

P O L I T I C A L E C O N O M Y

A U S T R I A

REDUCTION OF EMPLOYEES' INSURANCE ANNUITIES

In terms of the Act for the purpose of ensuring the employees' insurance annuities due for the months March-May, which came into force on February 21st., the annuities payable for disablement, old age and to widows and orphans due in the said months are to be reduced, — to the extent of 20% in the case of disablement and old age annuities exceeding 120 schillings a month and of annuities payable to widows exceeding 60 schillings a month, and of 10% in the case of smaller annuities and of annuities payable to orphans. However, no disablement or old age annuity may be reduced to less than 108 and no widow's allowance to less than 50 schillings a month. The Act ordains further that the workers' accident insurance institutes shall be required — subject to the approval of the Minister of Social Administration and so far as their material resources permit — to furnish a loan free of interest to the principal employees' insurance institute.

B U L G A R I A

FOREIGN TRADE BALANCE FOR 1934

According to the provisional statement issued by the Statistical Management, the aggregate value of the foreign trade in 1934 was 4.764 million leva — as against 5.049 million leva in 1933. Imports represented altogether a volume of 245.843 tons and a value of 2.229 million leva (as against 23.805 tons and 2.202 million leva in 1933). There has been a noteworthy increase in textiles, paper, metals, tanner's and dyer's materials. Exports show a decrease from 430.525 to 396.145 tons, the value of the same from 2.846 to 2.535 million leva. Particularly noteworthy is the advance in animal exports to three times the amount recorded for the previous year, a result due to the acquisition of markets in Palestine and Egypt. Germany heads the list in point of value of both exports and imports, her share figuring at 1,082.970 and 901.530 leva respectively. In the list of importing countries Germany is followed by Italy and Austria, Great Britain being fourth (value of imports, 142.870 leva); while in the list of countries importing goods from Bulgaria Great Britain stands eleventh, the exports from Bulgaria to that country figuring at the sum of 52.800 leva.

C Z E C H O - S L O V A K I A

NEW MONOPOLIES

So far the efforts of the Czecho-Slovak Government to eliminate the economic crisis have proved absolutely futile. Not even the 16.6% depreciation of the Czech crown ensuing last year proved able to induce a revival of the industrial output of a State adjusted for the purpose of self-supply with agrarian produce. The year 1934 did indeed close with the foreign trade balance showing a surplus of 1.400 million crowns; but this

was due primarily to the increase of imports not keeping pace with that of exports, — a circumstance to be attributed to a decline in the inland purchasing power. On the other hand, more than one third of the surplus of exports originated from the goods trade with Germany, that being a result of an entirely temporary character due to the difficulties of the foreign situation position in the Reich. This is proved by the circumstance that the Prague Government was driven to fix the relative proportions of the goods trade with Germany as $\frac{3}{4}:1$, in order to gradually reduce the amount of the claims due to Czecho-Slovakia which have been blocked.

Nor have the efforts to develop the Economic Little Entente produced any serious results or succeeded in securing new markets suitable to further the increase of production and the decrease of unemployment.

In face of the continuous deterioration of the economic and financial situation, Czecho-Slovakia is obliged to wait until such time as the negotiations to be opened under the French-Italian Convention shall afford it certain possibilities of a closer economic co-operation with its neighbours. The question that troubles the leading factors is how to disguise the difficulties. That is why there is no talk today of the economic scheme so frequently referred to in recent years which was to extend to the whole field of production; for to deal with that scheme would of necessity involved to reveal the fact that Czecho-Slovakia is economically dependent upon foreign countries.

