

POLITICAL ECONOMY

HUNGARY

INCREASED EXPENDITURE UNDER HEADS OF PRODUCTION, INVESTMENTS, NATIONAL DEFENCE AND SOCIAL IMPROVEMENT IN NEW HUNGARIAN BUDGET

Introducing the new Budget in the Hungarian Parliament on October 12th, M. *Reményi-Schneller*, Minister of Finance, defined the principles of the eighteen-month Budget (*providing for the finances of the State until December 31st, 1941*) as follows:

"The three leading principles of the Government's economic policy are the following: the maintenance and improvement of production, the raising of the standard of armaments, the speedy and satisfactory realization of the land reform, the improvement and extension of social welfare. Every good Hungarian patriot considers it his duty to agree on these principles with the Government.

In his speech — which was received with unanimous applause by the entire House — the Minister explained also the details of his policy. In pursuance of the above scheme the Government has allotted 200 million pengő for the execution of public works, 34 millions for purposes of settlement; the latter item will enable the Government to divide 218.000 yokes of land among small farmers within a period of eighteen months. A considerable sum will be paid out to older disabled soldiers, war widows, orphans, etc. A reduction of taxes will be given to those who undertake the task of fertilizing barren soil or take a branch of production which will answer the economic demands of the country better than other branches. This reduction may even involve complete exemption from taxes. In the case of the house — as also in that of the income tax — reduction will be given to those who provide for the maintenance of large families. In certain categories, people with very low incomes will be exempted from the payment of income tax. Nearly 200 million pengő will be appropriated for the maintenance of the Army, and an equally large sum will figure under the head of the investments to be carried out in the newly recovered territories in Upper Hungary, and in Sub-Carpathia. *The total amount of investments will be increased considerably; of these 46 million pengő will serve the purposes of the Army.*

The Minister expressed his firm belief that the Government will be able to preserve the level of our currency in the same manner as its predecessors had. The Government is also

endeavouring to keep prices of the most necessary commodities on the same level.

The total amount of expenditure in the new Budget is 2,693.2 million pengő, while the revenue of the State amounts to 2,563.2 millions. The deficit amounts to 130 million pengő, i. e. 86 millions for one year. It is, however, worth pointing out that the revenue shows an increase of 50.9 millions as compared with the figures for the previous financial year. Speaking of the deficit the Minister explained that further provisions had to be made for the cultural, economic, sanitary, etc. welfare of the reoccupied territories, as well as for the improvement of national defence. Similar steps had to be taken in the field of social welfare. Thus the Government was faced with the alternative of either postponing these tasks, or some of them, until more favourable times, or drafting a budget with a deficit. Government had resolved to choose the latter expedient. The Minister also pointed out that the amount of the deficit, 130 millions, practically corresponded to the amount of investments, 126.7 millions, so that — as a matter of fact — the amount of investments may be considered as the actual item causing the budgetary deficit. The amount of this deficit will be covered by means of a Government loan.

IMPORTANT ECONOMIC MEASURES TO ASSIST THE PEOPLE OF SUBCARPATHIA

In our October issue we published an article entitled "The Economic Re-Construction of Sub-Carpathia" in which we pointed out that one of the most important items of the Hungarian Government's social and economic programme was to render assistance to the people of the Subcarpathia now restored to Hungary. In that article we enumerated the measures already introduced by Government, and mentioned that a systematic scheme of work had been elaborated with a view to setting Subcarpathia economically on its feet again. This programme is now in process of being carried out, and we are in a position to acquaint our readers with a few concrete examples of the work being done. The agricultural part of this programme was outlined by Dr. Bartholomew Zombory, ministerial councillor and Government Commissioner of the Ruthenian Chamber of Agriculture, at the first Committee meeting of the Chamber. *The first item in the programme is the regional organization of cattle-breeding with the establishment of a fund to help poor farmers to buy animals.* At the same time steps are being taken to do away with the system of hiring out cows on a fifty per cent basis. The object is to prevent the exploitation of the poverty-stricken Ruthenian peasants and cattle-breeders. The plans for this are now complete. It was with great satisfaction and relief that those present at the meeting heard Dr. Zombory say that the Government had allotted 100,000 pengő for the

improvement of pasture-lands, and that the work of improving the Alpine pastures near Raho had already begun.

