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## COMMENTS

NOBODY will deny the very considerable abilities of the late Soviet Envoy to London. However, Mr. Krassin was too much of a business man to be unreservedly trusted by the Communists and too much of a Communist to enjoy the confidence of business people. Krassin was neither a wild ruffian nor a mad fanatic. He was a man of culture and education, and this is perhaps the main reason why he became one of the first Soviet diplomats abroad. It can hardly be said that Krassin's diplomatic career was successful: as Ambassador to Paris he achieved nothing, and in this country his name came into particular prominence first in connection with the Urquhart negotiations and later during Zinovieff's "red letter" episode. But in Russia for some considerable time he played a great and most destructive rôle. The foreign trade monopoly with all its consequences remains a picturesque memorial to that period of his activities. Later, backed by Lenin, he tried to exercise a moderating influence over the extremists of his own party; but soon he lost the unrivalled standing he had enjoyed among his fellow-Communists, and his power began to vanish. It will hardly be an exaggeration to say that for the last eighteen months he had become quite insignificant and that his influence in Moscow had completely gone. This Communist, who throughout his life had lived like a thorough capitalist, first in his capacity of director of the Siemens Works in Russia, then as one of the Bolshevik dictators, and eventually as Soviet Envoy to the leading capitals of Europe, was really dead a long time ago.

DURING a recent visit to Berlin we were greatly struck by the changes that have taken place in that city. Once again, Berlin, which for several years immediately following the war offered a pitiful sight of moral, economic and even physical decomposition, and which had really ceased being one of the leading capitals of Europe, has entered on a period of prosperity and has largely regained its old position. To the student of German conditions during the years 1918 to 1924, and particularly in 1922 and 1923, the feature by far more important than the collapse of the mark or political and other difficulties was the moral crisis. Germany has become unrecognisable since then. Hopelessness, gloom and depression have given way to a wave of energy, belief in a better future and desire to work. And they do work hard in Germany! We arrived in Berlin early on a Friday morning. At 9 a.m. some of the captains of German industry and finance could already be reached at their offices, and we were able to have a number of interviews on the day of our arrival and throughout Saturday which in this country would certainly have

been impossible before Monday. All the distinguished gentlemen we saw expressed their supreme amazement at the coal strike and the way it had been handled by all parties concerned. They were unanimous on the point that it is impossible to understand how a nation so wise and so practical as the British could have drifted into the present deadlock. With equal unanimity they confirmed that Germany has profited enormously by the coal strike and that their present wave of prosperity is very largely due to the economic crisis of this country. The German Stock Exchange boom, which has now lasted for very nearly a year and during which the value of certain securities has risen to three or four times what it was at the outset, has also greatly contributed to the general improvement. These are the two main factors; but there are also some others. Rationalisation has become the slogan of the day in every branch of industrial activity. In trade the system of payment by instalments has been introduced on a very large scale and is achieving a great and ever-growing success. Even on the Stock Exchange a new and labour-saving device has been established and is finding new adherents every day: it is the creation of central clearing-houses where all the stocks are deposited, so that buyers and sellers merely exchange a special kind of ticket or cheque. We are glad to say that some of the principal protagonists of these ideas and improvements have kindly promised to put their views before our readers, and we hope to begin with the publication of their articles at an early date.

THE effects of the approaching termination of the coal dispute were outlined by the Secretary of the London Iron and Steel Exchange in his weekly report issued on Tuesday. Among other things, he states that the belief that work will soon be fully resumed in the coalfields has had little effect so far upon the iron and steel trades. At the weekly meeting of the London Iron and Steel Exchange it was reported that there was a fair enquiry, but the knowledge that it must be several weeks before normal conditions can obtain in the steel industry has checked any inclination traders may have had to enter into commitments. It is not now expected that activity will develop in the iron and steel markets until after Christmas; but by that time there are indications that a considerable demand will make itself felt, as there is no doubt that a considerable tonnage of orders has been held back owing to the coal strike. Directly steel manufacturers can obtain coal they will get busy on orders they have in hand, which are understood to be sufficient to provide several weeks of work for most of the steel plants. The problem of post-strike costs, however, has yet to be solved, and until manufacturers and dealers are in a position to judge the future course of prices a large volume of new business cannot be anticipated. The tone of the Continental market has weakened somewhat, probably as the result of the smaller demand from this country. Continental works seem to be keener in competing for any business going, and there are instances of Continental merchants quoting lower prices for forward delivery than can be obtained from



our works. Generally, however, the situation is one in which both buyers and sellers are content for the time being to mark time.

THE report on the American cotton crop issued during the week by the Washington Department of Agriculture indicates that there will be a yield this year, exclusive of linters, of 18,399,000 bales—a figure considerably above previous estimates. The estimate made by the Bureau two weeks since was 17,918,000 bales and that made twelve months ago 15,295,000 bales, while the final ginning report for the season 1925-26 gave a total of 16,104,000 bales. The crop total now given does not include 80,000 bales, the estimated growth in Lower California. The average yield per acre, calculated at November 15, is estimated to be 186.3 lb., as against 181.4 lb. in the last report and 165.5 lb. in the report made in November of last year. The increase of 481,000 bales on the previously made estimate is considered to be mainly due to the raising of the expected Texas yield by 300,000 bales to 5,800,000 bales. Other increases ranging from 25,000 to 100,000 bales have been made in Mississippi, Louisiana, Oklahoma and Arkansas. Reductions would appear to have been made in the estimates of the crop in South Carolina and Alabama. The report of the Census Bureau shows that up to the close of business on November 13 a total of 12,954,000 bales of the current crop had been ginned. This compares with 12,260,000 bales to the same date last year, 11,162,000 bales two years ago and 8,369,000 bales in 1923. The quantity ginned since the Bureau made its last report at the end of October is 1,695,000 bales, as against 1,053,000 bales in the same period last year, 1,446,000 bales in 1924 and 814,000 bales in 1923. Returns from Texas show an increase of 873,000 bales over last year. Gains are also indicated in the returns from Alabama, Arizona, Arkansas, California, Georgia, Mississippi and Missouri, while reductions are shown in reports from Florida, Louisiana, New Mexico, North and South Carolina, Oklahoma, Tennessee and Virginia. The net result, however, is a total crop 694,000 bales larger than that of last year.

MR. J. M. KEYNES met the General Committee of the Master Spinners' Federation in Manchester on Monday and discussed with them certain points he had raised in an article criticising the policy of the Lancashire cotton-spinning industry. The meeting was private, but an official statement was issued afterwards. Mr. Keynes, according to that statement, said that while he did not maintain that Lancashire's difficulties were mainly due to short time, his point was that, our competitive position having already been worsened by other causes, the palliative of short time was suicidal, because it aggravated the inferiority of Lancashire's position. He did not claim that full time should have been worked always. There were times when he would have voted for short time himself, but directly it became palpable that the difficulty with which the trade was faced was due to other causes than post-war currencies and a shortage of cotton he would have become suspicious. Short time had the effect of increasing every difficulty with which they were faced, and steadily worsened the finances of the industry. If Lancashire could not work her spindles full time when cotton was at its present low prices she never would be able to work them. Mr. Keynes went on to tell them that he favoured some adaptation of the system known in Germany as "cartels," in which individual businesses maintained their separate identity and work was distributed by the cartel managers in quotas which were transferable from one to another. He would, he said, like to see all spinning mills formed into a single cartel under a management which might presumably be the present short time committee. This would give a wider scope to the most efficient, vigorous and far-sighted leaders of the industry, it would standardise products, and lead to the formation of more efficient selling organisations. They would be in a position then to

obtain far better credit, and the business available could be distributed on very practicable lines. If joint action on some such lines as these was impossible, Mr. Keynes concluded by asserting that he would abandon short time altogether, and leave unrestricted competition to do its worst.

THE information which reached this country from Cuba at the end of last week regarding the sugar crop has caused a certain amount of alarm in Mincing Lane, and among other firms who are compelled to take an interest in the sugar industry. The decision of the Cuban President to restrict the coming sugar crop in Cuba to 4,500,000 tons, when added to the other reductions made in various other crops, means a diminution in the world's production of sugar of over 1,000,000 tons. It is suggested that the present proposal for restriction has been inspired by the Stevenson scheme for rubber. The decision of the Cuban President is likely to have all the more effect on prices as the Continental beet crop is affording disappointing results in certain quarters. There is a probability that the sugar beet crop will be short by 250,000 tons of that of last year. It is considered likely in some quarters that prices will advance, since present quotations are only at a moderate level. However, it is contended that the public are not likely to suffer, because there are ample stocks of sugar in this country and because the home crops have proved a success. Forecasts predict no change in price this side of the New Year.

SINCE taking over the office of High Commissioner for India Sir Atul Chatterjee has instituted the publication of an annual report on the working of the Indian Store Department in London, and his second report, dealing with the year 1925-26, has just been issued (Office of the High Commissioner for India. Price, 2s. 6d. net). The current document, with Sir Atul Chatterjee's covering letter, throws some light on the circumstances in which the British proportion of the direct purchases of the Department has fallen during the course of four years from a share amounting to 93.68 per cent. to one of 82.57 per cent. Over the same period the German share of these orders has risen from 1.18 to 7.77 per cent., the French from 0.39 to 2.71 per cent., and the Belgian from 0.68 to 1.38 per cent. The share of the United States, which had fallen during the last year or two, stands now at 3.14 per cent., a figure slightly higher than that of four years ago. These figures follow on a decision of the Indian Legislature, accepted by the Government of India, to make their purchases on strictly business lines in the cheapest market compatible with quality and speedy delivery. Lt.-Col. S. W. Paddon, the Director-General of the Department, states that British manufacturers have come to realise that foreign competition for the requirements of the Indian Government must be met on its merits, and that the factors of price, quality and delivery alone determine the allocation of orders. He, moreover, ascribes the increased proportion of foreign orders to various reasons. Among them Colonel Paddon cites the fact that experience has proved the reliability of foreign manufacturers and justified the placing of contracts with them. The representation of foreign firms in India has increased in recent years. On the whole, it appears that foreign firms obtain the major portion of orders for railway wheels and axles, steel tyres, dog spikes, galvanised iron ware and steel boiler tubes. British manufacturers continue to be successful for such important requirements as locomotives, bridge-work, dredgers and other vessels, electrical plant, textiles, and the better qualities of paper. As far as possible, in order to promote Indian industry, simultaneous tenders are advertised in India and this country for certain requirements, such as, for instance, railway wagons. During the year under review orders for 2,377 wagons were placed by the Store Department in London, and 3,244 wagons were ordered in India.



## 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.)

### STABILISATION OR REVALUATION OF THE FRANC?

By PAUL APOSTOL.

As recently as three months ago stabilisation was apparently the end that French monetary policy had in view. Now, however, certain authoritative statements allow it to be said more and more confidently that the aim of the Government's monetary policy is the revaluation of the franc. Thus on November 13 M. Poincaré stated in the Chamber that his policy consisted "in revaluing the franc to the fullest extent possible and so help to bring down the cost of living." Seeing that the process of stabilisation does not preclude previous revaluation, what then is the difference exactly between stabilisation and revaluation? The chief difference, in our opinion, between stabilisation and revaluation consists in the choice of the level to which it is sought eventually to bring the franc. On the other hand, when speaking of stabilisation one is supposed to refer to an operation that is to take place within the immediate future. Let us therefore endeavour to ascertain what is understood by stabilisation in the Report of the Experts.

In the Seventh Section of that Report, under the heading "stabilisation," we read: the choice to be made of a rate of stabilisation lies between two extreme limits—the rate of the franc as a result of the index number of the cost of living reached at the decisive moment of the operation (this moment, according to the Experts, to be the earliest possible), and the rate of the franc actually reached at that moment on the exchange market. If we hold to this definition all efforts to bring back the rate of the dollar and of the £ on the French market to the actual level of the retail prices, and even more so in the case of a lower level, may be regarded as a policy of franc revaluation. On the other hand, revaluation at a definite level somewhere between the actual level of prices and that of the exchange could only be a preliminary step to stabilisation.

If now we examine the relation between the present level of the exchange and the present level of prices we arrive at the conclusion that the present rate of the £ (135-137), even were it to come down slightly, might well be accepted as the rate for stabilisation. As a matter of fact, the index number of wholesale prices for October is 767, which corresponds to the £ at 137, while the index number of retail prices in Paris is 624, which corresponds to the £ at 112 francs. Given that the retail prices in France, where most of the people's requirements are met out of home production, will always be below the world prices, and that, on the other hand, the rate of stabilisation should lie between the present level of prices and the level of the exchange, the actual rates at the moment of writing (135 to 140) do not appear to be too low for stabilisation.

We leave for the moment wholly out of consideration the question as to whether all the preliminary conditions requisite for actual stabilisation, and even more so for legalised stabilisation, do at the present moment obtain in France. This question has been answered in previous articles. But if the present rate of the franc is in no way abnormal from the point of view of the policy of stabilisation, what is it that is responsible for the uneasiness and for a certain state of nerves that are discernible in industrial, commercial and financial circles in view of the movements in the rates of exchange that have taken place during the past few weeks? This feeling is due (1) to the abrupt and inordinate rise of the franc, and (2) to a sense of uncertainty as regards the intentions of the Government, who, as we have seen, are credited with the intention of revaluing the franc, i.e. of raising its rate to a level substantially higher than that which might actually be regarded as normal for the purpose of stabilisation.

But even in France the policy of franc revaluation encounters opposition from men of considerable authority. Deputy Chappedelaine, for instance, writes in his General Report on the Budget for 1927 which has just been published: "Experts are not wanting to-day who declare that we must not stabilise. We are flatly opposed to this theory; on the contrary, we believe that it is impossible any longer to prolong the state of feverishness in which we have been living for several years. But at what rate are we to stabilise. It appears to us that it would be rash to go below a rate at which our franc had maintained itself for a fairly lengthy space of time, and that it would undoubtedly be best to fix the legal rate of the currency slightly above that rate." Again, Senator Louis Dausset wrote recently in the *Information*: "Nothing apparently could be more simple or more tempting than to get the franc revalued. Creditors of the State and private creditors have the greatest interest in seeing their coupons and bills as they fall due paid at a rate as near gold as possible. But in dealing with this matter we must not consider annuitants only, however deserving these may be of our attention and solicitude. It is the whole of the people and the future of French finance that have above all things to be considered. . . . From the national point of view, who would not be delighted to see the £ at 120, at 100 or even lower? But from a purely monetary and economic point of view it is perhaps quite a different matter. . . . The advance of the franc, by being henceforth precipitated, would prove a real danger to our finances. It would involve a disturbance of the equilibrium of our fiscal, budgetary and social economic system." Senator Dausset considers that revaluation is only desirable if it can be realised slowly and cautiously, while at the same time increasing production and restricting consumption. If it is impossible to carry out revaluation under those conditions stabilisation must be enacted, but as far as possible only after a period of actual stabilisation.

