SOVIET INDUSTRY AND THE OPPOSITION.

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COMMENTS

The £ sterling is now quoted on the Paris Bourse at about 153–154. The statements published last week with regard to the conversations which took place between M. Francqui and M. Poincaré previous to the stabilisation of the Belgian franc lead to the conclusion that the French Government has no intention of stabilising the French franc in the near future at its present rate of exchange. M. Poincaré's policy is to revalorise the franc before proceeding to stabilisation, but nothing has yet been disclosed with regard to the limits within which he contemplates revalorisation. The difference between the Belgian and French monetary policies is intelligible in view of the great importance of the interests of the farming and annuitant classes in France, as stabilisation of the franc at too low a rate would seriously affect the interests of these two sections of the population. It is surmised that the speculators, on realising the intentions of the Government, bought up francs, a move moreover favoured by the improved financial situation in France as set forth in our last week's issue in the article on "The Rise of the Franc."

Industrial conditions in Germany show signs of further improvement. The Government scheme for the alleviation of unemployment is now in full progress, and the German Railway Company and the Posts and Telegraphs have considerably enlarged their reconstructional programmes which are to be completed before the end of March in next year. It is anticipated that the number of unemployed receiving state assistance will be further reduced by such means in spite of the inability of a number of industries to absorb idle hands. The prospects of the forthcoming Christmas business are held to be satisfactory for those concerned, especially in the textile trades, but apart from such seasonal activities, business in general is felt to be on the upward grade. Freight car loadings for the third week in October show new record figures. There was, however, some fear of a possible scarcity of coal for home consumption. The Coal Syndicate, therefore, has taken the opportunity to publish a re-assuring statement on the position. Coal exports are beginning to diminish, owing, it is said, to the fact that reserves are becoming exhausted. The time is not far distant when it will be only possible to export the balance of each day's production. Foreign trade figures for September show an excess of exports over imports of thirteen million Rmk. if the movement of gold and silver is left out of account. Imports of merchandise fell by 96 million Rmk., while exports show a slight increase. It is considered a satisfactory feature that the exports of raw materials and semi-finished articles should have decreased by about eleven million Rmk, and that, at the same time, the exports of finished goods should more than compensate for this loss. Higher export figures in regard to machinery would seem to indicate some revival in this branch of trade, and it is assumed that the favourable trend in Germany's overseas trade will be maintained for some time to come since owing to rising freights, a considerable volume of merchandise is being withheld for the present.

The *Monthly Survey* of the State Bank of the U.S.S.R. announces that the Soviet Government has issued a decree prohibiting the export, or dispatch abroad, of State Bank and of Soviet Treasury Notes. Persons travelling abroad can only take with them foreign currencies. The *Survey* also states that, by virtue of this decree, chervonetz notes can only find their way abroad in an illegal way, and for this reason banks in the Soviet Union may be obliged to suspend their dealings in chervonetz notes returned from abroad, and to discontinue to accept them for collection. While on the one hand such strict measures are taken in order to defend the chervonetz, on the other hand the increase of the note circulation continues. The amount of State Bank notes in circulation was 750,200,000 roubles on September 11, as against 604,000,000 roubles twelvemonths earlier, while the total currency circulation increased from 1,057,500,000 roubles to 1,283,500,000 roubles. Although the index number of both wholesale and retail prices show a slight decline, they are still much higher than a year ago. At the same time the purchasing power of the currency remains barely 55 per cent. of what it was in 1913.

According to an *Exchange Telegraph* message the League of Nations has just published a memorandum in the form of a review of the world's trade from 1911 to 1925, which shows that, while the total volume of trade has increased, Europe has not yet regained its pre-war prosperity. The world's trade of to-day is 5 per cent. more than it was in 1913, but Europe's share has decreased 10 per cent. when compared with the pre-war volume. The share of the United Kingdom has slightly diminished, but, says the memorandum, its exports have increased, and its imports have increased in relation with those of the rest of the world. The commercial situation in Great Britain is considered to have been less favourable in 1925 than in 1924, although she would appear to have re-captured ground lost in certain countries of Latin-America. The memorandum goes on to say that, for example, Australia's imports to-day from Europe have fallen from 71 per cent. to 54 per cent. as compared with pre-war figures. The greatest commercial progress during the period under review is shown by North America, Asia and Oceania, while the centre of the world's commercial gravity, concludes the memorandum, has clearly been shifted from the Atlantic to the Pacific.

Sir Stanley Bois, president of the Institution of the Rubber Industry, gave some interesting information in a paper read last Tuesday evening at the Royal Society of Arts. Illustrating the extraordinary growth of the rubber industry, Sir Stanley remarked that, in 1905 the Federated Malay States exported only 104 tons of rubber, while in 1925 no less than 107,000 tons were exported. The year 1910, in which the price of rubber reached the fantastic figure of 12s. per pound, marked the emergence of the plantation industry into one of public importance. The cultivation on a large scale over extensive areas of a forest tree involved extensive research, the expenditure of immense capital, and ability and enterprise on the part of the British planter. The combination of these had, in the comparatively short period indicated, placed over 70 per cent. of the total world production of rubber under British control. For the remainder, the Dutch East Indies were responsible. Sir Stanley went on to point out that the price of 9¼d. per pound, to which rubber fell in 1922, represented in most cases the bare cost of production, and it was not to be wondered at that producers were forced to take steps to restrict production. To this end an appeal was made for Government assistance, thus giving rise to the much criticised Stevenson Scheme. It should, however, be borne in mind that this scheme did not limit production, but only the quantity of rubber that might be exported from the Malay States and Ceylon under Government control, while British producers in India, the Dutch East Indies and Borneo gave voluntary adherence to the scheme. In 1923 and 1924 the scheme resulted in a price which enabled companies to carry on and averted the ruinous consequences which would have resulted from a continuance of the 1922 price. It could not be too strongly emphasised, Sir Stanley urged, that the unexpected increase in consumption in 1925, which brought the price up to 4s. 6d. per pound, was due not to the Stevenson Scheme, but to the difficulty of proportioning supply to demand in a product which took six years to come to bearing, and which had to satisfy the demands of an industry the fluctuations of which, as to 80 per cent., depended on the exigencies of the motor tyre. In conclusion, Sir Stanley said the rubber industry was an important factor in the relations of Great Britain and America. The latter country was the largest consumer of our raw material, and took nearly 75 per cent. of the world production. He agreed with Sir Josiah Stamp that the object of the Stevenson Scheme was a general stabilisation of prices and production, and that the whole principle of the scheme differentiated it from monopolistic exaction. It was, therefore, fortunate that producers and consumers were agreed upon the desirability of stabilisation of prices at a point which, on the one hand, would yield a fair return to British capital and enterprise, and on the other hand, would not by wild fluctuations tend to restrict the use of rubber in new directions.

THE present shortage of coal which is being experienced on the Polish internal market is considered to be entirely due to the inadequate quantity of rolling-stock. From the commencement of the miners' dispute in this country, the monthly market output in Poland has steadily increased, and reached in the month of September 3,769,911 tons. Before the strike in Great Britain the figure reached was only slightly above 2,000,000 tons per month. The September figures do not, however, represent the possible maximum output of Polish resources. It has been held that a monthly figure of 4,500,000 could be reached. The increased production follows, of course, upon the great demand for coal in the foreign markets. The Polish coal exports, which averaged 600,000 tons monthly, reached during last month the figure of 2,060,000 tons. In view of the export prices producers neglected the home market, and want of coal has been experienced in a number of districts; certain works in Galicia have even gone so far as to consider the question of importing coal from Czechoslovakia. The complete October statistics are not yet available, but the figures for September show that in that month Poland consumed over 98,000 tons less coal than in the corresponding month of last year. In order to be assured of coal supplies from Poland a number of foreign countries, including Austria, Italy, and Switzerland, are sending entire trains for their transport, and it is thought probable that France will follow this example in the near future. For the time being there is no restriction on the export of coal from Poland, and the Minister of Communications is only permitting the occasional use of Polish rolling-stock for the supply of the home market.

MR. A. M. SAMUEL, M.P., Minister for Overseas Trade, speaking at a meeting in Bradford of the Textile Society, dealt with the question of the shortage of the supply of raw natural silk. Nearly all the raw natural silk used in Britain, he said, was of foreign origin, for which we paid about two millions per annum. We produced, relatively speaking, very little raw silk in the British Empire, while the whole world produced only 35,000 tons per year, of which quantity three quarters was taken by America. They knew, Mr. Samuel went on to say, how seven trees of Brazilian rubber raised at Kew and taken to Ceylon set up the rubber industry of the East, and he thought there were potentialities of the same kind in regard to raw silk. As a result of the efforts of the silk committee at the Imperial Institute, which was now linked up with the Department of Overseas Trade, Cyprus was producing some excellent raw silk, and was reeling the cocoons in Cyprus itself instead of sending them to Marseilles to be dealt with, as had hitherto been the case. Raw silk was also being exported from Kashmir, while Mysore and other parts of India were capable of producing silks of the finest qualities. Experiments had shown that promising raw silk could be grown in Iraq, Jamaica, Kenya, Rhodesia, and Hongkong. Just as the rubber production in British territory was brought to its present magnificent position in the world's market, so, argued Mr. Samuel, could the production of raw silk be fostered within the Empire to the profit of them all. Its production was not a laborious occupation; it was a part-time occupation, and might prove a boon in many lands. There was every prospect of a world deficiency of supplies of raw and waste silk, and unless remedied such a state of affairs would have serious results for the British silk industry, especially as America would certainly continue to bid for the bulk of available supplies, particularly those of higher quality. We had, concluded Mr. Samuel, the means in our own hands of meeting the need and of setting up a valuable source of wealth within his Majesty's Dominions.

MR. A. S. PEARSE, general secretary of the International Federation of Master Cotton Spinners' and Manufacturers' Associations, Manchester, gave an address in London last Monday to the Anglo-Colombian Chamber of Commerce. Mr. Pearse was one of the members of the Cotton Mission, appointed by the Federation to visit Colombia at the invitation of the Colombian Government, and the subject of his address was "Colombia, with particular reference to cotton-growing potentialities." He said that the Colombians were bent on virile progress, and this was notably exemplified in the creation of modern means of communication. They possessed, among other resources, what he believed to be one of the largest oilfields of the future. Exporters from Europe ought, he thought, to pay more attention to the Colombian market than they had done so far. The United States was showing great eagerness to develop trade with the country. Cotton growing on a commercial scale was being carried on only in the departments of Magdalena and Atlantico, though cotton was grown in almost every department for domestic purposes. There were some excellent cottons in Colombia, but they were mixed with inferior ones. The Mission had, however, succeeded in convincing the local and national Governments of the necessity for establishing seed farms in each department. Cotton, Mr. Pearse considered, offered great possibilities, even greater than did the mineral wealth of the country, and even with the present panic prices there were many parts of Colombia which could compete successfully with the United States. A guarantee had been asked for that no export tax should be placed on cotton for a period of years, and immunity for thirty years has been granted in response to the request.

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.)

SOVIET INDUSTRY AND THE OPPOSITION.

(From our Russian Correspondent.)

The programme of the Opposition in Russia consists mainly of two claims, first, the right to form groups within the party and to discuss the decisions of the Central Committee of the party, and secondly, to hold wide differences of opinion with regard to the industrialisation of the country and to entertain relations with the peasantry. In its declaration of submission the Opposition gives up the fight for the right to form groups, or, as the saying is, to aim at the democratisation of the party. At the same time, however, the Opposition states that it remains faithful to its programme, and therefore to its conceptions with regard to the question of industrialisation.

The President of the Council of People's Commissaries, A. T. Rykoff, in the propositions he enunciated at the Fifteenth Conference of the party, explained as follows the differences of opinion between the Opposition and the General Committee of the party over the question of industrialisation. "The défaitiste theory of the Opposition, which sees in the slowing down of the development which the Soviet economic system is bound to undergo a check to industrialisation and a danger to the dictatorship of the proletariat, is altogether wrong. The Opposition does not take into account the fact that the development of industry, which is based on the increase of fixed capital, cannot be as swift as the development of industry on the basis of the machinery already in existence. . . . The Conference condemns absolutely the proposition of the Opposition according to which industrialisation must be achieved by such taxation of the peasants and such a policy with regard to prices that, had they been applied, would have inevitably arrested the development of agriculture, would have exhausted the sources which supply industry with raw material and would have weakened the market for the outlet of manufactured goods, which would inevitably bring about the slowing down of the industrialisation of the country. . . . The proposal of the Opposition to raise the selling prices to tradesmen of the products of industry with a view to obtaining additional resources which would enable the industrialisation of the country to be accelerated is a proposal tainted with grave errors. The Fifteenth General Conference of the Communist Party resolutely rejects this proposal. An attempt to industrialise the country by raising selling prices would be equivalent to developing industry apart altogether from the other branches of the economic life of the country, and to weakening the market for the outlet of its products. Such a policy would bring about a fresh rise in retail prices and consequently a lowering of the price level, would set the countryside against the town, would make industrial products accessible only to the most well-to-do among the peasantry, would have produced conditions favourable to inflation and would have made the work of industrialisation absolutely impossible of accomplishment."

These quotations explain the attitude of the Opposition towards the industrialisation of the country. According to the Opposition any check to the progress of industrial production would prove the greatest danger to the Soviet economic system. Only a policy calculated to draw the greatest possible amount of revenue from the peasants by increasing their taxes and by raising the prices of industrial products could ensure the industrialisation of the country. Any alliance with the peasantry must be limited to the very poorest ranks of that class. The well-to-do among them must be exploited for the benefit of industry and of the working-class. We have seen the Central Committee's answer to the Opposition. It must be admitted that A. T. Rykoff's arguments are very strong: to break with the peasants, to exploit again the peasantry for the benefit of industry and of the working-class, far from ensuring the industrialisation of the country, would inevitably raise insurmountable obstacles to the realisation of that object.

On only one point is the Opposition right: the development of Soviet industry is well on the way to being arrested, which involves the greatest danger to the very existence of that industry. The present leaders of the Communist party themselves recognise the fact, but they disguise their avowal of the fact by explaining that the present position of Soviet industry is due to its having accomplished a stage in the process of evolution, that of its reconstitution at the pre-war level of output, and of its having entered, beginning with the financial year 1926–27, on a new stage, that of technical reconstruction. This new stage demands the investment in industry of a large amount of fresh capital, and during it the development of industry will necessarily slow down. Thus the output of Soviet industry increased in 1925–26 by 42 per cent. as compared with the previous year. According to the forecast for 1926–27 the increase would amount only to 17 or 18 per cent., and that only provided 900 millions of roubles (not including the cost of electrification) are invested in industry for the improvement of plant. The Budget will have to provide for the greater part of this sum. According to the contention of Rykoff the ultimate development of industry will depend largely on the amount of additional resources that the Budget will be able to supply it with. It is surmised that a portion of the 900 millions required will be provided by the industry itself, particularly in the form of levies on its profits and on its sinking funds.

