

POLITICAL ECONOMY

CZECHO-SLOVAKIA

ECONOMIC RE-CONSTRUCTION OF CZECHO-SLOVAKIA

Before the Czech Economic Society Dr. Francis Hodác gave an interesting address on the economic situation of the new State, of its commercial policy and of the probable consequences of that policy. He established the fact that the area of agricultural territory lost is quite in proportion to the number of inhabitants transferred. The only significant loss incurred is in respect of maize and flax. The situation in the field of industry — Dr. Hodác said — was more unfavourable. So far the deficit shown by the balance of payments had been counterbalanced by the excess of exports shown by the trade balance. According to the data furnished by the Statistical Bureau, the Czecho-Slovakia of reduced area of today has retained 25% of the glass industry, 33% of the musical instrument industry, 40% of the textile industry, 48% of the paper industry and 60% of the chemical industry. Dr. Hodác estimated the shortage in black coal to be made up by imports at 1.5 million tons a year, that in brown coal at 6.5 million tons. According to Dr. Hodác Czecho-Slovakia is endeavouring to establish an economic co-operation with the German Empire and is anxious to strengthen its connections with the Danubian States; but in order to achieve that purpose — he added — it would have to build motor-roads connecting the several provinces and a network of new canals. These schemes could not however be realised — he said — without effective support from abroad in the shape of large credits. It was extremely doubtful whether there was any prospect of obtaining that assistance at the present moment.

PRAGUE GOVERNMENT UNOBTAINABLY BOYCOTTS SLOVAKIA

Under the pressure of circumstances the Czech Government willy-nilly accepted and approved and got the legislature to pass the Act dealing with the autonomy of Slovakia and Carpatho-Russia. However, the moment the Slovak Government carried out measures to realise the scheme and began to dismiss the Czech officials, Prague resorted to retaliatory measures. A beginning was made with the dismissal of the Slovaks employed by private enterprise too; and the tourist traffic which had previously brought so many Czechs to Slovakia practically came to an end. The Slovak Government is quite unable to cover the expenditure out of the sums paid in within the territory of the province. The amount required annually is 2500 million Czech crowns; whereas in Government circles the probable revenue is estimated at only about 500 millions. Another cause of great anxiety to the Tiso Government is the flight of Czech and Jewish capital from Slovakia; the Slovak Government is therefore thinking seriously of restricting transfers within the frontiers of the State.

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CONDITIONS GOVERNING THE ESTABLISHMENT OF NEW INDUSTRIAL UNDERTAKINGS IN CZECHO-SLOVAKIA

Numerous undertakings which had plants in the territories that have been severed from Czecho-Slovakia have applied to the Czecho-Slovak Ministry of Commerce for permission to establish new industrial plants. The Ministry insists that no undertaking with a share capital exceeding 1,000,000 crowns may be established except in the form of a joint-stock company, permission being granted only against positive proof that 51% of the share capital is in Czech hands. We see, therefore, that the German and Hungarian minorities remaining in the Republic are still to be deprived of their right to carry on economic activity on terms of equality with Czech nationals of other race.

CZECHOSLOVAK TIMBER TRADE SYNDICATE DECIDES THAT 70% OF ITS EXPENSES SHALL BE BORNE BY THE SLOVAKS, WHILE THE SAME SLOVAKS RECEIVE ONLY 1.25% OF THE PROFITS

The "Slovak", the mouthpiece of the Slovak Party, comments with great indignation (November 6th) on this insolent Czech manoeuvre which, it says, is all the more unjust as it came at a time when the activity of the forest industry had to be reduced by 10—30%, and in some regions by as much as 40%.

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HUNGARY

ECONOMIC SITUATION OF HUNGARY SHOWS
IMPROVEMENT DESPITE RECENT INTERNATIONAL
CRISIS

The reports published by the Hungarian Economic Research Institute on December 20th already deals with those circumstances and events which had an influence on the development of trade and prices to the end of November. As the result of these investigations the report concludes that the situation shows a marked improvement despite the international crisis in political life. Its criticism of the various branches of production and economic life runs as follows: The situation of agriculture showed an improvement in the first few months of the fiscal year. Its purchasing power increased by 21% between July and September, and it was 33% higher than in the previous year. The improvement in the situation of agriculture in 1938—39 may be estimated to average 10—15%.

Our exports trade showed a continuous decrease in the first half of the year 1938; in the months July — October, however, our imports showed a marked decrease, while our exports increased slightly. As regards our imports, raw materials and half-finished goods played the leading role in their decrease by 22%. The increase of our exports was due to the fact that a rise in the exports of wheat (36 millions) counterpoised the decrease of exports of a number of industrial and agricultural products. Our trade balance for the period July—October, 1938, showed an excess of exports of 54 million pengő, and displayed a vigorous power of resistance to the extraordinary political events in September. There was a temporary rise in the note circulation. The withdrawals of deposits decreased remarkably by the end of November, and the deposits withdrawn in September gradually found their way back to the banks.

Industrial production, after showing a declining tendency for about a year previously, has again displayed a rising tendency; the relevant index-number was 13% higher in the third quarter of 1938, but it was still 3% lower than in the previous year. Employment was more lively both in the capital goods and in the consumption goods industries. The increase of the former amounted to 12%, which was still 1% lower than in the previous year. The latter shows an increase of 16%, but this was partly (5—6%) due to seasonal conditions. The production of the consumption goods industries was 4% less than a year before. The increase of industrial production in 1938 by 13% is by no means a sign that we have already reached the low point of the crisis and that we are now looking forward to a period of improvement. If the index number is considered apart from the influence of seasonal conditions, the volume of production was only slightly

larger in the third quarter of 1938 than in the previous month. But if we take into account all the phenomena that have brought about this improvement, we must come to the conclusion that the improvement in the third quarter was not merely a temporary one caused by a sudden fall in production during the second quarter, but that it is actually the commencement of a process of steady general improvement.

