

THE ECONOMIC REVIEW

A REVIEW OF THE FOREIGN PRESS
AND
A JOURNAL OF POLITICAL ECONOMY

[REGISTERED AT THE G.P.O. AS A NEWSPAPER.]

VOL. XIV. No. 16.

OCTOBER 15, 1926.

PRICE 1S. WEEKLY

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The subscription rate for Vol. IV. is 20s. (draft) in Europe and \$5 (draft) in other parts of the world, post free; single copies, 6s. and \$1½ respectively each, post free. For Italy and countries with more unfavourable exchange the subscription rate for Vol. IV. is 54 It. lire, and for single copies 16 It. lire each, post free.

EDITORIAL, SUBSCRIPTION AND
ADVERTISING OFFICES—

Metron, Istituto di Statistica,
R. Università, Padua (Italy).

London Agents: P. S. KING & SON, Ltd.,
Orchard House, Westminster, S.W.1.

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Price 1s. Weekly

COMMENTS

THE bi-monthly balance-sheets of the German Banks, published as from the end of August, show another noticeable increase in deposits as compared with June 30. In the statistics for the six large Berlin banks included in these returns deposit accounts have risen during this period from Rmk.4,850 million to Rmk.5,100 million. Nominally, this sum exceeds the 1913 figure, but it should be borne in mind that, besides other important factors, various changes in the shape of mergers have taken place within the said banks, while, on the other hand, the purchasing value of gold has considerably decreased. Taking all into consideration, the figures published are clear evidence of the slow but gradual strengthening of the German credit situation and of an improvement in general economic conditions. The German money market remains without alteration. The end of September settlements were effected without difficulty. The demand from industrial quarters is considered to be not very large, in spite of an all-round increase in business. The inflow of the proceeds of recent German external loans and the weakness of Sterling exchange have made it possible to import gold from England by way of arbitrage. This fact contributes further to the ease of the money market.

ACCORDING to the *Financial News*, Herr Hugo Stinnes Junior has succeeded in concluding a loan of 25,000,000 dollars with an American financial group, including the firms of Halsey, Stuart and Co., A.G. Becker and Co., and Newman, Founders and Co. The loan will bear interest of 7 per cent. and will be redeemable within twenty-five years. Its proceeds will be used to repay the Stinnes concern's debt to the German banking group which was formed in 1925 to support the concern. The amount of the debt is about Rmk. 80,000,000, which leaves a balance of about Rmk. 20,000,000 for working capital. Two holding companies will be formed in the United States to take over the Stinnes assets. One of them will take over the coalfields and the coal-distributing business, as well as other enterprises connected with this branch, while the other will acquire the hotels, real estates, and other assets which have no connection with the original Stinnes business. It is stated that the Stinnes family will retain the management of the companies, and that Herr Hugo Stinnes Junior will be left wider freedom of action than he has at present under the control of the German banking group. The German banks interested in the matter are rather pleased with the conclusion of the loan, as it will relieve them of considerable amounts of frozen assets.

AN article on the present situation in Sweden, in the *Svenska Dagblad*, says that the British Coal Strike has unfavourably influenced not only the Swedish iron industry, but also sales of Swedish timber, pulp, and paper. Sweden's exports of iron this year have been smaller than ever, and at the same time imports of

foreign iron into Sweden have increased. The home market, however, has been somewhat livelier of late with improved prices, but the latter do not compensate for the great rise in the price of coal. The demand for engineering products weakened rather considerably in the month of August, but the situation improved in September, although complaints of a weaker tendency are being voiced. In the textile industry some decline is noted, and in the stone industry the strike continues to depress most quarries. The freight market has stiffened recently and overseas shippings in particular have been frequent. The grain crops have been harvested in most parts of the country and may be described as average. The hay harvest was extremely abundant, but the fruit crop was a poor one. The official cost of living index number has gone down during the third quarter of this year from 172 to 171, and this is considered to be due to a decrease in the price of clothing. Sweden's foreign trade in August, as expected, resulted in a somewhat smaller export surplus than in July, viz. Kr.10,240,000. Exports were valued at Kr.123,210,000 and imports at Kr. 112,960,000, as compared with exports of Kr. 127,680,000 and imports of Kr.118,800,000 in August of last year. For the period January to August the total value of the exports amounted to Kr.851,680,000 and that of the imports to Kr.929,970,000, resulting in an import surplus of Kr.78,290,000. The figures for the same period last year were as follows: exports Kr.841,620,000 and imports Kr.911,610,000, or an import surplus of Kr.70,000,000.

It has been suggested that Imperial Preference in the matter of wine would be furthered by the abrogation of an agreement which gives to Portugal in general, and to the Douro valley in particular, the monopoly of the term "Port." A good deal of controversy has arisen on the subject both in the lay and trade Press, but there can be little doubt that the abolition of the Anglo-Portuguese Treaty would be disastrous not only to the port shippers but to the Dominion wine-growers, in whose favour such action has been suggested. The Anglo-Portuguese Treaty was concluded for ten years as from 1916, and it can now be terminated by either party on twelve months' notice, a fact which makes the present discussion of its merits or demerits not inopportune. It is clear that Portuguese shippers stand to lose very heavily if the name "Port," which is far more truly their own than any trade mark, is to become merely a generic term. Qualifying adjectives have a way of growing small, and the nobler appellation of growing so large as to swamp the whole label. Moreover, it could be contended that port is a British discovery, and that in the main the whole industry is indebted to British skill and patience. It has been computed that some £10,000,000 of British capital is invested in the business, and that the bulk of the profits find their way back to this country, where they shoulder their share of income tax. Nor is that all; the trade in this Portuguese speciality provides much employment in this country, for not only is the wine consumed in these islands bottled in the United Kingdom, but a large proportion also is re-exported from England

to other countries. In spite of these facts, it has been argued that the denunciation of the Anglo-Portuguese Treaty should form a part of Imperial Preference. It ought to be easy to demonstrate that such a policy would prove ruinous to the Dominion wine growers themselves. In the first place, no reputation for a speciality of this sort can ever be built up on imitation. This fact has been realised in Australia, where it has been authoritatively asserted that "nothing short of the complete abandonment of European geographical wine names will meet the Australian needs and save us from international discredit." Nor is that all. The Dominion wine grower is to-day able to sell his fortified wines as the straight, sound wines they are. He may suffer a little from the competition of a certain quantity of Portuguese wine which comes into the market as the speciality, but is in reality vastly inferior to it, and it is possible that a slight revision of the terms of the treaty might relieve Dominion anxiety on this score and give full advantage to the preference accorded them. We venture to suggest, however, that the abolition of the treaty would not have the effect desired. Australian and South African port would find itself submerged under a deluge of Spanish port and sweet red wines from many countries, and for sale at far lower prices than Colonial wines could stand.

THE soundness of Australian finance is a topic about which much is being said at the present moment. Messrs. Russell Cooke and Davenport recently collected in pamphlet form all the data they considered necessary for deciding whether or not it is wise for trustees to lend freely and without questioning to the Commonwealth and to the States of Australia. Replying to certain criticisms, the Acting Prime Minister said that the Government did not object to well-informed comment, but it was entitled to protest against misrepresentation and distortion of facts calculated to damage the credit and prestige of Australia. There can, however, be but little doubt that the time is becoming overdue when investors should investigate more closely the methods of expenditure following the borrowings of Colonial Governments. Hitherto it has been a matter of tacit if not expressed agreement that moneys obtained in the Home market should be applied to reproductive development. This is not the case with certain Socialistic Governments, who seem to follow in finance much the same course as that which has increased the rates in Poplar and other municipalities in this country. Notably is this the case in Queensland, and in a lesser degree also in New South Wales. An examination of the Year Book of Queensland reveals many facts which are of vital importance to sane investors. The State-owned railways are one of the main borrowing securities, but a State with a population of 865,000 persons, where taxation is already alarmingly high, which is spending annually £3,000,000 of loan money, and whose railways show an annual deficit of over £1,000,000, cannot be said to be doing more than deferring the evil day. It is reputed to be common knowledge in Queensland that Ministers are aware of the unsoundness of their financial policy, and their answer to any criticism is "It will last our time, and that is enough for us." Meanwhile, pastoral industries, which are the backbone of all revenue, are taxed to the utmost limit of their capacity.

A COLONIAL Office Report on the Straits Settlements for the year 1925 says that the aggregate value of the recorded trade of the colony constitutes a record, being no less than 295½ million sterling, or about 57 per cent. more than in 1924. This exceeds the figure of 1920, which was the previous highest recorded, by no less than 69 million sterling, or an increase of over 30 per cent. The commodities responsible for this huge increase were rubber, tin, rice, motor spirit, petroleum, and spices. The total quantity of rubber exported was 248,000 tons, this being 38,000 tons more than in 1924, but the value was 568½ million dollars, an increase of no less than 355½ million dollars. In conjunction with this

large increase, it should be noted that the total imports were 260,000 tons, valued at 470 million dollars, an increase over last year of 60,000 tons and 305 million dollars. The quantity of rubber imported during 1925 was, therefore, more by 12,000 tons than that exported during 1924, but it needs to be remembered that the impurities in the rubber imported for re-conditioning have increased. The difference in the value between rubber imported and exported amounts to 98½ million dollars. The quantity of tin exported was 1,600 tons less than the quantity exported in 1924, but 6 million dollars more was received on its account.

THE effect of the coal strike on the British ship-building industry is shown by the big reduction of tonnage on the ships as recorded by Lloyd's Register Ship-building Returns for the quarter ended September 30. The tonnage then under construction in Great Britain and Ireland—774,797 tons—was 266,541 tons less than at the end of June, and about 234,000 tons less than the tonnage building twelve months ago. The tonnage on which work was suspended at the end of September amounted to 107,498 tons, which was about 25,000 tons more than at the end of September 1925. The present totals, it is pointed out, are the lowest on record since June 1909, and are 1,115,000 tons below the average tonnage building during the twelve months immediately preceding the war. An enormous decrease was shown in the tonnage commenced during the quarter, namely 68,327 tons, as compared with 168,483 tons during the second quarter of 1926. The tonnage launched during the past quarter—207,741 tons—was 36,016 tons higher than that for the previous three months. The total merchant tonnage building in other countries—1,075,900 tons—was about 53,000 tons less than at the end of June. The figures for the leading countries abroad were: Italy, 278,764 tons; Holland, 160,604 tons; France, 134,985 tons; Germany, 127,321 tons; and the United States, 119,723 tons. There are at the present moment under construction in the world 23 vessels of between 10,000 and 20,000 tons each, and 11 of 20,000 tons and upwards. Fourteen out of the 23, and 3 of the larger vessels, are being built in Great Britain and Ireland.

THE first meeting of the session of the Commerce Society of the London School of Economics was held last Monday evening, and the guest was Mr. Hartley Withers, who took for the subject of his talk "International Finance, with special reference to the system of debt settlements." In the course of his remarks, Mr. Hartley Withers said that by international finance was meant the system of capital and credit which were invested between one country and another. As an example, he would quote loans to foreign Governments. During and since the war a new kind of loan had sprung into existence, due directly to the cost of the war. Those inter-governmental loans had, no doubt, been the cause of great difficulty and friction. There was no doubt that the possession of a considerable foreign debt caused a reduction in the consuming power of the borrowing country, with the result that the effect of the weight of foreign debt on a country was considerable. In this country we had, with the exception of the loan from America, raised practically all our loans at home, a fact which was to our advantage. The mistakes made by Governments in the past with regard to finance had been so glaring that he thought that, with the exception of money required for the reconstruction of Europe, the less money that was lent to Governments the better, there were so many needs for capital in the way of development of enterprise and industry. He thought it could be claimed, however, that although there had been many abuses of international finance, it had benefited humanity as a whole, and there was little doubt in his mind that export trade reaped its benefit from the export of capital.

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.)

FOREIGN LOAN POLICY OF THE UNITED STATES.*

By JOHN FOSTER DULLES.

I.

The Department of State issued, on March 3, 1922, a public statement in which, after referring to the increasing number of foreign bond issues being floated in the American market, it requested that American bankers contemplating making foreign loans should inform the Department of State with reference thereto, in order that the Department might advise the bankers as to whether there was or was not objection to any particular issue. The Department of State in its statement frankly recognised that it had no legal power to require American bankers to consult it. The statement was, in form, merely a request that the bankers would "co-operate" with the Department of State in view of the bearing of their operations "upon the proper conduct of affairs" and "in view of the possible national interests involved."

While thus nominally a request, the source from which it emanated was such that the request in fact became a command. Selfish considerations alone rendered compliance virtually obligatory, as no banker could afford to contract to purchase a bond issue of important size with the possibility that, before distribution could be completed, the Department of State might publicly indicate its disapproval. This would at once destroy the marketability of the issue. Bankers are but a channel for the distribution of securities, and when a contract is made for the purchase of a foreign issue it is with the expectation that the issue can promptly be distributed to investors. If, before distribution, any official expression of disapproval rendered the issue unmarketable, a substantial part of the banker's capital would be engaged in carrying indefinitely bonds acquired for prompt resale to the investing public. Any banking firm thus involved would be largely disabled from continuing its normal activities and serious financial loss might result. Such practical considerations are, however, in most cases but secondary. There is, generally speaking, a real willingness on the part of American bankers to subordinate their interest in aid of the attainment of important national objectives in the field of international relations.

Since the issue of the State Department's circular of March 3, 1922, over \$3,000,000,000 of foreign securities have been publicly issued in the American market. Many millions more have been the subject of negotiation and have been submitted to the Department of State as prospective issues. The magnitude of these operations has correspondingly increased the importance of the control thus assumed by the Department of State. It is, perhaps, inevitable that, with so many transactions, there should be some criticism. In some sections of the country there is doubtless a feeling that the Department of State has acquiesced in too many foreign loans. In other quarters it has been felt that loans have been disapproved which properly should have been allowed. Some are concerned that our officials should have asserted, extra-legally, so great a power over our national economy, fearing lest hereafter the possessors of the power may be tempted into employing it for purposes quite foreign to those which originally led to its assertion.

II.

Before considering matters of substance, there is one aspect of the form in which the exercise of control is sought which deserves mention.

From a technical standpoint, it often proves exceedingly difficult for the bankers to comply literally with the terms of the State Department's request. Loans, foreign as well as domestic, are often concluded with great rapidity. The better the credit of the borrower, the more rapidly is his loan arrangement concluded. In cases where the loan contract can be concluded only after thorough legal accounting, and perhaps engineering investigation, there is ample time for the bankers to obtain an expression of the Department's views before they need to commit themselves to a loan. In other cases the credit of the borrower stands very high and there is no question of his ability to obtain large sums on his unsecured notes. In such cases the decision to borrow is often quickly arrived at. The borrower seeks to take advantage of some technical market situation which, if promptly availed of, will permit him to secure funds on peculiarly favourable terms. He may, by cable, invite bids from several bankers and English, Dutch or other foreign houses may be competitors for the business. Under these circumstances an American banking firm may be seriously embarrassed. The Department of State in its circular has stated that "offers of foreign loans should not state or imply that they are contingent upon an expression from the Department of State regarding them." Thus, unless this injunction be violated, bankers cannot make a bid expressly contingent upon the subsequent approval of the Department of State. Equally it may be impracticable to secure, with the necessary promptness, a prior expression of the Department's attitude. Experience has shown that, at a minimum, about twenty-four hours must elapse, and in some cases several weeks have elapsed, before such an expression can be obtained. This is doubtless due, in considerable part, to the fact that it is the practice of the Department of State to give no expression of its view until it has consulted the Treasury Department and the Department of Commerce. This inevitably takes time and there are doubtless occasions where it is necessary to reconcile divergent views. Even a few days' delay, however, may retard the action of the American bankers to such an extent that a prospective borrower will close with a competitor in the belief that the American bankers are not responding to its invitation for bids with that expedition which is expected. As London regains its position in the field of international finance, these considerations assume greater importance.

