

POLITICAL ECONOMY

HUNGARY

NO INFLATION DANGER IN HUNGARY

The General Meeting of the Hungarian National Bank, on February 3rd, found that after paying half of its debt to the International Payments Bank and several other banks abroad, it had obtained net profits of 23 million pengő, which amount it decided to offer to the Ministry of Finance for the purpose of a medium-term agricultural credit fund. The Bank has also decided to pay a 6.5% dividend, (i. e. 6.50 gold crowns).

At a special meeting of the National Bank, *M. Lipót Baranyai*, Governor of the Bank, held an *exposé*. He declared that *the economic and financial situation of Hungary may be considered as favourable*. In time of war, production must be maintained not so much by money as rather by the securing of raw materials and other commodities. Money certainly helps to procure these, but it cannot replace them. Some people were of the opinion that war time production must be speeded up by financial inflation, but this is clearly a mistake, for, as we may see in the case of Hungary's economic life, *inflation would lead to the deterioration of the value of money*. A few clever financiers do occasionally make fortunes out of inflation, but the bulk of the population, especially the earning classes, can only lose by it. For this reason the increase of expenses is to be counterbalanced partly by saving and partly from taxes and such loans as the present generation is able to repay. *It would be a gross mistake*, M. Baranyai pointed out, *to place the burden of the present generation on the shoulders of the following generation, for the present generation has no right to do this: nor would it be fair from the moral point of view to incur debts which the following generation would have to pay*.

The reorganization of industry had been carried out in such a way as to *increase, in the first place, the usual production of articles required for the country's defence*. By this means it was possible to raise our national defence to an up-to-date level, and it is certain that we shall be able to preserve this level. In order to be able to bear the expenses of this undertaking, the nation has willingly agreed to observe the strictest economy in its daily life. The prices of certain commodities have increased, owing to the bad crop, the shortage of certain raw materials and the increase of the prices of im-

ported articles. Nevertheless, *there has not been — nor is there any danger of there being — either inflation or depreciation*, because it will be averted by economy. The re-annexation of a part of Transylvania has, naturally, caused additional expenses, which will be covered by means of a lottery loan with the participation of every class of Hungarian society.

WOOD PRODUCTION AND ELECTRIFICATION OF SZEKLERLAND

The Economic Council of Transylvania has carefully examined the project concerning the timber production and the sale of timber in Szeklerland.

In connection with the establishment of new factories in Transylvania it was agreed that for the moment *it was most advisable to establish factories whose production may be covered by the raw material found in the province itself, without incurring the danger of a possible shortage of raw material owing to war conditions*. Such factories would be flax and hemp mills, but their operations can only be speeded up by a more extensive cultivation of textile plants, for which the soil of Szeklerland offers the best opportunity.

The Council also discussed the problem of the electrification of Szeklerland and various proposals concerning preparations for the summer season in the health-resorts of Transylvania. Lastly, the Council discussed the question of supplying Szeklerland with agricultural implements and hardware.

RUMANIA

RUMANIA'S ECONOMIC SITUATION

After the dreadful catastrophe of the earthquake, the extraordinary situation and other well-known events of the recent past have reduced Rumania's economic life to such a precarious position that the foremost economists of the country are gravely brooding over the best possible solution of the outstanding problems. In an article published on February 9th, 1941, the "Excelsior" deals with the general problems of Rumania's economic life. *The productive capacity of both industry and agriculture shows an appalling decline*, and the distribution of products thus diminished in volume is also one of the gravest problems. The economic disorganization of the country is mainly due to two principal causes: in the first place, the *inefficiency of the Rumanian railway system* and, in the second, the *lack of leaders* is Rumania's economic life. The Government has now set up a scheme for the purpose of reviving the activity of the most essential branches of production, especially in the field of agriculture, The Government

has also authorized the National Cooperative Institute to work out a scheme for the development of production. *The National Bank has granted a credit of 500 million lei to the Institute, the sum being guaranteed by the Ministry of Finance.* One of the most essential issues of this new scheme is that the Institute has decided to purchase for the above sum tractors in Germany, to distribute them among the peasantry. Private landowners (farmers) in the towns and villages are invited to apply for tractors. *Special premiums* are offered to those farmers who grow wheat, maize, potatoes, beans and any other plants for the consumption of the food and textile industries.