Let us quote yet another opinion, that of M. Loucheur. Addressing the Republican Committee of Commerce, Industry and Agriculture at Lille, M. Loucheur said: "Judging from the theoretical point of view alone, that would apparently be nothing against even a complete revaluation of the franc. But what would become of the commercial, industrial and agricultural life of the country during that period? It would mean the stoppage of business, permanent instability, an accumulation of ruin, and in the end an annual Budget of 22 or 23 milliards of gold francs, over four-fifths of which would have to be assigned to the service of the National Debt." M. Loucheur is strongly in favour of early stabilisation. "On this point," he says, "everyone would appear to be agreed that the state of general uncertainty in which we live must be brought to an end. But in carrying out the contemplated operation, French industry must retain its full capacity of export, which, let us not forget it, is necessary if we do not wish our franc to lose the value that we will have fixed. The rate of stabilisation cannot be settled outside these considerations."

As we remarked at the beginning of this article, the outstanding feature of the present situation is the atmosphere of uncertainty in which we live. It is impossible for those who are not behind the scenes to discern to what extent the rapid rise of the franc is due to speculation and to what extent it is the result of the monetary policy of the Government. And, on the other hand, it is impossible for the Government to make clear its intentions with regard to the rate of the franc it wishes to reach, as any such information would greatly favour speculation.



# 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.)

## FINLAND

### FINANCE

**Disposal of the New Government Loan.**—On Oct. 1 the Government received the new loan of 15 million dollars raised in New York. According to the rate of exchange this represents a sum of approximately Fmk.595.5 mill. The capital rebate constituted 10 per cent. in all and the net amount of the loan comes to Fmk.535,410,000.

There has been much discussion as to how this loan should be employed. In the agrarian Press it has been urged that the credit requirements of the farmers should be satisfied in the first instance. Of last year's Government loan rather more than Fmk.200 mill. was used for granting credits to farmers. These funds cost the farmers  $8\frac{1}{2}$  per cent. in interest. It is very open to doubt whether it is sound financial policy on the part of the Government to raise money in this way to be distributed directly to such a branch of activity as agriculture, which brings in little return. As the majority in the present Government consists of agrarians, the views expressed in the agrarian Press in favour of devoting the new loan principally to agriculture have considerable weight.

*Mercator* (Oct. 29) is, however, of opinion that the loan should be utilised solely for purposes of consolidation. In accordance with the decision of the Riksdag of December 1925 one-fifth of the loan should be employed in redeeming Government bonds in the Bank of Finland. The remainder of the loan should, in the opinion of *Mercator*, be utilised for redeeming the Norwegian bonds belonging to very unfavourable loans which the Government took up in 1919 and 1921. These loans will constitute a heavy burden on the State Budget for some years to come, and there are strong financial reasons for a consolidation such as that suggested above.

The Government proposals with regard to the loan are as follows: Fmk.80 mill. for buying ground and financing settlement, Fmk.80 mill. for improving credit conditions in agriculture, Fmk.80 mill. for completing the Imatra Power Station, Fmk.65.5 mill. for amortisation of the Norwegian Gutzzeit loan, and Fmk.8 mill. for establishing a broadcasting station. The net amount of the new loan to be utilised for redeeming Bonds of the Bank of Finland is Fmk.107 mill., and the balance of about Fmk.115 mill. would, according to the proposals of the Government, be employed in redeeming bonds belonging to old unfavourable loans, such as the 1921 loan referred to above, which is a  $6\frac{1}{2}$  per cent. loan, but the interest on which, owing to losses on exchange, amounts to much more.

According to the Government proposals, therefore, about Fmk.280 mill. of the new loan will be utilised for purposes of consolidation, while about Fmk.255 mill. will be applied to various undertakings, thus placing a considerable sum in circulation on the money market.

**The Money Market in September.**—The heavy seasonal imports exercised a considerable influence over the conditions of the money market during September, partly owing to an accidental circumstance, viz. the liquidation of exporters' dollar bills, which are short credits of a year's duration. The balance-sheets of the banks, therefore, indicate a slight tightness at the end of September. The credits of the Joint Stock banks were increased during the month by Fmk.109.3 mill. to Fmk.7,066.9 mill., while deposits and current accounts only rose by Fmk.30.5 mill. to Fmk.5,906.9 mill. Credits thus exceed deposits by Fmk.1,160 mill., of which total re-discounts with the Bank of Finland come to only Fmk.54 mill. The excess consists chiefly of the banks' own funds and foreigners' current accounts.

The foreign balances of the Joint Stock banks on the last day of September amounted to Fmk.193 mill. and the foreign indebtedness to Fmk.342.6 mill. Since the beginning of the year the credits granted by the banks to the public have increased by 526.7 mill., while their home deposits have been raised by Fmk.442.1 mill.

The total balance-sheets of the Joint Stock banks, which only once before (in October 1924) had exceeded Fmk.8 milliard, rose during September from Fmk.7,917 mill. to Fmk.8,050 mill. The wave movement that the combined balance-sheets have exhibited during the past two years reached its lowest point as early as February 1925, when the amount of the balance-sheets was Fmk.7,406 mill. The explanation of the fact that the earnings of the banks in interest and commission during the first three quarters of the year were nearly Fmk.20 mill. higher than in the corresponding period of 1925 must also be sought in the increase of business, for the reduced rates of interest on credits would otherwise have brought about a diminution in profits.

The Government's new fifteen million dollar loan will probably slightly increase the supply of money, even if it is used chiefly for purposes of consolidation. During the first week in October the foreign exchange balances rose by Fmk.95.8 mill. to Fmk.937.3 mill. In addition to these ordinary credit balances with foreign correspondents the Bank of Finland has a temporary credit in the form of an overdraft at the Bank of England. Thus the Bank of Finland, which also possesses a gold reserve of Fmk.329 mill., is in a very strong position as regards its currency policy.

It should be mentioned that the mortgage banks granted new loans on real estate amounting to Fmk.16 mill. during September, due to the fact that a couple of mortgage banks took up small loans. Thus the Real Estate Bank in Finland recently negotiated a loan of two million crowns in Sweden for three years, half of which was drawn in September. Furthermore, the Bank of South Finland is about to sell bonds for a loan of Fmk.20 mill. The large timber firm, the Kemi Company Ltd., is taking up a bond loan of Fmk. 30 mill., which is being taken over entirely by Finnish banks and other financial institutions. This loan bears interest at the rate of 8 per cent. It is announced that the Kemi Company is about to erect a sulphate pulp mill with an annual output of 20,000 tons and to extend its sulphite pulp mill by about 8,000 tons to 38,000 tons. In the spring this company issued preference shares to the amount of Fmk.15 mill., guaranteed to yield a return of 10 per cent. The easier tendency of the money market is evidenced by the fact that this company is now receiving cheaper money than in the spring.

### TRADE

**Foreign Trade Returns.**—In the normal development of Finnish foreign trade imports are largest during the spring and autumn, the culminating points being reached about May and September. The heaviest import surplus usually occurs about the end of May and then several months follow in which exports exceed imports, so that the balance of trade is equalised.

This year heavy exports in the summer months quickly levelled up the balance. At the end of May the import surplus amounted to Fmk.736 mill.: by the end of September this surplus had been reduced to Fmk.29 mill. for the first nine months of the year. The surplus of exports during the last few months was as follows: June, Fmk.67.8 mill.; July, 379.5 mill.; August, Fmk.149.8 mill.; and September, Fmk.109.8 mill.

At this period of last year the balance of trade was far more favourable than it is now, the export surplus



for the first nine months of 1925 amounting to Fmk.400 mill. as compared with an import surplus of Fmk.29 mill. this year. Last year's balance of trade, however, was completely upset by mass imports in December, consequent upon increased duties on sugar, coffee and wheaten flour which gave rise to speculation. Instead of the expected export surplus, last year's balance of trade ended in a surplus of imports amounting to Fmk.54 mill. As there is no likelihood of an increase in Customs duties this year, it may be expected that this year's balance of trade will be quite as favourable as that of 1925. Exports are consistently brisk, while imports reached their highest point in September. A surplus of exports may be expected during October, and even during November if the winter does not set in too early.

During September imports amounted to Fmk.53.2 mill., almost exactly equalling the figures for September 1925. Exports, on the other hand, amounted to Fmk.647 mill., which is Fmk.55 mill. less than in September of last year. For the first nine months of the current year imports totalled Fmk.3,930.9 mill. and exports Fmk. 3,901.9 mill.; for the corresponding period of last year imports were Fmk.3,745 mill. and exports Fmk. 4,145.7 mill. (*Mercator*, Oct. 22.)

## INDUSTRY

**The Industrial Situation.**—The official statistics of labour conditions during the third quarter of the current year indicate a continued improvement both in comparison with the corresponding quarter of 1925 and with the second quarter of 1926. These statistics are based on information with regard to the number of workers and the number of working hours obtained from 154 places, the majority of which belong to the sawmill industry, the metal industry, the paper industry and the textile industry, but which also include some other groups. The greater proportion of the increase in production is attributable to the usual increase of labour in the sawmill industry during the summer. In this branch of industry the number of hands rose by more than 23 per cent. In the glass and stone industries a growth of 8.8 per cent. is recorded, while the increase in the paper industry amounts to 4.3 per cent. In the chemical industry there was also a small increase in the number of employees. The leather and footwear industry was the only branch to suffer a direct reduction, and this was a relatively heavy one amounting to 13.7 per cent. The number of persons employed in the metal, textile and foodstuffs industries also fell off, though no actual change for the worse was thereby effected in the labour market except in the last case.

A comparison with 1925 shows that the improvement in Finnish industry noticed at the beginning of the year has been maintained. The total number of persons employed during last summer was 7.3 per cent. larger than in the corresponding period of the previous year, and the improvement affects most of the industrial branches. The falling off in the foodstuffs branch was due to difficulties experienced in the production of sweetstuffs.

The following outstanding events in the world of industry call for notice. The Government recently placed its first order for a naval vessel, a submarine, with a Finnish shipyard, A.B. Crichton-Vulcan, at Abo. The Russian Tsarist Government had various naval vessels built at this shipyard in former days and the firm is of opinion that with the addition of some special machinery it can very well cope with the new order, the great importance of which lies in the fact that it encourages Finnish shipbuilding. Again, the majority of the shares in the Kajana Wood Company Ltd., which was hitherto owned by the Ulea Company, have been purchased by a syndicate formed from the shareholders of the former company. The Kajana Wood Company was founded in 1907 and has a share capital of Fmk.20 mill. This company has also purchased from the Ulea

Company an estate near Kajana and the working rights over certain forests belonging to that firm on the Sotkamo road. The Ulea Company is engaged in consolidating its position and is selling its Kajana interests in order to effect greater concentration. (*Mercator*, No. 41.)

### The Question of Restrictions on Timber Production.

The desirability of imposing restrictions on Finland's timber output has recently been widely discussed. According to Herr Adolf Burgman, the head of the State Timber Undertakings, whose views on the subject are published in *Mercator* (Oct. 15), while there is much that indicates a lack of proportion between production and consumption in the timber industry, a general restriction of production in the timber exporting countries of Europe can scarcely be achieved. If Finland and Sweden were the only exporters in Europe it would be easy to settle the matter, but as Poland, for instance, has raised her exports by about 200,000 standards and Russia is likely to be soon in a position to work up her output the question becomes considerably involved.

From a purely Finnish point of view, if sawing were to be reduced on a considerable scale, Finland would assuredly experience great difficulty later on in recovering her lost markets, for she is still a newcomer in some countries where the Swedes and Norwegians have a long-standing reputation. While Finnish exports of wood goods have been doubled in the course of twenty years, Sweden has stood still, Norway's exports have been reduced by half and Russia's to a rather greater extent, as seen from the following table of exports from northern countries (in standards):—

	Norway.	Sweden.	Finland.	Russia.
1902 ...	265,000	1,100,000	570,000	660,000
1912 ...	175,000	1,100,000	690,000	1,300,000
1925 ...	133,000	1,015,000	1,030,000	405,000

To this must be added the fact that, as the sawmilling industry in Finland so far works on slightly lower wages and cheaper raw materials than the sawmilling industry in Sweden, Finland is perhaps placed a little more favourably than her neighbour to the west as regards competition. Such heavy exploitation of stock timber has already taken place in Sweden that the sawmills in Norrland have been forced for some time past to import considerable quantities of logs (about 400,000 cubic metres annually) from North Finland, where there are still large stocks of over-age timber in the State forests. The quantity felled in Finnish State forests during the period 1921 to 1924, when felling was at its height, represented a yearly average of 3.7 mill. cubic metres, whereas the annual increment is estimated at 8.8 mill. cubic metres. This shows that the timber capital of the State forests is not being consumed and that some decades will pass before the felling in these forests equals the new growth.

In spite of the large surplus of fully grown timber in the State domains Finland's large exports of sawn goods cannot be maintained for any length of time. There is considerable excess felling of heavy timber in private forests, while it is impossible to increase felling in the extensive desolate forests of northern Finland except as means of communication there improve, opening up new sites for the working up of timber where inferior varieties can be handled. It is not compatible with a policy of sound forestry to force felling in Finnish forests while depression prevails in the market, as in view of the growing prospect of a timber shortage in most civilised countries a sharp rise in the prices of wood goods may be reckoned upon with certainty in the near future. On the other hand, as Finland's balance of trade depends so largely on the export of wood goods, a restriction of production on a large scale is much more difficult to carry out in Finland than in Sweden. At the same time it is advisable to aim at close co-operation with the Swedes in order to maintain a common policy in regard to prices.



It will only be by means of persistent development of the paper industry, however, that Finland will be able, when no longer entirely dependent on the money brought in by the sale of wood goods, to regulate sawing according to the position of the market and extract from a smaller quantity of timber than is now exported an equal or perhaps a greater return.