III.

Let us, however, now turn from this somewhat technical aspect of the problem of control and consider matters of substance. Here we shall first consider the purposes sought to be achieved by the control. These purposes, as disclosed by the precedents which have so far been established, can be grouped under one or more of the following: (1) To promote the accomplishment of some national objective in the realm of international relations; (2) to emphasise, and perhaps promote the more general acceptance of, some general humanitarian conception which we advocate; (3) to accomplish certain results which, it is considered, will operate to the economic or financial advantage of the American people.

In the field of international relations the most notable use of control of foreign loans has been to exert pressure upon nations which are considered by our government as derelict as regards their debts owing to the United States Treasury. The position of the Administration in this respect has recently been expressed in an article by Secretary Mellon as follows:—

"Early in the year 1925, after much consideration, it was decided that it was contrary to the best interests

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of this country to permit foreign governments which refused to adjust or make a reasonable effort to adjust their debts to the United States, to finance any portion of their requirements within our borders. States, municipalities and private enterprises within the foreign country concerned were included in the prohibition, and bankers consulting the State Department were notified that this Government objected to such financing.

"While the United States is reluctant to exert pressure by this means on any foreign government to settle its indebtedness, and while this country has every desire to see its surplus resources at work in the economic reconstruction and development of foreign nations, our national interest demands that our resources be not permitted to flow into countries which do not honour their obligations to the United States and to its citizens."

The desirability of exerting pressure upon governments which ignore their debts to the United States readily suggests itself. It may indeed be surmised that the formal assertion by the State Department in 1922 of its desire to control foreign loans had its origin in the anticipation that such measures might prove useful. Without questioning the propriety of the pressure thus sought to be exercised in aid of our Treasury, the true significance of the means should not be ignored. Secretary Mellon refers to the fact that that control of foreign loans was exercised in order that "our resources be not permitted to flow" into certain countries. The "flow of resources" is, of course, nothing other than our export of raw materials and manufactured goods, for the purchase of which dollars are required. The cutting off of these resources, through the vetoing of foreign loans, is in effect the establishment of a partial embargo on our exports to the nations in question. If, in fact, the State Department's disapproval of loans in favour of certain countries has exerted any economic as distinct from moral pressure, it is because thereby these nations have been embarrassed in buying and importing our products to the extent that they would desire.

This close relationship between exports and foreign investments is strikingly shown by the recent study of the Department of Commerce entitled "The Balance of International Payments of the United States in 1925." The report concludes by pointing out that "the merchandise-export surplus of the United States has approached \$690,000,000 for the last four years, while the corresponding new foreign securities issued, after deducting refunding issues, has been \$680,000,000. From this the inference may be reasonably drawn that we have been putting the money which we got from our export surplus into foreign investments." Another expression of the conclusions to be drawn from these figures is that foreigners, during the past four years, have annually had to borrow dollars (1) to refund maturing dollar obligations, and (2) to pay for the goods which they purchased from us to the extent that these goods exceeded in value the goods which they sold to us. Thus, in 1925 foreign nations purchased from us goods to the value of \$4,900,000,000. In order to pay for these goods they were required to procure this amount of dollars. \$4,240,000,000 of the necessary dollars were procured as the proceeds of goods which foreign nations sold us. The balance, or \$660,000,000, had to be borrowed.* It was also necessary to borrow several hundred million dollars in addition for "refunding" operations, i.e. payment of maturing debt previously contracted. In other words, our foreign loans primarily operate to provide payments in dollars here to our farmers and manufacturers for goods which they sell abroad, and to pay debts previously contracted for such purposes. Thus, the statement of the Department of Commerce that we have been "putting our money into foreign investments" should not be understood as implying that the dollar proceeds of these loans passed *as money* out of this country. Actually the dollar pro-

ceeds of foreign loans stay in the United States and are used here either to pay principal or interest maturing on dollar loans previously contracted or to pay for American goods or services. This is inevitably the case, since it is only here that dollars are legal tender. No foreigner would, of course, ever borrow dollars if it were a condition of the loan that the actual currency resulting from the loan had to be permanently taken from the United States.*

Since the economic function of foreign loans is thus to provide foreigners with dollars to be spent by them in the United States, it follows that when foreign borrowing is artificially checked there is a corresponding check to foreign purchases of our goods.

There has, however, been little disposition in any responsible quarter to question the propriety of our Government's action in curtailing financing designed to create dollar purchasing power in favour of those nations regarded as derelict in their payments to our Treasury. Our bankers have readily acquiesced in this policy. This does not, however, mean that there is general acceptance of the view that our bankers and those dependent upon exports should as a matter of routine be singled out to sacrifice their interests to promote the accomplishment of every objective of our Department of State. To embargo foreign loans, and thereby partially embargo exports and embarrass the refunding of maturing debts previously created, is an unusual power which normally should be exercised only with legislative sanction. Its extra-legal adoption should obviously be rarely indulged in, and then only in cases of unusual importance and with the sanction of so strong a public opinion that in fact legislative authority could almost assuredly be obtained if sought.

This seems to have been recognised by the Department of State. The present formal control of foreign loans was established in 1922. It was not until 1925 that it was exercised to promote debt funding. Nearly seven years' time had then been afforded to the debtor nations to take some action and, rightly or wrongly, public opinion clearly favoured action to induce those nations which had not funded their debts to evidence their intention to honour their obligations within the limits of their capacity. Legislative action to this end could undoubtedly have been procured. Such formal which would, however, have been obviously undesirable because of the public affront which would thereby have been involved. Under the circumstances there was a general desire to see effective pressure exercised, but to see this done, at least in the first instance, in an informal manner. The Department's procedure was perhaps also accepted the more readily because responsible bankers generally realised that, under the surrounding credit conditions, there might be some hazard in new loans to nations which were regarded as derelict in their past obligations.

IV.

As exemplifying control exercised to promote humanitarian conceptions which as a nation we advocate, we may consider the refusal of the Department of State to approve of certain loans designed to build up armaments. The State Department's expressions on this subject, while couched in somewhat vague language, on their face seem to indicate that the rule thus established is general

* The only apparent exception to this general statement is in the case when gold bullion is shipped. Public loans are seldom contracted for such a purpose as it is not an advantageous procedure to incur an interest-bearing debt for the purpose of securing and shipping gold. Gold itself is not productive and is expensive to insure and to ship, and such a transaction is indulged in only rarely, as when some bank of issue requires gold as a metallic reserve for its currency issue. For example, the proceeds of the German Reparation Loan were primarily used to recreate a gold reserve for the German Reichsbank, as reorganised under the Dawes Plan. Such an operation is, however, quite exceptional, and, broadly speaking, it is correct to state, as we have done, that the dollar proceeds of foreign bond issues are employed exclusively in this country to pay dollar debts or to pay for American goods or services supplied to foreigners.

* Certain "invisible" items of debit and credit which substantially balance each other are ignored for purposes of simplicity.

and based upon moral considerations and a desire to promote disarmament. Closer analysis, however, raises some doubt as to whether the rule thus established against loans for armaments is in fact as general as the State Department's expressions would indicate, and whether the rule is in reality designed to promote some basic humanitarian objective. It has to be borne in mind that, as a matter of national policy, we have consistently advocated the right to traffic in arms as being an aid to peace. The latter point became a matter of serious controversy with Germany and Austria while we were neutral during the late war. In a note to the Austro-Hungarian Government of August 12, 1915, the policy of our Government in this respect was reaffirmed in the following language:—

"There is a practical and substantial reason why the Government of the United States has from the foundation of the Republic to the present time advocated and practised unrestricted trade in arms and military supplies. It has never been the policy of this country to maintain in time of peace a large military establishment or stores of arms and ammunition sufficient to repel invasion by a well-equipped and powerful enemy. It has desired to remain at peace with all nations and to avoid any appearance of menacing such peace by the threat of its armies and navies. In consequence of this standing policy the United States would, in the event of attack by a foreign power, be at the outset of the war seriously if not fatally embarrassed by the lack of arms and ammunition, and by the means to produce them in sufficient quantities to supply the requirements of national defence. The United States has always depended upon the right and power to purchase arms and ammunition from neutral nations in case of foreign attack. This right, which it claims for itself, it cannot deny to others."

There would not appear to be any valid basis of distinction between permitting foreign nations to buy armament and permitting them to borrow money to pay for armament. Certainly if, during our period of neutrality, we had refused to permit the Allies to finance their purchase of war material (as by the Anglo-French loan) the principles which were then advocated would, in practice, have been largely nullified.

It is to be assumed that the present attitude of the State Department does not involve any departure from our historic policy in this matter. Probably the control was never designed to do more than to aid in maintaining close contact with policies and possible revolutionary tendencies within States, like the Caribbean States, which, because of geographical proximity or other cause, were already the subject of a special diplomatic policy. If so, this rule of practice established by the Department of State really falls within the first category we have considered, namely, control exercised to promote some national policy in the field of international relations.

A second practice of the Department of State which might be mentioned as perhaps falling into the "moral" category is the control of foreign loans in aid of maintaining the "open door" policy in certain countries where heretofore foreign loans have often been utilised to secure exclusive concessions or exclusive zones of influence in favour of the nationals of one power as against the rest of the world. In the case of China a plan was conceived for the organisation of an international banking consortium, and the principal foreign nations having interests in China undertook to take steps to cause prospective foreign financing by their nationals to be offered to the consortium. It was hoped that in this way exclusive spheres of influence in China would be avoided for the future and the "open door" policy established. In view, however, of the financial and political débâcle which occurred in China immedi-

ately following the re-organisation of the Chinese consortium after the war, no public Chinese financing of any kind has been practicable and the Department's policy as regards China has, through the course of events, ceased for the time being to have other than academic interest.

(To be continued.)

STAGES IN THE STABILISATION OF THE FRANC.

BUDGET RETRENCHMENT.

By PAUL APOSTOL.

A balanced Budget is an essential condition for the restoration of the currency. But even so, a balanced Budget is not sufficient. Something over and above the balancing of the Budget must be realised, for the various consolidation and redemption operations and the service of the new loans will necessitate the production of new and substantial sources of revenue.

The balancing of the Budget must be brought about not only by increasing revenue, but also by reducing expenditure, and especially by effecting economies. As the Report of the Committee of Experts, which has become a sort of evangel of stabilisation, observes: "The reduction of the Budget must be sought for in economies. It is emphatically the feeling of the Committee that if an effort is not at once made in that direction, and if that effort is not prosecuted with unflinching and unflagging pertinacity, the whole work of restoration will be jeopardised. Public opinion in France and abroad is disappointed with the fruitlessness of all attempts at reform so far made. The Committee begs to remind you that a report was produced by the Commission appointed by the Decree of August 3, 1922, a report which appears to have led to nothing. It also point out that the High Committee of Enquiries set up in 1925 recommended measures which appear not to have been all adopted."

The Poincaré plan, like the Caillaux plan, provided for Budget retrenchment. With a view to effecting economies M. Poincaré asked Parliament for full power, and he was given authority to carry out by decree all administrative reforms necessary to effect those economies. Any Budget retrenchment that leads to the abolition of posts and appointments and consequently affects private interests naturally provokes bitter disaffection among those affected, and also prolonged and impassioned debates in Parliament if the Government is obliged to submit such reforms for its approval. When, after the 1924 crisis in the exchange, the Poincaré Cabinet asked the Chambers to increase the taxes by 20 per cent. and to empower it to realise Budget economies to the extent of a milliard of francs, he caused far more discontent among those interested because of the economies he proposed to effect than because of the increased taxation he contemplated. It is pretty widely felt in France that these retrenchment proposals, and consequently the abolition of a very great number of posts, contributed materially to the defeat of the Bloc National of the general election of May 1924.

Addressing on the 28th of September last the Council General of the Meuse at Bar-le-Duc, M. Poincaré said: "Realising the impossibility of pursuing by ordinary legislation the simplification of the administration and the judicature, the Chambers have conferred, for a short period, on the Government exceptional powers which everyone would certainly have blamed us for not exercising, but which it was equally obvious we would not be able to exercise without upsetting the ordinary course of things and arousing discontent. . . . The people, collectively, demand economies, but individually they all desire that such economies should affect the other man; and as threatened interests always have a knack of combining, they end in thwarting all attempt at reform." As a matter of fact the decrees issued by

the Government in the course of September for the purpose of carrying out the law of August 3, 1926, which conferred on it exceptional powers for that very object, provoked those interested to desperate and concerted efforts at resistance. The struggle assumed a purely political character: a meeting of mayors was called in Paris, delegations consisting of members of Parliament waited on the Government. The agitation at one time assumed serious proportions and proved a real danger to the Poincaré Cabinet. But the Government adopted a very strong attitude and refused all discussion of such questions before the reassembling of Parliament. "To half-open the door to any modification of the decrees," declared M. Poincaré, "would have meant to open it to a general revision and to undo bit by bit all that had been done." It is generally felt in political circles that thanks to the attitude of the Government this danger has been averted, and that the Cabinet, which will naturally make it a question of confidence, will have all its acts ratified by Parliament.

The decrees effect economies in the several Departments of Finance, Public Instruction, War and the Navy, Public Works, Posts and Telegraphs, as well as in the Departments of Justice and of the Interior. It is mainly the decrees introducing reforms in the province of the Ministry of Justice and of the Ministry of the Interior that have caused the greatest commotion, chiefly as affecting the suppression of district courts of justice and sub-prefects of departments. These latter decrees surpass by far in importance mere measures of economy. They involve reforms of administration long since demanded by public opinion. These reforms have, perhaps, been carried out somewhat too summarily and too precipitately. The important thing, however, is that they have been carried out. Time enough, if necessary, to rectify any mistakes that may have been made.

M. Barthou's decree has abolished two hundred and twenty-eight district courts and has created a single court of first instance (primary jurisdiction) which takes over all the powers of the tribunals suppressed. This involved the abolition of courts which, as a matter of fact, had no cases to deal with, and where, on the very rare occasions on which they had business to transact, it was found impossible to secure a full Bench: in these circumstances, to enable the court to sit, magistrates had to be borrowed from other courts, who were not in a position to devote the necessary time and attention to the business. As a result justice had become more expensive, slower and less efficient. In many provinces the district courts were without suitors and the district prisons empty. The sole object of their continued existence was but too often to find posts in the chief town of an arrondissement for a few of the leading electors who would use their influence in favour of the party's candidates. It was only natural, therefore, that the abolition of these district courts, prisons, etc., should call forth protests from politicians, backed by the magistrates, officials, attorneys, and so forth, whose interests were seriously compromised by these retrenchment decrees.

The decree which suppressed one hundred and six sub-prefectures aroused even greater commotion in the political world. At the present time, says the *Revue de Paris*, sub-prefects are no more nor less than election agents. Viewed from a purely administrative point of view, they are of use to the Government as "witnesses" on the spot. It was the central administration under the Empire that organised the sub-prefectures at a time when railways were unknown, travelling difficult, slow and expensive, and a new-fashioned Government had need of agents for propaganda purposes. Parliamentarians accustomed to look upon sub-prefects as docile agents subservient to their orders are the only defenders left of the sub-prefectures.

