proportion previously fixed for that country (11.65 per cent.), but applied to a total yearly production of 30,622,000 tons. The Belgian quota will not vary until the total production of the cartel reaches this amount, and only after that quantity has been exceeded will the Belgian share be increased proportionately. The other shares remained almost unchanged. The total quantity of crude steel to be produced has been definitely fixed at 27,587,000 tons a year.

The Iron Ore Output in the Meurthe-et-Moselle.

—The production of iron ore in the Meurthe-et-Moselle during August shows a further increase as compared with July:—

August	1,677,084 tons
July	1,665,261 "

The output of this most important metallurgical region is divided between three principal districts as follows:—

Briey	1,355,246 tons
Longwy	212,258 "
Nancy	109,580 "

The Coal Output in the Devastated Areas in August.

—The coal output in the Nord and Pas-de-Calais, as compared with July, is shown in the following table (in tons):—

	August.	July.	Difference.
Coal	2,755,453	2,745,433	+ 10,020
Briquettes	221,169	223,210	— 2,041
Coke	246,612	245,557	+ 1,055
	3,223,234	3,214,200	+ 9,034

The average daily output also shows an increase as compared with the preceding month, 105,979 tons as against 105,594 tons.

SOCIAL CONDITIONS

Demographic Development of French Towns.—

From a demographic point of view the French towns can be divided into three categories: towns with a decreasing population, towns with an increasing population, and towns with a stationary population. For special reasons Paris belongs to the first category, but all the towns situated round it in the Department of the Seine show a continual growth, as proved by the following figures (in thousands of souls):—

	1921.	1925.	Difference.
Paris (intra muros)	2,863	2,838	— 25 or — 0.9%
Department of the Seine exclusive of Paris	1,480	1,729	+ 249 or + 16.8%

The rise in house rent in Paris compels an ever growing part of the population to live in the suburbs. The statistics of tickets sold by suburban buses, railroads and tramways show an ever increasing mass of people travelling every day to Paris and back. In all probability were it not for the increase in the foreign population, Paris statistics would show a still greater decrease. The peculiar feature of Paris is the comparative density of population in the business part of the town. It is seen now that from the demographic point of view Paris is getting to resemble the other big towns of Europe, the population moving from the central parts of the town to the periphery, and leaving the centre to business. Many other big towns, especially commercial centres on the coasts of the Channel and the Ocean, belong to the same category; as in the case of Bordeaux, Le Havre, Rouen, Brest, Calais, Cherbourg, Saint-Nazaire, etc., which during these last few years have lost a considerable proportion of their inhabitants.

The category of towns with an increasing population includes two of the most important towns, Marseilles and Lyon. The population of Marseilles increased from 586,341 in 1921 to 647,705 in 1926. The revival of the port's activity after the crisis and the development of the local industries have attracted an influx of workmen, mostly foreigners—Russians, Armenians, Syrians, etc. The same phenomenon is to be observed in Lyon, which numbered 562,000 inhabitants in 1921 and has now 602,000. Saint-Étienne, the important mining centre of the Midlands, has now a population of 194,000, instead of 158,000 as in 1921.

The population of Clermont-Ferrand, where the Michelin tyre works and other important factories are situated, increased during the same period by 20,000 people (from 85,577 in 1921 to 108,740 in 1926). The growth of all these towns is due not to a natural increase in population, but chiefly to immigration of foreign workmen and to the movement of country population towards the towns. Special causes stimulated the growth of Nice (192,000 in 1926 as against 156,000 in 1921). This town now attracts many foreigners not only during the winter season, but even in the autumn and early summer. Therefore the commercial and industrial population has also considerably increased.

The number of inhabitants of many important industrial centres such as Lille, Roubaix and Nancy, as well as of many local centres such as Montpellier, Rennes, Dijon, Tours and Orléans, does not show any important changes. In the devastated areas, Reims, which suffered greatly from German artillery, will be very soon entirely reconstructed. Notwithstanding its steady growth, the population has not yet reached its pre-war figure: it is now about 101,000 as against 115,000 in 1915. The Alsace-Lorraine towns occupy

also a special place among French cities. Strasbourg and Metz have lost a great part of their population since the war, many Germans having left for their own country; but the population is now again at about its pre-war level.

Generally speaking there is a certain concentration of population in the towns, due, as far as French people are concerned, to a movement of country people towards the towns, but also to a great extent to the influx of foreigners. (*Journée Industrielle*, September 10—20.)

GERMANY

FINANCE

Position of the Reichsbank.—In view of the calmer conditions at present prevailing in the money market, it may be of interest, particularly in view of the possibility of further developments, to examine the position of the Reichsbank throughout the current year as shown in the weekly statements. In order to discount the heavier demand for money always noticeable at the end of each month, it appears advisable to calculate only a monthly average. In this way it will doubtless be possible to arrive at an approximately correct idea of the true situation. The entire capital at the disposal of the Reichsbank is included in the table given below. The real credit claims are to be found under the columns entitled "Bills and cheques" (exclusive of rediscounts) and "Lombard loans." Since the rather heavy end of the half-year the credit business of the Reichsbank has experienced a slow decline, as there had previously been a tendency to secure cheap money for the half-yearly balance by means of the realisation of foreign currency. With the cessation of possibilities of this sort an increase in the number of bills has been noticed since the last week in August. The following table shows the total capital of the Reichsbank in millions of Reichsmarks:—

	Bills and cheques.		Lombard loans.		Stocks and shares.		Foreign currency.		Other assets.	
Dec. 31, 1925	1,441.6	10.3	231.1	1,208.1	402.5	456.5				
January 1926	985.6	6.7	232.7	1,227.8	392.7	460.7				
February ...	833.0	11.2	233.9	1,326.6	432.7	524.0				
March ...	714.0	23.9	238.9	1,443.3	477.1	510.5				
April ...	942.1	21.2	128.6	1,491.3	351.8	516.8				
May ...	1,088.5	27.7	89.0	1,491.7	326.0	376.2				
June ...	1,247.5	38.8	89.3	1,492.2	259.0	395.5				
July ...	1,198.7	27.3	89.5	1,492.4	370.8	468.0				
August ...	1,138.2	32.7	90.0	1,492.7	443.6	523.2				
September 7	1,231.5	7.5	91.4	1,518.7	483.1	410.2				
September 15	1,266.3	13.9	91.4	1,541.0	446.3	394.3				

The comparatively small note circulation in the first few months of the current year seems to be experiencing somewhat greater expansion, which is apparently due to the slowly growing demand for means of payment. The total circulation of Reichsbank notes, Rentenbank vouchers and the position of the giro accounts have developed as follows, without taking into account end of month fluctuations (in millions of Reichsmarks):—

	Money in circulation.			Percentage of cover for notes.	
	Notes.	Rentenmarks.	Foreign moneys.	Gold.	Total.
Dec. 31, 1925	2,960.4	1,475.7	697.0	40.8	54.4
January 1926	2,557.5	1,331.1	808.7	48.3	63.7
February ...	2,530.6	1,309.8	806.6	52.7	69.8
March ...	2,751.4	1,173.9	794.5	52.8	70.2
April ...	2,895.9	1,053.4	860.1	51.7	63.5
May ...	2,816.4	1,195.9	647.2	52.8	64.6
June ...	2,719.2	1,299.9	675.3	55.1	64.5
July ...	2,845.5	1,302.9	643.0	52.6	65.6
August ...	2,953.6	1,251.8	662.2	50.7	65.7
September 7	3,101.7	1,242.9	573.4	49.0	64.5
September 15	2,901.4	1,226.8	725.7	53.1	68.5

In spite of the really considerable provision of gold (up to the present about Rmk.333 mill.) the cover ratio, notwithstanding the increased circulation of notes, has developed in a satisfactory manner. The Reichsbank is reported to have been in a position to meet even the heaviest of these demands without the surrender of any bullion to foreign countries. (*Hamburger Fremdenblatt*, Sept. 21.)

TRADE

Foreign Trade Returns for August.—As indicated in the "Comments" of our issue of September 24, the balance of German foreign trade in August shows a total surplus of imports over exports of Rmk.135 mill., and in the net exchange of goods one of Rmk.86 mill., as compared with Rmk.108 mill. in July and Rmk.33 mill. in June. The import of goods in August shows an inconsiderable decrease (to the extent of Rmk.9 mill.) as compared with the previous month. Imports of foodstuffs and beverages show a slight decrease (of Rmk.20 mill.), while imports of raw materials have risen a little (by Rmk.8.7 mill.). The export of goods likewise shows little change in comparison with July. The increase amounts to Rmk.13 mill., including a rise of Rmk.3.4 mill. in the export of foodstuffs and beverages and one of Rmk.19.6 mill. in that of raw materials and semi-manufactured goods, while the export of manufactured articles has experienced a slight decrease of Rmk.10.1 mill.

The following table shows the development of foreign trade during the last three months, and gives the total results from January to August, (a) pre-war value, (b) present value (in millions of Reichsmarks):—

		January to August.			
		June.	July.	August.	August.
<i>Imports.</i>					
Foodstuffs and beverages	(a)	213.71	291.73	284.85	1,707.2
	(b)	292.89	404.14	383.61	2,301.9
Raw materials and semi-manufactured goods	(a)	322.28	349.47	357.86	2,422.2
	(b)	386.86	411.85	420.55	2,939.3
Manufactured goods	(a)	83.54	86.46	88.51	608.4
	(b)	102.17	103.96	103.46	770.0
Gold and silver ...	(a)	3.72	6.47	50.69	196.4
	(b)	4.02	6.94	51.54	199.2
Total (including live stock) ...	(a)	632.78	743.00	794.45	4,996.3
	(b)	795.94	935.90	971.27	6,276.5
<i>Exports.</i>					
Foodstuffs and beverages	(a)	23.39	19.48	20.01	246.8
	(b)	27.04	22.88	26.30	291.8
Raw materials and semi-manufactured goods	(a)	154.75	183.03	190.14	1,221.0
	(b)	179.55	215.79	235.35	1,455.8
Manufactured goods	(a)	407.76	430.60	422.55	3,376.4
	(b)	550.85	581.86	571.79	4,668.5
Gold and silver ...	(a)	1.81	1.88	2.53	25.6
	(b)	1.82	1.91	2.51	26.2
Total (including live stock) ...	(a)	588.70	635.64	637.52	4,875.5
	(b)	760.42	823.19	836.42	6,449.5

The decrease in the import of foodstuffs and beverages is chiefly due to a drop in coffee, potatoes, herbs and fish. The import of wheat, barley and eggs, on the other hand, has increased. Among raw materials and semi-manufactured goods the import of oilcake, zinc and skins for peltry has increased. The import of textile raw materials shows a drop of Rmk.5 mill. as compared with the previous month, the import of wool having fallen by Rmk.14.6 mill., while that of cotton and silk has increased. The import of manufactured goods shows little change as compared with the previous month.