The Government, which is perfectly helpless in respect of commercial relations, has — by desire of the parties supporting it — shown the utmost eagerness in completing the organisation of those institutions which concentrate the control of production, sale, export and import trade in the hands of organs established by those parties. This is what led the Prague Government to think of creating monopolies, which — though by no means providing a cure for the ills of the economic life of the country — secure the political parties and their leaders profits amounting to hundreds of millions and at the same time afford them fresh opportunities to acquire fortunes and political power. The creation of the various monopolies is a natural corollary of the conception entertained from the very outset by the Czech State-builders constituting a minority in their country which aims at the utilisation of every possible means to effect the realisation of a Czech national State in the economic field too. This was the object also of the Act ordaining the "nistrification" (nationalisation) of joint-stock companies, of the stipulation providing for the approval of Government being made the *sine qua non* of an increase of the share capital of joint-stock companies, of the land reform, of the measures for the reconstruction of the banks, and of the monopoly of the sale of spirit. Additional links in the chain have been the centralisation of wood export, the corn monopoly introduced last year, and the animal monopoly about to be put into force, which is to extend also to dairy farming

and to the egg trade and is to be followed by a wool monopoly and a drug monopoly.

In a State so pronouncedly "nationalistic" as Czecho-Slovakia the fettering of the economic life and the placing of the same at the mercy of the small group of persons in power, must inevitable lead to disaster for the minorities excluded altogether from power. First, because such a procedure undermines their political independence; and secondly, because the deliberate system of exploitation to which they are exposed continuously wastes their national assets and ultimately makes the economic situation which is in any case of a grave character intolerable to them.

The carrying into effect of the "nostrification" of the *joint-stock companies* afforded Czech capital an opportunity to worm its way into all the undertakings which it desired to include in its sphere of interests. In connection with the work of *re-constructing the banks* the Prague Government allotted to the banking companies politically connected with it sums amounting altogether to some 3.000 million Czech crowns. The ultimate result of the *land reform* was that only 27% of the areas sequestered was left in the possession of the original owners, the remainder changing hands. Seeing that the Germans were scarcely allotted any share and the Magyar no share at all of the areas of land distributed, there was evidently an enormous shifting in favour of the Czech people in particular and to some extent in favour of the Slovaks too, though the latter — as a consequence of the unequal taxation and of the inequality of the burdens imposed by the tariff policy, as also of the unjust distribution of public contracts — have paid back many times the value of the benefits received by them under the land reform scheme.

The *centralisation of wood export* — apart from placing sales in the hands of an undertaking belonging to the Czecho-Slovak Agrarian Party — by the regulation of production has made the owners of forest land dependent upon that undertaking. The regulation of deforestation and the system of permits offers a wide scope for "protectionism" (jobbery).

Another reason why these measures were taken is that it is in the interest of Government to maintain the costly organisations of the Coalition Parties supporting it. It was for that purpose that steps had to be taken to construct the seemingly democratic legislature on the basis of the strictest party discipline; and that in its turn made it necessary to create big party apparatuses, which absorb enormous amounts of money. The amounts required have been and are being procured by a "partition" of the public life of Czecho-Slovakia among the parties supporting Government. A prominent German economic journal appearing in Prague has disclosed the fact that for the endowment of the parties supporting Government a charge of 50 Czech crowns per wagonload is exacted on coal imported from abroad, the amount resulting being distributed among the parties in proportions fixed by mutual agreement. The Czecho-Slovak Agrarian Party has maintained its extensive organisations out of the enormous commissions received from the undertaking entrusted with the sale of spirit and of the "tributes" levied by its confidential agents in the course of the enforcement of the land reform. The Czech Opposition papers appearing in Prague have revealed the fact that on the occasion of the recent reforms the Agrarian Party procured the amount of 30 million Czech crowns by making the institute entrusted with the sale of spirit purchase three houses in Prague.

The carrying into effect of the land reform scheme is almost at an end. The sources of income which will consequently be exhausted must be replaced by fresh ones. The most expedient means to that end seems to Prague to be the introduction of monopolies, the systematic extension of which will gradually play the whole economic life of the country into the hands of persons

and institutions closely connected with Government. For the minorities are not allowed to be represented at all in the economic organisations. This is true, not only of the Magyars, but also of the three and a half million Germans too, though the latter has since 1926 had two representatives in the Czecho-Slovak Cabinet — these latter serving as proofs to convince foreign countries of the consolidation of the State. And indeed how could we expect the Czech minority which clings so desperately to the power in its hands to permit outsiders to look into the management of the institutions destined to promote the economic reinforcement of the Czech national State? That there has not yet been any change in the attitude of official quarters and that the inexorable selfishness of the powers that be is still in force as against the minorities, is proved by the circumstance that not a single German (not to speak of the Magyars) has been given a place in the Management of the Export Institute now being organised, though it is a well-known fact that a considerable proportion of the industry is still in German hands.

