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To OUR READERS
and ADVERTISERS

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that from the date of
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Vol. XIV. No. 27.

December 31, 1926

Price 1s. Weekly

WITH this number THE ECONOMIC REVIEW will cease to be published weekly. For some time past many of our friends and readers have urged its conversion into a monthly. Realising that the character of THE ECONOMIC REVIEW does lend itself essentially to monthly expression, it has been decided to adopt the course suggested and to make the change in our mode of publication forthwith. In future this journal will appear on, approximately, the 15th day of each month.

It is scarcely necessary for us to add that such a change will in no way affect the function THE ECONOMIC REVIEW has, since its inception, endeavoured to perform. Its object has been, and will remain, primarily to supply an English-reading public with reliable information on economic and social conditions abroad. The change we are about to make, it is believed, will enable us to give this information on an even wider scale. Moreover, in future we shall endeavour to devote a certain amount of our attention to English economic problems, since no economic review would be complete if references to this country were entirely omitted. However, it is in the sphere of foreign affairs that we shall hope to give our readers most aid.

Though small may be its share, THE ECONOMIC REVIEW has contributed something towards a better international understanding, and we shall endeavour to do even more in this direction in the future. A knowledge and understanding of foreign conditions is sadly lacking in England; yet it is most necessary, particularly now that industrial and commercial competition everywhere is so strong. THE ECONOMIC REVIEW will endeavour to remedy those defects, and it will always make a point of getting leading authorities to write on Economic developments in their respective countries.

Finally, we would thank all our subscribers and readers for their past support, and express the hope that we may enjoy their continued patronage in the future.

COMMENTS

IN order, it is said, to improve methods of transport, a trading agreement was made last week between the Westfälische Transport A.G. of Dortmund and the Rhein und Seeschiffahrtsgesellschaft of Cologne. The Rhenish Westphalian Coal Syndicate has considerable interests in the former company and the Reichsbahn Gesellschaft, as well as the Prussian State, are represented in the latter. The agreement, it is understood, will result in a centralisation of the traffic management on all the West German waterways. Wharves, warehouses, and the business premises of both companies will be placed at mutual disposal. A generally reciprocal policy, which it is anticipated will effect considerable economies and result in increased business, will be adopted. To what extent this combination will influence the cost of transport, and consequently the price of coal for export, it is not possible to estimate. The profits and losses of the concerns will be mutually balanced and any profit will be divided in proportion to the capital and interest quota of the two companies. As a result of the agreement, the share capital of the Münsterische Schifffahrt und Lagerhaus Gesellschaft will be merged into that of the Westfälische Transport A.G., and the share capital of the latter will be raised from two million to six million Reichsmarks.

THE Hungarian Minister of Finance has just issued his fifth report on Hungary's financial position covering the month of November. The following are some of the chief items to which attention is drawn: State estimates for December 1926 show net expenditure at 45.2 and revenue at 48.5 million pengos, leaving a surplus of 3.3 million pengos. The six-monthly estimates for the first half of the financial year 1926-27 show the following totals: net expenditure, 305.6; revenue, 315.4; surplus, 9.8 million pengos. The actual State receipts collected during the month of October 1926 amounted to 74.7 million pengos, thereby exceeding the estimates by 16.4 million pengos. The total amount of revenue collected in the first four months of the current fiscal year (from July 1 to October 31, 1926) amounted to 271.6 million pengos, a figure which exceeded the amount estimated by about 29 million pengos. This is all the more noteworthy since the estimates covering the same period closed with a deficit of 3.3 million pengos. The actual revenues collected last month amounted to 107.8 million pengos, exceeding the estimates by 30.5 million pengos, and as the estimates for November closed with a revenue surplus of 9.8 million pengos, it will be found after addition of these two items, i.e. estimated surplus and excess of actual receipts over estimated revenues, that the actual surplus for November can be placed at 40.3 million pengos. This exceptionally favourable result points to considerable progress in Hungary's financial position, and, it may be added, is considered to be due to the fact that Hungary is predominantly an agricultural country, where the gathering and the sale of the harvest coincides with the payment of arrears in taxation.

ACCORDING to the Estonian *Economic Review*, published by Messrs. G. Scheel & Co., of Reval, Estonian industry, in spite of the many difficulties with which it has had to contend, has made satisfactory progress during 1926. The chief advance has been in the direction of a better organisation of the various branches of industry, much having been done in the way of selling agreements. These have tended to prevent a good deal of the needless waste of expenditure caused by unnecessary competition on a very limited market. Certain influential political parties are, how-

ever, opposed to any form of industrial combination, and with the view of checking their growth, a bill for the establishment of a State monopoly of beer, tobacco, and matches is being considered by the Government. This proposal has naturally provoked strong protests from the trading community, and the Chamber of Commerce has also expressed its opposition. It is considered unlikely that the measure will be adopted. The better position of industries in the home market has provided them with the means to improve their position abroad, and industrial exports have shown increased activity. The Krull works have received a big order for refrigerating plant in Riga, paper mills have secured large contracts for deliveries to Russia, and the cement factories have made large shipments to the United States and are making considerable headway in the neighbouring countries. Textiles are the only branch of industry in which exports have declined. It should be pointed out that this industry is the only one in which no agreement has been reached and in which trading still continues to be carried out on a purely competitive basis. All industries have been to a certain extent handicapped by the rise in coal prices consequent upon the coal strike in Great Britain, but this has been of considerable assistance to the shale-oil industry, many firms now burning shale fuel in preference to coal.

ACCORDING to the *Monthly Review* of the Bank of London & South America Limited, there is a proposal to establish extensive works in the State of Sao Paulo for the manufacture of chemical fertilisers. At the present time it is estimated that there are approximately 1,000,000,000 coffee trees in the State of Sao Paulo, and it is stated that if cheap fertilisers were available in large quantities these thousand million trees could easily produce 25,000,000 bags of coffee a year, that is, a quantity at present in excess of the world's consumption. Some years ago a thousand trees on a well-kept plantation yielded upwards of 3,500 pounds during an ordinary crop year, 6,000 pounds and more being the average yield during years of bumper crops. For the 1923-24 crop—the last crop for which reliable statistics are available—the average yield throughout the State was 1,450 pounds per thousand trees, or a 33 per cent. decrease since the 1913-14 crop. This decrease is due to the exhaustion of the soil, and, because of the exaggerated price of imported fertilisers—double and more the price at which they are offered in European markets—to date there has been no effective remedy to combat this exhaustion. It is calculated that the present needs of the coffee industry in the State are 100,000 tons of nitrogenous fertilisers, and 200,000 tons of phosphates per annum. Both the Federal and State Governments are awakening to the needs of agriculture in this direction, and the former, by the granting of special privileges as to the exemption of duties and taxation, etc., is about to assist the *Companhia Hydro-Elctrica de Adubos Chmicos e Alkalis* to establish extensive works in Sao Paulo and Rio de Janeiro for the fixation of atmospheric nitrogen in the form of synthetic ammonia for the production of fertilisers. It is also expected that further favours will be forthcoming from the State Government in the shape of a guarantee of interest on the capital employed—estimated to be about £750,000. This company will start operations by erecting within a short time the phosphate and superphosphate installations, which will be followed by the establishment of the plants for the manufacture of synthetic ammonia and nitrogenous fertilisers. An initial output of 60,000 tons is anticipated.

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.)

WHO BUYS FOREIGN BONDS?

By DWIGHT W. MORROW.

(Continued.)

Now the second question—Why did these people lend money to Austria, or Japan, or Germany, or Argentine, or Belgium? Here statistics are of little value. Men have not yet found a method of measuring the motives of other men. In fact, it is difficult enough to know our own motives. Perhaps, however, we may be helped in answering our question if we ask another question. Why does anybody make an investment in one particular security rather than in another? The considerations in the minds of most investors are, first, the safety of the principal and, second, the size of the interest yield. It should be borne in mind that the investor is the man who has done without something. He has done without something that he might have presently enjoyed in order that, in the future, his family may have some protection when he is gone, or in order, perhaps, that a son or a daughter may go to college. This investor wants to be certain that he will continue to receive income on the bond which he buys. He wants that income as large as is consistent with safety. Above all, he wants the principal returned to him on the day of the maturity of the bond.

It cannot be asserted, however, that sentiment plays no part in our investments. It does. Many men in this country bought German bonds, after the successful launching of the Dawes Plan, not only because the interest rate was attractive and the principal seemed secure, but because they felt that they were thus associating themselves in a fine venture to help Europe back on her feet. But after all proper weight is given to such considerations as these, the question of safety of principal and of interest, and the attractiveness of the rate of interest, remain the considerations uppermost in the mind of a man who has done without the present use of his own money and is investing that money in order to protect the future of himself and of his family.

If that be true, how is the investor to form an intelligent judgment as to the safety of his investment? How does the man in the Middle West, who responds to an invitation from his investment banker to buy an Austrian or a Japanese bond, know that his investment is safe? If he should be asked this question, I think that he would put in the very forefront of his reasons for making the investment the fact that he had confidence in the banker who offered him the investment. After all, the people who buy bonds must rely largely upon the judgment of the offering houses. They must believe that their investment banker would not offer them the bonds unless the banker believed them to be safe. This throws a heavy responsibility upon the banker. He may and does make mistakes. There is no way that he can avoid making mistakes, because he is human and because in this world things are only relatively secure. There is no such thing as absolute security. But while the banker may make mistakes, he must never make the mistake of offering investments to his clients which he does not believe to be good. Moreover, when a banker directs savings into an investment he should believe that the borrowed money is to be put to a constructive use. To the cynic that may sound somewhat idealistic. It is, however, just plain common-sense. No banker who wants to stay in business throughout the years wants to lend money to people who are not going to use it for a constructive purpose. The use to which the money is put is a very important factor in determining the ability of the

borrower to pay his interest promptly and to return, at maturity, the principal.

An attempt has been made to answer the first two questions—who buys these foreign bonds and why do they buy them? There remains what is perhaps the most interesting question: What does an investor get when he buys a foreign bond? In 1924, 40 persons in a Western city put \$100 apiece into a Japanese bond maturing in 1954. What did those people get for their money? They got a *promise*. And mark you, that promise was the promise of a group of people associated together on the other side of the earth. Moreover, so far as the promise relates to the payment of the principal of the bond, the promise does not mature in time to be kept by the particular members of the group who originally made it. It is a promise designed to be kept by the children of men now living. Yet somehow or other the banker who offers that bond and the investor who buys that bond rely upon the people of Japan taxing themselves a generation from now in order to pay back the principal of that loan to the children of the person who invests in the bonds to-day. At first blush it is a startling idea. It is particularly startling at this time when so many people are saying that the various nations of the earth have lost faith in each other. Here we have printed in a Middle Western newspaper the record of the day's dealings in 128 foreign bond issues. Individuals in America are taking their own money, with its present command over goods and services, and surrendering that command to nations on the other side of the earth, and they receive in exchange for it a promise. The question may be asked, Nothing *more* than a promise? To which answer may be made, Nothing *less* than a promise.