The increase in the export of raw materials and semi-manufactured goods is almost entirely due to a further rise in the export of hard coal (by Rmk.13.3 mill.), coke and briquettes. The export of sulphate of ammonia has fallen by Rmk.4.9 mill. and the export of textile raw materials has increased by Rmk.1.1 mill. Under manufactured exports, which show a total decrease of Rmk.10.1 mill., textile manufactures show an increase of Rmk.12.8 mill. (including wool Rmk.7.0 mill. and clothing and underlinen Rmk.4.4 mill.). The export of iron goods and rolling mill products, on the other hand, has decreased by Rmk.7.6 mill. The export of machinery also shows a decrease of Rmk.7.3 mill. The import of gold and silver has experienced an increase of Rmk.44.6 mill. owing to the calling in of the German foreign gold deposits of the Reichsbank. The export remains practically unchanged. (*Deutsche Allgemeine Zeitung*, Sept. 22.)

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Germany's Foreign Trade in Coal in July 1926.—*Glückauf* (Sept. 18) publishes the following table illustrating Germany's foreign trade in coal in July 1926 as compared with the previous months of the year and with the monthly average of 1913, 1922, and 1925 (in tons):—

Monthly average—	Hard coal.		Coke.		Hard coal briquettes.		Lignite.		Lignite briquettes.	
	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.	Imports.	Exports.
1913	878,335	2,881,126	49,388	534,285	2,204	191,884	582,223	5,029	10,080	71,761
1922	1,049,866	421,835	24,064	75,682	3,270	3,289	167,971	1,185	2,546	34,874
1925	634,030	1,137,154	5,772	314,658	3,071	66,541	191,271	2,762	12,690	66,197
1926 Jan. ...	379,664	1,005,440	3,970	431,023	309	88,941	155,902	3,745	12,192	95,770
Feb.	423,726	1,379,351	4,181	406,291	125	134,332	123,328	2,412	12,441	75,620
March	428,176	1,178,541	4,556	382,928	145	106,172	146,925	1,983	8,556	49,210
April	417,215	1,156,382	2,493	340,064	65	83,513	153,464	1,288	8,298	46,593
May	251,514	1,832,172	4,881	357,334	170	88,308	162,733	1,991	6,865	67,257
June	154,308	2,517,730	2,542	375,591	195	111,748	140,834	2,016	7,343	82,910
July	118,281	3,640,247	4,318	502,034	325	140,502	158,608	1,995	7,022	89,640

Deliveries to France, Belgium and Italy on the basis of the Versailles Treaty are not included, but the large consignments to Poland, Austria, Hungary, Danzig and Memel ordered by the Interallied Commission in Oppeln up to and including May 1922 are contained in the above figures.

INDUSTRY

The Artificial Silk Industry.—The *Hamburger Fremdenblatt* (Sept. 20) learns that the firm Giesches Erben has been negotiating with the German artificial silk firms for the sale of the Cawalla works near Breslau, erected some time ago at considerable cost. The sum of Rmk.12 mill. has been mentioned as the price. The Cawalla works have for some time been lying practically idle, only one small spinning mill remaining at work, so that Giesche was not in a position to profit by the flourishing condition of the remaining portion of the artificial silk industry. Nothing definite is known as to the result of the negotiations, and the large well-known concerns fight rather shy of any irregular expansion. Germany's total output of artificial silk yarn has now reached the important figure of 42,000 kilogrammes a day, three-fourths of which is supplied by the Glanzstoff concern. This quantity is fairly easily disposed of between the working-up factories and foreign purchasers, but the competitive facilities of Italy, which country is on the eve of some sort of stabilisation of the currency and must take into account an imminent increase in working costs, and also of Belgium, which supplies very good nitro-silk to Germany (this silk is not made in Germany on account of the high price of alcohol), are for the moment not defined. The Artificial Silk Convention, which has been in existence some three months, has arranged that so far as home consumption is concerned consumers of the finer varieties shall give preference to the German product, while the Italian article is to be employed by such as require the coarser sorts of yarn. Nevertheless a number of German export factories, in particular the lace factories in Saxony, give preference to the cheaper Italian goods, as the lower cost of production is the sole factor that renders competition with foreign producers possible. In the meantime the artificial silk combine is making steady strides in Germany, only three undertakings, the Borswick concern, Glauchau and Arnstadt, remaining outside the convention. Opinions are varied as to the utility of the convention so far as the consumers are concerned, but excellent pioneer work has been done by it already in a technical direction in the shape of classification and description of goods, whereas generally confusion had long reigned in regard to standards and types of yarns.

As regards the export possibilities of German artificial silk, wherever fine thread goods are required in consequence of the prosperity of the foreign country concerned the German industry is gaining ground, while even the other classes of German artificial silk fabrics are winning a reputation. British India provides an example. Last year this country was not mentioned in the statistics, being a purchaser of no importance, but in the first seven months of 1926 22,800 kilogrammes of artificial

silk have been sent out, the high British import duties forcing the German firms for the most part to carry on direct dealings with the Empire without passing the trade through England. The same is true of Canada and the other Dominions. The Indian artificial silk

market is a very promising one, as the yarns imported during the quarter April to June 1926 amounted to 1,058,077 English lb. as compared with 478,155 lb. in the corresponding quarter of 1925. While England's share of 206,595 lb. dropped to 125,558 lb., Italy's share rose from 196,478 lb. to 553,560 lb. Italy's export of artificial silk material increased from 892,838 yds. to 1,795,866 yds., and that of Germany from 89,382 yds. to 419,117 yds. The North American market is also described as good since the German prices have been adapted to the reduced American ones. It is further announced that the Bemberg Company intends to start activities with a new improved ammoniate of copper process, which is to be given a trial in Germany. It is stated in well-informed circles that this new process will be applied not to the working up of the material but to the preparation of the thread.

Financial Position of the Coal Mining Industry.

The German economic system as a whole is gradually reacting to the favourable effect of the impetus given to the coal mining industry by the coal strike in England, the primary result of which has been the restoration of pre-war production conditions in the Ruhr district. Secondly, the German iron industry feels the advantage of increased contracts for operating material necessitated by increased production in the coal industry, while the former industry has felt directly the favourable effect of the slackening of English iron production. On the other hand, the abolition of holiday shifts and the engagement of additional miners have resulted in an increase in wages, which in its turn has strengthened the purchasing power of large masses of consumers. This fact has again proved a stimulant to the consuming industries, particularly the textile industry.

In view of the lack of definite information as to the evident improvement in the coal industry, an attempt, based on calculations for the Ruhr district, will be made to throw light on the financial status of the coal concerns since the coal strike in England.

The figures for coal production in the Ruhr district are as follows (in tons):—

January	8,400,000
February	8,050,000
March	8,580,000
April	7,760,000
Total	32,790,000
May	8,340,000
June	9,210,000
July	10,174,000
August	10,012,000
Total	29,396,000

Monthly averages (in tons):—

January to April	8,198,000
June to August	9,800,000

The monthly average for the period June to August thus exceeded that for the first few months of the year by about 1,600,000 tons. This increase is expected to continue at least till the end of the year, as the English coal pits, even after the termination of the strike, will only be able to recover their former production by

degrees. Moreover, the British coal industry will be obliged in the first place to supply the home market, which has been suffering so long from the coal shortage, before it can think of meeting the demands of the world market. The total production for the period May to December in excess of that for the previous months can therefore be estimated at about 11,350,000 tons. This figure must further be increased by 3,200,000 tons representing the decrease in the standing stocks of the Rhenish Westphalian Coal Syndicate district, giving a grand total of about 14,500,000 tons increased production.

The average price per ton of coal in the contested and non-contested districts lately amounted to about Rmk.13.40. This means that the coal pits within the Rhenish Westphalian Coal Syndicate District may enjoy an increase in income of about Rmk.194,000,000 on the above increase in the turnover of the period May to December.

The overhead costs, which may be divided into (1) general operating expenses, (2) wages and salaries, and (3) cost of material, have not, however, risen proportionately.

(1) General and operating expenses being but little affected by an increase in production are likely to show only a slight increase.

(2) The following points may serve as a basis for estimating the increase of wages and salary accounts, which constitute the largest proportion of the overhead costs. The abolition of the 600,000 average monthly holiday shifts introduced in the Ruhr district shortly before the outbreak of the British strike entails the resumption of 4,800,000 shifts over a period of eight months ending December 1926. In addition to this 20,000 additional hands were engaged by degrees in the Ruhr district, which is equal to 4,000,000 extra shifts for the same period, giving a total increase of 8,800,000 shifts. Calculating the average wage per shift, taking into account the increase in wages recently effected at Rmk.8.20, the increase in wage and salary payments in the Ruhr district for the same eight months would amount to about Rmk.72,300,000. The monthly average salary increase comes to about 12 per cent., while the production increase amounts to nearly 20 per cent.

(3) Taking the cost of material at Rmk.3.00 per ton, the cost of the above increase in production may be estimated at about Rmk.34,000,000.

The total gross profit increase of Rmk.194,000,000, less total overhead costs of Rmk.106,000,000, would therefore, for the coal pits of the Ruhr district, yield a surplus of about Rmk.88,000,000 covering a period of eight months.

