

# P O L I T I C A L   E C O N O M Y

## A U S T R I A

### NEW CZECHO-SLOVAK-AUSTRIAN COMMERCIAL AGREEMENT

A new commercial agreement was signed on April 2nd by the representatives of the Austria and Czecho-Slovak Governments. Comprising 204 printed pages, the agreement adjusts such problems as exchange of goods, coal trade, and travelling. Concessions with regard to customs-tariffs include a general reduction of tariffs and a number of preferential taxes. Austrian export trade has obtained concessions particularly in the fields of manufacturing industry and agrarian products. The coal and coke agreement assures the previous quota of exports to Czecho-Slovakia, but it leaves the way open for later clearing transactions. The travelling agreement allows Czecho-Slovak travellers to take with them, without any further formalities, of amount not exceeding 300 Schillings travellers cheques of the Austrian Travel Bureau, in addition of the 1000 Kč hitherto permitted; alternatively, they are allowed to take with them "bons" or pass-books of the Austrian Bank.

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## B U L G A R I A

### INLAND LOAN

The subscription of the 200 million Leva (5%) inland loan was begun on April 6th. The loan is free of interest and must be paid back within six years.

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

### 860.392 UNEMPLOYED

The continued increase of unemployment from month to month is a striking illustration of the economic crisis in Czecho-Slovakia. Recent reports published by the Ministry of Public Welfare show that the total number of unemployed has again risen by 10,382. At the end of January, it will be remembered, 850,010 unemployed were registered, while at the end of February this number had risen to 860,392. Although this winter season was mild enough to allow the building of roads and houses to be continued without a break, yet the rate of unemployment this year is higher than in the last two years; it is, therefore, obvious that the economic crisis in Czecho-Slovakia still shows a rising tendency. The present increase of unemployment is almost limited to Slovakia, which country formerly belonged to Hungary; here the number of unemployed at the end of January was 131,864, while at the end of February it had risen to 141,300. This is how the "Slovak", the organ of Monsignor Hlinkas Slovak Autonomist Party, commented upon the recent statistical figures of unemployment: "Slovakia is becoming more and more improverished. This may be easily seen both in the towns and villages... The

condition of Slovakia cries for urgent help." — We must always bear in mind the above figures whenever we are informed of certain negotiations in the course of which the leading statesmen of Czecho-Slovakia demand a speedy solution of the Danube Valley problem. If there is one State in the Danube Valley whose condition really calls for the termination of the present situation in that part of Europe, it is Czecho-Slovakia in the first place, whose statesmen so unwisely adhered fifteen years ago to the dismemberment of the vast economic unit of the Austro-Hungarian Monarchy, much to the detriment of their own country. No wonder that the most extreme Czech nationalists, speaking in the various committees of the Prague Parliament give vent to the general opinion of their people, that "it was better under Austria".

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### COMPARED WITH LAST YEAR THE EXCESS OF EXPORTS IN FIRST QUARTER OF YEAR ARE 70% LESS

The Statistical Office reports that the value of imports from January 1 to the end of March was 1,661.660.000 Czech crowns, that of exports 1,727.510.000. The profit for the first quarter of the year was thus 65,840.000 crowns. In the same period of the previous year imports had aggregated 1,347.010.000 and exports 1,580.470.000 crowns, so that the excess of imports for the first quarter of the past year had been 233.450.000 crowns.

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### INCREASING TRADE CO-OPERATION BETWEEN CZECHO-SLOVAKIA AND THE SOVIET

Some time ago the Prague Chamber of Commerce sent a committee to Moscow to study Soviet trade. That committee will now be followed by one to study Soviet industry. The heavy industries chiefly are represented on this committee, but numerous textile and leather goods factories are sending their technical and commercial managers. In Prague it is considered possible that Soviet Russia may supply raw materials to the Czecho-Slovak industries. In any case an organized party consisting of business men and engineers is shortly to start for Russia to study conditions there. The official Czech Tourist Office is considering the organisation of monthly tourist parties to Russia.

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### JUGOSLAV PROTEST AGAINST CZECHO- SLOVAKIA'S RE-SALE

It was reported on April 10th that the Yugoslav corn exporters will ask the Czecho-Slovak exporters to make a solemn promise that they will not sell to other States the Yugoslav corn exported to Czecho-Slovakia as has often happened in the past.

