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## COMMENTS

ONCE more the Soviet leaders state with remarkable clearness and frankness that they have brought Russia into a hopeless impasse and that something must be done to get her out of it. No one could put it better than Trotsky did himself in the following words: "Is it possible now to keep Russia outside the world's economic household? No, it is not. The world's economic system, even during our dictatorship, controls every part of our economy, and it is impossible to talk about the socialism of a single State while admitting that this State depends on the existing world system." The logical conclusion every honest man would draw from this emphatic statement is that it is high time to abandon the futile attempt and return to sanity. But as we have frequently pointed out, the Bolsheviks have an infinite capacity of never drawing the only possible conclusion from their own statements and admissions. It is impossible to consolidate communism in Soviet Russia while it remains encircled by capitalist States, they now say; but this has been obvious to most people ever since the Bolshevik coup d'état in 1917. In 1917 there may have been some people who genuinely believed that the remedy recommended by the Soviet leaders is practicable and that it is possible to revolutionise the whole world. To-day, however, even in Russia it is hardly possible to find anybody who can seriously entertain such a hope. The greatest failure in history has taught the whole world a lesson, and in the light of it the chatter of the Moscow Opposition about concentrating their efforts on promoting world revolution will dupe nobody. Trotsky's statement is naturally causing a great deal of annoyance to the Soviet Government, because, as the *Pravda* quite rightly remarks, "Trotsky's declaration that Soviet Russia is an integral part of the world's capitalist system, that socialism in Soviet Russia is impossible, impossible, yea, thrice impossible, is a bright sermon of impotency and the death-knell of our socialist construction." We quite agree and we welcome it as such. If in addition to realising that under present conditions Socialism in Russia is impossible, one day the Bolsheviks are compelled to realise that world revolution is also impossible the Russian problem will soon be solved.

MEANWHILE, according to the *Agence Economique et Financière* and the Report recently submitted to the General Committee representing French Interests in Russia, which is presided over by M. Noulens, formerly French Ambassador to Russia, the work of the Franco-Soviet Conference will not be resumed so long as certain preliminary conditions laid down by the French Government are not accepted by the Soviet Authorities. The Report of the General Committee explains that the difficulty arises from the method of procedure adopted by the Franco-Soviet Conference, which up to the present has discussed separately the question of Soviet liability in respect of the Tsarist loans, and was actually prepared to sign a special settlement of this question with the Soviet Government. In return, the Moscow Government was to be given credits in kind in the form

of merchandise. The question of the liabilities resulting from the nationalisation of enterprises belonging to French industrialists and capitalists and from the confiscation or deterioration of property of French nationals would then be discussed and settled, after the question of the settlement of debts arising out of the Tsarist loans had been disposed of. The Poincaré Cabinet regards this procedure as unacceptable. In its view the whole of the Soviet liabilities must be settled at one and the same time. Its attitude meets with the complete approval of the French creditors, who fear that the question of indemnification in the respect of the nationalisation of French undertakings will never be settled once a special agreement with regard to the Tsarist debts has been signed and the Soviets have been granted credits in kind in return. The General Committee in its Report declares that it will oppose any granting of credit to the Soviet Government if the whole question of the debts is not settled as a whole. In view of the difficulties connected with the question of indemnities for nationalised property, a general feeling of uncertainty prevails with regard to the issue of the Conference, even should its activities be resumed.

In a statement made by M. Poincaré on the financial position to the Chamber of Deputies last week the Prime Minister revealed the fact that his mind was still in some hesitation on the question of foreign debt agreements. His reference to the subject was casual and vague, and it would appear that he is still toying with the question of ratification. M. Poincaré spoke of the necessity for establishing a permanent balance of payments in France's favour before they would be in a position to make payments in respect of war indebtedness. It is true that a foreign payment can only be effected by means of an export of goods or services, but a permanent surplus of exports can only be obtained on the strength of an effort which successfully stabilises the currency. This connection the French Prime Minister does not, apparently, appreciate. On the contrary, he appears to share the illusion, skilfully analysed by Lord D'Abernon the other day, of the late president of the Reichsbank during the period of active and violent inflation: it was Herr Havenstein's firm belief that Germany was forced to inflate because she had an adverse trade balance in the later stages of the inflationary period. He did not perceive that inflation was the most probable cause and not the effect of the adverse trade position. Unstable currencies are bound to produce unstable trade positions. If France would stabilise her currency she would find her trade position recover itself. If she is loath to utilise her own resources for this purpose, she may decide that foreign credits are required for stabilisation, in which case it would be prudent first of all to ratify the foreign debt agreements.

THE Bosel crisis to which we referred in one of our recent issues continues to exercise a dominating influence on the Vienna Bourse. Securities of those companies in which Bosel was interested are being

offered in large blocks, and have suffered particularly strong setbacks while others are moving in sympathy with them. Even the Budapest Bourse has been affected by the continuous sales of stocks that take place in Vienna. It is understood that these sales are not emanating from the Postal Savings Bank, to which the Bosel Securities are pledged as a guarantee, and a certain amount of alarm is therefore felt that the proceeds of the sales will not get into the hands of those who are entitled to them, i.e. in the first place the Postal Savings Bank. We shall soon learn whether this time its interests have been properly safeguarded. The damage created by the uncertainty with regard to the liquidation of the pledged Bosel securities is further increased by the fact that there is as yet no settlement of the negotiations concerning the acquisition of the Unionbank shares by either of the important German firms to which we recently referred in these columns. On the contrary, next to the Speyer Elissen group and the Commerz- und Privatbank, a French consortium has now appeared on the scene, which is also negotiating for the shares. While it is obvious that every endeavour must be made to secure the highest possible price, the protracted character of the negotiations must in the long run have damaging effects and do more harm than good to the vendors. Meanwhile the public and the State go on losing money, to which by now they must have grown quite accustomed.

AN interesting announcement concerning the distillation of coal was made at a meeting of the board of directors of the I.G. Farbenindustrie (the German Dye Trust) last Tuesday. A communication was issued after the meeting which contained a statement to the following effect: "We have discovered, patented, and developed a coal distillation process of our own, and we are convinced that, unlike the processes hitherto known, it will pay. Our process is an independent development on the basis of knowledge obtained by us. As, however, our process rests to some extent upon the fundamental work of Dr. Bergius, we have also taken steps to secure the Bergius patent for lignite in Germany exclusively, and have made possible the use of hard coal by acquiring a considerable interest in the Kobergin A.G." Abroad, the I.G. Farbenindustrie has acquired a considerable interest in the International Bergin Company of The Hague, which owns all the Bergius patents outside Germany. It has been known for some time past that the problem of extracting oil from coal had attracted the attention of the Trust's scientists. Several methods have been subjected to experiment in the laboratories at Merseburg, and the process referred to above was discovered in the course of some of these high-pressure tests.

THE current quarterly report of Dr. Millspaugh, the Administrator General of the Finances of Persia, contains some interesting information regarding the Government's proposal to create an agricultural bank in Persia. In Dr. Millspaugh's opinion the time is now ripe for giving serious consideration to these proposals, and he advocates that the Government should, as far as it is able, turn its dead capital and its unproductive expenditure into living, circulating, and productive funds. With such aid Dr. Millspaugh hopes to see agriculture developed, mineral resources exploited, industrial undertakings fostered, and export trade generally promoted. The Government, his report goes on to assert, should be in a position to make small and well secured loans to proprietors for the reconstruction of village life. It should have authority, either on its own account or in association with Persian proprietors and merchants, to reconstruct irrigation works. The Government should also be able to loan money for the establishment or extension of factories, and should be prepared to help finance the marketing of Persian goods abroad. A bank for these purposes can be capitalised, at least in part, by the sale of Government jewels and

public dominions. Pending the realisation of these assets it can be financed by advances.

FURTHER details of the scheme for the substitution of an Iraq national currency for the rupees that have been in circulation since the war have been announced in Bagdad. The standard unit, according to the proposals the Government intends to submit to the Chamber of Deputies, will be a *dinar*, equal to the £ sterling. It is suggested that notes should be issued in denominations of 100, 50, 10, 5, 1, and  $\frac{1}{2}$  dinars. There will be silver coins of the value of one-tenth of a dinar and one-twentieth of a dinar; they will be termed the *Iraqi* and the *Dirhem* respectively, and will be accompanied with coins of a lower value in nickel and bronze. The control of the currency it is proposed to place in a special Currency Board, a body composed on similar lines to the one established recently to control the currency in Palestine. The Currency Officer, it is to be presumed, will work through the medium of one of the established banks. The proposed currency will gradually be introduced in exchange for rupees, and the latter are to be devoted to the purchase of sterling securities, to act as a backing for the note issue, and to assist in stabilising the rate of exchange. The proposed arrangement is an effort to reach what has long been sought, a national currency and exchange stability.

PROFESSOR H. A. PRICHARD, of the Forestry Commission, speaking at the City of London College on "Home Timber Production," said that the question of timber supplies was in a far more serious state than was generally realised. He did not think for one moment we should ever be able to produce all the timber we used. A timber famine had become much more real than anybody ever dreamt of, for not only was timber being used for pulp for newspaper production at a very rapid rate, but for the production of artificial silk, for which there was an increasing demand. As the American supply failed she was bound to fall back upon the European markets and create difficulties. The only relieving feature in the situation was the question of Russia: she had very large areas of virgin forests, but nobody seemed to know anything about them. The position in Russia was so uncertain that it would be some considerable time before she was able to enter into the world markets with her timber products. It had taken the last war to produce another agitation in favour of an adequate policy to deal with afforestation in Great Britain, and no stupid sentiment must be allowed to stand, maintained Professor Pritchard, in the way of the Forestry Commission using their compulsory powers to acquire waste lands in this country for afforestation purposes, if the same were deemed necessary.

THE report of the Industrial Assurance Commissioner for the year ended December 31, 1925, was issued last Tuesday, and contains the following statistics for 1924. The premiums collected during the year on industrial policies aggregated £42,300,000, and £7,600,000 accrued as interest on investments. Income from miscellaneous sources, amounting to £1,000,000, brought the income for the year up to a total of £50,900,000. Of this total £15,700,000 was returned on claims, surrenders, etc., and £16,400,000 was added to the funds carried forward to the next year. The expenditure of the remaining income was accounted for by expenses of management, £16,600,000, and miscellaneous items, including, in the case of companies, shareholders' profits amounting to £2,200,000. The number of new assurances effected during the year was 8,400,000. The total number of industrial assurances in force at the end of 1924 was 67,000,000, and the aggregate sum assured was about £930,000,000. The latter figure is almost double the figure for 1913. About 9 per cent. of the policies in force with collecting societies lapsed during the year. That figure is 3 per cent. lower than that for 1923, and represents about one-half of the pre-war percentage.

## SPECIAL ARTICLES

(Whilst the Editor of "The Economic Review" welcomes in these columns the expression of all shades of opinion on matters of economic controversy, he is not necessarily identified with any particular opinion expressed.)

### THE FINANCING OF CONSUMPTION.

By Dr. HERMANN GOEZ.

During the past few years and months the systematisation of the machinery of production has been substantially completed in the economic life of Germany. Producing industries have now a plentiful supply of capital at their command, mainly through having obtained foreign credits. Nevertheless the crisis affecting our economic system is not yet over: it has merely assumed a fresh aspect. The goods produced by the works which have been systematised do not find enough buyers, because in spite of the existing requirements buyers are holding back and—measured by pre-war conditions—are obliged to do so. The German people, impoverished by the war and inflation, are for the most part now living only on the proceeds of their work, and this state of things extends far into the middle classes. Consequently, the aggregate amount spent by the German population in the purchase of goods and securities has decreased greatly since before the war. From this diminished purchasing power of the German consumer, traders must be the first to suffer, particularly as a great increase in the number of traders has taken place since the end of the war, notwithstanding the diminished sale of goods. On the average, therefore, the individual trader has to-day a considerably smaller turnover and profit than before the war. It is not surprising then that there is a movement among traders for the "cranking up" of sales by inducements to anticipate future income. One means recommended for this purpose is the granting of credit to consumers, by which the purchasing power of the population is to be increased. As production has been already systematised with foreign money, consumption is now to be extensively financed with lent money.

The financing of consumption is no new thing. Three methods of granting credit to consumers have long been known in Germany: Credit pure and simple; the "organised instalment" system; and individual purchases by instalments.

Credit in handicrafts and retail trade has always been customary in Germany. The customer gets the cost of his purchase "booked" by the baker, butcher, etc., for a certain period (a week or a month). The retailer, who has not the necessary capital available for granting credit, pays the wholesale dealer only when he has entirely or partially sold the goods supplied. So that ultimately it is the wholesaler who finances this system of credit.

Side by side with this system there is the organised instalment purchase system. It is carried on by instalment businesses in which selling for cash is practically unknown. They do not sell goods restricted to one particular branch, but deal in all kinds of articles which their customers are obliged to buy at certain times, even when they have no money available. Although the turnover in this class of business is considerable (Mk. 200 to 250 mill. before the war), the banks in general do not finance it. The sellers have, therefore, to provide the credit out of their own capital. They charge exceedingly high rates of interest, as these instalment businesses have no relations with the regular money market and the risk in granting such credit is great. Even before the war the purchaser on this system had to reckon on paying about 25 per cent. over the cash price. Both as regards the quality of the goods and of the customers these instalment businesses have always been classified as being of inferior standing. Nor do they enjoy the best reputation among the working classes, while they are always a danger to the buyer, inasmuch as these concerns retain the ownership of the goods sold until the last instalment has been paid.

Finally, the individual purchase system by instalments—or the unorganised instalment system—was also

known before the war. Under this system the dealer, who handles goods belonging to one particular branch—e.g. sewing machines—grants payment facilities to the individual customer. The prices of the goods are based upon cash payment. These businesses sell in accordance with the principles and methods customary in retail trade, and are not, therefore, "organised" instalment concerns, and they can as a rule obtain a certain amount of bank credit. Since the war the class of persons who have taken to buying in this way, by the anticipatory burdening of their future income, has been greatly extended. Employees and even officials of the higher classes are compelled nowadays to procure certain goods, such as furniture, by means of instalment payments. The seller charges a certain increase; to such purchases, therefore, the principle that instalments are always dearer than cash payments also applies.

In recent years German trading, following American models, has entered upon a new path in respect to the financing of consumption. Whereas hitherto the dealer has sold on the instalment system or on credit and has borne the risk of collecting the amount, under the new system a special company with its own capital is introduced between the dealer and the customer, the function of the company being that of according the consumer credit. With this credit the purchaser can buy from any of the dealers comprised in the combination up to the limit of the credit. The financing institution provides the person receiving the credit with a special form of cheque book. The customer then pays by means of credit cheques, generally after having made a cash payment on account. On presenting the cheque to the credit institution, the trader receives in three days the full cash amount, after deduction of certain expenses for collection. The customer is a debtor only to the paying bank. The trader is thus relieved of all risk and of the collection of the amount credited.

This new method of financing consumption, which began with the establishment of paying banks for motor cars, pianos, etc., has now been extended to nearly all kinds of goods. In Berlin four organisations have been founded, and have in part already begun operations. The Hermann Tietz stores co-operate with the Züricher Kaufkredit A.-G., which has provided Mk. 50 mill. for the purpose. The Verband Berliner Spezialgeschäfte has made a similar arrangement with the "Citag" (Commercial Investment Trust A.-G.), which has been formed with American capital. The German Möbel-fachverband (Furniture Trades Association) has created the "Treumo" (Treuhandgesellschaft des Deutschen Möbelhandels: Trust Company of the German Furniture Trade), which has Swiss capital at its command. A number of Berlin retail organisations in conjunction with the Dresdner Bank have also established a similar financial institution with German capital and on a co-operative basis, which began operations on December 1, 1926, under the title of "Kadege" (Kundenkredit-gesellschaft Deutscher Einzelhändler: German Retailers' Credit Company for Customers). Other financial institutions of the kind are also planned.