This good result may be attributed chiefly to rationalisation methods and mechanical improvements. These factors acted as concealed reserves and rendered possible the present increase in production on a comparatively low basis of overhead charges. The relatively small number of new hands employed confirms the opinion, already proved by statistical data, that the average miner's production quota is considerably increased by means of the new methods of concentration and standardisation.

The above calculations have been made with the greatest care, and do not, for the sake of brevity, enter into further details such as the extra profits derived from the sale of standing stocks. They are intended merely to serve as a basis for estimating the net profits from the increase in production. Thus the increased profits of the Harpener Mining Company (capital Rmk.100,000,000) calculated on the above figures and on its production quota in the Coal Syndicate may be estimated at somewhere about Rmk.6,000,000. Each coal company's financial position differs according to the quality of the coal, mining conditions, and the degree of rationalisation applied. A surplus of the above dimensions is only likely to occur in the case of pure coal companies having an uncontrolled turnover, but cannot apply, or at least not to the same extent, to coal pits that dispose of their

output to wholesale dealers on the basis of long term contracts. The Rheinstahl pits in this way turn over a large portion of their output to the I.G. Farbenindustrie. The Harpener Mining Company has lowered its production price from Rmk.15.07 to Rmk.13.87 per ton of coal during 1924-25 in spite of increased wage payments. The Company recorded a fair surplus for 1925, and its balance-sheet revealed quite a liquid status, although considerable funds were invested for rationalisation purposes, which are likely to have a favourable bearing on this year's balance.

The economic improvement of the last few months has contributed tremendously toward establishing and strengthening a fundamental basis for the coal mining industry, which is not at all likely to be shaken by the eventual termination of the British strike. The future development of the coal mining industry will depend upon the recovery and the coal consumption of the German and world markets, and above all upon the mutual policies to be adopted by the British and German coal industries. (*Hagen & Co.'s Monthly Report*, Sept. 23.)

LITHUANIA

POLITICAL AND GENERAL

Economic Conditions in the Memel Territory.—

Complaints are rife in the Memel Territory with regard to the economic conditions prevailing there. The port is idle, and among the 35,000 inhabitants of the town two thousand unemployed are in receipt of relief. In spite of the inclination in Lithuania to attribute this state of affairs to the universal economic crisis, it must be admitted that the argument in this case is rather misplaced. Memel, which in consequence of the Peace Treaty was separated from Germany, and whose fate was decided in 1923 by the Lithuanian invasion, has been cut off not only from its credit basis but from its source of supply for raw materials. When the dream of a free state came to nothing and even the autonomy of Memel was subjected to Lithuanian sovereignty, the last hour struck for the Reichsbank. The Lithuanian State Institute, however, true to its policy, only grants credit to Lithuanian firms, not even to the oldest and most respected German firms. The effect of isolation from the raw material base is even more serious. The economic existence of the Memel Territory is dependent upon the timber industry, and this industry is to-day practically a dead letter. This fact is best illustrated by two figures. In pre-war times 600,000 cubic metres of timber came down annually to Memel to be worked up, and in 1925 this figure was reduced to 63,674 cubic metres, or little more than 10 per cent. of the pre-war quantity. This percentage is the best proof of the economic distress in the territory. The unsettled conflict between Lithuania and Poland with regard to Vilna, which renders the resumption of relations between the two countries impossible and thereby hinders timber-floating on the Memel river, cuts the territory off from its supply of raw material. All endeavours to solve this difficulty have failed, and the fact that Lithuania has laid down regulations for the navigation of the river does not alter the fact that it is virtually closed. The Vilna question has now become general to the Baltic States, but the Polish-Lithuanian controversy prevents the formation of a Baltic League, whether formed as the French would have had it against Germany or, as the English would now like it, against Russia. Thus what is for Memel a purely economic problem assumes great importance in view of the political problem, and the prospect of an early settlement is very small.

It is, therefore, easy to understand that Lithuania is endeavouring to build up new industries. Two margarine factories and a horse-shoe factory have recently been added to Memel's none too extensive industries (a cellulose factory, a shipbuilding yard, a waggon factory, a few breweries and some cigarette factories). As, however, there is a tendency to protect the new industries by high duties, thus raising the price of

consumption and forcing up wages, these efforts are not greeted too warmly in the circle of the old-established undertakings.

It comes, therefore, as no surprise to find traffic in the port the reverse of active under such circumstances. The mere statistical result does not show the full effect on the traffic. For example, the Lithuanian statistics put the traffic in the port in 1924 at 1,401 vessels of 553,330 r.t. and in 1925 at 1,493 vessels of 654,955 r.t., while the Memel Chamber of Commerce points out that the latter statistics include far more ships than formerly arriving or clearing with only part cargoes, and sometimes very small part cargoes. On the other hand, there is but little hope of any revival in Memel's transit traffic for the present. Lithuania has not seen fit to construct a railway which might serve this purpose. It still takes thirteen hours to do the journey from Memel to Kovno (180 miles as the crow flies), and Latvian territory has to be crossed. If under these circumstances Libau and Koenigsberg are still chiefly utilised by the Lithuanian hinterland for import and export, it is hardly matter for surprise. It is true that a line is now under construction from Memel via Telsiai to Siauliai in order to form a better connection with Kovno, but instead of starting this line from Memel the Lithuanian authorities have put the cart before the horse, and on grounds of internal policy have begun with the Siauliai-Telsiai section, as it was considered necessary to secure votes in that district. In this connection it may be remarked that the neutral controller of harbour traffic, the Norwegian Kjelstrup, has recently complained to the League of Nations that he is unable to enforce his orders in face of Lithuanian opposition. Consultations between the three members of the port control must be of a strange nature, for Controller Kjelstrup speaks Norwegian and English and a little broken German, while the Memel representative speaks German and Lithuanian, and the Lithuanian representative speaks Russian and Lithuanian but not a word of German.

The position is further rendered extremely difficult by the fact that the central Lithuanian Government, contrary to the stipulations of the Memel Statute, deducts from the State revenues of the Memel Territory the sums required for the regular administration of the province. Endless negotiations over this vexed question were carried on by the former Government, and no change for the better has taken place under the new one. Thus it has been impossible up to the present to balance the 1926 Budget, because no new taxes can be squeezed out of the Memellanders, and the monthly contributions from the central Lithuanian Government, amounting to Lit.400,000, have proved completely inadequate. Thus has come about the anomaly that 30 per cent. of the revenue of the Memel Territory reaches the Treasury, not by legally determined channels, but by means of payments fixed by makeshift resolutions capable of alteration at any time. It need hardly be said that the pursuit of any definite financial policy is an utter impossibility under such circumstances. There appears to be some hope in Lithuania, according to the recent speech of the President of the Lithuanian Chamber of Commerce, that the inhabitants of the Memel Territory will be willing to surrender their autonomy in return for concessions on the financial question, but this hope is doomed to disappointment. In a word the economic position of the Memel Territory is anything but satisfactory, and it remains to be seen how far it lies in the power of Lithuania and the other Baltic States to improve it. (*Hamburger Fremdenblatt*, No. 243a.)

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TRADE

Russian View of the Baltic Trade.—*Izvestiya* (No. 181) deals in a long article with the prospects of Lithuanian, Latvian and Estonian trade. Having noted the similarity of the commercial policy of the three States and their current relations, the article suggests that a comparative study of their respective trade balances will be of assistance in judging of their economic prosperity. In this respect Lithuania takes first place, with an export surplus on two occasions, in 1922 and 1924. Estonia's balance of trade has all along shown a deficit, except that in 1925 exports balanced imports, while Latvia's deficit has shown a tendency to increase since 1922. Lithuania's exports are chiefly of an agricultural nature, the percentage of manufactures is somewhat larger among Latvian exports, while Estonia's industrial exports amounted in 1925 to 40 per cent. of the total. In the opinion of *Izvestiya*, based apparently upon a comparison between the balances of 1924 and 1925, the agricultural exports of all three countries show an appreciable tendency to decrease, and on that account the betterment of their economic condition is bound up with expectations of the growth of industrial exports. On the other hand the industrial products of these countries, on account of their technical immaturity and inadaptability, are not in a position to win the markets of Western Europe. Thus the expansion of the industrial exports of the Baltic States will depend on the possibility of export to Soviet Russia. Hitherto as regards exports and imports the first place has belonged to England and Germany. *Izvestiya* shows that such a position in foreign trade makes the Baltic States too dependent upon these countries. Baltic industrial and commercial circles have more than once felt the inconvenience of such a state of affairs and seen the necessity of extending foreign trade connections. Up to the present the Union of Soviet Socialist Republics has only participated to a very small extent in the trade of those countries. For example, in 1925 Russia's share of Lithuanian exports was only 2.7 per cent. and of imports 1.6 per cent. With the expansion of economic relations this proportion must naturally increase, and such growth is only hindered by the vacillating policy of the Baltic States, which does not admit of a settlement of normal and economic relations with Soviet Russia and thereby injures the most vital interests of all the countries concerned. England's influence over Estonia is particularly emphasised and special stress is laid on the natural suitability of Russia as a market for the Baltic States. (*Elta Agency Bulletin*, September.)

AGRICULTURE

Agricultural Statistics.—The International Agricultural Institute in Rome has collected data concerning the grain production and area under cultivation in the Baltic States during 1925. The figures given below are for purposes of comparison.

Rye.—Lithuania, 663,000 tons; Finland, 347,000 tons, 234,000 hectares; Latvia, 315,000 tons, 266,000 hectares; Estonia, 182,000 tons, 154,000 hectares.

Wheat.—Lithuania, 143,000 tons, 112,000 hectares; Latvia, 58,000 tons, 48,000 hectares; Finland, 25,000 tons, 15,000 hectares; Estonia, 21,000 tons, 20,000 hectares.

Barley.—Lithuania, 244,000 tons, 205,000 hectares; Latvia, 177,000 tons, 176,000 hectares; Finland, 140,000 tons, 109,000 hectares; Estonia, 115,000 tons, 114,000 hectares.

Oats.—Finland, 586,000 tons, 434,000 hectares; Latvia, 303,000 tons, 329,000 hectares; Lithuania, 284,000 tons, 345,000 hectares; Estonia, 126,000 tons, 150,000 hectares.