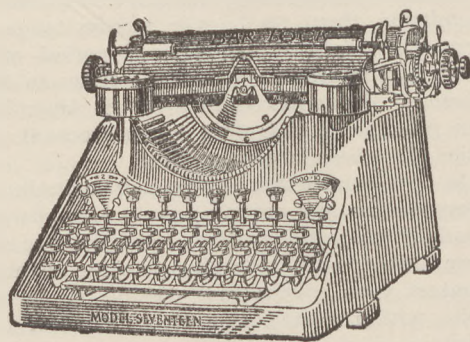
In the same way the decrees intended to effect economies in other departments of the administration strike at a great number of private interests. Only to give one example, that of the Navy. The Government scheme of

retrenchment involves the complete closing down of Rochefort Arsenal and very great reductions in Lorient Arsenal. An arsenal gives employment to a whole town. Its abolition or contraction gravely injures vast interests in the town, so that it is easy to imagine the opposition which such reforms have had to encounter.

The chief objection raised against the decrees of the Poincaré Cabinet is that the economies effected are not adequate. We will have to wait for the debate which will take place in Parliament, probably in a month's time, to be more fully enlightened on this side of the question; but whatever the actual benefit likely to accrue from these reforms, there is a great preponderance of public opinion in favour of measures which should have been introduced apart altogether from considerations of economy; and the courage shown by the Government in realising these reforms will certainly go a long way to enhance its authority throughout the country.

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ECONOMIC SURVEY

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

BELGIUM

FINANCE

The Budget for 1926.—When the Budget for 1926 was first introduced, in October 1925, revenue and expenditure were set down as follows (in francs):—

	Revenue.	Expenditure.	Difference.
Ordinary Budget	5,326,149,190	5,306,079,531	+ 20,069,659
Extraordinary Budget ...	148,879,500	334,579,950	— 185,700,450
Budget of Recoverable Expenditure ...	525,195,000	659,254,144	— 134,059,144
State enterprises—			
Exploitation...	2,328,034,172	2,344,704,480	— 16,670,308
Extraordinary	845,000	443,104,100	— 442,259,100
Total ...	8,329,102,862	9,087,722,205	— 758,619,343

Ordinary expenditure, it should be noted, is met out of the ordinary yearly revenue of the State derived, for the most part, from direct and indirect taxation; extraordinary expenditure, on the other hand, which goes to increase the value of State property (public works in connection with roads, railways, telegraphs, canals, etc.), is covered by loan, for the very good reason that it is reproductive expenditure.

At the rising of the Chamber for the summer recess the above figures had undergone considerable modifications, and now appear as follows:—

	Revenue.	Expenditure.	Difference.
Ordinary Budget	6,051,149,190	6,410,173,086	— 359,023,896
Extraordinary Budget ...	154,579,500	207,829,536	— 53,250,036
Budget of Recoverable Expenditure ...	502,905,000	642,223,507	— 139,318,507
State enterprises—			
Exploitation...	2,453,427,093	2,415,673,040	+ 37,754,053
Extraordinary	845,000	344,959,207	— 344,114,207
Total ...	9,162,905,783	10,020,858,376	— 857,952,593

If at a first glance both revenue and expenditure appear to have undergone considerable expansion during the passage of the Budget through the Chamber and Senate, it must be noted that the estimates in the ordinary budget include the probable amount from new taxes allocated to the Debt Redemption Fund, viz. Fr.750 million. On the other hand, the rise in the £ has naturally increased the service of Belgian liabilities abroad. These two factors have reacted on the Public Debt budget, the sum placed to this account having risen from Fr.2,734 mill. to Fr.3,888 mill., this amount representing more than half of the ordinary budget total. The surplus, however, of over Fr.37 mill. from the working of the State enterprises has reduced the deficit of Fr.359 mill. in the ordinary budget to Fr.321,269,843.

The *Moniteur des Intérêts Matériels* (No. 231) draws particular attention to the fact that, judging by returns to date, the original estimate of Fr.4,328,560,020 to be derived from taxation is certain to be exceeded to a very considerable extent. In this connection the paper points out that the revenue from taxation has gradually risen from Fr.384 mill. in 1913 to Fr.1,506 mill. in 1921, to Fr.1,827 mill. in 1922, to Fr.2,011 mill. in 1923, to Fr.2,788 mill. in 1924, to Fr.3,540 mill. in 1925, and—including the new taxes introduced by the present Government—to Fr.5,079 mill. in 1926, this last figure showing that the taxpayer now defrays more than half of the total State expenditure.

The Budget for 1925, including supplementary estimates to August 13 of this year, shows revenue to the amount of Fr.7,464,048,418 with expenditure at

Fr.9,711,049,895, the result being a deficit of Fr.2,247,001,477. Comparing with it the Budget of the current financial year, we find the latter showing the following increases and decreases:—

	Revenue.	Expenditure.	Increase or decrease in the difference between revenue and expenditure in 1925.
Ordinary Budget ...	+1,783,141,702	+1,133,680,354	— 649,461,348
Extraordinary Budget ...	+ 38,758,000	— 411,939,671	— 450,697,671
Budget of Recoverable Expenditure ...	— 473,802,630	— 332,660,313	+ 141,142,317
State enterprises—			
Exploitation ...	+ 351,899,293	+ 206,777,008	— 145,122,285
Extraordinary ...	— 1,139,000	— 286,048,896	— 284,909,896
Total ...	+1,698,857,365	+ 309,808,482	—1,389,048,884

While revenue, therefore, has increased by over a milliard and a half, expenditure has only increased by 309 millions, so that the deficit has been reduced by 38 per cent. The only Government Departments responsible for an increase are the Department of the Public Debt and the Department of Industry and Labour; on the other hand, National Defence shows a decrease of Fr.56 mill., the Ministry of Finance one of Fr.33 mill., and unproductive property (*non-valeurs*) and refunds one of Fr.146 mill.

Direct and Indirect Taxation Returns for the Half-year.—The revenue from direct taxation for the first six months of the year totalled Fr.552,552,554.24 as compared with Fr.1,699,031,537.10 in the period from January 1, 1925, to June 30, 1926 (including Fr.188,010,204.35 levied on behalf of the provinces and communes as against Fr.513,834,850.70); the revenue from indirect taxation amounted to Fr.1,509,092,208.89 as compared with Fr.2,544,128,072.77; while the revenue from State enterprises aggregated Fr.1,114,329,528.04 as compared with Fr.2,181,872,272.14. The following table supplies an analysis of the returns (a) from January 1, 1925, to June 30, 1926, and (b) from January 1 to June 30, 1926:—

	Direct taxation.	
	(a)	(b)
Land tax...	166,978,597.06	53,797,188.09
Tax on transferable securities ...	423,993,094.37	204,241,469.23
Vocational tax ...	408,767,112.19	77,877,764.71
Supertax ...	369,366,632.27	81,217,490.76
Tax on movable property	8,549,927.69	960,478.46
Personal property tax ...	1,178,149.05	219,990.98
Tax on automobiles ...	47,253,697.85	62,808,827.05
Tax on ordinary vehicles	—	1,018,913.53
Dog tax ...	—	9,467,420.91
Entertainment tax ...	49,924,874.07	22,409,749.81
Gaming and betting tax	18,275,869.54	9,408,677.88
Fixed royalties on mines	24,442.61	—
Tax on opening of licensed premises ...	—	12,374,156.32
Sundry taxes ...	204,719,140.40	16,750,426.51
Total ...	1,699,031,537.10	552,552,554.24
Indirect taxation and other proceeds.		
	(a)	(b)
Customs, excise and sundry receipts ...	985,460,574.66	573,291,195.43
Registration dues ...	1,182,476,412.80	790,084,137.49
Tolls ...	6,651,969.92	3,573,800.07
Capital and Income tax	144,193,838.44	39,845,756.11
Redemption ...	225,345,276.95	102,297,319.79
Total ...	2,544,128,072.77	1,509,092,208.89

Receipts from Government Undertakings.

	(a)	(b)
Railways... ..	1,765,757,364.11	915,442,929.42
Shipping	31,215,014.44	10,019,775.78
Posts	161,256,934.33	85,790,196.79
Telegraphs and telephones	152,310,186.00	94,418,000.00
Electricity	47,947,486.43	56,880.27
Stationery Office	23,131,702.34	8,498,938.50
Air Service	253,584.49	102,807.28
Total	2,181,872,272.14	1,114,329,528.04

TRADE

Foreign Trade Returns.—The foreign trade returns of the Belgian-Luxemburg Economic Union for the first nine months of 1925, the nearest results available with which to compare the returns for the first eight months of 1926, show imports to have totalled 24,476,691 metric tons of a value of Fr.12,740,599,000 with exports aggregating 16,022,259 tons of a value of Fr. 10,391,362,000, showing an adverse trade balance of Fr. 2,349,237,000. As compared with the first nine months of 1924 this shows an improvement of Fr.480,326,000.

During the first eight months of the current year imports aggregated 22,611,111 metric tons of a value of Fr.14,171,454,000, while exports totalled 14,527,512 metric tons of a value of Fr.10,596,962,000, thus showing an adverse trade balance of Fr.3,574,492,000. An analysis of the returns gives the following figures for the various categories of goods:—

Imports.

	Tons.	Value in francs.
Live stock	5,774	25,871,000
Foodstuffs and beverages	2,109,192	3,732,942,000
Raw material and semi-manufactured goods	19,840,895	7,223,472,000
Manufactured goods	655,245	3,174,750,000
	22,611,106	14,157,035,000
Gold and silver specie and bullion	5	14,419,000
Total	22,611,111	14,171,454,000

Exports.

	Tons.	Value in francs.
Live stock	15,024	105,384,000
Foodstuffs and beverages	452,005	1,115,630,000
Raw material and semi-manufactured goods	10,865,121	3,415,778,000
Manufactured goods	3,195,302	5,922,572,000
	14,527,452	10,559,364,000
Gold and silver specie and bullion	60	37,599,000
Total	14,527,512	10,596,963,000

From the above data, omitting throughout both imports and exports of specie and bullion, it appears that the average monthly figures work out as follows:—

As regards volume (in tons)—

	1926.	1925.	Increase.
Imports	2,826,388	2,719,632	106,756
Exports	1,815,931	1,780,241	35,690
Excess of imports over exports	1,010,457	939,391	71,066

As regards value (in thousands of francs)—

	1926.	1925.	Increase
Imports	1,769,629	1,413,900	355,729
Exports	1,319,920	1,149,735	170,185
Excess of imports over exports	449,709	264,165	185,544

Foreign Trade in Coal.—During the first seven months of the year the Belgian-Luxemburg Economic Union imported 4,536,454 tons of coal as against 5,183,024 tons in the corresponding period of 1925, 1,353,907 tons of coke as against 1,357,896 tons, and 450,377 tons of briquettes as against 382,230 tons. The exports of coal, on the other hand, aggregated 2,107,338 tons as against 1,359,483 tons, those of coke 519,532 tons as against 484,575 tons, and those of briquettes 450,337 tons as against 382,240 tons.

The chief supplies of coal to Belgium were—

	1926.		1925.	
	Tons(1,000).	Fr.(1,000).	Tons(1,000).	Fr.(1,000).
Germany	2,178	210,557	2,207	213,153
Holland	1,036	101,110	655	62,004
France	683	62,179	627	58,762
Great Britain	639	63,702	1,694	160,433
Of coke—				
Germany	1,041	110,015	938	95,280
Holland	270	35,031	316	38,883
France	42	5,254	73	11,484
Great Britain	—	—	30	3,916
Of briquettes—				
Germany	72	7,436	53	5,097
Holland	2	326	3	286
France	1	149	1	199

The principal purchasers of Belgian coal were—

	1926.		1925.	
	Tons(1,000).	Fr.(1,000).	Tons(1,000).	Fr.(1,000).
France	1,484	212,149	1,104	133,218
Holland	181	25,163	106	14,277
Shipping	105	13,023	40	5,293
Switzerland	62	11,936	62	10,274
Italy	9	1,879	2	378
Germany	6	888	31	3,038

Of coke—

France	490	61,317	474	66,832
Holland	7	658	3	289
Switzerland	6	655	4	553

Of briquettes—

France	219	26,338	2	50,146
Shipping	138	27,658	93	11,734
Belgian Congo	30	3,860	7	982
Switzerland	19	2,231	11	1,175
United States	18	1,490	7	889
Holland	5	553	2	259
Argentina	1	118	5	548
Spain	—	15	7	903
China	—	—	2	374

The returns for the month of August show imports of coal to a total of 681,198 tons as against 709,246 tons in the corresponding month of 1925, of coke to a total of 220,550 tons as against 200,191 tons, and of briquettes to a total of 12,893 tons as against 14,997 tons. The exports consisted of 400,448 tons of coal as against 247,208 tons, 61,931 tons of coke as against 72,139 tons, and 87,152 tons of briquettes as against 70,309 tons. (*Moniteur des Intérêts Matériels*, Sept. 2, 29.)

Conditions in the Coal Market.—Owing to the continuation of the strike in England and of the local stocks of coal which are now nearly sold out prices are soaring to dizzy heights, and quotations which a month or six weeks ago were manifestly unduly high now strike one as being obviously too low. Discussions over the regulation of wages in proportion to the selling price of coal and to the cost of living have led to no results. The Government, however, has come to an agreement with the mine-owners for the supply required for the railways during the last quarter of the year. These requirements amount to not less than 450,000 tons or thereabouts, including the 105,000 tons which should be but are not being furnished by Germany on reparations account, and which so far have had to be replaced by any kind of fuel on which hands could be laid in Belgium. The firm prices agreed on, independent of the rate of exchange, range from Fr.150 to Fr.185 according to quality. For the 74,000 tons of briquettes booked for the railways the price has been fixed at Fr.265, which speaks well for the trade, which readily finds purchasers abroad at Fr.300, Fr.325, and even Fr.350 per ton. Again owing to the strike in England, which is one of the world's main sources of supply for this article, the minimum sterling price of pitch is now equivalent to Fr.1,500 per ton; fortunately, however, only 10 per cent. of pitch is necessary for the production of a ton of briquettes, otherwise the price would be absolutely prohibitive.

The paucity of stocks is also causing some anxiety. Never, perhaps, have they been so low since the three years boom after 1870. The following figures show how stocks have fluctuated since August 1924:—

	Tons.		Tons.
1924, Sept. 30 ...	720,000	1925, Sept. 30 ...	1,616,000
Oct. 31 ...	790,400	Oct. 31 ...	1,642,900
Nov. 30 ...	921,500	Nov. 30 ...	1,672,000
Dec. 31 ...	1,129,100	Dec. 31 ...	1,558,000
1925, Jan. 31 ...	1,342,700	1926, Jan. 31 ...	1,398,100
Feb. 28 ...	1,527,000	Feb. 28 ...	1,314,300
March 31 ...	1,689,900	March 31 ...	1,368,100
April 30 ...	1,781,700	April 30 ...	1,290,900
May 31 ...	1,821,400	May 31 ...	947,600
June 30 ...	1,860,000	June 30 ...	468,700
July 31 ...	1,792,900	July 31 ...	247,000
Aug. 31 ...	1,710,000	Aug. 31 ...	178,000

As will be seen from the above, stocks regularly rose to the extent of 200,000 tons a month between October 1924 and February 1925; during the next two months by 100,000 tons a month; there was a slight increase in May and again in June, when they reached their highest figure. Thence onwards there was a steady though not very pronounced decrease until the end of the year when stocks had fallen to 300,000 tons below the June maximum. During the first three months of 1926 they declined more rapidly, at the rate of 80,000 tons on an average a month. Then came the coal strike in England, followed by a regular slump in stocks—a decrease of 480,000 tons in June, of 220,000 tons in July and of 70,000 tons in August, when they were practically exhausted.