**The Match Industry.**—A Finnish industry which only developed into an export industry during the war is the match making industry. As early as 1850 two match factories were established in Finland, and at the outbreak of the war there were six factories in the country which supplied the home market exclusively, while exports in 1913 were quite insignificant. Finland possesses a plentiful supply of aspen, which affords natural facilities for the manufacture of matches, and during the war the possibilities of the industry underwent rapid development. In 1917 for the first time exports exceeded 3,000 tons, the greater part of this output going to Russia. New markets such as Serbia and Greece were gradually secured, but opposition was soon met with from the Swedish-American trust, which secured a monopoly, or similar advantages, in many countries. During the period 1923 to 1925 Finnish match exports amounted to 3,200, 5,000 and 4,000 tons respectively, with a corresponding value of Fmk.34 mill., Fmk.45 mill. and Fmk.34 mill., the largest customer being Great Britain. About half of the total exports go to this country, while the United States comes next as a good second, Scandinavia, Australia and other countries also being purchasers. The international trust known as the Svenska Tandstiekaktiebolag started work in Finland during the war with the purchase of two factories in Viborg and Björneborg. There are rumours of fresh acquisitions on the part of the trust, but the assertion that the O.Y. Savo factory at Kuopio has been purchased by the trust or some company closely allied to it has been strongly denied. Negotiations are said to have taken place for the purchase of a factory in Nantsala on behalf of the trust. If this should prove true, foreign interests, according to the statement of the Chairman of the Association of Finnish Match Factories, will control 10 out of 15 Simplex machines or two-thirds of the production.

Finland's production of matches has not only improved in quality but has also increased in quantity. Before the war about 200 million boxes were produced annually, while the quantity is now reckoned at ten times this figure. Since 1924 the tendency of prices has been a steadily falling one, to which the dumping policy of the Swedish trust contributed in no small degree. (*Mercator*, No. 40.)

## FRANCE

### FINANCE

**The Budget.**—The Reporter General of the Finance Committee of the Chamber has already published his report on the Budget. The different items of expenditure are summarised as follows:—

Public debt ... ..	Fr.21,484 million
Public authorities (the President, the Chambers, etc.) ... ..	68 "
Ministries and Offices ... ..	16,270 "
Cost of collection of public revenues ...	1,042 "
Reimbursements and sundries ... ..	396 "

Fr.39,260 million

The revenue shown in the Budget, amounting to Fr. 39,959 million, leaves a surplus of Fr.699 million available for debt redemption. As explained in *THE ECONOMIC REVIEW* of October 22, a sum of Fr.8,175 million is to be devoted to debt redemption during the coming year, if the Budget, the resources of the Caisse de Gestion, and those to be supplied by Germany fulfil expectations. If we add to that amount the above surplus of Fr.699 million, which is also available for

the same purpose, we get a total of about Fr.9,000 million for debt redemption.

The Reporter General emphasises the fact that debt redemption is one of the most urgent financial problems of the present day, and insists on the necessity of leaving a large surplus in the Budget which may also be utilised for it. He lays special stress on the fact that the 9,000 millions devoted to debt redemption in France constitute about 20 per cent. of the total public expenditure, while the proportion in Great Britain is only 6 per cent. No new fiscal legislation of importance is introduced into the Budget Bill, but this is explained by the fact that during 1926 various laws and decrees introduced new taxes or increased the rates of the old ones for an amount which is expected in 1927 to reach Fr.10,198 million.

A consolidation loan is being floated by the Government for the conversion of the Treasury Bonds which have been deposited with a view to repayment on February 1. The amount of the new issue is limited to the amount of the Bonds to be repaid, and the new bonds bear interest at the rate of 7 per cent. per annum, being issued at 92. They are exempt from income tax and are repayable within 10 years at 525.

**Revenue Returns for October.**—The figures of Revenue Returns recently published show, as anticipated, a very large increase as compared with the preceding months. As a result of the energetic measures taken by M. Poincaré, a large amount of direct taxes was paid during the month. The following table shows the revenue received during the last five months (in millions of francs):—

	1926.	1925.	Increase.
June ... ..	2,312	1,811	501
July ... ..	3,584	2,420	1,164
August ... ..	3,127	1,733	1,394
September ... ..	3,036	1,769	1,267
October ... ..	5,016	2,885	2,131

The October figures this year as compared with 1925 show an increase of 2,131 millions, derived as to 1,197 millions from direct taxes, and as to 934 millions from indirect taxes and monopolies.

As compared with the corresponding period of last year, the first ten months of 1926 show the following increases in the proceeds of different categories of taxation:—

	Per cent.
Direct income taxation ... ..	45
Property transfer duty, stamps, etc....	31
Luxury taxes (automobiles, theatre tickets, etc.) ...	46
Indirect taxes on non-necessaries (alcohol, tobacco, gunpowder) ... ..	14
Consumption taxes (turnover tax, Excise, Customs, etc.) ... ..	43
Real estate belonging to the Government and various State enterprises ... ..	44

Comparing the above figures with the estimates, an important increase is observed in the yield of direct taxation. This is due to the fact that the collection of those taxes last year continued up to the end of January 1926, while the energetic measures taken by the Government have compelled the taxpayers to pay nearly the whole of their taxes this year on or before October 31.

The total receipts of the Treasury for the ten months ended October 31 (exceptional resources included) amount to 31,141 million francs. It may be remembered that the Budget estimates for the whole year amount to about 37.5 millions.

### TRADE

**Foreign Trade Returns.**—The recently published figures of foreign trade in October have given rise to more comment than ever. Many journalists see in them an argument against the pessimistic prophecies of the economists according to which the rise in the franc is checking exports and stimulating imports. It has even served as a weapon for those who support the view, most popular with the French masses, that the rise in the franc should continue. The figures are as follows:—



	October.	September.	Difference.
	(In millions of francs.)		
<i>Imports.</i>			
Foodstuffs ... ..	951	981	— 30
Raw materials and semi-manufactured goods ... ..	3,592	2,969	+ 623
Manufactured goods ... ..	563	675	— 112
Total ... ..	5,106	4,625	+ 481
<i>Exports.</i>			
Foodstuffs ... ..	516	452	+ 64
Raw materials and semi-manufactured goods ... ..	1,941	1,217	+ 724
Manufactured goods ... ..	3,646	3,528	+ 118
Total ... ..	6,103	5,197	+ 906

If compared with the preceding months, the general returns of foreign trade for October point to increased activity, especially in the matter of exports (in millions of francs):—

	Imports.	Exports.
June ... ..	5,181	4,671
July ... ..	5,016	5,244
August ... ..	5,235	5,543
September ... ..	4,625	5,197
October ... ..	5,106	6,103

It is interesting to note that with the average rate of exchange at about the same level (viz. 165.92 to the £ in June and 165.55 in October) the October export trade is about 30 per cent. larger than in June.

The figures relating to volume also show a favourable tendency, but to a much more moderate extent, as will be seen from the following figures (in thousands of tons):—

	October.	September.	Difference.
<i>Imports.</i>			
Foodstuffs ... ..	465	365	+ 100
Raw materials and semi-manufactured goods ... ..	2,940	3,171	— 231
Manufactured goods ... ..	83	112	— 29
Total ... ..	3,488	3,649	— 160
<i>Exports.</i>			
Foodstuffs ... ..	113	105	+ 8
Raw materials and semi-manufactured goods ... ..	2,198	2,105	+ 93
Manufactured goods ... ..	378	419	— 41
Total ... ..	2,689	2,629	+ 60

Comparing the figures of the last few months, the October returns do not show any very great change from the average for the period:—

	Imports.	Exports.
	(In thousands of tons.)	
June ... ..	3,894	2,744
July ... ..	3,608	2,368
August ... ..	3,883	2,860
September ... ..	3,649	2,629
October ... ..	3,488	2,689

It must first be noted that the sharp fall in the rate so exchange occurred only in November, the October average rate being not very much lower than that of September (165.55 as against 170.07). But even had it been considerably lower, the effect could not yet have been reflected in the October figures.

In an article on "The mystery of the balance of trade," M. Romier, in the *Figaro* of November 20, points out that a large part of the actual imports represent purchases made with the £ at 200; forward purchases of sterling were made at that time, but in order to avoid payment of ad valorem Customs duty importers now declare the value of their merchandise reckoning the £ at its actual rate. Thus, the import figures of value are, according to M. Romier, lower than the real cost of the goods to the importer.

On the export side there is an increase in the volume of raw materials, which is to be attributed to coal exports due to the English strike (a purely temporary phenomenon). A considerable increase in the value of exports, which may be observed, is due to a rise in home prices; M. Romier attributes it also to the fact that these exports are made under contracts concluded during the fall of the franc at unusually high prices.

Whether it will be possible to maintain the favourable trade balance with the actual rate of exchange remains to be seen.

### The Textile Trade and the Rate of Exchange.—

In a recent issue of the *Nord Industriel* (No. 46) attention is drawn to the fact that, notwithstanding the opening of the season, buyers are refraining from considerable purchases because of the uncertainty caused by the fluctuations of the exchange. People are awaiting still lower rates of exchange and therefore lower prices. It is believed that if the franc were to remain stable at 150 to 160 to the £, buying would be resumed at once on a large scale, as the usual needs of the season are not yet covered. At this rate competition with foreign textile products could be successful, notwithstanding a rise in the cost of production in this branch of industry. As compared with last year's summer the prices of textile products should be increased by about 50 per cent., but the fall in cotton allows of this increase being reduced to only 25 per cent. (wages have increased by 24 per cent., dyestuffs by 45 per cent.). A certain loss which would be incurred even at the above-mentioned rate of exchange on the previously accumulated stocks would be easily divided in case of rapid sale between the manufacturer, the wholesale and the retail dealer. This computation being made on the supposition that the £ remains at 150 to 160, the situation of the textile trade becomes very difficult now that the franc is pursuing its upward tendency and a rate of 125 is commonly spoken of.

## GERMANY

### POLITICAL AND GENERAL

**The Free Trade Manifesto in Relation to Agriculture.**—The Free Trade Manifesto of the Economic Powers will some day come to be considered one of the most important documents in the history of the gradual reconstruction of the world's economic system upon a saner basis, unhampered by restrictions and internal tension. This appeal to the common-sense of the Economic Powers of the world is, however, unlikely to have as spontaneous an effect as the traditional trumpets upon the walls of Jericho. The Manifesto is, nevertheless, a symptom of reviving free trade tendencies, and, trumpet-like, it carries the voice of reason to all who have ears to hear. For this voice of reason speaks in the language of facts, and those facts are the most urgent with which Germany is to-day confronted.

Universal economic co-operation, however, involves international distribution of work on the basis of natural conditions of production. No distinction can here be drawn between industrial and agricultural States; the important question is the distribution of employment within the individual realms of international industrial and international agricultural production as developed in their independent organisms. German industry, dependent as it is upon export, has not ignored this point of view, and has associated itself in no indefinite manner with the universal distribution of industrial employment, here by the promotion of certain branches of production, there by restriction to a reduced quantity of higher quality wares. This point of view has, however, been received in a different spirit by German agriculture, which fosters certain branches of production in the face of overwhelming competition in the world market under the shelter of protective duties, at the same time neglecting other branches likely to find a ready sale in the home market, which is at present buying largely from abroad. Germany's agricultural districts, which lie in close proximity to her industries, cultivate for distant markets, and this unnatural state of affairs is aggravated by the fact that costly refined products have to be imported from such relatively distant countries as Holland and Denmark, who register the wage and capital profit of the refining process as voluntary tribute from the German economic



administration. Moreover, the impoverished post-war market is only capable of dealing with the sudden offer of the entire harvest to a smaller extent than in pre-war times, so that an intermediate export of the surplus on the basis of export vouchers has to be effected, the economic administration bearing the cost of freight involved, and reimbursing to the farmers the increased cost of production brought about by the Customs duties.

The Free Trade Manifesto weighs up the conservative methods of German agriculture and finds them wanting. It would be a serious error for agriculture to imagine that the free trade movement is solely an industrial matter. No reduction will be possible of industrial protective duties until the agrarian production costs have been diminished so that a similar reduction can take place in that branch also. A far-sighted agrarian policy would reckon with the effect of the new free trade movement by a gradual reduction of protective duties. German agriculture is faced with the alternative of ruin or organic participation in the international distribution of labour. This will involve a transformation from cultivation to refining processes to the most far-reaching extent, and such a process has many advantages to offer in the nature of rapid turnover and more speedy capital formation, enhanced prospects for enterprise and added power of absorbing labour. It is only by a gradual transformation of this nature that Germany will be able to overcome the danger which threatens her from the reversal of that basic principle for over-populated States, "Import of raw materials—Export of manufactures," brought about to-day by agriculture at the expense of the German economic system as a whole and consequently of German power of competition in the world market. (*Deutsche Allgemeine Zeitung*, Nov. 10.)

## FINANCE

**Reich Finances in September.**—The volume of revenue from taxation in September is influenced by the fact that in the third month of every quarter no great taxation payment takes place. Thus the revenue from Reich taxes is smaller than in the preceding month. If, however, the taxation returns for September are compared with those of June, it appears that the marked rising tendency of revenue from taxation in the two preceding months has suffered no check. This growth of revenue is chiefly due to Customs and consumption duties, which have increased throughout, and not from seasonal causes alone. The ownership and transport taxes have also returned Rmk.60 mill. more than in June. This is partly due to the fact that delayed income tax payments from 1925 are included in the figure. Nevertheless current taxes such as the

wages tax and capital movement tax show an increase which is apparently a reflection of the slight economic revival. The following table shows Reich revenue from taxes, Customs and contributions in the months of June, July, August and September (in millions of Reichsmarks):—

	June.	July.	Aug.	Sept.
1. Ownership and transport taxes	265.7	476.4	461.9	323.8
(a) Recurring ... ..	263.3	472.1	459.7	321.5
(i) Deductions from wages	88.8	93.3	93.1	93.2
(ii) Other classes of income tax ... ..	35.3	153.0	125.5	64.7
Corporation ... ..	7.0	65.5	57.3	20.6
Capital ... ..	8.8	7.1	57.4	15.5
Turnover ... ..	59.3	81.9	62.7	60.8
Movement of capital	7.5	10.5	9.8	13.0
Transport ... ..	26.1	25.4	28.7	29.2
Various ... ..	30.5	35.4	25.2	24.5
(b) Non-recurring ... ..	2.4	4.3	2.1	2.3
2. Customs and consumption duties ... ..	169.4	231.6	189.5	221.1
Customs ... ..	63.2	113.0	64.8	70.1
Tobacco ... ..	42.4	49.4	52.8	67.9
Beer ... ..	22.6	24.7	26.2	27.1
Brandy ... ..	14.5	14.7	14.7	19.9
Sugar... ..	21.2	25.2	27.9	32.4
Wine ... ..	4.0	2.7	1.3	0.8
Various ... ..	1.5	1.9	1.8	2.9
Total ... ..	435.3	708.0	651.4	544.9

The August figures for the remaining revenue items and Reich expenditure are now available. According to these statistics the improvement in the Reich finances already noticeable in July was maintained in August. The August total revenue from all sources was higher than the total expenditure for that month. The following table shows Reich revenue and expenditure for the months of June, July and August (in millions of Reichsmarks):—

	June.	July.	Aug.
1. Ordinary Budget.			
Revenue.			
(a) From taxation ... ..	435.3	708.0	651.4
(b) From administration ... ..	16.0	40.8	31.0
Total ... ..	451.3	748.8	682.4
Expenditure.			
(a) General Administration of the State ... ..	353.5	376.9	314.6
(b) Reparation payments ... ..	28.3	22.9	26.5
(c) Allocations from taxation ... ..	153.6	246.7	205.2
Total ... ..	535.4	646.5	546.3
Balance ... ..	— 84.1	+ 102.3	+ 136.1
2. Extraordinary Budget.			
Revenue ... ..	0.3	0.5	—
Expenditure.			
(a) General Administration of the State, including war debts ... ..	4.7	54.8	54.7
(b) Reparation payments ... ..	15.2	20.0	20.0
Total ... ..	19.9	74.8	74.7
Deficit ... ..	19.6	74.3	74.7
3. Delayed payments from 1925.			
Revenue ... ..	—	12.1	—
Expenditure ... ..	27.8	33.1	38.4
Deficit ... ..	27.8	21.0	38.4
4. Total.			
Revenue ... ..	451.6	761.4	682.4
Expenditure ... ..	583.1	754.4	659.4

(*Wirtschaft und Statistik*, Nov. 5.)