I remember reading some years ago a letter of Thomas Bailey Aldrich written to William Dean Howells. Aldrich is writing of a friend who has just died, and whose body is resting in "a dismal London burying ground." He says to Howells that it is not worth three pins to be a **great** novelist, or a great general or a great anything else. Then he winds up his letter with this whimsical expression: "Yet with a sort of hopeful vivacity I have just bought two 5 per cent. railway bonds that expire in 1967. Who will be cutting off the coupons long before that? Not I." There was Aldrich, despondent because of the transitoriness of life, taking his savings and putting them in railway bonds that matured long after his life would end. Every day investors are buying bonds, domestic and foreign, although they have every reason to wonder who will collect the coupons. Human lives stop. Promises go on. The civilised world to-day is run on the basis of a belief in promises. Whatever our doubts about the meaning of modern civilisation, we may at least take some comfort in the trust which men show in each other's promises.

It was not always so. Early trading began with physical things. The man who had something to sell kept a tight hold with one hand upon the thing he was giving up until he got a tight hold with the other hand upon the thing he was getting in exchange for it. Little by little men learned to trust one another. Markets were developed in which men sold by samples. In such a sale the seller must produce a sample of the thing which he is contracting to sell; the quantity agreed to be sold is later delivered and the buyer makes payment therefor. Mutual promises had to be kept to make such a trade effective. Finally, we have reached the stage of civilisation when we buy and sell promises. No man can play an important part in modern commercial civilisation unless he respects his promises in

letter and in spirit. That is true in all of our day to day transactions. We want no commercial dealings with people who cannot or will not keep their promises. The keeping of the promise is the fundamental virtue of commercial life. Therefore, when one says that the purchaser of a foreign bond has nothing *more* than a promise, the answer can be made in all seriousness that he has nothing *less* than a promise.

It is apparently believed by some that loans to foreign governments made by our citizens throw upon our own Government the responsibility of using the armed forces of our Government for the purpose of collecting the debts. From leading government officials of both Great Britain and the United States we have had in recent years quite clear pronouncements upon this question. In a debate in the British Parliament in December 1902, during the controversy with Venezuela. Mr. Balfour, the Prime Minister at the time, said :—

“ I do not deny, in fact I freely admit, that bondholders may occupy an international position which may require international action ; but I look upon such action with the gravest doubt and suspicion, and I doubt whether we have in the past ever gone to war for the bondholders, for those of our countrymen who have lent money to a foreign government ; and I confess that I should be very sorry to see that made a practice in this country.”

Mr. Root, then Secretary of State, speaking in Buenos Aires in 1906, made the following statement :—

“ The United States of America has never deemed it to be suitable that she should use her army and navy for the collection of ordinary contract debts of foreign governments to her citizens. For more than a century the State Department, the Department of Foreign Relations of the United States of America, has refused to take such action, and that has become the settled policy of our country. We deem it to be inconsistent with that respect for the sovereignty of weaker powers which is essential to their protection against the aggression of the strong. We deem the use of force for the collection of ordinary contract debts to be an invitation to abuses in their necessary results far worse, far more baneful to humanity than that the debts contracted by any nation should go unpaid.”

The foregoing expressions of Mr. Balfour and Mr. Root are important not only because of the high official positions that these eminent statesmen held at the time, but also because of the great weight which properly attaches to their personal opinions upon a question of this kind. But however valuable such expressions may be, either as a statement of the national thought at the time or as a means of influencing the public thought of the peoples to whom they are addressed, such expressions do not necessarily constitute international law or even a binding rule of conduct. The declarations of statesmen are perhaps more likely to express the ideals than the practices of nations. International law, however, is a gradual growth, based upon custom and conduct. When customs become so well settled that their violation excites the general disapproval of civilised men, we have a real basis for international law. Now, he who seeks to know the custom of nations with respect to the enforcement of contract debts against another government enters a most difficult field. It is hardly surprising that the causes of war are never fully known to the actors. But the long, painstaking work that must be done by unbiased historians before an approximation of the truth can be ascertained must make any candid person almost despair of a complete conviction as to causes. I have not been able to find a clear case of a nation going to war for bondholders. It is only fair to say, however, that contract claims against a foreign government have often been joined with claims for other injuries, or with larger questions of political policy, and that so joined they have been made the basis of armed intervention. I have immediately in mind the military operations against Mexico in 1861, against Egypt in 1880, and against Venezuela in 1902.*

I have neither the competence nor the desire, however, to discuss from the point of view of the international lawyer or the historian this alleged practice of using armed force to collect contract debts. A difference will readily be noted in the treatment of claims arising out of injuries inflicted upon persons or upon their physical properties and claims growing out of contracts. Where the wrongful act of a foreign government inflicts injury upon a person or upon his physical property, the law of nations seems to recognise the propriety of a demand for reparation. Contract claims, however, have not been treated in the same way, though nations have on occasion made official and unofficial representations regarding violation of contract and failure or refusal to pay bonded indebtedness. They have also broken off diplomatic relations with the delinquent country as a means of enforcing payment. Nations have also repeatedly submitted bond claims to arbitration. They have also, in rare cases, used measures of force short of war, such as reprisals and that curious procedure known as pacific blockade. President Jackson, in 1834, in connection with certain damage claims not related to bond obligations, actually recommended reprisals. And in 1902 Great Britain, Germany and Italy enforced certain demands against Venezuela, which included the payment of bond obligations, by a pacific blockade. The advancing interest of civilised governments in this whole question is evidenced by the action taken at the Second Hague Peace Conference in 1907. That conference adopted a Convention respecting the limitation of the employment of force in the recovery of contract debts, the pertinent part of which reads as follows :—

“ The Contracting Powers agree not to have recourse to armed force for the recovery of contract debts claimed from the Government of one country by the Government of another country as being due its nationals.

“ This undertaking is, however, not applicable when the debtor State refuses or neglects to reply to an offer of arbitration, or after accepting the offer prevents any ‘ compromise ’ from being agreed on, or, after the arbitration, fails to submit to the award.”

This Convention seems to assume that there was a right to use armed force to collect contract debts before the adoption of the Convention. Certainly, if Mr. Root is correct, no such right was ever exercised by the United States. What is perhaps more important, the second paragraph seems to imply that a formerly existing right to use force to collect contract debts is still to survive if and when the specified conditions are applicable. It is not surprising, therefore, that very generally the Latin-American countries in adhering to the Convention made reservations which negated their consent to the use of armed force against them even though the conditions of the second paragraph had come into existence. Although some critics of this Convention have questioned whether the subject was left in an entirely satisfactory situation, there can be no doubt that the delegates to the Convention were earnestly seeking to put some limitation upon the use of armed force which had not been accepted by all nations theretofore.

I am writing, however, from the point of view of the investor. Investors, as much as any group of people in the community, are interested in seeing the policy announced by Mr. Root in 1906 scrupulously carried on. Investors who buy foreign loans are in a position to appreciate what a fruitless remedy for breach of contract war is. The establishment of the principle that nations are justified in going to war where the sole issue is the collection of a debt would be not only most hurtful to the nation at large, but, in the long run, would prove injurious to the property interests of the bankers who sell and the investors who buy foreign government loans. Is there anyone who thinks that, if a man owes him money and cannot pay it, there is profit in going out and killing the debtor? Entirely apart from the immorality of putting human lives to the hazard of modern war where the sole issue is a pecuniary claim, there is a conclusive practical reason against such a source in that war in the great majority

* Mr. Hartley Withers, formerly Editor of the *London Economist*, apparently believes that the default in the Egyptian bonds was used for a political purpose. He states that “ the bondholders were certainly benefited, but it is my belief that they might have whistled for their money until the crack of doom if it had not been that their claims chimed in with Imperial policy.”—*International Finance* (1916), p. 104.

of cases does not, and cannot, accomplish the desired result.

Loans are made to foreign governments in reliance upon the capacity and the good faith of those governments. The intelligent investor recognises that in the long run a government which defaults upon its obligations hurts itself even more than it hurts its creditors. Even in cases where specific taxes or customs are allocated for the service of a loan, the main reliance of the creditor must be upon the desire of the debtor government to maintain the particular revenues and keep them available. Even when a foreign expert is placed in charge of revenues, the arrangement is helpful only when made with the hearty concurrence of the debtor government, and with the belief and expectation on the part of the debtor government that the fiscal arrangement will redound to its own advantage.

If the foregoing be true, how safe are these investments? To my mind that enquiry is much the same as an enquiry as to the safety of a domestic bond. Some domestic bonds turn out to be good and some turn out to be worthless. There is no reason to expect that it will be otherwise with foreign bonds. Those nations who are borrowing in America because they actually need the money for a constructive purpose; who have a solidarity of national feeling and a sense of the meaning and the value of national credit; who are not incurring obligations beyond what may fairly be considered their capacity to handle—all those nations may be expected to pay their debts. Here again the responsibility rests heavily upon the investment banker in recommending investments. The banker must never be lured, either by the desire for profit or by the desire for reputation, to recommend an investment which he does not believe to be good. But, fundamentally, the reliance of bankers and investors is upon the capacity and, above all, upon the good faith

of the foreign government. The foreign government must be able to pay, and it must want to pay.

If it is true that it is upon good faith that lenders to foreign governments primarily rely, it is no less true that it is upon good faith that lenders rely in almost all of their domestic dealings. Of course, there is a sanction ultimately applicable to domestic contracts. The proper legal steps may be taken; the breach of the contract may be proved; and execution may be issued through the sheriff. But we do not in practice put much reliance upon the help of a sheriff in enforcing contracts. We do not willingly deal with one upon whose property we expect to levy execution. When we need the sheriff to help collect a loan, we recognise that our venture has turned out a failure. We are then simply trying to save some planks from a shipwreck. In the overwhelming majority of business transactions we rely upon the ability and the willingness of the debtor to pay. On no other principle could modern business be conducted.

There is no international sheriff. But there still remains our reliance upon good faith, our reliance upon that law which is older than statute law—the acknowledged custom of mankind. The credit of governments is not easily built up. It may easily be shattered. And it must never be forgotten that there are rules of conduct accepted by the silent approval of civilised man, the breach of which hurts the one committing the breach much more than the one against whom it is committed. If good faith cannot be relied upon it is better that the loan be not made. The words with which Hugo Grotius closed his great book more than three hundred years ago are true: "Not only is each commonwealth kept together by good faith, but that greater society of which nations are the members. If faith be taken away the intercourse of men is abolished."

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.)

DANZIG

POLITICAL AND GENERAL

The Danzig-Polish Agreement.—The provisional agreement between the Free City of Danzig and Poland concerning the plan according to which the Customs revenues are to be divided between the two parties was signed on September 21 last. This matter has been the subject of negotiations since 1925, but it is only of late that it had acquired special significance, in connection with the budgetary crisis of the Free City. It may be recalled that the Danzig Budget has for some time shown substantial deficits, which were caused by the economic crisis, as, while the revenue has been decreasing, the expenditure, in connection with unemployment, has been steadily increasing.