Great hopes of this new method of financing are entertained by German traders. By the granting of consumers' credit a fresh impetus is expected to be given to German industry. To traders the prospect of increased sales is held out, and to producers the prospect of an increased demand and, consequently, of a larger production. This, it is said, will lead to the more economical utilisation of our machinery of production, which must bring about a reduction in the prices of goods. Unemployment will be diminished, and the well-being of the people will be increased. This would also mean an improvement in the position of the German buyer, whose purchasing power must be raised by the decline in prices.

Anyone reading these recommendations may well ask himself why we did not bring about this happier time of "Buy now and pay later on" long ago. For this there are very good reasons, as everyone knows who clearly realises the workings of this new type of consumption finance in respect to the financing institution, the person receiving the credit, the dealer and the entire industrial system.

The financing institution which is interposed between the trader and the buyer certainly makes a good profit in any case, as is shown by the following figures which relate to the system of the Kaufkredit A.-G. Assuming that on January 1 of a certain year the bank issued credits to the amount of Mk.2,000,000, of this sum it forthwith retains 5 per cent. as interest, viz. Mk. 100,000. This Mk.100,000 it can lend out again on the same day. Again it at once receives 5 per cent., viz. Mk.5,000, from the borrowers in this transaction. This Mk.5,000 it can likewise re-employ immediately in granting credits, again receiving in return 5 per cent., viz. Mk.250—and so on. On February 1 the bank receives back the first instalment amounting to one-fifth of the amount lent, viz. Mk.400,000 + 20,000 + 1,000. On February 1, therefore, it can grant fresh credits to the amount of these repaid sums, from which it again deducts in advance 5 per cent. by way of interest, which amount it employs in the same way. This goes on throughout the year. The amounts repaid are constantly lent out again, always with the deduction of 5 per cent. as interest. If the example is worked out to the end it will be found that the financing institution obtains an annual interest on its capital of 35 to 43 per cent. No doubt the financing bank, which covers its expenses out of the collection charges debited to the trader, will have certain losses owing to individual borrowers not paying promptly. It is, however, covered against such losses by re-insurance. In any case there remains an excessive profit at the expense of the receivers of credit.

To the person accepting credit this system of instalment business is very expensive. On the Tietz system, owing to the fact that 5 per cent. is deducted in advance from the amounts credited, he actually pays—estimated for the entire year—more than 20 per cent. in interest, as is apparent from the following calculation. If, for example, the buyer takes up a credit of Mk.200, he receives, after 5 per cent. interest has been deducted, a cheque letter made out for Mk.190. He has to repay Mk.200 in five instalments of Mk.40. In addition, he has to pay interest as follows:—

In the 1st month, Mk.190 = (at 20% per ann.)	Mk.3.17
„ 2nd „ „ 160 = ( „ „ „ )	„ 2.67
„ 3rd „ „ 120 = ( „ „ „ )	„ 2.00
„ 4th „ „ 80 = ( „ „ „ )	„ 1.34
„ 5th „ „ 40 = ( „ „ „ )	„ 0.66
	Mk.9.84

On the Tietz system, therefore, there is an increase in the cost of credit, to the person receiving it, of more than 20 per cent., a figure which will be regarded as unfair by those who are willing and able to pay, and who therefore are unwilling to bear the cost and risk arising from bad payers.

In itself this increase in the cost of credit should warn the German buyer to use caution. There is also the additional fact that the high rate of interest is not the only increase. A further rise in price will arise from the fact that the trader will include in his prices his costs for the collection of the credit cheques accepted. As Henry Ford says in his latest book: "The workman who buys on credit thereby injures the production of his country and lowers the purchasing power of his own wages." The example given above shows that the income concerned is diminished by at least 20 to 25 per cent.

There is a further danger for the acceptor of credit in the fact that purchases for household purposes or for dress are apt to be made which are in harmony neither with his income nor with his ordinary standard of living

(provisions and table luxuries, and also precious metals, cannot be purchased with the credit cheque). Here it is not necessary to consider the purchase of luxury goods which could be dispensed with. Even the purchase of articles necessary in themselves, but at a higher level of price—e.g. furniture made of rare wood—than is appropriate to the customary mode of living, constitutes a danger. How many people, if they are not obliged to pay cash for it, will purchase an article of clothing of more fashionable quality or make, although something less elegant would amply meet their requirements! It must be remembered also that the buyer who has obtained a credit endeavours to turn the amount received into goods as quickly as possible. At the same time, small amounts left over will be readily spent on superfluous articles which offer an unhealthy incitement to purchasing, merely for the sake of getting the whole amount of the credit spent. The danger of an uneconomic employment of the credit is consequently increased, the more so as future expenditure, as is well known, is always underestimated as compared with current expenditure.

Running into debt introduces an element of instability into the household of the taker of credit. Beneath the continuous pressure of his payment dates the instalment payer easily finds himself deprived of that sure foundation upon which alone he can properly distribute his income. While he is paying off his instalments he will frequently be forced to undertake fresh instalment obligations for the purpose of satisfying urgent necessities. In that case the danger of intolerable debt servitude becomes more imminent, the more so as in the case of many no increase of income is at once possible even by the intensification of individual labour. In another passage in his new book, in which he points out that, at best, borrowed money can only put off, but never improve, Ford says: "Speaking generally, running into debt is a vice."

Even if it appears in the new form of financing consumption, it is necessary that people should be put strictly on their guard against this vice.

As regards the traders also the system of credit cheques is one that does not provide only advantages. No doubt they are relieved of all risk in regard to repayment. But as they are obliged to pay a charge on their normal selling prices for the collection of the accepted cheques, they can realise a profit only if the sales under this new system are really equivalent to a new turnover. In that case the diminished profit due to the collection charges will be readily borne. If, on the other hand, only those buyers who would have bought in any case and for cash constitute the purchasers by credit cheque, there will be a reduction in profits without any increase in turnover. This will also take place if the cash purchasers should demand a discount equivalent to the collection charges.

Before everything, however, there are important economic reasons which are opposed to the new system of credit.

By financing consumption an extension of selling possibilities is not automatically effected without further ado, for no alteration is brought about by the new system in the aggregate amount of the purchasing power of the German people. The consumer who in the first month has increased his purchasing power by taking up a credit, e.g. of Mk.2,000, and has extended the manufacturer's market by that amount, must during the following months repay the credit plus interest. His purchasing power during these months is consequently diminished by the amount of the credit plus the amount of the interest. The granting of the credit, therefore, merely causes a temporary displacement of sales, which must be followed later on by a corresponding stagnation. Such a displacement in itself does not by any means lead to an increased market, as a result of which there may be an extension of production and, consequently, a lowering of prices.

A general reduction in prices will not be brought about by financing consumption. It is possible, of course,

that in the case of goods in connection with which the costs of production and marketing show an exceptionally rapid fall as sales increase—that is, when the general charges form a preponderating part of the total charges, or when improvements of any kind begin to be profitable only at a certain level of production—it is possible in such cases that there may be a cheapening of prices if the production of a later year is anticipated. But here also there is no economic advantage unless the reduction is at least large enough to counterbalance the 20 per cent. increase in the price of the goods to the consumer which is caused by the payment of interest on his credit.

In America this was so to some extent. So many motor cars were sold on the instalment system that mass production was rendered possible. The American purchasers, however, owing to the rapidly increasing national income and the natural wealth of the country, were in the position of being able to increase their incomes by raising their personal labour output, so that the instalments were practically balanced by their increased earnings.

In Germany, however, the conditions are different. Generally speaking, it is impossible for the takers of credit to increase their income to such an extent that the credit instalments can be paid off without some restriction in the satisfaction of other requirements. In America, moreover, the aid of the home money market is employed in financing consumption, so that the country's own economic system has always the benefit of the interest paid. In Germany, where savings are still scarce and the money market is still restricted, recourse has to be had to foreign capital in financing consumption. This means obtaining additional credits, for which high rates of interest must be paid to foreign countries. This is detrimental to our payment balance and lowers the national income.

A further objectionable feature is that the credit is given for purposes of consumption—that the national economic system, instead of employing for productive purposes the capital lent from abroad, which it must repay with high interest, merely consumes it. As goods which are rapidly consumed—particularly food and table luxuries—cannot be purchased with credit cheques, the purchase of permanent commodities of consumption is favoured. In itself the education of buyers in the direction of putting their money into goods of a lasting nature is desirable. But the diversion of incomes from the savings banks will at the same time bring about a restriction in the supply of the means of production. No doubt there are permanent articles of consumption which from an economic standpoint must be valued more highly than certain goods used in production, e.g. a gas cooking stove which contributes to the economical working of a household. There is, however, the danger that permanent articles of consumption which supply needs that are not indispensable, or which are imported from abroad—such as furs, for the most part—will be procured. As these are chiefly goods such as the taker of credit would not otherwise have bought, the financing of consumption leads to a displacement of the demand for other goods. Individual branches of trade make use of this possibility of altering the direction of demand to attract consumers to their particular products by granting them credits on a large scale. In this way the credit business is turned into an important weapon in competition. This explains, moreover, the rapidity with which the new instalment system has extended.

Finally, the decrease in purchasing power caused by the increased price of the purchase is a danger. It leads to a displacement in the employment of income. Of the aggregate income of the population a larger proportion than hitherto will be consumed and a smaller proportion saved. As a result less capital will in future be available for the provision of fresh means of production in the first place, while, in the second, the redemption of the credits, to the amount of many milliards, which the German industrial system has obtained abroad will be rendered more difficult.

## M. POINCARÉ'S MONETARY POLICY.

By PAUL APOSTOL.

The Chamber of Deputies devoted only one day, December 7, to the general discussion of the Budget; but, as a matter of fact, it was not the Budget that it discussed, but the monetary policy of the Government to the exclusion of all other questions. M. Poincaré's speech was extremely circumspect. We search it in vain for any indication as to the rate or as to the time at which he purposes to effect stabilisation. The President of the Council explicitly refused to give any information whatever on these points, information which alone could have thrown any light on the intentions of the Government with regard to monetary matters. He attributed his silence to fears as to the use that speculators might make of his disclosures. "On every occasion," he said, "that I have replied, no matter how discreetly, to questions put to me, speculators have at once seized hold of my slightest words, have commented upon them, have sometimes misrepresented and even distorted them." But if M. Poincaré's speech held no answer to these essential questions, it yet contained numerous indications on other aspects of his financial and monetary plan, and these parts of his speech I propose now to recapitulate as likely to be of interest from that point of view and calculated to afford us approximate information as to the intentions of the President of the Council.

It has been suggested in the French Press that M. Poincaré contemplates as the final goal of his programme of reforms the complete revaluation of the franc up to parity, i.e. Fr.25 to the £. Also it has been said that it was M. Poincaré's intention to continue to repay the advances made by the Bank of France to the Government until this debt was entirely extinguished. In reply to M. Vincent Auriol, the President of the Council declared "that it would be much too lengthy an operation and that he had not the slightest intention of considering it." In all his previous speeches M. Poincaré was fain to repeat that the franc is worth more than its actual value; but as he omitted to repeat the statement in his last speech the Press has been pleased to infer that the President of the Council considers perhaps that the actual rate of the franc, at about Fr.125 to the £, corresponds to its real value. It would be more correct to infer from his speech that M. Poincaré considers the present rate of the franc as the first stage in the process of stabilisation, and that after a certain breathing-space the next stage might be attempted. At any rate, he signified his adherence to the plan of gradual stabilisation. "M. Nogaro and M. Lucien Romier," he remarked, "have wisely talked of stabilisation by stages, stabilisation step by step, which would take a fairly long time; and would indeed do away with many difficulties." As a matter of fact, M. Poincaré's view is that stabilisation *de facto* must precede stabilisation by law. "The truth is," he declared, "that in this matter, as proclaimed by the experts, the reality must anticipate the law." Consequently, and contrary to what took place in Belgium, M. Poincaré deems it necessary that a fairly long period of stabilisation *de facto* should come before stabilisation by law, and he repeated and adopted the statement made by Professor Jéze that "in the present circumstances stabilisation by law would be premature." Moreover, M. Poincaré considers that France has not yet realised the whole of the conditions necessary even for stabilisation *de facto*. "Stabilisation *de facto*," he stated, "is the result of a mass of conditions that have not yet all been fulfilled, but which are nevertheless being realised more and more from day to day in this country."

Would it be possible, however, for France to achieve her monetary recovery by her own means, without foreign assistance? In the course of his speech M. Nogaro said: "With our cash balance, considerably increased as it is already and as it may still further be by foreign exchange, is it possible for us to accom-

plish our monetary recovery by our own resources? I know a good number of experts—foreigners no doubt, but whose good faith in this matter is beyond doubt—who are convinced that it would be possible for us to do so." M. Poincaré interjected: "That is perfectly true." It has been said in the Press that, in revaluing the franc, the Government will be obliged, in order to reduce the expenditures on account of the service of the Internal Debt, to convert the Rentes and other consolidated State Funds. M. Poincaré has categorically repudiated this report. In reply to M. Nogaro's statement that "those who now pose as the champions of revaluation to the utmost are already looking forward to a cutting off of the investor's coupon as compensation for the revaluation of the purchasing power of the franc," M. Poincaré stated: "There is no need for me to tell you that the Government never has and never will entertain the idea of reducing the coupon."

It is certain that the most important question arising out of the problem of revaluation is that of the crisis that the rise of the franc may provoke in industry and trade. M. Poincaré has never denied that there are signs of economic slackness, but he flatly contradicted the Communist deputy Garchery who pictured the country in full crisis since the rise in the rate of the franc. The statements of the President of the Council on this aspect of the financial problem are of great

interest, and it may be well to quote certain passages. "The fall of the franc," said M. Poincaré, "was ruining the smaller annuitants; it hit the superannuated and the officials; it spread desolation among the middle classes, and among humble families deserving of all consideration." Again, "The rise of the franc itself cannot but give rise to straitened circumstances here and there. It may affect more or less seriously flourishing industries, even where such industries have not taken advantage of the fall of the franc in order temporarily to swell their profits. It is possible that some industries artificially inflated may be exposed for a time to a certain amount of unemployment. Let them say what they like, at the present moment the symptoms of a crisis are far less serious and less alarming than they have been falsely represented to be from this tribune by the mouthpiece of the Communist Party." M. Poincaré does not deny that revaluation of the currency, like stabilisation, does necessarily give rise to an economic crisis more or less serious, more or less long. The only way in which to meet this crisis, and even to ward it off to a large extent, is to intensify home and colonial production in every shape and form. To this end the Government is even now preparing a programme with a view to develop the industrial and agricultural resources of France, which will shortly be laid before the Chambers.

## ECONOMIC SURVEY

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

### FRANCE

#### FINANCIAL AND GENERAL

**The Budget for 1927.**—The most important event of last week was the passing of the Budget Estimates by the Chamber. The Budget has now to be adopted by the Senate, and it is hoped that it will become law before Christmas. This may well be looked upon as one of the greatest achievements of M. Poincaré's tenacious policy. For the first time for many years France will begin the new financial year with an effective Budget duly enacted, without the necessity of having to have recourse to monthly votes on account, or the so-called *douzièmes provisoires*.