But is the Budget of the Union of Soviet Socialist Republics capable of supplying the greater part of that enormous sum of 900 millions, without which Soviet industry will not only not be able to increase its output, but will not even be able to maintain it at its present level? According to some Soviet economists, and among them one of the best authorities on matters relating to the Budget, M. Reingold, such an effort is beyond the power of the Budget of the Union. The Budget for 1925–26 aggregated about four milliards of roubles. The draft Budget for 1926–27 prepared by Commissary of Finance Bruhanoff amounts to 4,644 million roubles. But the increased credits which the Council of People's Commissaries want to introduce into it, and especially the increased credits to be provided for industry, will swell the Budget to a total of some five milliards of roubles. Is such a Budget in keeping with the power of the country, asks M. Reingold in a paper published in No. 226 of the Moscow *Gazette des Finances*, and he adds: "We answer that question in the negative." Without inflation and without foreign loans it is impossible to see how the Soviet Government will be able to obtain the necessary funds to maintain and develop, even slowly, industrial production.

The danger that threatens Soviet industry is really great. Looking at the total figures of production in 1925–26 one might be led to suppose that industry is in full development. But if we examine certain branches on their own it will be found that this statistical window-dressing serves sometimes to conceal a much less flourishing position. Take for instance the facts about the production of the iron and steel industry in the Union of Soviet Socialist Republics in 1925–26 published in No. 241 of the *Economitcheskaya Jisn*: "During the past year (1925–26) the programme of metallurgical production was only carried out to the extent of 80 per cent., while the cost of production was 21 per cent. higher than the estimate. According to information supplied by the heads of this industry no improvement as regards the cost of production of the principal metallurgical products is to be expected in 1926–27." These facts and statements, observes the *Economitcheskaya Jisn*, are only susceptible of being altered by the investment in industry of a large amount of fresh capital which would enable it to extend its plant and machinery.

Apart from the State Budget, will it be possible for industry itself to find a portion of the necessary resources for its development, as the Government hopes ? Certain Soviet economists appear to be doubtful. Thus F. Svetlov in the *Economitcheskaya Jisn* of October 19 says : "In laying down a plan for the financing of industry this year it must be taken into account that certain branches of industry, and those the most important, will be obliged to make the greatest efforts to increase their working capital, and under those conditions they will not be in a position to set aside the very smallest part of their resources to develop their plant." Consequently the quarrel between the Central Committee of the Party and the Opposition has brought to light the extremely difficult position of Soviet industry. To cope with the situation the Opposition proposes measures which, far from improving it, would have made it still more difficult. On the other hand, the programme laid down by the Government also appears to be impossible of realisation, and in any case it exposes the finances and currency of the Union of Soviet Socialist Republics to the gravest dangers.

THE DUTCH EAST INDIES.

BRITAIN'S POSITION IN THE TRADE FIGURES

By HUBERT S. BANNER.

For fifty years the importance of the Dutch East Indies, both as a market for European goods and as a source of plantation products, has been steadily on the increase, and up to 1914 Great Britain had with equal regularity built up her portion in each, as well as in the resultant augmented shipping. To-day, while compelled, for reasons which will presently appear, to deplore a sad falling away in her share of the import trade, she has still the compensation of seeing herself figure very creditably, considering the difficulties which have faced her, in the statistics over recent years for the produce business and for shipping. In the former, she predominates in the markets for tea and sugar. In the latter, besides the regular services carried on by such lines as the Ocean, the China Mutual, the British India, the Asiatic, and those represented by the West Australian Joint Service, the Commonwealth Government Line, the Union Steamship Company of New Zealand, and the Burns Philp Line, an immense amount of traffic is done by small ships plying between Dutch East Indian ports and the Straits Settlements. In 1923 the number of such vessels cleared was no less than 9,904, a figure which, while allowing a considerable discount to cover ships under the Chinese flag, compares very significantly with that of only 1,098 similar Dutch vessels.

It must be borne in mind that in the freight market England has had to struggle not only against the new-born competition of the United States and the efforts of Germany to reconstruct a connection out of the wreckage left to her by the war, but against a very strong determination on Holland's part to obtain a better percentage of the shipping to and from her own Colonies. The following figures, giving the net registered tonnage engaged in the traffic during 1913 and then in the years 1920 to 1922, are instructive as illustrating, in addition to the tendencies already noted, a marked failure of Japan to retain the position won for herself in the war years :—

Flag.	1913.	1920.	1921.	1922.
Dutch ...	2,065,372	2,173,148	2,544,170	2,667,845
British ...	2,247,704	1,698,234	1,901,061	1,927,209
Japanese ...	187,986	616,608	576,325	372,438
American ...	—	276,325	253,004	216,961
German ...	622,615	7,420	30,389	90,106
Total ...	5,123,677	4,771,735	5,304,949	5,274,559

It was confidently hoped that 1923 would show a marked general recovery in shipping. This, while materialising in the shape of a renewed activity so far as mere tonnage figures were concerned—the net capacity cleared increased by 18 per cent.—and of an increase in freights on exported products, only did so at the cost of a corresponding decrease in freights on imports. And a large number of ships still remained laid up owing to the supply of cargo being insufficient for the available space. Nor can this be considered a matter for wonder, taking into consideration the fact that the world's tonnage shows an excess of one-third over that in 1914, whereas the world's trade is less by one-fourth than was the case in that year. A further contributing factor, moreover, and an important one, was the diversion of transport through French and Belgian ports owing to the occupation of the Ruhr.

While it is satisfactory to note that in 1923 shipping under the British flag rose by 23 per cent., which compares well with Holland's increase of 12.5 per cent., the gilt is distinctly removed from the gingerbread by the further revelation that Germany's lines showed the phenomenal increase of 210 per cent., enabling her successfully to compete with America for fourth place. Japan's proportion sank by another 2.5 per cent., which brought her to a level very insignificant in view of her 14 per cent. just after the war. England's share now stood at 35 per cent., and therefore still below its 1913 level, which was about 41 per cent., and gave her at that time the leading place over Holland.

Coming back to the subject of the produce trade, the following table will give an idea of the importance of the British Empire and Dominions among the countries of destination :—

Destination.	Percentages over		
	1920.	1921.	1922.
Holland	15.9	18.1	15.9
Japan	6.3	9.2	10.2
China and Hong-Kong ...	7.5	11.6	7.6
United States	13.4	5.9	8.4
Germany	0.4	1.2	1.5
Other countries	6.3	5.0	6.4
Great Britain	6.5	4.4	5.3
Singapore	12.3	15.2	19.4
British India	9.7	15.5	6.8
Australia	4.6	2.5	4.7
British total	33.1	37.6	36.2

The particularly good figures shown by Singapore deserve attention, and are attributable to a variety of causes. Among these may be mentioned that the major portion of the tin ore from the Banka and Billiton mines now goes to the Straits Settlements to be smelted ; that much of the increase in general produce has taken place in East Sumatra, which markets in Singapore ; that Singapore dealers buy up most of the native-grown rubber from the Outer Island Districts ; and that the importance of Singapore as a centre of distribution for mineral oils is steadily augmenting.

Sugar is the biggest article of export, and year by year the crops cover a greater acreage. In 1922 the area under sugar was 398,055 acres ; in 1923, 401,490 ; and in 1924, 425,444. And while the number of mills under British ownership is small, the preponderance of British markets in the list of destinations for the product is overwhelming. In the first half of 1924 they absorbed over 60 per cent. of the total export.

Of the world's total production of rubber, the Dutch East Indies supplies 33.2 per cent., and 12.4 per cent. of this is native rubber. The fact is mentioned because it has its significance in the adverse effect being worked by increased production of native rubber upon the attempts of British-owned estates to fall in line with the Malaya and Ceylon policy of restricting output. It was hoped that an export duty on native rubber, proposed some time ago by Government in the course of its search for potential sources of revenue, would have the effect of remedying the position, but the project was opposed in the Volksraad (People's Council), and, though then adopted, was abandoned in 1924. The United States is, it need hardly be stated, the largest buyer of Java estate rubber—in 1923 its offtake was 22,028 tons as compared with England's 5,734, out of a total export of 34,079—and 28,800 tons more was shipped to that country from Belawan (Sumatra), besides the high proportion of the native rubber, marketed in Singapore, which doubtless found its way there. The great problem before the rubber estates is to what extent the rubber trade will ultimately share the fate of the copra industry in becoming a native culture. No more can be said as yet than that present prices, the spectacle of the wealth accruing to those engaged in the trade, and the ease with which the commodity can be marketed are attracting more and more natives to rubber growing. It is at least certain that the margin of profit allows of a great falling in prices before their planting will even begin to suffer discouragement.

Java coffee, of which the Robusta variety forms the bulk, goes principally to Holland and France, though the United States has latterly figured conspicuously in the market. The export fell away badly in 1923, owing to the depredations of the coffee berry bug, but made a recovery in the following year.

As regards tea, the Java product holds an assured place in British markets. Out of the 40,972 tons exported in 1923, Great Britain found a home for 12,247, Australia for 11,009, Canada for 694, British South Africa for 163, and British India for 268. Sumatra exported 7,493 tons, and it is interesting to note that the industry, which only opened in that country in 1910, was inaugurated there by British capital. Foreign competition speedily followed, but in the Sumatra highlands there is still ample land of a suitable nature available. Good profits are being made by the tea estates, shares are at a premium, and there is every indication of good times ahead for the industry.

Of leaf tobacco space only permits the observation that practically all shipments go to Holland, though the less important cut commodity is mainly sold in Singapore.

The Dutch East Indies is a prolific source of petroleum, but the greatest part of the product is marketed in the surrounding consuming countries. Prospecting is in active progress, in which both British and American concerns are interested. Geologists are convinced that rich oil reserves yet remain to be discovered in the Djambi area of Sumatra.

Tin, and the effects upon the industry of the so-called Bantoeng Agreement, may be passed over here, as the subject was ably treated by a correspondent in these columns in a recent issue.

We now come to the less satisfactory task of examining Britain's share of the import trade. It must be stated at the outset that, for reasons which no one has yet succeeded in satisfactorily explaining, a boom that characterised the beginning of 1923 came to a sudden conclusion, and trade has from then onwards sunk steadily into a worse and worse state of stagnation. The situation is the more difficult to understand in view of the great improvement in the general economic position. A plausible explanation is that the native acquired, during the "fat years," a taste for pleasure in the shape of the cinema, taxi-riding, and so forth, that he still retains even to the extent of denying himself many of the essentials to a good standard of living.

The following figures show the percentages of imports from different countries of origin over the years 1920 to 1922 :—

Origin.	1920.	1921.	1922.
Holland	23.6	25.0	22.6
Great Britain	18.5	13.4	14.7
Singapore	11.2	12.5	13.8
British India	1.6	3.6	3.9
Australia	3.2	3.5	4.3
United States	14.6	10.1	4.6
Japan	12.0	8.0	8.3
Germany	3.3	5.3	6.6

From these it will be seen that the Empire and Dominions were in the enjoyment of approximately one-third of the trade. Later tabulated statistics are unfortunately unavailable, but the general figures published show that imports from the United Kingdom, after rising to 15.9 per cent. in 1923, sank back to 12.8 in the first half of 1924.

British manufacturers hold a good place in the market for machinery. Indeed, in tea and coffee machinery they have no competitors, and demand is steadily on the increase. But in most lines the competition is becoming very strong from all the leading Continental makers, and it is evident that they are ready to cut profits to a minimum in order to share in the strong market that is prophesied. Germany's competition in machinery has abated a little, but she has, on the other hand, displaced Great Britain from her position as premier importer of coffee, and American supplies are bidding to achieve a similar end in galvanised and zinc sheeting. The prospects for British motor-cars are regarded as hopeless. Only 12 were imported in 1923, and 8 in the first half of 1924. The prices are prohibitive.

Despite heavy competition, Great Britain is building up an increasingly favourable connection in chemicals and chemical manures. Her position in dyes and paints is disappointing, and the same may be said of provisions and drinks, though Australia does the leading trade in flour and butter. Haberdashery is in the hands of Germany and Japan, and the latter country is also the chief supplier of knitted wearing apparel.

It is in cotton piece goods, the biggest article of import to the Dutch East Indies, that Great Britain is losing so much ground. With a deadly dull market in Java, and replacing-costs in Europe at a prohibitive level owing to the rises in raw cotton, it was easy for Japan to slip in and capture the market with her advantages of cheap Indian cotton and cheap labour. At first it was only in woven and unbleached goods that Japan could compete, for she had not yet learned the secret of manufacturing cambrics, shirtings, and prints. But she is now experimenting hard with these, and has in the meantime converted the dyers and "batickers" to the use of a bleached variety of her original unbleached cloths that is making tremendous encroachments upon the market hitherto enjoyed by cambrics of low and medium qualities. Most of the Dutch houses have chosen the lesser evil by themselves importing the Japanese article. In vain the British firms have besought their home representatives to send out makes that could compete. Their appeals were met with stolid apathy at first, and finally with the news that suitable cloths could only be manufactured from Indian cotton, a thing which several technical considerations render an impossibility, at all events for the time being. In the meanwhile there seems no prospect of the position improving, and very heavy losses are being made. One British firm is known to have sacrificed £50,000 during 1925.

ECONOMIC SURVEY

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

AUSTRIA

FINANCE

Austrian Proposals and the League of Nations.—The proposals submitted by the Ramek Ministry to the Council of the League of Nations found acceptance at Geneva, the result being received with much satisfaction in Austrian economic circles and also by the general Press. The League's approval of these proposals means that the Austrian Government may issue Treasury Bills to the total value of Sch.75 mill., payable in six months, and that the Government is empowered to modify the statutes of the Austrian National Bank to enable this institution to grant loans on these bills. Another clause of importance is that empowering the Government to augment the national estimates in order to improve the salaries of State employees. The increase demands an additional Sch.56 mill., but this sum must not burden the Budget for 1927 and thus disturb the balance. Besides the sum of Sch.43.2 mill. granted for the electrification of the Federal railways, the League has released the remainder of the credit to the total amount of Sch.60 mill. for various public works, such as telegraphs and telephone extensions and developments, the construction and improvement of rail and high roads. Before December next the Austrian Government must submit to the Financial Committee of the League Council a detailed plan of the productive investments it has proposed to make and an account of those already executed.