Among the revenue items showing a decline were the Customs. As is known, Danzig has received up to the present 8 per cent. of the total gross Customs revenues from the whole Polish Customs area. By reason of the decline in imports and as the result of the fall of the zloty, the amount of the participation of Danzig when counted in gold declined further; the trouble was accentuated by the existence in Danzig of a separate gulden currency which, being based on the English £, did not show any fall in the rate of exchange; this circumstance, too, contributed towards the diminution of the actual value of the revenues received from the Customs.

Desirous of improving its budgetary situation, the Free City of Danzig approached the League of Nations requesting the latter to examine the finances of Danzig and to express its opinion on the financial situation of the City; this course was adopted with the view of obtaining a loan from abroad with the approval of the League. This matter was dealt with by special experts and by the Financial Committee of the League, and finally the approval of a loan was made dependent on the budget reform to be undertaken by the Free City.

The reform in question calls for substantial reductions of expenditure, by means of a change in the system of administration and the adoption of a policy of economy, as well as by means of an increase on the revenue side of the Budget.

This latter point is closely connected with that of the revenues of the Free City received from Customs duties. With the desire to assist in the liquidation of this question, Poland displayed great readiness for a scheme of co-operation the sequence of which lies in the agreement signed at Geneva.

This agreement was concluded for the period from September 1, 1926, to August 31, 1928. According to the chief stipulation, Poland guarantees to Danzig, as a minimum revenue from Customs duties, the sum of 14 million gulden; the plan for the appropriation of Customs provided for in the Warsaw treaty will be maintained. Should the share of Danzig not reach

the above-mentioned sum, a portion of the deficiency will be covered by Poland from her own share. On the other hand, the treaty fixes the maximum share of the Free City of Danzig at the sum of 20 million gulden; in the event of there being a surplus it will be assigned to Poland, and not according to the original plan which provided for its return to Danzig.

Moreover, Danzig is entitled to retain every week, as an advance, from the sums collected by its Customs offices, 1/52nd of the sum of 14 million gulden. In case of any deficiency it will be adjusted quarterly, and the final calculations will be effected on August 31 of each year.

It is mentioned in the agreement that this stipulation is closely linked up with the adoption of the scheme of financial reform, and it also contains a remark that the present agreement shall not form a precedent for the future. It is also agreed that neither of the contracting parties shall formulate retroactive claims whether previous to the conclusion of the agreement or during the period of its being in force.

The further articles of the agreement provide for the taking by Poland of an active part in the financial reform of Danzig. A Polish official appointed by the Ministry of Finance will be invited by the authorities of the Free City to state his opinion in matters concerning the reorganisation of the Danzig Customs as regards unification and increase or concentration of the Danzig Customs offices. In case of disagreement, or if the proposed changes be prejudicial to the interests of Poland in the sphere of the imposition of Customs duties in railway and maritime traffic, the Polish Government shall have the right to refer the matter to the High Commissioner of the League of Nations. There is also a clause that the disposal of the maximum and minimum sums stipulated will be made effective after the approval of the loan to be floated abroad by the League of Nations, which will be considered as actually taking place as soon as the Council of the League has stated that Danzig has effected or has ensured the putting into practice of all the recommendations which the Financial Committee of the League of Nations will have issued. Should this not take place by March 31, 1927, the agreement expires automatically. The agreement is to be made operative after the lapse of ten days following the exchange of the instruments of ratification between the contracting parties. (*The Polish Economist*, November.)

TRADE

Port Traffic, January to September.—The total number of vessels calling at Danzig in September was 554 totalling 304,755 reg. tons, the number of outgoing vessels being 570 with 320,555 reg. tons. The corresponding figures for August were: incoming ships 670, aggregating 335,746 reg. tons, and outgoing vessels 678 aggregating 336,776 reg. tons. A glance at these figures indicates that although the number of ships declined very materially, their total tonnage was subject to a comparatively small change. It is interesting to note that exactly the same phenomenon, viz. the decline in the number of vessels calling at the port and a simultaneous increase in the average tonnage, is regularly observed in September of each year. This can be explained by the bad weather conditions commencing in September, which prevent the smaller craft from putting out to sea. For instance in August 1925 the number of ships calling at Danzig was 499 totalling 174,213 reg. tons, as against 387 vessels aggregating 170,934 reg. tons in September of the same year. In this case the above-mentioned phenomenon is more conspicuous than it was this year, when the actual decline in the movement of goods, as reflected by the tonnage of the vessels, was very small, although the number of ships calling declined by nearly 20 per cent.

The nationality of ships calling at the port of Danzig in September was as follows:—

	Arrivals.		Departures.	
	Ships.	Reg. tons.	Ships.	Reg. tons.
Poland and Danzig	60	12,981	69	12,923
Germany ...	195	75,633	195	82,659
Finland ...	11	7,400	12	7,807
Russia ...	1	2,672	1	2,672
Estonia ...	5	910	4	1,150
Latvia ...	12	11,905	12	10,682
Lithuania ...	1	437	1	437
Sweden ...	114	66,659	114	68,689
Norway ...	35	20,908	35	22,002
Denmark ...	74	54,723	80	57,810
England ...	25	31,028	24	31,241
Holland ...	6	4,137	6	4,414
Belgium ...	5	2,508	4	2,508
France ...	9	10,860	12	13,703
Greece ...	1	1,994	1	1,855
Total ...	554	304,755	570	320,552

Competition between Danzig and Stettin.—The continuous extensions and improvements at the ports of Danzig and Stettin have resulted in an increased capacity of and a much keener competition between these two old rivals. This competition has of late been much more pronounced than ever before. The figures of the port traffic and the turnover of merchandise during the first nine months of the present year show, however, that Danzig has the advantage of a big lead on Stettin. The provisional figures of the turnover at Stettin show a total of 3,686,217 tons as against a total of 4,165,000 tons for the whole of last year. This satisfactory increase has been exceeded by the vast improvement in the port of Danzig. During the period from January to September 1926 the total turnover at Danzig amounted to 4,257,943 tons, which represents an increase of approximately 75 per cent. on the aggregate turnover for the whole of the preceding year, when altogether 2,722,748 tons were shipped or unloaded. The returns at Danzig for the nine-months period of the present year already exceed the total for the whole of the preceding year at Stettin. In addition to the heavy ore and coal exports this year, the forced timber exports from Poland have doubtless contributed to this enormous increase in port traffic at Danzig. (*Berliner Tagblatt*, Oct. 24.)

The Tobacco Monopoly Law.—The draft of the new tobacco monopoly law which comes into force at the beginning of next year has just been issued by the Senate of the Free City of Danzig. The area to which it will be applicable includes the district in and around the Free Harbour, as well as the province of the Free City itself. The import of tobacco, cigars, cigarettes, etc., into the monopoly area is dependent on the goodwill of the Government. Developments in the tobacco trade come under the direct control of the Senate, whose duty it will be to see that the monopoly treaty is in no way infringed. Everybody who was connected with the tobacco trade on October 1, 1926, is entitled to continue trading in the same way for three years from the date of the new law coming into force. Machinery and implements destined for the manufacture of tobacco goods may only be introduced into the area of the monopoly by permission of the Senate. Smokers will be allowed to roll cigarettes for their own personal use without permission. The most important regulation concerning the monopoly is that which bestows on the Senate the right to appoint a special department and officials, whose duty it will be to supervise the carrying out of the Act in all its details. Although the financial participants in the monopoly are not yet publicly known, it is believed that the Bank of Germany (Deutsche Bank) and the Bank of Dresden (Dresdner Bank) and the Savings Bank of Danzig will be concerned, the latter participating up to 30 per cent. of the total amount obtained. The period for which the monopoly will be granted is twenty years.

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FRANCE

FINANCIAL AND GENERAL

The Rise of the Franc.—As is now well known, the Budget has been voted by both Chambers even earlier than was expected by the Government. It is now definitively fixed as follows:—

Revenue	Fr. 39,728 million
Expenditure	39,541 „

Surplus ... Fr. 187 million.

Pending an analysis of the Budget, it may be pointed out that the Chambers have reduced the surplus as originally estimated from about Fr. 450 million to Fr. 187 million.

At the moment of writing, the most striking event in the financial life of the country is the fall of the rate of exchange of the £ to below 120. This fall, though materially of small importance, has produced the impression that the rate of 121 is not a stable rate, not even a provisional one, and that we are on the threshold of a new period of rise in the franc. The consequences of this impression are being very severely felt on the Stock Exchange, where a general "bearish" atmosphere prevails.

Astonishing as it may seem, there are still people in favour of revalorisation of the franc up to its pre-war parity. As pointed out in previous issues, the new editors of the *Journal des Débats*, who are closely connected with certain leading ironmasters, do not conceal their opinion on that question. In the issue of December 13 the financial editor of that paper controverted the arguments against revalorisation, quoting the example of England after 1821 and especially that of the United States after 1866, when the "greenbacks" lost about 70 per cent. of their value. In both these cases the full gold parity has been restored. Thus, in the opinion of the paper, were the Government to decide in favour of a further rise in the franc, they would find support in classical examples drawn from monetary history.

A member of the Academy of Sciences, M. Lallemand, has gone so far as to calculate how many years it will take to revalorise the franc completely; in his opinion, the period required would be of twenty-two years.

It is easy to understand that the forecast of a further rise in the franc provokes a general feeling of depression in the market. Public attention has been drawn to the serious slackening of Christmas trade in the *grands magasins*, such as the Printemps, the Galeries Lafayette, the Bon Marché, and others, as compared with last year. In an interview published by the *Petit Parisien*, the general manager of the Galeries Lafayette states that his average daily turnover is only about 5 per cent. lower than a year ago; but having regard to the level of prices, which is actually much higher than a year ago, this means that the real "volume of trade" in these shops is by about 25 to 30 per cent. lower than in 1925. It is reported in the Press that the most affected by the crisis is what is called in Paris the luxury trade (*commerce de luxe*). The number of people staying in the Riviera during the winter season is said to be about 60 per cent. lower than a year ago. The depression is keen in gowns, ladies' hats, jewellery, morocco-leather articles, and is particularly felt by the big hotels and restaurants. As for the automobile factories, they have been the first to feel the effects of the rise in the franc, and there is talk of some of them closing for the time being, the Dion-Bouton, for instance.