The Yugoslav corn exporters would not protest if it were only a question of sporadic cases, but they must protest against the danger of its becoming a re-

gular method of "re-sale" in the future. What happens now is that Czecho-Slovakia simply sends the barges arriving in Pozsony (Bratislava) to Vienna, where she sells the Yugoslav corn at a profit. This incident is again a good illustration of the economic relations between the States of the Little Entente, and it shows the practical value of the "Economic Little Entente". For the sake of political connections Czecho-Slovakia buys a small quantity of corn from her Yugoslav ally, who is sorely pressed with economic troubles; but as Czecho-Slovakia herself is oversupplied with her own corn, in consequence of her extreme pro-agrarian policy, she sells the Yugoslav corn at a profit to other States. This produces a humorous situation, because the Yugoslav corn with a Czecho-Slovak label is a rival in foreign markets to the corn coming direct from Yugoslavia.

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### THE SKODA BOOM

The semi-official "Prager Presse" reports that at the end of March Czecho-Slovakia's biggest arms factory, the Skoda Works at Pilsen, was employing 29,900 persons, including the office staff. In 1935 only 21,500 persons were employed by the factory.

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## HUNGARY

### THE 1936—1937. ESTIMATES

Dr. Tihamér Fabinyi, Minister of Finance, on April 1st submitted the 1936—1937 Estimates to the Hungarian Parliament. The various items of the Estimates show the same rising tendency as those of the last Budget. Expenditure has increased by 35.7 million pengő, and if we add last year's rise of 25.3 millions, we see that public expenditure has increased by 61 million pengő in two years. The total sum set apart for expenditure in 1936—1937 is 1211.8 millions, the aggregate revenue amounts to 1136.1 millions, that meaning a deficit of 75.7 million pengő. Last year's deficit was 75.9 million pengő, so that this year's is 2 millions less.

The Budget estimates the costs of the public administration at 782.2 million and its receipts at 771.6 million pengő.

The greatest increase in expenditure — 16.5 million pengő — is that of the item "Material and Transitional Expenditure". In estimating certain expenses rising tendency of prices had to be taken into account.

The sums foreseen for national debt serving show a decrease of 3.3 million pengő. The reason is that the increase in the services on the loans to which the State had recourse in order to cover the deficit done to investments and by the liquidation of the farmer's debts have been more than counterbalanced by the reduction, due to a more favourable rate of exchange in certain foreign moneys, in the services on some loans, the payment of which has been extended over a longer period of time.

The sum appropriated for investment has increased by 3.1 million pengő. Of this sum the greater part is to be spent on the afforestation of the Great Plain, the construction of a new aerodrome at Budaörs, and the erection of school-buildings.

The State undertakings figure with an expendi-

ture of 423.6 million pengő, 364.5 millions of which are covered by their receipts. The increase in expenditure is 1.7 million more than the increase in takings. This decline in the balance-sheet of the State undertakings is due to the increase in investments. The State Railways, the State Iron and Steel Works, and sericulture show a deficit this year too, but the balance-sheets of the other State undertakings show a profit.

According to the preamble to the Budget the financial position of the State proves that economic conditions in the country continued to improve slowly throughout the past year. The country's economic system, which was badly shaken by the crisis in 1931, has recovered at the cost of great sacrifices, and is beginning to show reassuring signs of improvement. In spite of last year's frosts and drought, this improvement showed no signs of a set-back, as is evident from the state of the revenue, which compared with last year have increased. In the first eight months of the fiscal year public receipts were 4.1% more than in the same period of the previous year, while the sum total administration receipts was 4.3% more. The aggregate revenue of the State undertakings also show signs of improvement. But parallel with this gradual improvement in conditions, and with an increased briskness in trade and a rise in the prices of certain commodities, the demands on the Treasury have also increased, in consequence of which expenditure also betrays, a rising tendency. In order to cut down the *personnel* expenses, the number of public servants is being steadily reduced, but this is partially counterbalanced by the nationalization of the staffs of municipal physicians. The most noteworthy increase, however, is noticeable in material expenditure, which according to the Minister's exposé "is indispensable to provide for urgent State necessities; to keep State property in good repair; to keep equipments up-to-date, and to supply deficiencies by the acquisition of new equipments". Increased expenditure is also necessary to meet the requirements of certain economic, hygienic and cultural aims, and to provide for investments and for the services on debts contracted to pay for investment in past years.

The estimated deficit of 75.7 million pengő cannot be met except, as hitherto, by a loan. In all probability the Government will be forced to continue to replace the services on its foreign debts with Treasury Bills — unless some other agreement is arrived at — and will if necessary have recourse in a certain measure to internal sources of credit.