Treasury Returns for June; Preliminary Estimates for August and September.—The Audit Office has issued the following statement respecting the Treasury returns for June, in comparison with the estimated figures in the preliminary estimates for the month (in millions of schillings):—

	Estimates.	Actual results.	Favourable difference.
Current budgetary account—			
Expenditure	62.38	60.90	1.48
Revenue	68.41	73.10	4.69
Surplus	6.03	12.20	6.17
Capital investment expenditure	9.59	9.03	0.56
Deficit	3.56	—	—
Surplus	—	3.17	6.73

The preliminary monthly estimates for August and September show satisfactory development, although the estimated surplus of the ordinary budgetary account for September is much lower than that for August. The figures are as follows (in millions of schillings):—

	August.	September.
Current expenditure	57.80	65.71
Current revenue	66.26	69.81
Surplus	8.46	4.10
Capital investment expenditure ...	10.94	10.03
Total deficit...	2.48	5.93

Position of the Banks.—The Austrian banking world has been passing through troubled times, yet on the whole it seems to be emerging successfully. The most serious menace to public confidence was the case of the Central German Savings Bank, upon which a determined run was provoked in the summer by adverse rumours and Press attacks. The troubles of this bank were primarily a legacy of inflation, though some of the Press accused the directorate of mismanagement of the funds. Had it not been for prompt Government intervention the unpleasant episode would have led to a grave crisis throughout the whole banking world of Austria. The situation was aggravated by the financial difficulties of the Vienna Consum Verein, an important co-operative concern also conducting savings bank business, and something approaching a panic was created. As a result of the Government's action public confidence was gradually restored and deposits began to be diverted to other institutions. In connection with this crisis two important financial bills were introduced, one establishing a Government guarantee for the funds held on deposit and current account by the Central German Savings Bank and giving a control over the bank's affairs, the second providing for a compulsory guarantee fund to which banks or other institutions receiving money on deposit and current account are obliged to contribute.

In the *Wirtschaftsdienst* of October 1 Herr Walther Federn, the editor of the *Oesterreichische Volkswirt*, explains that the Central German Savings Bank originally acted as a clearing house for the majority of Austrian provincial savings banks. It not only received deposits itself, but also collected the deposits from the provincial concerns and re-invested the funds. Like other similar institutions it suffered from the conditions of the inflation period. The times were difficult enough for all banks; but the Central German Savings Bank, says Herr Federn, managed its affairs with "less ingenuity" than most of the others and consequently suffered very severe losses. To save the situation the Government paid within a few days the sum of Sch.62.5 mill. out of Federal funds to the creditors of the bank. This action, however, gave the Opposition an opportunity for attacking the Government for spending Federal funds, collected from tributary sources, without the approval of Parliament. Though the action of the Government averted a worse crisis, it weakened the Ministerial position.

The situation of the Austrian banks was also the subject of a short article in the *Central European Observer* of August 27. The financial sanitation of the Austrian currency, writes our contemporary, meant for the Austrian banks a great process of elimination, whereby only five of the large banks have been able to preserve their position, particularly as regards their gold balance. The former participation of the Vienna banks in the new States was given to branch offices or to friendly institutions, and new institutions have been formed in the Succession States from the branch offices. The banks have suffered enormous losses in the various issues of war loans, and the support of bonds and the guarantee for a deposit bank have swallowed up considerable sums. That the above-mentioned five Vienna banks have preserved their European character as large banks is shown by the following figures (in millions of schillings):—

	Capital in 1913.	Gold balance in 1925.	Percentage of loss.
Austrian Kreditanstalt ...	350	70	80
Austrian Bodenkreditanstalt	251.5	50	80
Vienna Bankverein ...	242	60	75
Lower Austrian Discount Company	135	50	61
Unionbank	129	36	72

In view of the fact that Little Austria does not require five large banks there has lately been a tendency towards an amalgamation of financial institutions. The rumour is current that after the amalgamation of the Anglobank with the Kreditanstalt there will be a fusion of the Unionbank with the Lower Austrian Discount Company, and further of the Darmstadterbank with the Merkurbank and the Vienna Bankverein. It appears likely, therefore, that far-reaching changes are being prepared in the Vienna financial world.

At the beginning of August the official bank rate was reduced from 7½ per cent. to 7 per cent., resulting in reductions in the general private rates.

Federal Railways in the Half-year.—The Administration of the Austrian Federal Railways recently issued a statement to the effect that the first half of the present year closed with a deficit of approximately Sch.26 mill. This unsatisfactory result is officially attributed to the decline of the ordinary passenger traffic, to the strong competition now offered by the automobile and air services and also to the general unsatisfactory economic situation of the country.

The situation of the Federal Railways has given rise to much criticism in the country. The *Neue Freie Presse* of September 7, for instance, considers that the reasons offered by the Administration of the railways concerning the decline of traffic are by no means convincing. It suggests, for example, that the number of people who travel by air in Austria is relatively so small that it can scarcely affect the general returns of the railways to any appreciable degree. The public is not kept well enough informed as to the actual condition of business that is being done ; there may yet come a rude awakening. The public should be enlightened not only as to the causes of the declining traffic, but also as to the various items of expenditure. In short, it must know quite definitely whether the railways are being run economically, a point that is, unfortunately, at present obscure.

TRADE

Foreign Trade Returns for the Half-year.—The value of goods imported into Austria during the month of May last amounted to Sch.213 mill., while that of exports was Sch.134.6 mill. This result is a slight improvement on the returns of the preceding months of this year, the adverse balance of trade in May being Sch.78.4 mill., as against Sch.80.1 mill. in April and an average adverse balance of Sch.91.7 mill. for the first four months of the year.

This favourable development received a slight set-back in June, in which month imports figured at Sch.224 mill. and exports at Sch.143 mill., the adverse balance being Sch.81 mill. Nevertheless, the June result was more satisfactory than the average for the first five months.

The returns of these months brought the aggregate value of imports during the first half of the present year to Sch.1,335.9 mill. and that of exports to Sch.609.5 mill., resulting in an adverse balance of trade to the extent of approximately Sch.526.5 mill. This result is less satisfactory than that of the first half of last year, at the end of which the adverse balance stood at approximately Sch.350 mill. Imports from Great Britain, the United States and Italy have on the whole declined, while consignments from France, Rumania, Hungary and Poland have shown a tendency to grow. The leading country importing goods into Austria during this half-year period was Czechoslovakia with a total of Sch.254.7 mill., or over 19 per cent. of the aggregate value of imports. The next most important purchases were made by Germany, Poland and Hungary. Czechoslovakia also occupied the leading position among foreign markets for Austrian goods, her total purchases amounting to Sch.101 mill., or about 12.5 per cent. of the aggregate value of exports from Austria. Exports to Germany and Poland fell off very considerably ; but trade with Russia was much brisker, being about double that for the first half of 1925. Exports to the United States also increased by about 17 per cent.

In spite of the diminution of the adverse balance of foreign trade the commercial situation is not generally regarded as satisfactory. It is being frequently urged that the present burdens on production in Austria are far too heavy to allow free development of the native resources. Austrian foreign trade has also been greatly hampered by the high tariff rates of most of the neighbouring countries. It is expected, however, that the operation of the provisions of the various commercial treaties that have been concluded with several of these States will do much to ease the general situation.

Efforts to Restrict Coal Imports.—In the endeavour to secure for Austrian industry relatively inexpensive water power and to increase as much as possible the production of Austrian coal, leading Austrian circles are trying to restrict imports of foreign coal with a view to the improvement of the trade balance. During the last two years these efforts have resulted in imports of Czechoslovak lignite and pit coal being considerably diminished. Since the beginning of the present year the Austrian Federal Railways have been importing mainly from Poland, while supplies from Germany have increased by 30,000 tons and the home output has increased by 100,000 tons. There is a remarkable increase of coal imports from Germany, particularly from Upper Silesia, and of briquettes and coal from the Saar district. Between 1924 and 1925 these imports increased by 316,000 tons on a total figure of 814,000 tons. The imports of coal from Hungary increased in 1925 from 8,000 tons to 64,000 tons.

In view of the fact that the home production of coal cannot be raised within a measurable period to such an extent as to obviate the necessity of importing coal, the competition of the coal-exporting countries for the Austrian market may be expected to continue. As far as Czechoslovakia is concerned, it is probable that after the abolition of the coal tax (on September 1, 1926) larger supplies of Czechoslovak coal will again be imported by Austria. (*Central European Observer*, Sept. 10.)

INDUSTRY

Austria and the West of Europe Steel Agreement.—The *Oesterreichische Volkswirt* of October 9 last refers in a leaderette to the relation of Austria to the recently concluded agreement between the West European steel concerns. For some time there have been various agreements between the Succession States in respect to the production and trade in iron and steel. The oldest of these agreements is the Austro–Czechoslovak cartel, which has recently been renewed with revised quotas. Czechoslovakia's share of bar iron sales in Austria has been reduced from 18 per cent. to 9 per cent., and of cast iron from 50 per cent. to $33\frac{1}{3}$ per cent. The Austrian quota of exports has been brought down from 35 to 30 per cent., but the Czechoslovak quota was raised from 65 to 70 per cent. The Hungarian works have also entered this cartel with various quotas for the individual sales areas. There is also an agreement between the Austrian, Czechoslovak and Hungarian firms on the one hand and Rumania on the other hand, regulating the supplies to Rumania. Similarly an arrangement has already been made with Yugo-Slav firms in respect to deliveries to Yugo-Slavia. The newly concluded agreement between Czechoslovakia and Poland is restricted to the renunciation of mutual imports ; this agreement has no importance for Austria, although Austria has on various occasions exported special goods to Poland. Still more recently the Austrian, Czechoslovak and Hungarian steel concerns have come to an arrangement in order to make a united stand against the West European steel combine. This arrangement includes an agreement concerning the quota recognised by the West European combine for the Central European raw steel combination. If negotiations are taken up with the western group it will show that the works in the Succession States have so far not been able to exploit their capacity to the extent that the western concerns have been able to do, on account of the various crises in these countries and also because of the disordered conditions in their leading markets. The required share would be about 10 per cent. of the present total contingent of the western steel combine. The supposition that has appeared in numerous journals that the quota of the Succession States would diminish the quota of individual members of the western group is without foundation. The accession of the Central European group might, however, necessitate a revision of the various quotas. The combination of the two groups would tend to consolidate the situation in the world market, since it would diminish competition in the natural sales areas of southern and eastern Europe. If the total sales of the individual countries and works are definitely fixed, the tendency would of course be to seek a market in the districts most conveniently situated in respect to freights. In regard to specially large orders it would be easier than hitherto to arrive at some agreement with other competing firms. A combination of this character would probably be of benefit to Austria, who at present finds it difficult to maintain her position even in the home market on account of foreign competition.

Critical Situation in the Lace Industry.—The production of machine lace in Austria dates back about a hundred years; in fact, only in Great Britain and France is this industry older than the Austrian. The industry was started mainly to supply the needs of the former Austro-Hungarian monarchy, its chief product being the lace required for the different national costumes. After an effective protective tariff had been imposed upon foreign lace the main difficulties of the industry lay in the exportation of lace, for in this branch it found itself confronted with severe competition. Eventually the Austrian lace industry found itself in the happy position of being able to maintain its sales abroad, even against a growing competition. With the outbreak of the world war the lace industry in Austria collapsed, and since then it has not been able to recover its former position; if anything, the situation has grown worse. The introduction of currency stabilisation in Austria and the imposition of high protective tariffs in the neighbouring Succession States resulted in an almost complete loss of all foreign markets. The bad situation was further aggravated by the depreciation of the currency in France, since French manufacturers were then able to sell their lace abroad at prices which, if reckoned in gold values, were nearly 50 per cent. below the normal figures. The protective import duties on lace were naturally insufficient to prevent French lace entering the country at such ridiculously low figures. In order somewhat to improve the internal situation the Austrian lace industry endeavoured last spring to effect a substantial increase in the respective tariff items, so that the home concerns might be able to keep going till such times as the French currency should be stabilised and the French costs of production thereby brought more or less to the same level as the Austrian. These efforts have so far not been successful, with the result that various Austrian concerns are obliged more and more to restrict their output and to reduce the number of hands employed. The situation in comparison with other countries is very unequal; Czechoslovakia, Germany, France, and Italy have each imposed duties on lace products three or four times as high as the Austrian. Even in Hungary, where the lace industry is of much later date and of far less significance, the duty is three times as high as the Austrian tariff.

The Austrian lace industry is faced with the danger of the emigration of this activity to the Succession States. Already a number of tulle machines have been transferred abroad and it is expected that further transferences of lace and curtain machinery will shortly follow. Unless something is soon done to stop this movement the Austrian lace industry will gradually die out. (*Wirtschaftliche Nachrichten*, Oct. 5.)

AGRICULTURE

The General Harvest.—In spite of inclement weather during the harvesting period, which naturally delayed the getting in of the crops, the general yield of the cereal crops is reported to be more satisfactory than was anticipated a few months ago. Statistics issued by the Ministry of Agriculture show that the total yield of winter wheat will probably be about 2,590,000 quintals; of winter rye, 4,520,000 quintals; of winter barley, 160,000 quintals; and of summer barley, 1,830,000 quintals. These figures indicate a decline of about 7 per cent. in the yield of winter wheat, of 14 per cent. in the winter rye crop, and about 2 per cent. in the summer barley crop, but an increase of about 12.6 per cent. in the yield of winter barley, as compared with last year's harvest. The wheat crop will be sufficient to meet the home demand to the extent of about 50 per cent., while the home consumption of rye and barley can be fully met by home production this year. The exact figures of the oats crop are not yet made available, but it is expected that the crop will be sufficiently large to satisfy about 90 per cent. of the inland consumption.

The agricultural developments within the country are giving satisfaction to Austrian economists, who consider that the time is not far off when Austria will be in a position to be self-supporting in respect to the growing of cereal crops, leaving even a small surplus for exportation.

Wine Growing.—According to statistical reports Lower Austria possesses some 30,000 vineyards and some 360,000,000 vine-plants. About 45,000 persons are employed and the wine production amounts to some 600 milliards of Austrian kronen (60,000,000 schillings), some 40 per cent. of which represents a saving of imports and 60 per cent. a saving on Customs duties. Further products are some 30,000 tons of dry oil-cakes and 60,000 tons of fuel.

The general situation of the wine-growing industry is, however, bad. After the war, the area covered by vineyards diminished by some 10 per cent., the expenses of producers increased and receipts fell, so that for some years past there have been hardly any profits. The main difficulty is the insufficiency of markets. There are scarcely any exports and the home consumption has fallen to about one half of what it was before the war. The wine-growers are requesting protection against the importation of foreign wines and against unfair competition, an amendment of the Wines Act, an increase of production, a rational making use of old supplies, and a movement in favour of home-produced wines. (*Central European Observer.*)

FRANCE

POLITICAL AND FINANCIAL

Retrenchment Policy of the Government.—The programme of economies introduced by the Government in all branches of the Budget has been expounded recently by M. Poincaré in a letter he addressed to the Chairman of the Finance Committee of the Chamber. The reduction of expenditure does not appear very considerable if compared with the total expenditure (39 milliards), or even with that part of it which is susceptible of being reduced (19 milliards, i.e. the total expenditure less the payments on account of public debt).