## TRADE

**The Franco-German Agreement with regard to the Saar.**—In the first week of November a new agreement concerning the exchange of goods between Germany and the Saar district was arrived at between the French and German Governments. This agreement dates from December 1, 1926, and remains in force until March 31, 1927. The main Franco-German provisional agreement expires on February 21, so that the Saar agreement will overlap it by one month and a half. On the other hand the date at which it expires coincides

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with the date fixed for optional notice in regard to the International Steel Pact, which can hardly be regarded as a matter of chance. It is expressly agreed, moreover, that if on March 1 there is no probability of the main treaty being concluded by April 1, negotiations are to be re-opened for the renewal of the present Saar agreement.

The agreement is drawn up mainly in the sense of that of 1925, which was never ratified, and that of August 1926, which granted preferential treatment in the case of certain small groups of merchandise. Now the matter is arranged so that preferential treatment is applied to the export to the Saar of wood, masonry and iron goods of the most varied nature, partly subject to quota. On the other hand, new regulations are applied to the much more important exports to Germany from the Saar. The first list, which includes the large iron items, the export of which to Germany is limited to 1.31 mill. tons, can only be partly utilised, as the export of these goods is regulated from month to month subject to the internal working restrictions imposed by the terms of the International Steel Pact. A second list regulates the export to Germany of iron goods of various kinds, and certain other goods such as Thomas meal, which is of some importance to German agriculture. Certain working-up industries are also granted tax-free export to Germany subject to quotas, even though they may stand in competition with the other German districts, for the German Government rightly takes the view that although the Saar for the time being is within the French Customs zone, it remains virtually German territory and must be treated as such.

In view of the terms of the August agreement the two lists C1 and C2 claim special attention. One regulates the export to the Saar of machinery and parts, to which the minimum tariff and special reductions have been applied. Spare parts are admitted free of duty and now no longer require the visa of the French Customs officer, but merely a specified certificate. The second part of this group refers to small machines such as calculating machines, sewing machines, telephone apparatus, etc. In this case also a certificate stating the purpose which the article is to serve is required and the minimum tariff is applied. In most cases quotas are also laid down in this group.

It will be readily understood that in the case of the Saar there can be no thought of balancing the mutual concessions as is usual in the case of commercial agreements, but the agreement is drawn up with a view to keeping the economic links between the Reich and the Saar Basin as close as possible, and that is indeed the chief purpose of a special agreement of this nature.

It is reported on good authority in Berlin that the French representatives who have just left the capital after concluding the Saar agreement negotiations stated that the new French Customs Bill is due to come before the French Chamber between November 10 and 15. It is possible, therefore, that negotiations for the final commercial agreement may be opened in a few weeks' time, and in Paris it is expected that this will take place soon after the Christmas recess. On the German side the Government is only likely to consent to an extension of the provisional agreement after February 21 on the understanding that it is merely for a short period, to allow of the conclusion of the negotiations for the final agreement. (*Hamburger Fremdenblatt*, Nov. 8.)

## INDUSTRY

**The Rhenish-Westphalian Iron Industry.**—Owing to the increase in the price of iron in the world market it has been possible for the German Crude Steel Union to effect a considerable reduction in the difference between home and foreign prices. Thus rolled wire cost Rmk.14 in November as compared with Rmk.21 in October, while the price of coarse sheet dropped from Rmk.27 to Rmk.22. All the other rates experienced more or less considerable reductions. As export prices

for various iron products, such as wire, coarse sheet and blocks, experienced further increases in November, a further decrease in home prices may be expected in December, whereby the gradual adjustment of home quotations to export prices desired by the Crude Steel Union will be further promoted.

Exports of the products of the heavy iron industry, particularly of coarse sheet, have been maintained. The Coarse Sheet Union has a large number of contracts in hand at present, for Holland, Scandinavia and Japan as well as for England. These contracts almost all relate to sheet iron for shipbuilding. Large contracts for this class of goods have also been received from the German shipbuilding yards, such as Blohm und Voss and the Tecklenborg Yard. Favourable negotiations are now pending for contracts which will keep the works well employed until January or February. The Rhenish-Westphalian works are the chief gainers from the abundant employment in the coarse sheet rolling mills, the Siegerland rolling mills, in consequence of their unfavourable geographical position, being still inadequately occupied.

The Upper Silesian iron industry in Gleiwitz, which was admitted to membership of the Crude Steel Union at its last meeting, does not belong to the Coarse Sheet Union. A price agreement exists, however, with the Dilling Foundry Works, which do not yet belong to the Crude Steel Union. The present home price of the Union is Rmk.148.90 on the basis of Essen for common sheets and Rmk.173.9 with the same freight basis for boiler sheets. The foreign price for boiler sheets is very variable, amounting to about £10.

The wire industry has also been able to participate in supplying the foreign demand at least where refined wire is concerned. Business during October in the Düsseldorf Wire Union was much improved, the entire export quota having been utilised in that month. The chief consumers apart from England were North America, Japan, Africa, India and Sweden, while Australia's requirements were smaller than usual, as this country is developing a wire industry of her own. A few small contracts are on hand for Russia, and negotiations are being carried on for larger orders. The import of wire and wire products into England during the first nine months of 1926 amounted to 56,317 tons as compared with 45,906 tons in the corresponding period of the previous year, and this increased import originated largely in Germany.

The working-up industries have not yet felt to any great extent the results of this increased activity in the heavy iron industry. It is true that some shipbuilding yards have received contracts for ship construction which, although they do not amount to a great deal in the long run, provide a little employment for the small iron industry. In the waggon industry one-half of a French Reparations contract which has been contemplated for six months back has now been allotted. A well-known Westphalian screw factory is participating in this contract to the extent of an order for 120 tons of screws. The polished material industry, whose chief customer is the machine construction industry, complains of inadequate home trade, though the foreign market is favourable. The month of September was fairly good, but October was weaker. November, however, brought with it a large number of enquiries.

A question of prime importance for the German iron industry is whether, after resumption of activities in the British works, the export of German goods to England will immediately fall off. It is well to remember in this connection that not only has the British industry used up its stocks to the very last limit, but a number of the most important consumers still have large outstanding contracts, for which the necessary material is only available in a few cases, as extraordinarily high prices have to be paid just now for prompt delivery. In this way it will be necessary to import foreign iron into England for months after the strike is ended. Considerable British orders for bars



and blocks have recently been placed in Germany, because the French and Belgians are unable punctually to fulfil their delivery contracts. (*Hamburger Fremdenblatt*, Nov. 9.)

## POLAND

### POLITICAL AND GENERAL

**Continued Economic Improvement.** — The strengthened position of the Polish Government is mainly the result of the continued improvement in the economic situation, reports the Warsaw correspondent of the *Central European Observer* in its issue of October 29. The fears aroused in political circles by the appointment of a new Minister of Finance were only of an evanescent nature. The dollar has again fallen a little below the equivalent of nine zloty, stocks have gone up, and the announcement of the arrival of Mr. Harding, the Governor of the American Federal Reserve Bank, awakens hopes of the investment of foreign capital on a large scale. It is possible that this investment may take the form of a repurchase of the tobacco monopoly and electrification of the country. The number of unemployed has again dropped, from 211,000 to 206,000. The export of coal continues and is even beginning to affect the home consumption, for coal is becoming more rare and expensive in Poland itself. A government commission has been appointed to guarantee supplies to the home market. As in previous months, the trade balance for September is favourable. There is an excess of 51 millions of exports over imports (199 mill. and 148 mill.). In these circumstances the Government hopes to obtain the confidence of the Diet and induce it to accept the proposed Budget for the period from April 1, 1927, to April 1, 1928 (see below). It is to be noted that the Budget has been drawn up in accordance with the suggestions of Mr. Hilton Young, who in 1924, when the dollar stood at 5.18 zloty, advised that it should not exceed 900 millions. As the dollar is now at 9 zloty this means that the amount suggested by Mr. Young has not been greatly exceeded.

The above report of continued progress in Poland is confirmed by the *Polish Economist* of November. In addition to the points already mentioned, it is shown that in agriculture the high prices ruling for crops contributed towards the welfare of the largest section of the community. The harvest was nearly at an end when the report was written, only the potatoes and the sugar beet remaining to be gathered in, and on the whole the results have proved satisfactory, while the climatic conditions have recently been very good for the simultaneous autumn sowings. There was a further revival in industry and no serious conflicts between employers and employed have been reported. The seasonal industries, such as the manufacture of sugar, of spirit and other commodities, are making preparations for the winter campaign. The index of wholesale and retail prices, as well as the cost of living, rose by a few points per cent.; the increase, however, almost exclusively concerns the group of foodstuffs and agricultural produce, and is explained in the main by the situation in the world markets. The position of the Treasury left nothing to be desired. Revenues from taxation and State monopolies were collected in a regular manner and even surpassed those of the preceding month. The State Budget was well balanced throughout the month.

### FINANCE

**The Budget Years 1926 and 1927.**—The Treasury Act for the year 1926 has not been passed by the Parliament, one of the main reasons for this being undoubtedly the protracted discussion on the subject of the policy of State economy and on the still more complicated question of Budget equilibrium, endangered by the economic crisis and the depression of the zloty in the latter half of 1925. The difficulties in attaining Budget equilibrium were considerable, owing to the decline in

the revenue from taxation as a result of the general economic crisis then prevailing, and also in view of the automatic increase of certain items appearing in the Budget, which were provoked by the rise of wholesale prices and of the cost of living. The rise of the rate of exchange for foreign currencies added further to the general difficulties. Consequently, the State Budget for 1926 was based on the Budget estimates voted quarterly by Parliament, and on the monthly preliminary budgets elaborated by the Ministry of Finance. It was only due to efficient action in the direction of economy that the total expenditure in 1926 could be kept below the level of the actual expenditure in that year, despite the increase in the index of wholesale prices from 119 in June 1925 to 155 in December of that year and to 175 in June 1926, and despite the increase in the rate of exchange of the zloty from Zl.5.18 to Zl.9.0 to the dollar. It may be added that the latter rate of exchange was preceded by numerous fluctuations at the end of last year and during the first half of the present year. The comparison of all the items of the Preliminary Budget for the period from January 1 to December 31, 1926, with the actual expenditure of 1925 gives but an incomplete picture of the results of the economic policy (in millions of zlotys):

		Estimated expenditure, 1926.	Actual expenditure, 1925.
State administration	...	1,807.9	1,838.7
State undertakings	...	11.5	42.2
Total	... ..	1,819.4	1,880.9

It will be seen that the total expenditure in the Preliminary Budget for 1926, as compared with the actual expenditure in 1925, was less by Zl.61.5 mill. The results of this policy become more apparent upon closer examination of the items of the Budget for 1926, the analysis showing substantial decreases as compared with the actual expenditure in 1925. The expenditure for the army was less by Zl.87.5 mill.; for education, by Zl.28.1 mill.; for the Civil Service, by Zl.24.3 mill.; and for the Ministry of Justice, by Zl.3.6 mill. On the other hand, in view of the increased unemployment, the expenditure of the Ministry of Labour and Social Welfare was increased by Zl.63.6 mill. and that of the Ministry of Public Works by Zl.2.8 mill. As a result of the rise in the rate of exchange of the zloty, the expenditure of the Ministry of Foreign Affairs rose by Zl.11.6 mill.; the redemption of liabilities incurred by the State in foreign countries involved an increase of Zl.70 mill.; while the quickening of the building of the port of Gdynia involved an increase of Zl.11.8 mill. in the expenditure of the Ministry of Industry and Commerce. Thanks to the system of monthly budgets, the actual expenditure during the first nine months of this year was much lower than that foreseen by the preliminary estimates for the same period. The reduction of expenditure affected nearly all the departments of State Administration. Owing to the far-going economy policy on the one hand, and to the improvement in the economic situation and the increase in State revenue on the other hand, and also as a result of the rise in profits from State monopolies and the introduction of the 10 per cent. extraordinary tax, Budget equilibrium was attained. There has even been an excess of revenue over expenditure for the months of the third quarter. It is significant that such good results were obtained in spite of increased disbursements in connection with the rise of salaries paid to civil servants. As the period from October to December is usually particularly good for revenue, as substantial payments of taxes fall due during that period, it is safe to say that since July last the Polish State has entered a period of lasting Budget equilibrium, which is based on the adjustment of State expenditure to the actual capacity for payment of taxes possessed by the community. The increase in revenue foreseen in the Budget for 1926 should be ascribed to the augmented collections of direct and indirect taxes, and to the profits of State



monopolies. The revenues from State undertakings rose considerably, being largely due to the increased activity of the railways; better results were also obtained by the administration of forests and the mining, foundry and industrial State-owned establishments. This basis for a lasting Budget equilibrium is thoroughly sound, since it consists of revenue of a normal character, the extraordinary revenue of a credit character having been totally eliminated from the Provisional Budget.