The consumption of coal in Belgium during the first six months of the year (reckoning coke at 1,300 and briquettes at 900 kilogrammes of coal) is shown in the following table (in tons):—

Stocks on Jan. 1, 1926 ...	...	1,558,000
Output for the half-year ...	...	11,935,000
Imports—Coal ...	3,902,000	
Coke ...	1,477,000	
Briquettes ...	52,000	
		5,431,000
Total ...	...	18,924,000
Less—		
Stocks on June 30, 1926 ...	...	105,000
Exports—Coal ...	1,607,000	
Coke ...	601,000	
Briquettes ...	34,000	
		2,242,000
Total ...	...	2,347,000
Net consumption...		16,577,000

(*Moniteur des Intérêts Matériels*, Sept. 30.)

FINLAND

POLITICAL AND GENERAL

General Economic Conditions.—There is no doubt that certain symptoms point to a deterioration in the Finnish economic situation, above all the state of the money and capital market. The long expected relaxation of the tension on the money market has never come to pass. The situation must be considered as all the more unfavourable in that, during the course of the year, the loan surplus of the private banks and the Finnish Notenbank has increased, while holdings in cash have fallen off and the balance of payment with foreign countries has depreciated. The importunate demand for credit has forced the banks, against their will in many cases, continually to grant new credits, so that an accumulation of credits amounting to Fmk.568 mill. is recorded for the first half of 1926, as compared with Fmk.14.6 mill. in the first half of 1925. Nevertheless the fear that the granting of credits to such an extent was unsound is apparently unjustifiable in view of the fact that capital formation is much stronger than formerly. The deposits of the private banks rose from Fmk.419 mill. in the first half of 1925 to Fmk.454 mill., but this increase has not sufficed to satisfy the demand for credit, so that the loan surplus has increased. Under such conditions it seems doubtful whether the reduction of the discount rate promised last autumn when the last reduction took place will be possible for the present.

Foreign trade has not developed over favourably. The falling off of exports during the first few months of the year, due to the long winter, has not yet been made good. The value of exports in the first half of 1926, on the contrary, amounts to a drop from Fmk.1,953 mill. in the first half of 1925 to Fmk.1,754 mill., while the value of imports has simultaneously risen from Fmk.2,301 mill. to Fmk.2,422 mill., resulting in a considerable increase on last year's import surplus. It must not be overlooked, however, that the value of exports increased from Fmk.286 mill. in May to Fmk.580 mill. in June, and that a similar development occurred in 1924, when the returns for the entire year were nevertheless favourable. The reason for such a falling off in exports must be sought not only in the long winter, but also in the British coal crisis. It has once more been proved that every British strike has an unfavourable effect on Finnish economics, as England is Finland's chief market. The development of the Finnish export trade will therefore largely depend on the course taken by the British strike. Market conditions have changed but little in regard to the individual branches of Finnish industry. The timber industry is suffering severely from the British strike and the depreciation of the French currency; nevertheless more timber has been sold than last year. The market for Finnish agricultural products is good and the same may be said of cellulose and paper, though quite recently there was a slight temporary set-back in the market and the price conditions for the latter.

The harvest will certainly not be so good as last year's. At best it will be an average harvest. The summer was much too dry, so that the hay crop was a poor one. The results of the rye harvest are likely to be well below the average. For the first time within a considerable period Finland has been disturbed by labour disputes. During the last few years there has been such a demand for labour in Finland that not only has the country been completely free of unemployment, but the women have been able, and indeed obliged, to take up employment to a far greater extent than is the case in other lands. In the beginning of 1925 slight difficulties arose when, in consequence of the mild winter, certain seasonal occupations failed; and now there is a certain amount of conflict, since the unions, after having weathered a severe crisis brought about by the communists, have recovered and are making demands for increased wages. A strike at the sawmills of the Kemi Company lasted from June 29 to August 4. This stoppage of five weeks means that the produce of the company will be reduced this year by about one-tenth or 5,000 standards. If the demands of the labourers for increased wages had been granted by the employers, the wages of the sawmill labourers would have been increased by 13.63 per cent., the loading labourers' by 35.45 per cent., the wages for covering and building staple beds by 25 per cent., and the general hour wages in the timber yards by 40 to 42 per cent. As the strike had continued for some considerable time, the Government appointed an arbitrator, whose proposals have now been accepted. Most of the labourers' demands have been ignored, but wages have been raised by 5 per cent. About 2,500 workers have been involved in the strike. Other smaller strikes in the sawmill industry were settled at the same time, so that peace reigns once more throughout the industry, and a number of disputes which had arisen in the metal industry have also been settled. Here the piece-work men received an increase of from 12 to 15 per cent., while day wages for labourers have been raised from Fmk.18.50 to Fmk.23 (the men had demanded Fmk.30).

These bad symptoms, however, are not yet so pronounced as to justify the suggestion that the tide has turned in respect of Finland's favourable economic development; indeed the situation as a whole is still good, and favourable symptoms, such as the position of the cellulose and paper industries, are more strongly felt than

adverse ones, although not to the same extent as last year. Another favourable symptom is the resumption of building activity on a large scale. During the war building came practically to a standstill, and only began to revive in 1924. According to Helsingfors building statistics, building activity will this year resume 1913 proportions, i.e. 8,000 rooms. In 1925 6,800 new rooms were constructed and in 1924 5,430, whereas in 1923 there were less than 3,000 new units of construction. It may be mentioned in this connection that most of the new houses are being built by companies whose shareholders are the future tenants of the flats. This method of building houses by means of the formation of companies has always been customary in Finland. Many of the new houses are more modern than those now being constructed in Germany. Thus many one-kitchen blocks have been constructed, which have hitherto succeeded very well in spite of the sceptics. (*Wirtschaftsdienst*, No. 34; *Mercator*, No. 33.)

FINANCE

The Budget for 1927.—The Riksdag assembled on September 1 in order to receive the Government's Budget estimates and pass them on to the Finance Committee. The trade agreement recently entered into with Germany is also due to come before the Riksdag for approval early this session. On the completion of the Finance Committee's report the Riksdag will adjourn until October, when it will pass the Budget among other matters that will be submitted to it.

The present Budget for 1927 drawn up by the Minister of Finance does not include any new taxes, but shows a deficit of Fmk.147.5 mill., which is to be covered out of the State cash reserve, formed out of the surpluses of previous years. From 1921 to 1924 the cash reserve increased from Fmk.119 mill. to Fmk.1,167 mill. During the same period, however, loans were taken up which exceeded the increase in the cash reserve by Fmk.105 mill. The fiscal year 1925 yielded no surplus, but gave on the contrary a heavy deficit amounting in all to Fmk.622.1 mill., of which Fmk.352.6 mill. was covered by a foreign loan and Fmk.269.5 mill. was taken out of the cash reserve.

A synopsis of the balance-sheet for 1925 and the Budgets for 1926 and 1927 is given in the following table (in millions of Finmarks):—

	Balance-sheet for 1925.	Budget for 1926.	Budget for 1927.
Ordinary revenue ...	3,316.2	3,337.0	3,444.9
Extraordinary revenue ...	1.6	1.0	60.6
Revenue outside of Budget	12.6	—	—
Total ...	3,330.4	3,338.0	3,507.5
Loans ...	352.6	—	—
Taken from cash reserve	269.5	75.1	147.5
Total ...	3,952.5	3,413.1	3,655.0
Ordinary expenditure	2,829.4	2,843.6	3,118.9
Extraordinary expenditure ...	1,123.1	569.5	536.1
Total ...	3,952.5	3,413.1	3,655.0

It will be seen that the ordinary revenue is considerably larger than the ordinary expenditure. That the extraordinary expenditure, which represents incidental expenses, has proved so heavy may be ascribed to the large incidental requirements peculiar to a State which has newly acquired its independence. There are, however, also included under ordinary expenditure in the 1927 Budget large amounts of more or less incidental expenditure, such as the amortisation of the National Debt, the draining of damp land, and the extension of the Government superphosphate works. The expenditure on the National Debt, which amounts to Fmk.298.7 mill. in the Budget for 1926, totals Fmk.447.2 mill. for 1927. This increase of close on Fmk.150 mill. is due to the fact that an initial amortisation of Fmk.50 mill. (one-fifth of the loan) is to be carried out in regard to the 1921 6½ per cent. loan, the agio loss on which amounts to

Fmk.136.5 mill. Next to the National Debt the largest increase in the ordinary expenditure is due to the Ministry of Education, the estimates for which amount to Fmk.417.8 mill., or Fmk.74.3 mill. more than in 1926. This increase is principally due to the fact that the last Riksdag passed a Bill under which the share of the Government in the expenditure on National Schools in country districts was raised by Fmk.70 mill. a year. The Government have included in their estimates Fmk.18.2 mill. for raising the pay of minor officials.

Of the extraordinary expenditure, amounting to Fmk.536 mill., the greater part, viz. Fmk.258.9 mill., refers to the Ministry of Ways and Communications. According to a law passed by the previous Riksdag new railways were to be built each year during the period 1926 to 1930. The annual expenditure set aside for this purpose is about Fmk.100 mill. It is no doubt a good thing to construct new railways, but in the opinion of many the time has come to retrench in this direction. The sum of Fmk.110 mill. is required during 1927 for the completion of the Imatra power station, but only Fmk.50 million has been included in the Budget, as the Government is empowered to raise a foreign loan, which may be floated this year.

As expenditure seems to rise each year, fresh sources of revenue would be very desirable, to quote from the statement covering the Government estimates, in which a sad reflection occurs to the effect that it is impossible in a dry country to tax alcoholic liquors. The Minister of Finance estimates the ordinary revenue at Fmk.124 mill. above the current year, which seems rather too optimistic. (*Mercator*, Sept. 10.)

The Private Banks in the First Half-year.—A review of the development of the Finnish private banks includes, as last year, 19 banks, whose total balance at June 30, 1926, shows great strides of development as compared with that at December 31, 1925. The table below gives the comparative figures in millions of Finmarks:—

	<i>Assets.</i>	
	Dec. 31, 1925.	June 30, 1926.
Cash in hand ...	264.3	215.5
Foreign currency and notes ...	4.9	6.1
Foreign correspondents ...	126.0	94.2
Foreign bills ...	14.9	32.9
Bonds ...	141.0	138.2
Shares ...	110.5	107.0
Home bills ...	1,928.2	2,211.8
Loans ...	1,894.1	1,919.7
Current accounts ...	932.6	999.4
Home correspondents ...	1,785.3	1,978.0
Land ...	125.5	145.3
Mortgages ...	7.2	6.9
Interest ...	46.4	53.9
Sundry debtors ...	77.8	87.2
Total ...	7,458.9	7,996.1
	<i>Liabilities.</i>	
	Dec. 31, 1925.	June 30, 1926.
Share capital ...	756.0	794.0
Reserve fund ...	309.6	335.1
Pension fund ...	30.0	30.6
Profit and loss account ...	150.0	19.9
Interest ...	53.7	155.5
Current accounts ...	625.4	695.3
Deposits and savings bank accounts ...	4,168.4	4,552.5
Home correspondents ...	671.0	624.1
Foreign correspondents ...	334.5	383.1
Postal cheque accounts ...	192.3	132.1
Bills for collection ...	21.5	18.3
Mortgages ...	1.2	1.2
Rediscounted bills and loans... ..	30.5	141.9
Sundry creditors ...	114.8	112.5
Total ...	7,458.9	7,996.1

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The real funds of the banks (share capital and reserve fund), which had fallen to Fmk.90.5 mill. in 1924 and increased by Fmk.23.9 mill. in 1925, experienced the considerable increase of Fmk.64.1 mill. during the first half of 1926, which is the best proof of a continuation of the favourable development of banking that started in the previous year.

It is certain that capital formation and putting by of savings have increased in a marked manner during the past six months. The deposits, savings bank accounts and current accounts in the private banks alone have increased by Fmk.454 mill., as compared with Fmk.419 mill. and Fmk.400 mill. respectively in the corresponding period of the two previous years. Sums paid in in June were particularly large in consequence of the payment of half-yearly interest.

The extent of credits granted within the country, which showed a decrease of Fmk.230.1 mill. in 1925, has risen very considerably during the first half of 1926, as shown in the following table (in millions of Finmarks):—

	End of June.	Difference.		
		In June.	Since the beginning of the year.	
Home bills	2,211.8	+ 45.1	+ 283.6	
Loans	1,919.7	— 3.7	+ 25.6	
Current accounts	999.4	+ 23.3	+ 66.8	
Home correspondents (Assets)	1,978.0	+ 16.3	+ 192.7	
Total	7,108.9	+ 81.0	+ 568.7	

The increase in the amount of credit granted in June, amounting to Fmk.81 mill., is the largest monthly increase recorded since 1921. Since the beginning of the year credit granted by the private banks has risen by Fmk.568.7 mill., as compared with an increase of Fmk.14.6 mill. only in the same period of 1924. Although the demand for and supply of credit has increased at such a rapid rate, there is nothing unsound in this development. The private banks have been able to grant the credit required without making use to any undue extent of their rediscounting facilities with the Bank of Finland. The introduction of the gold standard at the beginning of the year strengthened confidence in the Finnish currency, as has been proved by the realisation of long postponed plans for industrial expansion and the erection of new plant at factories, which have necessitated bank credits of considerable proportions.

The debts of the private banks to foreign countries have slowly increased over the period October 1925 to May of this year, the net indebtedness having risen from Fmk.104.9 mill. to Fmk.284.8 mill. In June, on the other hand, foreign indebtedness decreased by Fmk.4.6 mill. and foreign requirements from Finnish banks increased by Fmk.30.2 mill. The net indebtedness therefore decreased by Fmk.250 mill.

In spite of the British strike, which might easily have had an unfavourable effect on Finnish banks, the private banks have experienced relatively satisfactory development. It must be admitted, however, that the amount of credit granted has increased more rapidly than the deposits. The excess of credits over deposits amounted at the end of June to Fmk.1,237.0 mill., while in the first half-year of 1925 it decreased by Fmk.110 mill. (*Revaler Bote*, No. 186.)

TRADE

Foreign Trade Returns for July and August.—Exports in July broke all former records with a total value of Fmk.851.4 mill. The previous record occurred in July last year when the export total amounted to Fmk.802 mill., while in July 1924 exports were valued at Fmk.736 mill. Imports, however, were lower than in June, amounting to Fmk.471.9 mill., a rather higher figure than last year's July total of Fmk.460 mill. The surplus of exports for July, Fmk.379.5 mill., beats all previous records. By these means the unfavourable balance of trade for the earlier months of the year has

been greatly reduced in a favourable direction. The balance of trade shows the following figures in millions of Finmarks:—

	Imports.	Exports.	Surplus of imports.
January to July 1926 ...	2,894	2,606	288
January to July 1925 ...	2,761	2,755	6
January to July 1924 ...	2,723	2,309	414

Of the above years 1924 shows the least favourable balance of trade at the end of July, but the balance of trade for the whole of that year ended in a surplus of exports amounting to Fmk.255 mill. Last year there was a surplus of exports of only Fmk.57 mill.