	Millions of francs.
Ministry of Finance	7.3
Ministry of Justice	2.6
Ministry of War	210.8
Ministry of Marine...	6.7
Ministry of Public Instruction	3.4
Ministry of Public Works	11.2
Ministry of Liberated regions	5.0
Ministry of Pensions	18.7
Sundry	6.5
Total	272.2

But the important reforms with a view to reduction in expenditure and simplification introduced in local administration and courts, which gave rise to so much discussion in France, require during the first year of their application certain fresh expenditures which nullify to a certain extent the effect of these economies. This increase in expenditure is evaluated by M. Poincaré at as high a figure as Fr.155.8 million, thus leaving a net reduction of only Fr.116.4 million, which can in no way be regarded as an important amount. According to M. Poincaré, the necessary expenditure required by the reforms being done with, subsequent years will show the real effects of his programme.

Position at the Treasury.—Meanwhile, the position of the Treasury is very favourable, owing to the important receipts of revenue in October and to the considerable sums deposited with the Treasury under various forms. With regard to the revenue, it must be noted that most of the direct taxes were to be paid up to October 31, which caused a large influx of money into the Treasury during that month.

As to the credit operations of the Treasury, it is pointed out by the financial Press that the proceeds in francs of the large sales of foreign exchange of the last few weeks have been deposited with the Treasury (on current account) or utilised to a certain extent for subscriptions to Treasury Bills. Another fact in accordance with this statement is that deposits and current accounts at the Bank of France showed during October a quite unusual rise, from Fr.2,886 million on October 7 to Fr.3,944 million on October 28. An increase of over 1,000 millions in deposits while "Notes issued" show a fall of 1,500 millions is quite unprecedented. It may possibly be explained by the fact that the francs representing the proceeds of foreign exchange sales (made to a great extent for foreign account) are very liquid. French banks with which these francs are deposited realise the instability of these deposits and do not venture to utilise them except by depositing them with the Bank of France or the Treasury. (Subscriptions to Treasury Bills also belong to this kind of operation, the banks being sure of the possibility of rediscounting them with the Bank of France in case of necessity.)

The favourable position of the Treasury enabled it to buy large amounts of foreign money, and M. Hutin in the *Echo de Paris* estimates at 4 milliards of francs (or more than £25 million) the sums belonging to the French Treasury and employed mostly on the London money market.

The favourable situation at the Treasury was some compensation for the very moderate results of the Fr.3 milliard Conversion Loan issued by the "Caisse de Gestion." The amount was expected to be many times over-subscribed, but applications only reached Fr.3,020 million, or little more than the original figure. It is reported that even this result is due to a considerable extent to subscriptions on the part of various official and semi-official organisations. The difficulty with which 3 milliard francs of Treasury Bills can only be converted into a long term loan shows once more what an intricate problem it is to deal with the floating debt in the present circumstances, even when the psychological conditions are very favourable.

The Damages of the Devastated Areas.—The following figures, taken from a report issued by the Office of the Liberated Areas, show the position of the accounts in respect of damages suffered by the population of the devastated areas (in millions of francs):—

	Total damage.	Payments effected.	Not settled.
Department of the Nord	24,422	21,247	3,175
Department of the Aisne	17,782	13,494	4,288
Department of the Pas-de-Calais	12,916	9,290	3,625
Other departments and Alsace-Lorraine ...	32,880	23,299	9,542
Total	88,000	67,370	20,630

From this it will be seen that about 23 per cent. of the damage has not yet been paid for and has still to be settled by the Treasury.

TRADE

Restrictions on the Export of Foodstuffs.—In last week's issue it was reported that the Ministry of Agriculture had taken certain steps in order to facilitate the import of grain into France. In reply to numerous complaints about the high cost of living, the Minister recently explained the series of measures he had taken with a view to restrict the exports of foodstuffs from France. The export of meat, cattle, potatoes, butter, cream, as well as wheat, oats and rye, is prohibited (with certain exceptions of no importance). The export duty on eggs has been raised from 25 per cent. ad valorem to 40 per cent. A very delicate question is that of the Sarre territory, which is included in the French Customs area. It has been observed that many foodstuffs are leaving France (notwithstanding the export prohibition) through the Sarre and going to Germany.

The Minister declared that the Treaty of Versailles having included the Sarre Territory within the bounds of the French Customs, France is obliged to consider this region as a part of France from the point of view also of the food supply, and that the only thing to be done is to supervise more closely the Sarre German frontier.

Discussing the utility of these decrees, M. Lucien Romier in the *Figaro* of October 27 points out that the rise in the prices of foodstuffs this year has taken place notwithstanding the smallness of the exports. For instance, only 4 per cent. of the eggs produced in France has been exported and only 2 per cent. of the butter. The rise in price is therefore due to causes other than exports. A litre of milk used to be sold in France before the war at 40 centimes; the price is now Fr.1.60, which means a rise of 300 per cent., while fodder shows an increase of 600 per cent. Meat is now 400 per cent. dearer than before the war, while many industrial products show an increase of 900 per cent. This means, in the opinion of M. Romier, that the French consumer has the benefit of comparatively moderate prices, notwithstanding this year's bad harvest. The rise in prices in France is quite a natural phenomenon; but the complaints are provoked and justified by the insufficient adaptation of income by a very large part of the people to these rising prices.

The Question of Coal Deliveries on Account of Reparation Payments. — The questions connected with payments in kind on account of reparations are most intricate, and have proved especially difficult with regard to coal. The Treaty of Versailles stipulates that the deliveries of coal to be made by Germany up to 1930 are to be credited to her at the price prevailing in the German home market. In pursuance of the London Agreement (1924) and the Wallenberg regulations coal could also be brought from Germany for Reparations account over and above the quantity to be delivered in accordance with the Treaty, these operations to be based on free commercial contracts. Now that the external price of German coal, as fixed by the Kohlensyndicat, is much lower than the home price, France is interested in developing her free purchases and in diminishing the compulsory deliveries which are invoiced by Germany at the high home price. But the Kohlensyndicat refuses to sell coal on export terms for Reparations and the question has been submitted to an arbitrator. The Kohlensyndicat and the French Coal Office for the devastated regions have now arrived at an agreement which is to be ratified by both governments. This agreement establishes a fixed proportion between the quantity to be delivered in accordance with the Treaty and that to be bought on the free market. On the other hand, the difference of price is definitively fixed: the free market price of coal is to be increased for Reparation deliveries by Mk.1.15 per ton and that of coke by Mk.1.50. French shipping on the Rhine is to be supplied with a larger quantity of coal than before. The agreement is concluded for one year from date of ratification by both Governments.

Coal Output in the Devastated Areas in September. —The coal output in the Nord and Pas-de-Calais in September, as compared with August, is shown in the following table (in tons):—

	September.	August.	Decrease.
Coal	2,742,757	2,755,453	12,696
Briquettes ...	213,269	221,169	7,900
Coke	239,982	246,612	6,630
	3,196,008	3,223,234	27,226

The average daily output also shows a decrease as compared with the preceding month (105,490 tons as against 105,979 tons).

The coal output during the first nine months of the year as compared with the corresponding period of 1913, 1924 and 1925 was as follows (in tons):—

1926	23,888,959
1925	21,200,201
1924	18,893,757
1913	20,543,481

GERMANY

FINANCE

The Boom on the Stock Exchange.—It falls to the lot of the Bourse to supply the demand for capital of the economic system, the demand being correspondingly greater as the system is more intensively occupied. The Bourse acts as intermediary between seekers after capital and capitalists and the future prospects of economic developments are indicated in the quotation rates. The aspect of the Bourse at the present moment is not unlike that presented by it during the inflation period, the boom at present prevailing being little inferior to that of the most animated days. The sole change lies in the character of the business done. Though some proportion of it may be of a speculative nature, serious buyers form the basis on which the main volume of transactions is built up. During the inflation period the activity on the Bourse was due to an endeavour to obtain security against depreciation of capital; now people are buying in the expectation of further appreciation. The steady upward movement of the quotations which has been observed for several months has only been temporarily interrupted by small set-backs due to payment of dividends, and the number of securities drawn into the rising current has grown continuously. The dividends paid have awakened a desire in the public to secure in this way an addition to their reduced incomes. The extent of the upward movement on the Bourse since the beginning of the year is shown in the following table, which includes the more important securities:—

	Last dividend.	Jan. 2.	July 1.	Oct. 1.	Oct. 15.
Deutsche Bank ...	10	104.50	152.50	172.25	187
Disconto Gesellsch.	10	102.50	146.50	163.50	173
Darmstadter Bank	10	104.25	170	234	239.20
Dresdner Bank ...	8	102	130	143.75	157.50
Reichsbank	10	140	158	156	166.50
Commerz und Privat Bank	8	96	122.75	140.50	158.25
Vereinsbank ...	8	80.25	113.75	130.50	137.75
Deutsch-Luxemburg	0	56	138	154	165.50
Gelsenkirchen ...	0	61	162.25	173	176
Phoenix	0	54.25	115	118.50	132.50
Harpener	0	84	143	174.25	179
Bochumer	0	57	138	153	165.50
United Steelworks ...	—	—	—	144.50	159.60
A.E.G. (Electrical) ...	6	83.50	142	161.50	168
Schuckert	4	51	126	137.50	146
Siemens & Halske ...	6	63.25	168.50	201.25	208.37
Packetfahrt ...	0	94	146.75	163.50	179
Nordd. Lloyd ...	0	95.50	144	162.25	171.75
Hamburg–South America	8	80.75	122.75	143	170.50
Deutsch–Austral. ...	0	84.50	136	152.25	189.50
Kosmos	0	74	136.50	152	193.50
Dyes (Baden Aniline)	8	104.50	249	292	324
Nobel Dynamite ...	0	75.50	123.75	139.50	157
New Guinea shares ...	0	170	535	652.50	850

There are several cases in which the rates have doubled and even trebled since the beginning of the year, for instance in certain mining and electrical securities. The average rate has increased from 85.70 at the beginning of the year to 203 on October 15, which date represents about the maximum up to the present. This phenomenal increase leads naturally to the question whether Germany's economic position is sufficiently good to justify such a high quotation rate, or whether the Bourse has not hurried a little too far ahead of economic development. The real basis of the quotation rate must always be the actual or expected rate of interest. Among the securities quoted above, only the banking shares, electrical securities, one shipping company and the dye shares have actually paid any dividend during the last few years. The fact that mining shares, which have paid no dividend for the past financial year, have yet experienced the greatest proportional increase is explained by the peculiar circumstances of the case. The economic situation, thanks to the British strike, has certainly shown decided improvement, though leading industrialists have recently counselled reserve and issued a warning against over-estimation. Nevertheless the number of unemployed is undeniably on the wane and the production of iron and steel is rising steadily, the international agreement in the steel industry having given a strong impetus to the upward movement. In order to bring the present quotation level into line with the actual financial situation the dividends ought to amount to at least 10 to 15 per cent. It is, however, highly doubtful whether they can reach such a standard for the financial year just ended on September 30, particularly if the recent dividends declared by Hoesch and the Cologne New Essen of 5 and 5½ per cent. respectively are to be taken as examples.

The maintenance or further increase of the present high rate of quotation will depend solely on whether the future returns can accommodate themselves to them. In order to bring this about, however, economic recovery would have to make much more rapid progress than is at present indicated, although it cannot be denied that the carrying out of rationalisation measures has improved the situation considerably in the individual undertakings. It would, however, be advisable not to leave the prospect of set-backs on the Bourse out of the realm of possibility. (*Hamburger Fremdenblatt*, Oct. 16.)

Internal Loans January to October.—After the stagnation of the two previous stabilisation years, loan issuing activity experienced a distinct impetus in Germany during the current year. From January till the middle of October a total of Rmk.1,210.02 mill. (including Rmk.370 mill. Treasury bills) was invested in loans alone. This total was distributed as follows (in millions of Reichsmarks): Government and other loans, including Treasury bills, 363; provinces and districts, 51.60; municipalities and district councils (including Rmk.42 mill. Treasury bills), 269.80; public enterprises, 212.50; and private enterprises, 313.12. The total sum of Rmk.1,210 mill. invested in internal loans was apportioned, according to a collective review by the Deutsche Bank, to 117 issues, including 14 to the Government, 11 to provinces and districts, 33 to municipalities and district councils, 15 to public enterprises and 44 to private enterprises. Of the total amount the purposes for which were made known, viz. Rmk.1,172.37 mill. in respect of 108 separate issues, Rmk. 482.12 mill. was for productive purposes (the Government alone being responsible for Rmk.258 mill.) and Rmk.381.45 for the increase of working capital, private enterprise alone accounting for Rmk.266.45 mill. under this heading. (*Deutsche Allgemeine Zeitung*, Oct. 22.)

TRADE

Development of Trade with Italy. — Italy is among the countries of greatest importance to Germany where foreign trade is concerned. In 1925 Italy took sixth place as source of supply, and seventh place in respect of Germany's total foreign trade. Before the war the balance of trade between the two countries was always favourable to Germany. According to German statistics the net exchange of goods was as follows (in thousands of Reichsmarks):—

	Imports.	Exports.	Surplus in Germany's favour.
1910 ...	274,539	323,519	48,980
1911 ...	284,785	347,957	63,172
1912 ...	304,612	401,162	96,550
1913 ...	317,644	393,431	75,787

This favourable state of affairs for Germany was largely due to the trading, Customs and shipping agreement of December 6, 1891, modified by the subsequent agreement of December 3, 1904, whereby Germany enjoyed general preferential treatment and exceptional tariff reductions for her most important articles of export.

During the first few years after the war this favourable situation changed to Germany's disadvantage. On the basis of the Versailles Treaty Italy enjoyed in Germany a one-sided application of the most favoured nation principle, while German goods in Italy, entirely unprotected by any rights, were in a worse position than those of any of the competing countries, most of whom had concluded trade agreements with Italy. This was particularly the case after Italy had introduced her revised tariff in 1921, which applied much higher duties than formerly, and placed Germany in a still less favourable position in regard to her rivals in the Italian market.

A further obstacle was presented by the import and export prohibitions which at that time existed in Italy and in Germany. They provided the first occasion for an economic settlement, and in 1921 a temporary understanding was arrived at, involving a mutual amelioration of the import and export prohibitions and settling quotas for the more important articles exchanged. In spite of this understanding, however, trade between the two countries remained far from satisfactory. The following table, based on Italian statistics converted into Reichsmarks, represents the development from 1920 to 1924 (in thousands of Reichsmarks):—

		Exports from Italy to Germany.	Imports from Germany into Italy.	German export balance.
1920	...	119,306	228,214	+ 108,908
1921	...	146,493	232,784	+ 86,291
1922	...	194,381	249,202	+ 54,821
1923	...	133,738	250,726	+ 116,988
1924	...	286,152	277,910	— 8,242

In January 1925 the Italian Government became desirous of placing commercial relations with Germany on an agreement footing, and a provisional treaty was concluded applying the most favoured nation clause on both sides. After wearisome negotiations the final treaty was concluded in Rome on October 31, 1925, and after ratification on December 16 at last came into force. In addition to general mutual application of the most favoured nation principle, numerous exceptional tariff reductions were made on both sides.