The drawing up of the Budget for the forthcoming financial year is being effected under favourable conditions, viz. Budget equilibrium characterised by the stabilisation of the zloty currency. These two factors paved the way for a rational establishment of new Budget equilibrium and the application of sound principles to the Budget estimates, which are to cover the period from April 1, 1927, to March 31, 1928, in lieu of the heretofore Budget period covering the calendar year. The assessment of the expenditure side of the new Preliminary Budget has been closed with Zl.1,898.7 mill., while the estimated revenue amounts to Zl.1,899.2 mill., the excess of revenue over expenditure being Zl.0.5 mill. The forecasted increase of Zl.79 mill. in the expenditure of the Budget for 1927-28, compared with the total amount of Preliminary Budgets for the year 1926, represents only about 4 per cent. of the last-mentioned sum. An idea of the changes in the figures of the Preliminary Budget for 1927-28 may be gained from the following comparison with the actual amounts spent in 1925 and with the amount appearing in the Preliminary Budget for 1926 (in millions of zlotys):—

	Expenditure according to the		
	Actual expenditure, 1925.	Preliminary Budgets for 1926.	Budget estimates for 1927-28.
A.—Civil Service.			
President of the Republic ...	2.1	2.2	1.4
Parliament ...	9.2	8.7	6.9
State control ...	3.8	3.9	4.1
Council of Ministers ...	1.7	1.6	1.7
Ministry of Foreign Affairs	26.5	38.1	39.6
"  "  War ...	675.2	587.7	623.2
"  "  the Interior ...	199.3	175.1	180.0
"  "  Finance... ...	132.5	387.7*	100.5
"  "  Justice ...	84.0	80.5	90.3
"  "  Industry and Commerce ...	9.6	21.4	23.1
"  "  Railways ...	2.9	3.8	3.0
"  "  Agriculture and State Domains	26.8	32.4	32.9
"  "  Religious Cults and Education	309.1	281.0	295.6
"  "  Public Works ...	71.3	74.1	85.3
"  "  Labour and Social Welfare ...	51.1	114.7	56.3
"  "  Land Reform	25.7	29.8	32.5
Pensions (plus grants to invalids) ...	166.5	†	176.4
State liabilities ...	41.4	†	145.1
Total ...	1,838.7	1,842.7	1,897.9
B.—State enterprises ...	42.2	11.5	0.8
C.—State monopolies ...	—	—	—
Grand total ...	1,880.9	1,854.2	1,898.7
		34.8‡	
		1,819.4	

\* The amount of Zl.387.7 mill. embraces the expenditure of the Ministry of Finance as well as the amount devoted to pensions, grants to invalids and to the redemption of State liabilities.

† See the above-mentioned figure relating to the Ministry of Finance.

‡ The Preliminary Budget for the fourth quarter of 1926 provides for reductions totalling Zl.34.8 mill. to be effected in relation to the estimated sums spent by the different branches of State Administration.

It will be seen that the figure under the heading of State Administration in the Preliminary Budget for 1927-28 exceeds only by Zl.59 mill. the actual expenditure under the same heading in 1925, and by Zl.55 mill. the amount estimated in the monthly budgets for 1926. In connection with this increase, however,

it should be remembered that the wholesale index number rose from 142 in January to 166.6 in July and to 173.2 in August 1926, as against 119.5 in January, 119.6 in July and 154.7 in December 1925. Like the monthly budgets for 1926, the Preliminary Estimates for 1927-28 are characterised by a considerable reduction of expenditure on military forces.

The expenditure in 1927-28 is expected to be covered by the following receipts (in millions of zlotys):—

	Estimated revenue, 1927-28.	Actual revenue, 1925.	Actual revenue, Jan. to Sept. 1926.
State administration (public levies) ...	1,211.2	1,154.8	818.6
State enterprises ...	92.5	64.5	61.9
State monopolies ...	595.5	400.2	401.1
Total ...	1,899.2	1,618.5	1,281.6

The public levies mentioned in the above table for the year 1927-28 consist of direct taxes amounting to Zl.435.4 mill.; indirect taxes, Zl.126.7 mill.; Customs duties, Zl.170 mill.; stamp fees, etc., Zl.112.2 mill.; and extraordinary taxes, Zl.157 mill., the latter including the property tax and the 10 per cent. extraordinary tax. The anticipated revenue from direct taxes (mainly income tax) and from indirect taxes (mainly tax on sugar and property tax) will be somewhat increased. In view of the decline in imports the amount anticipated from this quarter has experienced a decrease in comparison with the actual revenue collected in 1925. The following table shows the respective changes in detail (in millions of zlotys):—

	Estimated revenue, 1927-28.	Actual revenue, 1925.	Actual revenue, Jan. to Sept. 1926.
Public levies ...	1,001.4	928.7	676.0
Direct taxes ...	435.5	362.7	309.3
Indirect taxes ...	126.7	107.5	101.6
Customs duties ...	170.0	284.8	131.7
Stamp fees, etc. ...	112.2	114.2	90.5
Property tax ...	95.0	59.5	38.4
10 per cent. extraordinary tax*	62.0	—	4.5

\* Partly introduced on July 1, 1926.

The increase in revenue in 1926 from direct and indirect taxes justifies the augmenting of these items in 1927-28. Other revenues from State Administration are estimated for 1927-28 at much lower figures than those actually collected in 1925. The net profit from State enterprises is anticipated to yield Zl.92.5 mill. in 1927-28, which sum, as compared with previous results, does not appear to be exaggerated when it is considered that they are run on business lines. A sum of Zl.43 mill. is expected from the State forests, Zl.27.3 mill. from the railways, Zl.17.3 from Posts and Telegraphs, Zl.3.8 mill. from foundry, mining and industrial enterprises, and Zl.1 mill. from various other sources. The State monopolies play year by year an increasingly

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important rôle in the State revenue, and the receipts from this source have not reached their highest level. A further and important rise in the revenue is expected to take place in 1927 in connection with the Government scheme aiming at the introduction of a full State spirit monopoly to those parts of the country in which it does not yet exist. The net profit from the State spirit monopoly is calculated at Zl.275.4 mill., from the tobacco monopoly at Zl.270 mill., from the salt monopoly at Zl.32.6 mill., from the match monopoly at Zl.8.7 mill., from State lotteries at Zl.8.7 mill., and from the saccharine monopoly at Zl.0.1 mill. The construction of the Preliminary Budget for the year 1927-28 affords every guarantee that the Budget equilibrium will not be impaired by what seems improbable, viz. failure to realise in full the anticipated revenue. (*Polish Economist*, November.)

## TRADE

**Foreign Trade in September.**—The foreign trade returns for September are not quite so satisfactory as those for August, the favourable balance having dropped from Zl.64,304,000 to Zl.50,990,000. Imports amounted in all to 251,836 tons valued at Zl.148,373,000 as against 272,704 tons valued at 161,398,000 in August, while exports reached the total of 2,494,000 tons valued at Zl.199,363,000 as against 2,935,215 tons valued at Zl.225,702,000 in the preceding month. Among textile goods, which formed the chief item of imports, a decline was registered in the importation of jute, wool and combed wool, woollen fabrics and cotton fabrics. Cotton and cotton yarns, silk, half-silk and artificial silk textiles, on the other hand, showed a marked increase. There was also a rise in the quantity and value of woollen yarns imported. Notable changes occurred in the group of chemical imports: inorganic chemicals dropped from Zl.4.5 mill. to Zl.3.2 mill., organic chemicals from Zl.10.2 mill. to Zl.9.7 mill., dye-stuffs and varnishes from Zl.1.5 mill. to Zl.1.3 mill., and other classes of chemicals from Zl.1.1 mill. to Zl.1.0 mill.

On the export side there was a decline in the coal trade and in petroleum products, although the general results may be regarded as satisfactory. The exportation of coal, coke and briquettes fell from Zl.67.9 mill. to Zl.57.4 mill., that of petroleum from Zl.3.4 mill. to Zl.2.0 mill., benzine from Zl.5.9 mill. to Zl.3.5 mill., motor and lubricating oils from Zl.4.6 mill. to Zl.2.5 mill., and paraffin wax from Zl.3.5 mill. to Zl.3.4 mill. The decrease in coal exports is largely explained by the heavier demand in the home market in view of the approaching winter season. The trade in rye, barley, peas and beans was much brisker than in the preceding month, but the general sales of cereals abroad showed a declining tendency. The timber trade fluctuated but slightly. The decrease in metal exports was fairly considerable. The general diminution in exports for the month of September is not regarded as serious, since the improved economic condition of the country caused a brisker demand in the home market for most articles.

**Improved Trade with Russia.**—Trade between Poland and Soviet Russia has developed more satisfactorily in the past economic year (October 1925 to October 1926) than in previous years, says M. Firsov, the Chief of the Russian Trade Commission in Poland. This improvement is explained on the one hand by a growth in consumption, while on the other hand the Polish industries have adapted themselves more and more to the needs and desires of the Russian market of to-day. The main item in Russo-Polish trade is coal, which Poland exports to Russia partly via the new port of Gdynia and partly by rail. Besides coal, Soviet Russia buys in the main from Poland agricultural machinery, dyes, metals, chemicals, paraffin, artificial fats and cotton yarns (from Lodz). In spite of the fact that the output of the textile factories in Moscow has now attained a capacity of 110 per cent. as

compared with pre-war years, M. Firsov is of opinion that textiles will still continue to be imported by Russia from abroad—among other places from Lodz, the centre of the Polish textile trade. M. Firsov believes that trade relations between Poland and Russia will continue to develop, that the Soviets will continue to buy Polish coal, and will also make a trial of orders for textile fabrics. (*Central European Observer*, Nov. 5.)

## INDUSTRY

**The Polish Oil Fields.**—The output of crude oil in Poland amounts at present to about 800,000 tons gross per annum, and after deduction of manco and the quantity used as fuel by mines, the net output represents 736,965 tons. The oil wells which produced this quantity in 1925 are disseminated over an area adjacent to the Carpathians of about 400 kilometres, containing about 100 sites. Some of the latter produce insignificant quantities of crude oil, the bulk (70 per cent. of the total Polish output) being produced by the Boryslaw and Tustanowice fields in the three neighbouring counties, Boryslaw, Tustanowice and Mraznica (near Drohobycz). Among the oil wells producing larger quantities should be mentioned Potok near Krosno (Western Austrian Poland) and Schodnica-Bitków-Rypno in the eastern part of the last mentioned region.

Previous to the war the output of the Polish oil-bearing territories was much larger: in 1909 the production reached its maximum and was 2,000,000 tons, this period having been one of the greatest development of the oil industry in the Boryslaw-Tustanowice area. From that time until 1921 there was a gradual falling off in production; since 1922, however, activity has somewhat revived, but so far it has not reached its pre-war level.

One of the main causes responsible for the stagnation of this industry has been the gradual exhaustion of the most prolific fields, viz. the Boryslaw-Tustanowice area, the output of which is the largest of all. The war and post-war periods brought about a great shortage of capital and were certainly not conducive to "wild-cattling" in new and hitherto unprospected oil-bearing areas. The oil undertakings existing in Poland have necessarily had to confine their activities to drilling and exploitation of the already existing wells, or to new prospects in their immediate vicinity, with the result that for a long period the prospecting for new oil beds was neglected. It is only in the course of the last few years that pioneer work has been revived, but this movement is limited in extent, although if new capital was forthcoming it would gain in intensity.

According to the opinion of well-known geologists, the number of petroliferous zones exploited in Poland is seven. Estimates from the same sources show that the reserves of crude oil in Poland amount to some 160,000,000 tons, whereas the amount already extracted is 30,000,000 tons. The completion of new shafts, especially in the immediate vicinity of the Carpathians, which give about 100 cubic metres each of petroleum gas per minute, seems to indicate that there are large petroleum beds close by. In addition it should be mentioned that in the Boryslaw-Tustanowice districts there are still large deposits of oil located in the deeper strata; recent drillings to a depth of 1,800 metres, yielding from 70 to 80 tons a day, would seem to confirm the idea that petroleum is to be found in Poland in deeper strata than in other countries. As, however, these strata are technically reachable, and the Polish oil deposits are situated in the very centre of Europe, it is safe to assume that keen interest will be displayed in them by both home and foreign capitalists.

Despite the fact that Poland produces at present from one to two per cent. of the world's output of crude oil the quantities extracted not only cover the requirements of the home market, but leave a balance of about 60 per cent. for export. The whole production of crude oil is refined in the country. Of thirty refineries operated



in Poland, the majority are run and organised on up-to-date lines. The Boryslaw crude oil or the so-called "Standard Crude," representing 70 per cent. of the total production in Poland, is composed of very valuable ingredients, viz. benzine, 10 per cent.; petroleum, 34 per cent.; gas oil, 14 to 17 per cent.; lubricants, 15 to 18 per cent.; and paraffin wax, 6 per cent. Other varieties, such as those produced in the Bitk6w and Potok areas, contain from 15 to 40 per cent. of benzine. Polish products, and especially paraffin wax and benzine, are already well known for their quality on the foreign markets. The following table gives the exports of petroleum products in the years 1924 and 1925 and during the first six months of 1926 (in tons):—

	1924.	1925.	First half of 1926.
Benzine ... ..	78,304	66,540	29,993
Crude oil ... ..	101,919	73,630	50,279
Gas oil ... ..	83,536	80,830	72,699
Lubricants ... ..	71,523	55,480	26,666
Paraffin wax ... ..	25,544	23,680	15,082
Candles ... ..	51	60	24
Vaseline ... ..	124	40	—
Asphalt ... ..	3,553	3,940	4,051
Coke ... ..	6,180	7,310	4,654
Semi-finished products	34,139	22,360	10,273
Solid lubricants ...	116	130	43
<b>Total ... ..</b>	<b>404,989</b>	<b>334,000</b>	<b>213,764</b>

The export statistics of petroleum products to the different countries in 1925 and in the first six months of 1926 indicate that, as the result of the embargo put by Germany on the majority of Polish petroleum products in the middle of 1925, Poland had to find new outlets in that year. The exports to Great Britain, France and Denmark experienced a considerable rise.

The petroleum gas industry has also shown steady progress of late. The advance made in the production of gasoline in Poland is shown by the yearly output, which in 1923 was 390,231,426 cubic metres, but which rose to 437,945,138 cubic metres in 1924 and to 535,007,000 cubic metres in 1925.