Potatoes.—Lithuania, 1,581,000 tons, 163,000 hectares; Latvia, 750,000 tons, 79,000 hectares; Finland, 723,000 tons, 67,000 hectares; Estonia, 649,000 tons, 68,000 hectares.

Flax.—Lithuania, 83,000 tons, 81,000 hectares; Latvia, 57,000 tons, 78,000 hectares; Estonia, 26,000 tons, 45,000 hectares; Finland, 16,000 tons, 5,000 hectares.

From the foregoing table it will be seen that in grain production Lithuania holds first place among the Baltic States. Only in oats production does Lithuania yield first place to Finland, and last year also to Latvia, though in former years Lithuania always maintained second place. In 1925 Lithuania produced 663,000 tons of rye, while Finland, Latvia and Estonia together only produced 844,000 tons. In 1925 Lithuania produced 143,000 tons of wheat, while the collective output of the other three Baltic States was 104,000 tons. Lithuania produces more barley than Latvia and approximately as much as Finland and Estonia together. Of oats Lithuania produces about the same quantity as Latvia and only about half as much as Finland. Lithuania was slightly behind Latvia, Estonia and Finland together as far as the potato crop was concerned, while her flax output exceeds by two-thirds the combined production of the other three countries and constitutes practically one-half of the total flax output of the Baltic. It should, moreover, be noted that in the cultivation of certain agricultural products Lithuania is comparatively highly developed. For example, among forty-six countries producing potatoes Lithuania on the basis of output occupies a fairly high position, viz. sixteenth; in the production of rye among thirty-one countries Lithuania holds tenth place, and in flax production among thirty-six countries Lithuania holds seventh place, after Argentina, Russia, India, United States, Canada and Poland. (*Elta Agency Bulletin*, No. 16.)

Proposed Standardisation of Flax.—A conference was held on August 20 at the Lithuanian Chamber of Commerce and Industry, Kovno, to discuss the question of the export of Lithuanian flax, with the idea of introducing a standard which might enable this staple article to find a market abroad and at the same time dispensing with intermediaries who are instrumental in lowering the reputation of Lithuanian flax. After considerable deliberation it was decided to introduce a trade brand for the Lithuanian product, and to conduct propaganda in its favour abroad, exhibiting samples and prices. The establishment of a laboratory for the analysis of flax was also proposed, together with the organisation of a union of flax exporters in Lithuania. An appeal is further to be made to the Ministry of Agriculture for the adoption of measures to prevent the falsification of flax by Lithuanian agriculturists and merchants. It was pointed out that Lithuanian linseed is regarded as among the best in the world. Special laboratories are to be established to examine classes of linseed according to purity, seed, etc., and to grant special certificates to farmers. The importance of the classification of Lithuanian linseed according to regions was emphasised, as the quality is not uniform in all parts of the country. The Flax Exporters' Union is to be represented in the new section of exporters to be established in connection with the Chamber of Commerce. The great possibilities of Lithuanian flax have recently been pointed out in *Lietuvos Zinios*, where it is stated that the merchants of East Prussia and Riga have been in the habit of buying Lithuanian flax fibre and seed, and cleaning and selling them in England as Riga or Koenigsberg products. Not only has this practice tended to lower the reputation of Lithuanian flax on the world market, but this kind of exploitation by foreign middlemen has inflicted heavy losses upon Lithuanian flax growers and, indeed, upon the country as a whole. Thus, while Latvia is able to dispose annually of her flax output, Lithuanian farmers' storehouses are full to overflowing of fibre and tow, waiting for a rise in prices. Experts are of opinion that if flax cultivation were placed upon a proper footing it might constitute as much as one-third of Lithuania's foreign export. This great under-

taking cannot be accomplished without the investment of a large amount of capital, and it is therefore gratifying to learn that the Agricultural Association has now set itself to achieve the task of providing it. (*Ella Agency Bulletin*, September.)

GRAND DUCHY OF LUXEMBURG

INDUSTRY

The Iron and Steel Industry in 1925.—As pointed out by Mr. J. Picton Bagge, Commercial Secretary to His Majesty's Embassy in Brussels, Grand Duchy of Luxemburg, the general crisis in the metallurgical markets has not left the great Luxemburg works unaffected, but by skilful organisation and management, notwithstanding the small margin of profit on which they have been obliged to work, the financial results have been on the whole satisfactory. This success has been obtained by an improvement of plant, by an increased output with a view to reducing costs of production, by close understandings with ancillary industries engaged on finished products, and by a very complete sales organisation throughout the world. This great staple industry of the Grand Duchy will be yet further strengthened by the recent amalgamation of the two big companies. The policy outlined is the reduction of costs and the reinforcement of the commercial and financial position. The reduction of costs is not to be attained solely by improved plant and strict economy. It is to extend to the economy of raw materials, to the disposal of the output, and to a well-planned use of the various works. Cost of transport of raw materials is to receive particular attention. Production of coke is to be developed concurrently with the recovery and transformation of by-products. Limekilns are also to be built to deal with the limestone found adjacent to one of the works. Large sums are to be expended on the development of the selling organisation with a view to granting customers better credit facilities, and to increasing the stocks on consignment. The funds necessary for the execution of this joint policy are to be obtained by the contracting of a loan in America for ten million dollars. At the present time (December), although business has been made especially difficult by French competition, consequent on the depreciation of the French franc, all the works are fully occupied. Much assistance has been given to the general success of the enterprises by the good market for Thomas slag, which is produced in large quantities. There have been no labour troubles. Wages, as a result of the higher cost of living, have been increased.

This succinct survey of the position of the iron and steel industry in the Grand Duchy is amply borne out by the statistics set forth in the annual report of the Luxemburg Chamber of Commerce, reproduced in the *Moniteur des Intérêts Matériels*, Sept. 24-25, 26-27. The output of iron ore rose from 5,333,500 tons in 1924 to 6,672,092 tons in 1925, or an increase of 25 per cent. In spite of the loss of the German market and the protectionist policy there which compelled the industry to seek new markets further afield, iron and steel production has also continued to develop, but only in the case of steel has the industry recovered its pre-war strength, as will be apparent from the following figures (in thousands of tons):—

	1913.	1924.	1925.
Iron ore ...	7,333	5,334	6,672
Pig iron ...	2,548	2,157	2,363
Steel ...	1,182	1,881	2,075

Iron ore.—As in 1924, the iron ore market was firm during the first half of the year, 28 per cent. calcareous ore at about Fr.12 and 34 to 35 per cent. siliceous ore at about Fr.13; but the strike in the Charleroi district which broke out about the middle of June affected the market during the second half of the year. The calcareous basin of Rumelange suffered most, production falling

from 212,615 tons in July to 161,580 tons in December. The demand for siliceous ore, however, did not fall off to the same extent, and the price was maintained throughout the year, home consumption continuing to increase and so more than making up for the decline in exports. Stocks were reduced from 696,800 tons on December 31, 1924, to 581,000 tons at the close of 1925. The following comparative table shows the results for the last two years:—

	1924.	1925.
Number of workmen ...	4,195	5,027
Output (in tons) ...	5,333,580	6,672,092
Value of same... ..	Fr.55,650,457	Fr.79,189,989
Average price per ton ...	10.43	11.86
Wages and salaries ...	35,605,180	47,388,706

The Esch basin, with 1,392 hands, contributed 2,257,000 tons of a value of Fr.22,285,000; the Rumelange basin, with 1,924 hands, gave 2,605,000 tons of a value of Fr.25,576,000; and the Pétange basin, with 1,711 hands, gave 1,810,000 tons of a value of Fr.31,329,000.

Thanks to the further increase of machinery, to more extensive electrification and to the general use of compressed air the annual output per man is steadily growing:—

	Output in tons.	Value in francs.
1913	1,262	3,773
1920	952	9,767
1921	902	7,877
1922	1,142	9,449
1923	1,098	10,540
1924	1,250	13,037
1925	1,327	15,737

The cost price of production continued to increase, and was Fr.1 per ton higher than in 1924. Wages represent 59.2 per cent. of the value of the output as compared with 52 per cent. in 1924. As compared with 1913 the average annual wage has risen by 478 per cent. and the value of the output by 416 per cent.

The following table shows the fluctuations in the value of the output from 1913:—

	Output in thousands of tons.	Total value in thousands of francs.	Price per ton in francs.
1913	7,333	21,966	2.99
1914	5,007	15,827	3.16
1915	6,139	19,485	3.17
1916	6,752	23,024	3.41
1917	4,277	17,833	4.17
1918	3,131	14,996	4.51
1919	3,112	25,367	8.15
1920	3,704	37,997	10.26
1921	3,032	26,462	8.73
1922	4,489	37,117	8.44
1923	4,098	39,308	9.60
1924	5,334	55,650	10.43
1925	6,672	79,190	11.86

Pig iron.—The dominant factor in the past year was the problem of the economic relations with Germany, with whom the Grand Duchy had had close industrial and trade relations for three-quarters of a century; for

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the system of free imports came to an end on January 10 in virtue of the Treaty of Versailles. This forced the Luxemburg works to look to foreign markets for new custom, with hopeful results for the future. In spite of the closing of the German market, the output of pig iron increased by 9 per cent. from 2,157,170 tons in 1924 to 2,363,253 tons, being thus not far short of the maximum reached in 1913, viz. 2,547,841 tons. Steel showed a similar increase, from 1,880,800 tons in 1924 to 2,080,264 tons, but compared with pre-war production the increase is 83 per cent.