Even the provisional treaty had a favourable effect on the commercial relations in 1925, and trade between Germany and Italy developed as follows in that year, according to German statistics (in thousands of Reichsmarks):—

		Imports from Italy into Germany.	Exports from Germany to Italy.	Italian export surplus.
1924	...	366,745	239,388	127,357
1925	...	498,236	366,177	132,059

From this table it will be seen that the pre-war values were partly arrived at and partly exceeded, and that the year 1925 like 1924 closed with a heavy export surplus in favour of Italy.

Happily this state of affairs changed in the first half of 1926, when the German balance of trade with Italy once more shows an export surplus in Germany's favour. It will be seen from the following table, giving the statistics for the first half of 1926, that the pre-war standard has been regained:—

	Imports from Italy into Germany.	Exports from Germany to Italy.	German export balance.
First half of 1926	155,509	244,998	+ 89,489
First half of 1925	245,688	164,946	— 80,742

These figures show that the relative positions have practically been reversed. German exports to Italy have increased by nearly 50 per cent., while Italian exports to Germany have dropped by nearly 38 per cent. In regard to the latter figure it must be pointed out that Italy's exports to other countries have also fallen off considerably in the first half of 1926.

The decline in imports from Italy affects foodstuffs, raw materials, semi-manufactured goods and manufactures, though the heaviest fall has occurred in raw materials and semi-manufactured goods, which may be explained by the reduction of business in the German working-up industries owing to the economic crisis.

Almost the whole of the German export surplus consists of wheat, coal and coke. It is to be hoped that the commercial relations between Italy and Germany will continue to develop favourably during the second half of 1926. The principle of refusing to buy foreign goods is, however, now being fostered in Italy, and if it is acted upon the result will be felt not only by countries accustomed to supply Italy with goods, but in exports from Italy. Signs of reaction in Italian exports are not wanting even now. Two of the most important Italian export industries, the artificial silk and automobile industries, are complaining of export difficulties. The value of the artificial silk exports dropped in the first half of 1926 from L.268 mill. to L.205 mill., and the well-known Fiat automobile factory has been obliged to dismiss several thousand hands. The Italian Government must not delude itself that it can bar the import of foreign goods and increase Italian exports at one and the same time. It is just as impossible in economics as in mathematics to square the circle. It is to be hoped that Italy will awaken to this fact in time and that the relations between her and Germany will continue to develop along favourable lines. (*Ibid.*, Oct. 19.)

INDUSTRY

The German Aluminium Industry in Relation to the World Market.—The German aluminium industry has considerably strengthened and extended its position among international aluminium producers of late. The Vereinigte Aluminium A.G., which belongs to the Reich, has recently effected a great increase in its output possibilities by the inauguration of its large new water-power works at Toging-on-the-Inn, so that Germany, with a yearly production of nearly 25,000 tons, will now participate to the extent of about 12 per cent. in the world's production.

The output of aluminium in the year 1925 was distributed among the various countries approximately as shown in the following table, in which a comparison with the 1913 figures is also given (in thousands of tons):—

	1913.	1925.
Germany	0.8	20–25
Switzerland	11.0	25
France	14.5	20
England	7.6	12
Norway	1.5	22
Italy	0.8	2
Austria	—	2.2
Europe	36	103–108
United States and Canada ...	29	90–100
Total world's production	65	193–208

Whereas in recent years, before the opening of the works on the Inn, the production of aluminium in Germany was chiefly effected by means of electrical power generated from lignite, about 40 per cent. of the total output is now based on water power. The German crude aluminium industry is hence in a position to work more favourably and to come into line with the industries of other lands. For it must be taken into consideration that the whole of the international aluminium industry is, without exception, based upon water power. The first result of the favourable situation in which the German industry has been placed by the inauguration of the Inn works has been the reduction on the part of the Vereinigte Aluminiumwerke of the price of original foundry aluminium—for 98 to 99 per cent. rolled bars from Rmk.2,400 per ton to Rmk.2,140 per ton, and for blocks from Rmk.2,360 to Rmk.2,100 per ton. In the endeavour to reduce prices the German aluminium industry goes hand in hand with the Swiss and Austrian industries, with which the German group stands in close and friendly relations. Links also exist between the German industry and the large French concerns, which in their turn are in close relation to the Swiss industry, and efforts are being made to extend them. Endeavours are being made in the aluminium industry to follow the example set by the iron and steel industry, although many difficulties remain to be overcome, above all the currency situation and the French Customs policy. It is to be hoped, however, that the obstacles will be overcome before long, and the way opened for friendly co-operation.

With regard to the reduction of prices, this is in no sense the result of a failing market. On the contrary it is hoped by this means to find new fields of utility for aluminium, and to increase its power of competition with other metals in the most varied directions (copper, white tin, enamel, etc.). Sales conditions in Central Europe are likely to improve, though the prohibitive duty of 25 per cent. in France acts as an obstacle in that direction. Competition on the American market is rendered extremely difficult by a 20 per cent. duty, which restricts import on the one hand and renders the price policy of the American producers autonomous. It is, however, noteworthy that the extraordinary growth of receptivity on the American market has made it possible to export to the United States considerable quantities of aluminium both from Germany and from Switzerland.

The utilisation possibilities of aluminium appear to be steadily extending, particularly in the electrical branch, where aluminium is being substituted for copper in conducting strong current. The consumption of aluminium in the motor industry continues to increase, and the same may be said of the demand from the aircraft industry. New and important markets are opening up in the brewing and chemical industries, where utensils and cauldrons of aluminium have proved highly satisfactory and are being increasingly used. Recently more attention has been given to aluminium in the transport branch, where it facilitates the endeavour to reduce the weight of vehicles without lessening their stability. An increasing use should be made of aluminium in shipbuilding also.

The recent liquidation of the German Aluminium Rolling Mills Union does not in any way affect the general situation as to the future prospects of the industry as a whole. The German aluminium rolling mills industry experienced during the war and in the inflation period an extraordinarily sudden boom, carrying it far beyond normal conditions. The result was over-capitalisation, which could no longer be maintained after stabilisation. No possibility could thus be afforded to the 28 works constituting the Rolling Mills Union of utilising their plant to a full extent. One-fourth of the total could easily cope with the existing demand. The difficult conditions brought about by foreign competition have also contributed to the fact that the working-up aluminium industry can only find employment for a proportion of its capacity. In addition to this, certain German firms remained outside the syndicate and practised undercutting. All these causes brought about the liquidation of the union, and it is probable that a thorough rationalisation will take place in the industry. Once this has taken place it is likely that the working-up aluminium industry will receive a new impetus, as increased consumption is reckoned upon with certainty in the future. (*Hamburger Fremdenblatt*, Oct. 14.)

The Internal Coal Supply.—The British mining strike, and the consequent increase in the export of German coal, has once more brought to the fore the problem of Germany's fuel supply. As long as the warm weather lasted the question of a coal shortage was not of great importance, but in view of approaching winter and the scant prospects of an early termination of the strike it is time to take up this question in all seriousness. British coal exports to the continent of Europe alone amounted in 1925 to 40.6 mill. tons, or nearly 3.5 mill. tons a month, a quantity which for the last few months has had to be supplied by the other coal producing countries, chiefly by Germany, Poland and America, quite apart from the supplies sent to England. A certain amount of coal shortage has always to be reckoned with in European countries in the winter, and the rationing measures already adopted in South German consuming circles for the delivery of coal show plainly that the question of the coal supply has again begun to be acute.

Germany's coal supply in the coming winter is in the first place a question of the demand, which can only be gauged by estimate, though the development of coal consumption in the past gives a useful basis to go upon. The German coal consumption has fallen off to a considerable extent as compared with pre-war times, as shown in the following table in which all varieties of coal are reckoned on a hard coal basis (in thousands of tons):—

	Output.	Imports.	Exports.	Consumption.
1913* ...	209,494	16,099	46,065	179,528
1925 ...	163,793	9,348	33,564	136,020

* Pre-war area.

The difference between the quantities consumed is smaller if the new area is taken into consideration for 1913. In this year the consumption in the individual districts was as follows:—

	Tons.
Alsace-Lorraine	8,400,000
Saar district	5,800,000
Luxemburg	3,900,000
Posen	2,600,000
West Prussia, Pomerania, Schleswig, Eupen, Malmédy	1,500,000
Eastern Upper Silesia	9,135,000
Total	31,335,000

The total consumption of Germany in 1913 within the present boundaries amounted according to the above table to 148.2 mill. tons, or a monthly average of 12,350,000 tons as compared with 11,325,000 tons in 1925 and 10,458,000 tons in the first quarter of 1926.

The development of Germany's coal supply since the outbreak of the British strike has been as shown in the following table (in millions of tons):—

	Output.	Imports.	Exports.	Stocks. Coal.	Stocks. Coke.
Monthly average 1913... ...	11.73	0.881	3.073		
1926, April ...	10.09	0.331	1.282	2.2	3.6
May ...	10.68	0.176	1.825	2.104	3.587
June ...	11.76	0.120	2.772	1.731	3.519
July ...	13.07	0.118	3.640	1.100	3.400
August	12.88	0.239	3.974	0.700	3.000
April ...	100%	100%	100%	100%	100%
August	128%	72%	309%	33%	83%

It will be seen that exports have more than trebled. According to latest reports the increase is even greater. This is one of the most gratifying signs of Germany's latest economic development, which is spreading, even though slowly, over the whole economic system and is helping her to overcome the severe crisis through which she has been passing during the last few years. If the great army of unemployed is shrinking week by week and industry is beginning to revive, this is to a great extent the result of the British strike, which fetters British competition in the world market. It is not a question of a mere temporary advantage, but will involve the future relative positions in the European coal market and will decide who is to play first fiddle in the future coal cartel, which is just as much a certainty as the steel cartel. If this highly important and favourable result of the British mining strike is extending beyond German coal mining to the German economic system as a whole, it is impossible to come to any other conclusion than that every possible advantage must be taken of the situation, and that the German coal export must be maintained at all costs and if possible increased yet further.

On the other hand, since the pithead stocks are more or less exhausted, a certain amount of hard coal shortage is bound to occur within the country, and must be accepted as part of the bargain. As during the war and in the post-war period, the lignite mining industry must come to the rescue. The following table shows the development of the industry in question since March (in millions of tons):—

	Lignite output.	Briquette manufacture.	Briquette stocks.	Imports of Bohemian coal.
April ...	9.83	2.40	0.776	0.160
May ...	9.71	2.45	0.903	0.159
June ...	10.71	2.80	0.621	0.144
July ...	11.10	2.88	0.913	0.175
August	11.12	2.85	0.891	0.194
April ...	100%	100%	100%	100%
August	113%	119%	114%	121%

Stocks in the meantime have decreased heavily, so that the reserves will soon be exhausted in the coming winter. As the sale of lignite and briquettes has greatly increased owing to the revival of industry consequent upon the British strike, the prospects for punctual and adequate supplies of this fuel to the broad masses of the public for domestic consumption are somewhat meagre. It is all the more regrettable that the population as a whole has not laid in adequate stocks of household coal. The warm weather in September made the majority put off all idea of providing coal for the winter, and the sudden cold has come as an unpleasant surprise to consumers. If a sudden rush of orders is given, it is not at all unlikely that, owing to shortage of stocks and lack of transport, there will be scant possibility of meeting the demand. (*Hamburger Fremdenblatt*, Oct. 14.)

HUNGARY

POLITICAL AND GENERAL

Third Report of the Minister of Finance.—The Hungarian Minister of Finance has issued his third report on the financial conditions of Hungary since the abolition of financial control by the League of Nations. The document deals with the month of September and points to continued satisfactory conditions from the point of view of the State Budget.

Estimates for October show gross expenditure at 45.1 and gross revenue at 50.3 million gold crowns, thus leaving a surplus of 5.2 million gold crowns, which however is below the surplus for October 1925 (viz. 8.4 million gold crowns), owing mainly to increased expenditure in respect of State debts. A sum of 1.3 million pengős had to be included in the Budget for October in respect of payments to be made pursuant to the Prague Agreement with regard to the Four per cent. Hungarian Gold Rente.

The estimates for the first four months of the fiscal year 1926–27 show the following totals (in millions of gold crowns):—

	Estimates for July 1 to Oct. 31, 1926.	Estimates for July 1 to Oct. 31, 1925.
Gross expenditure	211.5	198.7
Gross revenue	208.7	195.6
Deficit	2.8	3.1

The estimated deficit of 2.8 million gold crowns for the first four months immediately following the abolition of financial control compares favourably with the result for the corresponding period of the previous year. There is no reason to doubt that this steadily decreasing deficit will disappear altogether from the estimates in the course of the next few months.

According to returns recently published, the total State revenue collected in August exceeded the estimate by 7.8 million pengős. This shows an increase of 10.6 million pengős as compared with the results for August 1925. Direct taxation and departmental receipts show the greatest increase, whereas the yield of the turnover tax and certain taxes on consumption has slightly decreased, owing to reductions in the rates of taxation.

The aggregate revenue in July and August exceeded the estimates by 9.4 million pengős. Compared with the corresponding period of 1925, the increase amounts to 16 million pengős. More than half of the increase in respect of taxation is derived from direct taxes.

Only one change in the balance of the accounts of the League of Nations Loan has to be recorded. The amount of £33,119 13s. 8d. was taken from the British slice for the purchase of silver necessary for the minting of the new Pengő coinage. This in addition to sums previously drawn for the same purpose brings the total amount taken from the League of Nations Loan for minting expenses up to 13.3 million gold crowns (15.4 million pengős), which will be repaid after the issue of the new pengő coinage.

Both passenger and goods traffic on the State Railways show considerable improvement; the surplus, however, is 1.6 million pengos less than in September 1925, owing chiefly to increased management expenses and to extensive reconstruction and development of the railway system.

The deeds of ratification of a commercial treaty with the United States were exchanged on September 4, the provisions of the treaty being fixed to come into force on the thirtieth day after the exchange. Commercial negotiations with Czechoslovakia are being pursued, but could not be terminated owing to the great number of questions to be settled.

Foreign trade returns for August show imports to the value of 68 million and exports to the value of 70.4 million gold crowns, leaving a favourable trade balance of 2.4 million gold crowns. The aggregate results for the months of January to August are: imports 499.4 million and exports 416.8 million gold crowns, showing an adverse trade balance of 82.6 million gold crowns. This is chiefly due to increased imports of fuel, especially coal, the market price of which has risen considerably owing to the English coal strike. On the other hand, imports of woollen textiles show a considerable decrease. On the export side, wheat, poultry, lard, meat and wool show a substantial advance, whereas flour, rye, live stock and several manufactured articles show some decrease.

There was a further fall in the number of insolvencies, to 103, while the number of unemployed is again on the decline, the figures being 21,332, or nearly 3,000 less than in August.