Besides crude oil and petroleum gases, in Boryslaw and Tustanowice (Drohobycz district) and in Starunia and Dzwiniacz (Stanislaw6w district) ozokerite is also found. This is a very rare product, which is only to be found in Poland and in the Caucasus. It is a solid substance, the melting point of which is between 67 degrees and 80 degrees C. The purified product is called cerezine, and is used in the manufacture of candles in South European countries, with an admixture of paraffin wax in order to raise its melting point. The production of ozokerite in Poland in the years 1922 to 1925 and in the first half of 1926 was as follows: in 1922, 430 tons; in 1923, 720 tons; in 1924, 724 tons; in 1925, 740 tons; and in 1926 (first six months), 342 tons. (*Polish Economist*, November.)

## RUSSIA

### POLITICAL AND GENERAL

#### Political Tension and Future Economic Policy.—

Russia stands at the parting of the ways. In spite of all temporary compromises a serious internal crisis is imminent in the Union of Soviet Socialist Republics. While Stalin has succeeded in developing State capitalism and in promoting the recovery of industrial production, internal political difficulties have arisen which are not capable of solution without friction. A struggle for the mastery has flamed up between the leaders of the Communist Party and becomes daily more acute. Zinoviev and Trotski—for the moment ostensible allies—have formed an opposition to the power of the present Dictator, Stalin, and accuse the Government of compromising with the bourgeoisie and large farmers, charging it with treason against true Leninism. It is rumoured that Trotski will shortly be appointed President of the Supreme Economic Council, and that Zinoviev, Kamenev and Sokolnikov are destined for similar offices where they will have a minimum of political influence and a maximum of practical work. These matters, however, move very slowly, particularly in Russia. Stalin appears to have recognised the necessity for the observance of some class differences, and for the settlement of the proletariat and its leaders in a definite position in regard to the State as a whole, so that private initiative and commercial enterprise may have breathing space. Zinoviev and Trotski see in this idea nothing but the abandonment of the old Communist programme, and refuse to accept it. The question of the future economic policy is one of the main bones of contention, and apart from this the Opposition is demanding freedom of election and a reorganisation of the party machinery within the Communist Party. As there is no doubt that the majority of party leaders and economic officials belong to the Opposition, while the Stalin Government wields the actual power and is prepared to use it unhesitatingly, the result of this furious struggle can hardly be predicted. The country, meanwhile, never stood in greater need of clear principles and definite decisions, for the economic policy pursued up to the present has landed it in a blind alley. The question of its economic future is indissolubly bound up with all the varied political and social problems. The optimism cherished by the majority of Russian Communists from 1921 to 1925 dwindled during the economic year 1925–26 just ended, till it has given place to what might almost be termed general despair. The propaganda campaign has not succeeded in the long run in keeping the bitter truth from the Russian public, but it has delayed an open and active breakaway from the old errors and mistakes and hindered the entry upon new and better paths in the realm of economics.

Unfortunately the Russian, and particularly the Bolshevik mentality is such that no open surrender of the illusions of the past can be reckoned upon in the immediate future. Without belittling the tenacity and endurance of the Russian people and State, and bearing in mind the fiasco of the prophecies of collapse which have been uttered during the last eight years, it must be admitted that the limits of Russia's endurance have been almost reached. If radical changes are not made in the Soviet economic policy during this winter, not only will any thought of progress in reconstruction be discounted, but radical economic ruin, threatening the very existence of the State, will be the result.

The economic legacies of the past are exhausted, the machinery is worn out to such an extent that even were the import of industrial apparatus forced up far above the current figures it would barely suffice to maintain the present level of industrial production in the next few years. The statistical increase in the total production of the past two years has been effected at the expense of quality, which in the textile industry, for instance, could hardly be worse than it is at present.

## The Czechoslovak Market

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The reduced capacity of the worn out technical apparatus partly explains the high prices demanded for industrial goods, which render export impracticable. Even in the case of the most important export articles, grain and naphtha, the State, as seller, has asserted that the cost of production is higher than the prices secured abroad. It is merely the imperative necessity of procuring foreign currency to pay for imports that forces the Government to export at all.

The eager efforts at price reduction in the first half of 1926 must now be considered for the most part a failure. The only result is a 10 to 15 per cent. reduction in the price of grain as compared with last year, brought about by diminished competition between the State and the co-operative purchasing organisations. The reverse side of this partial success is increased unwillingness to sell on the part of the peasants. The textile prices have also been reduced a few points, and the quality of the goods is correspondingly poorer. The price of butter and eggs has risen, and while the price of meat has nominally remained the same, second quality meat is now sold as first quality. The failure of the price reduction scheme has been all the more acutely felt, as it was accompanied by a number of rationalisation efforts such as dismissal of workers, reduction of wages, and the like.

If this state of affairs is pointed out to members of the Government, they at once say it is due to the lack of money. Of course a milliard loan in gold would help the country out of its present difficulties, but it is highly doubtful whether such aid would do more than afford a breathing space. The Bolsheviks themselves admit that the money shortage is not only an absolute, but a relative matter. That is to say, that the available funds are handled in an unproductive manner, that the technique of the economic system is extremely faulty. It is absolutely untrue to assert that the Soviet economic system is unproductive because it does not exploit labour like the capitalist system did. Wages in Russia are still far lower than, for instance, in Germany. The lack of productivity is due for by far the greater part to the complicated nature of the systematised economic plan. The Marx doctrine maintains that the free capitalist economic system is incapable of estimating the requirements of the market, that it leads to un-systematic production, and therefore brings about periodical crises. Eight years of the Russian systematised economic plan has, however, demonstrated from day to day that in spite of the Supreme Economic Council, the control statistics and State Plan Department, superfluous goods are produced and absolute necessities are not to be had or are not available at the moment when they are required. Innumerable instances could be quoted which under the free capitalist system would be unthinkable.

It is no longer a question of whether a farmer is to be considered as an exploiter when he has fifteen or not until he has twenty desiatines of land, and it does not now matter whether a merchant employs five or ten workers. The principles upon which the Russian economic system is built up have been proved unsound, and it is this fact which, in spite of all momentary distresses, is working on the minds of the Russians. The present internal political events justify the hope that the Bolsheviks themselves are beginning to learn from experience and will in time rectify their own mistakes. (*Hamburger Fremdenblatt*, Oct. 27; *Wirtschaftsdienst*, Oct. 22.)

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## INDUSTRY

**Production of the Soviet State Industries.**—The following figures, at 1913 prices, show the total values of production up to September 1926 (in roubles):—

	1924-25.	1925-26.
October ... ..	187,700,000	281,800,000
November ... ..	179,200,000	271,500,000
December ... ..	198,300,000	294,900,000
Total for the quarter ...	565,200,000	848,200,000
January ... ..	206,000,000	285,100,000
February ... ..	210,800,000	297,000,000
March ... ..	222,600,000	314,800,000
Total for the quarter ...	639,400,000	897,500,000
April ... ..	216,300,000	321,700,000
May ... ..	220,400,000	284,600,000
June ... ..	226,500,000	290,700,000
Total for the quarter ...	663,200,000	897,000,000
July ... ..	204,900,000	270,100,000
August ... ..	223,200,000	320,100,000
September ... ..	264,000,000	335,800,000
Total for the quarter ...	692,100,000	926,000,000

(*British-Russian Gazette and Trade Outlook*, October.)

According to Moscow reports the total production of the Russian State Industry in September has increased in value by 9 per cent. as compared with the previous month, and amounted on the basis of pre-war values to R.335.8 mill. The number of industrial hands rose by 1 per cent., as compared with August, to 1,936,000 workers. The output of hard coal rose by 12.8 per cent. to 2,188,000 tons, that of cast iron by 7.9 per cent. to 212,000 tons, that of Martin steel by 11.1 per cent. to 279,500 tons, and that of wrought iron by 15.2 per cent. to 216,800 tons. The production of the chemical industry increased by 5 per cent., that of the glass industry by 30.5 per cent., cotton production by about 17 per cent., wool production by 23.7 per cent., the output of the linen industry by 14 per cent., and that of the tobacco industry by 11.9 per cent. On the other hand the output of the naphtha industry fell in September by 5 per cent. as compared with August, while the production of technical fats dropped by about 13.2 per cent. in consequence of shortage of raw materials. Restriction in the match making industry, necessitated by over-abundant stocks, reduced the output of this branch by about 0.2 per cent. The Syndicates' turnover of industrial goods shows a considerable increase in September as compared with the previous month. Notable increases in turnover occurred in the metal syndicate (260.9 per cent.) and the building material syndicate (243.6 per cent.). The funds of the Russian Industrial Trust have increased by 17.7 per cent. in the course of September, revenue has risen by 19.3 per cent. and expenditure by 16.9 per cent., while bank debts have not diminished since August.

The Central Russian Cotton Committee announces that the Russian cotton campaign has already started. The factories engaged in the treatment of cotton, which during the course of 1925-26 have been reconstructed and furnished with up-to-date machinery, are now all at work. A total of 74 cotton treating factories are now available for the present cotton campaign, with a total capacity of 700,000 tons of raw cotton. They will, however, only be utilised to the extent of 78.6 per cent. this year, and will work up 650,000 tons of raw cotton. Twelve new oil mills with 93 oil presses have been erected this year in the chief cotton districts of Russia for the purpose of extracting cotton-seed oil in this year's campaign. (*Hamburger Fremdenblatt*, Oct. 26, Nov. 4.)

**The Leather Industry.**—A series of reports from various Russian leather and footwear concerns show that generally speaking the output for the fourth quarter of the financial year 1925-26 will be much larger than that of the last quarter of 1924-25. The Leningrad Leather Trust intends to produce 1,100,000



pairs as against 864,000 pairs during the same quarter last year. Taking into account unsold stocks of 445,512 pairs this year as compared with 578,678 pairs last year, the Trust will be in a position to place on the market 103,000 pairs more than last year. The Moscow Leather Trust is increasing its output of hides and skins by 25 per cent. and 40 per cent. respectively. The total output of footwear is to be 510,000 pairs as compared with 346,000 pairs last year, an increase of 50 per cent., while that of skins (118,800) represents an increase of no less than 90 per cent. At the same time the output of light footwear is to be increased by 73 per cent. One of the largest increases is that of the North Caucasian Combine, viz. 115 per cent. in skins (225,000). The new factory at Rostov intends to turn out 100,000 pairs of light footwear during the remainder of the present year. Reports of similar increases have been received from many other trusts.

During August imports of dressed leather into Great Britain and Northern Ireland from Russia amounted to 98 cwt. in weight, valued at £19,163.

In the financial year about to begin the trade in footwear and leather goods in Russia is to be concentrated to a much greater extent in the hands of the Leather Syndicate than it has been during the current year. According to the *Commercial and Industrial Gazette*, a contract is about to be signed with the Moskozsh Trust by which the latter will hand over practically the whole of its output of manufactured goods to the Leather Syndicate, instead of only 40 per cent. to 45 per cent. as was the case this year. The technical leather goods belonging to the Trust are also to be handed over to the Leather Syndicate. The syndicate will also take a large proportion of the products of the Ostashkovski and Yaroslavski Leather Trusts. (*British-Russian Gazette and Trade Outlook*, October.)

## AGRICULTURE

**The Grain Market.**—In the first few days of October the supplies of grain to the Russian market were considerably larger than in the latter part of September. State purchases of grain exceeded the estimated quantity for the first week of October by 42 per cent. In all the Government organisations chased between July 1 and October 5, 1926 167 mill. poods of grain as compared with 171 mill. poods in the same period of last year. The bulk of the grain supplied has hitherto come from the South Russian districts (Ukraine, Crimea and North Caucasus), while the smallest consignments came from the East Russian territories. Up to October 5, among the individual classes of grain, the Government wheat purchases exceeded those of the corresponding period of last year by 62.6 per cent. On the other hand purchases of barley, mainly in consequence of the failure of the harvest in many places, were much smaller than last year. At the beginning of the grain campaign intensive private buying of the chief varieties of grain on the Russian market gradually slackened, and in the first two weeks of October such purchases represented only from 3 to 6 per cent. of the total purchases of rye and wheat. Market prices for rye and wheat have shown on an average a slight tendency to rise ever since the start of the campaign, and on October 5 were as follows (per pood in roubles): rye 0.72, wheat 1.07, oats 0.68 and barley 0.52. In comparison with the prices prevailing on October 5 of last year rye has fallen 13 per cent., wheat 17 per cent., oats 8 per cent. and barley 25 per cent. (*Hamburger Fremdenblatt*, Oct. 26.)

According to a statement made by the Commissary for Home and Foreign Trade, this year is undoubtedly more favourable than last as far as the size of the harvest is concerned. It is true that the indications for September are less favourable as compared with August this year and last. There is, however, this year a gross increase of about 300,000,000 poods, based on the experts' estimated yield of 4,650,000,000 poods.

The geographical distribution of the harvest differs this year from last, when a considerable proportion of the grain collected was centred in the south (i.e. the Ukraine and Northern Caucasus). This year the harvest centre has shifted from the south to the north-east, the Volga region, the Central Agricultural Districts and the Cossack Territory, with the result that the gross harvest of the Northern Caucasus is 28,000,000 poods and that of the Ukraine 12,000,000 poods less than last year.

The amount of grain collected for July and August this year is somewhat less than last year, but September is proving so much more favourable that the four months' programme is likely to be carried out on a scale, if not equal to, at any rate very little below last year's total of 160,000,000 poods.

Last year the financing of the State grain operations had involved by October 1 the sinking of a sum of R.241.6 mill., while the total this year up to the same date is only R.195 to 200 mill., the chief reasons for the decrease being as follows: (1) Deliveries financed to their full value required 25 per cent. less expenditure than last year; (2) The Department for the Export of Grain was able to ship against foreign credits, which relieved it of the necessity of borrowing from the State Bank; (3) Prices for grain were lower and consequently less money was required for the credits; (4) The Co-operative organisations used their own resources for financing their grain operations; (5) Government Agents obtained advances from Consuming Districts against deliveries. (*British-Russian Gazette and Trade Outlook*, October.)