The following statistics will convey an idea of the activities of this branch of the industry in 1925 as compared with the two preceding years:—

	1923.	1924.	1925.
Number of blast furnaces ...	47	47	47
Number blown in ...	28 to 33	32 to 34	35 to 37
Number of weeks worked ...	1,169	1,677	1,788
Number of hands ...	4,181	5,155	6,222
Wages (in thousands of francs) ...	27,047	38,316	49,662
Consumption (in thousands of tons)—			
Native ore ...	3,403	5,702	4,942
Foreign ore ...	929	1,290	2,935
Coke ...	1,680	2,611	2,751
Production (in thousands of tons)—			
Foundry iron ...	37	57	38
Thomas-Gilchrist pig ...	1,365	2,098	2,309
Conversion pig ...	4	3	17
Total ...	1,406	2,158	2,364
Value of output (in thousands of francs)—			
Foundry iron ...	15,590	21,404	11,231
Thomas-Gilchrist pig ...	539,373	737,722	711,376
Conversion pig ...	1,650	1,067	4,778
Total ...	556,613	760,193	727,385

The following table shows the fluctuations in the value of the output during the last thirteen years:—

	Output in thousands of tons.	Total value in thousands of francs.	Value per ton in francs.
1913 ...	2,548	163,591	64.11
1914 ...	1,827	113,170	60.60
1915 ...	1,591	113,892	71.59
1916 ...	1,951	205,794	105.54
1917 ...	1,528	231,845	151.73
1918 ...	1,267	254,590	201.10
1919 ...	617	157,871	255.69
1920 ...	693	382,110	551.03
1921 ...	970	239,257	246.57
1922 ...	1,679	363,652	217.74
1923 ...	1,407	556,613	395.79
1924 ...	2,157	760,193	352.43
1925 ...	2,363	727,386	308.21

Steel.—As already stated, this is the only branch of the industry which has recovered its pre-war status. Not only that, but its output in 1925 surpassed the pre-war figures by 83 per cent. The increase in the output

alone, the Report points out, enables the works to bring down the cost of production and fight competition in the world's markets. This increase was greatly promoted by abundant supplies of coke, the lack of which in previous years militated against any great extension of production. The labour market, too, was quite normal. The demand for work was great, and home labour could always be amply supplemented from abroad. The comparative stability of the cost of living reacted on the question of wages, which underwent no change, while the relations between employers and employed were marked by a feeling of mutual trust and a desire to collaborate for the common good, with the result that no labour troubles interfered with the progress of the industry. The rigid enforcement of the Eight Hours Act, however, gave rise to some criticism. The following statistics indicate the activity of the industry in 1925 as compared with the two preceding years:—

	1923.	1924.	1925.
Number of works ...	7	7	7
Number of hands ...	1,898	2,208	2,638
Wages (in thousands of francs) ...	11,396	16,357	20,858
Consumption (in thousands of tons)—			
Castings ...	1,282	2,037	2,262
Scrap iron ...	64	96	117
Lime and magnesian limestone ...	200	316	339
Production—			
Ingots ...	1,143	1,881	2,060
Castings and electric steel ...	7	6	8
Basic slag ...	285	441	466
Other scoriae ...	28	66	119
Value of output (in thousands of francs)—			
Ingots ...	580,387	821,191	835,112
Castings and electric steel ...	8,467	6,006	14,566
Basic slag ...	40,430	63,414	73,149
Other scoriae ...	89	5,030	10,629

The following table shows the fluctuations in the output of crude steel (ingots) and in its value during the last twelve years:—

	Output in thousands of tons.	Total value in thousands of francs.	Price per ton in francs.
1914 ...	1,129	77,097	68.35
1915 ...	968	121,553	125.70
1916 ...	1,296	195,061	150.61
1917 ...	1,054	207,046	196.62
1918 ...	858	199,574	232.61
1919 ...	366	133,883	384.00
1920 ...	569	430,216	755.37
1921 ...	751	219,836	292.73
1922 ...	1,388	373,362	269.01
1923 ...	1,193	580,387	486.30
1924 ...	1,881	821,191	436.80
1925 ...	2,080	835,112	397.87

The corresponding figures for smolten and electric steel over the same period are as follows:—

	Output in tons.	Value in francs.
1914 ...	7,704	3,093,750
1915 ...	12,563	3,411,757
1916 ...	15,155	3,574,135
1917 ...	33,126	9,653,635
1918 ...	29,712	11,274,961
1919 ...	3,185	3,345,000
1920 ...	15,423	16,096,843
1921 ...	3,098	3,955,250
1922 ...	6,070	4,605,305
1923 ...	7,713	8,476,020
1924 ...	6,081	6,006,459
1925 ...	5,977	4,565,890

Finally we have the returns of the rolling mills, tabulated as follows:—

	1923.	1924.	1925.
Number of mills ...	6	6	6
Number of hands ...	3,708	4,725	5,978
Wages (in thousands of francs) ...	24,538	37,372	49,899
Consumption (in thousands of tons)—			
Ingots ...	1,184	1,848	2,050
Production (in thousands of tons)—			
Semi-manufactured goods ...	297	616	615
Railway stationary plant ...	59	116	134
Small girders and heavy sections ...	177	236	291

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	1923.	1924.	1925.
Bars and small sections ...	339	470	526
Machine-drawn wire ...	83	96	106
Tires	41	51	53
Spills	5	2	4
Scrap	120	202	236

Value of production (in thousands

of francs)—	1923.	1924.	1925.
Semi-manufactured goods	160,283	308,297	287,038
Railway stationary plant	36,388	71,552	72,621
Small girders and heavy sections	113,693	134,928	155,669
Bars and small sections ...	226,793	276,136	279,166
Machine-drawn wire ...	71,638	65,226	58,448
Hoops	37,052	40,776	36,885
Sheets and flat billets ...	111	16	—
Spills	3,705	1,956	2,502
Scrap	30,215	58,080	70,739

SOUTH AMERICA

BRAZIL

Psychology of the States.—Present trade conditions in the various States of Brazil tend to reflect the psychological nature of its citizens, writes the *Monthly Review of the Bank of London and South America Limited* for September. In Sao Paulo, where the majority of the population is composed of Italians, the dominant note of their business policy is energy and enterprise. Certainly they have in the main made good, and although to-day Sao Paulo is the principal industrial centre of Brazil, yet it has suffered gravissimely and adversity, and the present industrial crisis is not the least severe it has passed through.

During 1924-25 the paucity of rainfall caused a diminished supply of electric energy, wherewith many factories derived their motive power, but, rather than reduce their output, a number of the more zealous firms purchased gas and oil engines with which they supplemented their electric plant. It is now evident that the imposed reduction of power might well have been regarded as a providential warning to curb their activity and output, rather than incur the danger of over-production.

The industrial population of Rio de Janeiro has substantially followed in the wake of Sao Paulo's initiative, and many factories, largely of the same class, exist in the environs of the city, while others are actually interspersed among the business centres of the metropolis. In the population of the Federal capital the Portuguese element is predominant, and their business characteristics include astute trading ability, tempered by patient perseverance and a fair amount of prudent foresight, the latter quality being expressed in their more restrained progress as compared with the "Paulista."

In each of the northern industries one may perceive a natural psychological attitude of depending more upon conditions and circumstances than upon individual enterprise and energy. For instance, in Pará the first rubber crisis happened in 1889 on account of the declared freedom of all slaves, and simultaneously the principal industries in the other Northern States almost fell into desuetude in the interval during which they were obliged to accommodate themselves to the new conditions of labour. It was because European countries were then almost dependent upon Brazil's supply of rubber and sugar that they had perforce to accompany the enhanced prices which were inevitably demanded in subsequent years. But it was largely the outcome of those high prices that stimulated the development of the beet sugar industry in Europe, principally in Germany, while more recently the high prices of Pará rubber fostered the British initiative in establishing the large plantations in the Far East.

There is still another State which manifests a decided quality which is not entirely indigenous to Brazil. In Rio Grande do Sul the bulk of the inhabitants claim German ancestors, and even to the second and third generation the more stolid but calculating perseverance of the Teuton nature is to be observed there, as also in the adjacent States of Paraná and Santa Catherina.

Despite the counteracting defects of internal disruption in Rio Grande during the past few years, owing to variance of political parties, a high standard of law and order has been maintained under the Governorship of Dr. Borges de Madeiros, who has occupied the Presidency of that State for several sessions. To-day Rio Grande justly claims a place in the front ranks among the agricultural States of Brazil. She has specialised in agriculture and cattle breeding, and the importance of her production and its relative quota to the wealth of Brazil are very substantial, and to this fact figures furnished in another column (see below) lend ample testimony.

In addition to the above-mentioned nationalities, large numbers of Spanish, Syrian, Japanese, English, French and American citizens are scattered throughout the country. It will be observed, therefore, that Brazil now nurtures a diversity of international types, and in the gradual but inevitable coalescence thereof there is a partial reflection of the early history in the welding together of the people of the United States of America.

The Economic Wealth of Rio Grande do Sul.—The increasing vitality and economic wealth of this State becomes more manifest by an exposition of figures recording the principal features of its productivity. During 1923 the exportation of products from Rio Grande do Sul was 404,669 tons, valued at 311,151 contos, while in 1924 this had increased to 438,530 tons with a value of 413,943 contos, revealing an expansion of 33,861 tons and an additional 102,792 contos. A recently estimated annual value of the chief products exported is recorded thus:—

Agriculture—	Contos.	Meat products—	Contos.
Rice	34,533	Dried meat ...	76,801
Beans	28,045	Lard	50,022
Tobacco leaf ...	22,826	Salted hides ...	37,023
Mandioca flour ...	11,587	Wool	17,621
Onions	9,544	Chilled meat ...	12,511
Wine	7,408		
Timber	4,363		

Of the total exports in 1924 310,222 tons valued at 295,865 contos, were destined to other parts of Brazil, in contrast with 226,000 tons costing 184,162 contos in 1923. On the other hand, merchandise shipped to foreign ports in 1924 totalled 128,308 tons, priced at 118,078 contos, as compared with 178,669 tons, at a cost of 126,989 contos, in the previous year. In 1924 the principal markets in Brazil for the products of the State of Rio Grande were as follows:—

	Tons imported.	Value in contos.
Rio de Janeiro	172,292	143,449
Sao Paulo	51,272	51,540
Pernambuco	29,926	36,217
Bahia	17,208	19,964
Paraná	4,847	3,800

Simultaneously 81,028 tons, appraised at 57,112 contos, were shipped to America, while 47,035 tons, with an equivalent value of 60,473 contos, were sent to Europe.