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HUNGARY'S EXPORT TRADE BALANCE: 104.5 MILLION EXCESS OF EXPORTS BETWEEN JANUARY AND NOVEMBER 1938.

According to the reports of the Hungarian Statistical Bureau, the value of Hungary's imports between January and November 1938, amounted to 373.4 million pengő, while that of her exports during the same period amounted to 487 millions. As against an excess of exports of 99.6 millions between January and November 1937, Hungary's export trade balance for 1938 shows an excess of exports amounting to 104.5 million pengő between January and November 1938.

Compared with the same period of 1937, there was a significant decrease in the first eleven months of 1938 in the quantities of timber, sawn wood, raw hides, cotton, cellulose and raw materials imported, while the imports of firewood, machinery and various kinds of appliances increased. On the export side there was a certain decrease in cattle exports — owing to a decline in our exports to Italy — and in rye, flour and feather exports due to the decline in our exports to Germany. On the other hand, the increase of our exports to Italy resulted in a slight increase in our exports of pigs (148.928), as well as an advance in our exports of wheat to Italy and Germany (1,428.062 q., and 1,362.483 q. respectively). There was also a remarkable increase in our exports of railway cars.

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RUMANIA

ECONOMIC CONDITIONS IN RUMANIA IN 1938.

The December 31st., 1938, issue of the "Excelsior", an economic and financial weekly, publishes a report on economic conditions in Rumania in the year 1938. It points out that the economic life of Rumania in 1938 was affected by two international factors, — 1. the recession towards a fresh crisis of international economic life, which was in evidence more particularly in certain countries and in certain economic fields; and 2. the war economic conjuncture which, while maintaining industrial activity, at the

same time is injurious to the interests of large masses of consumers.

The article further stresses the fact that on the other hand the development of economic activity in Rumania was affected also by two inner circumstances. The first of these circumstances was referred to by the Minister of Finance, M. Cancicov, in one of his speeches, in which he made the following statement: — "Between the end of December, 1937, and February 10th., 1938, a state of unrest (anxiety) was provoked in the fields of national economy and finances." (N. B. The Government in power in Rumania between December 28th., 1937, and February 10th., 1938, was that of Goga and Cuza, during the forty days' rule of which unrest, chaos and economic uncertainty ensued in Rumania). The other inner circumstance was the potential danger of a new World War in evidence in the months of September and October, 1938. And the article finally points out that the carrying into effect of the "Anschluss" by the occupation of Austria and the subjection of Czecho-Slovakia to the political and economic control of Germany, combined with the simultaneous advance of the German efforts to secure economic expansion in South-Eastern Europe, naturally affected the international trade of Rumania.

In connection with Rumania's foreign trade the article establishes the fact that in 1938 — as compared with the previous year — there was a significant set-back. Applying the provisional data available to the first eleven months of the year, we get the following results (in millions of lei):

	Value Imports	Exports	Excess of Exports (+) or Imports (—)
First 11 months of 1938	16.7	19.0	+ 2.9
First 11 months of 1937	17.6	29.1	+11.5

According to the "Excelsior" the considerable fall in the prices of prime necessities in the international market, combined with the decline in the prices of petroleum and lumbering products, were the moments primarily affecting Rumanian export trade. But that trade was affected also by the circumstance that in those States to which Rumania exported restrictions were placed on dealings in foreign currencies. The article refers in particular to Germany, to which country roughly 36.4% of Rumania's total exports were consigned, that country in its turn supplying 27% of Rumania's imports.

Speaking of Rumania's agriculture, the "Excelsior" establishes the fact that, although the 1938 harvest was an abundant one, the marketing of the products was rendered difficult by the circumstance that there was a fall of prices in the international market.

The article publishes a comparative table of the prices of industrial and agrarian products respectively: the figures of that

table show the following changes as compared with the conditions in force in 1929: —

	Industrial Index	Agrarian Index
January	90.0	68.2
February	90.1	67.6
March	90.0	68.6
April	89.9	68.4
May	89.0	72.3
June	89.1	72.5
July	88.6	63.9
August	89.9	64.0
September	96.8	64.0
October	90.7	63.4

We see — so runs the article of the "Excelsior" — that in the second half of the year the situation deteriorated month by month, reaching its peak point in October.

YUGOSLAVIA'S CLEARING BALANCE

According to the latest Yugoslav statistics, Hungary's clearing claims on that country are on the decline. On 31st October, 1938, Yugoslavia's clearing debts to Hungary amounted to 36.4 million dinars; on November 15 the sum was 34.8 millions; on November 22, 32.9 millions and 27.5 millions on November 30.

Yugoslavia's clearing debts to Czecho-Slovakia amounted at the end of October to 164.3 million dinars. By the end of November that sum had sunk to 149.5 millions. On the credit side of the balance sheet a certain fluctuation had been observable in respect of Germany's debts to Yugoslavia. At the end of October Germany owed Yugoslavia 20.4 million marks. This sum rose temporarily to 23.9 millions and then sank again to 21.9 millions. By the end of November it had again risen to 23.7 million marks. Italy's clearing debt continues to show a sinking tendency, for by the end of November Italy's debt of 75 million dinars by the end of October had sunk to 59.4 millions. — y —

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