LATVIA

POLITICAL AND GENERAL

Statement of Foreign Policy.—The Minister for Foreign Affairs, Mr. K. Ulmanis, has recently granted an interview to the Press in which he elucidated the foreign political situation. He laid much stress on the necessity for Baltic-Scandinavian solidarity with a view to securing representation for this combined group in the Council of the League of Nations next year. According to Mr. Ulmanis the great political activity which marks the year 1926 has been inspired by two motives, security and economics, and in dealing with Latvian foreign policy he divides his problems under similar headings. Latvia's desire to contribute to European security is shown by the negotiations for the conclusion of a non-aggression treaty with Soviet Russia. Finland, Estonia and Latvia are desirous of forming a joint commission to discuss this matter with Russia, but up to the present the Soviet Union refuses to countenance such a commission. It is expected that negotiations will re-open on the return of the Estonian and Finnish foreign ministers from Geneva. The latest development in this direction is the signing of the Lithuanian-Soviet Russian non-aggression pact on September 28. The most important points in this treaty are its conformity with the League's pact, and the recognition by the Soviet Government of Lithuania's sovereignty in respect of the Vilna region.

The economic problems now engaging the attention of the Latvian foreign office are of great importance. With regard to the proposed Customs Union with Estonia, it is hoped that that country will agree to a trial union, with a complete abolition of Customs frontiers, and instituting frontier registration for all goods so as to ascertain the result of such a union in practice. As regards Lithuania, while the present Customs tariff is in force, admitting rye duty-free, it is impossible for Latvia to fulfil Lithuania's demand for a market guarantee in that country until Lithuania is ready to comply with the Latvian requirements. Latvian exporters in Poland at present experience great difficulties in consequence of the quota system and the general import restrictions. These difficulties are not likely to be overcome till the Polish–German trade agreement is signed. The conclusion of a similar treaty between Poland and Latvia is impeded by the objection raised by the Polish Foreign Office to the Baltic and Russian clause inserted in all Latvian agreements. In this direction the new Latvian Customs tariff will exercise a marked influence, for if Polish import goods, for which there is a large demand in Latvia, are assessed according to Latvian maximal scales there will naturally be a greater incentive towards the conclusion of a commercial treaty with Latvia. The proposed commercial agreement with the Soviet Union is in course of negotiation. The peculiar nature of Russian-Latvian trade necessitates the greatest care in drafting such a treaty if it is to ensure a practical purpose and not remain a mere theoretical document. The treaty with Germany will be ratified by both countries this autumn, so that there will then be no obstacles in the way of its enforcement. Agriculture will profit by the terms of this treaty, for on the most favoured nation principle Latvian agricultural produce and timber exports will enjoy the same facilities as those granted to Finland and Sweden by virtue of similar treaties recently concluded with Germany.

Latvian export trade with South Eastern Europe is a comparatively new departure, involving some fresh and not exactly easy work. The Jugo-Slav *de jure* recognition has removed the last political obstacle from the course of Latvian activity with the Balkan States. Great technical difficulties still remain, however, in consequence of the distance and the lack of efficient representation. The same applies to Rumania and Turkey, with which countries negotiations for the conclusion of trade agreements were started long ago, though the progress has been but slow for similar reasons. The Foreign Office contemplates following the example of Finland in sending a special delegation to the countries of South Eastern Europe to conclude the necessary treaties. The conclusion of a final trade agreement with the United States is only a matter of time, there being practically no reason to defer the conversion of the provisional treaty now in force into a new and formal agreement.

The scheme for frontier construction has now been completed, and after the drafting of plans and other documents the State frontiers will be enforced, with Estonia probably on January 1, 1927, and with Lithuania on April 1. In the course of two years from the final acceptance of frontiers all exchange of land and liquidation operations have to be completed, as stipulated in the respective conventions.

The general economy campaign naturally affects the Budget of the Foreign Ministry, and the Government is therefore obliged to defer the formation of new Legations, however necessary this may be for establishing Latvian relations with South Eastern Europe. The Legations in Warsaw and Rome serve too large a group of States, and with the limited resources at their disposal can hardly cope with the burden of duties that fall to their share. There has recently been more inter-departmental co-operation within the Government, particularly between the Foreign Office and the Ministries of Transport and Finance, with gratifying results. (*Riga Times*, Oct. 9.)

FINANCE

Development of the Currency.—Of all the new States that came into being as a result of the war, Latvia was the first to stabilise her currency. This took place as early as 1921, and in the following year gold security was instituted for Treasury notes.

It will be remembered that at the time of Latvia's proclamation in 1918, there were in circulation in the country Occupation Ost roubles, marks, and Russian paper money at the rate of 1 Ost-rouble to Mk.2 or 1 Tsarist rouble. Furthermore there was in circulation the legal tender of the municipalities of Riga, Libau and Jelgava. In 1919 the Latvian Government began to issue Latvian roubles, paper money which was secured by all the property of the State and was equal to one Ost-rouble, two marks or two Imperial roubles, for Russian currency had begun to depreciate at that time. A special currency department was then organised at the Ministry of Finance for creating the requisite fund for guaranteeing the rate of the Latvian rouble. All State credit operations were entrusted to the State Treasury and Savings Bank, which took the place of the present Bank of Latvia. With a view to creating the above mentioned currency fund different forms of currency taxes were introduced, as well as a licence system and the exaction of Customs duty *ad valorem*, while a joint organisation administered the State monopolies and State supplies.

All these measures, however, failed to maintain the value of the Latvian rouble, which showed a marked decline. In January 1921 the rate was 750 Latvian roubles to the £ sterling as compared with 200 in 1919. In July 1921 the rate dropped to 2,800 in private circulation. Moreover, in consequence of the exigencies of those troublous times (war with the Bolshevists and Bermondt's coup), the Government was forced to increase the issue of paper money. The rate of the Latvian rouble was simultaneously affected by the rise and influx of Imperial roubles. The Government therefore enforced the law of March 18, 1920, declaring the Latvian rouble the only legal tender and affording the possibility to settle debts in Imperial roubles at the rate of 66⅔ Latvian roubles to one Tsar rouble. In May 1920, when the last issue of Latvian roubles took place, these were in circulation to the extent of two milliards. The rate of the Latvian rouble continued to decline and it became obvious that severe measures would have to be taken to reduce expenditure, check speculation and stabilise the rate of the currency. A financial dictator was appointed in the person of Ringold Kalning, who, aided by the favourable attitude of the public, enforced a brilliant financial reform. His measures were seconded by successive good crops and Latvia's recognition by and admittance into the League of Nations. All limitations affecting the circulation of the currency were immediately rescinded; the State monopoly in respect of leather and linseed and the Ministry of Supplies were abolished, and a new Customs tariff was drafted. Then a bank of issue was organised and the monetary system revised. These measures soon led to a marked improvement in economic conditions and by October 1, 1921, the Government had at its disposal currency to the value of 58 million gold francs, besides gold in bar and coin to the value of 34 million roubles. Thus by November 1921 the rate of the Latvian rouble had been stabilised at 1,250 to the £ sterling. These preparatory measures, which lasted over a year, were followed by the law of August 3, 1922, introducing the ideal monetary unit, the "lat," equal to one gold franc or 50 Latvian roubles. The whole population gradually became accustomed to the new unit. The law in regard to the new bank of issue, the autonomous Bank of Latvia, was published on September 19, 1922. The new bank took over from the liquidated financial institution a balance of 2,418,974,481 Latvian roubles and the State's gold fund valued at 30 million gold francs. By this means the rate of the Latvian rouble was fully assured and the Bank of Latvia shortly afterwards began to issue bank-notes with gold security and convertible into gold. Apart from issuing bank-notes the Bank assumed the functions of the Treasury and effected operations of a general commercial character. Thus the Lat came into being with a par value of 5.18 lats to the dollar or 25.22 lats to the £ sterling. Rates are quoted daily on the Riga and Libau exchanges and also in the leading financial centres of the world, such as London, Berlin, New York, Amsterdam, Moscow and Helsingfors. The completeness of the stabilisation of the lat is shown by the following table:—

	April 1, 1923.	April 1, 1924.	April 1, 1925.	April 1, 1926.
$ ...	6.10	5.18	5.19	5.18
£ ...	23.95	22.26	24.76	25.21

The Bank of Latvia enjoys the sole right to issue bank-notes as stipulated by law. The affairs of the Bank are administered by a board with Mr. Edgar Schwede as governing director and a council with Mr. Ringold Kalning as chairman, appointed by the Cabinet for a period of three years. A special auditing committee is attached to the bank, composed of two representatives from the State Control and one from the Ministry of Finance.

The following table shows the currency in circulation during the past three years (in Lats):—

Jan. 1.	Treasury notes.	Specie.	10-Lat notes.	50-Lat notes.	100-Lat notes.	Total in Lats.
1924...	64,400,000	200,000	22,964,500	—	3,500	77,600,000
1925...	39,774,000	13,191,000	24,507,000	—	6,400,000	83,392,000
1926...	31,871,000	23,400,000	6,393,800	14,141,400	8,098,800	83,016,000

Bank-notes represent 32.7 per cent. of the entire sum in circulation, Treasury notes 38.9 per cent. and specie 28.4 per cent. The security of the bank-notes amounts to over 200 per cent., and it is noteworthy that the right of issue has only been made use of to the extent of 25 per cent. As regards the Treasury notes, which are secured by all the property of the State, it should be observed that, far from making new issues of these, a certain percentage is withdrawn from circulation every year. Specie comprising 2 and 1 lat pieces in silver, 50, 20 and 10 centime pieces of nickel and 5, 2 and 1 centime pieces of bronze are issued in lieu of the old Treasury notes. With a population of 1.8 million and a State Budget footed with Lats 165 million it is interesting to notice that there is only about Lats 84 million in circulation. (*Riga Times*, No. 30.)

TRADE

Transit Traffic Returns for the Half-year.—In the first half of the current year transit traffic through Latvia comprised 114,664 tons of raw materials, 30,937 tons of manufactured goods, 35,122 tons of foodstuffs and 71 head of live stock. Of this total Soviet Russia accounted for 115,359 tons, Lithuania for 39,134 tons and Poland for 23,444 tons. The Soviet Union exported via Latvia 78,920 tons of goods, Lithuania 17,994 tons and Poland 21,809 tons. The transit imports were as follows:—

	Tons.
Soviet Russia	36,439
Lithuania	21,160
Poland	1,635

The following were the principal Russian exports through Latvia in the period under review:

Flax, hemp and tow, 17,070 tons; rags, 1,493 tons; cotton waste, 577 tons; linseed, 12 tons; lumber, 2,448,600 cubic feet; salt, 273 tons; fish, 80 tons; caviare, 208 tons; buckwheat, 49 tons; animal products, 2,198 tons; butter, 8,018 tons; meat, 3,791 tons; eggs, 17,425 cases; and other goods.

Russia's transit imports in the first half of this year show an increase of 100 per cent. over the result registered in the same period of last year. Russia's transit imports comprised 12,514 tons of raw materials, 23,819 tons of manufactured goods and 108 tons of foodstuffs.

Goods sent to Latvia for improvement and export amounted to 23,885 tons, 73 per cent. of this total coming from Russia, 13 per cent. from Poland and 12 per cent. from Lithuania. Timber materials constituted 81 per cent. of all these goods. Among varieties of goods treated in Latvia before export were 491 tons of hides and skins from Poland, Lithuania and Soviet Russia, 383 tons of flax from Soviet Russia, 66 tons of linseed from Lithuania, 70 tons of caviare from Soviet Russia, 176 tons of pigs from Soviet Russia, 327 tons of salt from Poland and a quantity of vetches from Lithuania. (*Riga Times*, No. 30.)

According to the Latvian Consul's *Weekly Bulletin* (No. 37) the following quantities of Russian, Polish and Lithuanian timber were sent in transit through Latvia during the last two years: In 1924, deals and boards, 54,239 standards (in 1925 42,785 standards); square timber and sleepers, 52,814 loads (in 1925 33,788 loads); pitprops, 16,835 cubic fathoms (in 1925 4,005 c.fms.); pulpwood, 16,017 cubic fathoms (in 1925 10,600 c.fms.); poles, baulks and aspen logs, 2,810,270 cubic feet (in 1925 2,337,225 cubic feet).

Latvian-Polish Trade Revelations.—Indications of keener interest in the establishment of closer commercial contact with Latvia have been noticeable of late in Warsaw. Polish industrial circles have been collecting information with regard to Latvian economic conditions, and there is an earnest desire to develop commercial relations with Latvia.

Reverting to the inceptive period of the independence of the two countries, it transpires that practically no business was conducted between the respective manufacturing and commercial enterprises up to 1920. The figures in the table below are of interest as demonstrating the gradual development of Latvian-Polish trade in recent years. Poland's exports to Latvia in 1920 totalled Lats 119,420, or 0.49 per cent. of the whole, while in 1925 Poland's exports to Latvia totalled Lats 16,093,434, or 5.73 per cent. of Latvia's entire imports. The figures for the intermediate years are:—

	Lats.	Per cent.
1921	467,488	0.5
1922	2,568,885	2.39
1923	12,856,907	6.07
1924	12,738,851	4.98

Latvia's exports to Poland returned Lats 23,737 in 1920, or 0.11 per cent. of Latvia's entire exports. The figures for the subsequent years are:—

	Lats.	Per cent.
1921	177,290	0.45
1922	185,525	0.18
1923	6,242,758	4.86
1924	4,596,016	2.95
1925	4,495,122	2.50

Judging from these figures trade was most brisk between these countries in 1923, declining later to revive only in 1926. The normal development of trade between Poland and Latvia is greatly impeded by the absence of a definite commercial treaty. There is some divergence of opinion as to the principle on which such a treaty should be concluded. There can be no doubt, however, as to the general benefits which would accrue to Polish-Latvian commerce. Another difficulty is presented by import restrictions in force in Poland, and it is hoped that these may shortly be rescinded.

Poland supplies Latvia with coal, naphtha, fertilisers, salt, machinery and other goods, while Latvia supplies Poland with flax, lumber, fresh and salted fish, various metal ware and rubber goods. Strange though it may seem in view of Poland's big industries, this country imports from Latvia large quantities of nails. There is a good market for Latvian produce in Poland, most of the business being done by private firms and not by big associations or co-operatives. (*Riga Times*, No. 30.)

AGRICULTURE

Agricultural Development.—Like Lithuania, Latvia is an agrarian State, 80 per cent. of its population being engaged in agriculture; hence, as in Lithuania, agriculture is also the main support of the economic system. The similarity between the two countries is also noticeable in the gradual transformation from grain cultivation to cattle breeding, in which Latvia is keenly interested in introducing new methods and intensive processes. The success which has attended these efforts is demonstrated by the steadily increasing export of butter. From 2.9 million kilogrammes in 1923, the export of this article increased to 3.7 million kg. in 1924 and in 1925 attained a total of 7.1 million kg., of which Germany took 74 per cent. The butter export in August 1926 was estimated at 1.15 million kg., of which 82.25 per cent. went to Germany. The export of meat has also greatly increased of late, and complaints are loud in Riga and Kovno of the difficulties raised by Germany in this respect.