At the end of 1924 the banking movement of the State of Rio Grande do Sul was summarised as follows:—

	Contos.
Capital	54,750
Reserves	61,670
Deposits	539,457
Loans	514,880
Cash on hand	91,478

Between June 1, 1924, and May 31, 1925, some 355 commercial firms were registered at the Commercial Assembly, and 671 contracts were recorded, the total capital involved being 73,974 contos.

At the end of 1924 it was calculated that this State contained the following number of cattle:—

	Head.	Contos.
Oxen	9,586,620	valued at 1,061,255
Sheep	5,518,550	" 136,035
Pigs	4,891,900	" 193,008
Horses	1,450,190	" 107,518
Mules	414,140	" 48,315
Goats	153,450	" 1,843

The value of the total agricultural crop for the 1924-25

season was estimated at 1,096,549 contos, which exceeded the previous crop by 118,516 contos. The area under cultivation increased in 1924-25 by 116,330 hectares, standing at 2,589,000 hectares. The following table indicates the principal crops with respective areas under cultivation, volumes produced and the currency values :—

	Hectares under cultivation.	Tons produced.	Value in contos.
Maize	600,000	1,080,000	324,252
Maté	190,000	190,000	104,500
Beans	145,000	120,480	120,480
Wheat	136,300	144,000	57,600
Rice	99,500	184,400	92,200

The Cotton Industry.—In recent years the cotton growing possibilities of Brazil have been somewhat freely expounded, and each crop season furnishes evidence that the realm of possibility is passing into the zone of reality. At present the State of Sao Paulo is the largest producer of the staple, and the qualities there produced tend to conform to the standard Brazilian type. Of the 30,270 tons of raw cotton exported last year from Brazil a great part emanated from a cultivated area of 126,000 hectares in Sao Paulo State. The national production officially forecasted for the current crop of 1925-26 is some 148,000 metric tons, which is being gathered from the various productive centres of the country, the total area now aggregating 580,000 hectares, or about 1,430,000 acres. Following Sao Paulo the State of Ceará is next in area, having 62,500 hectares under cotton cultivation, and this is followed closely by Pernambuco with 62,120 hectares. There are several other States in the north of Brazil which have considerable productive zones, viz. Parahyba with 60,150 hectares, Maranhão with 60,016 hectares, while Rio Grande do Norte has 54,820 hectares, and Alagoas, Sergipe and Bahia account for a further 85,000 hectares of cotton-producing land.

Since the war local manufacture of cotton textiles has expanded very considerably, and about five-sixths of the raw cotton grown in this country has been absorbed in national factories. Textile industries have been urged forward with exceptional rapidity during the past decade, the partial deprivation of Manchester goods to Brazil between 1914 and 1919 having given them special impetus. Since then, facilitated partly by the high Customs tariff, and in more recent years by the low exchange value of Brazilian currency, a number of new cotton mills have been established, especially in the environs of Sao Paulo and Rio de Janeiro. The effect of the import duties has been practically to preclude the entry of all but the finest quality of British goods.

The present state of the home industries is therefore somewhat precarious, for the mills are congested with excessive stocks and faced with diminished sales and the improbability of a return to low rates of exchange. Some large mills have resolved to work at reduced hours, while a number of merchant firms, dealing both in the raw material and manufactured products, have actually failed. But the northern States are making progressive increase in their production of raw cotton, and the quality which their more tropical climate gives is generally appraised more highly than that of their southern neighbours, especially as regards length of fibre, resistance and flexibility. Without doubt, in years to come cotton production in the north of Brazil will be considerably expanded, but in order to achieve this more rapidly two difficulties will have to be overcome, namely, the provision of foreign capital and of efficient labour. Neither of these desiderata can be gainsaid, nor, unfortunately, is there an adequate supply of either one at present available. In connection with foreign labour the State of Sao Paulo offers greater attractions, for its climate is equable and more suited to the European emigrant, who may also have the option of working on coffee plantations if cotton cultivation prove uncongenial. The territory in the north is rich and fertile, albeit rather subject to long periods of drought. However, to counteract the baneful effects of

the lack of rain, very extensive irrigation works have been undertaken, especially in the State of Ceará, where an enormous area of arid soil has been converted into productive land admirably suited to cotton-growing.

The Federal Union during the past seven or eight years has spent a very large sum on these works, though the recent policy of retrenchment has brought the work almost to a standstill. It is, however, interesting to note that the President-elect, Dr. Washington Luiz, speaking recently in this connection, expressed the opinion that the prosperity of each State forms an integral part of the national wealth, and therefore such assistance as may be furnished by the Federal Government must not be regarded as charity, but as an expression of sound conjoint administration; consequently any particular State has a right to expect requisite assistance in order to facilitate its own progress together with the prosperity of the nation. (*Ibid.*)

Overseas Trade Returns for 1925.—In reviewing the official statistics which have now been published relating to the total movement of Brazilian exports and imports during the twelve months ended December 31, 1925, the most notable feature demonstrated by these figures is the remarkable recovery achieved by Brazil as regards her trade balance during the last five months of that year. Until July there was an adverse balance, but by the end of December this was not only wiped out, but a balance in favour of exports amounting to 582,838 contos, or a sterling equivalent of £16,709,000, had been obtained.

In 1924 Brazil had a trade balance in favour of exports amounting to 1,073,996 contos, equivalent to £26,765,000; the results of the past year therefore show a falling off in the balance of trade of some 491,158 contos, or over £10,000,000.

The following figures denote the total monthly movements in 1925 of both imports and exports, showing the volume shipped and their currency and sterling values (in contos and thousands of £), together with the comparative figures for 1924 :—

	Imports.					
	Tons.		Contos.		£ sterling.	
	1924.	1925.	1924.	1925.	1924.	1925.
Jan.	351,217	503,318	187,587	307,610	4,775	7,530
Feb.	296,946	392,828	152,870	268,426	4,240	6,326
March	372,120	318,707	210,346	282,121	5,450	6,557
April	285,994	357,884	173,937	328,364	4,507	7,376
May	367,325	393,229	214,010	365,455	5,392	7,899
June	407,817	450,832	228,023	352,698	5,656	8,014
July	412,260	366,559	258,129	274,430	5,798	6,468
August	390,425	409,593	258,693	268,513	5,693	6,730
Sept.	381,481	386,174	251,864	255,748	5,690	7,143
Oct.	367,434	390,029	250,191	232,203	6,255	7,120
Nov.	341,504	405,640	301,256	244,310	7,473	7,380
Dec.	453,037	468,720	302,652	251,180	7,409	7,391
Total	4,427,560	4,843,513	2,789,558	3,431,058	68,338	85,934

	Exports.					
	Tons.		Contos.		£ sterling.	
	1924.	1925.	1924.	1925.	1924.	1925.
Jan.	174,722	126,769	277,538	370,444	7,065	9,068
Feb.	151,431	131,241	288,682	276,934	8,007	6,527
March	141,380	124,303	279,830	273,946	7,451	6,367
April	137,492	111,768	212,153	246,055	5,497	5,527
May	144,199	161,465	239,626	280,003	6,037	6,052
June	132,779	171,517	268,898	394,702	6,670	8,968
July	156,377	175,153	294,938	359,484	6,625	8,472
August	149,894	188,458	365,090	423,470	8,034	10,614
Sept.	155,475	178,456	394,443	369,034	8,910	10,307
Oct.	196,173	198,887	505,303	379,661	12,633	11,642
Nov.	156,889	181,542	403,951	333,291	10,020	10,069
Dec.	138,048	169,642	333,102	306,872	8,154	9,030
Total	1,834,859	1,919,201	3,863,554	4,013,896	95,103	102,643

The above figures demonstrate that although exports, when comparing the 1925 with the 1924 results, have increased by some 84,342 tons, the currency value of which was 150,342 contos, or an equivalent in sterling of £7,540,000, imports, on the other hand, have increased

to a much greater extent, the respective figures being 415,953 tons, 641,500 contos and £17,596,000.

One satisfactory result of the past year's trade is that the currency and sterling values of both imports and exports are the largest since 1920, and in the case of exports the value has shown a gradual and progressive increase each year during the past five years, as is evidenced by the following yearly figures:—

	Imports.		Exports.	
	Contos.	£	Contos.	£
1921 ...	1,689,839	60,468,000	1,709,722	58,587,000
1922 ...	1,652,630	48,641,000	2,332,084	68,578,000
1923 ...	2,267,158	50,543,000	3,297,033	73,184,000
1924 ...	2,789,558	68,338,000	3,863,554	95,103,000
1925 ...	3,431,058	85,934,000	4,013,896	102,643,000

However, although the values are the largest since 1921, the volume of goods exported does not show the same expansion, for the total tonnage despatched in 1925 was only 220 tons more than in 1921 and less than in 1922 and 1923, but shows an increase of 84,342 tons when compared with 1924.

The average value of articles imported in 1925 was Rs.708\$000 or £17 7s. per ton, while that of exports was Rs.2:091\$000 or £53 4s. per ton.

In obtaining an increase of 150,342 contos, or £7,540,000, in the value of articles exported in 1925, when compared with the value in 1924, the following products contributed to this expansion:—

	Increase in		Total value exported in 1925.	
	contos.	sterling.	Contos.	Sterling.
Hides ...	13,692	350,000	116,982	2,903,000
Tallow ...	3,165	76,000	8,473	205,000
Manganese ore	13,218	341,000	31,476	788,000
Raw cotton ...	85,505	2,304,000	124,494	3,307,000
Rubber ...	112,591	3,096,000	191,803	5,058,000
Cocoa ...	1,688	200,000	99,862	2,626,000
Carnauba wax ...	3,192	92,000	19,770	499,000
Bran ...	3,515	91,000	11,479	289,000
Manioc meal ...	2,083	62,000	4,206	103,000
Tobacco ...	16,031	497,000	90,827	2,342,000
Maté ...	19,325	678,000	107,277	2,857,000
Vegetable oil ...	2,023	47,000	3,056	73,000

With the exception of cocoa all the above commodities also showed an increase in the volume shipped, while in the case of coffee, both the volume sold and its currency value in 1925 were lower than the previous year, but the sterling amount was £2,187,000 in excess of 1924.

