

PROBLEMS OF INDUSTRIAL PRODUCTION IN SLOVAKIA

BY

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Slovakia still continues to feel the effects of the cut-throat industrial policy pursued by the Czechs. As the whole world knows, that policy completely disorganized economic order and upset equilibrium in the areas wrested from Hungary. The sole object of this policy was to ruin industry in Upper Hungary wherever that could be done. No consideration was had for natural exigencies or traditional development. The question now is: will Slovakia be able to recover from the havoc wrought by the Czech industrial policy?

After the first Vienna Award, the restoration of a part of Upper Hungary had a curious effect on Slovak industry. For the first moment all that was thought of was that territories rich in raw materials had returned to the mother-country. Soon, however, the astonishing fact was revealed that in consequence of the restoration of agricultural areas, the part of Slovakia's national income contributed by the heavy industries had suffered a decline of 30%. In old Slovakia (i. e. in the entire area detached from Hungary), the receipts of the agricultural industries had totalled 79.070.000 crowns. The net receipts of the heavy industries (factories) were 1.837.800.000 crowns. *Together the two sums contributed 1.970.000.000 crowns to the national income. With the restoration of part of the Magyar areas this total has decreased by 760.000.000.* At the same time the net receipts derived from the crafts show a decline of 170.000.000. Industrial production, big and small together, must thus reckon with a loss of about 1.000.000.000 crowns. This figure represents the importance of the southern areas from the point of view of industrial production. Let us examine a few details. From the report for the year 1939

issued by the Board of Mines it appears that in that year Slovakia's mining industry showed the following decrease:

<i>Minerals and ores:</i>	<i>Decrease</i>
Pyrites	159.2 tons
Iron ore	2671.5 tons
Precious metals	764.2 tons
Auriferous ore	97 kilogrammes
Natural gas	33.167 cubic metres
Raw iron	7227.8 tons
Salt	3901.3 tons
Antimony	599.35 tons

This report of the Board of Mines gives the following explanation of the decline. In consequence of the territorial changes iron production has fallen by 27%. The boom caused by the war has been instrumental in increasing production in the mines still left, but even so it has not been possible to bring the decrease caused by the loss of mines down below 20%. In the case of antimony the loss is greater still, amounting to 70%. The decline in the output of pyrites and precious metals, as well as auriferous ore, is stated to be due to the slump caused by unsettled conditions, while the Board of Mines accounts for the decrease in salt production by throwing the blame on the Vienna Award.

In numerous branches of industry the loss of territory has caused a shortage of raw materials, which has led to serious crises. In this respect the textile industry is in a particularly critical situation. With the southern, Magyar territories large flax- and hemp-producing areas returned to the mothercountry. The silk industry has also lost nearly 50% of its raw material. Before the Vienna Award there were 140.000 mulberry-trees in Slovakia, 65.000 of which now belong to Hungary. Now, one of the Slovak Administration's greatest problems is how to replace these raw materials by domestic production. The cultivation of hemp in particular is encouraged, subsidies being granted to growers. The glass-making industry is also struggling with a shortage of raw materials; this, however, is primarily due to the switching over to the production of war materials. But the

terrible shortage of raw materials that confronts the two most important Slovak branches of industry, the sugar and the leather industries, with insuperable difficulties, is entirely due to the restoration to Hungary of the Magyar areas. The first year of independence, 1939, proved that the sugar-beet produced in the Slovak territories does not cover the requirements of the refineries, either as to quantity or quality. The refineries counted on 4.800.000 quintals of sugar-beet, but the farmers would not sign contracts for more than 3.900.000 quintals. As a matter of fact however, only 3.400.000 quintals were delivered, so that the refineries received 1.400.000 quintals less than the quantity they had expected.

The situation of the leather industry is even worse. Now that the southern areas have been restored to Hungary this industry must import 5.240.000 quintals of raw hides and 82.000 kilogrammes of sole leather. Slovakia herself produces only 2.260.000 quintals of raw hides and 17.200 pairs of soles, whereas she needs 37.500 pairs. The most important raw materials needed for tanning must also be imported, as must the necessary fats, oils and chemicals. The cement factories have decreased their production by 50%, and the brickworks are in great difficulties. The tragic situation of the latter industry was described by the official newspaper, the "Slovak" of 31st December 1939 in the following words: — "With the detached areas our loss in markets is bigger than the decline in the production of bricks caused by the detachment of the brickworks in those areas. This circumstance has plunged the brick-making industry into an extremely awkward situation. It is obvious that this branch of industry is over-dimensioned. Even should building reach the highest peak that can be expected, smaller Slovakia will not be in the position to make full use of her brick-manufacturing capacity." What a bitter acknowledgement of Slovakia's economic plight!