TRADE

Foreign Trade Returns for November.—The general turnover of foreign trade in terms of value has shown a considerable decline as compared with the preceding month. The balance of trade, though still favourable, is much smaller, as shown by the following figures (in millions of francs):—

	Imports.	Exports.	Balance.
June	5,181	4,671	— 509
July	5,016	5,244	+ 228
August	5,235	5,543	+ 308
September	4,625	5,197	+ 571
October	5,106	6,103	+ 997
November	4,994	5,329	+ 335

The figures with regard to volume do not disclose anything like the same difference in the movement of imports and exports, which remains roughly at the same level (in thousands of tons):—

	Imports.	Exports.
June	3,894	2,744
July	3,608	2,868
August	3,883	2,860
September	3,649	2,629
October	3,488	2,689
November	3,442	2,669

But looking at the different items under imports and exports, one is struck by the heavy fall in value of the exports of half-finished and finished goods as compared with the preceding month:—

	Imports.		Exports.	
	Value (in millions of francs).	Difference as compared with	Volume (in thousands of tons).	Difference as compared with
	November.	October.	November.	October.
Foodstuffs	1,091	+ 140	494	+ 28
Raw materials and semi-manufactured goods	3,325	— 267	2,844	— 97
Manufactured goods	578	+ 15	104	+ 22
Total	4,994	— 112	3,442	— 47
	Exports.		Imports.	
	Value (in millions of francs).	Difference as compared with	Volume (in thousands of tons).	Difference as compared with
	November.	October.	November.	October.
Foodstuffs	486	— 30	123	+ 10
Raw materials and semi-manufactured goods	1,476	— 465	2,110	— 88
Manufactured goods	3,367	— 279	437	+ 58
Total	5,329	— 774	2,670	— 19

The fall in value as compared with the volume of foreign trade, which is chiefly attributable to the fall in foreign exchanges, varies greatly for the different items both of import and export.

The average value of a unit of merchandise in November as compared with October exhibits the following changes:—

	Imports.	Exports.
Foodstuffs	+ 8%	— 13.5%
Raw materials and semi-manufactured goods	— 7.5%	— 22%
Manufactured goods	— 19%	— 20%

Thus it will be seen that, roughly speaking, the rise in the franc has had a more marked effect on the value of exported goods (in terms of francs) than on that of imported goods. Of course, the comparatively small decrease in the value of imported raw materials is due to a rise in the price of certain raw materials in the world market, but the general tendency is nevertheless in the direction of a greater fall in export than in import prices.

INDUSTRY

Reconstruction of the Devastated Mines.—We have repeatedly drawn attention to the progress achieved in restoring the devastated mines of Northern France. In a paper read at Lille, M. Guerre, general manager of one of the biggest coal mining companies, the Mines de Courrières, showed the great part played by the technical perfection of the newly-constructed plant in the growth of output. The underground workings are now free from water, and the shafts have been entirely reconstructed. The principal feature in reconstruction is the general tendency towards electrification of the whole

of the works, except in certain cases where the maintenance of old machinery represents certain advantages.

An important improvement is represented by the centralisation of the production of electric power for the whole area. The current produced is of 45,000 volts for the energy transmitted over great distances, 15,000 for that transmitted between different companies and 3,000 for that utilised in the mines. The different regional power stations are provided with technical equipment of the latest type; that at Pont-à-Vendin has a capacity of 50,000 kilowatts, with a reserve of 30,000; the Noeux station has 16,000 kilowatts, with the possibility of doubling this figure when certain new installations, now in course of construction, come into operation. Eventually the capacity of the Courrières Company's station will be 80,000 kw., divided between eight groups of turbo-alternators, five of which are already in operation. The big companies, such as Aniche and Ansin, are also provided with extensive electric power resources.

Special attention has also been given to the production of all sorts of by-products and other operations in connection with the coal mines. Thus the gas of the coke furnaces is very frequently utilised for the heating of the furnaces. Many companies produce methylic alcohol, and others ammonia. These activities were practically non-existent before the war. One company, in particular, has recently undertaken the distillation of tar; the factory is capable of producing over 50,000 tons a day. Further, as pointed out by M. Guerre, important improvements have been introduced in the technical organisation of the work in the mines.

The result of all the technical reconstruction of the devastated mines, though not yet completely finished, is shown by the last figures of the coal output of these mines (*see THE ECONOMIC REVIEW, December 3*); the October output exceeds the pre-war average by about 20 per cent., notwithstanding the fall in the output of the average worker.

GERMANY

FINANCE

The Agent General for Reparations on the Budget.—

It is natural that the Budget should take up a considerable amount of space in the Reparation Agent's report. In a "normal year," of which the first example is to be 1928-29, one-half of the reparation total of 2½ milliards or Rmk.1.25 milliards is to be produced from the Budget! In the reparation year which closed on August 31 "only" Rmk.258 mill. had to be provided. In the current reparation year, according to the new agreement in respect of the "small improvement voucher," Rmk.410 mill. will have to be provided, and in 1927-28 Rmk.500 mill. Whenever these gigantic sums are reviewed the impression is given that it will eventually prove impracticable to supply such fantastic amounts.

This impression is strengthened on examining the Agent General's comparative review of the development of the Budget in the financial years following on the stabilisation of the currency. The total revenue of the Reich amounted in 1924-25 to Rmk.7.7 milliards, in 1925-26 to Rmk.7.3 milliards, in 1926-27 (estimate) Rmk.7.1 milliards, thus showing a decided tendency to decline. If revenue from taxation is taken apart, a still more marked tendency to decline is noticeable. Recurring taxes (exclusive of consumption taxes) showed the following development:—

1924-25	5.6 milliards
1925-26	4.8 milliards
1926-27	4.4 milliards

Non-recurring taxes do not improve the position in the slightest, as they have dropped from Rmk.79.0 to Rmk.59.7 and Rmk.30.0 mill. The heaviest fall has occurred in respect of the turnover tax, from Rmk.1.7 mill. to Rmk.0.9 mill., while the income tax has dropped

from Rmk.2.2 mill. to Rmk.2.1 mill. Revenue from Customs and consumption duties afford a certain amount of compensation. These have risen from Rmk.1.5 mill. in 1924-25 to Rmk.1.9 mill. in the two other years. It must also be remarked that the proceeds of the Mint were a considerable assistance to the revenue, amounting in 1924-25 to Rmk.99.9 mill. in 1925-26 to Rmk.213.6 mill. and in 1926-27 to Rmk.294.6 mill. Continued profits from this source cannot of course be reckoned upon, as there is at present a certain superfluity of current coin.

In contrast to the revenue the expenditure shows a rising tendency. It amounted to Rmk.7.2 milliards in 1924-25, Rmk.7.5 milliards in 1925-26 and Rmk.8.4 milliards in 1926-27. Expenditure for general administration has in the first place increased from Rmk.1.6 milliards to Rmk.2.1 milliards, and for pensions from Rmk.1 milliard to Rmk.1.5 milliards. This was occasioned by an absolutely imperative improvement in the salaries and pensions of officials. Expenditure for the support of the unemployed has increased from Rmk.35.8 mill. to Rmk.490 mill., and in addition to this there is the burden of the execution of the Dawes Plan, which involves the payment of Rmk.291.3 mill. in 1925-26 and Rmk.537.4 mill. in 1926-27. To this has further been added the valorisation debt to the extent of Rmk.221.2 mill. in 1926-27. A considerable increase has taken place under the heading "Capital investment and advances," in which are included various economic enterprises of the Reich. Expenditure under this heading amounted to Rmk.111 mill. in 1925-26 and Rmk.395 mill. in 1926-27. On the other hand certain items of expenditure have been reduced. Thus in the first place allocations to Provinces and Municipalities have fallen from Rmk.2.7 mill. in 1924-25 to Rmk.2.5 mill. in 1925-26 and Rmk.2.3 mill. in 1926-27. The internal War and Occupation Debt also shows a decrease from Rmk.1.1 milliards in 1924-25 to Rmk.300 mill. in 1926-27. It is thus clear that while everything possible has been done to reduce expenditure it nevertheless shows a steady increase amounting to Rmk.1.2 milliards since 1924-25, as against a decrease in revenue of = Rmk.600 million. It is solely due to surplus revenue from previous years that there has not been a deficit in the preceding and current financial years, and considerable financial anxieties are ahead.

The chief impression left after a study of the Budget is doubt of the practicability of the Dawes Plan in its present form. The period from the second half of 1924 till the spring of 1925 gave an appearance of prosperity called forth by the accession of foreign credits into the country. This ephemeral prosperity expressed itself in the Budget of 1924-26 and hence gave rise to quite unjustifiable optimism in regard to the execution of the Dawes Plan. It is now high time to set about remedying the impossibilities of the scheme. The sum of Rmk.1,250 mill. can never be supplied from the Budget. Not even the Agent General himself in his concluding observations ventures to assert that it will be possible completely to fulfil the Dawes Plan. (*Deutsche Allgemeine Zeitung, Dec. 14.*)

INDUSTRY

The Rubber Industry.—That branch of German industry which is engaged in the working up of rubber is peculiarly dependent upon foreign supplies, such as raw rubber and cotton, and this dependence, together with the extent of foreign resources in this direction, necessarily constitute the determining factors in the organisation of stocks and the management of wholesale production. As periods of some length usually elapse between the purchase and working up of the raw material, considerable losses have occurred since the date of the last balance, owing to the depreciation of the raw material in question, as the managing bodies of the leading German enterprises have been forced, unwillingly, to admit. These losses will presumably lead to new capital transactions, particularly as considerable

dealers' discounts, and owing to the reserve of France, Belgium and Italy in the world market in view of delayed stabilisation of their respective currencies, and last but not least, thanks to the weakening of the British industry consequent upon the coal strike, a considerable improvement has taken place in the tyre business of late. This improvement would have made itself felt sooner, if the negotiations of the Tyre Convention had not been dragged on beyond the date of the Berlin Motor Exhibition. At the present moment the tyre manufacturers, who constitute about 70 per cent. of the rubber-working industry, are justified in looking forward to the future with a certain amount of confidence. The quality of the material has experienced considerable improvement during the last few years, and this applies particularly to tyres for delivery waggons and bicycle tyres. Conditions have become consolidated both as regards home and foreign trade where soft rubber goods are concerned. Germany is now qualified to compete with success on the world market. There is plenty of room, however, in this direction for the development of technical and commercial ability and inventiveness for every imaginable household and daily utility purpose. It is doubtful whether the raw rubber import, which has dropped considerably below the standard of last year, can be speeded up, but the tendency to increased export of manufactured goods is unmistakable. (*Hamburger Fremdenblatt*, Dec. 3.)

SOCIAL AND LABOUR CONDITIONS

Strikes and Lock-Outs in 1925 and the First Half of 1926.—Statistics of labour disputes during 1925 have at length been published, showing a distinct ebb in the high tide of strikes in 1924. The figures concerning strikes and lock-outs in 1925 were as follows: 1,766 labour disputes (as compared with 2,012 in 1924) in 25,214 concerns (1924, 29,214) involving 1,128,077 workers (2,087,17) and 16.8 mill. lost working days as compared with 36.02 mill. in 1924. The figures only cover trade disputes, for there were no political strike movements in 1925. The following table shows the development under the separate headings:—

		Strikes.			
		Strikes.	Concerns.	Workers.	Lost working days.
1924	...	1,581	17,427	969,956	13,198,470
1925	...	1,516	16,239	795,864	11,028,499
		Lock-outs.			
1924	...	392	11,003	1,096,378	22,663,111
1925	...	224	8,826	329,936	5,818,333

These figures only include strikes and lock-outs of members of trade unions. Other labour disputes in 1925 were as follows:—

In agriculture, 16 strikes in 32 concerns involving 1,017 workers, and no lock-outs. Among officials, 9 strikes in 26 concerns involving 345 persons and one lock-out in one concern involving 29 persons.