To sum up, the fact may be established that the pseudo-democracy of Czecho-Slovakia is a cloke for the disguise of an enormous business undertaking for the exploitation of the minorities which are excluded from political power.

The organisation and activity of the *corn monopoly* is an irrefutable proof of the truth of our statement. The management is chiefly in the hands of members of the Czech Agrarian Party, which provides for its own co-operative societies pocketing the enormous earnings — a commission of 400 Czech crowns per wagonload. But the most patent manifestation of the desire to injure the interests of the minorities is to be found in the manner of fixing prices and of delivery. The prices have been fixed at par of the Prague Exchange, the result being that the producers living in districts remote from Prague (in particular those — mostly Magyars — of Slovakia and Ruthenia) receive prices less the freight charges to Prague. Now, seeing that the bulk of the corn produce is sold by the Corn Trading Company to mills in the neighbourhood of Prague, in the latter case the Company simply pockets the difference in freight charges in lieu of profits. On the other hand the producers of the Czech-Moravian districts lying nearer Prague receive higher market prices. The situation of the deeply indebted farmers of Slovakia and Ruthenia is materially aggravated by the unfair determination of prices.

But the farmers belonging to minorities are brought into direct political dependence upon the co-operative societies managed chiefly by Czechs, seeing that the time of delivery is fixed arbitrarily by the latter. The fact that these societies and their representatives are the only organs entitled to purchase corn, they are ensured every means of political recognition and political persecution.

The yield on corn imports is also under the control of the company possessing a monopoly, which accounts to the State behind closed doors, to the exclusion of the public; while the management of the Czecho-Slovak Land Office is administered by an exclusively Czech company whose mandate from the legislature expired sixteen years ago.

Under such circumstances it is comprehensible that the minorities living in Czecho-Slovakia have received with the greatest misgivings the scheme for the establishment of *animal, wool and drug monopolies*. For these minorities the realisation of that scheme must result in a further fettering of the economic life and an aggravation of their dependence upon the powers that be. And the democracy of Czecho-Slovakia does not afford any means of self-defence. At best the legislators belonging to the minorities may criticise the Bill, that leading the Government not to put the measures into force by Order in Council. But criticism — which is not likely

to produce any results — cannot be expected in the least to deter the Czech majority from carrying its intentions into effect — for its desperate clinging to power is matched by its endeavours to acquire wealth. The balance of the work done during its fifteen years of existence by the democracy of Czecho-Slovakia is aptly illustrated by two figures. Of the savings deposits accumulated since the political change in 1919 only 6% falls to the share of the territories severed from Hungary, 94% being claimed by the territories severed from Austria. It is to be feared that as a consequence of the further deterioration of the economic situation the persons in power will in the future too try to obtain compensation by fleeing the minorities. While the economic and cultural standard of the minorities living in Czecho-Slovakia continues to decline disastrously, the complaints filed by the minorities lie unheeded in the archives of the Geneva Areopagus . . .

834.577 UNEMPLOYED IN CZECHO-SLOVAKIA

This is the number shown in the official statistics; but the real number is far higher, as has been ascertained by the Prague papers from the similarly official figures relating to the number of persons employed. Taking the distribution of the unemployed by districts, we find that in the districts inhabited by Czechs there are 55.5 unemployed for every 1000 inhabitants, the proportion per 1000 inhabitants in the districts inhabited by Germans being 94—9 (i. e. almost double), the latter figure affording a pregnant illustration of the results of State "protectionism". The number of unemployed in Slovakia and Ruthenia shown in the official statement is only 128.382, the increase during the month of February being one of 7.3%. According to information supplied by the Union of Slovak Manufacturers the official statement does not comprise even one half of the actual number of unemployed, for the organisation of the labour bureaus in Slovakia is not yet by any means perfect.