The restoration to Hungary of the Magyar areas also made its effect felt on the branches of industry that to begin with were not expected to suffer. *The manufacture of chemicals feels the restoration sorely.* In the first place the factories producing vinegar and table-oil have lost part of

their markets with the Magyar areas. The Slovak Manufacturers' Central Alliance puts the loss of markets after the restoration at 40% for the oil refineries and 30% for the manufacturers of matches. It is not only as regards production and markets that changes have been caused in industry by the territorial readjustment. Great difficulties have also arisen in connection with the procural of raw materials and the necessary auxiliaries.

If now, after examining these phenomena and the statistical data at our disposal, we think of Slovakia's policy, things will appear in a peculiar light. The Slovak politicians would like to force reality in the direction of their own desires; they would like to do away with the settled forms of economic gravitation and solve problems of interdependence without having the necessary means to do so. Politicians believe that to have a will is enough in the sphere of economy too. The economist, on the other hand, is compelled to recognize interdependences that have been raised to the force of laws, not only by the centuries, but also by the present-day, modern division of labour between nations and territories as determined by the geo-political factors. It is an interesting thing that the Slovak word "*Sobestacnost*", which means self-sufficiency in the most literal sense — or in other words Slovakia's ability to fend for herself in the sphere of economy — is used primarily by politicians. *Slovak politicians seem to regard the country as a cow that nourishes herself by sucking her own udders.* But economists are prevented by irrefutable facts and the immutable laws of interdependence from engaging in adventures either in theory or in practice.

For the sake of order and completeness we shall now enumerate a few deductions that follow from what has been said above. In consequence of her territorial losses Slovakia is now in a situation causing many branches of industry to be over-dimensioned. This is a semi-tragic, semi-comic situation, if we think of the great reductions effected by the Czechs in the industries of the areas wrested from Hungary. Their industrial policy spelt ruin to the industries developed by the Hungarian State, because it limited their productive activity. A comparatively overgrown population

was the result, which was canalized by emigration. Now that Slovakia has escaped from the de-industrializing policy of the Czechs and has become independent on a larger area than her ethnic strength would warrant, it appears that what industry was left by the Czechs is too large for the present size of the country and its capacity of consumption. In connection with the manufacture of chemicals this has been complained of by the Slovak Manufacturers' Central Alliance, but it manifests itself most tragically in the textile industry. *The textile works at Rybárpól, which used to employ 2400 hands, has reduced that number by half, which probably means a similar decrease in its capacity of production.* The same fate has befallen the *Utekács* and *Pozsony* glass factories. Many factories are not in a position to send their wares to the markets, since there are no suitable roads running from east to west and west to east. All the lines of communication run in a southerly direction towards the areas of consumption. In the case of the cement factories and brickworks we also find the danger of over-production.

Although over-dimensioned, Slovak industry also shows a great decline in production in consequence of the territorial readjustment. Slovakia is dependent on imports for very important articles. Thus over-dimensioned industry on the one hand and inadequate industrial production on the other, together present the greatest problem with which Slovak economy has to cope. Both symptoms show that the so-called "*Sobestacnost*" of which the Slovak politicians dream, is likely to remain a dream for a long time to come.

The youthful State would like to establish the branches of industry lacking, in order to be less dependent on imports. This, however, would require capital, the dearth of which in Slovakia is very great. On 17th December the "Slovak" sadly confessed that the State did not possess the capital needed to develop the branches of industry still required. The newspaper consoled its readers with the reflection that the organization of a capital market would enable the State to solve this problem. For the present, however, we see little chance of any undertaking being established in Slovakia in which foreign capital does not play a role, and a prominent role too. In July 1939, for in-

stance, it was decided to establish a cellulose (woodpulp) factory at Homonna with the help of *German* capital. Within the framework of the Slovak industrial five years' plan it is proposed to establish shingle and parquetry works at Pezinok, Bánóc and Zsarnoca with *German* and *Swiss* capital. On 10th May of the current year the new Franck chicory mill in Slovakia began to manufacture. A fruit preserving factory is being established at Zohora by a *Yugoslav* concern. The petroleum wells at Gbel have been leased by the Government to a *German* firm for a lengthy period. The ironworks at Zolyombrézó belong to a *Czech* concern. On 1st August 1939 the Apollo petroleum refinery at Pozsony passed into the hands of the German Dynamite Nobel Co. Czech capital largely controls the shoemaking industry, and in September 1939 the Czech Bata firm established a new factory for making lasts in Eastern Slovakia.

The above does not pretend to be a full list, but it will serve to indicate how matters stand. Brief though it is, it clearly shows that Slovakia is scarcely viable from an industrial point of view. She cannot amass sufficient capital. Her economy is incapable of saving new capital for the purpose of extending her productive activities to new spheres of industry. Her politicians are on their guard to prevent that little State occupying its due place quietly in the natural economic system of the Basin of the Carpathians, because they are misled by imaginary fears. At the same time they run after far-distant interests in a haphazard fashion according to the needs of the moment, which the rulers of Slovakia are hard pressed to satisfy. And this although the experience of the past and an economic adjustment that has stood the test of time, suggest a solution for every problem and difficulty with which Slovak economy has to contend.