The total figures for both forms of labour dispute show that dissension activities in the employers' camp have declined to a greater degree than on the side of the trade unions as compared with 1924. The latter was altogether an exceptional year as regards extent, duration and intensity of lock-outs.

The number of persons engaged in any one strike dropped from 405 in 1924 to 324 in 1925, while where lock-outs are concerned the respective figures are 2,942, and 1,184. The results of the statistics of the number of days' work lost are remarkable. In 1924 the numbers of days lost per head of the strikers averaged 21, while for 1925 the average number of lost days was 22. Thus although the number and extent of the strikes diminished, their duration increased, which is a proof of the stubbornness with which the struggle was carried on, and of the difficulties which stood in the way of an understanding and delayed the conclusion of the contest. This may be attributed in part to the economic crisis.

The duration of lock-outs, on the other hand, shows a decrease in working days lost per head of the hands locked out from 23 to 22, a small enough drop in comparison with the heavy decrease in the extent of the lock-outs, as shown in the drop in the total number of working days lost.

Thus the labour disputes in 1925 were behind those of the preceding year in number and size, without affording much change where intensity is concerned.

In the meantime the *Reichsarbeitsblatt* (No. 38) has published the statistics for the first half of 1926. A comparison with the corresponding period of 1925 plainly demonstrates the effect of the economic crisis, which reacted upon the struggle for the amelioration of labour conditions. The total number of economic strikes was 160 as compared with 851 in the preceding year. Only 32,908 persons were affected by the strikes as compared with 365,188 in 1924. The highest number of strikers at any one time was 16,615 (1924, 200,997). The number of strikes was five times smaller and the number of strikers twelve times less than in 1925.

A similar ratio occurred in respect of lock-outs. In the first half of 1926 21 lock-outs took place, involving 17,151 participants and 14,085 persons actually locked out. The corresponding figures for the first half of 1924 were 148,962 and 115,085.

The decline in the volume of business ruled out all favourable conditions for economic struggles on the part of the trades unions, though they have not lost heart in consequence of these disturbing elements. The open and free trades-union movement of faithfully associated workers knows and lives in the consciousness that the present system of labour conditions and the distribution of profit from labour are built up on the principle of "might is right." An improvement in the economic position will call forth renewed struggles for improved labour conditions. (*Gewerkschaftszeitung*, Dec. 4.)

COMMUNICATIONS

Expansion of the Norddeutscher Lloyd.—According to a report from Bremen the expansion activity of the Norddeutscher Lloyd has taken a surprising turn. Whereas up to the present only the construction of a second "Columbus" of 35,000 tons was spoken of, and even this was not held certain on account of the financial burden involved, the following announcement now comes from Bremen:

The management of the North German Lloyd has decided upon the construction of two first-class luxury passenger vessels of 46,000 g.r.t. each for the Bremen-New York service. The ships are to represent an enlarged and improved Columbus type (32,000 tons) and to possess a speed that will enable them to make the journey from Bremen to New York in six days, and from the English Channel ports in five. The ships are to be constructed by Blohm & Voss and the Weser Company, and will be given the names of "Bremen" and "Europa."

With the bestowal of the contracts for these two new ships the Norddeutscher Lloyd has taken a decisive step towards achieving the leading position in the German passenger service in the northern Atlantic. At the present moment the company has at its disposal on this route a tonnage of 122,365 g.r.t. with a passenger carrying capacity of 9,634 persons. The fleet is not very evenly balanced, as it consists of the Columbus, a ship of superlative size, and then three steamers, the Berlin, Stuttgart and Munich of 13,000 to 14,000 tons, the Sierra Ventana and the Bremen, built in 1900 and the Lutzow and the York, old ships of 9,000 tons. With the addition of the two new giants, the tonnage of the Norddeutscher Lloyd in the Northern Atlantic will be increased to 215,000 g.r.t., including a trio which can only be excelled by the White Star Line on an international basis, while the ships of the latter will be of much older date.

From a general and national point of view German

shipping will be greatly advanced by this new step on the part of the Norddeutscher Lloyd, though it brings to Hamburg the painful certainty that this great port has lost the leading position in the North Atlantic passenger service. The Hamburg America line has now at its disposal on this route 140,217 g.r.t., and its passenger carrying capacity is already smaller than that of the Norddeutscher Lloyd (7,383 persons) because the Hapag has concentrated on the combined passenger and freight type of vessel. However, in the spring of 1927 the Hamburg America line can look forward to the addition of the New York to its fleet, though this will not alter much in the final re-distribution of weight by the construction of the two Lloyd ships, especially as these will have a speed that can only be beaten by the Mauretania of the Cunard line.

The Norddeutscher Lloyd will finance the construction of the two giants without having recourse to the money market, and some small idea of what that implies can be gathered from the fact that the construction of the two ships will run into something like Rmk.92 million. As the Norddeutscher Lloyd also intends to strengthen its freight services, it may be concluded that the financial position of the great shipping company is extremely favourable. It is not yet certain whether the sums expected from the release of sequestered property in America will be available for this purpose.

The bestowal of one of the contracts on the Weser Yard is remarkable in so far as it is not particularly well equipped for the construction of 46,000 ton ships. It is not astonishing that Blohm & Voss should obtain the other, for all the first quality ships in Germany have been built by this firm of late years. This yard will thus bring its contract tonnage up to 123,000 g.r.t.

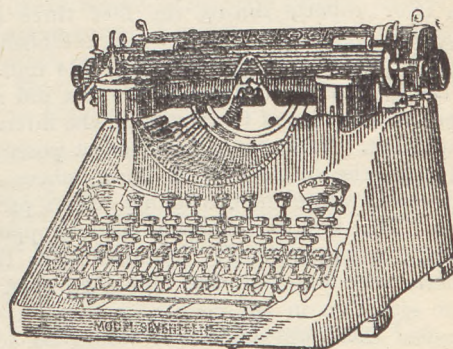
The negotiations between the Lloyd and the Hapag, disturbed by the amalgamation between the Hamburg America Line and the Deutsch-Austral-Kosmos, will take on yet another complexion through the newly published intentions of the Lloyd. It is too soon to predict what turn affairs are likely to take, or how the Hamburg America Line is likely to react to the construction of the two giant ships by the Lloyd. It is conceivable that the Hamburg America may feel itself constrained to follow the example of the Norddeutscher Lloyd and go over to the construction of a larger type of ship in some further extension of its passenger fleet. The great activity of Bremen in developing its economic power is a noticeable feature in the new plans of the Norddeutscher Lloyd. (*Hamburger Fremdenblatt*, Dec. 14.)

POLAND

POLITICAL AND GENERAL

Internal Political Developments.—A critical stage has been reached in the development of internal political events in Poland. The delicacy of the situation is best indicated by the constant conferences of parties and the formation of new organisations. The visit of the Premier, Marshal Pilsudski, to Nieswiez was the beginning of a campaign to weaken those parties of the Right which are in opposition to the existing régime, the aggressive National Democrats being the party which was chiefly attacked. These efforts have revealed themselves clearly in the foundation of a new conservative party, the so-called National Right. The report now comes from Posen that a new organisation was inaugurated there last Saturday called "The Greater Poland Group." As many as 300 important personalities were present at the opening conference, which was initiated by one of the most popular Polish politicians, M. Roman Dmowski. The object of the new organisation is the grouping together of all Poles who wish their country to become powerful both with regard to internal and foreign politics. The new organisation is to unite the nationalistic forces on the basis of Roman Catholicism and national culture; it evidently wishes to exploit

the powerful position of the Catholic Church in Poland. The organisation is directed by a Council, the members of which are nominated and not elected. It does not yet constitute a political party, but intends to create a powerful organisation which will eventually become more important than any political party. "The Greater Poland Group has no intention of fighting Marshal Pilsudski, but wishes, however, to be prepared in the case of the collapse of the present régime to take the power into its hands"; such were the words used by M. Dmowski to the representatives of the Warsaw Press. Much depends now upon the relation of the new movement to Marshal Pilsudski's Government, the members of which do not like this new move on the part of the Right elements, and who go so far as to fear that it may represent a new grouping of the forces which were in control before the May *coup d'état*. The situation in Parliament is also becoming complicated. The rejection by the House of the government provisions for limiting the freedom of the Press may easily lead to an open conflict between the Government and Parliament and to the dissolution of the latter amidst somewhat chaotic conditions, conditions which might facilitate the most varied developments. These developments would take place as the result of new elections held on the basis of the new electoral regulations. Further, there might afterwards be a dictatorship, though only of a temporary nature. The decision lies in the hands of Marshal Pilsudski, who in the course of the next few days may be confronted with some serious problems. (*Central European Observer*, December 10.)



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FINANCE

The Budget Problem.—For some time past there have been rumours to the effect that the Government intended to solve its financial difficulties by resorting to a policy of inflation. The Government at length found it necessary to issue an official note declaring that such rumours were utterly without foundation, and that, far from pursuing a course of inflation, it was intended to restrict the notes at present in circulation.

In a recent speech in the Sejm on the Budget estimates for the financial year 1927-28, M. Czechowicz, Minister of Finance, also emphasised that the Government was determined to persist in its policy of deflation, for which purpose the sum of 12.6 mill. zlotys would be assigned every year. He further pointed out that, taking the high cost of living into consideration, the sum provided for expenditure, which amounts to 1,898 mill. zlotys, was in reality lower than the expenditure of two years previous. Moreover, revenue was fixed at 1,899 mill. zlotys, so that the estimates provided for a surplus of a million zlotys. M. Czechowicz referred to Mr. Hilton Young's recommendation that the Budget should not exceed the figure of 900 gold zlotys. Mr. Hilton Young's total figure did not, however, include such items as expenditure on schools and other administrative costs, which expenditure he recommended to be thrown upon the provinces and the municipalities, but which the Minister of Finance had absorbed into his State Budget. The Ministry of Labour, he continued, had been able to effect an appreciable reduction in its departmental budget on account of the decrease in unemployment brought about by the provision of relief work.