Of the products exported showing diminution in 1925, in contrast with 1924, the following are the most important:—

	Decrease in value.	
Lard ...	2,440 contos or	£63,000
Frozen meat ...	18,241 "	534,000
Wool ...	3,987 "	85,000
Skins ...	1,823 "	32,000
Precious stones ...	1,686 "	33,000
Rice ...	5,705 "	140,000
Sugar ...	28,018 "	714,000
Fruits and nuts ...	4,574 "	67,000
Oil-producing seeds ...	25,313 "	725,000
Timber ...	2,656 "	37,000

The total quantity of cocoa exported from Brazil during 1925 was 64,544 tons, valued at 99,862 contos, or an equivalent of £2,626,000, in contrast with 68,874 tons to the value of 98,174 contos, or £2,426,000, in 1924. The average price per ton in 1925 was £40 13s., as compared with £35 4s. in the previous year. Practically the whole of the cocoa exported emanated from the State of Bahia, over half of which, or 33,564 tons, was shipped to the United States. Germany purchased 12,050 tons, 6,319 tons were bought by France, 1,953 tons were sold to Switzerland, and 1,789 tons were exported to Holland.

The currency and sterling value of rubber exported from Brazil last year shows a considerable advance over recent years, as is revealed by the following yearly figures:—

	Value in contos.	Value in £ sterling.
1919 ...	103,220	6,101,000
1920 ...	56,973	3,636,000
1921 ...	35,904	1,231,000
1922 ...	48,760	1,408,000
1923 ...	81,177	1,821,000
1924 ...	79,212	1,962,000
1925 ...	191,803	5,058,000

(Bank of London and South America Monthly Review.)

Overseas Trade Returns for the First Quarter of 1926.—The latest official statistics published regarding Brazil's overseas trade refer to the first quarter of the current year, and register a favourable balance in the value of exports over imports of 75,169 contos, or the equivalent of £2,291,000, although the tonnage exported was less than that imported by some 932,743 tons. The following figures illustrate the actual position and give comparative figures for the corresponding period of recent years:—

	Imports.	Tons.	Contos.	£ sterling.
1923 ...	868,004	547,132	13,220,000	
1924 ...	1,020,283	550,803	14,465,000	
1925 ...	1,239,830	858,157	20,413,600	
1926 ...	1,388,739	710,577	21,459,000	

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Exports.

	Tons.	Contos.	£ sterling.
1923 ...	544,992	782,167	18,925,000
1924 ...	467,533	846,050	22,522,000
1925 ...	382,313	921,324	21,962,000
1926 ...	455,996	785,746	23,750,000

The favourable results shown as regards the sterling equivalent of goods exported in 1926 is partially reflected in the higher average value of Brazilian currency during January, February and March at 7½d., in contrast with 5 11/16d. for the same period of last year.

With regard to the tonnage of exports, these figures can scarcely be considered as encouraging, for the increase this year over the 1925 figures is due principally to the augmented shipments of manganese ore, whereas the retrogression of last year from previous totals was caused by considerable reductions in the sales of sugar, cotton, hides, chilled meat and fruits. The set-back is more clearly demonstrated in the combined currency values registered, set forth in the above table. A contributory factor in the present year's decreased currency totals is revealed in the diminished prices realised for chilled meat, hides, cotton and sugar, although the sterling equivalents somewhat counter-balance this apparent loss. The relationship of commerce and exchange is more clearly manifest in the case of coffee; this year's shipments, despite lower quotations, produced £17,859,000, or 560,815 contos, whereas exports during January to March 1925 gave a return of 698,596 contos, but only £16,680,000.

Importation has been stimulated this year by the fact that during the past six months Brazil contracted foreign loans and credit operations aggregating 25 million pounds, and this has proved a factor beneficent to exchange, rates having risen considerably above the parity which obtained during the early months of 1925, thereby making foreign goods cheaper in terms of milreis. Although the sterling balance of exports over imports in 1926 was greater than in the corresponding period of 1925, the net difference between the present commercial movement and that of two years ago does not appear promising, the trade balance being diminished by over 5½ million pounds sterling, a reaction which will not escape official notice. (*Ibid.*, August.)

PERU**The Budget for 1926 and Final Accounts for 1925.**

—According to a report in *La Nación* the Peruvian Budget for the financial year 1926 balances revenue and expenditure at 9,762,830 Peruvian pounds. The expenditure is distributed among the various Departments and Ministries as shown below (in Peruvian pounds):—

National Senate	73,047
House of Deputies	201,905
Regional Congresses	19,620
Ministry of Finance	3,673,032
Ministry of the Interior	1,576,097
Ministry of Justice	1,393,976
Ministry of War	1,147,794
Ministry of Public Works	1,013,690
Ministry of Marine	411,314
Ministry of Foreign Affairs	252,354
Total	9,762,830

In the course of his Message to Congress on July 28 last the President reported that national expenditure for the financial year 1925 amounted to £P.9,489,291, while the total revenue collected totalled £P.9,146,514. The year thus closed with a deficit of £P.342,777.

American Loan for Peru.—The United States Press announces that an issue has been made in New York of \$16 million in Peru External Secured Sinking Fund 7½ per cent. Gold Bonds, this amount being the first portion of an approved issue of \$30 million. These bonds, which were issued at par, are the direct External Obligations of the Republic of Peru, and are secured on certain specified revenues which have hitherto formed a lucrative source of income for the Government. The

object of the issue is to consolidate some of the indebtedness of the Peruvian Government and, if finally approved, for the establishment of a National Agricultural Bank. The issue is reported to have been heavily over-subscribed.

Foreign Trade Returns for 1925.—The returns of the commercial exchanges with foreign countries during the past year show that while imports remained fairly stationary exports receded by approximately 4½ million Peruvian pounds in value, in comparison with the returns for the preceding year. The results of trade in 1925 were also much less favourable than those of 1923. In the following table the returns of the past three years are compared (in Peruvian pounds):—

	Imports.	Exports.	Favourable balance.
1925 ...	18,272,979	21,750,619	3,477,640
1924 ...	18,029,418	25,114,377	7,084,959
1923 ...	14,132,307	23,950,987	9,818,680

There was a notable decline in consignments abroad of sugar and wool, both in regard to the volume and value of exports. The amount of bar copper exported was slightly below that of the preceding year, but the total value of these exports appreciably improved. In many instances the volume of goods exported was either greater than or about the same as in 1924, with the total value somewhat lower. The main exports during the year are shown below, in comparison with the figures for 1924 (in metric tons and Peruvian pounds):—

	1925.		1924.	
	Volume.	Value.	Volume.	Value.
Cotton	39,903	6,066,897	40,218	6,458,470
Oil and oil by-products	951,412	5,626,139	785,873	6,019,856
Bar copper	36,799	4,243,401	37,091	3,577,314
Sugar	208,140	2,158,651	265,510	4,976,430
Wool	4,791	734,997	6,287	974,963

Where there was a diminution in the volume of exports the cause is chiefly attributed to the lower purchasing capacity in the European market. With regard to the destination of exports the United States occupied the leading position among foreign markets, followed by Great Britain, Chile, Argentina, Canada, Germany, Bolivia, Panama and Belgium. Exports to other countries were inconsiderable. The United States also led in respect of imports into Peru during the past year, with Great Britain second, followed by Germany, Australia, Italy, Hong-Kong, Chile, Holland, France, the British East Indies, Belgium and Spain.

Mining Output in 1925.—The past year was one of somewhat greater activity than 1924 in the Republic of Peru. The total mining output for the year is officially given as 1,519,006 metric tons to the value of £P.18,293,306, as against a total production of 1,362,560 metric tons to the value of £P.15,644,910 in 1924. This increase of 156,446 metric tons or over 11 per cent. in the quantity, and of £P.2,648,396 or over 16 per cent. in the value, of the mining output during the course of the year may be regarded as an index of the steady advance that is being made in the mining industry of the Republic, in spite of the numerous difficulties with which it has had to contend.

FOREIGN BANK RATES.

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

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

THE ECONOMIST'S BOOKSHELF.

THE DEPRECIATION AND REHABILITATION OF THE GERMAN MARK.

La Depreciation et la Revalorisation du Mark Allemand et les Enseignements de l'Experience Monetaire Allemande. By ANDRE FOURGEAUD. (Paris: Payot. Price, Fr.36.)

An analysis of the history of German currency and exchange since the war serves M. André Fourgeaud as a basis for the production of a theory of currency that will prove the golden mean between the quantitative theory and the theory of the balance of accounts. M. Fourgeaud then endeavours to apply the lessons of German monetary experience and of his own new theory of currency to the monetary situation in France, and so tries to discover the lines on which, in his opinion, French currency reform should be conducted.

Although unable to subscribe to the conclusions arrived at by the author, we can safely recommend his work as a most conscientious statement of the history of the German mark and for its analysis of the modern theories with regard to currency. M. Fourgeaud begins with an examination of currency inflation in Germany, of the relations between circulation, exchange and prices, and of the reaction of the depreciation of the mark on production, trade, the distribution of wealth, social life and State finance. He proceeds next to review the successive stages in the rehabilitation of the mark: the introduction of the rentenmark, the restoration of the public finances, the revaluation of the debts, the return to the gold standard in public life, the evaluation of balance-sheets, the creation of the gold Discount Bank, and lastly the establishment of the new Reichsbank and the withdrawal of the old Reichsmark and of the rentenmark. The author's account of the reaction of monetary reform on German national economy is brought up to the first quarter of 1926.

M. Fourgeaud rightly thinks it a mistake to attribute the crisis through which Germany is now passing to the deflation, or more correctly to the reform of the currency. Inflation is at the root of the economic difficulties which Germany is now experiencing: increase of capital expenditure, over-equipment of enterprises, wearing out of circulating capital. There is no doubt either that the multiplicity of fiscal taxes, which date from the period of inflation, was an important factor in the crisis from which German national economy is suffering.

Quoting all the data referring to the month of March 1926 M. Fourgeaud considers that the German crisis is on the wane and that within the near future Germany will have emerged from the terrible period of depression through which she has been passing.