## TURKEY

### POLITICAL AND GENERAL

**National Programme of Work.**—On November 1 last the Grand National Assembly met at Angora for its annual session. This Parliament has to deal with an agenda of important and difficult tasks, on the satisfactory settlement of which depends the well-being of the nation, writes M. Gustav Herlt in the *Oesterreichische Wirtschaft* of November 6. The economic conditions now prevailing in the Republic are not favourable, and extraordinary measures will have to be taken in order to bring relief. Among these may be included the entry of Turkey into the League of Nations and the negotiation of a foreign loan. Hitherto the Nationalists would have nothing to do with the League of Nations; indeed, their attitude towards it during the Mosul trouble was distinctly hostile. The economic needs of the country, however, caused this attitude to be modified, while the entry of Germany into the League and the circumstances connected therewith completed the conversion of the Turkish politicians. The pros and cons of such a step were well weighed up at Angora, and it was found that the advantages much more than balanced the disadvantages. It was accordingly resolved to apply for entry, and the original demand for a seat on the Council was withdrawn. Above all Turkey needs peace if she is to complete the great work of reform and speedily reconstruct the economic activities of the country. The uncertain political conditions have up to now compelled Turkey to maintain a strong standing army. The cost of national defence, however, weighs very heavily upon the poverty-stricken country, and in order to maintain a balanced budget the screw of taxation had necessarily to be tightened unmercifully. The situation became so acute that the Government was obliged to introduce some tributary modifications last summer, to balance which and thus maintain the national revenue monopolies were introduced; it is also reported that an increase in the railway tariff is in contemplation. A reduction in military expenditure is possible only if Turkey is assured against attack from without. The Treaties of Friendship with Russia, Bulgaria, Syria, Irak and Persia have secured peaceful relations with these near neigh-



hours. With Greece an agreement is gradually being reached over the various questions in dispute. Only Italy is to be feared. The Italians do not disguise their intentions in respect of Asia Minor, which they regard as a suitable colony for settling their surplus population. In case of aggression on the part of the Italians, Turkey would now look to the League of Nations for support.

It is rather remarkable that the Turkish Government has till now been able to make headway without the aid of a foreign loan. But the country undoubtedly needs the assistance of foreign capital. Up to the present the main obstacle in the way of negotiating such a loan has been the question of pledges, for the Turks have considered it too humiliating to accept conditions similar to those imposed upon other countries in like circumstances. If the Government now approaches Western finance with a view to obtaining a loan the capitalists will doubtless first require that the outstanding question of the old debts be definitely settled. The negotiations would in the ordinary way prove most difficult; but the entry of Turkey into the League of Nations would greatly facilitate matters. Foreign capital is required mainly for the extension of the railway system, various public works, the reconstruction of devastated areas, the building of a free port at Constantinople, and the general improvement of the highways throughout the Republic. Private foreign capital has not been invested in Turkey to any great extent on account of the restrictions imposed by recent Turkish legislation, which were partly necessitated in order to protect the country from being ruthlessly exploited by foreigners, but which have also been greatly overdone. Moreover, the economic policy followed by the Government left foreign enterprise but little elbow room. The Government wished to establish itself as the main economic factor in the country, all other enterprises becoming but secondary in their activities and importance. Thus it has proceeded with the work of nationalisation, introduced monopolies, established national factories and also demanded a share in foreign enterprises operating within the country. The new railway line running from Angora to Sivas via Kaissarie and Samsun is being built by the Government as a State concern; when the negotiations with the Anatolian Railway are finished the whole of the main systems from Svilengrad to the Caucasus and Syrian frontiers will be in the hands of the State, in comparison with which the private concerns will be negligible. The Government buys the material for its railways in the cheapest possible market; the private railways purchase theirs as a rule in the country whence the capital has been advanced.

Since the Government does not wish itself to manage the various State factories, it has transferred the management of these enterprises to the Bank for Commerce and Industry, which is also interested in about twenty other concerns. But the Government participates in the control of this bank and can, indeed, really impose its will upon the management and thus indirectly exercise a control over the various State concerns. The bank has become the central purchasing office for the raw material and various requirements of the factories; the concerns themselves may purchase independently only up to a certain minimum. A large portion of the agricultural machinery imported from abroad has been purchased by the Agricultural Bank, which received a special credit from the Government for this purpose, the material then being resold to the farmers at cost price. In short, the Government has established for itself a buying monopoly for all the requirements of the State undertakings, and also for the technical needs of the factories, the tobacco administration, petroleum, spirit, etc.; it also acts as wholesale buyer for agriculture, etc. This system offers the foreign manufacturer the advantage of knowing that no risks need be run in executing orders, but it also has the disadvantage of excluding competition.

The great expectations that were attached to the operation of this system have so far not been realised and the conditions have certainly not improved. The introduction of the monopolies has caused a considerable rise in the cost of living, and the population has become very discontented. It is probable that modifications will have to be introduced in this connection; but any alteration will materially affect the national revenue, which the Government is at pains to maintain at a high level in order to cover the current requirements of the State. This dilemma is aggravated by the fact that the numerous industries that the Government has created and fostered, or which have arisen in the expectation of this encouragement, are now crying out for relief, which can only be granted in the form of alleviating the burden of taxation. Here again, if national industry is to be assisted, the national exchequer must suffer. A substantial foreign loan or a series of loans for specific purposes would prove the most advisable means for relieving the present situation and for assisting the Government in the grave tasks now before it. In this connection it is interesting to note that Great Britain would probably show herself well disposed to grant advances, if only to regain her dwindling influence in the Republic and also to placate Turkey to some extent in respect of the Mosul settlement.

**Settlement with Greece.**—The outstanding questions in dispute between Turkey and Greece are to be regulated by the projected agreement between the two countries, which, it is hoped, will remove the causes of friction that have so long existed. The main provisions of this agreement may be summarised as follows. Greeks in the Constantinople area and Turkish subjects in western Thrace are to have their respective properties returned to them, but all property owned by Greeks outside the Constantinople district will be transferred to the Turkish Government. All property formerly owned by Turks in Greece other than properties already in the possession of the Greek Government or owned by refugees in Greece will be restored to the Turkish owners, provided that these are not liable to be exchanged; all other property belonging to Turks in Greece that does not come under the above-mentioned category is to be transferred to the Greek Government, with the exception of Turkish properties in western Thrace. Since the exchange of properties is somewhat unequal, Greece will agree to pay a sum of about £500,000 per annum for a period to be determined later. The signing of this agreement will mark another step in the consolidation of Turkey's friendly relations with neighbouring Powers. A provisional commercial agreement, also, has been concluded with Holland.

## TRADE

**Foreign Trade Returns for 1925.**—The revised statistics of Turkey's foreign trade during the course of the past year differ considerably from the provisional figures issued about the middle of last summer. The final returns, as published in the *Ottoman Bank Monthly Circular* of September-October, give the total value of imports at £T.242,314,117 as against £T.193,611,048 in 1924, and that of exports at £T.193,119,756 as against £T.158,767,957 in the preceding year. The adverse balance of foreign trade has thus grown from £T. 34,843,091 to £T.49,194,361. As regards the total volume of these exchanges, imports figured at 732,234,176 kg. in 1925 as against 702,612,480 kg. in 1924, and exports at 668,851,507 kg. in 1925 as against 633,979,040 kg. in 1924. The volume of imports has grown by about 30 mill. kg. and that of exports by approximately 35 mill. kg., resulting in the adverse balance, according to weight, being reduced from 68,633,440 kg. in 1924 to 63,382,669 kg. in 1925. The aggregate turnover of imports and exports in 1925 was about £T.83 mill. greater than in 1924, while the proportion of exports to the total trade was 44.35 per cent. as against 45.05 per cent. in the preceding year. The increase in the



value of imports was 25.15 per cent.; in weight, 4.21 per cent. only. The increase in the value of exports was 21.64 per cent.; in weight, 5.5 per cent. Taking all factors into consideration the actual results are much the same as in 1924, although the aggregate turnover was appreciably augmented.

The following table of the monthly returns of imports and exports during the past two years indicates the general tendency in the trade movements during the different months of the year (in millions of Turkish pounds):—

	Imports.		Exports.	
	1925.	1924.	1925.	1924.
January ... ..	18.5	13.3	17.6	13.0
February ... ..	17.5	11.7	18.7	9.7
March ... ..	17.2	15.0	15.7	11.6
April ... ..	18.0	13.8	12.3	7.8
May ... ..	24.1	15.6	11.6	7.0
June ... ..	22.3	15.2	8.1	7.4
July ... ..	17.8	13.8	10.2	6.3
August ... ..	19.5	16.6	12.8	7.9
September ... ..	19.7	15.9	19.3	17.8
October ... ..	21.9	17.8	27.0	25.1
November... ..	24.7	22.3	18.6	23.7
December ... ..	20.6	22.4	20.8	21.2
Total ... ..	242.31	193.61	193.11	158.76

It will be noticed that both imports and exports tend to become much brisker during the last quarter of the year, while during the second quarter imports become lively and exports tend to drop off. For the most part imports do not suffer from such pronounced fluctuations as exports.

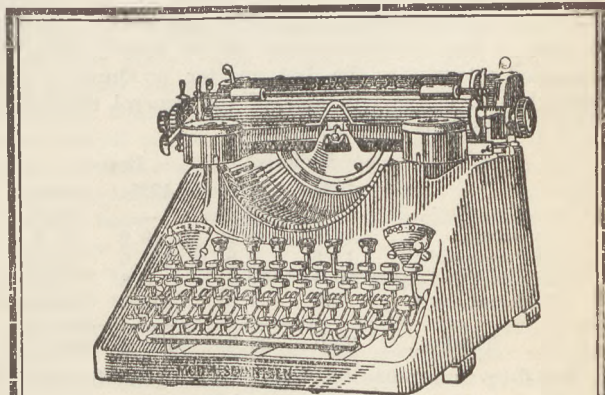
**Growth of the Bicycle Trade.**—It appears from a report in the *Export-Woche* of October 16 that Turkey is rapidly becoming a much better market for bicycles. At first the trade was more or less concentrated in Constantinople, but it is now extending to all parts of the country, the best business, apart from Constantinople, being done at Smyrna, Adana, Samsun, Broussa, Konia, Angora and Eski-Schehir. German manufacturers are obtaining most of the business, since they supply a good quality bicycle very suitable to the country and are also very alert in exploiting all the commercial possibilities and in conducting an effective propaganda. About 20 per cent. of the imported bicycles are now consigned to Constantinople and about 80 per cent. to Anatolia. In 1925 some 3,000 bicycles were imported into Turkey. Classified according to weight, purchases from Germany amounted to 5,394 kg.; from Great Britain, 1,095 kg.; from France, 2,154 kg.; and from Italy, 790 kg. France has been favoured during the past year on account of her depreciated currency, which enabled French bicycles to be put on the Turkish market at a very low rate, which in its turn resulted in pressing down the average price of a bicycle to about £T.40. The demand was mainly for ordinary machines, racing cycles being only of secondary importance. Bicycle imports without motors, etc., fall under Item XXX. of the Tariff, and thus are taxed at the rate of 750 piastres per 100 kg.; motor cycles and supplementary parts pay a duty of 1,200 piastres per 100 kg. The conversion coefficient is 5, so that the duty for ordinary bicycles is 37.5 piastres per kilogramme. In addition to this import duty, an Excise duty of 20 piastres per 100 kilogrammes is imposed, which is borne by the importer, and a municipal fee of 120 piastres, which the purchaser has to pay every year. In regard to terms, the general rule is payment against documents, although special arrangements are often made between the manufacturer and importers of good credit, sometimes from three to six months being granted. Manufacturers are recommended to have selling depôts and repairing shops in the chief localities.

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**AGRICULTURE**

**Cotton Production.**—This year's cotton crop is estimated at about 120,000 bales, which is a very near approach to the pre-war record of 130,000 bales in 1914. About 95 per cent. of this crop consists of the native "jerli," and about 5 per cent. of grafted American stock, known as "jané." The main crop was obtained in the Adana vilayet, but the Smyrna area is now becoming more important. Conditions in the eastern and south-eastern provinces of the Turkish Republic are peculiarly suitable for the cultivation of cotton, both in respect of soil and climate. Cotton-growing is being extended in these districts from year to year, with the result that this agricultural activity has now become a very important factor in Turkish national economy. The best results are being obtained in Cilicia (Adana), where the fertile soil, irrigated by two rivers, the Seihun and the Djihan, could scarcely be better for this particular cultivation.

The first attempts to plant cotton in Turkey date as far back as 1856, when a production of 2,000 bales was attained. The crop gradually grew from year to year until in 1903 it attained 40,000 bales, in 1911 80,000 bales, and in 1914 130,000 bales. During the war there was naturally a falling off in cotton production, the crop dropping to as low as 10,000 bales a year. But already in 1921 an improvement was recorded with 20,000 bales, followed by 30,000 bales in 1922, 70,000 bales in 1923, 80,000 in 1925, and in 1926 a crop approaching very nearly to the pre-war production. The present development is certainly remarkable, and is greatly assisted by the introduction and employment of modern machinery in ever increasing quantity.



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Much progress is being made in the Smyrna province, particularly at Nazli, Magnesia, Odemisch, Sokia and Salihi. Before the war the average yearly crop was between 30,000 and 40,000 bales, which fell to no more than 5,000 bales during the war and the period of the Greek occupation. During the past year the pre-war figures were again reached. For some years past the cotton industry in Turkey has suffered heavy losses. In 1923, for instance, the crop was considerably damaged by a parasite that appeared just at harvesting time, while the better crop of 1925 has not brought the full advantages expected by the home industry, on account of the abundant American crop being put on the market at prices that have forced down the world rates. This is a severe blow to Turkish cotton-growers. The total crop of 120,000 bales this year, sold at the rate of 90 piastres per oka, should produce about £T.14 mill. for the cotton cultivators. The prospects of the Turkish industry, despite the competition and price-cutting this year on the part of the American growers, are considered very favourable. (*Wirtschaftliche Nachrichten*, Oct. 15.)

## CENTRAL AMERICA

### MEXICO.

**Foreign Trade Returns for the Half-year.**—The official provisional statistics of Mexico's commercial exchanges with foreign countries during the first six months of the year show that imports amounted in value to \$185,741,357 and exports to \$357,834,260, resulting in a favourable balance of \$172,092,903, as against imports valued at \$200,967,589 and exports at \$358,967,589, with a favourable balance of \$157,839,881 during the corresponding period of last year. The full details of this trade are not yet to hand; but the classified returns for the first quarter, as shown in the table below, convey an idea of the general trend this year (in millions of pesos):—

	Imports.		Exports.	
	1925.	1926.	1925.	1926.
Live stock ...	1.8	0.7	—	0.1
Foodstuffs ...	13.6	19.8	19.9	26.7
Raw materials...	11.8	9.8	141.6	127.9
Manufactured goods	69.4	57.8	0.8	0.8
Gold and silver	2.2	1.8	29.9	34.0
Total ...	99.0	90.0	192.2	189.5

The drop in imports was largely due to the diminution in the incoming consignments of live stock. Imports of foodstuffs have considerably grown, being classified as follows (in tons):—

	1925.	1926.
Wheat ... ..	7,116	31,257
Maize ... ..	14,880	33,868
Flour and starch flour ...	4,202	5,221
Pork fat ... ..	4,227	5,885

The value of the respective classes of manufactured goods is given as follows (in millions of pesos):—

	1925.	1926.
Embroidery and lace ... ..	1.1	0.9
Rubber goods ... ..	2.4	2.3
Glassware ... ..	2.4	1.9
Ironmongery ... ..	7.6	4.8
Copper goods ... ..	1.4	1.2
Industrial and agricultural machinery	9.8	8.6
Hats, etc. ... ..	0.7	0.4
Clothing ... ..	1.0	0.8
Furniture made of wood ... ..	0.3	0.3

The main exports of foodstuffs were:—

	1925.	1926.
Tomatoes ... ..	13,302 tons	23,135 tons
Rice ... ..	2,224 „	8,165 „
Chick peas (garbanzos) ...	1,472 „	3,600 „
Coffee ... ..	11.5 mill. pesos	12.9 mill. pesos

The exportation of petroleum fell off by nearly 30 mill. pesos in comparison with the trade in the first quarter of 1925, the total only attaining approximately 65 mill. pesos. The outgoing trade in zinc, on the other

hand, was nearly quadrupled, figuring at about 16,500 tons.