SLOVAKIA

WHAT SLOVAK "NATIONAL BREAD" IS MADE OF

By Lewis Jocsik.

In all the countries of Europe the war has compelled the governments to adopt emergency measures. No State in the whole Continent is an exception to this rule. Each of them has been forced, for the time being, to have resort to emergency measures dealing mostly with the organization of food supplies, and with the procural of raw materials respectively. This is also true of Slovakia. One after another, emergency decrees have been issued by the Slovak Government. Recently an Ordinance prescribing the kind of bread allowed in Slovakia was issued by the Ministry for Economy. The Ordinance provides that only one sort of bread, the so-called "national bread", may be made for sale. This "national bread" consists of a mixture of various kinds of flour and potatoes, and its ingredients are as follows:

<i>Wheat flour</i>	55%
<i>Wholemeal rye flour</i>	15%
<i>Barley flour</i>	20%
<i>Potatoes</i>	10%

White bread may not be made except for dietary purposes, so that *pure wheaten bread cannot be supplied except to hospitals and sick people, and then only by doctor's orders.* The flour must be mixed in the bakeries. The sale of whole meal rye flour in the mills is restricted by law. Bakers and tradesmen must buy their supplies of the various kinds of flour according to the ratio determined for the so-called "national bread".

The Ordinance in question has fixed the ratios of the various kinds of flour composing the "national bread" at a maximum. Bread of this sort cannot be manufactured unless the production of bread cereals in Slovakia corresponds to the ratio determined for the "national bread" by the Ministry for Economy. For if wheat cannot be used to the extent of 55%, it

is evident that, to supply the population with the required quantities of bread, the ratio determined by the Ministry for Economy cannot be adhered to, and other cereals must be substituted for the amount of wheat lacking.

Let us see how things actually stand. In what follows we shall take the figures of the semi-official "Slovak" as our guide. These figures were published in the year 1939. We have chosen that year because at that time the complications caused by the war had not yet begun to make their effects felt, and thus it will be easier to form a clearer picture of the situation that will throw light upon the present problem too.

The semi-official "Slovak" estimated that Slovakia's requirements in bread cereals in 1939 were 10.000 wagon-loads. This quantity was made up as follows:

<i>Wheat</i>	4000 wagon loads
<i>Rye</i>	3000 wagon-loads
<i>Barley</i>	3000 wagon-loads

Reckoned on a percentual basis:

<i>Wheat</i>	40 ^o / _o
<i>Rye</i>	30%
<i>Barley</i>	30 ^o / _o

These figures alone show that *Slovakia is not likely to be able to produce the quantities required for the manufacture of the "national bread" prescribed by the Ministry for Economy.* The Ordinance presupposes 15% more wheat in the mixture than the quantity available in Slovakia for bread-making.

But there are also other problems connected with the question. If we consider that the population of Slovakia numbers 2.500.000 souls, then even with the quantities quoted above, each inhabitant would on an average consume only 40 kilogrammes of bread cereals per annum. It is evident that there is some error in the calculations of the Slovak economists. They purposely under-estimate the quantities of bread cereals required, in order to prove that Slovakia is self-supplying. The truth is that the Slovaks are great bread-eaters, and will certainly refuse to reduce the amount they consume of this their staple food merely in order to prove that the theory of Slovak self-sufficiency is well-founded. As things stand at present, if we reckon all the bread cereals produced in Slovakia, 120 kilogrammes on an average fall to each inhabitant per annum. Now 120 kilogrammes of bread cereals produce only 85 kilogrammes of flour, a quantity considerably below what is required before the population may be said to be adequately supplied with bread.

Great and serious, therefore, are the problems that have to be coped with in Slovakia to ensure the inhabitants their

daily "national bread." And if we set the problem of "national bread" in the framework of the general situation, its significance as a source of worry and anxiety assumes increasingly greater proportions.