The balance of trade for August shows a surplus of exports amounting to Fmk.150 mill., exports for that month amounting to Fmk.649.3 mill. and imports to Fmk.499.5 mill. Thus for the period January to August imports this year amounted to Fmk.3,393.7 mill. and exports to Fmk.3,254.8 mill. as compared with Fmk.3,208.8 mill. and Fmk.3,443.7 mill. respectively during the same period last year. The surplus of imports for this year amounts to Fmk.138.9 mill., while the same period last year showed a surplus of exports of Fmk.234.9 mill. (*Mercator*, Sept. 17.)

German View of the German-Finnish Trade Agreement.—According to *Wirtschaftsdienst* (No. 34), the trading agreement recently concluded between Germany and Finland had become equally necessary to both countries, since Germany had gradually developed into Finland's second largest customer. Germany's share in Finland's foreign trade is a very considerable one. According to the 1925 statistics, Germany supplies 32 per cent. of Finnish imports and takes 13.5 per cent. of Finnish exports. Finland's share in German foreign trade is naturally less important. In 1925 scarcely 1 per cent. of German imports came from Finland, and Germany's exports to that country represented hardly 1.3 per cent. of her export total. The prospects of a trading agreement were not favourable, as Finland's tariff is still undecided and the Finnish Government is entitled to alter the existing rates to a very considerable extent. Moreover the countless misunderstandings between both the contracting parties which had occurred in previous years were not calculated to produce a spirit conducive to a favourable termination of the negotiations. If in spite of this Germany has been able to insist on the conclusion of a "most favoured nation" treaty, it is no doubt due to the success of the German trading agreement policy. The exception of Estonia does not in any way detract from this success, as Finland has insisted on making an exception of Estonia in all the treaties concluded by her.

Thanks to the most favoured nation clause Germany finds herself in an equally favourable position as regards

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England, her chief rival in the Finnish market. Germany has, moreover, secured the reduction of certain rates, for instance for foodstuffs and clay (which as regards quantity constitute Germany's largest exports to Finland), yarns, fabrics, paper goods, electrical machinery, and some other kinds of machinery and apparatus. Finland gets a preferential tariff for farm produce, wood and paper goods, and bilberries. It may be mentioned that in fixing the rate for butter the same manœuvre has been carried out on the German side as in the much talked of agrarian duties in the agreement with Sweden. There is considerable satisfaction in Germany over the agreement, but appreciably less in Finland. On the Finnish side the opinion is largely held that the concessions made by Germany have been bought too dearly. In agricultural circles, for instance, it is thought that the tariff reductions for dairy produce, particularly for butter, are inadequate. Similar dissatisfaction is felt in the timber industry. The loudest complaints, however, have been called forth by the reduction by Finland of the contributions levied on commercial travellers. These contributions must not exceed Fmk.3,000 a year or Fmk.1,000 for each period of six weeks. As the number of commercial travellers in Finland is considerable and they probably do a large amount of business, the Finns would have been better pleased if Germany had received no concessions in this direction.

The Finnish-German trade agreement comes into force on October 1, for a period of three months.

COMMUNICATIONS

Proposed Direct Connection between Helsingfors and Berlin.—Finland is making great endeavours to extend her connections with the outer world and thereby increase her home trade and traffic. Thus the Finland-America service has been recently instituted, and the Finnish Government has concluded shipping and trade agreements with Germany, Norway, Turkey and Greece, while serious efforts are being made to extend and modernise the port of Abo. A new plan for the promotion of communications has recently been made public, the President having proposed to the port authorities at Helsingfors a scheme for the establishment of a direct service from Helsingfors, via Reval, Riga and Eydtkuhnen, to Berlin. This plan has attracted the attention of the Governments of Estonia, Latvia and Lithuania, and representatives of the two countries most keenly interested, Finland and Estonia, have met in Reval to discuss the scheme. Estonia has even gone a step further in the matter by making agreements with Latvia, Lithuania and Germany with regard to transit traffic from Reval through Riga and Eydtkuhnen to Berlin. The project will doubtless be of interest to Sweden also, for if the plan is realised it will offer competition to the Abo-Stockholm route, the Trelleborg-Sassnitz route, and the Baltic lines from Finland to Stettin, Lübeck, Copenhagen and the British ports. It remains doubtful what the prospects may be of opening a line where a number of competing routes already exist, but should the Governments of the countries concerned declare themselves willing to open the proposed line regardless of cost, technical difficulties will present no obstacle. The most difficult stretch of the route will lie across the Gulf of Finland between Helsingfors and Reval. At present two small steamers run three times a week during the summer season between the two ports, while the Stettin boat of the Finska Angfartygsbolag also touches at Reval during the summer. In the winter months one small steamer, specially strengthened against ice, runs on this route, but gradually as the conditions grow more severe Hango becomes the port of destination in place of Helsingfors. In the most severe of the winter months this steamer is quite unable to reach Reval, although ice-breakers are available on both coasts. Under ordinary circumstances, in spite of some difficulties, the service between Reval and

Helsingfors can be maintained by means of this steamer. A through service between Helsingfors and Berlin would naturally bring a greater number of passengers than the present connection, but a regular daily service would demand two strong winter steamers for this route and an adequate ice-breaker service on both coasts. In place of steamer connection, there is also the suggestion of a steam ferry. The crossing takes generally about three hours and in the summer months a ferry of this description could easily make the double journey each day, while a reserve boat would have to be held in readiness for the winter. The cost of a steam ferry for this route would run into some Fmk.25 mill., while the working costs are estimated at about Fmk.2 mill. yearly. There would, however, be other additional expenses. In order to assure the winter service when the Gulf of Finland is full of ice and the lightships have been towed in, it would be necessary to erect a lighthouse on the Aerans-Grund. Such a construction on that dangerous bank, which lies at a depth of only 10 to 12 feet, would involve the expenditure of another Fmk.30 to 40 mill. Of course no private firm could take up so costly a proposition, even with the help of a State subsidy. Either Estonia or Finland, therefore, or both States together would have to take up the task. Even these two States, however, could not launch out in a costly experiment of this description without having a guarantee of interest on the capital expended in the shape of steadily growing traffic on the route. (*Hamburger Fremdenblatt*, Sept. 8.)

FRANCE

FINANCE AND GENERAL

M. Poincaré's Financial Policy: an Authoritative Criticism.—Now that M. Poincaré has declared himself in favour of the ratification of the Franco-American trade agreement and has thus disclosed what will be the next stage in his financial policy, a prominent French authority, M. Piétri, former Under-Secretary in the Briand-Caillaux Cabinet, has published in the last issue of the *Revue de Paris* a critical study of the Government policy. M. Piétri's opinions, which have already been quoted in THE ECONOMIC REVIEW (June 11), are generally commented on in the Press.

In the heading of the article itself he opposes the Poincaré plan to the Caillaux plan. Both are based, according to M. Piétri, on the principal suggestions of the Experts' Committee, but the difference between them is that the Caillaux plan was framed on the same ideas as those of the Experts, while M. Poincaré applied these ideas reluctantly, under the pressure of events and against the opinions he formerly held.

M. Poincaré's financial measures are the same as those recommended by the Experts: increased revenue (taxation), partial redemption of the floating debt, advances secured by the Tobacco Monopoly if necessary, stabilisation of the exchange by means of foreign credits, and last, but not least, ratification of the debt agreement with the United States. The weak point of M. Poincaré's policy as opposed to that of M. Caillaux is that all these measures are not parts of a whole, but are quite distinct and have no connection with one another. Confidence in M. Poincaré as well as his first measures provoked a fall in the exchange. But the general level of the exchange is still far from purchasing power parity, retail prices in France being 5½ times higher than before the war, while in terms of francs they are 8 to 9 times as high in other countries. To endeavour in these conditions, as the present Government is doing, to lower the level of prices is to attempt the impossible. This would be possible if the purchasing power parity were approaching the level of the exchange and if this level were stabilised. But in M. Poincaré's scheme stabilisation is a quite distinct chapter, to be dealt with in the future.

This lack of interconnection is also found, according to M. Piétri, in another part of the present policy. A new burden of taxation (11 milliards for 1926 and 1927) is imposed on the French taxpayer. This figure is far in excess of that proposed by the Experts (8 milliards for the two years). The yield of fresh taxation is to be utilised partly for the redemption of the floating debt, and this part may even be paid in Treasury bills; but the remainder of the new taxes (some 9 milliards) may provoke an increased demand for the repayment of Treasury bills on the part of taxpayers in need of money. Thus the new taxes instead of alleviating the situation of the Treasury may make it still worse. It is for that very reason that M. Caillaux reduced the burden of fresh taxation to only 5 milliards. In M. Poincaré's scheme the taxation problem is quite independent of that of the repayment of the floating debt, which may provoke a failure of the whole system. Public confidence and the increased rate of interest attached to the bills are factors which can only counter-balance it for a certain time.

Postponement of the ratification of the debt agreement also endangers the whole scheme. If Parliament refuses to vote this measure all the results already achieved will be lost. In the opinion of M. Piétri, the sacrifice imposed on the French people should only be prescribed along with ratification, in order to ensure that non-ratification, together with the subsequent fall of the franc, will not bring the heavy effort to nought.

It seems now that the question of the debt agreement is approaching a favourable solution, but the question of the repayment of Treasury bills, on which M. Piétri lays special stress, still remains. The law relating to the "Caisse de Gestion" which is to administer the floating debt permits advances from the Bank of France to the Caisse, but within the limits of the legal amount. M. Piétri thinks this stipulation an unhappy compromise, and asks how the question will be solved if the demands for repayment exceed the authorised limit. The credit restrictions and the economic difficulties accompanying stabilisation will probably react on the volume of the demands for repayment of Treasury bills. Whether these demands are to be met by means of fresh note issues or in some other way, the question remains a very difficult one.

TRADE

The Movement of Prices in September.—After the sharp fall in wholesale prices shown in the August figures (due to the fall in the rate of exchange) the recently published statistics for September show a steady recovery:—

	General		Goods.	
	index-number.	Home-produced.	Imported.	
July ...	854	733	1,074	
August ...	785	722	902	
September ...	804	743	912	

Owing to the comparative stability of the exchange the rise in imported goods is smaller than that of those produced within the country, which show a steady upwards tendency. This rise is much more accentuated in the case of foodstuffs than in that of industrial products:—

	Foodstuffs.		Industrial products.	
July ...	703	885		
August ...	672	885		
September ...	706	889		

As regards retail prices, which did not show a fall in August, they are steadily on the increase:—

July ...	574
August ...	587
September ...	590

INDUSTRY

Progress of the Metallurgical Industry during the Half-year.—The figures of monthly production of the French metallurgical industry show continued progress. In August the total pig iron output reached 813,500 tons

as against 792,000 tons in July, while crude steel production amounted to 704,447 tons as compared with 718,109, thus showing a slight decrease.

The total output of pig iron during the first six months of the year actually attained the high figure of 4,593,348 tons, or an increase of 12.3 per cent. as compared with the corresponding period of last year. The production of crude steel during the half-year was 4,097,680 tons, which represents an increase of 14.4 per cent. over last year's production.

The increase in the output of iron ore for the half-year over the output in 1925 amounted to 9.2 per cent. (18,834,357 tons as against 17,239,146 tons). The shortage discovered by this comparatively low ratio of increase has been partly compensated by the increase in ore imports (chiefly from Belgium-Luxemburg and Algeria); these imports during the half-year totalled 654,020 tons as against 536,456 tons last year (an increase of 22 per cent.). The export of iron ore shows no important change (5,191,151 tons as against 5,140,062).

The consumption of iron ore by the blast furnaces was 12,434,719 tons, as against 11,162,205 tons in 1925. It is very interesting to note that the export of pig iron, which does not represent a very high figure, experienced very small change (334.1 thousand tons as against 332.6 thousand). But a most marked increase is to be observed in the exports of half-finished products (steel), which rose from 927,014 tons to 1,041,934 tons. A similar tendency is to be observed in the case of rails, cast iron goods, tubes, and other finished products. There is a decrease of about 13 per cent. in the exports of old iron, which is due to an agreement concluded at the beginning of the year.

If we compare the actual metallurgical production within the confines of pre-war France with that of 1913, we will see that the output of pig iron equals the pre-war rate, while crude steel production shows an increase of 15 per cent. As regards the different regions, greatest progress is recorded in the reconstructed North, where a 25 per cent. increase is noted in steel production as compared with 1925; the Eastern region, however, which represents about three-fourths of the French metallurgical production, shows much slower progress, about 9 per cent. as compared with 1925.

AGRICULTURE

Results of the Harvest.—The Ministry of Agriculture publishes the results of the inquiry into the state of the harvest. The figures as compared with last year's are as follows (in tons):—

	1926.	1925.
Wheat ...	6,765,973	8,990,482
Rye ...	846,108	1,109,075
Maslin (mixture of wheat and rye) ...	111,298	123,932
Barley ...	1,176,045	1,026,781
Oats ...	6,128,315	4,755,807

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Market**

A Monthly Review

Published on the 1st of
Every Month.

Publishing Offices: 25, Havlickovo nam. Prague II.
Annual Subscription, including postage, 10/-.
Advertisement Rates on application.

The Ministry of Agriculture lays stress on the fact that the specific weight of the grain this year is higher than last year. The percentage of flour to be extracted from the grain (laid down by law) is to be fixed at a higher rate; moreover, 10 per cent. of substitutes are to be included in the grist. All these considerations lead the Ministry to anticipate that the necessary imports of wheat during 1926-27 will amount to about 1,200,000 tons instead of to about twice that figure, as predicted by certain authorities. This import of 1,200,000 tons of wheat is an unfortunate item in the French balance of trade of more than 2 milliard francs, compared with a total value of imports (calculated at the rate of the first six months) of about 60 milliard francs for the year.

GERMANY

POLITICAL AND GENERAL

The New Tariff Policy.—There were two factors in 1925 which rendered the stimulation of German commercial policy at once necessary and possible, the termination of inflation and the recovery of Germany's freedom of action in regard to commercial policy. The stabilisation of the German currency in 1923-24 forced German commerce to fall back on a basis of calculation which, in comparison with the inflation conditions just ended, might appear normal. Under these conditions Germany had to forego the use of that "illegitimate" weapon of trade policy, the artificial facilitation of export and restriction of import afforded to her at least for a time by an inflated currency. The protection of the home market from swamping with foreign goods and the re-opening of markets for home products must now be achieved by means of a determined commercial and customs tariff policy.

The first result of Germany's recovered freedom of action in regard to commercial policy was the opening of trade agreement negotiations between Germany on the one hand and England, France and Belgium on the other consequent on the London Conference of August 1924. Negotiations were then entered into with other countries. It became apparent in the course of these negotiations that the existing German Customs tariff—the old Buelow tariff of 1902, which during the war and post-war periods had been altered in all directions—could not by any manner of means be regarded as a suitable instrument for negotiation. Moreover it was widely believed in German economic circles that it would not be possible to meet foreign competition once the inflation basis of calculation had been removed, and a clamour arose for a large increase of the individual Customs rates without adequate justification. Thus the Government's intention to provide a suitable instrument for future trade agreements and the endeavours of various economic branches to secure protection by means of raised Customs duties led to the evolution of the Customs tariff scheme of August 17, 1925.

If, when we now look back over the year in which this scheme has been in force, the estimate of its commercial and political value is not a very high one, this scanty favourable judgment must be attributed to the incompatibility of the two aims which led to its formation. While the Government held tenaciously to its idea of the negotiation value of the Customs rates, and under pressure of public opinion, which associated the failure of the price reduction campaign with the Customs policy, insisted more and more on this side of the question, the inclination towards high Customs duties grew in the interested quarter, where they were regarded in the light of protection for home industry.