The great preference given to cattle breeding is no doubt due to the recent falling off in flax sales, which up to a short time ago constituted the chief item in the list of Latvian exports. This development must have been all the more unwelcome to the Treasury in that the flax trade is a State monopoly in Latvia. The suggestion of abolishing this monopoly seems to have been entirely abandoned. The last two years have been equally unfavourable to another important export article, viz. timber. About 29 per cent. of Latvia's total area is covered with forest, which is for the most part State property, though the lots destined for felling are usually sold to the highest bidder among private contractors. The grain harvest has been none too favourable in the past two years, and even this year it is expected that large quantities of grain will have to be imported, though the harvest is described as above the average. The question of agrarian reform is indirectly responsible for this state of affairs. According to this reform all large landowners in Latvia had to surrender any land owned by them in excess of 50 hectares, and it remains to be seen, in Latvia as in the other Baltic States, how far the new farmers recently established on the split up estates (as from January 1, 1926, the number of agricultural units is estimated at 206,000) will be able to achieve a surplus. (*Hamburger Fremdenblatt*, No. 264.)

Flax Cultivation and this Year's Crop.—According to the data of the Board of Statistics there was a record crop of flax last year, amounting to 30,000 tons. Through 258 receiving stations the Monopoly Department purchased 25,000 tons of this total for the sum of Lats 32.5 million. On April 1, 1925, there was a residue of 9,000 tons from the preceding year. Despite unfavourable business conditions 22,000 tons of this entire quantity were sold, leaving a balance of 12,000 tons in stock at the beginning of the current budget year. By the end of August only 5 per cent. of last year's balance was left unsold, which is a very small quantity compared with the 25 to 30 per cent. of flax left unsold in Russia. A profit of Lats 4.012 million was derived from the sale of the flax instead of Lats 4.5 million as estimated in the Budget. Purchase prices were higher in Latvia than in the neighbouring countries, and on an average higher than in former years, with the exception of the Budget year 1924–25, averaging 10,483 roubles per 10 poods in 1925–26 as compared with 9,770 roubles in 1923-24 and 9,161 roubles in 1922–23. As already observed, the Budget year 1924–25 was an exception, when 15,724 roubles was paid for 10 poods of flax. This year's figures exceeded the cost of production and left a small margin of profit for the growers.

Administrative expenses accounted for Lats 2.5 mill.. or slightly less than 5 per cent. of the turnover. The purchase charges, salaries to warehouse employees, rent and transport charges were the principal items of expenditure. The statistics show that 52 per cent. of the Latvian flax exports went to France and Belgium, 36 per cent. to England, 10 per cent. to Germany and 2 per cent. to other countries.

In considering the prospects of this year's flax crop it should be borne in mind that the cultivated area has been reduced by about 20 per cent. The following table is instructive as showing the sowing area for flax during recent years (in hectares):—

1920	...	30,499	1924	...	60,500
1921	...	34,129	1925	...	78,100
1922	...	37,705	1926	...	50,000
1923	...	55,783			

The diminution this year is a direct result of the unfavourable market last year.

Flax is one of Latvia's principal export items, and a decrease in sowing is therefore the reverse of desirable. It is therefore to be hoped that an increase in prices will lead to more intensive cultivation. Although this year's crop will be smaller, a high standard of excellency is expected. (*Riga Times*, No. 31.)

RUMANIA

POLITICAL AND GENERAL

The Treaty with Italy.—On September 16 last a Treaty of Friendship and Conciliation between Italy and Rumania was signed at Rome. In the preamble the two contracting States explain that the present treaty is to strengthen their friendly relations and to ensure the maintenance of general peace and the safety of the two nations, in addition to consolidating the political stability of Europe. The treaty provides for mutual support and cordial collaboration in the event of their common interests being threatened by international complications. To the disappointment of large sections of the Rumanian public there is no mention of the Bessarabian question, this matter having been dealt with separately in letters exchanged by the Italian and Rumanian Prime Ministers. The general Rumanian Press had entertained the hope that Italy would by this agreement recognise the annexation of Bessarabia by Rumania. The treaty is valid for five years.

When the full text of the treaty became known in Bucharest there were signs of the growth of a formidable opposition to it. With the exception of the Government organ, *Indreptaria*, and a few other journals, the Press is conducting a vigorous campaign against the provisions of the treaty. The leading Liberal and Nationalist organs, the *Viitorul* and *Romania*, declare that the parties they represent will unitedly oppose the ratification of the treaty when it is laid before Parliament.

The *Central European Observer* of October 1 also reports that Rumanian public opinion manifests growing dissatisfaction with the treaty just concluded by General Averescu with Mussolini. This feeling has become so pronounced that the Rumanian Government have deemed it necessary to issue a special communiqué in which it is asserted that the public indignation expressed at the treaty is entirely out of place, the agreement embodying a maximum of concessions on the part of Italy, besides containing a clear undertaking by the Italian Government to ratify the Bessarabian agreement as soon as such ratification would carry with it no danger for Italy. This communiqué, however, has also failed to satisfy. The Opposition point out that France ratified the Bessarabian agreement without hesitation, and guaranteed the integrity of Rumania's territory. They ask how it is possible that the head of the Rumanian Government could conclude a treaty with Italy in which these fundamental demands of the Rumanian nation are not conceded. The Opposition declare that Rumania will not derive the slightest benefit from this treaty and that, in the long run, it will do no good to Italy either, for it has seriously harmed that country already in the eyes of the broad masses of Rumania. The treaty, say the Opposition, is merely calculated to increase Rumanian sympathy for and gratitude towards France. Stress is laid upon the fact that the bitterest opposition is offered to the new treaty by the Liberals, whose leader, the former Premier, still continues to be a trusted adviser of the King. It is not impossible that it will seriously threaten the existence of the Averescu Government.

FINANCE

Financial Policy.—The present Government of Rumania is adopting a new financial policy in order to effect economic restoration. Whereas the former Minister of Finance hoped to attain the same desired end by a process of gradual revaluation of the currency, the present policy of the Averescu Government is to effect an early stabilisation of the leu. The financial experts of the country appear for the most part to be more favourably inclined to this new policy than to the course followed by M. Bratianu. The devaluation coefficient has been provisionally fixed at 40, so that the new unit will, when introduced, stand in the relation of 1 : 40 to the present one. Another point of departure from the old policy is the belief of the present Ministry of Finance that the national finances cannot be completely restored without the aid of foreign loans. It is recognised that there is a dearth of capital and credit within the country and that the situation can only be eased by the introduction of foreign money. This fact has dictated the negotiations for foreign loans, for a start with France and Italy. It is believed that further negotiations will shortly be opened with other countries with a similar object in view. The financial policy of the Government is meeting with fairly general support, particularly of the leading industrial, agricultural and commercial circles.

TRADE

Foreign Trade Returns January to August.—A welcome change has taken place in the organisation of official statistics; whereas formerly the foreign trade returns and other data of importance to the economic life of the country were ever belated in publication, they are now made available with but little delay. The latest statistics of the commercial exchanges with other countries cover the period from January to August (inclusive) of the present year. The figures indicate a remarkable development. The net result of foreign trade during the first eight months of the present year is a favourable balance of over Lei 1,819 mill.; but the balance for the corresponding period of 1925 was an adverse one to the extent of over Lei 1,867 mill. The course of trade over the eight months is shown in the following table (in lei):—

	Imports.	Exports.	Balance.
January ...	2,739,209,079	2,402,980,588	— 336,228,491
February ...	2,987,459,489	2,143,253,952	— 844,206,537
March ...	4,074,596,424	2,716,349,606	— 1,358,246,818
April ...	2,469,055,230	2,969,511,011	+ 500,455,781
May ...	2,830,359,051	4,075,393,698	+ 1,245,034,647
June ...	2,934,999,357	3,935,750,635	+ 1,000,751,278
July ...	2,534,557,392	3,354,665,547	+ 820,108,155
August ...	2,552,127,646	3,344,031,195	+ 791,903,549
Total	23,122,363,668	24,941,935,232	+ 1,819,571,564

With the exception of the month of March, imports have remained more or less stable, while exports show a tendency with slight variations to increase. The unusual figure for March was due to imports being forced, in view of the protective tariffs to be imposed. Since that month imports have been kept down by the operation of these tariffs. On the other hand, the improvement of exports may be attributed to the removal of the export duties on important commodities. (*Bursa*, Oct. 3.)

INDUSTRY

The Petroleum Industry.—Statistics for the first seven months of the present year show that the total output of crude oil amounted to 1,806,102 tons, as against 1,258,520 tons for the corresponding period last year. It appears that the expectation of a record output of 3,000,000 tons for the year will be realised. Notwithstanding these encouraging figures the industry is working under great difficulties. The *Bursa* of October 10 points out that, in spite of a very recent and slight improvement in prices obtained for refined products, the situation of the petroleum industry is precarious. There is a crying need of credit, especially in the case of the smaller concerns. The export trade is stagnating, and the representatives of the industry have addressed a memorial to the Ministry of Finance in which it is stated that the stocks on hand amount to a total value of over Lei 2,500 mill. The smaller industries are compelled to sell their products to the refineries at ridiculously low figures; and the refineries, in their turn, cannot offer better prices, since they are experiencing the greatest difficulty in finding sufficient markets for the disposal of the refined products.

Commenting upon the unfavourable situation in which the Rumanian petroleum industry now finds itself, the Bucharest correspondent of the *Central European Observer* writes, in the issue of September 24, that great anxiety is felt amongst petroleum companies owing to the unprecedented fall in the prices of oil products. Crude oil of the best quality (Bustenari) is offered at Lei 19,000 per truck (of 10 tons) without finding ready buyers, whereas inferior qualities can hardly fetch Lei 15,000. The appreciation of the leu has much to do with this unsatisfactory state of affairs. The price of crude oil is regulated by the foreign exchange market rather than by the internal demand. It is estimated that three-fourths of the decline is due to the improvement in the value of the leu, but quite an appreciable part is the result of over-production. At the beginning of this year all the oil companies, but more especially those undertakings which had obtained concessions of oil-bearing State lands under the new Mining Act, embarked upon a vast drilling programme. In consequence, the production has gradually increased, reaching quite lately the unprecedented figure of 1,000 trucks a day. The storing capacity is taxed to the maximum and the facilities for transport to the shipping ports are totally inadequate to cope with the ever increasing export requirements.

The Council of Ministers has in principle approved the scheme put forward by a group of oil companies for the building of a new pipe-line, 300 kilometres in length, to connect the oilfields with the port of Constantza. A joint stock company will be formed under the Commercialisation of State Enterprises Law, in which both the State and the oil companies will be interested. The new enterprise will take over from the State the existing Baicoi-Constantza and the Baicoi-Giurgiu Pipe-Lines and will have a right of pre-emption on all the new pipe-lines which may be built in future. The scheme is to be laid before Parliament for ratification during the coming session and the execution of the project will commence at an early date.

AGRICULTURE

The Cereal Harvest and the Agricultural Situation.—Owing to the unfavourable weather in July the original estimates of the cereal crops (see THE ECONOMIC REVIEW, August 20) have not been realised. The *Bursa* of October 10 submits the latest evaluation, as published by the Rumanian Ministry of Agriculture. The figures are as follows (in quintals):—

	Area under cultivation (in hectares).	Average yield per hectare.	Total production.
Wheat ...	3,327,487	9.1	30,444,810
Rye ...	295,623	9.8	2,909,567
Barley ...	1,551,567	10.7	16,632,936
Oats ...	1,078,419	10.7	11,603,649
Total ...	6,253,096	—	61,590,962

Although these figures are disappointing when compared with the former estimates, they are yet an improvement on the returns for last year, when the total area under cereal cultivation produced but a total of 48,131,427 quintals. The maize crop is also better than last year, the latest estimate being a total of 51,657,155 quintals from an area of 4,075,432 hectares, or an average yield of 12.7 quintals per hectare, as against a total of 41,591,467 quintals from an area of 3,930,780 hectares, or an average of 10.6 quintals per hectare in 1925.

The Bucharest correspondent of the *Prager Presse* points out in its issue of October 13 that the quality of the Rumanian wheat this year is unsatisfactory, being two points under the world standard and measuring only 72 kilogrammes per 100 litres. In normal times Bessarabia exports about half of her cereal production, or about 100,000 truckloads per annum, in addition to a yearly average of 115 truckloads of apples, 432 of nuts, 27 of pears, 242 of peaches, 144 of plums, 450 of grapes, and about 1,000 truckloads of early fruit, such as cherries and berries. Formerly the chief markets were in Russia and Poland; but this year exports to the East will be practically impossible, while the negotiations with Poland, which it was hoped would bring about an improvement in trade, have been so protracted that little benefit will accrue this season. There is, however, a possibility of an arrangement being made to facilitate the transit trade to Danzig for exportation to the northern countries. The prospects of good business with Germany are fairly bright, but bad packing and insufficient sorting may again prove damaging for Rumanian exporters.

Discussing this same question of the disappointing volume and quality of the Rumanian wheat crop this year, the Bucharest correspondent of the *Central European Observer* states in his report published on September 24 last that the grain is shrivelled and lacks in strength, and that it will with difficulty find an outlet in those countries where Rumanian wheat is generally bought for mixing with soft wheat. Prices are therefore very low; in numerous cases farmers have accepted Lei 70,000 per truckload (of 10 tons) delivered at railway station. The barley crop is not much better. For the time being, however, prices are maintained at a comparatively high level; but it is feared that as soon as the abundant Ukrainian crop begins flooding the western European markets prices are bound to fall. Maize is the only bright spot in the agricultural situation. The weather conditions have been favourable to its development; the yield is large, the quality excellent, and it will probably form the bulk of the grain export this year.

The farmers have yet another reason for complaint. The recent improvement in the value of the leu, which was not followed by an immediate and corresponding decrease in the price of other commodities, marks a dead loss for them. Of all classes of Rumanian producers the farmers suffer the most from seasonal exchange fluctuations. In the spring, when the leu is generally at its lowest, the farmer borrows the money necessary for field work at a rate of interest which rarely falls below 25 per cent. per annum, and is compelled to sell his crop in order to pay his debts just at the time when the leu stands at its highest, owing to the export trade being in full swing. The lack of cheap credit is keenly felt by the agricultural community, which was badly hit by the expropriation of arable lands. The formation of a *Crédit Agricole* on the lines of the *Crédit Industriel* would do much to ease the situation.

Autumn sowings have been made under adverse weather conditions. Owing to a prolonged drought the ground is hard and ploughing is rendered extremely difficult.

SOCIAL AND LABOUR CONDITIONS

Labour Conditions in Rumania.—The report on the enquiry conducted by the International Labour Bureau at Geneva respecting the labour conditions in Rumania has now been published. The enquiry was restricted to the conditions prevailing in big industry, and covered 537 industrial concerns employing altogether 143,695 workers, or about one-half of the entire industrial population of Rumania. It is shown that the forty-eight hour week has been introduced in 281 concerns, in which 89,859 workers are employed. The remaining undertakings employ a total of 45,169 workers who are occupied for more than eight hours a day. Approximately 63 per cent. of the workers in big industry work eight hours per day; 6 per cent. work less than eight hours, while 31 per cent. are employed for more than eight hours per day. Night work is carried on regularly in 181 and occasionally in 32 enterprises; 109 concerns work with two shifts, and 58, principally mines, with three shifts.