The general crisis in Slovakia's food supplies is not confined to bread alone, but affects all articles of food. We shall arrive at very interesting conclusions by comparing present war-time conditions with the state of matters prevailing in 1914. Conditions in these two years (1939—40 and 1914) lend themselves readily to comparison, as in both cases the even tenor of life was disturbed by the complications arising from a state of war in Europe. In 1914, it is true, Slovakia as such did not exist, but the Slovak nation was part of a belligerent State, while at present Slovakia is not involved in the war. This is the difference between the two years under comparison. It is obvious that this historical difference ought to affect Slovakia's supplies of foodstuffs favourably. In order to be able to draw an ultimate conclusion we must compare the prices of foodstuffs then and now. *To do so let us take the prices prevailing in 1914 as an index-number representing 100 and compare the present prices with that figure. Then we shall see that compared with 1914 the index-number of foodstuffs in 1940 fluctuated between 815 and 898.* This highest number, 898, was reached in the June of 1940; at present (the beginning of 1941) it stands at 860. The ultimate conclusion, therefore, is that compared with the first year of the last war, the price level today is 8.6 times as high. This clearly shows the difference between the two years in question. Since the price-index of foodstuffs represents the average for all articles of consumption, we shall not be far wrong if we draw an inference applicable to the general situation as regards food supplies from the level of the price-index. Despite the fact that so far as food supplies are concerned the situation in Slovakia ought to show an improvement, comparison proves that it does not. In 1914 Upper Hungary, as part of the Monarchy, was in a state of war; Slovakia at present is not, and yet so far as food supplies are concerned her position is 8.6 times worse than it was in 1914, when she was part of the Kingdom of Hungary.

YUGOSLAVIA

DECREASE OF NUMBER OF FACTORIES IN ZAGREB AREA

Official reports published at Belgrade show that on January 1st, 1940 the number of factories in the whole country totalled 3,254, as against 3455 in the previous year; this amounts to a decrease by 5.82% in the total number of factories. The following list shows the comparative state of affairs on January 1st 1940 and 1939:

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Belgrade:	712	690	+22
Zagreb:	539	793	—254
Lyublyana:	415	414	+1
Oszijek:	172	161	+11
Split:	190	172	+18
Banja Luka:	48	55	—7
Novisad:	711	710	+1
Sarajevo:	217	215	+2
Dubrovnik:	24	24	0
Podoritza:	42	42	0
Skopje:	184	172	+12

The above list shows that the decrease in the number of factories is most pronounced in the Zagreb area, where it amounts to 32%.

360 MILLION DINARS A YEAR TO BE SPENT ON THE IMPROVEMENT OF YUGOSLAVIA'S AGRICULTURE.

The Yugoslav press publishes a detailed description of the Government's recent decision to spend a *total amount of 1.800 million dinars — during a period of 5 years —* on the improvement of Yugoslavia's agriculture. The production of agriculture must be increased for two apparent reasons: firstly, in order to comply with the demands of home consumption and, secondly, to enable it to serve the essential interests of the country in respect of agricultural exports. Hitherto the budget of the Ministry of Agriculture has been so low that it was far from sufficient to serve the interests of agriculture. The present scheme may be divided into two sections: first, the increasing of agricultural production and new investments, and second, the instruction and education of farmers. In the investment part, particular attention is to be paid to *cattle breeding and animal hygiene* as well as to the growing of *plants*. As regards agricultural education, the Government proposes to establish a number of agricultural schools and courses. Lastly, *the financial part of the Land Reform will have to be settled* in those places where this settlement has not yet taken place. The sum reserved for the improvement of the standard of agriculture (1.800 million dinars) is to be secured partly by loans and partly from the profit derived from exports. The "Prizad" and the Export Bureau obtain net profits from exports amounting to about 800 millions a year, so that the State will only have to raise a loan of about 1 milliard for the whole period of five years.

FORMATION OF A NEW MINISTRY IN YUGOSLAVIA

In January the Yugoslav Cabinet Council published a decree ordering the formation of a Ministry of Public Supplies. Among the tasks of this new Ministry are such as the supplying of the population with food, the conception and execution of a new plan of production, the purchase and distribution of raw materials and half-finished goods, the fixing and control of prices, the control of production, and, lastly, the coordination and cooperation of all organs serving the purpose of public supply. The Ministry will exercise control over such organizations and institutions as the "Prizad" (a monopolistic export company), the Public Office of Provisions, the monopolistic company "Silos", the controlling board of the timber trade, and various other organizations of a similar character.

The head of the new Ministry is *Dr. Milan Protitch*, Governor of the National Bank of Yugoslavia, who is the son of the late radical leader, M. Stoyan Protitch, first Premier of the Yugoslav (the S. H. S.) State. The new Minister is known as a great authority on economic questions, and in the ten years of his office *he has raised the National Bank to a very high standard of efficiency and played an important part in the stabilization of the dinar.*

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