The favourable foreign trade balance had made possible the stabilisation of the Polish currency at an exchange of 9 zlotys per 100 dollars. The excess of exports over imports during the first three quarters of the present year had resulted in the establishment of a favourable balance to the extent of 344 mill. zlotys. Under the circumstances the Government did not fear a decline in the value of the zlotys on the international money market. There was, however, a possibility of a still further rise in the cost of living indices, in view of which the Government was taking certain preventive measures. The interest on loans had dropped from 24 per cent. to 16 per cent.; considerable as this was, the general rate was still too high. As soon as the economic situation in the country had improved and had become thoroughly sound it would be advisable to raise a foreign loan on acceptable terms; nevertheless, the Government did not intend to be hasty in loan negotiations which might result in terms that would be burdensome for the country.

As from December 13, 1926, the Polish Bank rate was fixed at 9½ per cent. for bills of exchange, and the rate of interest on advances at 11 per cent.

TRADE

Grain Exports and Imports.—The exports of the four main varieties of corn from Poland during September were as follows (in tons):—

	September. 1925.	August. 1926.	September. 1926.
Wheat ...	14,547	6,614	3,014
Rye ...	62,187	23,902	24,392
Barley ...	11,298	9,922	19,370
Oats ...	3,383	2,113	1,073

Compared with the preceding month, the export of barley was more than doubled, rye increased somewhat, while wheat and oats diminished considerably. The export of barley is reaching its normal level in connection with the approaching malting period. The disposal of rye is rendered somewhat difficult on account of American competition, the price of American rye comparing favourably with that ruling in Poland at present. Although the American quotations are slightly higher, it

finds ready buyers on account of its better reputation on the international market.

Compared with September 1925, the export of grain declined and amounted to 47,849 tons, as against 91,415 tons in the corresponding month of last year. During the period under review wheat was mostly exported to Germany, who took 65.3 per cent. of the total quantity sold in foreign markets. Smaller quantities were placed in Estonia (8.3 per cent.), Belgium (7.6 per cent.), Czechoslovakia (6.9 per cent.), England and other States.

The main markets for rye were Finland (18.8 per cent.) and Germany (15.2 per cent.). Among other customers for Polish rye should be mentioned Estonia, who took 13.6 per cent.; Belgium 13.5 per cent.; Denmark, 12.9 per cent.; and Latvia, 9 per cent.

Exports of barley were mainly directed to Germany, the quantity placed there amounting to 40.9 per cent. of the total; to Denmark, which comes next with 17.6 per cent.; and to Czechoslovakia, with 13.9 per cent. The chief outlets for Polish oats were Germany, 59.2 per cent.; Latvia, 16 per cent.; and Denmark, 13.9 per cent. The total value of exports of grain during September last amounted to 15,856,414 gold zlotys.

During the period under survey the imports of grain into Poland consisted of 1,280 tons of wheat, chiefly from Hungary; 47 tons of barley, and insignificant quantities of oats and rye. The value of the grain imported represented 1,537,975 gold zlotys.

Polish Timber Exports.—Poland is one of the timber producing countries; possessing large reserves of wood and using them economically, she is playing an increasingly important part in the world's timber market, particularly of recent times, the post-war development of the exports of Polish timber having begun rather late. The reason for this was that the timber-producing areas were the scene of military operations up to the beginning of 1921, which rendered the exploitation of the forests impossible; the remainder of the Polish forests had at that time to provide the necessary material required for the reconstruction of these regions, which had sustained damage from the war. The timber industry itself was hit very badly by military operations, and was unable to make good the ravages it had suffered. It was not until the year 1922 that the export activity of the industry could be regarded as normal.

The fact that the Polish timber trade has traditions of its own dating back to many years prior to the war contributed materially towards this re-establishment. Since 1922 the Polish timber export trade has undergone a great evolution, illustrated by the following statement (in tons):—

	1922.	1923.	1924.	1925.
Firewood ...	48,682	72,722	5,581	49,549
Round wood ...	191,033	267,485	188,051	495,588
Pulpwood ...	70,556	750,467	229,658	690,561
Pit props ...	c.a.500,000	242,217	72,626	345,469
Sawn wood ...	791,160	822,088	1,142,851	1,151,100
Railway sleepers	173,593	248,875	206,675	361,033
Barrel staves ...	28,490	26,721	44,474	73,788

The value of these exports as well as that of other forest products, which in view of their being of less importance are not included in the above table, amounted in 1922 to Zl.86,000,000, in 1923 to Zl.140,000,000, in 1924 to Zl.147,000,000 and in 1925 to Zl.250,000,000. These figures represent from 12 to 20 per cent. of the total value of Polish exports in the above-mentioned years. The exports of firewood are of secondary importance; this is justified by the relatively small value of the material as compared with its weight, and by the transport difficulties resulting therefrom. In spite of this firewood plays no small part in the local frontier trade, but in all probability this business will never assume very large proportions. For the same transport considerations, unwrought timber is solely sold in the nearest markets, mostly in Germany and Czechoslovakia. Pulpwood is bought almost exclusively by the paper mills of East Prussia, which in the majority of cases are con-

trolled by British interests. As for the sawmill material available for export, practically the whole of it is directed to the Brandenburg and German Pomeranian sawmills. The export of this article has no particular future prospects. The Polish timber industry is in a position to work the whole supply of sawmill material, and there is no exaggeration in saying that the exportation of timber in this form will never be encouraged. In fact, unwrought timber is already subject to an export duty amounting to Zl.0.40 per 100 kilogrammes, which rate is more likely to be increased than decreased, and still less likely to be altogether dropped.

There is usually a big demand for pit props, in particular on the part of the coal-mining industry. Possessing well-developed and extensive coal fields of her own, Poland has but small quantities of pit props available for export. It is only in recent years that, owing to the *panolis flammaea* seriously affecting certain wooded areas, and subsequently to increased felling activity in the areas concerned, that the export of this material has temporarily shown a marked increase. It is, however, certain that the export of pit props as a finished article will continue to be encouraged by the Government. Polish pit props are already well known in Great Britain. Belgium and France, these countries being compelled to import large quantities on account of their conducting extensive coalmining operations and having only incommensurately small areas under forests. Within the limits of their own production, Poland may supply the Western European countries, but here, too, the question of transport is difficult to solve, in view of the low value and heavy weight.

The most important article of Polish origin, as regards quantity, value and demand, is sawn timber, in the first place that derived from pine forests, in a lesser degree that produced by spruce, fir and the foliferous hardwoods. Despite the fact that the export situation for the Polish manufactures in the year 1924 was distinctly unfavourable on account of the general economic crisis and the increased cost of production, the timber industry was the only one the export activity of which surpassed the figure of the year 1923, in which, as is well known, the exports of sawn material were exceptionally large. The favourable development of export activity in this line was not hampered even by the Customs war with Germany, on account of which the import of Polish boards into that country, which had till then absorbed about one-third of the Polish exports of sawn timber, was totally suspended. After the temporary falling off of exports in the autumn of last year, the Polish timber industry developed its exports up to unprecedented figures, great gains being made on the western European markets, especially in Great Britain and Holland, so much so that in the summer months of this year the export figures considerably exceeded the highest level attained at any time prior to the Customs war with Germany. Notwithstanding a decline of timber imports into Great Britain, amounting to 358,000 loads as compared with the corresponding eight months of last year, the statistical returns show a large increase in the imports of wood from Poland, which amounted to 334,232 loads during the eight months period of this year, the figures for the corresponding periods of 1925 and 1924 being 178,435 and 234,653 respectively. On the whole, the increase of the exports of sawn wood to Great Britain from Poland can be regarded as a normal phenomenon. In the year 1922 they amounted to 16 per cent., in 1923 to 32 per cent., in 1924 to 37 per cent., in 1925 to 38 per cent., and in the first half of 1926 to 50 per cent. of the total quantity of sawn timber exported from Poland.

The favourable development of exports of this article under very adverse conditions is accounted for by the efficient support accorded to this branch of industry by the Polish Government. Polish timber is the product of natural and frequently virgin forests in Eastern Poland and in the Carpathians; it possesses exceptionally valuable technical qualities equal to those of the best

material produced by any other country. Polish sawn wood compares favourably with other similar material of foreign origin, especially as regards price, the unsorted sawn wood being quoted at £30 10s. per standard c.i.f. Eastern coast of Great Britain. This price will necessarily be subject to an increase, but the Polish timber industries having at their disposal cheap supplies and cheap labour, will always be in a position to sell their products at relatively low prices. Poland, too, is determined to spare no efforts to maintain the existing good relations between the timber exporters and the Western buyers. (*Polish Economist*, November.)

The Export Trade in Textiles.—After a period of bad trade the Polish textile industry has considerably revived during the past few months, the improvement being reflected in the increased exports abroad. In August textile exports from Lodz were valued at 4.9 mill. zlotys; in September at 5.8 mill. zlotys; and in October at 5.04 mill. zlotys; The chief countries buying from Poland during this three-month period were Rumania, Lithuania, Latvia, Estonia, China, Persia, India and Denmark. The industry is making great efforts to improve its sales to the Far East, where, it is considered, there exists a very favourable opportunity for expansion. The general prospects of exports of textile goods are regarded as favourable and further satisfactory developments may be expected within the near future.

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INDUSTRY

Iron Production and Exports.—The *Przemysł i Handel* of November gives some interesting figures of the progress that is being made in the Polish iron industry. In the following table the monthly averages of the production of raw iron, cast and rolled iron in 1926 are compared with the monthly averages in 1925 (in tons):—

Monthly average.	Raw iron.	Cast iron.	Rolled iron.	No. of workers.
1925	26,214	65,188	48,820	35,925
1926, first half ...	24,295	50,636	35,621	31,907
1926, July	24,008	69,854	50,416	33,605
1926, August	23,980	75,674	50,802	35,511
1926, September ...	28,670	76,065	58,344	36,244

The general production now considerably exceeds the average for the past year. Exports also show a vast improvement during the last few months, though not to such an extent as production. The figures given below reflect the situation in the export trade (in tons):

Monthly average.	Iron of all kinds.	Rail metals.	Sheet iron and steel.	Piping.
1925	6,823	500	3,174	1,588
1926, first half ...	601	32	1,244	1,768
1926, July	1,106	40	1,988	2,302
1926, August	2,654	—	2,343	2,385
1926, September ...	2,501	31	3,063	2,369

With the exception of iron piping, exports of iron products are still well below the monthly average of the preceding year, although the figures of the latter part of the period under survey indicate a decided improvement on the earlier months of the year.

The chairman of the Polish Metal Industry Association recently declared that the output of the iron and steel industry in Poland had increased by about 60 per cent. and that the improvement would probably be continued, since Poland's ability of competing in the foreign market had considerably increased. Polish rolled products were now being exported to the Far East, to South America and increasing quantities to Russia. He considered it advisable for Poland to keep out of the Steel Trust as long as she possibly could. The main problem at present for the Polish metal industry was to consolidate and increase production and to perfect its inner organisation in conjunction with the development of the foreign markets.

AGRICULTURE

Crop Statistics.—The Chief Statistical Bureau has published the results of this year's crops, the calculations showing somewhat smaller yields of wheat, rye and barley, as compared with the former estimates, while there is some increase anticipated in the output of oats. The quantities of the different varieties of grain, according to these official figures, are the following (in quintals): Wheat, 13,673,000; rye, 52,346,000; barley, 16,075,000; and oats, 33,003,000. These figures are not to be considered as final.