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Along with the Budget the Minister of Finance also submitted a Bill demanding powers to negotiate a loan to cover the costs of public works.

The Bill would empower the Minister of Finance to raise a loan of 13.6 million pengő on interest-bearing notes payable to bearer, on Treasury Notes and Bills, capital and interest to be paid out of taxes at present in force in Hungary of hereafter to be introduced, without any deduction for stamps, dues, redemption, or any other impost.

The sums to be expended on public works shall be entered in a separate column in the Budget and the Minister shall, when reading the Budget, submit to Parliament a report of the sums borrowed and the uses to which they have been put.

The Bill also empowers the Minister of Commerce and Communications to use a sum not exceeding 13.4 million pengő for improving certain State roads and roads to be taken over by the State, as well as to

take the necessary steps to set that work in train and to secure in agreement with the Minister of Finance, the sums needed by raising a loan.

The preamble to the Bill lays stress on the economic and national importance of public works as a means towards improving the possibilities of work and wage-earning, and says that in the present circumstances the State cannot afford not to continue them. In the Bill the Minister of Finance asks for powers to negotiate loans to the amount of 27 million gold pengő. About 13.6 millions would be used chiefly for irrigation, the State Railways, and water operations, and it is proposed to borrow this sum from the Foreign Credits Pay Office. The Government wants to use 13.4 million pengő for road-building and proposes to secure that sum in the form of loan raised by the issue of compulsory vouchers.

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### FINANCIAL SITUATION OF HUNGARIAN BANKS IN 1935.

The Report of the Central Corporation of Hungarian Banks gives a summary of the situation of the banks under its supervision, comparing the records of the year 1935 with those of the last 12 years.

The balance of the *business year of 1935*, generally speaking, shows a *slight improvement* in every line. Thus, for instance, *the total amount of working capital* aggregated 3868 million pengő, — 7.4 millions more than in 1934. This improvement, however, was confined to the banks of the *capital*. The total value of property according to the general balance of Budapest banks rose from 2,980.7 million pengő to 2,994.2 millions, that being an increase of 13.5 millions; on the other hand, the general balance of the *provincial banks* fell from 879.9 millions to 874.4 millions.

Last year's improvement may be seen from certain points in which the balance-sheets of both the metropolitan and the provincial banks show a uniform rise. Thus the *total amount of deposits* in the banks supervised by the Central Corporation increased in 1935 by 66.7 million pengő; 66.7 millions being the share of the Budapest banks, and 11.5 millions of the provincial banks. The deposits aggregated 1,501.4 million pengő at the end of 1935.

The *owned capital* of the banks shows a rise of 6.6 millions, amounting thus to 636.4 millions. Out of this the owned capital of the banks in *Budapest* increased by 6 millions to 513.7 millions, while that of the *provincial* banks shows an increase (by 0.6 millions) to 122.2 millions.

There is no such uniform development in evidence in *other banking liabilities*; thus, for instance, the *claims of creditors* of Budapest banks show an *increase* of 19.9 millions, while in the provincial banks they show a *decrease* of 4.3 millions.

With regard to the *assets*, there are several points in which the situation of metropolitan and provincial banks shows a similar development in 1935. Thus the general rise in the value of securities resulted in an increase of the total amount of securities held by the banks from 260.5 millions (in 1934) to 267.1 millions

(1935). Out of this the *Budapest banks* obtained an *increase of 6.4 millions*, while the surplus of the *provincial banks* amounted to 6.2 millions. The *claims* of the banks have also risen, from 815.2 millions to 830.5 millions, out of which increase the share of the *Budapest banks* amounted to 8.5 millions, and that of the *provincial banks* to 8.5 millions.

There was a rise in the total value of *immoveable property*, from 140.6 millions to 143.7 millions in all; the property of *Budapest banks* having, increased by 1.9 millions, and that of the *provincial banks* by 1.2 millions.

The records of previous years are very important because they show that Hungarian banks have been more efficient in coping with the problems of economic depression than the banks in Austria or Germany. There has undoubtedly been a decrease in the scale of property: in 1931 *the total amount of working capital* aggregated to 4,259 millions, while last year it was 361 millions less. This, however, was quite a natural symptom under present conditions. On the other hand, it is interesting to see that in 1932, when banking activities were subjected to official restrictions, the banks achieved a total surplus of 248.6 million pengő, while last year this sum rose to over 260 millions. This shows that in the years of economic depression there was a powerful tendency to augment the stock of reserves which contributed towards the *strengthening of the financial position of banks in general*.