It cannot be denied that German commercial policy has always been at pains to secure, not without dexterity and a certain amount of success, the setting aside of

trade restrictions. Germany has to-day no less than forty trade agreements with various States, and negotiations are at present pending in regard to ten more such treaties, but nevertheless there is a growing wave of criticism with regard to the methods of German trade policy. This criticism originates in economic groups which play a very important part both within the German economic system and also in export. It is directed not so much against the most favoured nation principle as such, the application of which is generally accepted as necessary for the eventual establishment of orderly relations in world economies, as against the application of the most favoured principle on the basis of the Customs tariff scheme of August 1925.

The shortcomings of a commercial policy that bases itself on the androgynous nature of the German single tariff and a certain overrating of the most favoured nation principle have become generally apparent. The single tariff occasions difficulties and delays in the reduction of rates in the course of trade negotiations, and indeed strikes at the root of the construction of the trade agreement system altogether. For it will readily be understood that other States hold back in regard to concessions and preferential treatment until Germany's application of the most favoured nation principle has assumed an adequate substantial form. On the other hand, contracting parties, in view of the uncertainty of the extent of Germany's most favoured nation concessions and the impossibility of coming to terms, offer so little that a mere formal treaty is finally agreed upon, which does nothing practical towards breaking down Germany's commercial isolation. A noticeable endeavour to effect treaties which involve very few tariff reductions while containing the most favoured nation clause has been instrumental in calling forth a storm of criticism against the excessive value placed upon the principle.

It must be admitted that the most favoured nation clause is only of value where it secures an open door to commercial policy, so that no high protective duties are enforced against the country to which it is accorded. If the clause is not instrumental in pulling down international tariff barriers, it merely means that all foreign comers into the markets of a country granting most favoured nation terms will be treated equally badly. The case is virtually the same when tariff concessions are only made in respect of goods in the export of which Germany has but little interest. In cases such as these the most favoured nation clause is a mere form and does not help in the least to extend German world economic relations.

The difficulties presented by the reduction of tariff rates could easily be obviated by the introduction of a double tariff. Naturally any two-column tariff which might be introduced in Germany would not be built up on the plan of the French maximum-minimum pattern. Such a tariff has a strong protective character and would therefore run counter to German commercial policy. In cases where Germany can be sure of securing from the other contracting party corresponding concessions, there need be no fear of making these tariff reductions too great. The only kind of double tariff which would be suitable for Germany would be one after the Spanish pattern. This double tariff possesses a higher and lower column and additional agreement rates which may lie below the lower column. The higher column serves as a protective tariff, and is used against such States as may not be inclined to enter into a trade agreement or make concessions, and whose policy is to keep German goods out of their markets by a corresponding Customs policy. The lower column could serve as a general agreement tariff, to be applied in the case of countries applying a similar tariff to Germany, or against most favoured nation promises of a sufficiently substantial character. Intermediate rates could be fixed for countries against which it was not desirable to enforce the protective tariff, and who yet had nothing

corresponding to the lower column to offer. Just as to-day we have ceased to handle free trade and protection as mere dogmas, the idea of a double tariff and the most favoured nation principle should no longer be played off against that of the single tariff and reciprocity, and the practical point of view should alone be considered in forming Germany's new Customs policy. The greatest care would have to be observed in turning to the double tariff, in the light of the experience gained in the employment of the single one. As the Minister of Economics, Dr. Curtius, recently observed, "The decision as to which of the two systems is now to be adopted for Germany must be arrived at purely from the point of view of practical utility, as upon it must largely depend the further commercial and political development of Europe." If we thus arrive at the conclusion that the further commercial development of Europe and indeed of the whole world demands a better instrument for negotiation in the hands of the German Government than the Customs tariff scheme which expires on July 31, 1927, the first step towards the removal of international trade restrictions must almost inevitably be the introduction of a two-column tariff for Germany. (*Hamburger Fremdenblatt*, September 30.)

FINANCE

August Bank Balance-Sheets.—The interim bank balance-sheets of August 31 are remarkable for a further increase in deposits, the total for 122 German banks (in June 123) having risen by Rmk.218 mill. to Rmk.5,900 mill. On the other hand, loans have risen by Rmk.193 mill. to Rmk.671 mill. The banks have thus, for the most part, employed the additional means accruing to them to supply the growing demands of the Bourse. Both increases show that the business of the banks has received a further upward impetus during the summer months. The balance-sheets are further characterised by a recent sudden shrinkage in the number of bills by Rmk.108 mill. to Rmk.2,275 mill., while the debit accounts simultaneously rose by Rmk.188 mill. to Rmk.5,964 mill. This phenomenon reflects the endeavour of the clientèle to transform accepted bill credits into current credits with the banks.

There has been but little change in the level of liquidity since June 30, so far as can be discerned from the balance-sheets. In the case of the six great Berlin banks (the Berliner Handelsgesellschaft does not publish interim balance-sheets) the average liquidity figure is 58.6 per cent. as compared with 59.4 per cent. two months ago. In making this estimate, cash in hand, credits with the Reichsbank, credits with other banks, bills, advances on goods, carry-over and loans have been reckoned as liquid funds. (*Deutsche Allgemeine Zeitung*, Oct. 1.)

INDUSTRY

Revival in the Building Trade.—Germany is confronted with the encouraging if somewhat surprising fact that the building market, at a moment when the season is drawing to a close, is experiencing a revival. The causes of this phenomenon will repay examination. The year 1926 was expected to bring with it a boom in the German building market if all the plans formulated last winter by the Government had materialised. About 135,000 new dwellings were constructed in 1925. Everybody was agreed that this increase was inadequate and wanted to utilise the revenue from the increased rents—the prolific house rent tax—to carry out a building programme in 1926 on a much larger scale. On April 1, 1926, the rents of all the old dwellings were to be brought up to pre-war level, and on this basis the Reich revenue from rents was estimated at Rmk.5 milliard. If 20 per cent. of this sum, which serves considerably to augment the administration budgets of the provinces, were set aside for the construction of new dwellings, Rmk.1 milliard could be utilised as cheap mortgage money. The increase in rents was calculated to create

a general desire to build, but these plans and expectations were only destined to come to a very partial fruition. The 100 per cent. of the pre-war rents was only reached on July 1, 1926, and it was decided that no further increase in rents above pre-war level might take place before March 31, 1927. In addition to this a campaign was started in the provinces against the house rent tax. In consequence of these facts the municipal administration was unable to get possession during the real building months of any of the funds accruing from this tax. Persons desirous of building, therefore, were in a fog, not knowing whether and to what extent these funds were likely to be placed at their disposal, so that the financing of the building operations, which nowadays presents so many difficulties, remained in a state of uncertainty. Yet another hope came to nothing. By the law of March 26, 1926, the Reich Government placed a sum of Rmk.200 million for the promotion of the construction of dwellings. This money was to be utilised as follows: the provinces were to receive proportionate shares of the total (Prussia, for instance, was to receive Rmk.120 million). The mortgage banks of the provinces could only issue the mortgage money against proper security in the form of mortgage deeds on buildings already constructed, and the money lent had to be repaid within one year. Thus the mortgage banks, in order to make themselves perfectly secure, were only prepared to lend to the builders for periods of from seven to nine months. This stipulation naturally acted as a deterrent on would-be borrowers, particularly as the interest charged by the banks amounted to 7½ per cent. Short term money was to be had in the open market at a cheaper rate. A further hindrance was offered by the conditions laid down by the provinces, which gave preference to premises built according to the special so-called economical construction methods. The result was that the building market did not profit as much as had been expected from the Rmk.200 million credit (in Prussia up to the end of July only Rmk.40 million had been taken up). It was only in August that a suggestion was made for the alteration of the conditions of the credit. The interest was reduced, and the period for repayment was extended to three years. Prussia now pays the Reich 6½ per cent. for the money lent, and lends it at the same rate to the districts.

All these difficulties in the public distribution of money must be taken into account in analysing the present autumnal revival in the building market. Building activity began very late in the season this year, and now the work is congested, for an endeavour must be made to get roofs over the buildings before the cold and rainy season sets in. There is moreover a desire

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to bring dwellings near enough to completion to profit by the present tolerable credit conditions, which may easily become more difficult with the approach of winter. Apart from new construction the building trade has this year derived greater possibilities in respect of occupation than in any previous year from repairs on a large scale to pre-war buildings. This is one result of the increased rents which is very welcome, if only from the point of view of improvement in the labour market. This work is surely more important from an economic point of view than the construction of new houses, for the 15 million old houses that were threatened with decay have thus a chance of being thoroughly repaired. In accordance with a resolution of the Prussian Landtag of June 23, 1926, a certain proportion of the revenue accruing from the house rent tax is to be set aside for the repair of old houses, and will be placed at the disposal of householders on certain fixed conditions. Thus the city of Berlin has ear-marked a sum of Rmk.2 million for this purpose, repayable in three years at a rate of interest of 6 per cent. This is an example which might well be imitated.

If the building market has this year profited by repair contracts, it has lacked the industrial construction which was so freely entered upon in previous years, particularly during the inflation period. It is a remarkable fact that at the recent general meeting of the largest potash concern (Wintershall) it was announced that the last instalment of the great investment credit would not be taken up because the building programme of the concern had been curtailed. It is rumoured that other large industrial concerns will follow the example of the Wintershall and curtail their building programmes. This proceeding is praiseworthy from the standpoint of new undertakings and of the capital market, but in view of such an attitude there can hardly be any talk of a present or imminent boom in the building trade. The price of building materials shows an upward tendency, and hopes are placed in the labour-creating programme of the Government, but this programme is at present lacking the most important factor of financial backing. (*Deutsche Allgemeine Zeitung*, Sept. 26.)

Position of the Silesian Industries.—The hard coal output in German Upper Silesia amounted to 1,554,760 tons for 26 working days in August, showing but little change as compared with the previous month, when 1,587,181 tons were produced for 27 working days. Foreign sales, in consequence of the simmering down of the coal strike in England, dropped to 184,366 tons (in July 362,850 tons), but the home demand, on the other hand, improved considerably. Large coal was in demand for agriculture as well as for the Reichsbahn. Business in industrial varieties and in household coal has also improved. Sales of coal-dust leave much to be desired. Shipments on the Oder increased in August and amounted to a total of 190,339 tons as compared with 162,591 tons in the previous month. The favourable effects of the British strike on Upper Silesia are shown by the reduction of the standing stocks, which have fallen from 120,000 tons at the end of June to about 20,000 tons. An improvement has also occurred in the labour conditions, as new hands have been taken on during the last two months. At the end of July a total of 48,191 workers were employed in the mining industry. Wages disputes were settled by the arbitrator's decision, which was given on July 23 and came into force a week later. An agreement was arrived at in the beginning of the month with regard to an increase of wages for individual groups of shift-workers.

Unfavourable conditions in the coke market still continue, as the chief consumers, the Upper Silesian blast furnaces, are very inadequately occupied. The increase in sales in comparison with July, amounting to 90,000 tons, is solely due to increased exports. The standing stocks have fallen from 179,000 tons to 163,000 tons. The situation is somewhat better in the briquette market, the 32,000 tons produced having found a ready market. Stocks have been slightly reduced.

The Polish Upper Silesian mines also profited by the British strike, and showed a further increase in output and sales figures during August. The total result amounted to 2,646,020 tons, or 101,770 tons per working day, 797,706 tons of which was placed on the home market and 1,601,418 tons abroad. Coal prices and wages remained unchanged. The supply of waggons by the railways leaves much to be desired. A total of 254,937 waggons were requisitioned, but only 216,937 could be supplied. A small improvement has taken place in the Lower Silesian coal mining district. According to current returns the output amounts to 18,216 tons per working day. The coke output averages 2,351 tons. There has been an increase both in the home and foreign demand and standing stocks have been somewhat diminished.

No improvement has yet taken place in the German Upper Silesian Foundry industry. The sale of pig iron has augmented slightly, but the demand was not such as to admit of a resumption of the production of foundry iron, which has come practically to a standstill during the last few months. In the sheet rolling and refining works the position continues to be unfavourable. In the tube market the demand for seamless and sweated tubes was unsatisfactory, while the orders received for cast tubes show an increase. There is a large demand for zinc sheets, so that the stocks at the rolling mills are exhausted and the current output can hardly keep pace with the requirements.

Business is very quiet in the mirror-glass industry export being rendered almost impossible by the great fall in prices. The slight improvement observed in July in the china industry has been maintained in August, although some departments at the works are still working short time. There was a revival in the business of the cotton spinning mills in the second half of the month. In consequence of the increased demand for yarns the spinning mills were able to keep their works going for four or five days a week and they have effected a reduction in their stocks. The position of the cotton weaving mills also improved. Whereas formerly large forward contracts were usually made, business now chiefly consists of small quantities for immediate delivery, paid for in most cases cash down. In the Silesian linen industry it is believed that the lowest point of the crisis is now past, and that the improvement observable during the last few weeks is likely to be maintained. Consumers, whose stocks are now for the most part exhausted, are starting to replenish; but any prospect of making profits is very small in consequence of foreign competition. The flax harvest in Germany will probably be an average one, as, owing to the heavy rainfall, a large proportion of weeds has grown up with the flax.

In the timber market a slow increase in prices is concurrent with an increased demand for mining timber. There is also a lively demand for wood material for building purposes, for the long expected revival in the building market has at length materialised. In view of the ample supplies there has been no change in price up to the present. (*Deutsche Bank, Wirtschaftliche Mitteilungen*, Sept. 1926.)

The Stahlverein and the United States Steel Corporation.—Judging by the company's latest circulars the Vereinigte Stahlwerke (United Steel Works) have accomplished much since their foundation in solidifying and re-grouping the different organisations under their control, and have thus become a distinct entity and the largest steel enterprise in Europe, surpassed only by the United States Steel Corporation, which has been in existence for twenty-five years.

Interesting conclusions on the founding and developing tendencies of the infant German steel combine can be drawn from the following comparison between these two gigantic organisations, both of which command from 40 to 50 per cent. of the iron and steel production of their respective countries. The productive capacity

of the United States Steel Corporation as regards steel, the most important product of both companies, is approximately three times as great as that of the German Stahlverein. A similar ratio also holds good for the valuation of their respective plants and properties; it must be remembered, however, that the Stahlverein's property accounts are based on property estimates. A comparison between this estimate and the very carefully computed low accounts of the Stahlverein's plant and property reveals considerable hidden reserves, mostly of a non-liquid character. The Steel Corporation, on the other hand, has fewer concealed and decidedly greater visible reserves. The liquidity of the American concern, whose liquid funds appeared in the last balance-sheet as amounting to Mk.1,200 million, is therefore much greater than that of the Stahlverein.

The inherent value of both enterprises, based on plants and property accounts and productive capacities, is of conditional importance only. The actual figures of production clearly show that the plants of the Steel Corporation and even more so those of the Stahlverein are not being worked at their greatest capacity. Since these figures, however, are the basis for estimating profits, they are far more important in making valuations of any kind, and particularly so for estimating the companies' stocks.

Calculations based on the figures for 1925 show the Stahlverein's coal production as amounting to 73 per cent., the pig iron production to 32.3 per cent. and the steel production to 26 per cent. of that of the Steel Corporation. The Stahlverein's production figures, which cover the original companies only, are now slightly higher, because several other plants, such as the Charlottenhutte and the Stumm concern, have since then joined the Steel Combine. Employment figures do not offer an adequate basis for comparing the volume of production, because the Stahlverein's coal production which requires a good deal of manual labour, is relatively large and because the steel and iron plant of the American company seem to be worked on more labour-saving lines.