The Estimates as produced by the Government have undergone very little change in the course of the Parliamentary debates, as shown by the following figures (in millions of francs):—

	Government proposals.	Actual figures.	Difference.
Revenue ...	39,960	40,099	+ 139
Expenditure ...	39,382	39,634	+ 252
Surplus ...	578	465	— 113

It is a characteristic fact that of the 252 millions of supplementary expenditure only 20 millions were due to proposals of private members unsupported by the Government.

In THE ECONOMIC REVIEW of October 22 an analysis was given of the Budget from the point of view of debt redemption, which is one of the principal objects aimed at by M. Poincaré. It will be of interest now to consider the plan for external debt redemption, which is to be made partly outside the Budget (on the basis of the £ reckoned at Fr.150):—

Second payment to the British Treasury (to be made before April 1, 1927) according to the Péret-Churchill agreement, £2 million	Fr.300,000,000
First payment in accordance with the Caillaux-Churchill agreement (in the event of ratification), £3 million	450,000,000

Brought forward ... ..	Fr.750,000,000
Supplementary payment to the U.S.A. Treasury (in the event of ratification of the debt agreement) to bring the \$20,367 million included in the Budget up to \$30 million...	298,000,000
Commercial debt (see THE ECONOMIC REVIEW, October 22) ... ..	2,375,000,000
Army of Occupation expenses ... ..	410,000,000
Total ... ..	Fr.3,833,000,000
To which has to be added payments in respect of the devastated areas for Reparations account ... ..	1,000,000,000
	Fr.4,833,000,000

The French portion of the third Dawes annuity amounts to 733 millions of gold marks, which are prudently evaluated at only Fr.4 milliard. The deficit of Fr.833 million of the above extra-Budgetary resources and payments is inscribed on the debit side of the Budget.

**The Government Policy.**—In his speech in the Chamber on the Financial Bill M. Poincaré stated that it was impossible for him to say anything about the plan contemplated by the Government. But he laid special stress on the views of Professor Jéze (as set forth in our last issue), who insists on the impossibility of legal stabilisation under present conditions. It is also his opinion that real stabilisation must be achieved before any legislative measures are taken to fix the value of the franc. It has been remarked by the whole of the financial Press that M. Poincaré has promised to pay due regard to any authoritative opinions expressed on his financial policy, and has declared that he is by no means in favour of "the silly idea of revalorising the franc solely for the sake of prestige and to satisfy a feeling of national vanity." But he thought a certain measure of recovery necessary before attempting stabilisation. It is particularly noticed by the papers that M. Poincaré is no longer insisting on a further recovery yet of the franc, and in many Bourse quarters it is thought that the present level of exchange will be maintained for a certain time at least.



**Movement of Stock Exchange Prices.**—In a previous issue figures were produced showing the steady decline in Stock Exchange quotations that has followed on the July peak. The figures for the last three months show a still more acute fall in the case of securities with varying returns:—

Basis: Average 1901 to 1910 = 100.

	Bonds bearing fixed interest.	Stocks with varying returns.	Average quotations for sterling.
May ...	51.3	275	155.06
June ...	49.4	302	165.02
July ...	49.6	350	199.03
August ...	51.5	325	172.11
September ...	51.9	345	170.07
October ...	53.1	332	165.55
November ...	54.8	300	141.17

The rise in the franc has provoked increased activity in franc bonds bearing fixed interest, chiefly in Government securities, the French public being partial to these, having returned to them as soon as the outlook for the franc became better. Besides, the buying of these securities was a speculation on the rise of the franc. But, on the contrary, the rise of the franc has led to a fall in securities drawn up in foreign money and has strongly affected the prices of home shares. Besides, there is a falling off in the business of industrial and commercial enterprises, which naturally contributed to the downward movement in the quotations of their shares. It may be observed, nevertheless, that in terms of sterling the value of French securities is higher than some months ago, when the exchange was at the same level. For instance, the October figure is 332 with the £ at 165; the exchange rate was the same in June, when the figure for Stock Exchange prices was only 302. The same analogy is observable between November (£=141) and April (£=143), the respective figures for Stock Exchange prices being 302 and 267. In the early months of 1926 the flight from the franc meant a flight also from French securities, but this is not the case now.

The movement of common Stock Exchange quotations for the different categories was as follows:—

	Banks.	Recon-structed coal mines.	Build-ing material industry.	Metal-lurgical works.	Rail-ways.	Ship-ping.	Chemical indus-tries.	Elec-trical works.
May ...	178	257	435	115	59	168	266	265
June ...	186	294	477	124	61	185	312	296
July ...	222	367	538	143	76	199	360	340
August ...	233	360	521	152	77	201	325	331
September	235	395	549	166	76	268	360	347
October	223	398	538	161	73	277	320	331
November	217	351	460	152	74	221	295	318

The downward movement of quotations follows the movement of the exchange, but the proportion of the fall is still behind that of the fall in the exchange. There are only two exceptions: first, the building material industry, which has been particularly hit by the sharp fall in construction activity (which was one of the first signs of the coming depression), and secondly, the shipping industry, which has been affected by the gradual reduction in freights due to the virtual ending of the British strike. The railway group, low as its quotations are, has remained almost steady.

**TRADE**

**The Movement of Wholesale and Retail Prices in November.**—Under the influence of the fall in foreign exchanges, the wholesale prices pursued their downward movement. It is observed that buyers in general are refraining from business, in the hope that prices will continue to fall.

	General index.	Home produced goods.	Imported goods.
June ...	754	682	883
July ...	854	733	1,074
August ...	785	722	902
September ...	804	743	912
October ...	767	745	808
November ...	698	698	700

The fall is very severe in imported goods, home produced goods showing a much smaller fall, but still very considerable. It is interesting to note that the index number of home produced goods is equal to that of the imported ones, while in June the difference was about 27 per cent. Whether this really means that French prices reached the level of the world market it is difficult to say; in any case they are not very far from that level.

As for retail prices, it must be observed that, notwithstanding numerous and considerable reductions noticeable in the Paris shops, the general index number of these prices, which is strongly influenced by the prices of foodstuffs, shows a further increase (though very small in proportion):—

June ...	544 ... (£ = 165.92)
July ...	574
August ...	587
September ...	590
October ...	624
November ...	628 ... (£ = 141.17)

**INDUSTRY**

**The Coal Output in October.**—The total output of coal in October amounted to 4,568,697 tons, as against 4,392,123 tons in September, for 26 working days in each case. The October figures are the highest recorded to date.

The total output for the first ten months of the year amounts to 43,184,736 tons, corresponding to an annual output of about 52 million tons as against 48 millions in 1925.

The daily output works out as follows compared with the previous months (in tons):—

	Daily output.	Number of hands.
Average 1913 ...	136,147	203,208
January 1926 ...	170,048	315,204
September „ ...	168,927	314,442
October „ ...	175,719	318,672

After deduction of the Alsace-Lorraine output (17,419 tons), the daily output of the mines situated within the confines of pre-war France is 158,300 tons, of which 108,824 tons were contributed by the Nord and Pas-de-Calais mines (devastated areas) and 49,479 tons by the Midland and Southern mines.

The October average output is quite a record, and exceeds the pre-war rate of output by about 30 per cent.

**AGRICULTURE**

**The Vintage.**—The *Moniteur Vinicole* evaluates the vintage of 1926 at 41,626,000 hectolitres as against 62,981,990 hectolitres in 1925, thus showing a large deficit. But as stocks on October 1 amounted to about 11 million hectolitres, it is hoped that home production will be sufficient for home consumption.

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# GERMANY

## FINANCE

**Development of Money and Loan Markets.**—The present condition of the German money and loan markets is characterised by continued ease in money supplies in spite of increased autumnal demands and stimulated economic activity. This liquidity is to be attributed primarily to the influx of foreign capital, since foreign loans, to a great extent, flowed into the short term market before being applied to long term investments. Moreover numerous foreign credits were taken up for the purpose of clearing the advances granted by German banks without offering new investment possibilities to the money thus liberated.

The fact that the demand for long term capital is largely satisfied by foreign money shows that the scarcity of capital has not yet been overcome. Doubtless the creation of new capital within Germany has also been stimulated, nevertheless the increase in domestic loan issues is attributable by no means solely to inland capital, but indirectly, to a great extent, to the influx of foreign money. In this striking contrast between the abundance of money and the scarcity of capital are to be seen the last effects of the depletion caused to German economics by inflation. Commerce and industry, on the other hand, are recovering by dint of intense economic activity, and enjoy the unlimited foreign confidence to which they are entitled. The readjustment of the money and loan markets, the equilibrium of which is necessary for final recovery, is to be expected before long. In view of the considerable margin between the rates of interest in the money and loan markets, and in view of the small profits yielded by short term credits, the latter will undoubtedly be applied to the loan market to an ever increasing degree. Thus the satisfaction of the loan market will be met proportionately from inland sources, though foreign credits will still be called upon so far as foreign interest rates correspond to the terms of the German loan market, which are expected to become more favourable.

Irrespective of this development, there is a possibility of a certain decrease in the influx of foreign capital, as the future is likely to bring increased demands on the international loan market. The stabilisation of the Latin currencies is likely to be accompanied by a demand for capital in the respective countries, which money will be placed on the international loan market to be at the disposal of those now worthy of being given credit. Judging by recent issues these countries offer more favourable terms than Germany, who will compete with the new money receivers only in the event of the German loan market not being sufficiently strong to supply its own needs.

A less voluminous supply of foreign capital or the much dreaded withdrawal of foreign moneys should by no means give rise to anxiety. In respect of the short term money market extensive substitution of inland capital for foreign money can be effected. The financial sources of the Reichsbank, whose resources in bills of exchange, contrary to its own wishes, have fallen off during the period January 7 to November 6 by Rmk.390 mill. to Rmk.1,348 mill., can be drawn on to a greater extent. A greater utilisation of internal reserves would also give the Reichsbank the opportunity to establish a more active discount policy. The reserves of the money market could in turn be used to stimulate the loan market at the expense of foreign financing. Thus the Reichsbank, in its endeavour to concentrate public moneys in a larger measure within its own institution, tries to facilitate a less extensive reservation of liquid funds, in order to apply that capital to long term credits, thus directing it into the channels of the productive industries.

The strengthening of the loan market by means of a definite and deliberate disposition of funds, will be followed by a steady increase in the consumptive

capacity of the inland market for long term loan issues. When the bridging of the gap between the abundance of money and the shortage of capital has eased the terms for German loan issues, the day will not be far off when 8 per cent. interest on gilt-edged securities will be a thing of the past. This development will not take place immediately, but it is sure to come, and it will have a determining influence on the stock exchange. It is not so much the abundance of call money as the lowering of loan rates that gives the stock exchange the necessary support. Securities bearing fixed interest and shares with stable dividends will come to the fore, and many hitherto neglected issues will gain in importance in comparison with term values heretofore favoured by the more advantageous structure of the money market. Increased dividends from improved economic development and decreasing loan market rates will thus stimulate the stock market at the opportune moment from two different directions. This development, which would raise the entire price level in correspondence with the hopes now cherished for the future, would serve to reinforce the fundamental structure of the Stock Exchange and lay the cornerstone for sound price development. (*Hagen and Company's Report, November.*)

**The Price Scissors.**—At one time there was a great deal of talk about the price scissors. That was in 1925, when agriculture was fighting to obtain the imposition of the highest possible protective duties, and hardly a day passed without the argument of the price scissors being dragged forward in support of her demands. Lately, however, a great silence has been observed on the subject, and with good reason. It may be well to recapitulate the precise signification of the price scissors. The Reich Statistical Office calculates the wholesale index number for agricultural products from the average increase in prices as compared with 1913, and in a similar manner the index number for industrial products. In January 1925, the two indices stood about on a level, one being 37 per cent. and the other 39 per cent. above pre-war standard, as shown in the following table:—

Wholesale Index of the Statistical Office. 1913 = 100.			
	Agricultural products.	Industrial products.	Price of rye bread in Berlin 1914 = 100. per kg.
1925.			
January ...	137.3	139.9	145.3 Pf.37
February ...	135.0	139.3	145.3 40
March ...	131.9	139.0	145.8 42
April ...	127.3	137.8	144.2 42
May ...	130.0	135.7	141.4 40
June ...	133.3	134.7	146.1 40
July ...	134.2	135.8	153.8 40
August ...	130.0	134.9	154.4 39
September ...	121.4	134.5	153.2 37
October ...	118.3	134.0	150.5 54
November...	114.8	133.0	146.8 34
December	116.2	131.4	146.4 35
1926.			
January ...	114.5	130.4	143.3 36
February ...	112.4	129.5	141.8 36
March ...	113.1	128.0	141.0 36
April ...	121.5	124.9	141.6 37
May ...	122.8	124.0	142.3 36
June ...	125.0	123.7	143.2 36
July ...	129.2	124.0	145.3 37
August ...	128.9	123.5	145.7 37
September	127.9	124.7	144.9 38
October ...	133.9	123.3	— 39

In 1925, it will be seen that the index for industrial products fell more sharply than the other, and the farmer drew from this fact the conclusion that he received less in industrial products in return for his produce than before the war. Hence the clamour for protective duties. By February 1926 the lowest point had been touched, while by May or June prices equalised once more and the price scissors were closed. They immediately began to open again, however, but this time in the opposite direction. According to the farmer's original argument he now receives more industrial products in return for his produce than he did

before the war. There is no thought, however, of doing away with the protective duties.

It is instructive to consider the effect on the consumer. As an example it is possible to take the price of the most important item of the nation's food, rye bread, as given by the Municipal Statistical Office of Berlin. A glance at the table will show that rye bread followed the drop in the agrarian index unwillingly but was in haste to get into line with the rise. The beginning of November brought yet another increase in the price of rye bread, and conditions are the same in regard to wheat bread, potatoes and sugar. This development is plainly indicated in the foodstuffs index given in the third column of the above table. (*Gewerkschaftszeitung*, Nov. 27.)

## TRADE

**The Export of Coal.**—The German coal output has increased 27 per cent. during the period May to October as compared with the month of April. While the German coal export in 1924 with 42.7 mill. d.ctr. did not even represent one-tenth of the 1913 export figure, it rose, apart from reparation coal, to 190.7 mill. d.ctr. in 1925, and in the first ten months of 1926, having reached 316.2 mill. d.ctr., has exceeded the 1925 export figure already by 125 mill. d.ctr. The highest figure of the post-war period for coal imports was reached in 1924 with 158.8 mill. d.ctr. In 1925 the balance of trade in the coal industry again showed an export surplus, and in the first ten months of 1926 coal imports as compared with 1925 diminished to about the same extent as exports increased, so that the balance of trade is at the present moment considerably more favourable than in 1913, as exports are now about seven times greater than imports, whereas in 1913 they were somewhat less than two and a half times the import total.