M. Fourgeaud discusses the several variants of the economic doctrines enunciated in regard to the mark. These variants form two groups of leading economic doctrine, which are not new in the history of the theories relating to currency—the quantitative theory and the theory of the balance of accounts. The author shows that the gap which divided these doctrines long before contemporary monetary experience would appear to have become wider.

The quantitative theory he sums up in these words: "The first cause of the dislocation of prices is the production of an artificial power of purchase which causes a rise of prices and which in turn makes an increase in the volume of the circulation necessary."

The thesis of those who favour the theory of the balance of accounts is very different. According to this theory the exchange is the decisive factor in regard to prices and circulation. It is possible to conceive a crisis in the exchange with any inflation whatever. It is therefore to an improvement of exchange through an improvement of the balance of accounts that we must look for a solution of the crisis.

If two theories so diametrically opposed can elicit equally good reasons why they should be borne out by

facts it is, says M. Fourgeaud, because they are both to a certain extent true, and because truth, according to the proverb, lies in a happy medium.

The author comes to the conclusion that the lowering of the power of purchase abroad (fall of the exchange) and at home (rise in prices) are synonymous terms, two aspects of one and the same phenomenon: variation in the value of a currency—a phenomenon due to several factors, the most striking among which are a superabundance of cash and a deficit in the balance of accounts.

But why is it that in these times the effects of depreciation are so unsymmetrical, and, in particular, why is it that depreciation abroad (the exchange) and depreciation at home (home prices) do not coincide? If we go back to the case of the assignats during the Revolution, it will be found that there was almost perfect symmetry in the various manifestations of the depreciation. Depreciation abroad and depreciation at home proceeded simultaneously. Starting from the scientific principle enunciated by Curie, "Dissymmetry in the effects must necessarily be found also in the causes," the author points out that to-day, as a matter of fact, there is a special factor influencing the fixing of home prices, viz. the interference of the legislature and in particular the prohibition of the *agio*. If we eliminate legislative intervention, depreciation of the currency abroad and depreciation at home keep step and are caused quite as much by the balance of accounts as by the circulation.

A study of the experience of Germany enables the author to assert that the suppression of the *agio* in every shape and form, and the ruthless and persistent interference of the legislator with the natural development of the phenomena must be held responsible for all the monetary anomalies of our day. To this interference must be attributed the drag of retail prices on wholesale prices which leads to the exhaustion of working capital and to the ruin of internal trade; the phenomenon of the twofold depreciation abroad and at home, which leads to the draining of the national wealth by the foreigner and to the exhaustion of the liquid capital of the country; the transfer of capital abroad, etc., etc.

The author arrives at another conclusion, drawn from the experience of Germany. The case of the rentenmark proves that the internal value of the currency, i.e. its value within the country, is closely bound up with the law of quantity, and that the gold cover, or any other kind of cover, is only of purely psychological importance as regards that internal value. The history of the rentenmark, therefore, strengthens the modern quantitative theory with regard to money enunciated by Knapp and revived by Cassel. The currency presents two different aspects: its purchasing power within the country is independent of the cover and depends on the role with which it is invested by the Government. The law of exchange only comes in the moment the foreigner makes a purchase of that country's currency. The law of offer and demand operates in this conversion of one currency into another. Effective money is only required for settlements abroad, according to the well-known formula of Knapp: "Für Ausland bares Geld; für Inland notales!"

In the judgment of the author the monetary disease from which France is suffering is on a par with the monetary disease of Germany, and that the same remedies must be applied. He is opposed to devaluation. Devaluation drives foreign capital from the country, being no longer able to count on the rehabilitation of the franc. M. Fourgeaud would like to see the French legislator follow closely in the footsteps of his German compeer. In his opinion the best solution would be to create a currency similar to the rentenmark and to restore the freedom of the *agio*—a twofold monetary operation. This should be followed by the production of a new gold franc in conformity with the legal definition of the old monetary unit and by the withdrawal of the paper franc.

M. Fourgeaud's analysis of the lack of symmetry between the movements of the exchange and those of

the home prices is shrewd and clear, but it is a mistake to seek a remedy for the evils which are accountable for this absence of symmetry in the authorisation of the *agio*. To authorise this when the rate of the currency is undergoing violent and daily fluctuation would be to make all national economic activities impossible. It is precisely against the daily fluctuation of home prices, of wages, of the cost of living that the Government is striving when it prohibits the *agio*. Prices rise, but they rise gradually, and the economic life of the country adapts itself to them, naturally at the cost of much sacrifice and a great deal of injustice. As far as the State finances are concerned the elimination of the *agio* under the conditions of a forced rate and of the instability of the purchasing power of the currency is equivalent to the disappearance of the national currency. Stabilisation is a condition *sine qua non* for the authorisation of the *agio*. The author of the work we have the privilege of reviewing has constantly in mind the evil effects of the disease of the mark during the last weeks of the German currency crisis. Fortunately France has not experienced the crisis in so acute a form and the disease of the franc is not analogous to the agony of the mark. The *élite* of the French scientific and financial world have pointed out the road which will lead to the restoration to health of the French currency—and that is by stabilisation in the manner laid down in the Report of the Committee of Experts.

P. A.

PROBLEMS OF ADMINISTRATION.

The Dominions and Colonial Offices.—By Sir GEORGE V. FIDDES, G.C.M.G., K.C.B., Permanent Under-Secretary of State for the Colonies, 1916–1921. (London and New York: G. P. Putnam's Sons Ltd. Price, 7s. 6d. net.)

Sir George Fiddes has made a distinct contribution to our knowledge of government. "The Dominions and Colonial Offices" shows the scope of the activities and organisation of an administration which at the same time safeguards the welfare of His Majesty's subjects in remote places and co-ordinates the diverse interests of numerous areas into a logical and coherent imperial policy. To those who have no experience of administration on a large scale and the difficulty of co-ordinating specialised and often technical operations to achieve a single purpose, the organisation of the offices over which the Secretary of State for the Colonies presides must seem capable of remarkable adaptability and flexibility.

The essential feature of good administration lies in the celerity with which decisions can be made and acted upon. The next vital feature seems to be the complete control, check or audit by the central office of all the activities of officials in every branch or department. No limit need be set to the prospective achievements of a service which combines successfully decentralised administration with unified control. In addition the Colonial Office gives scope to the individual. Such a service is bound to attract the best type of young men and give them a training adequate for the responsibilities which the future will lay on their shoulders. The successful administration of the colonies is undoubtedly based on foundations which seem likely to endure the stresses and strains to which such an organisation becomes liable.

For over a century the Colonial Office has been exposed to ill-informed and often contentious criticism. Proven efficiency in administration and generous widespread acknowledgment of its services from the colonies has reduced the acerbity and extent of this criticism in recent years. It is to be hoped that this analysis of the problems with which the Office is constantly faced and its capacity to encounter them will lay for ever the ancient bogeys which occasionally creep into our Daily Press.

Sir George Fiddes touches in a general way on some of our chief imperial problems. He looks at them from

the administrator's angle. Some of these problems still await satisfactory settlement, especially the problem of the status of the emigrated Hindoo. The abolition of slavery left the planters in some of the tropical countries, especially the sugar-growing plantations, with a shortage of labour, the filling of which occasioned the greatest difficulty. The crowded populations of Indian cities, the wiles of the labour collector and the alluring prospects in other parts of His Majesty's Dominions led to a continual stream of labour from India. These resident Hindoo populations and the emigration within the Empire movement have created political problems in South Africa and elsewhere which remain to be solved. Successive Imperial Conferences have demonstrated that care must be taken not to offend Indian sensibilities. The old problem of indentured labour has been superseded by the new problem of status, which must be solved before the task of redistributing the Empire's population can be achieved with satisfactory regard to the divergent interests of all parts of the Empire.

Other problems touched on in the book, apart from the constitutional problems which are its main feature, are often of an industrial or commercial nature. The administration in some of the Colonies and Protectorates has a difficult task in reconciling the interests of the natives and the planters. In the Gold Coast the cocoa plantations have remained in the hands of the natives, and attempts to displace this ownership have been discouraged on account of the stimulus of ownership to good husbandry. In this instance the Administration has displayed a sense of justice and right dealing which has inspired confidence among the natives. Whatever foreign critics may say, it is abundantly clear that British commercial interests in the colonies are secondary to the welfare of native populations.

A short review of this kind cannot do justice to the many admirable chapters in the book. All our chief imperial problems are touched on. The facts from which they spring are stated clearly. The conflicting principles entering into the various problems are demonstrated briefly but adequately. Often the author is able to suggest a *modus operandi* by which conflicting views or interests can be harmonised. The student of imperial affairs, whether he be statesman, administrator, critic or mere layman, will find invaluable information in this work. The book has been well arranged. Except for a few pages of details of the work performed by various branches of the Office, which will be admirable for reference purposes, the book is well and clearly written. Its publication has been well timed. Its appearance, just previous to the Imperial Conference, should ensure that it receives the wide and appreciative audience which it deserves.

D. M. SANDRAL.

PUBLICATIONS RECEIVED.

Die Historischen Grundlagen der Weltwirtschaft. By Dr. Bruno Kuske, Professor in the University of Cologne. (Jena: Gustav Fischer.)

Die Oberschlesische Montanindustrie vor und nach der Teilung des Industriebezirks. By Dr. Paul Deutsch. (Bonn: A. Marcus & E. Weber. Price, Rmk.3.60.)

Foreign Affairs: an American Quarterly Review. October 1926. (New York: Council on Foreign Relations, Inc. Price, \$1.25; annual subscription, \$5.)

Indian Journal of Economics. April 1926. (Allahabad.—London: Macmillan & Co., Ltd. Price, Rs.3; annual subscription, Rs.12.)

UNIVERSITY OF LONDON.

A LECTURE on "PUBLISHED BALANCE-SHEETS" will be given by MR. WILLIAM CASH, F.C.A., at THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE (Houghton Street, W.C. 2) on MONDAY, 18TH OCTOBER, at 5 p.m. The Chair will be taken by Mr. George R. Freeman, F.C.A. (late President of the Institute of Chartered Accountants). A Syllabus of the Lecture may be obtained from the undersigned.

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