A comparison between the two companies' production figures and their respective stock capital and long term obligations does not present a picture unfavourable to the Stahlverein. In proportion to its production the German trust has a relatively small capital stock and smaller liabilities. It does not necessarily follow that because the respective organisation and production figures are at a ratio of one to three that the Stahlverein's profits will come to 33 per cent. of the earnings of the Steel Corporation. The Stahlverein's less favourable market and turnover conditions must be taken into account in estimating future profits. While the Steel Corporation can place 90 per cent. of its total output on the home market at prices protected by high Customs duties and exports only 10 per cent. of its production, the Stahlverein sells but a small proportion of its output in the home market protected by relatively low tariff charges, and must dispose of the greater part of its output in a highly competitive world market. The percentage profits of the American concern may be higher, therefore, than might be expected judging from the volume of production of both companies. Another factor in favour of the United States Steel Corporation as regards profit income is that its iron and steel works were operating at 78.4 per cent. of their capacity in 1925, whereas the Stahlverein is only working at 60 to 65 per cent. of its capacity.

In view of the less favourable market and turnover conditions the American estimates of the Stahlverein's annual operating profits may prove correct. After

deductions and overhead expenses they have been estimated at only Rmk.118,907,704 according to the American circular on the German Steel Trust Loan. This figure would represent 15.8 per cent. of the American company's annual earnings, while the Stahlverein's volume of production is approximately 30 per cent. of that of the Steel Corporation.

Taxes and interest payments must also be met out of the company's earnings. The interest service of the Stahlverein on its debentures requires a sum of Rmk. 27,447,000 annually, or 24 per cent. of the interest payments made by the Steel Corporation. The ratio of the obligations themselves is only 19 per cent. This difference is due to the fact that the Stahlverein is paying 6½ to 7 per cent. interest, while the American company pays only 5 per cent. After deduction of the interest plus amortisation services of the next few years, the operating profits of the Stahlverein would permit of the payment of a dividend of 9.1 per cent. on the entire capital as compared with 16 per cent. available for the Steel Corporation. The latter, however, yielded but 7 per cent. last year. Large amounts of the profits were used for payment of taxes, or tax reserves, and for reinforcing other reserve funds. The Stahlverein, in drawing up its future balance-sheets, will doubtless also curtail its profit account by similar items, particularly by setting aside larger reserves. Nevertheless there should remain a surplus large enough to allow of the distribution of a fair dividend for the first year of the company's existence.

In comparing the two organisations it must be remembered that the business volume of the American company has been steadily improving during the last few years, while the Stahlverein has just recently been founded, and that at a time when the German iron industry was passing through a severe crisis. A comparison of business results must therefore be decidedly in favour of the American company. Taking the latter company's early years as a basis of comparison, however, when its output, based on the same capital stock and higher obligations, amounted to one-half of its present production, it will be seen that the Stahlverein has been built up on a relatively better foundation. The United States Steel Corporation after its foundation in 1901 worked with rather meagre results for a number of years. The company failed to pay a dividend in 1904 and 1905 and distributed only 2 per cent. during the next three years. Similar economic influences would also have a bearing on the results of the Stahlverein, although they would be likely to be less unfavourable than those of the Steel Corporation during the first years of its existence, since the former company was founded on a relatively better basis. The economic development of the German industry may, on the other hand, show an upward movement consequent on international iron agreements and increased home consumption, which would necessarily raise the Stahlverein's turnover possibilities and increase the utilisation of its productive capacity. With these points in view the German company need in no way fall short of the American organisation. (*Hagen & Company's Review*, Sept. 23.)

UNITED STATES

The Wheat Crop.—In spite of the abundant crops of a year ago Europe has no large carry-over of old wheat, says *The Guaranty Survey* published by the Guaranty Trust Company of New York on September 27, and the indications are that this season it will have a crop at least 225,000,000 bushels below that of 1925-26, exclusive of Russia. The demand will be increased by the fact that the rye crop is 200,000,000 bushels smaller than last year and that this year's crop of wheat is of poor quality. It is estimated that Europe will purchase about 560,000,000 bushels of foreign wheat and other countries 144,000,000 bushels, a total of 704,000,000 bushels.

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The United States and Canada must furnish probably 500,000,000 bushels of this amount.

The size of the Canadian crop is still in doubt. The latest official report of the Canadian Government estimates this year's crop of wheat at 399,000,000 bushels, as against 411,375,000 bushels produced a year ago. Should this estimate prove to be correct, the demand for our wheat would be increased. The majority of private reports have estimated the final output of Canadian wheat at about 350,000,000 bushels, while some forecasts have been as high as last season's total. Weather conditions in Canada have taken a decided turn for the worse in the last few weeks.

Of the principal wheat-exporting countries, the United States is the only one with more wheat than a year ago. The Department of Agriculture in its report of September 1 estimates this year's crop of winter wheat at 626,428,000 bushels, which compares with 395,610,000 bushels harvested in 1925. Spring wheat indications are for 212,109,000 bushels, as against 270,875,000 bushels produced last season. It is reasonable to expect that out of this total of 838,537,000 bushels at least 200,000,000 bushels will be available for export in 1926-27.

The excellent crops harvested throughout Europe during the last season, combined with the disappointing harvests in this country, resulted in a considerable decrease of our wheat exports in 1925-26. Europe produced 500,000,000 bushels more of bread grains last season than in the preceding year, while production in the other important wheat-exporting countries was either average or better, so that their export surpluses satisfied the existing demand. Our export trade in bread grains amounted to only 32.3 per cent. of a total of 195,490,000 bushels exported in 1924-25. Exports of flour also declined to about 70 per cent. of the volume of the year before.

France imported from this country less than 5 per cent. of the amount of bread grains imported in 1924-25, and Italy only 11 per cent.; while our exports to England, the largest consumer of our wheat, amounted to only 41 per cent. of the amount exported during the previous season. Being affected by the same factors—namely, a large increase in European production and a decrease in the domestic crops in 1925—our exports of rye also declined considerably, amounting to only one-fourth of the preceding season's total of 49,910,000 bushels.

In forming an opinion as to probable price levels for the present crop year we must take into consideration the whole world's outlook. Although wheat is a staple food, the demand for it is not unvarying. The Europeans apparently learned during the war to consume less when they produced less. The demand for our wheat will be, no doubt, decreased to some extent by the restrictive measures which several European governments are introducing to curtail the consumption of wheat. American farmers should not permit themselves to be misled by the relatively high prices received last season, when our prices were on a domestic basis owing to the smallness of our crops. The existence of a large export surplus this year will put wheat prices back on an export basis and force the farmers to meet foreign competition. This is already evident in the relationship between prices in this country and in Liverpool. While the domestic price of wheat is considerably lower than last year on account of larger winter wheat crops, the world price level in Liverpool remains about the same as a year ago.

Large European buying early in the season has helped to prevent a marked decline in wheat prices, although the movement in the last few weeks has been gradually downward. Our exports to Europe during the eleven weeks ended September 16 amounted to 99,202,312 bushels, as against 64,598,794 bushels a year ago. Europe has adopted a waiting attitude, anticipating lower prices on the basis of reports from Canada which indicate a large crop. The future of the market will depend in great measure on whether the final output of

Canadian wheat turns out to be near the maximum or minimum estimates.

The Department of Agriculture anticipates wheat production totalling 2,861,000,000 bushels in the twenty-seven countries of the Northern Hemisphere. This represents an increase of 1.2 per cent. over the total crop of those countries last year. Russia is not expected to produce more wheat than a year ago. Reports from Australia and Argentina indicate that production in those two countries will be about normal. These crops, however, are still in the growing stages, and present prospects may be greatly modified by the weather. All things considered, it appears at present that the world supply and demand will be balanced at a price at least as high as the present level. Of course, a tendency toward lower prices would result from abnormally large harvests in Australia and Argentina, which are among the chief elements of uncertainty in the present situation, and from an unexpectedly large output of Canadian wheat. On the other hand, any serious damage to crops in these countries would turn the balance the other way. Some authorities believe that the probable strength of European demand for American wheat has been greatly underestimated, and that this fact will be reflected in prices later in the season.

In spite of the fact that the market price of wheat during the present season has been considerably lower than last year, farmers have apparently been receiving fairly remunerative prices. The movement during July, according to the Department of Agriculture, was the heaviest in years, 68,200,000 bushels having been shipped to market in that month as against 18,505,000 bushels in June and 37,919,000 bushels in July 1925. Exports of wheat in July reached the high figure of 19,811,000 bushels, which compares with 8,932,000 bushels exported in July last year.

The freedom with which the farmer has parted with his product suggests that the money price which he has received for it has not been far below his expectations. The fact that American farmers are contemplating an increase of 14.4 per cent. in winter wheat acreage for the coming season seems to point in the same direction. Should these plans be realised, the total acreage planted to winter wheat would be increased to 45,064,000 acres, as against 39,540,000 acres planted last fall. The wisdom of this step is doubtful. This year, in spite of the shortage of crops in Europe, the market price, as indicated above, may remain at lower levels than last year. Marked price weakness would undoubtedly ensue if a large export surplus produced on this increased acreage should come into competition with average or better than average crops in Europe and the other exporting countries.

Among the factors determining net returns to farmers, insufficient emphasis has been placed upon the economy in grain raising which has resulted from the wide adoption of mechanical devices in the last two years. It has been estimated recently that tractor farming has reduced the cash wage item on farms in eighteen States by \$132,000,000 a year.

THE United States, with an estimated population of 115,000,000 and a foreign trade somewhat less than that of the United Kingdom, bought and sold merchandise in the world mart in 1925 to the value of about \$70 per capita; while the United Kingdom, with a population of about 48,000,000 and a foreign trade of approximately \$10,000,000,000, reached \$220 per capita. The pre-war ratios were \$42 per capita for the United States and \$150 per capita for the United Kingdom, indicating a net expansion of 66 per cent. in the case of the former as compared with one of 47 per cent. in that of the latter.

THE foreign trade of the United States in vegetables in 1925 included imports to the value of \$20,724,937 as compared with \$15,906,868 in 1924, and exports to the value of \$10,291,451 as compared with \$11,217,471.

THE past year witnessed a considerable development in Czechoslovak purchases of United States goods, the

volume of imports reaching a grand total of 140,285 metric tons to a value of Cz.Kr.1,117,084,000 or approximately \$33,512,520. This represents a gain in weight over 1924 of 38,000 metric tons or 36 per cent. and in value of \$6,800,000 or 26 per cent.

IN 1925 the United States supplied about 18 per cent. of the United Kingdom imports, or more than any other single country. On the other hand, United States imports from the United Kingdom have decreased relative to the United States total trade as compared with pre-war times from 16.5 per cent. to 9.8 per cent.

SOUTH AMERICA

BRAZIL

The Commercial Situation.—During the last few years Brazil has passed through a series of difficult crises, and although fundamentally her recuperative resources have proved sufficiently strong to surmount these occurrences, yet their transitory effect is not negligible. The situation at the end of 1922 was a depleted reserve of the National Treasury, a budgetary deficit of over £11,000,000, a fiduciary currency depreciated by inflation beyond a limit of sound economy, and in addition political unrest, coupled with sporadic revolts which necessitated constant expenditure and vigilance, and military operations in various parts of the country.

The Brazilian commercial circles, that should have welcomed the beneficent effect of President Bernardes' financial policy, have apparently, states the *Monthly Review of the Bank of London and South America* (August), not exercised the requisite foresight to adjust their interests to the more stable conditions which the President fostered. From the end of the war until 1921 the importation of foreign merchandise on a large scale was facilitated by the high prices realised for Brazilian produce and the high rates of exchange then ruling, as also by the substantial balance of trade in favour of this country. But from the time when the value of the milreis first declined below 7d., in June 1921, the importation of dry goods, for example, became jeopardised, though national industries simultaneously received considerable impetus, and for some five years they have enjoyed a period of unprecedented prosperity and expansion. In principle the right for Brazil to become self-supporting with her own manufactures is undisputed, but some prudent and experienced men have at times offered counsel and warning against the evident excess in local production. The significance of the rising barometer of exchange has been unheeded by many, and when it became profitable to recommence importation of foreign textiles, the opportunity was seized with avidity by those dry goods firms whose anterior business had been almost ruined. As national mills hesitated to reduce their output, the result was stocks accumulating in local mills and importers' warehouses and a plethora of goods offered on the market, with the inevitable refusal on the part of the wholesale houses to purchase more than bare necessities, and then a general alarm ensued enforcing precipitate reduction in prices, with the unavoidable sequence of disastrous failures.

During the summer months a number of very serious bankruptcies and arrangements with creditors have been reported in several of the principal cities, especially from Sao Paulo, and those of one centre have reacted on others, thereby causing a general foreboding and lack of confidence in commercial circles.

While the progressive expansion and prosperity of the city of Sao Paulo has been subject to much appreciative comment, it is to be observed that in the process of its more recent growth a great deal of capital has become permanently immobilised, and the high discount rates which were freely paid last year were a true index of actual and pending financial stress.

Unquestionably the prices for many raw materials were maintained at too high a figure during the past two years. Raw cotton selling at Rs.80\$000 per 10 kilo-

grammes and sugar at over Rs.60\$000 per sack could not be long justified, and those who fostered such conditions really thwarted their own prosperity. Available evidence suggests that sugar exports were purposely restricted and stocks unwisely retained in the belief or hope that assistance would be forthcoming from the Government to valorise sugar in a manner similar to the defence of coffee. However, the international importance of Brazil's production of these respective commodities could not reasonably justify such a project.

In the case of cotton textiles it seems evident that over-production had been allowed to continue too long before restriction was imposed by the reduction of working hours. Many firms of undoubted reputation and stability are now suffering embarrassment because, owing to the paralysed state of the market, they cannot find purchasers for their goods. Consequently the resources of banks are being subjected to exceptional strain in their desire to assist good firms to tide over the crisis. But the rendering of such facilities becomes an increasingly difficult matter, for to withhold accommodation might enforce a really solvent firm into the predicament of not meeting its commitments regularly, and this in effect might cause other normal credit facilities to be curtailed, and thus make failure inevitable.

The Industrial Crisis.—The Republic of Brazil is still in the throes of an industrial crisis, and in spite of the numerous efforts that have of late been made to effect an improvement in the general industrial situation little if any advance can be recorded. Many of the Brazilian industries are yet very young and have been endeavouring to work on scanty capital with but restricted access to credit. Moreover, the experience of many of these concerns in the actual work upon which they are engaged is not extensive. During the time of low exchange they were able to augment their output very considerably; but this early success proved in many instances their undoing. Little effort was directed to rendering permanent, by consolidating the financial position, the progress that had been so easily achieved. The incipient prosperity has proved a false guide and instability has become an outstanding feature of Brazilian industry. The various markets were overstocked with goods and the various industries were not in a position to meet the slack period that naturally resulted.

In authoritative circles the very real danger of the present situation is justly appraised. A restriction of output is counselled and extended banking accommodation has been arranged to assist merchants who cannot readily dispose of their vast stocks. The cotton and woollen manufacturers have agreed to reduce their activity to four days a week. The Government has also been requested to take measures to prevent the milreis rising above its present level, so that the position in the foreign markets may be maintained. It is further pointed out that the depreciation of paper money in circulation has had a very detrimental effect upon national industry, inasmuch as it has led to diminished accommodation and credit facilities. Notwithstanding the seriousness of the present situation, it is believed that an improvement is not far distant if the Government does not fail to render the necessary assistance.