The Hungarian Government is determined to use every means to promote cattle-marketing and also proposes to establish canning factories in Ruthenia. Provision has been made to supply Ruthenian farmers with an adequate quantity of good seed-grain and to teach them rational methods of farming. The Government will devote special attention to the development of home industries and will organize the marketing of their output.

In the production and marketing of timber the people of Subcarpathia will receive every assistance from the Government. Here let it be said that before the restoration of Ruthenia the Hungarian State Railways procured their supply of sleepers in the home markets, but now they will buy the greater part of their requirements from the restored areas.

The Ministry of Agriculture is devoting particular care to cattle-breeding in Ruthenia, which was neglected during the two decades of Czech rule, and will do its best to improve the breed of cattle as rapidly as possible. Here the first task is to provide the village herds and flocks, which consist of the animals belonging to the small holders, with a good breed of sires. Hitherto about 2000 bulls, boars and rams have been supplied by the Government to the village herds in the restored areas. In order to promote cattle-farming, however, it is not enough that the sires should be of a good breed, the quality of the dams must also be improved to meet the requirements of modern cattle-breeding. To this end, far-reaching measures are being taken by the Ministry of Agriculture with a view to helping the small holders of Ruthenia to procure a better breed of heifers and sows. These efforts on the part of the Hungarian Government are bound to be of great service in strengthening the economic position of the restored areas.

RUMANIA

RUMANIA'S NEW METHODS IN COMMERCIAL LIFE CURRENCY REGULATIONS

The new system of currency regulations is based on the principle that the available stock of foreign currencies must be employed to defray the cost of imports and to meet the country's demands abroad. The available stock must be divided as follows:

1. 45% of the available stock of foreign currencies must be reserved for armaments and for the acquisition of army provisions, for the settlement of national obligations abroad, for the expenses of diplomacy, and other liabilities of the State.
2. 25% must be reserved for the encouragement of home

production and consumption, for the settlement of the obligations of banks, for scientific studies, for tourist traffic and public health, and for various other obligations.

3. 35% must be reserved for the acquisition of raw materials.

In cases of emergency, the Government is authorized to advise — according to the proposals submitted by the National Council of Economy — the Ministry of National Economy to provide for extraordinary measures. Thus, the Ministry may be advised — among other things — to regulate and control trade relations with other countries and — by this means — to find means of retaliation in the event of the restriction or complete suspension of trade relations on the part of any other country, if such measures should involve any dangerous effect upon the country's rearmament or its economic life in general, with special consideration for the state of war.

The exporters receive 70% of the stock of foreign currencies acquired in payment of exports. The remaining 30% is to be reserved — through the National Bank — for the Ministry of Finance at the official rate of exchange, plus a premium of 38%.

Rumanian Foreign Trade Bureau.

A foreign trade bureau is to be set up for the practical execution of the principles of the new system of foreign trade. This office will have to control and direct foreign trade relations.

The present quota office will be divided into two sections: one for the control of exports and another for the control of imports. — On the other hand, the National Institute for the Improvement and Information of Export Trade ("Institutul National de Export") will continue its activity as at present. It will be the common task of these authorities to provide for the technical execution of foreign trade.

The official directly in charge of the trade relations with other countries will be M. Marian Fug, Secretary General in the Ministry of National Economy.

Principles of Import Trade.

Imports will continue to be based on the principle of quotas. Import permits will — as before — be issued quarterly. The permits are available for three months; they will be issued according to the economic demands of the nation; not as previously, when individual importers received such permit without restriction of quantity.

Fixing of Export Prices.

Export prices are to be fixed by a central authority which — in conjunction with the representatives of the various

branches of trade in Bucharest — will fix the prices of articles to be exported, simultaneously with the issuing of every export permit.

A special commission will be set up to provide for the exportation of oil, the signing of export contracts and the fixing of oil prices, in view of the actual prices on the market. The so-called "A" and "B" are to be abolished, together with the whole system of compensations.

Application of German-Rumanian Trade Agreement.

As regards the fixing of the rate of exchange for the Reichsmark on the standard of December 1938, it is stated that the Reichsmark is also included in the system of 38% currency premiums.

Rumania's trade agreement with Germany is to be strictly observed; careful attention will also be paid to the stipulations of the agreement of March 23, 1939, according to which the imports and exports of the two countries must always balance one another; for this reason the new system of Rumania's foreign trade is by no means intended to exercise an influence on the German market.