In relation to last year's crops, those obtained in the present season represent in percentages: wheat, 86.7; rye, 80.1; barley, 95.7; and oats, 99.7. Consequently, the production, though smaller than that of last year, will not only cover the requirements of the home markets, but will leave a certain margin available for exportation. (*Polish Economist*, November.)

SOCIAL AND LABOUR CONDITIONS

State of Employment in September.—During the five weeks ending October 2 there was further improvement in respect of employment. The number of unemployed in the whole State decreased to 211,328 as against 244,552 on August 28 last; the decrease amounts to 33,224 persons or 13.6 per cent. This is due to the favourable situation which prevails in industry and also to increased employment on the land in connection with the harvest, where a large number of unemployed from the towns have been given work.

Compared with the returns for the end of January last, when the unemployment figures reached the maximum of 359,119 persons, the decrease is very marked and amounts to 147,791 persons or 41.2 per cent.

The decrease in unemployment since the beginning of this year is illustrated by the following provisional figures, as at the end of each month:—January, 359,119; February, 358,430; March, 346,431; April, 320,512; May, 304,113; June, 288,196; July, 264,737; August, 244,554; September, 211,328.

The state of employment in the different trades is shown in the following table:—

	August.	September.
Mining	25,742	21,646
Foundries	9,067	8,247
Metal	19,800	17,207
Textile	39,742	30,178
Building	13,082	10,700
Clerical	25,033	24,474
Various	112,086	98,876
Total	244,552	211,328

Compared with the statistical data published on August 28, the unemployment figures in the mining industry during the period under review decreased by 4,096. This is due to increased production of coal. The betterment in the foundries and in the metal industry, in which the decline in the unemployment is given as 820 and 2,593 persons respectively, is largely due to the revival of home trade and also to the execution of orders placed by the State.

More significant changes took place in the textile industry, where, owing to increased exports and a brisk demand on the part of home provincial buyers, about 25 per cent. of the unemployed have found work; compared with the statistical data of August 28, the decline amounts to 9,564 persons.

In the building trade the decrease during the period under review represents 2,382 persons.

In the group of clerical workers, which showed a very slight improvement in the preceding month, the decline reached the figure of 559, or not much less than that attained in July.

In the group of "various trades" the figures were reduced considerably, namely by 13,210 persons. This improvement is to be ascribed to the migration of unskilled hands in connection with the harvest.

The number of people working part time increased by 1,532, aggregating 38,151 persons. Of this number 88 persons worked one day per week; 402 persons two days per week; 2,129 persons three days per week; 11,386 persons four days per week; and 24,146 persons five days per week. (*Polish Economist*, November.)

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RUSSIA

POLITICAL AND GENERAL

The Situation at the End of the Economic Year.—

The two last months of the economic year just expired brought but little change in Soviet agriculture. In spite of continued unfavourable climatic conditions in the north-eastern districts of European Russia, where part of the summer crops did not even ripen, the total quantitative result of this year's harvest has altered but little according to the latest estimates. The most recent reports are to the effect that in the districts where the crops were harvested latest unexpectedly good results have been achieved, so that in this way the shortcomings in the other districts have been equalised.

As the work of harvesting gradually spread northward from the Caucasus and Southern Ukraine to the Northern agricultural districts, and one region after another sent in its crops to the market, the grain campaign became steadily more animated. While in the month of August Southern Russia (the Ukraine and North Caucasus) was the chief district concerned in the purchase of grain, in September the field of operation of the grain-purchasing organisations spread gradually to Central Russia. The result was that the purchase of rye, the characteristic bread grain of Central Russia, came more to the fore, though wheat still held the first place. The position of the grain campaign is as follows (in millions of poods):—

	Campaign 1925-26.			Campaign, 1926-27.		
	Total.	Wheat.	Rye.	Total.	Wheat.	Rye.
July ...	13.3	3.1	7.0	12.6	8.7	2.0
August ...	58.6	21.3	19.0	45.7	32.4	6.5
September ...	88.2	33.1	15.4	93.3	51.5	19.6
Total	160.1	57.5	41.4	151.6	92.6	28.1

As regards price development, the fluctuations in August and September led to an upward tendency. According to the last reports the prices paid by the Klebprodukt grain-purchasing organisation are as follows (monthly average in kopecks per pood):—

	Wheat.			Rye.		
	1924-25.	1925-26.	1926-27.	1924-25.	1925-26.	1926-27.
July ...	112	129	101	80	111	66
August ...	119	125	106	91	93	68
September ...	98	131	108	71	87	71

Thus the chief varieties of grain have risen by from 5 to 7 kopecks per pood. As soon as approximate figures for October are available it will be seen that wheat has experienced a considerable weakening in price, while rye has maintained about the September level.

Notable developments have taken place in industry during August and September. According to the statistics of the economic commission the position is as follows:—

	September, 1925.	September, 1926.	Increase as compared with 1925 (per cent.).
Coal output (in 1,000 tons)	1,566.0	2,188.0	39.7
Rolling mill output (in 1,000 tons)	153.4	216.8	41.3
Cotton fabric (in million metres)	164.4	207.2	26.0
Naphtha output (in 1,000 tons)	656.0	747.0	13.9
Total output of State industries (in millions of roubles)	264.0	335.8	27.2
Number of workers employed (monthly average in thousands)	1,690	1,936	14.5

The total production of the State industries, which in August amounted to R.307.8 mill. (pre-war values), increased in comparison with July by 13 to 14 per cent., and September gave a further increase of 9 per cent. The partial set-back which occurred in July is thus fully made good. It may be mentioned here that the coal output and rolling mill production increased by

about 40 per cent. in September as compared with the corresponding month in the previous year, the naphtha output by 14 per cent. and the production of cotton fabrics by about 26 per cent.

The trade turnover in the chief goods exchange centres of the country shows the characteristic autumn uplift in August and September, as demonstrated in the following statistics (in millions of roubles):—

	1925.		1926.	
	August.	September.	August.	September.
Goods turnover at 71 exchanges ...	612.6	979.8	649.5	1,017.6
including Moscow ...	249.4	465.6	329.6	529.7
70 Provincial exchanges	363.2	514.2	319.9	487.9

The September turnover on the Moscow exchange exceeded the combined turnover of all the provincial bourses by a considerable amount, and reached the record figure of R.529.7 mill.

The foreign trade of the Union of Soviet Socialist Republics over the European frontier developed as follows during the economic year 1925-26 (present values in millions of roubles):—

	Export.		Import.		Surplus or deficit.	
	1924-25.	1925-26.	1924-25.	1925-26.	1924-25.	1925-26.
Oct.-Dec. ...	119.4	172.8	101.1	194.2	+ 18.3	- 21.4
Jan.-March	111.7	135.4	132.0	171.8	- 20.3	- 36.4
April-June	119.1	138.8	222.0	155.1	- 102.9	- 16.3
July-Sept. ...	157.8	149.9	188.7	152.5	- 30.9	- 2.6
Total ...	508.0	596.9	643.8	673.6	- 135.8	- 76.7

The last quarter of the past economic year produced a relatively favourable result as compared with the first three quarters. Though there was but little change in the total turnover, the deficit was only R.2.6 mill., chiefly owing to the increased export of agricultural products, particularly of grain and eggs, which in September led to a surplus of R.3.9 mill.

In spite of general revival in internal trade no radical change has occurred in the direction of the price tendency. It is true that both wholesale and retail prices for industrial materials show a slight inclination to increase, but this tendency is more than counteracted by the continued slackening of prices for agricultural products. Thus the total index for wholesale and retail trade shows a slight decrease, as demonstrated in the following table:—

	Wholesale index number of State Plan Commission.			Retail index number of Economic Research Institute.		
	Agricultural products.	Industrial products.	Total Index.	Agricultural products.	Industrial products.	Total Index.
1913 = 100.						
1925 Sept 1	154.8	192.7	172.7	190	227	208
Oct. 1	155.6	194.9	174.2	192	239	215
1926 Sept 1	158.9	203.7	179.9	201	263	231
Oct. 1	156.6	204.1	178.8	199	264	230

The buying power of the Chervonetz amounted on September 1 of this year to 5.56 Gold Roubles (last year 5.79 Gold Roubles) and on October 1 5.59 Gold Roubles as compared with 5.74 Gold Roubles in 1925.

The upward movement in the monetary circulation continued uninterruptedly throughout the last two months of the quarter. In the course of August and September the total mass of money increased by R.109.3 mill., of which 40.8 mill. fall to August and R.68.5 mill. to September. The money in circulation is composed as follows:—

	1925.		1926.	
	Sept. 1.	Oct. 1.	Sept. 1.	Oct. 1.
Banknotes ...	566.6	652.0	741.7	780.6
State Treasury Notes	308.3	340.6	378.7	400.7
Silver coinage	126.0	136.1	144.9	152.2
Copper coinage	6.3	6.8	8.5	8.5
Bronze coinage	—	—	0.8	1.1
Small paper money	8.4	7.4	—	—
Total ...	1,015.6	1,142.9	1,274.7	1,343.2
Cover for notes in the State Bank: precious metals or foreign currency...	238.9	263.4	229.4	235.1

The disappearance of the small paper money from circulation after September 1 is due to the fact that it was all called in at this date, and in case of failure to cash, lost its validity in circulation.

The assets and liabilities of the six largest Soviet banks, which afford a general insight into the credit situation, are shown in the following table (in millions of Roubles):—

	1925.		1926.	
	Sept. 1.	Oct. 1.	Sept. 1.	Oct. 1.
Bills and Loans—				
State Bank* ...	1,099.8	1,241.6	1,683.8	1,770.5
5 Banking companies ...	635.4	679.4	802.6	837.4
Total, 6 banks	1,735.2	1,921.0	2,486.4	2,607.9
Deposits—				
State Bank† ...	590.4	773.6	804.8	852.4
5 Banking Companies ...	421.1	456.2	457.6	452.5
Total, 6 banks ...	1,011.5	1,229.8	1,262.4	1,304.9

* Without grain business.

† Including local funds of the People's Commissary for finance, but without the special fund of the Finance Commissariat.

(*Wirtschaftsdienst*, November 26, No. 47.)

THE ECONOMIST'S BOOKSHELF

MODERN BUSINESS.

Modern Business. The Business Man in Society. By LEON C. MARSHALL and MILDRED J. WIESE. (New York: The MacMillan Co.)

The instability of the post-war period, its rapid changes in values, real and monetary, the weight of fiscal burdens and consequent general economic pressure have led to a wider and closer interest in commercial affairs. The control and organisation of industry have been subjected to the keenest scrutiny from within and without. Numerous publicists have poured forth their opinions in books, pamphlets and periodicals. Most of these works have been of a sketchy character—scratching only the surface of the subject. "Modern Business" does not come within this category. The authors, who are both widely known American teachers, have attempted a wide survey of the functions of the business man in modern society. Despite the extensive nature of this enquiry the authors have examined numerous phases of business organisation and activity in great detail and with microscopic care.