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### FOREIGN TRADE IN FEBRUARY: EXCESS IN EXPORTS OF 10 MILLION PENGŐ

The value of Hungary's imports in February was 30.6 million pengő, as against 27.4 million in February last year; that of her exports was 41.2 million, as against 29.2. Thus the foreign trade balance for February closed with an excess of exports of 10.6 million pengő.

In the first two months of 1936 the total value of Hungary's imports was 71.2 (54.6) million pengő, that of her exports 76.1 (59.0) millions. Foreign trade profits in January and February this year were 4.9 million pengő as compared with 4.4 millions in the same period last year.

Compared with the first two months of 1935, January and February this year show a great increase in the quantities of maize, raw mineral oil, pig and scrap iron, hewn and sawn timber and tobacco leaf exported; the quantity of wool, carded wool, wool and cotton yarn imported, on other hand, dropped considerably.

Among our increase in exports largely were fresh meat, clover and lucerne seeds, swine, eggs, railway carriages and halffinished hardware; the exports of wheat, malt, and electrical machinery and appliances, on the other hand show a considerable decline.

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## FUSION OF HUNGARIAN MORTGAGE INSTITUTES

When delivering his exposé on the Budget the Minister of Finance submitted the draft of a Bill proposing the creation of a General Mortgage Institute. As soon as the Bill becomes law the Minister of Finance will institute proceedings for the establishment of that new institute, which actually will come into being through the fusion of the three existing institutes, and is to be substantially subsidised by the State. This State subsidy, coupled with the agreements concluded with the various creditors, will considerably strengthen the new institute, which in consequence will be able to participate successfully in all business activities and become a powerful factor as a source of credit for agriculture and an instrument in the service of our agricultural policy. When the Bill has been passed, a Hungarian General Mortgage Institute will be created by a fusion of the three existing Institutes including the Hungarian Land Mortgage Institute. In view of the mortgage bonds placed in foreign countries that institute will for a time continue to operate under its present registered name, and its fusion with the two other institutes will take place in such a manner that the management of its assets will be undertaken by the new General Mortgage Institute, which consequently will also assume responsibility for its liabilities.

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## RUMANIA

### „THE BUDGET OF MISERY“

In his article on the Budget ("Patria", March 25th), M. Mihai Popovici, former Minister of Finance, calls it the *budget of misery*; the appropriation of last year's sums, he says, is a mere illusion, owing to the devaluation of the Lei. — Another paper, the "Dreptatea" (March 20th) declares that the Budget will lead to a considerable deficit, and that the Minister of Finance is performing gymnastic stunts with the figures which, however, are a mere *delusion*. The minority representatives complained during the Budget debate that the *State grants to the minority clergy had been reduced by 80%, while those to the Rumanian clergy had only suffered a reduction of 8—25%*. The minority members of Parliament also made reference to the fact that, while Rumania spent 20 million Lei in 1935 on Rumanian education abroad, the minority schools at home had not received any help from Government.

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## TAXATION OF FOREIGN FIRMS IN RUMANIA

In Rumania prior to April 1st, 1935, only those foreign firms were taxed which had depôts in the country. But now taxation has been made substantially heavier, with a retro-active validity reaching back to April 1st 1935. In principle all foreign firms which have no premises or personal representation or agents

in Rumania, but do business through the medium of a third party, will also be taxed. It is sufficient for an agent or a middleman to have a hand in any business to make it subject to taxation. The fiscal authorities have provided that the taxes shall be paid by ordering every middleman or agent *a)* submit all contracts or agreements dealing with terms, salaries, commissions and means of payment; *b)* should there be no written contract, verbal agreements substantiated with proofs must be reported; and *c)* every agent must report every business contract in the conclusion of which he has co-operated. Agents will be held personally responsible for the taxes imposed on the foreign firms with which they have dealings. In levying taxes by assessment the rent of the business premises occupied by the agent will be taken as basis. The German Chamber of Commerce has already lodged a protest in Bucharest against this aggravation of the difficulties of foreign trading.

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## YUGOSLAVIA

### YUGOSLAVIA'S FOREIGN TRADE WITH GERMANY

Yugoslavia has determined to exercise an even stricter control over imports in the future. An import committee has been formed to act jointly with the National Bank, and it is to compile a list of the commodities that may not be imported until the National Bank has given its consent to the equalization of exports and imports. This measure has obviously been inspired by the German-Yugoslav commercial agreement recently concluded. M. Vrbanic, Minister of Commerce, has stated that the aim of Yugoslavia's trade policy towards Germany is to equalize imports and exports. He will therefore do everything to equipoise Yugoslavia's trade balance with Germany. Amongst other things the Minister stressed the point that the favourable agreement concluded with that country would to a certain measure counterbalance the losses incurred by Yugoslavia in consequence of the sanctions applied against Italy.