SLOVAKIA

375 PERSONS IN SLOVAKIA SENTENCED FOR PRICE-RAISING

From the moment of its creation the new *Slovak Republic* has had to contend with great economic difficulties. It is typical of the situation that in the seven months from 1st January to 31st July no less than 375 persons were sentenced for raising the prices of commodities. The value of the goods confiscated in connection with these sentences is about 200.000 Slovak crowns, ("*Uj Hirek*", Oct. 19.).

YUGOSLAVIA

YUGOSLAVIA'S TRADE BALANCE AT END OF SEPTEMBER

In the first nine months of this year Yugoslavia's trade balance was more favourable than during the same period last year. This is chiefly due to the fact that the value of her exports has increased, as against the value of her imports. The total value of her exports this year amounts to 3657 million dinars (3529 millions last year), while her imports amount to 3630.9

millions (382.4 millions last year); that is, her exports are 127.7 millions higher this year, while her imports show a decrease of 193.7 millions as compared with last year. The trade balance on September 30th showed an excess of exports of 26 million dinars, while last there was an excess of imports of 295 millions.

The bulk of Yugoslavia's exports are consigned to the so-called "clearing States". This part of her exports shows an increase of 50.3 millions, while the value her imports from these countries has increased by 35.2 million dinars. The value of her exports to Germany is 263.7 million dinars below that of last year's exports (a decrease of 8.92%). Her trade balance with the clearing States now shows an excess of imports of 332.1 millions, while last year there was an excess of imports of 347.2 millions. The value of her exports to the non-clearing States has increased by 77.5 million dinars, while that of her exports from those countries is 228.9 millions less than last year. Her trade balance with the non-clearing States this year shows an excess of exports of 358.2 million dinars, while the excess of exports recorded on September 30th, 1938 amounted only to 51.8 millions. (*Reggeli Ujság*, Octobre 26th).

SIGNING OF THE NEW YUGOSLAV-GERMAN TRADE AGREEMENT

Following the successful conclusion of the Yugoslav-German trade negotiations, an agreement has now been concluded and signed by the delegates of the two countries. The official report issued after this act points out that Yugoslavia's neutrality can in no way prevent her from making sure of her best market in the future too, so long as Germany is able to offer — in exchange for Yugoslavia's products — German products which Yugoslavia particularly needs to-day.

The Yugoslav quotas have been fixed according to a strict key. Payment will be effected either by means of clearing transactions or of compensation. A number of articles — including those hitherto paid for in stable currencies — will now be paid exclusively by compensation. Among these articles are metal goods such as copper and lead, iron ores, lead ores, and pyrites. The same form of transaction applies to payment for quotas of fattened pig (300,000), raw hides and feathers. Other Yugoslav articles will be paid for chiefly by clearing transactions; such articles are: 10,000 wagon loads of wheat (2,500 wagonloads in the form of flour), 4,500 wagonloads of special animal fodder (oil cakes and fodder flour) to replace maize, as the poor crop obtained by Yugoslavia this year does not allow her to export any maize. As for fruit, Yugoslavia will export to Germany — in addition to the present quotas — the following quantities:

1.000 wagon loads of prunes (2—300 wagon loads in all), 1.000 wagon loads of apples (2.700 wagon loads altogether), 200 wagon loads of other kinds of fruit and fruit products, representing a total value of 200 million Reichsmarks) this quota will include also wine, nuts, etc. Germany will continue to export to Yugoslavia primarily the same articles as she has already been sending to her: machines, coal and coke; on the other hand, she cannot continue to export textile raw materials.

So far Yugoslavia exported to Germany 10.000 wagon loads of wheat, 10.000 wagon loads of maize, and 10.000 wagon loads of wheat or maize. This year, however, the maize crop in Yugoslavia was very poor and a certain quantity of wheat must also be kept in store at home, so that Yugoslavia will now export to Germany — in addition to the 5.000 wagon loads of wheat already exported — 10.000 wagon loads of wheat. That is, of all kinds of cereals Yugoslavia can now export only half of the former quantity.

RESTRICTION OF RAILWAY TRAFFIC IN YUGOSLAVIA

The Yugoslav railways have ordered the suspension of several trains on almost every route: in Serbia 20, and in the Voivodina 28 trains have been suspended. This is the third time since 1928 that the Yugoslav railways have been obliged to decrease the number of trains in order to increase their profits.

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