The following table shows the most important customers for German coal, and distribution as compared with 1913, 1924 and 1925 (in d.ctr.):—

	1913.	1924.	1925.	Jan. to Oct. 1926.
Austria-Hungary ...	35,107,350	2,893,009	6,535,234	6,081,006
Holland ...	80,897,610	17,837,862	74,709,730	94,092,306
Belgium ...	72,075,240	—	13,492,597	28,448,487
France ...	60,072,095	—	16,346,713	40,130,645
Russia ...	26,579,180	—	—	1,615,780
Switzerland ...	28,650,520	3,389,181	5,949,232	8,108,583
Italy ...	12,106,610	—	4,758,189	17,531,312
Spain ...	3,165,160	—	1,414,728	3,015,096
Denmark ...	3,685,760	1,360,835	4,405,146	7,179,390
Sweden ...	3,928,140	—	8,270,012	13,655,409
Rumania ...	1,310,020	—	59,375	—
Egypt ...	1,261,140	—	934,331	2,228,878
Algeria ...	1,802,938	—	1,786,411	9,998,689
Greece ...	620,810	—	523,370	1,655,952
Chile ...	1,185,000	—	50,811	126,070
Mexico ...	685,990	—	—	—
Norway ...	444,920	—	312,108	2,411,938
Czechoslovakia	—	5,154,588	10,762,803	8,766,207
Polish Upper Silesia ...	—	708,783	824,562	68,464
West Poland ...	—	457,710	339,954	—
Argentina ...	—	—	3,190,695	3,335,411
United States ...	—	—	376,347	2,777,491
Luxemburg ...	—	—	14,703,665	15,281,920
England ...	—	—	—	15,498,857

According to the above table, Austria, which in 1913 was the largest customer, has dropped to twelfth place, while Holland is first, and France and Belgium, in spite of reparation deliveries, have moved up to second and third place respectively. The table also shows that exports to the Mediterranean and Baltic countries have increased greatly since 1913, in some cases being doubled several times over. Entirely new customers are the Argentine and the United States, Luxemburg and England, though they can only be considered as accidental purchasers, the freights rendering overseas coal transport unfavourable, while England only bought German coal in consequence of the strike. There can hardly be any prospect of competition against England for German coal in the overseas market, but in the

Mediterranean and Baltic Germany is in a position to compete with British coal, and even to increase her markets. (*Deutsche Allgemeine Zeitung*, Dec. 3.)

## INDUSTRY

### Possibilities of Development of the Potash Industry.

—The German potash industry was the first to take up the rationalisation of production which characterises the rehabilitation of German economics. The cost of production was enormously reduced by the closing down of the smaller more antiquated plant, and by concentrating the entire production on a few highly efficient works with modern equipment, and consequently greater productive capacity. By virtue of subsequent price reductions, the turnover was given a new stimulus, and was raised above the pre-war level.

The credit of instigating the rationalisation movement lies with the Wintershall Concern. This organisation combines the greatest number of potash works under the Potash Industry Company, which includes about one-half of the entire German industry. The closing statements of most of the potash companies showed satisfactory results for the past fiscal year. In addition to very fair dividend payments, the companies' reserve funds were also increased, thus guaranteeing a certain stability of profit distribution. Based on the present turnover conditions it has been calculated that a sum of Rmk.2 falls to every hundred kilogrammes of pure potash for account of interest and redemption service of debts incurred in the course of the rationalisation process. The greater the proportions assumed by the turnover, the smaller the rationalisation costs for each unit of production.

The hopes of the Potash Industry, however, were not fully realised. After the year 1925 had registered a record turnover of 1,225,000 tons of  $K_2O$ , the potash turnover of the current year suffered considerable relapse. The potash industry, in order to readjust this deficit in income, is united in its claim for higher potash prices. Now that agriculture, in the last few years, has recovered some of its former strength, it is in a better position to contribute its share toward covering the cost of rationalisation undertaken for its benefit in the potash industry, though at the risk of the latter. In view of this slow but steady agricultural recovery, the rise in potash prices need by no means result in a decreasing demand for this product. Moreover the volume of potash fertilisation is limited in proportion to the other artificial fertilisers which the farmer considers necessary and suitable for the chemical improvement of his land. Since potash is cheaper than other fertilisers, its sales price is likely to have but little influence, if any at all, on the total volume of artificial fertilisation.

In addition to the price question the further development in the potash industry is being determined by the possibility of further rationalisation involving a further reduction in costs, and the possibility of turnover expansion. Irrespective of the price question, which is for the moment in the foreground, the potash industry will also direct attention to these other two problems. The possibilities of further rationalisation have not yet been exhausted. In spite of the closing down of the greatest number of potash deposits and the tremendous improvements made at the larger works, the industry is not yet operating at its greatest efficiency. The different concerns of the potash industry have, of course, effected far-reaching internal rationalisation. They have closed down most of the pits and expended considerable funds in rebuilding and improving several more efficient works in order to concentrate the total production on the latter. It is undoubtedly not easy, therefore, for the potash concerns to decide upon further merging and greater concentration of production which may even involve the closing down of one of the more efficient works. Yet it is this combined rationalisation which must be stressed as opposed to

further individual action on the part of various of the potash concerns. Now that there is mutual understanding on the part of the Wintershall Concern and the United Potash Works in respect of price and turnover policies, there is no object in further independent rationalisation. It is not internal strife, but concentrated internal strengthening which is the vital basis for its future development.

The following table which reveals the extent of the rationalisation and concentration effected in the entire industry and in its separate concerns, also shows that the degree of rationalisation is different in the various groups. The Wintershall Concern represents 39 per cent. of the total potash production, and obtained these results by means of rigid concentration on ten works alone, while the remaining concerns of the Potash Syndicate are still operating thirty-two works for the remaining 61 per cent. of potash production. There are still several works in operation which produce only 500 tons of potash a day, while the daily output of most of the modern plant is 3,000 tons of potash salts.

	Proportional participation in Potash Syndicate.	Total number of works carrying participation quota.	Number of works actually in operation.
Total Potash Syndicate ... ..	100 %	224	43
Wintershall Concern ... ..	39 %	89	10
Salzdetfurth-Aschersleben-Westeregeln ... ..	24.2%	46	8
Burbach ... ..	9.9%	20	7
Gumpel ... ..	7.8%	16	4
Neu-Stassfurt-Friedrichshall ... ..	4.5%	10	3
Anhalt-Fiskus ... ..	2.4%	6	2
Solvay ... ..	2.5%	5	2
Halle Potash ... ..	0.8%	2	1
Einigkeit and Mansfeld ... ..	—	13	—
Preussag ... ..	5.9%	11	4
Sauer ... ..	2.1%	5	—

(Plus three works now under construction.)

It seems quite possible, therefore, that the potash industry will further concentrate its production on still fewer works, which would result in full capacity or operation of the most efficient plants, and would bring about a reduction in the cost of production per production unit. Those high-grade salt deposits that have been developed and equipped according to the latest up-to-date methods and have been transformed into giant enterprises with a daily production quota of 3,000 tons of raw salts, can take charge of the output of the smaller pits. This would be the first step toward laying the foundation for a new potash trust. Production within a trust would at the same time permit greater specialising and subsequent cheapening of production. A rationalisation of this order has another advantage inasmuch as it does not require excessive capital investments and therefore contributes to the saving policy directly. On the whole the further merging of the German Potash industry would lend it greater internal and external strength with regard to production and turnover. The prospects for turnover expansion are decidedly favourable. The anticipated further recovery of German agriculture offers grounds for expecting an increasing demand for potash, while an increased turnover would render possible a correspondingly larger output of chemical by-products of potash salts. In 1925 this field claimed 10 per cent. of the total potash production and the growing importance of the chemical industry would warrant the expansion of such by-products of potash. The production costs of fertilisers are to be reduced through the manufacture of a new kind of mixed fertiliser, and the potash industry is likely to profit from the raised agricultural consumption resulting therefrom. It is not yet known whether the potash industry will make an agreement with the I.G. Dye industry for the manufacture of the mixed fertiliser, or whether it will create its own basis

for the manufacture of nitrogen. The latter course is the more likely, as any combination with the potash concern would be rendered difficult for the Dyestuffs Concern because the total potash sales are controlled by the Potash Syndicate.

In spite of occasional relapses, such as have been experienced in the potash industry during the current year, it is anticipated that the turnover in German potash will assume greater proportions in the future. (*Liagen and Co.'s Report*, November.)

## LITHUANIA

### POLITICAL AND GENERAL

**The Economic and Financial Situation.**—In submitting the estimates of revenue and expenditure for 1927, the Minister of Finance, Mr. Rimka, delivered an important speech in which he exhaustively reviewed the economic and financial position of Lithuania.

The speech dealt in the first place with agriculture, as the basis of the economic system. Before the war agriculture, though backward when compared with Western Europe or East Prussia, was nevertheless considerably in advance of Russian agriculture, and but for those artificial expedients with which the old Russian Government protected the agriculture of the Central States at the expense of the Border countries, Lithuanian farmers would have made a very fair living, because their surplus, such as it was, found a market with their nearest neighbours, especially in Riga, Libau and Germany. The situation has now been materially altered. Besides the loss of a third of her territory, including the capital, Vilna, representing the greatest consumption of Lithuanian products, Lithuania is invested on all sides either by high tariff walls or a demarcation line impassable for the legal exchange of commodities, and being essentially an agricultural country, she is left without a metropolis and deprived of direct, unrestricted access to the nearest markets. The port of Memel, for the present, cannot be of much assistance, since it is not yet linked up suitably with the Lithuanian granary, and is inadequately equipped to serve her agriculture. Thus even if agriculture had now made appreciable progress, its condition under these difficult circumstances could not be greatly improved.

Although the cultivated area in 1926 is not smaller than in 1925 or 1924, and is even considerably greater than in the years immediately following the war, yet when the individual classes of agriculture are examined a negative symptom is at once detected. For instance in 1926 there was almost 100,000 hectares less under rye than in 1925, a decrease of nearly 17 per cent. The reduction in the area under potatoes was about 10 per cent., and these are two of Lithuania's basic agricultural products. It is true that the reduced area of potato sowing was compensated by a larger crop (about 30,000 tons more than in 1925), but on the other hand the rye harvest this year is only half of last year's—331,000 tons instead of 630,000 tons—whereas consumption, in consequence of the natural growth of the population, should be greater. The situation is rendered more difficult by the fact that the rye harvest is smaller in other countries also, especially in Europe. As regards other grains, oats alone have this year yielded a considerably better crop (about 90,000 tons more than last year), while the crop of barley, wheat, etc., though the yield is in excess of home requirements, is nevertheless below last year's. This year the flax crop is good, as regards both fibre and linseed. Moreover there is still a considerable flax surplus from last year. Thus on the whole the export of agricultural products may not be less than last year, or than any average year. It must, however, be borne in mind that the price of Lithuania's most important export commodity, flax, is very low, with very little hope of improvement, as the consumption of cotton, which has a preponderating influence over the price of flax fibre, is reported this year to be

considerable. To all these factors must be added the adverse influence of the small harvest of 1924, the high prices of the manufactured goods required by the farmers and the comparatively low price of agricultural products, particularly of animals. The table of prices for Lithuanian commodities shows that the farmers now get for grain from 15 to 40 per cent. more than before the war, while the price for the essential manufactured articles has risen from 50 to 150 per cent. It is true that certain commodities, such as sugar, kerosene, etc., are cheaper but these represent only a small part of the farmer's outlay, whereas animals to-day are being sold for considerably less than before the war, and the receipts from the sales of these often represent the most important item of the farmers' budget. For certain kinds of animals there is now no demand whatever, even at losing prices. The demand has increased only in respect of pigs and dairy products, and Lithuanian farmers are not yet prepared to derive great benefit from it, as they do not breed pigs suitable for the market, and dairy farming has not yet been developed to any great extent. In a general way the crisis in Lithuanian agriculture is due to (1) low prices of agricultural products and high prices for manufactured necessities; (2) the restricted home market and the difficulty of competing in other countries; (3) bad roads which render the transport of agricultural products difficult even to the home market centres; (4) the dearth of accessible credit for the farmers; (5) the generally low standard of agricultural development. To these five points must be added the necessity of restoring the husbandry devastated by the war, the arduous labour connected with the agrarian reform and the separation of the villages into individual farms, which affects nearly 2,000,000 hectares of land, and finally the transition period itself, connected with the transformation in the direction of stock-breeding and dairy-farming. There are thus sufficient economic and financial factors calculated to hinder agricultural development even in much more propitious times than those in which we are now living.

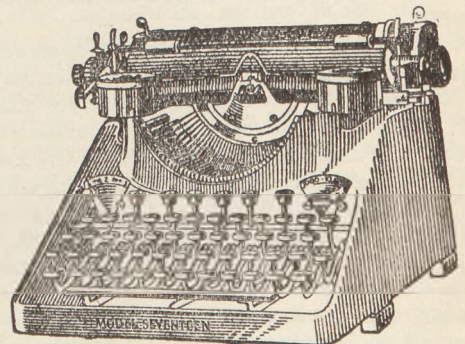
Turning to industry the Minister states that there are at present 5,500 industrial enterprises in Lithuania to-day. The majority of these, however, are small workshops employing about three to five men. Among such 15,000 hands are employed in tailoring and as many in boot-making. There are only about 549 large industrial concerns employing 10 hands each and upwards, and the total number of workers in these amounts to 8,643. Compared with 1925 the number of these concerns has increased by 43, but the number of employees has decreased. The complement of labour in the heavy industries cannot be maintained owing to the loss of the Russian market. Thus the iron industry which, according to its equipment should absorb 600 men, actually employs only 400 or 500. The leather industry could find work for 6,000 men, but only employs from 200 to 300. In the flour-mills there are only 600 to 700 men employed, while they are equipped for at least 1,200 and the timber industry, which could absorb 1,500 actually employs from 700 to 800 men. It is clear from the foregoing statistics that the capital invested in these industries is not properly utilised, and is more or less a source of loss to the public.

Lithuania possesses three match factories with an annual potential output of not less than 100,000,000 boxes. Actually they produce about 50 million, some of which are exported. There are two factories for the manufacture of cigarette paper cases, employing 20 men. Their annual output is about 70 million pieces, which almost satisfies the demand of the home market. Their full annual capacity would be about 250 million pieces. There are 15 beer breweries employing about 250 persons. These brew in a year nine million litres and fully satisfy the home demand, whereas they could brew up to 50 million litres. There are in all 30 spirit distilleries employing 150 persons, which prepare for the Lithuanian market spirit of about 19 degrees, whereas they could prepare spirit of 40 degrees. There are 13

tobacco factories in which almost 870 hands are employed. This is a new branch of Lithuanian industry which annually manufactures about 900,000 kilogrammes of leaf tobacco and almost entirely satisfies the home demand. Varieties of tobacco not prepared in the local factories are imported, but these factories could turn out 2,700,000 kilogrammes, or three times as much as the domestic demand.

Lithuanian commerce constitutes about 20,000 mostly small concerns employing about 33,000 persons. The gross profits of these concerns amount to about Lits. 250,000,000 annually. The operation of almost all commercial concerns is confronted with difficulty owing to the general economic depression and the dearth of circulating capital which ranges from 20 to 30 per cent. Trade is greatly hindered by competition between private merchants and the activities of commercial institutions, which predominate to an increasing degree, especially in the realm of agriculture.