FINANCING OF PUBLIC WORKS IN CZECHO-SLOVAKIA

The Prague Government is elaborating far-reaching schemes of investment. In addition to the amount of 2000 millions included in the State Budget it is proposed to appropriate a further sum of 3000 million Czech crowns for the purpose of public works to reduce unemployment, this being effected by the issue of State contract notes which the National Bank would be required to discount. Thus the work of financing in reality involves a disguised inflation, a circumstance that has led to a serious conflict between Dr. English, the Governor of the National Bank, and the Government, the former opposing the raising of money in such a manner.

DOWNWARD TENDENCY OF TRAFFIC OF CZECHO-SLOVAK RAYLWAYS

In February the volume of the traffic declined to 301 thousand wagonloads as against 320 thousand wagonloads in January, being less than that recorded from the previous year. The decline in traffic from November to December amounted to 28%, a decline which — in view of the depreciation of the Czech crown — must be described as absolutely disastrous.

SITUATION OF CZECHO-SLOVAK BANKS DURING CRISIS

The economic crisis has gravely undermined the position of the Czecho-Slovak banking companies, despite Government having so far placed at their disposal 3000 million Czech crowns for the purposes of re-construction. In a paper on the subject Pimper, editor-in-chief of the "Národní Listy", the organ of the Kramat Party, shows that the aggregate amount of deposits in the custody of the banking companies has so far declined to the sum of 8600 million Czech crowns, while of their share capital the banks have forfeited the sum of 737 million Czech crowns. Of great interest is the position in respect of the deposits held by the savings banks. Of the total amount of deposits on savings bank books (18,600 million crowns) only 341 million crowns — not quite 2% — represent deposits originating from the territories severed from Hungary.

R U M A N I A

DEVELOPMENT OF FOREIGN TRADE IN 1934

Quite recently the data of Rumanian foreign trade in 1934 were made public. If we desire to ascertain whether there has been a deterioration or an improvement in the foreign trade balance of Rumania since the outbreak of the crisis in 1929, we must not content ourselves with a comparison of these data with the data for 1933, but must reach farther back. In the year 1931, the year in which the crisis culminated, Rumania imported 560.366 tons of goods; whereas the volume of her imports increased in 1934 to 635.870 tons — an advance of 13.3%. In 1931 exports — showing a volume of roughly 10 million tons — represented a value of 22.196,914.000 lei; the exports for 1934 on the other hand showing a volume of only 8,625.306 tons and a value of only 13.612,000.000 lei. Thus the value of the exports shows a decline of 40%, whereas that of the imports shows a decrease of only 16%. As things stand, therefore, we have on the one hand a continuous advance in imports and on the other a continuous decline of exports.

Y U G O S L A V I A

"UNION" BANK CRISIS

The following are the conditions on which the Minister of Commerce and Industry has approved the re-construction scheme of the Yugoslav Union Bank: The share capital to be reduced from 185 to 18.5 million dinars. The shares of the nominal value of 200 dinars each to be stamped as of the nominal value of 20 dinars each. By the issue of preference shares of the value of 41.5 million dinars the share capital to be raised to the amount of 60 million dinars. The preference shares to be taken over by the conversion into preference shares of a part of the "original" claims of "original" depositors. A special reserve fund amounting to 55.5 million dinars to be established partly by the conversion of "original" deposits and partly by the conversion into dinar values of the claims of the British investors at present existing in foreign currency values. The "original" deposits are to figure in the re-construction to the extent of 40%. The bank is ensured a moratorium of 6 years for the repayment of the remaining 60% of the "original" deposits. The rate of interest payable on "original" deposits up to 50.000 dinars shall be 4%, that on "original" deposits exceeding that amount, 3%.