The book, which contains over 500 pages, is subdivided into readable parts. After the introduction, which shows clearly the dynamic quality of the conditions in which the business man operates, the problems of control, both of manufacture and marketing, of human relations in industry, of finance, rewards and risk bearing are analysed separately. On each of these various subjects the authors have something new to say. The detailed knowledge of commercial practice which is brought to bear on numerous matters in each of the chapters reflects the care and thought which Americans have given to business organisation. The most fascinating portion of the work is that dealing with management. The methods and the machinery by which a managing director or general manager is able to harmonise the efforts of various comptrollers of departments are described with great clearness and precision.

It might be considered that every business has its own separate problems and is a law unto itself. It is certainly true that writers like medical practitioners cannot diagnose any but particular patients. To criticise the value of the work on this score is to bury one's head in the sand. There are numerous constant factors in society which are subjected to similar forces and on which every business depends to a greater or less extent. Apart from this similarity, the differences between many forms of undertaking are differences not of principle but only of the application of principles. It is quite clear that precautions to ensure safety of

workmen must be enforced wherever men operate in dangerous places. The relations between the official responsible for safety and the management must be somewhat similar in every mine, workshop or factory. The problem of distribution lends itself particularly to the formation of general principles. No external power can provide a remedy for a declining business. The best book in the world can only suggest methods by which improvements can be put into operation.

Perhaps the most difficult and the most important part of business management lies in the realm of finance. Many manufacturers and traders operate with a small and limited capital. The success of the business often depends on the creation of expedients by which this sum can be utilised to the maximum advantage. It is obvious that the finance and selling departments must work hand in hand. In times of financial stringency it may be good policy for an individual concern to sacrifice virtuosity in marketing to speedy liquidation.

It is impossible here to analyse the work or the subject in the comprehensive method which both deserve. It is certainly true that we in England have been very sluggish in comprehending, expounding and operating the principles on which successful business management can be based. We are paying dearly for this inertia. Although the reviewer does not subscribe to the inaccurate and (for the most part) irresponsible clamourings of our industrial defeatists, it is certainly true that in particular industries in which geographical situation, equipment, experience and connection have given us advantages over all our competitors we have failed to exploit to the maximum extent these favourable circumstances. The road to success can be only partially achieved by a policy of intelligent opportunism.

We live in an age of trustification. We are witnessing the erection of gigantic structures which the architects claim will reduce the costs of production and distribution. These edifices can operate successfully from the point of view of society and the shareholders only if every stone is able to bear the full weight of any strain which may be imposed upon it.

The increase in size of industrial and commercial undertakings leads inevitably to greater differentiation of function on the part of the management. Synchronisation of various departments occupies more and more the time and energy of the executive. Business is rapidly becoming an outlet for administrative efficiency rather than for keen salesmanship. Business men would be able to adjust their outlook more readily to the changed conditions if they could read a judicious selection of the works which deal with industrial problems. "Modern Business" would rank high on any such list.

D. M. SANDRAL.

PUBLICATIONS RECEIVED.

Industrial Combination in England. By Patrick Fitzgerald, B.Com., Assistant Editor of "The Statist." (London: Sir Isaac Pitman & Sons, Ltd. Price, 10s. 6d. net.)

International Labour Review. December 1926.—International Labour Office. (Geneva.—London: George Allen and Unwin, Ltd. Price, 2s. 6d.; annual subscription, 24s., post free.)

La Loi de Variation de la Valeur et les Mouvements Généraux des Prix. By Mentor Bouniatian. (Paris: Marcel Giard. Price, Fr.12.)

La Monnaie, ses Systèmes et ses Phénomènes en Europe Centrale—Allemagne, Autriche, Hongrie, Pologne, Roumanie, Tchécoslovaquie, Yougoslavie. By Elemér Hautos, ex-Secretary of State of Hungary. (Paris: Marcel Giard.)

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

Traité d'Economie Rationnelle. By Alfonso de Pietri-Tonelli, Professor at the College of Higher Economic and Commercial Education, Venice. Translated from the third Italian edition by H. Gambier. (Paris: Marcel Giard, Fr.90.)

Whitaker's Almanack: an Almanack for the Year of Our Lord 1927. By Joseph Whitaker, F.S.A. (London: J. Whitaker and Sons, Ltd. Price, complete edition, 6s. net; abridged edition, 1s. 6d. net.)

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

STATISTICAL SECTION

THE TRADE BAROMETER

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

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

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

TABLE I.

Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.	Date.	10 Com- modities.	Bd. of Tde. Monthly Average.
1920.			1923.			1925.					
Jan. 16	367.9	296.6	Jan. 20	198.5	162.0	Jan. 16	174.8	171.0	April 16	148.1	143.6
May 14	391.2	325.5	Apr. 20	177.3	156.5	Feb. 13	175.2	168.9	May 21	150.2	144.9
July 16	418.8	316.9	July 20	166.0	158.1	Mar. 13	172.8	166.3	June 18	151.7	146.5
Dec. 17	257.0	263.8	Oct. 19			April 17	161.9	162.5	July 16	153.9	148.7
1921.			1924.			May 15	158.7	159.0	Aug. 20	155.8	149.1
Jan. 14	244.2	245.9	Jan. 18	178.6	165.4	June 19	160.6	157.6	Sept. 17	152.6	150.9
Apr. 15	202.8	204.8	Feb. 15	187.9	167.0	July 17	160.3	157.5	Oct. 15	151.2	152.1
July 15	194.4	194.1	Mar. 14	182.1	165.4	Aug. 14	158.6	157.0	" 22	149.8	
Oct. 14	170.2	180.7	Apr. 18	177.5	164.7	Sept. 18	158.3	155.1	Nov. 19	155.0	152.4
Dec. 16	153.2	167.9	May 16	171.2	163.7	Oct. 16	154.1	153.9	" 26	155.3	
Dec. 30	150.0		June 20	167.8	162.6	Nov. 13	153.2	152.7	Dec. 3	154.8	
1922.			July 18	167.1	162.6	Dec. 18	153.0	153.2	" 10	157.3	
Jan. 20	144.0	164.0	Aug. 15	175.3	165.2	1926.			" 17	153.7	
May 19	162.1	160.6	Sept. 19	167.9	166.9	Jan. 15	151.6	151.3	" 24	151.7	
July 14	165.1	160.3	Oct. 17	172.5	170.2	Feb. 12	148.4	148.8			
Sept. 15	161.2	154.3	Nov. 14	173.3	169.8	Mar. 12	146.1	144.4			
Dec. 15	161.2	155.8	Dec. 12	171.7	170.1						

TABLE II.

Date.	Pig iron.	Tin.	Coal.	Linseed Oil.	Cotton.	Wool.	Hides.	Wheat.	Bacon.	Sugar.	Mean.	Date.
Dec. 30, 1921.	100	100	100	100	100	100	100	100	100	100	100	Dec. 30, 1921
1922.												1922.
July 28 ...	92.9	94.5	97.2	157.9	110.1	111.1	97.1	119.0	116.5	119.2	111.15	... July 28
Sept. 29 ...	94.3	95.2	92.9	135.1	105.9	117.8	98.4	82.8	104.0	134.6	105.90	... Sept. 29
Nov. 3 ...	95.5	107.5	100.0	140.3	119.9	133.3	106.5	91.9	104.8	134.6	113.43	... Nov. 3
Dec. 29 ...	89.4	106.7	91.5	138.6	126.0	120.0	93.5	90.4	89.7	138.5	108.43	... Dec. 29
1923.												1923.
May 18 ...	110.8	117.9	128.3	166.7	120.2	137.8	102.9	102.7	91.2	242.3	132.03	... May 18
Oct. 12 ...	93.4	117.1	90.6	150.9	136.4	126.7	84.8	83.0	86.2	145.9*	109.50	... Oct. 12
Nov. 16 ...	97.2	127.4	97.2	149.1	165.8	128.9	87.0	86.2	73.5	132.7	114.50	... Nov. 16
1924.												1924.
Feb. 5 ...	96.7	163.4	96.2	171.9	159.6	151.1	91.3	100.4	65.8	156.1	125.25	... Feb. 15
July 11 ...	89.6	128.9	74.5	140.4	140.6	142.2	92.8	111.5	80.9	101.4	110.28	... July 11
1925.												1925.
Feb. 27 ...	84.0	153.8	69.8	178.9	116.0	160.0	95.7	128.9	88.6	95.3*	117.10	... Feb. 27
Oct. 30 ...	74.5	171.2	59.4	131.6	90.7	115.6	108.7	97.2	94.9	70.6	101.44	... Oct. 30
1926.												1926.
Feb. 5 ...	72.2	165.2	63.2	114.0	92.2	102.2	100.0	114.6	94.1	78.8	99.65	... Feb. 5
Mar. 26 ...	72.2	165.7	60.4	108.8	87.7	102.2	92.8	103.3	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	80.4†	111.4	61.7	106.2	102.9	106.7	85.3	85.9	99.88	... Oct. 22
Dec. 17 ...	87.3	185.5	89.6	107.9	59.4	96.9	98.6	112.3	85.7	101.2	102.44	... Dec. 17
" 24 ...	87.3	180.8	86.8	107.9	60.0	96.9	98.6	105.9	85.7	101.2	101.11	... " 24

† 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.
1920, Jan. 1	128.5	94.1		172.4	99.7	1925, Jan. 3	150.7	101.6	133.8	117.5
1921, Jan. 1	89.9	89.0		116.3	88.6	" 17	151.8	101.9	137.3	117.5
Aug. 20	<i>80.3</i>	90.4		105.4	93.3	June 6	158.2	105.3	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>
1922, 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	117.9	Aug. 1	165.8	<i>101.5</i>	122.2	115.7
Sept. 16	123.8	107.6		115.2	112.5	" 22	176.2	102.5	126.3	117.3
Oct. 7	123.9	106.1		113.3	<i>111.7</i>	Dec. 19	188.9	103.3	130.6	112.8
1923, Jan. 1	121.7	102.5		119.5	113.3	1926, Jan. 2	195.5	103.6	133.3	113.0
Mar. 17	129.2	98.5		129.3	117.0	" 9	196.1	103.6	135.1	113.1
" 24	127.3	<i>97.8</i>		129.0	118.1	Feb. 3	199.9	104.9	132.0	114.8
Apr. 28	124.1	99.3		137.9	122.8	Apr. 17	<i>168.7</i>	106.9	121.8	113.3
June 9	119.7	100.8		130.6	123.5	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	205.5	106.3	123.9	113.5
1924, 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. 18	199.6	108.7	127.2	111.9
Nov. 8	130.1	103.7		133.7	120.4	" 25	—	108.4	126.6	111.9

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

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