As Lithuania does not possess extensive industries, a mercantile navy or large capital investments abroad, it is imperative for her to turn her attention to the balance of foreign trade. Here it appears that during the period 1920-21 imports exceeded exports, from 1922-23 the figures were almost equal, in 1924 imports greatly exceeded exports, in 1925 exports were again in excess, while from the beginning of 1926 exports have considerably exceeded imports. Since the spring the figures have been about equal, but generally speaking exports for the first nine months of the year have returned Lits 183 mill. and imports Lits.177 mill. In all Lithuania's foreign trade turnover is about Lits.250 mill., and the monthly foreign trade balance Lits.20 mill. As a rule the better the harvest in any given year, the better



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the trade balance for that year. Certain changes have recently occurred, however, which may tend to make the balance of trade less dependent on climatic conditions. The increase in the export of pigs and dairy products is particularly noteworthy in this connection. The export of eggs and timber products has fallen off, due in the latter case to the reduction of the timber surplus. Almost all Lithuanian exports are derived from agriculture and only a very small proportion from industry, viz. some amber, matches, ironware, cardboard, sole-leather and a considerable quantity of cellulose. Lithuania imports mostly machinery, textiles, fertilisers, kerosene, coal and certain foodstuffs not produced in the country, such as salt, sugar, etc. Lithuania's foreign trade suffers considerably from the lack of internal organisation and the difficult conditions on the world market. Before the war almost all Lithuanian goods went either to Germany or to Latvian ports, whence as local products, they reached other lands. Even such a valuable commodity as flax of Lithuanian origin reaches foreign markets under alien names. The result is that when the Lithuanian exporters themselves export the self-same article, they fail to obtain the price for it because it does not bear the mark of, say, some Libau firm. The same remark applies to an entire series of Lithuanian agricultural products including eggs. In some markets Lithuanian goods are hampered by huge import duties, and elsewhere their name is not yet known. Germany remains Lithuania's biggest market (50 per cent.), though Great Britain is beginning to compete with it (25 per cent.) and Latvia holds third place with 10 per cent. Germany imports from Lithuania about as much as she exports to that country, while Great Britain only takes 10 per cent. Lithuanian trade suffers from the fact that her railway system is not properly adapted to her present commercial needs, and from generally inadequate means of communication, while there is a dearth of suitable ties with foreign markets.

The demand for credit in Lithuania is served by 612 registered institutions, of which 416 are actually operating. Of these 416 establishments 388 are small credit banks, 13 mutual credit associations, 7 joint-stock banks, 3 private banking houses in addition to the Land Bank and the Bank of Lithuania. Not one of this considerable array of establishments supplies industry or agriculture with long-term credits. The combined balance of all these organisations amounts to about Lits.350 mill., 44.1 per cent. of the total accruing to the Bank of Lithuania, 18.8 per cent. to the Land Bank and 31.1 per cent. to all the joint stock commercial banks. Owing to the dearth of long-term credit institutions, and the inability of the existing private banks to satisfy the demands of industry, the Bank of Lithuania, during the earlier years of its existence, and before the advent of the Land Bank was forced to grant credit to industry and even to farmers. Credits of August this year were allotted as follows: Lits.21,200,000 to industry, Lits. 6,400,000 to trade, Lits.4,700,000 to agriculture, Lits. 900,000 to mortgage loans, Lits.7,800,000 to banks, Lits.700,000 to municipalities and Lits.800,000 for various purposes. It is necessary to emphasise that the Bank of Lithuania depends first of all upon the export of live stock in relation to its credit policy. Thus for the export of meat products it granted credits at a reduced rate of 4 per cent. Very little credit is granted to importers who are obliged to content themselves with the private credit establishments, and even so the Bank of Lithuania can only meet about 30 per cent. of the credit requirements. The position of the Bank of Lithuania has steadily improved. For example on September 31st of this year there was a total of only Lits.22,700,000 of foreign currency in the bank, while on October 15th it had increased to Lits.24,600,000. The gold and silver fund has also increased to about Lits. 35,000,000, while the bank-notes in circulation have increased by about Lits.2,500,000 and deposits by almost Lits.2,000,000 during the same period.

When the present Government took over the State Treasury in June of this year, there was an estimated deficit of Lits.10 mill., which was covered in the Bank of Lithuania on Treasury Account by a sum of Lits.11 mill. in coin, which included more than Lits.6 mill. of money belonging to the public at large and Lits.3,800,000 of last year's surplus. By October 1st the position of the Treasury had greatly improved. At that date there was a total of Lits.164,000,000 of the estimated revenue in hand, and the expenditure represented a total of Lits.161,600,000, while about Lits.11 mill. in coin lay in the Bank of Lithuania on account of the reserve fund. In connection with the drafting of the 1927 Estimates, a bill was submitted to the Seim to prohibit the utilisation of unexhausted credits belonging to the past year's estimates except for military requirements, construction or capital repairs, and even in this case for no longer than eight months. Thus last year's estimated credits should be liquidated within a clearly limited time in the current year, and the fulfilment of the past year's estimates during the current year would be restricted to a minimum.

In the revenue estimates for 1927 only Lits.27,100,000 of direct taxes is expected as against Lits.31,300,000. This decrease is due to a reduction in the State Land Tax, State receipts from this tax being considerably lessened while the municipalities are granted the right to levy heavier land taxes for their own benefit. For this reason, and also in consequence of a falling off in the grain crop in certain areas, only Lits.14,400,000 is expected from this tax as compared with Lits.18,300,000 estimated in 1926. The estimated tobacco receipts from 1927 are also lower (Lits.11 mill.) because the previous estimate of Lits.12 mill. have proved repeatedly too high. The reduction in the estimated returns from the spirit and whisky monopolies are due to the same cause. Estimated Customs revenue has been cut down by Lits.5 mill., as when duty was levied on Lithuanian exported goods they were unable to compete in the world market, at the same time last year's returns from Customs receipts, giving no real ground for hope that this year's returns, will exceed the estimate. The abolition of the tax on total receipts will also reduce revenue in this year's Budget, this tax having yielded Lits.7,500,000 in 1925. Increases totalling Lits.3,500,000 are expected from postal collections and railways, the total returns being estimated at Lits.50 mill. as compared with actual receipts of Lits.44.8 mill. in 1925.

Expenditure for 1927 has been reduced in regard to official expenses, such as Presidential and Cabinet expenditure, though the basic salaries of State employees has been raised. Expenditure in connection with the Memel territory has increased, in the form of a remuneration for revenue received. Reductions have been effected in respect of the Ministry of Finance, the Ministry of National Defence and the Ministry of Home Affairs (See THE ECONOMIC REVIEW, Nov. 19).

In concluding his speech the Minister of Finance laid stress on the fact that the requirements of agriculture hold the foremost place in the Government's economic policy, so that if the sums allotted to that purpose are not adequate it is solely because the resources available are insufficient. Industry is a useful branch where it has its roots in local conditions, and as such will be upheld by the Government, as opposed to purely speculative enterprises which seek to profit at the public expense. The Government will pay special attention to finding an assured and constant market for Lithuanian goods, and to this end will endeavour, when making commercial treaties, to secure favourable conditions for agricultural products and live stock. Efforts will be made to provide agriculture and sound industry with long-term credits. The Government regards as harmful to the national economy any competition based upon political considerations, and will support every effort to make co-operative credit a homogeneous public institution. The Minister closed his remarks with the frank admission of the imperfections of the 1927 Budget, and

its inability to satisfy all requirements, at the same time announcing his willingness to give consideration to all serious criticisms. (*Elta Agency Report*, November 1926.)

## RUMANIA

### POLITICAL AND GENERAL

#### German Economic Reconquest of Rumania.—

The arrival of the new German Ambassador in Rumania is regarded by the general public as an event of considerable importance. It is held, namely, that Herr von Mutius has been appointed to the post expressly for the purpose of creating harmonious commercial relations between the two countries. As is well known, German interests before the war were particularly strong all over Rumania. As a result however of the war, the temporary occupation of Rumania by a German army, and the nature of the post-war conditions all over Europe immediately afterwards, commercial relations between the two countries were almost completely broken off. It is true that during the last two years there has been a perceptible effort on the part of both sides to establish mutual commercial relations, but these attempts have always been vitiated by the unresolved problem of the bank-notes which were issued by Germany during the time of the occupation of Rumanian territory, and for which it is now difficult to find cover. This year, however, negotiations regarding a German-Rumanian agreement have reached a further stage of development. This fact has been most in evidence since at Locarno and afterwards at Thoiry Germany and France reached a better understanding. This new stage of the negotiations is characterised by a greater effort, both on the part of the Germans and on that of the Rumanians, to reach an understanding. On the German side the most important consideration is the acquiring of a Rumanian market for the products of German industry, while the Rumanians hope that through the intermediary of Germany Rumanian agriculture will be able to obtain a loan from America, since, in the opinion of the Rumanian public, this is the most likely method by which it is to be obtained. An agreement between Germany and Rumania would, of course, constitute an important step forward in the economic consolidation of Central Europe. (*Central European Observer*, November 19.)

At the present moment, writes J. H. in the *Bursa* (Bucharest) of October 31, German financiers and industrialists are making great efforts towards the economic reconquest of Rumania with a view to regaining the influential position they held in this country before the war. They realise, moreover, that the value of Rumania as a market and a commercial centre is now double that of 1916. In the quest of her economic aims Germany has the great advantage of not being restricted to her own resources, which, though stabilised, are yet reduced. On the other hand, she can rely upon the financial support of Great Britain and America. The allies of Rumania prefer to have the endorsement of Germany for all financial placements in Rumania. Many new enterprises would undoubtedly have already been started in this country with Anglo-American capital through the intermediary of Germany, had the Rumanian relations with Germany not been hampered by the prescriptions of Article 18 of the Treaty of Versailles, that is, if all the differences that have hitherto existed between the two countries had been cleared up. The leading statesmen in Rumania as well as the chief business circles have certainly desired to resume economic relations with Germany, mainly because the Germans understand the country and the people better than the Allies do, and are also better conversant with the needs of the market and the best means of promoting business in Rumania. In addition, the Germans are commercially more courageous and willing to take risks more readily than the others; moreover, they have never lost money in Rumania.

The fact that Great Britain and America prefer to make investments in or to grant credit to Rumania only with the endorsement of Germany is not very flattering to the self-esteem of the Rumanians. Nevertheless, the start would be favourable enough if Rumania had arrived at a complete understanding with Germany over the various litigious matters, particularly that of the emission of the General Bank. Unfortunately, in all matters pertaining to the solution of these problems the Germans have shown a lack of practical sense and have never openly taken up a favourable attitude of initiative without entertaining covert plans for reaping the greatest advantages for themselves. In short, they have tried to secure all the benefits and have expected nothing but sacrifices on the part of Rumania. This is a tactical error which might suggest to the leading men in Rumania the idea of offering the Allied capitalists such guarantees and advantages as would do away with the requirement of Germany's endorsement. The chief aim of the Allied capitalists is, of course, to secure certain and substantial profits. Since they have only superficially studied the Rumanian market and therefore know it but insufficiently, they naturally regard collaboration with Germany as the best means of attaining their end, with the result that Germany is easily regaining in Rumania the position she held before the war. It is practically certain that before long a number of branches of Berlin banks will be established in Bucharest, in addition to numerous German commission firms. A large number of other German enterprises of various descriptions will also soon be established in different parts of Rumania.

### FINANCE

**The Budget for 1927.**—The Estimates for the financial year 1927, which are now to be submitted to Parliament, provide for a total revenue of Lei 35,400 mill. and for expenditure at Lei 33,500 mill., thus allowing for a surplus of Lei 1,900 mill. In the Budget for the year 1926 revenue figured at Lei 29,250 mill. and expenditure at Lei 28,250 mill., resulting in a surplus of a milliard lei. In comparison with the figures of the preceding financial year, the Estimates for the year 1927 therefore show an increase in receipts to the extent of Lei 6,150 mill. and in expenditure to the amount of Lei 5,250 mill.

Commenting on these figures in the *Wirtschaftsdienst* of November 26 last, Dr. Eugen Kovács, of Bucharest, states that it is doubtful whether the Treasury will be able to realise its expectations in respect to revenue to be collected, while the total figure set for expenditure will probably prove only approximately sufficient to meet current requirements. Merchants and industrialists who have to bear the major share of the tributary burden are declaring that it is simply impossible to contribute more than they are doing at present. Many of them are, in fact, greatly in arrears with the past Treasury demands for taxes, with the result that in many towns the outstanding sums still to be collected are enormous. In Klausenburg alone, for instance, such arrears amount to a total of some 200 millions of lei. Under the circumstances endeavours are being made to squeeze a little more out of agriculture, which hitherto has come off comparatively lightly in this respect. The Minister of Finance has already announced measures to be taken with this end in view, and, at the same time, has introduced his new Taxation Bill, which has caused considerable perturbation in the general business world of Rumania. On the other hand, the army and the civil servants are justly complaining that their salaries are insufficient under the present cost of living. The Budget has been drawn up with an eye to these particular circumstances, and an endeavour will be made to meet the demands of the civil servants by reducing the staff and thus effecting an economy that will enable the salaries of the remaining State employees to be raised.

The equilibrium of the Budget and even a surplus have been made possible only by the unswerving persistence of the Minister of Finance in rigorously cutting down to within the necessary limits the departmental estimates of his ministerial colleagues. It will be readily seen that under the strict policy of economy that has been adopted and also on account of the restriction of investment in public works the entire State must really suffer. It would be impossible to conduct the affairs of the country in this way for any length of time. National economy is actually faced with a crisis. There is only one way out of the difficulty: foreign loans. But if foreign loans are to be secured foreign countries will demand the adoption by Rumania of a different policy, which, however, will remain impossible as long as M. Vintila Bratianu, although not actually in the Government, enjoys the privilege of the deciding word in economic matters. It is possible that the important internal events that appear to be pending will bring about a change in the economic policy and also result in the sanitation of the economic life, consequently regaining for Rumania the confidence of foreign countries.

**Treasury Receipts January to September.**—The figures that have recently been issued by the Ministry of Finance respecting the Treasury receipts collected during the first three quarters of the year show that the total sum received amounts to Lei 20,188,997,873, as compared with the estimated sum of Lei 28,250,000,000 for the whole year, and also with Lei 20,201,707,953 collected during the corresponding period last year. The sources of this income are shown in the table below (in millions of lei):—

	Estimated for whole year 1926.	Receipts for the period Jan. 1 to Sept. 30.	
		Collected 1926.	Collected 1925.
Direct taxes ... ..	4,454.5	2,968.8	2,395.4
Indirect taxes ... ..	10,359.0	8,655.5	7,622.1
Stamp duties, registration fees ... ..	2,781.0	1,858.2	1,487.6
State monopolies ... ..	5,752.0	4,132.3	3,384.7
Ministry of Communications	1,895.6	1,266.6	3,837.1
State domains ... ..	433.1	407.7	333.9
Subventions ... ..	23.3	6.0	42.7
Ministry of—			
Finance ... ..	1,039.99	407.98	716.3
the Interior ... ..	62.5	47.3	32.7
Justice ... ..	91.9	83.0	45.7
Foreign Affairs ... ..	60.0	35.6	19.5
Agriculture ... ..	33.4	12.2	14.8
Public Health and Social Welfare ... ..	180.6	98.98	94.52
Labour, Co-operation and Social Insurance ... ..	42.9	3.7	4.0
Industry and Commerce	903.4	164.3	126.2
War ... ..	35.7	16.7	20.89
Public Works ... ..	2.5	2.6	1.7
Public Instruction ... ..	29.7	13.9	13.3
Culture and Arts ... ..	18.8	6.3	8.3
<b>Total ... ..</b>	<b>28,250.0</b>	<b>20,188.99</b>	<b>20,201.7</b>

The situation is not so bad as it at first appears on paper. Compared with three-quarters of the estimated sum for the entire year, the actual receipts up to the end of September are some 998.5 millions short of expectations. But the arrears that come in during the six months immediately following the close of the year usually represent from 10 to 12 per cent. of the total receipts. Since the estimates for the whole year figure at Lei 28,250 mill., the arrears to be collected after the close of the financial year will probably be at least two and a half milliards. Taking this fact into consideration the receipts to date cannot be regarded as unsatisfactory. (*Bursa*, November 21.)