Labour Conflicts in 1925.—The Ministry of Labour has issued statistics respecting labour conflicts in Rumania during the year 1925. There were in all 318 such conflicts involving a total of 80,243 wage earners, as compared with 385 conflicts with 74,777 participants in 1924. By law, striking in State undertakings is visited with severe penalties; as a result the number of conflicts in State undertakings is invariably low. In 1925 there were only 14 conflicts involving 4,668 workers in undertakings run by the State. Most of the conflicts occurred in the metal industry, totalling 46 with 20,366 participants; in commercial concerns there were 23 conflicts involving 3,317 workers. During the year a total of 209,891 working days were lost through strikes and lock-outs. The majority of the conflicts were in Siebenbürgen, numbering in all 233; in the Old Kingdom of Rumania there were 57 conflicts, in Bukovina 18, and in Bessarabia 10. In 56 per cent. of the total conflicts work was stopped as a result of wage disputes; in 35 per cent. in consequence of disagreement as to working hours. Satisfactory mutual agreements were arrived at in 185 cases only; in 64 cases the workers succeeded in enforcing their demands; and in 69 cases the workers were compelled to resume under the conditions imposed by the employers.

The port of Constantza continues in a state of confusion, owing to the lack of systematic handling of goods, lack of loading and unloading equipment, shortage of warehouse room, and the inability of the railways to move arriving goods promptly to the interior. Merchandise arriving for interior points sometimes lies in the open yards for months before cars are available for shipment. One large 40-ton crane is in place, but is cumbersome and rarely used. There is also one light crane capable of handling articles weighing 3 tons, but it appears to be in bad condition and is not employed at present. All heavy articles are handled and loaded on the cars by means of jacks, pulleys and rollers. Cases necessarily are roughly handled and are frequently broken open or staved. The port authorities are considering plans for extensive improvements at the port, including the installation of twenty-five or more cranes.

FOREIGN BANK RATES.

	Per cent.		Per cent.		Per cent.
Amsterdam	3½	Dublin	6	Prague	5½
Athens	11	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	4½	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.

FINANCIAL INDEPENDENCE.

Financial Independence: How to Win It. By HARVEY A. BLODGETT. (London and New York: D. Appleton & Company. Price, 5s. net.)

In the introduction of this work the author points out that at the outset the road to financial independence is strewn with difficulties, but with every milestone passed the way becomes smoother and easier. He lays down definite rules for the guidance of those who wish to attain a competence. No treatise can be of assistance to people who merely wish, and entrust their hopes to tickets in a sweepstake or some similar Arcadian happening. The book applies only to those who are prepared to pursue constantly the set purpose of achieving and consolidating their financial position. In England the great mass of mankind have not the character to pursue any set course for a sufficiently long time to achieve such an end. This defect in the majority is a consequence largely of environment. The Englishman's belief in and love for stability, his strong desire for continuity and his distrust of change tends to limit the ambitions especially of those who start at the bottom. Despite the humble beginning made by many financial magnates and industrial leaders, the great mass of workmen in factories, shops and offices never harbour the thought that with continual effort it is possible that they may become financially independent. Their outlook on life tends to be on a weekly basis. They consider income and expenditure over short periods. Conscious efforts at saving are seldom directed beyond the summer holidays. "'Tis true 'tis pity and pity 'tis 'tis true." Happily in the North and particularly in Scotland there is a keener financial perception.

As the author points out, saving does not stifle the pleasure of life nor confine the scope of the individual. Every sum saved produces interest and the prospect of continual enlargement of income from this source certainly expands the ambitions of those who set out on the road to independence. The author's suggestion of regular budgets is admirable: a weekly review of expenditure must train the mind to compare the fruits of expenditure on various items. These comparisons will lead to beneficial conclusions.

The author expresses the old-fashioned view that income must be the object looked at and expenditure pared down to show a favourable budget balance. The more modern view which one sometimes hears expressed, that the individual must spend certain sums to maintain his standard of life and position in society and that his earnings must therefore attain a figure which amply covers these items, finds no expression. Certainly by maintaining a high standard of life one is more likely to hear of opportunities of employment or investment, but income cannot be expanded to anything like the same degree as expenditure can be contracted. For all but the exceptionally gifted the older view must be the sound one.

The goal can be reached by all who try conscientiously, granted good health and freedom from accident. The effort required will impose a serious strain upon the great majority. Careful budgeting and close finance will correct expenditure. Income can only be affected by continuous effort to improve one's earning capacity. It is up to each individual who wishes to become financially independent to work at both sides simultaneously and with constant endeavour. In developing earning capacity one will unconsciously develop financial acumen. After all, when money is earned and saved there lies the problem of investment. Without developing a flair for the market or even learning the jargon of the market-place any individual can develop a capacity to apply prudent commercial principles to the balance-sheets and public statements of any company before purchasing stock.

The author's division of the subject results from the particular lessons he wishes to inculcate. The natural division into the three essentials of earning, saving and investing might have been simpler and more satisfactory. This triple problem confronts almost every man and nowadays numerous women. The author prescribes the safe course, but is careful to demonstrate that one may go into debt wisely. The book is more applicable to American than to English conditions. The problem in England is not so much how to achieve financial independence but to establish the will to become financially independent.

D. M. SANDRAL.

SHORT NOTICES.

Zum Problem einer Rentenaufwertung in Oesterreich. (The Problem of the Revalorisation of the Consolidated Debt in Austria.) A study by Dr. Paul Stiassny. (Vienna, 1926.) The study by Dr. Stiassny, who is an authority on Austrian finance, is devoted to the question of the future fate of the Austrian public debt. In it he analyses the different ways in which the public debt of the former Austro-Hungarian Empire was dealt with in the Treaty of Versailles and in subsequent agreements, as well as the various forms of veiled bankruptcy indulged in by different States. The general principles on which revalorisation of the public debt after inflation is to be based must be decided according to the special circumstances of the country in question and in accordance with its financial possibilities. The numerous drafts for revalorisation with a view to helping the small holders are, in the opinion of Dr. Stiassny, an insufficient remedy. Revalorisation in Austria must be general, just as it was in Germany. This study is a most interesting contribution to a question which is of special importance for countries which have suffered by inflation.

Finance et Comptabilite dans l'Industrie. By M. Julhiet. (Paris: Librairie de l'Enseignement technique.) This book is written for the purpose of giving the manager of an enterprise a large view of his task, and, in particular, of giving engineers the requisite knowledge of financial operations necessary for the management of an industrial enterprise. The book contains chapters on Accountancy, Banking, Company regulations, Insurance operations, and the Stock Exchange. The principles of all these operations are clearly explained, and the book will be found of great use to persons engaging in them. So far as the legal features of these operations and the commercial rules are concerned, the book, of course, is entirely based on methods prevailing in France.

PUBLICATIONS RECEIVED.

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

The Economic Revolution in British West Africa. By Allan McPhee, M.A., B.Com. (Edin.), Ph.D. (Lon.). (London: George Routledge & Sons, Ltd. Price, 12s. 6d. net.)

The Medical Who's Who. Eighth edition, 1927. (London: Grafton Publishing Company Limited.)

UNIVERSITY OF LONDON.

A COURSE of Two Lectures on "AMALGAMATIONS" will be given by Mr. A. E. CUTFORTH, C.B.E., F.C.A., at the LONDON SCHOOL OF ECONOMICS, LONDON (HOUGHTON STREET, ALDWYCH, W.C. 2) on FRIDAYS, NOVEMBER 19th and 26th, at 5 p.m. At the First Lecture the Chair will be taken by Sir William Plender, Bart., G.B.E.

ADMISSION FREE, WITHOUT TICKET.

EDWIN DELLER, Academic Registrar.

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date.	10 Commodities.	Bd. of Tde. Monthly Average.	Date.	10 Commodities.	Bd. of Tde. Monthly Average.	Date.	10 Commodities.	Bd. of Tde. Monthly Average.	Date.	10 Commodities.	Bd. of Tde. Monthly Average.
1920.											
Jan. 16	367.9	296.6	1923.			1925.					
May 14	391.2	325.5	Apr. 20	198.5	162.0	Jan. 16	174.8	171.0	April 16	148.1	143.6
July 16	418.8	316.9	July 20	177.3	156.5	Feb. 13	175.2	168.9	May 21	150.2	144.9
Dec. 17	257.0	263.8	Oct. 19	166.0	158.1	Mar. 13	172.8	166.3	June 18	151.7	146.5
1921.			1924.			April 17	161.9	162.5	July 16	153.9	148.7
Jan. 14	244.2	245.9	Jan. 18	178.6	165.4	May 15	158.7	159.0	Aug. 20	155.8	149.1
Apr. 15	202.8	204.8	Feb. 15	187.9	167.0	June 19	160.6	157.6	Sept. 17	152.6	150.9
July 15	194.4	194.1	Mar. 14	182.1	165.4	July 17	160.3	157.5	,, 24	151.5	
Oct. 14	170.2	180.7	Apr. 18	177.5	164.7	Aug. 14	158.6	157.0	Oct. 1	150.9	
Dec. 16	153.2	167.9	May 16	171.2	163.7	Sept. 18	158.3	155.1	,, 8	151.5	
Dec. 30	150.0		June 20	167.8	162.6	Oct. 16	154.1	154.8	,, 15	151.2	
1922.			July 18	167.1	162.6	Nov. 13	153.2	153.7	,, 22	149.8	
Jan. 20	144.0	164.0	Aug. 15	175.3	165.2	Dec. 18	153.0	153.2	,, 29	152.2	
May 19	162.1	160.6	Sept. 19	167.9	166.9	1926.					
July 14	165.1	160.3	Oct. 17	172.5	170.2	Jan. 15	151.6	151.3			
Sept. 15	161.2	154.3	Nov. 14	173.3	169.8	Feb. 12	148.4	148.8			
Dec. 15	161.2	155.8	Dec. 12	171.7	170.1	Mar. 12	146.1	144.4			

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. 22 ...	94.3	184.0	60.4†	111.4	61.7	106.2	102.9	106.7	85.3	85.9	99.88	... Oct. 22
,, 29 ...	108.5	181.0	60.4†	115.8	59.0	106.2	102.9	108.3	85.3	87.1	101.45	... ,, 29

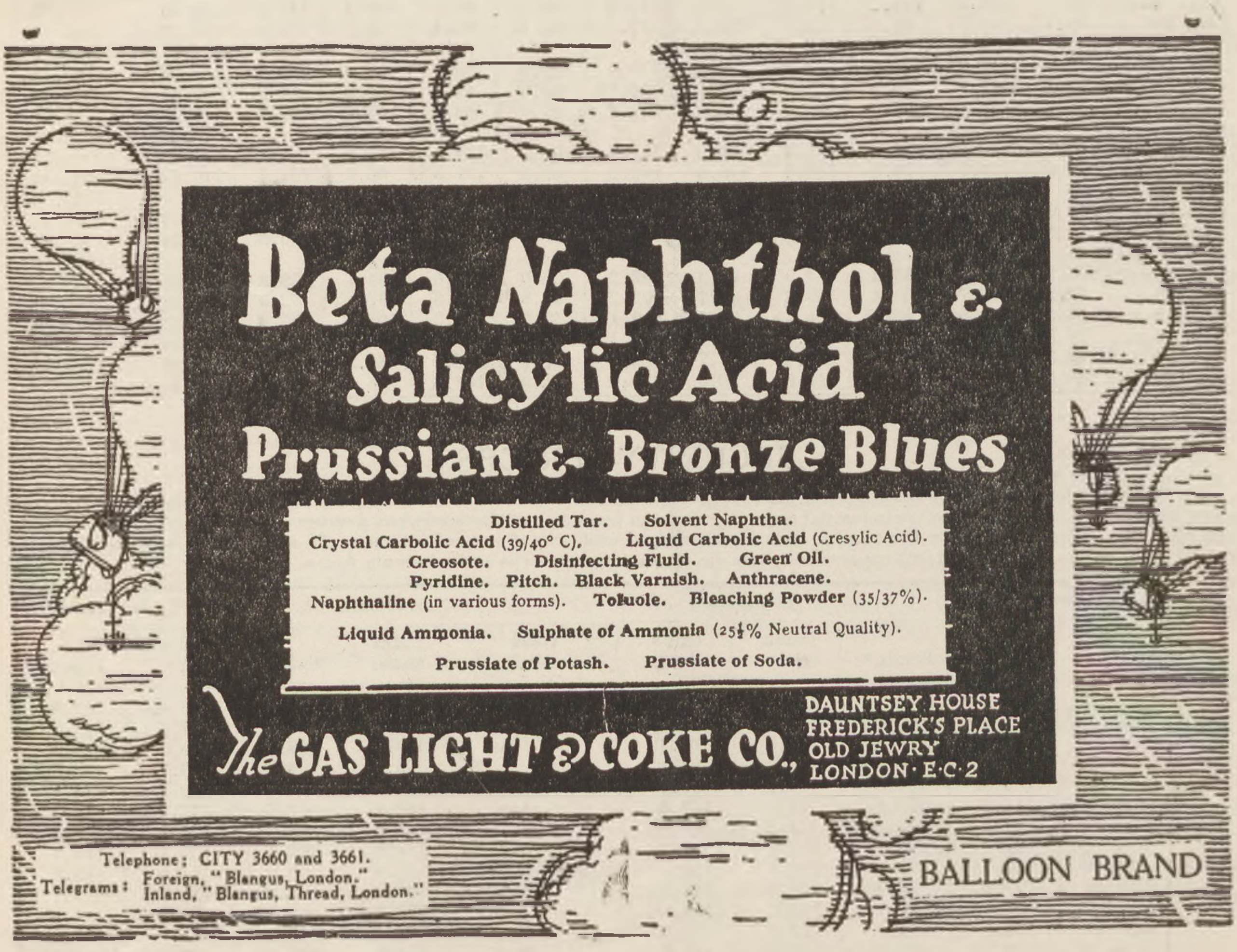
† Nominal. * Revised Quotation.

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	Industrials.	Bonds.*	Industrials.	Gilt edged.	Week ending	Industrials.	Bonds.*	Industrials.	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	130.6	112.8
1923, Jan. 1	121.7	102.5	119.5	113.3	**1926,** Jan. 2	195.5	103.6	133.3	113.0
Mar. 17	**129.2**	98.5	129.3	117.0	,, 9	196.1	103.6	**135.1**	113.1
,, 24	127.3	*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. 16	181.1	106.6	127.5	111.6
June 21	115.3	103.3	*118.2*	118.0	,, 23	184.4	107.2	127.9	112.0
Nov. 8	130.1	103.7	133.7	120.4	,, 30	185.4	107.4	126.9	111.9

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



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