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	6.57
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.

NATIONAL ECONOMY.

Nationalökonomie (Theorie und Geschichte). By Professor Dr. WOLFGANG HELLER. (Halberstadt: H. Meyer's Buchdruckerei.)

This little volume is meant to be a book of reference of theoretical and practical economics, and by far the greater part of it has the form of a dictionary. But the actual dictionary is preceded by two short sections of which the one is a "systematic index of headings" and the other a "systematic review of the matter." Let us say at once that the first of these two sections, i.e. the "systematic review of headings" seems to us extremely unintelligible and unnecessary. It is divided into six main groups, each of which is subdivided into several groups with headings like "Want" or "Goods" or "Production," to quote only a few, and under each of these headings again there is a collection of sub-headings such as "Goods. Free Goods. Economic Goods. Passive Goods. Material Goods," etc., etc. If this collection of words and headings is meant to give the reader a general idea of economics it does not achieve its purpose: the "wide circles" referred to in the Preface will hardly understand it or derive any knowledge from it, while an experienced economist does not really require indications of this sort. The book would not lose its value if this section were omitted in subsequent editions. On the other hand, it would be well to expand the second section, "systematic review of the matter," where a very useful outline of economics is also subdivided into several groups, some of which, short as they are, make very interesting reading; the few lines devoted to the history of economics are too brief, however, and therefore unsatisfactory. We now come to the main part of the book, the dictionary. Justice must be rendered to Professor Heller in that he had to face a difficult task in selecting his matter. It is always difficult when compiling a reference book of this kind to decide what to leave out, and we sympathise with him when he tells us in his Preface that he experienced particular difficulty in selecting the authors to be included in the dictionary. "Since it was a matter of both theory and its history," says Professor Heller, "special attention was given to those authors whose activities have been more prominent in the domain of theory and whose field of activity was mainly theoretical economics." In the light of this it is hardly possible to understand the inclusion of Mr. J. M. Keynes and the omission of Lenin or Tugan-Baranowsky, not to mention numerous other prominent exponents of economic theories. It is strange that a reference book published in 1926 should only contain a very few lines about Communism, with no reference in them to Russia whatsoever. Nor can we find anything about the Dawes Plan, Reparations or any of the problems of practical economics that have arisen since the war. A dictionary that emphatically states on its cover that it is a reference book for theory and practice and which is published in 1926 ought not to ignore these matters. It is true that it is small in size and that the author had many limitations imposed on him by the publishers (the volume is one of a series called "Meyer's Dictionaries of Law and Economics"). But some of it is so excellent that the reader is justified in taking up a critical attitude and demanding more. G. S.

The *Eco Della Stampa*, Corso Porta Nuova 24, Milan, Italy, reads all the daily and periodical papers of Italy through its agency. It was founded in 1901, and since that year has enjoyed the ever-increasing esteem of the public, which is able to appreciate its very valuable work. Its service of press cuttings will be of assistance to the diplomat, politician, business man, artist, or writer in his studies and work, since he is kept, without worry or exertion, in touch with the intellectual, artistic, literary, scientific, industrial, commercial and financial movements throughout the world at very small cost and in the fullest manner. Terms of subscription will be sent on receipt of your card.—*Adv.*

PUBLICATIONS RECEIVED.

Health, Wealth and Population in the Early Days of the Industrial Revolution. By M. C. Buer, B.Sc. (Econ.), Lecturer in Economics in the University of Reading. (London: George Routledge & Sons, Ltd. Price, 10s. 6d. net.)

Journal of the Royal Statistical Society. July 1926. (London: Royal Statistical Society. Price, 7s. 6d.)

La Stabilisation du Franc. Précédée d'une Théorie de la Monnaie et suivie d'une étude sur la Stabilisation du Franc Belge. By Fernand Laurence, LL.D. (Paris: Marcel Giard. Price, Fr. 12.)

Le Negoziamenti Caratteristiche dei Vasti Mercati. Principii di Tecnica Mercantile. By Prof. Ugo Caprara, of the Commercial University Luigi Bocconi, Milan. (Milan: Soc. An. Istituto Editoriale Scientifico. Price, L.95.)

Methods of Amalgamation and the Valuation of Businesses for Amalgamation and other Purposes. By A. E. Cutforth, C.B.E., F.C.A. (London: G. Bell and Sons, Ltd. Price, 25s. net.)

Methods of Compiling Statistics of Industrial Disputes. Studies and Reports, Series N (Statistics), No. 10.—International Labour Office. (London: P. S. King & Son, Ltd. Price, 1s. net.)

Methods of Statistics of Collective Agreements. Studies and Reports, Series N (Statistics), No. 11.—International Labour Office. (Geneva.—London: P. S. King & Son, Ltd. Price, 10d.)

Poland Old and New. Three lectures by Roman Dyboski, Ph.D., Professor of English Literature in the University of Cracow. (London: Humphrey Milford, Oxford University Press. Price, 3s. 6d. net.)

Public Expenditure and Taxation in South Africa. By Samuel Evans, LL.D. (Johannesburg: Office of "The Star.")

Report on the Economic and Financial Conditions in Germany 1925-26. By J. W. F. Thelwall, M.C., Commercial Secretary, Berlin, assisted by C. J. Kavanagh, Commercial Secretary, Berlin.—Department of Overseas Trade. (London: H.M. Stationery Office. Price, 4s. 6d. net.)

Report on the Economic and Financial Situation of Egypt. (Dated June 1926.) By E. Homan Mulock, Commercial Secretary, The Residency, Cairo.—Department of Overseas Trade. (London: H.M. Stationery Office. Price, 1s. 6d. net.)

Shall Labor and Property be Protected by Law, or Shall Stealing be Legal? Shall Wealth be Distributed according as it is Earned, or Shall our Money be Tainted? By Geo. W. Slocumb (Marietta). (Los Angeles, Calif., U.S.A.: The Commonwealth League. Price, 10 cents post free.)

Statik und Dynamik in der Theoretischen Nationalökonomie. By Dr. Rudolf Streller, Lecturer in National Economics in the University of Leipzig. (Leipzig: R. Streller. Price, Mk.5.)

The Agricultural Colonisation of the Zionist Organisation in Palestine. By Dr. Arthur Ruppin. Translated from the German by R. J. Feiwel. (London: Martin Hopkinson and Company Ltd. Price, 10s. 6d. net.)

The American Economic Review. September 1926. (Cambridge, Mass.: American Economic Association. Price, \$1.25.)

The First Year of the Gold Standard. By T. E. Gregory, D.Sc. (Econ.), Sir E. Cassel Professor of Banking and Currency in the University of London. (London: Ernest Benn Limited. Price, 3s. 6d. net.)

The Free Trade Fall. By Francis Francis. (London: John Murray. Price, 3s. 6d. net.)

The Politician and Political Economy. By Samuel Evans, LL.D. Presidential Address to Section F of the South African Association for the Advancement of Science, Pretoria Meeting, July 9, 1926. (Johannesburg: South African Association for the Advancement of Science.)

The Scourge of Europe: the Public Debt Described, Explained, and Historically Depicted. By L. V. Birck, Dr. Sc.Pol., Professor of Economics at the University of Copenhagen. (London: George Routledge & Sons, Ltd. Price, 10s. 6d. net.)

The United States Oil Policy. By John Ise, Ph.D., LL.B., Professor of Economics in the University of Kansas. (New Haven, U.S.A.—London: Humphrey Milford, Oxford University Press. Price, 35s. net.)

The Web of Finance. a Handbook for Reformers. Compiled from Statements by leading Bankers, Financiers, Economists, Statesmen, Politicians and others. By Hugh P. Vowles. (Gloucester: John Bellows. Price, 1s. 2d. post free.)

Twenty-five Years of International Trade Unionism. By J. Sassenbach, Secretary of the International Federation of Trade Unions. (Amsterdam: International Federation of Trade Unions. Price, 1s. 6d.)

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.

EDWIN DELLER, Academic Registrar.

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.
1920.			1923.			1925.					
Jan. 16	367.9	296.6	Apr. 20	198.5	162.0	Jan. 16	174.8	171.0	April 16	148.1	143.6
May 14	391.2	325.5	July 20	177.3	156.5	Feb. 13	175.2	168.9	May 21	150.2	144.9
July 16	418.8	316.9	Oct. 19	166.0	158.1	Mar. 13	172.8	166.3	June 18	151.7	146.5
Dec. 17	257.0	263.8	1924.			April 17	161.9	162.5	July 16	153.9	148.7
1921.			Jan. 18	178.6	165.4	May 15	158.7	159.0	Aug. 20	155.8	149.1
Jan. 14	244.2	245.9	Feb. 15	187.9	167.0	June 19	160.6	157.6	" 27	154.7	
Apr. 15	202.8	204.8	Mar. 14	182.1	165.4	July 17	160.3	157.5	Sept. 3	154.8	
July 15	194.4	194.1	Apr. 18	177.5	164.7	Aug. 14	158.6	157.0	" 10	151.5	
Oct. 14	170.2	180.7	May 16	171.2	163.7	Sept. 18	158.3	156.0	" 17	152.6	
Dec. 16	153.2	167.9	June 20	167.8	162.6	Oct. 16	154.1	154.8	" 24	151.5	
Dec. 30	150.0		July 18	167.1	162.6	Nov. 13	153.2	153.7	Oct. 1	150.9	
1922.			Aug. 15	175.3	165.2	Dec. 18	153.0	153.2	" 8	151.5	
Jan. 20	144.0	164.0	Sept. 19	167.9	166.9	1926.					
May 19	162.1	160.6	Oct. 17	172.5	170.2	Jan. 15	151.6	151.3			
July 14	165.1	160.3	Nov. 14	173.3	169.8	Feb. 12	148.4	148.8			
Sept. 15	161.2	154.3	Dec. 12	171.7	170.1	Mar. 12	146.1	144.4			
Dec. 15	161.2	155.8									

TABLE II.

Date.	Pig iron.	Tin.	Coal.	Linseed Oil.	Cotton.	Wool.	Hides.	Wheat.	Bacon.	Sugar.	Mean.	Date.
Dec. 30, 1921.	100	100	100	100	100	100	100	100	100	100	100	Dec. 30, 1921
1922.												1922.
July 28 ...	92.9	94.5	97.2	157.9	110.1	111.1	97.1	119.0	116.5	119.2	111.15	... July 28
Sept. 29 ...	94.3	95.2	92.9	135.1	105.9	117.8	96.4	82.8	104.0	134.6	105.90	... Sept. 29
Nov. 3 ...	95.5	107.5	100.0	140.3	119.9	133.3	106.5	91.9	104.8	134.6	113.43	... Nov. 3
Dec. 29 ...	89.4	106.7	91.5	138.6	126.0	120.0	93.5	90.4	89.7	138.5	108.43	... Dec. 29
1923.												1923.
May 18 ...	110.8	117.9	128.3	166.7	120.2	137.8	102.9	102.7	91.2	242.3	132.08	... May 18
Oct. 12 ...	93.4	117.1	90.6	150.9	136.4	126.7	84.8	83.0	66.2	145.9*	109.50	... Oct. 12
Nov. 16 ...	97.2	127.4	97.2	149.1	165.8	128.9	87.0	86.2	73.5	132.7	114.50	... Nov. 16
1924.												1924.
Feb. 15 ...	96.7	163.4	96.2	171.9	159.6	151.1	91.3	100.4	65.8	156.1	125.25	... Feb. 15
July 11 ...	89.6	128.9	74.5	140.4	140.6	142.2	92.8	111.5	80.9	101.4	110.28	... July 11
1925.												1925.
Feb. 27 ...	84.0	153.8	69.8	178.9	116.0	160.0	95.7	128.9	88.6	95.3*	117.10	... Feb. 27
Oct. 30 ...	74.5	171.2	59.4	131.6	90.7	115.6	108.7	97.2	94.9	70.6	101.44	... Oct. 30
1926.												1926.
Feb. 5 ...	72.2	165.2	63.2	114.0	92.2	102.2	100.0	114.6	94.1	78.8	99.65	... Feb. 5
Mar. 26 ...	72.2	165.7	60.4	108.8	87.7	102.2	92.8	108.3	97.1	72.9	96.81	... Mar. 26
June 18 ...	73.6	163.6	60.4†	121.1	83.5	109.4	89.9	127.3	105.1	77.6	101.15	... June 18
Aug. 6 ...	77.8	176.5	60.4†	127.2	88.2	103.1	97.1	136.8	98.5	78.8	104.44	... Aug. 6
Oct. 1 ...	92.0	184.0	60.4†	106.1	71.8	103.1	102.9	105.1	92.6	88.2	100.62	... Oct. 1
" 8 ...	92.7	189.0	60.4†	107.0	64.9	106.2	102.9	105.1	93.8	88.2	101.02	... " 8

† Nominal. * Revised Quotation.

SECURITY PRICES.

The following table shows the course of prices for a representative number of industrial stocks and long dated railroad bonds in New York, for twenty representative industrial ordinary stocks in London, and for a selected number of long-dated British Government securities. The prices of the last-named have been averaged exclusive of accrued interest. In all cases the price at December 30, 1921, is taken as 100. Significant maximum figures are shown in heavy type and minimum figures in italics.

IN NEW YORK.			IN LONDON.			IN NEW YORK.			IN LONDON.		
Week ending	Indus- trials.	Bonds.*	Indus- trials.	Gilt edged.	Week ending	Indus- trials.	Bonds.*	Indus- trials.	Gilt edged.		
1920, Jan. 1	128.5	94.1	172.4	99.7	1925, Jan. 3	150.7	101.6	133.8	117.5		
1921, Jan. 1	89.9	89.0	116.3	88.6	" 17	151.8	101.9	137.8	117.5		
Aug. 20	80.3	90.4	105.4	93.3	June 6	158.2	105.3	128.0	115.3		
Oct. 29	91.1	92.0	91.1	94.4	" 27	160.0	104.7	123.7	113.0		
1922, Jan. 1	100.0	100.0	100.0	100.0	July 18	165.9	103.2	120.4	115.5		
May 13	114.6	102.4	114.9	117.9	Aug. 1	165.8	101.5	122.2	115.7		
Sept. 16	123.8	107.6	115.2	112.5	" 22	176.2	102.5	126.3	117.3		
Oct. 7	123.9	106.1	113.3	111.7	Dec. 19	188.9	103.3	150.6	112.8		
1923, Jan. 1	121.7	102.5	119.5	113.3	1926, Jan. 2	195.5	103.6	133.3	113.0		
Mar. 17	129.2	98.5	129.3	117.0	" 9	196.1	103.6	135.1	113.1		
" 24	127.3	97.8	129.0	118.1	Feb. 13	199.9	104.9	132.0	114.8		
Apr. 28	124.1	99.3	137.9	122.8	Apr. 17	168.7	106.9	121.8	113.3		
June 9	119.7	100.8	130.6	123.5	May 1	176.8	107.6	122.6	114.7		
Oct. 27	105.7	99.7	126.5	119.7	" 8	172.9	107.2	119.5	112.5		
1924, Jan. 1	117.4	98.4	121.3	114.5	Aug. 14	205.5	106.3	123.9	113.5		
" 19	119.1	100.1	119.1	112.2	Oct. 2	196.8	106.5	127.6	111.8		
June 21	115.3	103.3	118.2	118.0	" 9	186.4	106.5	127.9	111.6		
Nov. 8	130.1	103.7	133.7	120.4							

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

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