## TRADE

**Foreign Trade Returns January to October.**—The course of Rumania's commercial exchanges with foreign countries during September and October continued favourably, exports in September amounting to the value of Lei 3,568,910 and imports to Lei 2,856,504, whilst the October trade resulted in exports valued at Lei 3,376,260 and imports at Lei 2,769,804. There was thus a favour-

able balance of Lei 712,406 in September and of Lei 606,456 in October. These figures bring the total value of exports for the first ten months of the present year to Lei 31,230,451 and that of imports to Lei 28,851,173, the favourable balance of trade being raised to Lei 2,379,278. Compared with the figures for the corresponding period of last year these returns are quite satisfactory. In September 1925 exports were valued at Lei 2,685,649 and imports at Lei 2,831,387, and in October of the same year exports amounted to Lei 2,540,019 and imports to Lei 2,865,809; the adverse balance for September was Lei 145,738 and in October Lei 323,790. During the first ten months of 1925 the total volume of exports was Lei 22,856,106, while that of imports rose to Lei 25,192,747, the adverse balance for the period being Lei 2,336,641. The vast improvement during the course of the present year is due to the favourable development that set in as from the beginning of April. There was actually an adverse balance of trade for the first quarter of the year, January closing with an adverse balance of Lei 686,228, February with Lei 900,860, March with Lei 1,710,747, and thus the first quarter with an adverse balance of Lei 3,297,835. The change since then has been remarkable, each month showing a favourable balance, namely (in lei): April, 500,456; May, 1,245,035; June, 1,000,751; July, 820,109; August, 791,903; September, 712,406; October, 606,456.

Notwithstanding these satisfactory results the tendency that is at present making itself manifest in the foreign trade market is disquieting. The months of the second half of the year are generally regarded as being the most favourable for the export trade; in spite of this fact, there has been a steady and continuous decline in the favourable balance since last May, the balance in October being reduced to but half of that of May. This result may be attributed to the rise in the value of the leu, which has naturally favoured imports at the expense of exports. For this reason alone the Government would do well to arrange a fresh reduction in the export duties. (*Bursa*, November 28.)

It is reported that the Rumanian timber trade is pressing for a reduction of at least 25 per cent. in the existing railway tariff for export timber. The industry maintains that without this concession it will be practically impossible to retain the foreign markets for the Rumanian article. The recent increases in the railway tariff and in the various port charges for timber have had disastrous effects upon the industry, which has been compelled to raise the price of timber to about 75 per cent. above the pre-war level, the calculation being made on a gold basis.

**Modification of Export Duties.**—The Ministry of Finance has issued an order to the effect that, on account of the great difference between the rate of calculation of the £ sterling for fixing the export duties and that of the actual market, the export duties will be fixed in terms of £ sterling as follows, as from November 6 (per truckload, where not otherwise stated): Petroleum residues, 7s. 1d.; heavy refined oil, £1 15s. 4d.; unrefined oil, 7s. 1d.; light oil, including Vulcan oil, 7s. 1d.; lubricants, £2 7s. 1d.; spirit, heavy and light, £8 4s. 9d.; petroleum of all kinds, 7s. 1d.; motorine, 16s. 6d.; paraffin, £23 10s. 7d.; damel, 17s. 9d.; vetch, £3 10s. 7d.; oats, £11 15s. 4d.; barley, £11 15s. 4d.; winter barley, £23 10s. 7d.; maize and maize flour, £11 15s. 4d.; malt, £11 15s. 4d.; millet, £9 8s. 3d.; rape seed and mustard seed, £17 13s.; linseed, marrow seed and sunflower seed, £17 13s.; poppy and clover seed, £47 1s. 2d.; hemp seed, £35 6s.; lucerne seed, £17 13s.; shelled sunflower seed, £70 11s. 9d.; haricots, beans and lentils, £5 17s. 8d.; sesame seed, £11 15s. 4d.; oil cakes, £1 15s. 4d.; vegetable oils, £5 17s. 8d.; wheat, £15 6s.; rye, white wheaten flour, wholemeal flour, semolina, £11 15s. 4d.; bran, £2 7s. 1d. The export duties on forestry products have been calculated on a similar basis, the average increase being about 15 per cent. (*Bursa*, November 7.)



## INDUSTRY

**The Cement Industry.**—The cement industry in Rumania has existed since 1890, when efforts were made both by the Government and private individuals to stimulate all kinds of constructional work, such as the extension of the means of communication, the erection of large numbers of dwelling-houses, military and numerous public works. The industry made rapid progress. The first factory was built with a capital of only Lei 557,000, but this was soon afterwards increased to a million lei. A second factory was built in 1896. New concerns followed till at last the industry assumed a position of national importance. The earlier factories used the vertical ovens; those built later introduced the automatic rotator oven. The superior quality of the cement produced by the factories using the rotary ovens induced the older concerns to change their machinery. This transformation in the industry was completed in 1911, when the aggregate capital of the various cement concerns amounted to Lei 7,367,586. The motive power was 3,057 h.p. and 1,490 square metres of heating; in all, 15 boilers. These factories consumed in 1912 38,548 tons of fuel and produced 144,000 tons of cement. In the same year the large Titan factory was opened near Budapest, increasing the yearly capacity of output of the industry to 225,000 tons. There was a total of 1,300 workers employed in these factories. Rumania began to export cement to the East in 1906, the quantities exported increasing year by year till by 1909 they exceeded the volume of imports. This favourable development continued till 1913 (the Balkan war), when the exports decreased, though the quantities of cement exported continued to be larger than those imported. In 1913 the home requirements were 140,000 tons, as compared with 72 tons in 1906.

The following table shows the output, the exports and imports of cement during the period 1906 to 1926, and indicates the influence of the Balkan war and the great war upon the Rumanian cement industry (in tons):—

	Production.	Exports.	Imports.
1906	37,617	1,521	1,800
1907	52,347	4,439	1,035
1908	66,575	2,917	3,231
1909	76,572	3,070	763
1910	85,293	2,148	1,719
1911	93,189	6,212	1,442
1912	144,173	5,976	2,110
1913	135,145	2,161	1,736
1914	155,000	870	4,700
1915	133,000	870	53
1916	60,000	—	—
1917-1918	—	—	—
1919	70,000	—	457
1920	110,000	2	522
1921	132,000	6	12,095
1922	153,000	305	4,400
1923	205,000	745	2,381
1924	190,000	115	9,292
1925	215,000	6,929	2,769
1926 (estimated)	270,000	16,100	3,500

When peace was signed the cement industry was in a deplorable state; but, as the above figures clearly demonstrate, there has since been a remarkable development, particularly during the past few years. After the war the industry was re-organised and most of the factories were equipped with modern plant and hydraulic power. At the present moment there are altogether twelve factories manufacturing cement in Rumania, the individual production ranging from 1,000 to 10,000 truckloads of cement per annum. The aggregate capacity of output is placed at some 58,000 truckloads per year. The normal home consumption is estimated at 32,000 truckloads and is therefore well covered by the home production. A very striking feature is the large quantity already exported during the course of the present year, the estimated figure for the whole year being 16,000 tons, which constitutes a record. (*L'Economiste Roumain*, October.)

## SOUTH AMERICA

## GENERAL

**Progress of the South American Oilfields.**—Considerable progress is being made in the output of oil in South America. According to the *South American Oil Reports*, all the fields in South America show approximately a 40 per cent. increase in production for the first half of the present year over the corresponding period in 1925. The total for the year will probably be about 65 million barrels, as against 41,879,600 barrels in 1925. By far the greatest volume of oil is obtained from the fields in Venezuela, the output of which during the first six months of the year amounted to 16,730,202 barrels, or double that of the first six months of 1925. Venezuela thus produces more than one-half of the total output of South America. The advance in production is being well maintained, the output of the Venezuelan fields in July being 303,652 barrels more than in June. The following table shows the output of the different South American countries for the first half of the present year, in comparison with the figures for the whole of 1925 (in barrels):—

	1925.	First half of 1926.
Venezuela ... ..	20,912,600	16,730,202
Peru ... ..	9,120,000	5,500,000
Colombia ... ..	1,080,000	850,000
Argentina ... ..	6,200,000	3,500,000
Trinidad ... ..	4,477,000	2,410,200
Ecuador ... ..	90,000	83,000
Total ... ..	41,879,600	29,073,402

In addition to the remarkable progress that has been made in Venezuela during the present year, the figures of the output in Colombia and Ecuador also indicate a notable development in those countries. The production in Ecuador for the six months period this year is, in fact, very nearly equal to that of the whole of last year, while the advance made in Colombia is proportionately not far behind that of Ecuador. A very striking feature is the volume of oil shipments from Venezuela, which have amounted to 15,369,107 barrels during the first six months of this year, whereas the total for the corresponding period last year was only 7,964,721 barrels.

Over the period 1921 to 1925 the output of crude oil in Argentina has grown from 231,000 tons to 780,000 tons, in Peru from 473,000 tons to 1,222,000 tons, in Venezuela from 143,000 tons to 2,790,000 tons; and in Colombia from 42,000 tons in 1922 to 134,000 tons in 1925. Within the next ten years Venezuela is expected to work up her oil output to 100,000,000 barrels per year; the wells in this country have an estimated life of thirty years. The fields of Argentina and Peru have been very inadequately explored and still possess much latent wealth in oil.

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**General Economic Situation.**—At the thirty-eighth annual general meeting of shareholders of the Anglo-South American Bank Limited, held on October 19 last, the chairman, Mr. Robert John Hose, showed how that the prolongation of the coal stoppage in Great Britain had reacted detrimentally upon conditions in South America and had considerably disturbed the commercial relations between the two countries. The available supply of tonnage in the River Plate, for instance, is still far below normal and freight rates have consequently been nearly doubled. But this is only one of the many adverse factors now operating. Coal orders that should have come to Great Britain have been placed in the United States, Germany, Holland, and Belgium.

Generally speaking, the past year in South America has not been marked by increased commercial prosperity, markets having been still adversely affected by the continued unsettlement in Europe, particularly in respect of the exchange position of several of the leading currencies. On the other hand, definite advancement has been made in the modernisation of financial machinery, such as the adoption of centralised banking systems, in certain Latin American countries. Developments of this nature have been most pronounced and have done much towards consolidating the bases upon which any future expansion in commercial activity would rest. There can, therefore, be no doubt that the leading South American countries are now in a very good position to take immediate and considerable strides forward once European difficulties are settled.

### ARGENTINA.

**The Economic and Financial Situation.**—A useful survey of the economic and financial conditions in Argentina is given in the Annual Report of the chairman of the Anglo-South American Bank, which has recently been published, and of which the following is a reproduction of the main features.

The unfavourable effect upon business of the continued unsettlement in Europe has been nowhere more in evidence than in Argentina, this republic being one of the chief sources of supply of foodstuffs to European countries. The lack of purchasing power of Argentina's chief customers resulted in a decided contraction in her export trade in 1925, and the partial failure of last season's wheat crop was also an adverse factor. As a result, the very substantial visible favourable balance of trade established in 1924 was replaced last year by an excess of imports, the favourable balance of \$182,685,000 (gold) in 1924 giving place to an adverse one of \$8,918,000 (gold) in 1925. Further contraction in the total value of exports occurred during the first six months of 1926, to \$446,465,000 (gold), as compared with \$497,684,000 in the corresponding period of 1925.

The decreased volume of exports in 1925 and the lower prices ruling for produce, combined with over-stocking in almost every line of imports—which caused a drastic fall in prices and severe competition among business firms—resulted in the total liabilities involved in trade failures in that year reaching the high total of \$139,000,000 (paper), as compared with \$91,000,000 in the previous year; no improvement in this respect has since occurred, and, in this connection, there is considerable agitation for modification in the existing bankruptcy law.

The loss of income to the Republic during 1925 owing to the decreased cereal shipments may be gauged from the fact that exports of wheat and maize during that year were under 3 million tons in each case, as compared with about 4½ million tons in 1924. Despite the appreciable extension in the area sown to wheat in 1925–26, the total yield was little more than in the previous season, and, as the quality was inferior—due to adverse weather conditions and the development of black rust—purchases of that crop from abroad were enormously reduced. The 1925–26 linseed and oats

crops, however, were of a record character, and the maize harvest was the best for the past ten years. Exports of wheat for the eight months ended August 1926 are the lowest since 1921, but, on the other hand, shipments of linseed have more than doubled those for the corresponding period of last year, and the outward movement of maize and oats has also been on a very large scale. As a result, the total volume of shipments of the four leading varieties of grain during the first eight months of this year is higher than during those of last year, being about 6,100,000 metric tons as against 5,304,000 metric tons; but it is feared that this greater volume is more than counterbalanced by the drop in prices, which has been assisted by the favourable crops in the northern hemisphere.

The total area sown for the 1926–27 crops is about the same as last year. The outlook for the harvest is, on the whole, favourable, although from past experience it is as yet too early in the season to make any definite forecast.

Coincident with the decline in wheat exports, those of flour during 1925 dropped by 37,000 tons, to 137,350 tons, but shipments during the first eight months of this year have shown a tendency to increase.

The phenomenal expansion recorded in meat exports during 1924 was not maintained last year. It is true that shipments of chilled beef and of frozen lamb and mutton showed a fairly substantial increase, but this was counteracted by a heavy drop in exports of frozen beef—practically the whole of which goes to the Continent—the actual figures comparing as follows:—

	Chilled Beef (quarters).	Frozen Beef (quarters).	Frozen sheep and lamb (carcasses).
1924 ...	4,779,000	4,669,000	3,548,000
1925 ...	4,928,000	3,993,000	4,044,000

There has been further contraction in meat sales during the first eight months of this year, for, although exports of chilled beef again show a slight increase, those of frozen beef are down by about 37 per cent. and those of frozen lamb and mutton by no less than 47 per cent. Cattle prices are rather lower, and the general situation in the live stock industry is not so good as formerly, although sheep values are maintained. The reduced killings by the *frigorificos* have had a corresponding effect upon the shipments of hides, while there has also been a substantial decline in quotations. Wool exports for the season ended September 1925 again showed a heavy drop; but the market has recovered and exports for the first nine months of the present year have already exceeded those for the whole of the 1924–25 season. Latest advices from Patagonia indicate that the coming clip will be better in both weight and quality than in either of the two preceding seasons. The cultivation of cotton is increasing, the 1925–26 crop being officially estimated at 97,400 tons, or nearly double that of the yield from the 1924–25 crop. The quality is superior to that of previous seasons. With regard to the wine-producing industry, the 1926 vintage was considerably less than the preceding one, totalling 5,760,000 hectolitres. The unusually heavy stocks of Australian and New Zealand butter in London brought about a steady fall in prices for Argentine butter towards the latter part of last year, and shipments were 3,500 tons lower than in 1924, at 26,100 tons; cheese exports showed an even greater decline. There are now signs of a recovery in the dairy-farming industry.