In this connection it is to be noted that in the course of the trade conversations in Zagreb Germany's representatives declared their willingness to raise the prices of agricultural imports from Yugoslavia by 20—30%. Germany's clearing debts to Yugoslavia exceed 470 million dinars, 120 millions of which will be written off for machinery ordered in Germany for the Iron Works at Zenta. The balance will be at the disposal of the Yugoslav Ministry of Communications for the purpose of buying machinery for the Kraljevo Railway factory and buying new locomotives for the State Railways. This explains why Germany is willing to allow higher prices for agricultural products from Yugoslavia. The question of the export of German scrap-iron to Yugoslavia was also satisfactorily settled in the course of the Zagreb negotiations.

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## MORE ORDERS FOR THE KRUPP-WORKS

Some time ago the Yugoslav Government entrusted the Krupp-firm in Essen with the equipment of the iron works in Zenica. This is an order for about 150

million Dinars. Just recently the Government again entrusted the Krupp firm with the building of a railway bridge.

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# S P O R T S

## SPORTS

The approaching Olympic Games in Berlin have stirred up the whole world of sports, and everywhere there is a bustle of preparation for the great international event. Hungary has been greatly flattered by the fact that the Polish Athletic Association has sent a few of its best athletes to Budapest for a month's training in the Hungarian Physical Training College, to lay down, so to say, the foundation of their preparations for Berlin.

The famous French swordsman, Lieutenant Fauré, has also come to Budapest for the same reason, and will have three weeks' training here. In a statement made to the press, he said he had not come for training alone, but also to study the world-famed Hungarian fencing. It was his intention, on his return to France, to make of the experience gained and lay proposals before M. Pietri, the President of the French Fencing Association, with a view to encouraging the progress of fencing in France.

Both Hungarian sports circles and the whole Hungarian nation, are proud of these visits, which together with the results achieved in the realm of sports are manifest proof of the excellency and well-developed character of Hungarian sport.

## FOOTBALL

Hungarian football has seen great days since the commencement of the spring season. Our footballers have competed in succession with two formidable opponents whose recent achievements had greatly enhanced their fame.

Recently German's team beat the famous Spanish players and afterwards Portugal's representative team. After these victories they played against Hungary. Their successes gave the German press and German public opinion every right to suppose that their match with Hungary would be another feather in their cap. But the high level of the Hungarian player's technique, coupled with their boundless enthusiasm, proved an unsurmountable obstacle, and it was in vain they did their best — they could not secure a repetition of their victories in Budapest. Enormous interest was displayed in the meeting, which ended in a victory of 3:2 for Hungary. Although they were finally beaten, the Ger-

mans were in very good form, and it was only in the last minutes of the game that the Hungarians managed to secure the victory. The match was the twelfth meeting of the two countries. So far the balance is in favour of the Hungarians, whose record shows six wins, three ties and only three defeats.

The second event was the match with the Austrians. Here two old rivals confronted each other. The match was on the Hohe Warte ground in Vienna, and the Austrian team was the "Wundermannschaft". Although the Austrian press prophesised victory for their own team, the Hungarians — all young players — entered the game with so much verve and enthusiasm that they carried the day by 5 goals to 3.

## TABLE TENNIS

This year's Table Tennis world championship matches were held in Prague. The most sensational events were the defeat by the Rumanians and the French of the Hungarian team which has several times held the title. The reason — according to expert opinion — was that the strategy of attack, which the Hungarian world champions had brought to such perfection and which had hitherto proved so effective, no longer helped to win laurels. The method of relying on defence, of persistently returning every ball and waiting for the enemy to make a mistake, which was used by the Rumanians, gave them the victory, but robbed the match of any interest. This new style will not be of advantage to Table Tennis, for it will certainly increase the number of those who regard that game not as a sport but merely as acrobatics. A word must also be said about the bad management which influenced the matches and adversely affected the efficiency of the players. Here we were reminded of the mistakes which made the FIS ski tournament in the Tatra in 1935 so lamentably memorable. The first incident occurred during the English-Czecho-Slovak match. An unimportant mistake of the umpires called forth such a storm that the spectators began to bombard the English players with oranges. This unsportsmanlike behaviour by no means contributed to raise the level of the world championship games.

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