**Opportunities in the Toy Market.**—There appears to be a very favourable opportunity for the development of the sale of toys in Mexico. At present, according to *Commerce Reports*, American manufacturers are finding practically no competition in the Mexican market for the highest class of goods and this market is rapidly expanding. This is due to the fact that Mexico in this respect can be considered not only a price market but a quality market so far as American toys are concerned. As a rule they consist of a more expensive variety, of which electric train sets, foot-propelled automobiles (ranging in retail price from 100 to 200 pesos per automobile), construction sets, circus sets, and all kinds of games of instruction and amusement are the leaders. These types of toys have altogether different outlets from the cheaper varieties, and where they are sold the cheaper toy does not enter into competition. Germany is by far the largest exporter of toys to Mexico of the cheap mechanical variety. Czechoslovakia has also shipped fair quantities of mechanical toys similar to German makes. Some mechanical toys are imported from Japan, but dolls and celluloid toys, together with distinctive Japanese novelties, form the bulk of imports from that country. British-made stuffed animals and dolls have been imported to a limited extent, but they have not proved good sellers. It is impossible to get an estimate from the trade as to just what amount of toys are imported annually into Mexico, since the official statistics do not classify toys separately. Germany, undoubtedly, is the leader in total shipments to Mexico, probably followed by the United States. It is believed that Japan, Czechoslovakia and Great Britain share about equally. Some French toys are seen, but the amount is negligible.

The principal outlets for toys of the better quality are through toy departments in the large stores, novelty stores, and a few of the larger drug stores which have novelty departments. The department stores, none of which is American but mostly French, are not prejudiced against the American-made toy of the better grade, but they cannot be considered as exclusive marts for American-made toys, as all types are offered for sale. A big factor which must be taken into consideration when judging the market for cheap toys is the street vendor and the "Puestos." The latter are booths erected on the streets in long rows, some of which run for whole city blocks. They are set up during the many holiday seasons prevalent in Mexico. Japanese toys have practically only one outlet in Mexico City, and this is through a very large Japanese novelty store. This, however, is a big factor in that it is centrally located, has fine show windows to exhibit any type of article, and is well patronised by all nationalities. Anything can be bought in this store ranging from the more expensive to the very cheapest kind of toy. A wide variety of goods, such as Japanese lanterns, shawls, kimonos, etc., are carried, besides the novelty and toy lines. It is exclusively a Japanese store, the products of no other country being sold.

Christmas is the biggest season for the sale of toys in Mexico, but no one season can be definitely singled out because there are numerous religious holidays. Such mechanical toys as are sold in the Puestos at Christmas time are sold throughout the year during the various holiday seasons. The buying season usually begins in February and lasts throughout the spring months. Very few of the best grades of toys are sold through travelling salesmen. Most of the well-known toy dealers in Mexico have their own contracts in the United States or in Europe and order from catalogues and price lists sent them periodically by the manufacturer. Orders for American-made toys are usually placed three months before delivery date, while from four to six months' term is given to British and German



manufacturers. It is believed that a more thorough canvass of the Mexican market and a more intensive mail order campaign would increase the demand for a higher priced and better quality product.

**The Mining Industry in 1925.**—The joint report of Mr. A. W. Weddell, United States Consul General in Mexico City, and Mr. George Wythe, Assistant Commercial Attaché in the same city, respecting the mining industry in Mexico during the year 1925 appeared in *Commerce Reports* of July 12 last. We give below the main features of this report.

Although the Mexican mining industry was affected by adverse legislation and labour agitation during 1925, the favourable prices for silver, lead, and zinc gave an impetus to production and exploration. The output of both lead and zinc was higher than ever before, while silver production—although somewhat below the 1924 level—showed an increase over the three preceding years, as did also the production of gold. The district of Pachuca continued to hold its position as the world's largest silver producer; such camps as Parral, Fresnillo and Zacatecas also showed increased production of silver, partly owing to the treatment of zinc-lead ores by flotation, with a corresponding production of the associated silver. On the other hand, it is reported that the large camps of El Oro and Guanajuato have experienced a falling off in production.

A comparison with average prices of metals in United States currency prevailing in 1925 with the average for 1924 shows that silver rose from \$0.668 to \$0.6906, lead from \$0.081 to \$0.09, copper from \$0.13 to \$0.1404 and zinc from \$0.063 to \$0.0762. These increased prices, taken in conjunction with the high output of the mines generally, indicate that the Mexican industry was fairly prosperous during 1925.

The increasing number of flotation plants for the selective concentration of silver-lead-zinc ores, along with other evidences of progress in ore treatment, is particularly significant, since it is enabling mining companies to develop ore bodies which in the past have been ignored because of the base character or low grade of the ore. During the many years of cyanide operation on the precious metals considerable quantities of the baser metals were encountered, but as a rule the prices of these, combined with the lack of metallurgical refinement, lent little inducement to further development. But with the gradually decreasing reserve of cyaniding ores, several of the companies engaged in mining and milling have combined the treatment of cyaniding and flotation of ores with one mill, by which method production has been maintained and in some cases the output value has been increased. With higher prices prevailing, the application of the flotation process to the production of lead, zinc, and silver has been particularly advantageous. These improvements have made possible a pronounced separation of the lead and zinc, the lead concentrate with considerable silver content being shipped to the Mexican lead smelters, while the zinc concentrate, with comparatively little silver, has been sent to smelters abroad.

In view of the large expenditures for mining machinery and equipment during the past year, it may be assumed that while the price of ore has had a stimulating effect the mining companies do not consider good conditions as temporary only. There are, however, continuing labour difficulties and, in addition, the problem of increasing taxation under a number of heads. According to statistics published by the Mexican Department of Mines, 3,176 petitions for mining concessions involving 39,722 hectares of land were filed with that department in 1925, as compared with 2,011 petitions covering 25,006 hectares in 1924.

Single copies of *Foreign Affairs*, an American Quarterly Review, may be obtained of all leading booksellers or through the International News Company Limited, 5, Bream's Buildings, London, E.C.4. Price 6s. 6d. Annual subscription 26s., post free.—*Adv.*

The production of the principal minerals of Mexico during 1924 and 1925 and the average monthly output of last year follow (in kilogrammes):—

	1924.	1925.	Total.	Monthly average.
Gold ... ..	24,647	24,541	49,188	2,045
Lead ... ..	164,140,130	171,767,429	335,907,559	14,313,953
Silver ... ..	2,844,104	2,889,128	5,733,232	240,761
Copper ... ..	49,113,194	49,533,644	98,646,838	4,278,005
Zinc ... ..	18,936,336	45,770,328	64,706,664	3,814,192
Mercury ... ..	36,665	38,721	75,386	3,227
Antimony ... ..	774,567	1,399,483	2,174,050	116,624
Arsenic ... ..	1,293,436	3,948,564	5,242,000	329,047
Tin ... ..	8,849	1,033	9,882	86
Graphite ... ..	8,023,417	5,839,226	13,862,643	486,602

**The Petroleum Industry.**—The appropriate department of the Ministry of Industry and Commerce has discussed in the *Monthly Review of the Petroleum Activities in Mexico* the situation of the petroleum companies in the country since the passing of the new laws and regulations which aroused so many comments and controversies. The *Review* shows conclusively that all attacks made on the laws were unfounded. Since its promulgation and enforcement the petroleum companies have increased their activities: in January of this year 95 wells were being drilled, while in April, after the Law had been promulgated, the number of wells being drilled had increased to 139, and in May to 178. Moreover, prospecting work has been extended throughout the country and great interest is being taken in the discovery of new zones of production.

At the International Petroleum Congress held at Tulsa, Oklahoma, it was shown that geologists who predicted the closing down of Mexican oil wells in northern Veracruz as a result of the appearance of salt water were quite wrong, as this region has been yielding best. Representatives of the Mexican Government made known that Mexico has 150,000,000 acres of petroleum lands, of which only 15,000 have been exploited; that in 1924 eighty-five companies, representing a capital of 780 mill. pesos, were operating in the country; that there exist at present 19 refineries, with a daily output of 500,000 barrels of crude oil; that the pipe-lines have a total length of 4,415 kilometres, with a transport capacity of 2,000,000 barrels; and that the companies have 2,000 storage tanks, with a capacity of 84,000,000 barrels.

According to general Press reports the petroleum output for the first half of the present year of the different companies engaged in operations in Mexico was as follows, in comparison with the respective figures for the corresponding period last year (in millions of barrels):—

	1926.	1925.
Pan-American Petroleum ... ..	18.25	22.33
Transcontinental ... ..	5.61	12.26
Royal Dutch ... ..	3.56	5.94
Mexican Seaboard ... ..	4.03	6.93
Mexican Eagle ... ..	3.67	3.52
National Railways ... ..	3.04	0.32
Other companies ... ..	12.55	14.49
Total ... ..	50.71	65.79

The total output has thus receded by 15.09 mill. barrels, or approximately 23 per cent.

**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.

### A STUDY OF THE BIG MARKETS.

**Le Negoziazioni Caratteristiche dei Vasti Mercati : Principii di Tecnica Mercantile.** By Professor Ugo CAPRARA, Università Commerciale Luigi Bocconi, Milan. (Milan: Società Anonima Istituto Editoriale Scientifico. Price, L.95.)

This volume by Professor Ugo Caprara, of the University Commercial High School Bocconi of Milan, which has just been published in commendable form by the Società Anonima Editoriale Scientifico of that city, is announced as the first of a series of detailed and descriptive monographical studies of the leading characteristics and the present structure of markets. Professor Caprara's treatise makes admirable material for initiating such a series; if subsequent volumes are on the same high level of scholarly research and written with equal clarity, the series will prove an invaluable study and an indispensable reference library for all interested in the theory and practice of business in all its most varied ramifications. *Le Negoziazioni Caratteristiche dei Vasti Mercati* is in itself a tome of vast research in the realm of the relations and conditions that exist in international commercial operations. It passes from the simpler and more common aspects of these relationships and conditions and leads the reader to penetrate into the more complex and intricate phenomena to be found therein, or, it may be said, to a comprehension of the more intimate co-ordinations of business enterprise.

The opening chapter of this book is devoted to a thorough examination of the development and the present situation of deferred term operations. The first section traces and explains the measures that were introduced and followed up to the beginning of the last century, after which the author proceeds to show how the introduction of steam navigation and also the diffusion of telegraphic communication affected the conditions hitherto existing, and demonstrates what modifications were necessitated. The chapter closes with a comprehensive survey of deferred term operations at the present moment in industrial and commercial activities. The next chapter, which is divided into four sections, is an exposition of the typical conditions in business operations of all classes. The field covered in this chapter is so extensive and, at the same time, so detailed that it is difficult to convey an idea of the full matter in a few lines. It suffices to state that no single aspect of this question seems to have been omitted, while each separate item is dealt with clearly and exhaustively. Section 3 of this chapter, which is mainly devoted to a scientifically complete description of the various types of f.o.b., c.i.f. and f.a.s. operations, is perhaps particularly interesting and valuable. As is the general rule throughout the whole treatise, the author here illustrates his theme by an abundance of first-hand documents in the Italian, English and French languages.

Term operations of the Bourse form the main matter of the third chapter, wherein the author also deals with the less known circumstances and factors affecting the rise and fall of the term market. Considerable attention is given to the documents of the London Corn Trade Association. But this is only one of the numerous aspects of this complicated question; the others are treated with equal thoroughness. Briefly expressed, this chapter is alone a treatise on the genesis of the present form of Bourse term operations, the arrangement of the term market in the economico-technical respect, and the economico-technical functions of such operations.

Professor Caprara closes his work with an ample appendix, in which he reproduces and comments on a vast array of documents dealing mainly with the importation into Italy of raw materials, cereals, oleaginous seeds, cotton, hard coal and metals, etc.

The appearance of this volume will surely be welcomed in general economic circles. For the general reader it

will, perhaps, prove too vast and exhaustive for full appreciation; an abridged edition would probably find a readier market.

A. R. CUSDEN.

### PUBLICATIONS RECEIVED.

*Economic History of England.* By M. Briggs, M.A. (Cantab.), B.Sc. (Econ.) Lond. Second edition. (London: W. B. Clive, University Tutorial Press Ltd. Price, 8s. 6d.)

*Exploitation, Banking and the Trade Cycle.* By H. W. Parkinson. (London: The Labour Publishing Company Ltd. Price, 6d.)

*Journal des Economistes: Revue mensuelle de la Science Economique et de la Statistique.* November 15. (Paris: Librairie Félix Alcan. Price, Fr.9; annual subscription, Fr.70.)

*La Constitution de l'Union des Républiques Socialistes Soviétiques.* By Stefan Yanefi. Translated by Jules Patouillet. With a Preface by Edouard Lambert. (Paris: Marcel Giard. Price, Fr.12.)

*Le Dol Français et la Misreprésentation Anglaise: Contribution à l'Etude de la Théorie du Consentement et de ses Vices.* By Yehia Tag-Eldine. With a Preface by Edouard Lambert. (Paris: Marcel Giard.)

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*Report on the Financial and Commercial Situation of Austria, revised to September 1926.* By O. S. Phillipotts, O.B.E., Commercial Secretary, His Majesty's Legation, Vienna.—Department of Overseas Trade. (London: H.M. Stationery Office. Price, 1s. 6d. net.)

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*The Ordinary Man's Own Accounts.* By BM/FAX 5. (London: P. S. King & Son, Ltd. Price, 5s. net.)

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