The sugar industry is passing through a serious crisis. The 1925 crop yielded 390,000 tons, and it is anticipated that the 1926 crop will yield the record total of 480,000 tons. Although the decline in prices has stimulated consumption, which is now generally estimated at 330,000 tons, a large surplus must inevitably accumulate, so that the outlook for the market is not bright. The quebracho industry was active last year, exports of extract being 33,000 tons higher than in 1924, at 214,000 tons, while shipments of logs totalled 131,500 tons against 94,000 tons. Exports

have, however, somewhat fallen off during the present year.

The exploitation of the oilfields of the Republic continues to give favourable results, and the steady expansion of production in this industry is a very satisfactory feature. In the State-owned oilfields, the output of petroleum increased from 3,400,000 barrels in 1924 to 3,773,585 in 1925, and the yield from the privately-owned oil wells advanced from 1,250,000 to 2,044,025 barrels.

During the period June to December 1925, the exchange value of the Argentine peso steadily advanced, reaching in mid-November 46 31/32d., this being the highest level recorded since October 1921. Subsequently, however, the stagnation in the export trade caused a decreased volume of export bills to be on offer, and, during the early part of 1926 the rate dropped sharply, reaching 43 11/16d. in March. There later ensued a steady upward movement—the present rate being 45 27/32d.—the decreased volume of bills on offer having been offset somewhat by the receipt of funds from the issue abroad of Federal and Provincial loans, as well as by the demand for Argentine securities, particularly from Europe.

A further important factor which has again operated to support the exchange is the substantial improvement effected in the Republic's economic position, due to further large operations for funding the Floating Debt, which in the twelve months ended December last was reduced by \$261,000,000 (paper) to \$485,000,000, against which the increase in the Consolidated Debt was \$220,000,000 (paper), to \$1,743,000,000. A further reduction of \$20,000,000 in the Floating Debt occurred in the six months ended June last. The funding operations in question have again taken place in the New York market. In April last Argentina issued through American bankers a loan for U.S. \$20,000,000 in 6 per cent. Bonds, maturing in 1960, offered publicly at the price of 98 per cent., this being followed in September by a further emission of U.S. \$16,900,000 in 6 per cent. Bonds, also to mature in 1960, the price of issue, however, being slightly higher, at 98½ per cent., thereby reflecting the enhancement in Argentina's national credit. In this connection, I would point out that loan flotations in New York on behalf of the Argentine Government and various Provinces in 1926 to date amount to no less than U.S. \$66,000,000, in addition to nearly U.S. \$85,000,000 for the whole of 1925.

After several consecutive years of deficits in the Argentine national finances, there was realised in 1924 a surplus of \$2,339,000 (paper), and the Government is to be sincerely congratulated on having increased its surplus in the year 1925 to \$13,000,000 (paper). The 1925 Budget has, with a few modifications, been made applicable to 1926, and consideration is now being given to the 1927 financial programme. The President of the Republic, in his Message to Congress on July 1 last, laid emphasis on the urgent need for economy in public administration, and drew attention to the necessity of certain reforms in the present taxation system, mention being made anew of the possibility of introducing an income tax.

The monetary situation of the Republic has undergone no pronounced change. Funds were well employed during the period of harvest activities, but the arrangements for the temporary expansion in the circulation which were resorted to in February 1925 were not necessary in the spring of this year. The position of all the banks operating in the Republic as at July 31 compares as follows with that of a year previously (in \$ paper):—

	July 31, 1926.	July 31, 1925.
Deposits ... ..	3,425,107,634	3,505,525,609
Discounts and Advances	2,898,037,165	2,965,311,370
Cash Reserves ... ..	862,887,175	847,618,004

The freedom of the gold market has not yet been fully restored, the Caja de Conversion remaining closed for

the delivery of gold against paper currency. The gold holding of the Caja remains unchanged at \$451,782,984 (gold), to which has to be added \$7,093,780 (gold) repaid by the Government to the Banco de la Nacion, which had previously been applied to the service of the Public Debt abroad. The total Conversion Fund of \$458,876,764 (gold) represents a guarantee of 78.94 per cent. for the note circulation.

The Republic has been singularly free from labour and political troubles. Wages remain high and the cost of living shows no sign of falling, while the unemployment problem is practically non-existent. A factor which will be of extreme importance in the future development of the Republic's potential wealth is the considerable expansion in the various railway systems which is being effected. There is now before Congress a Bill providing for an extensive programme of construction by the State Railways, whilst most of the British railway companies operating in the country have on hand important schemes of a similar nature.

In general, there can be no question that the economic and financial situation of the Republic is sound, and that far-reaching developments in industry and commerce are to be looked for when stable conditions in other countries are finally achieved emphasis must also be laid on the consistent growth of the manufacturing industries of Argentina, which is undoubtedly adding substantially to the purchasing power of the nation as a whole.

**Exports from January to September.**—According to the official statistics recently made available, exports from Argentina during the first nine months of the present year amounted in value to \$617,622,067 (gold), compared with \$692,329,329 (gold) in the corresponding period of 1925. The falling off in the total value of exports this year is attributed to the comparatively slack state of the meat and wheat trade to foreign countries and also to the fact that lower prices have been ruling for most products. The exportation of meat and meat products has fallen off from 643,000 tons in the first nine months of 1925 to 601,000 tons in the same period of the present year, while the value has dropped from \$121,248,000 (gold) to \$101,882,000 (gold). Wheat exports were valued at \$111,592,000 (gold), as compared with \$177,684,000 (gold). Shipments of linseed rose, however, from \$66,237,000 (gold) to \$93,288,000 (gold). Maize exports during this period were greater in volume than in 1925, but showed a drop of over \$6 mill. on account of the lower prices prevailing, the total value of these exports being \$85,312,000 (gold).

The figures of imports for the same period have not yet come to hand. It is expected, however, that the first three quarters of the year resulted in an adverse balance.

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**British Capital in Argentina.**—The investment of British capital in the Argentine Republic has been augmented during the period 1913 to 1925 by approximately 50 millions sterling, states the *South American Journal* under date September 18 last. The following table shows the amount of British capital invested, the sums paid in interest and the average rate of interest in several of the years covered by this period (in £ sterling):—

	Capital.	Interest.	Average rate of interest.
1913	... 357,740,600	17,662,000	4.9
1918	... 379,490,000	14,576,000	3.8
1923	... 396,115,000	18,828,000	4.7
1924	... 395,048,000	19,469,000	4.9
1925	... 400,804,000	19,917,000	4.7

It will be observed that at the close of the war investments in Argentina were not so profitable as in other years. Apart from the decline in 1918 the rate of interest has remained fairly steady throughout the past twelve years.

**Vegetable Oil Production in 1925.**—Official statistics have now been issued of the production of vegetable oils in Argentina during the past year. The total production of oleaginous seeds in 1925 was 96,133 tons, as against 85,096 tons in 1924 and 100,032 tons in 1923. The quantity of oil manufactured was 19,770 tons in 1925, 18,617 tons in 1924 and 22,439 tons in 1923. Compared with the production two years ago there has been a decline both in the quantity of seed grown and in the volume of vegetable oils manufactured. The total production of seed, oils and oilcake was as follows (in tons):—

	Oleaginous seeds.	Vegetable oils.	Oilcake.
Linseed ...	... 12,306	3,360	8,918
Turnip ...	... 12,309	3,527	8,613
Peanuts ...	... 41,597	9,331	17,111
Cotton seed	... 20,751	2,322	8,197
Spurge ...	... 480	106	160
Maize ...	... 6,940	310	942
Sunflower	... 1,750	315	560

It is considered that there is much scope for the further development of the manufacture of vegetable oils and oilcake in Argentina, the existing conditions for which are very favourable. (*Pan-American Union Bulletin*, September.)

## CHILE.

**Economic and Financial Conditions.**—The *Annual Report* of the Anglo-South American Bank contains an account of economic and financial development in Chile up to the close of the first half of the present year. According to this report labour conditions have been quiet and for many months there seemed prospects of better trade, based on the settled political conditions and the monetary and financial reforms which came into operation at the beginning of the year. The brighter outlook, however, has been somewhat obscured owing to the shrinkage of sales effected in the all-important nitrate industry.

A consistent growth in the commerce of Chile, despite many discouraging factors, continued to characterise the foreign trade of the country during 1925, when both imports and exports were higher than in the previous year, at \$407,792,500 and \$626,252,500, gold of 18d., respectively, the favourable balance of trade, therefore, again amounting to over \$218,000,000 gold of 18d. The somewhat reactionary tendency of trade during the current year, however, is shown in the statistics published relating to the 28 principal articles of export and the 35 principal items of import for the period January June, which reveal a contraction in exports, accompanied by a continuation of the marked expansion in

imports. The figures in question, which are based upon the new peso of 6d., compare as follows with those relating to the two preceding half-years (in \$):—

	Exports.	Imports.
January to June, 1925	... 909,492,000	173,968,000
July to December, 1925	... 730,755,000	223,202,000
January to June, 1926	... 796,332,000	267,480,000

During the periods just mentioned, shipments of the principal commodities compared as follows (in \$):—

	1925.		1926.
	Jan.—June.	July—Dec.	Jan.—June.
Nitrate ...	... 471,843,000	448,821,000	339,819,000
Copper ...	... 169,407,000	191,586,000	188,642,000
Cereals ...	... 110,121,000	20,001,000	51,911,000
Borax ...	... 12,216,000	11,665,000	11,267,000
Wool ...	... 56,826,000	2,970,000	32,860,000
Iodine ...	... 33,474,000	38,628,000	38,168,000
Hides ...	... 6,846,000	3,105,000	4,003,000
Frozen meat	... 20,688,000	5,640,000	21,648,000
Iron ore ...	... 23,949,000	6,201,000	5,972,000

From the above statistics, it is clear that the decline in the value of Chilean exports this year has been mainly due to the contraction in shipments of nitrate. The total exports of this commodity for the whole nitrate year ended June last were not, however, very much under those of the preceding season, as will be seen from the following comparative table (in metric tons):—

Nitrate Year.	Production.	Exports.	Stocks in Chile at end of season.
1922-23 ...	... 1,492,698	2,106,147	1,002,985
1923-24 ...	... 2,210,417	2,175,607	1,037,794
1924-25 ...	... 2,397,640	2,565,855	869,580
1925-26 ...	... 2,606,964	2,247,545	1,228,998

The number of oficinas in operation at the end of the 1925-26 nitrate year had been reduced to 60 as compared with 90 twelve months previously, but the aggravation of the crisis in the industry since June last, resulting in an accumulation of stocks in Chile, has necessitated the reduction of the number of oficinas working to only 43 at present.

In view of the competition from synthetic fertilisers to Chilean nitrate in the world markets, endeavours were made by the Producers' Association in Valparaiso to find, in co-operation with the distributors, a new basis of sales and distribution which would ensure the maintenance of prices at a reasonably remunerative level, combined with a possibility of recovering lost markets, and the Chilean Government was urged to reduce the export duty as a means of assisting to lower the sale price. The conferences led to no definite arrangement. The Government announced that owing to their financial position there could be no immediate reduction in the duty, but that measures would be taken to assist the industry at the end of the present nitrate year. Meanwhile sales fell off very considerably.

It is encouraging to note the development which is taking place in the sources of national wealth other than nitrate. This is particularly observable in the consistent expansion of the copper-mining industry, and Chile now occupies second place among the copper-producing countries of the world.

With regard to the fiscal position of the country, the annual expenditure has increased greatly during the past few years. To meet this, new taxes have been imposed, including income tax, and these are producing increasingly substantial revenues, thereby tending to make the financial position of the country less dependent upon the fortunes of one particular commodity. The present Government has recently taken drastic steps to effect economies, having made substantial cuts in some of its spending departments, which are estimated to effect a reduction in annual expenditure of about £5,000,000 sterling. In order to adjust the Budget position and to pay off outstanding deficits, as well as partly to consolidate existing indebtedness, the Government contracted about a week ago with United States bankers for the issue in New York of long term loans for the equivalent of about £13,000,000, and their expectation is that in the year 1927 the Budget will be

balanced. It is reported this morning that immediate success attended the public issue yesterday in New York of the first portion of this loan, amounting to U.S.\$42,500,000 in 6 per cent. Bonds. In anticipation of this project, temporary accommodation to an amount of U.S.\$10,000,000 in six-months 5 per cent. notes was obtained in New York in August last.

The only other Government long term operation contracted abroad by Chile during the period under review was the issue in January last in London of Bonds for £2,809,000, bearing 6 per cent. interest, at the price of 94, which was made through the medium of our own Bank and met with immediate favourable response from the investing public. In addition, a Loan guaranteed by the State for U.S.\$18,330,000 was floated in New York last July by the Caja de Credito Hipotecario—the Land Mortgage Bank—mainly for the purpose of converting mortgage loans from Chilean currency into dollars, but also partly in connection with the Government housing scheme.

Financially, the year has been a momentous one, and has witnessed a turning point in the monetary history of the Republic. The new central bank of issue—the Banco Central de Chile—details of which were given in my speech a year ago, commenced operations in January last, taking over the Government Conversion Fund and assuming sole responsibility for the note issue. The operations of the Bank have proved entirely successful. On its establishment, the Chilean peso became convertible into gold at a parity of 40 pesos per pound sterling, and, in view of the severe fluctuations to which it was subject in previous years, it is satisfactory to note that movements of the exchange are now kept within narrow and healthy bounds, at slightly over the parity value of 6d., while sufficient elasticity has been imparted to the note circulation, partly by the re-discount facilities which the central institution renders to its member banks. On August 27 last the note circulation of Chile, which is now wholly centred in the new bank, totalled \$364,955,806, while deposits amounted to \$61,625,145 and time drafts to \$78,802,567. Against the combined total of these liabilities of \$505,383,518 the Bank held a gold reserve at home and abroad of no less than \$490,445,853, representing a percentage of 96.95.

In addition to the creation of the Banco Central, there came into effect at the beginning of this year the General Banking Law, regulating the operations of banks under strict Government supervision, and there is no doubt that the administration of this new measure will have beneficial results on the whole conduct of banking in the Republic.

While Chile in the past has had her periods of adversity, it must be pointed out that there has been a reorganisation of the national financial system and bases of credit of a nature which will serve with very much greater efficiency her future commercial activities.

**American Capital in Chile.**—The enormous increase in the investment of American capital in Chile since the world war is strikingly shown in a Commerce Department survey recently made public, states *Export Trade and Finance*. A conservative estimate of the value of the present United States financial interest in this Latin American country, the report states, would be in the neighbourhood of \$350,000,000. This means that for every inhabitant of Chile there is about \$90 of American money invested in the country.

This attraction of American capital to Chile, the report discloses, is a development of comparatively recent years. Up to 1908 United States investments in all of Chile hardly totalled \$25,000,000, and these represented principally the activities of a few American trading companies in manufacturing and other industries. In this year, however, American interests began to go heavily into the mining industry and from that time on the United States investments have exceeded those of any other nation.

The total amount of British and American capital at present invested in Chile, a study of the report reveals, is approximately equal. However, the investments of the two countries have taken radically different directions. The British have gone in for Government bonds, railway development, and the nitrate industry. American money, on the other hand, has been mainly placed in the copper industry. The enormous increase in the production of this metal in recent years, according to the report, has been almost entirely due to American development. Since American capital entered this field Chilean copper production has increased almost five-fold and the position of the country as a copper producer has advanced from fifth to second place.

American interests have only lately entered the nitrate industry, the report discloses, although this is the most important single industry in Chile. However, a large American organisation has recently acquired important nitrate fields. A new process of refining nitrate, developed by American engineers, is to be put into operation, and the results may be of great importance.

Chilean bonds were practically unknown to the American investing public prior to the war, the report points out, although they were absorbed readily in Great Britain and on the Continent. Since the war American bankers have successfully competed for these loans, and at the present time it is estimated that \$85,000,000 of American capital is invested in Chilean Government, municipal, and land mortgage bonds.

#### 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 .....	9½
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.

### COMMERCIAL AIR TRANSPORT.

**Commercial Air Transport.** By Lieut.-Col. Ivo EDWARDS, C.M.G., and F. TYMMS, M.C. With a Foreword by Air Vice-Marshal Sir SEFTON BRANCKER, K.C.B., A.F.C., Director of Civil Aviation, Air Ministry. (London: Sir Isaac Pitman & Sons Ltd. Price, 7s. 6d. net.)

This work, as Sir Sefton Brancker points out, is probably the first work published of its kind, and it is, as it claims to be, a concise exposition of the present position and possibilities of commercial air transport. It is not intended to be a full and complete guide to a subject which is highly technical, the detailed treatment of which could not be compressed into a work of this size; but rather it is a general survey of the various problems which, when dovetailed together, complete the structural foundations upon which air transport is being built up at the present day. The authors, both of them men of considerable experience, have concentrated their attention upon only such subjects of which first-hand experience has already been gained, and they speak in the light of such experiments. After a period of uncertainty and anxiety they are able to affirm that every indication points to the conclusion that air transport has established itself in firm soil, and will from now onwards make strong and steady growth. Difficult times are still ahead, they predict, but that air transport has come not merely to exist, but to play a great part in the future progress of civilisation, there

can be little doubt. Already it has achieved much in the breaking down of barriers, the making of friendships, and the creation of goodwill and understanding. In the realm of commerce the authors consider the possibilities of the future to be limitless. In the course of time the main trunk aerial routes will be in operation day and night along the highways of the world, while shorter routes will radiate from them in all directions. That regularity, reliability, and safety will be attained to an extent equal to that of any other means of transport is almost beyond doubt, since even to-day a very high standard has been reached, and this will be far exceeded when the technical developments, which are almost perfected, are put into practical use.

Sir Sefton Brancker, in his Foreword to this work, tells us that air transport offers vast possibilities to us as a nation. On the one hand, quick communication has become one of the vital factors in the administration of the Empire; on the other hand, aviation has assumed a position of almost paramount importance in the problem of Imperial Defence. From another, the military point of view, he considers that a flourishing aircraft industry is absolutely essential for aerial defence; further, well established and properly organised air routes are necessary for the rapid transfer of air forces from one portion of the Empire to another. Air transport will provide us with both of these Imperial assets. The limiting factor in the volume of air transport to-day is, according to Sir Sefton, the fact that it only exists through the artificial assistance of Government. The time is coming, he affirms, when this young industry will be able to operate without subsidy; as soon as this desirable stage is reached, the demand for commercial aircraft throughout the world will be literally enormous. To every manufacturing country this new market will offer far greater commercial rewards than any military requirements during peace, and it is inevitable that the nation which can obtain an appreciable proportion of the aircraft building trade of the world will automatically create a strong national reserve of pilots, mechanics, designers, and aircraft factories. From these and other points of view this book will prove an interesting study.

### PUBLICATIONS RECEIVED.

*A Review of the Rubber Position, November 1926.* By Lt.-Col. J. C. G. Kunhardt. With an Introduction by A. W. Still. (London: "The Investors' Chronicle." Price, 6d.)

*A Tabular Guide to the Foreign Trade Statistics of Twenty-one Principal Countries.* Compiled for the London and Cambridge Economic Service by Frederick Brown, B.Sc. (Econ.). Editor, A. L. Bowley, Sc.D., F.B.A. (London: Students' Bookshops Ltd. Price, 7s. 6d.)

*Report No. 4 of the Commissioner for the German Railways.* November 20, 1926. (Berlin: Commissariat for the German Railways.)

*Report of the Agent General for Reparation Payments.* November 30, 1926. (Berlin.)

*Report of the Commissioner of Controlled Revenues.* October 26, 1926. (Berlin.)

*Report of the Commissioner of the Reichsbank.* November 1926. (Berlin.)

*Report of the Trustee for German Industrial Debentures.* November 15, 1926. (Berlin.)

*The Budget for 1927.* By Dr. Karel English, Minister of Finance.—Czechoslovak Sources and Documents, 1926, No. 1. (Prague: "Orbis" Publishing Company. Price, C.Kr.8.)

Co. Limited, whose advice and assistance have always been at their disposal through the difficult period of transition through which the company has passed during the last 12 months, and from which it has now successfully emerged. It is their recent offer to convert £204,500 of their notes into ordinary shares at par which enables me definitely to express the hope and belief that the future meetings of the company will be held in much happier circumstances than have obtained during the last few years. In conclusion he moved the adoption of the report and accounts.

Mr. R. Jarvis seconded the motion, which was carried unanimously.

### COMPANY MEETINGS.

#### CHARLES SEMON & CO.

#### LARGER ORDER BOOK.

#### WORK OF THE NEW BOARD.

The Sixth Annual General Meeting of Charles Semon and Co., Limited, was held on December 9 at the registered offices of the company, 25, Bolton Road, Bradford.

Mr. David Bernhard (chairman of the directors) presided, and in moving the adoption of the report and accounts, said: Gentlemen, your curiosity will probably have been aroused in regard to the circumstances which have resulted in the submission of three separate balance-sheets for half-yearly periods ending September 30 last.

The virtual cessation of the company's activities in July 1925 and the subsequent appointment of an entirely new board naturally caused some little dislocation, and delayed the preparation of the accounts, which, in the ordinary way, would have been submitted for the period ending March 31, 1926. In view of that cessation and the slump in cotton values in September 1925, which synchronised with their appointment, your board came to the conclusion that it would be advisable to prepare a separate accounting for the period ending September 30, 1925—that is, the period before the new board began to act—in order that effect might be given to conditions in that period and also that they might the more correctly measure their subsequent progress.

#### BRIGHTER PROSPECTS NULLIFIED BY COAL STRIKE.

It must, of course, be patent to everybody that the conditions operating in the first six months of the period under review left the company with not only a depleted but nearly empty order book, and the first task of the board was to remedy that defect. Substantial progress was made, but, in view of the fact that the majority of the orders which the company receives are for delivery up to six months ahead, the figures for the half-year ending March 31, 1926, were bound to be unsatisfactory, though they showed considerable improvement on the first half-year. There was, however, distinct evidence in the first few months of 1926 of a general and pronounced improvement in the textile trade, and there was a welcome expansion of business, of which we received our full share. It was the more disappointing, therefore, when the coal strike at the beginning of May completely nullified for the time being the brighter prospects which were obviously in store for the trade.

Despite these grave disadvantages the operations of the company show a considerable move in the right direction, and our order book is now much larger and in a more healthy condition than it was 12 months ago.

#### THE COMPANY'S NOTES.

A scheme was put before you on September 29 last which was adopted and which has since received the sanction of the Court. The effect of this scheme was to cancel £75,000 of the company's notes with a consequent saving of interest charges.

Subsequently certain large noteholders gave evidence of their confidence in the future of the company by offering to convert £204,500 of notes into Ordinary shares at par.

The effect of these two operations will be to reduce the yearly interest charge against the company by £16,770, and, at the same time, to reduce the total of notes outstanding to a figure the repayment of which we should, in due course, be able to take in our stride.

Improvements are still being made by the strengthening of the organisation through the elimination of non-productive and the substitution of productive effort.

#### ASSISTANCE OF THE ROCK INVESTMENT COMPANY.

I feel that I cannot close my remarks without recording the obligation of the board to the Rock Investment

(Continued at foot of previous column.)

# STATISTICAL SECTION

## THE TRADE BAROMETER

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

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

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

**TABLE I.**

Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.
<b>1920.</b>			<b>1923.</b>			<b>1925.</b>			<b>1922.</b>		
Jan. 16	367.9	296.6	Apr. 20	198.5	162.0	Jan. 16	174.8	171.0	April 16	148.1	143.6
May 14	391.2	325.5	July 20	177.3	156.5	Feb. 13	175.2	168.9	May 21	150.2	144.9
July 16	418.8	316.9	Oct. 19	166.0	158.1	Mar. 13	172.8	166.3	June 18	151.7	146.5
Dec. 17	257.0	263.8	<b>1924.</b>			April 17	161.9	162.5	July 16	153.9	148.7
<b>1921.</b>			Jan. 18	178.6	165.4	May 15	158.7	159.0	Aug. 20	155.8	149.1
Jan. 14	244.2	245.9	Feb. 15	187.9	167.0	June 19	160.6	157.6	Sept. 17	152.6	150.9
Apr. 15	202.8	204.8	Mar. 14	182.1	165.4	July 17	160.3	157.5	Oct. 15	151.2	152.1
July 15	194.4	194.1	Apr. 18	177.5	164.7	Aug. 14	158.6	157.0	" 22	149.8	
Oct. 14	170.2	180.7	May 16	171.2	163.7	Sept. 18	158.3	155.1	Nov. 19	155.0	152.4
Dec. 16	153.2	167.9	June 20	167.8	162.6	Oct. 16	154.1	153.9	" 26	155.3	
Dec. 30	150.0		July 18	167.1	162.6	Nov. 13	153.2	152.7	Dec. 3	154.8	
<b>1922.</b>			Aug. 15	175.3	165.2	Dec. 18	153.0	153.2	" 10	157.3	
Jan. 20	144.0	164.0	Sept. 19	167.9	166.9	<b>1926.</b>					
May 19	162.1	160.6	Oct. 17	172.5	170.2	Jan. 15	151.6	151.3			
July 14	165.1	160.3	Nov. 14	173.3	169.8	Feb. 12	148.4	148.8			
Sept. 15	161.2	154.3	Dec. 12	171.7	170.1	Mar. 12	146.1	144.4			
Dec. 15	161.2	155.8									

**TABLE II.**

Date.	Pig iron.	Tin.	Coal.	Linseed Oil.	Cotton.	Wool.	Hides.	Wheat.	Bacon.	Sugar.	Mean.	Date.
Dec. 30, 1921.	100	100	100	100	100	100	100	100	100	100	100	Dec. 30, 1921
<b>1922.</b>												
July 28	92.9	94.5	97.2	157.9	110.1	111.1	97.1	119.0	116.5	119.2	111.15	July 28
Sept. 29	94.3	95.2	92.9	135.1	105.9	117.8	96.4	82.8	104.0	134.6	105.90	Sept. 29
Nov. 3	95.5	107.5	100.0	140.3	119.9	133.3	106.5	91.9	104.8	134.6	113.43	Nov. 3
Dec. 29	89.4	106.7	91.5	138.6	126.0	120.0	93.5	90.4	89.7	138.5	108.43	Dec. 29
<b>1923.</b>												
May 18	110.8	117.9	128.3	166.7	120.2	137.8	102.9	102.7	91.2	242.3	132.08	May 18
Oct. 12	93.4	117.1	90.6	150.9	136.4	126.7	84.8	83.0	66.2	145.9*	109.50	Oct. 12
Nov. 16	97.2	127.4	97.2	149.1	165.8	128.9	87.0	86.2	73.5	132.7	114.50	Nov. 16
<b>1924.</b>												
Feb. 15	96.7	163.4	96.2	171.9	159.6	151.1	91.3	100.4	65.8	156.1	125.25	Feb. 15
July 11	89.6	128.9	74.5	140.4	140.6	142.2	92.8	111.5	80.9	101.4	110.28	July 11
<b>1925.</b>												
Feb. 27	84.0	153.8	69.8	178.9	116.0	160.0	95.7	128.9	88.6	95.3*	117.10	Feb. 27
Oct. 30	74.5	171.2	59.4	131.6	90.7	115.6	108.7	97.2	94.9	70.6	101.44	Oct. 30
<b>1926.</b>												
Feb. 5	72.2	165.2	63.2	114.0	92.2	102.2	100.0	114.6	94.1	78.8	99.65	Feb. 5
Mar. 26	72.2	165.7	60.4	108.8	87.7	102.2	92.8	108.3	97.1	72.9	96.81	Mar. 26
Aug. 6	77.8	176.5	60.4†	127.2	88.2	103.1	97.1	136.8	98.5	78.8	104.44	Aug. 6
Oct. 22	94.3	184.0	60.4†	111.4	61.7	106.2	102.9	106.7	85.3	85.9	99.88	Oct. 22
Dec. 3	110.8	187.5	60.4†	110.5	60.6	100.0	102.9	117.0	83.4	98.8	103.19	Dec. 3
" 10	103.8	182.3	92.4	111.5	59.0	100.0	101.4	114.6	83.4	100.0	104.84	" 10

† Nominal. \* Revised Quotation.

## SECURITY PRICES.

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

IN NEW YORK.				IN LONDON.		IN NEW YORK.				IN LONDON.	
Week ending	Indus- tri-als.	Bonds.*		Indus- tri-als.	Gilt edged.	Week ending	Indus- tri-als.	Bonds.*		Indus- tri-als.	Gilt edged.
<b>1920,</b> Jan. 1	128.5	94.1		172.4	99.7	<b>1925,</b> Jan. 3	150.7	101.6		133.8	117.5
<b>1921,</b> Jan. 1	89.9	89.0		116.3	88.6	" 17	151.8	101.9		<b>137.3</b>	117.5
Aug. 20	<i>80.3</i>	90.4		105.4	93.3	June 6	158.2	<b>105.3</b>		128.0	115.3
Oct. 29	91.1	92.0		<i>91.1</i>	94.4	" 27	160.0	104.7		123.7	<i>113.0</i>
<b>1922,</b> Jan. 1	100.0	100.0		100.0	100.0	July 18	165.9	103.2		<i>120.4</i>	115.5
May 13	114.6	102.4		114.9	<b>117.9</b>	Aug. 1	165.8	<i>101.5</i>		122.2	115.7
Sept. 16	123.8	<b>107.6</b>		115.2	112.5	" 22	176.2	102.5		126.3	<b>117.3</b>
Oct. 7	123.9	106.1		113.3	<i>111.7</i>	Dec. 19	188.9	103.3		130.6	112.8
<b>1923,</b> Jan. 1	121.7	102.5		119.5	113.3	<b>1926,</b> Jan. 2	195.5	103.6		133.3	113.0
Mar. 17	<b>129.2</b>	98.5		129.3	117.0	" 9	196.1	103.6		<b>135.1</b>	113.1
" 24	127.3	97.8		129.0	118.1	Feb. 3	<b>199.9</b>	104.9		132.0	114.8
Apr. 28	124.1	99.3		<b>137.9</b>	122.8	Apr. 17	<i>168.7</i>	106.9		121.8	113.3
June 9	119.7	100.8		130.6	<b>123.5</b>	May 18	172.9	107.2		<i>119.5</i>	112.5
Oct. 27	<i>105.7</i>	99.7		126.5	119.7	Aug. 14	<b>205.5</b>	106.3		123.9	113.5
<b>1924,</b> Jan. 1	117.4	98.4		121.3	114.5	Oct. 16	181.1	106.6		127.5	111.6
" 19	119.1	100.1		119.1	<i>112.2</i>	Nov. 20	189.8	107.9		129.3	112.3
June 21	115.3	103.3		<i>118.2</i>	118.0	Dec. 4	196.1	108.0		129.0	112.1
Nov. 8	130.1	103.7		<b>133.7</b>	<b>120.4</b>	" 11	197.1	107.9		128.0	112.0

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

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