POLITICAL ECONOMY

HUNGARY

ELECTRICITY IN SZEKLER VILLAGES

Following the proposals of the *Transylvanian Economic Council*, the Hungarian Ministry for Industry has decided to solve the problem of electricity in the Szekler villages. Several schemes have so far been proposed, and the Ministry has now informed the Council that its last proposal concerning the electricity problem of 15 villages in the neighbourhood of Tusnád has been approved and that an engineer has already been sent to the villages to study the possibilities of solution. The delegation of an expert to Szeklerland is an important step towards the solution of the electricity problem of that region.

RUMANIA

RE-ORGANIZATION OF RUMANIAN RAILWAYS

Means of communication have, today, an enormous importance in the life of nations. Rumania is one of the countries in Europe where the railway system has always had to bear the greatest strain in respect both of Continental transit traffic and of the economic supply of Europe. It will be useful, therefore, to give a brief summary of an article by M. Trausanu in "Excelsior" (March 9.) dealing with the reorganization of Rumanian railways.

In November General Antonescu, Leader of the State, approved an enormous and comprehensive scheme of operations and investments for the building of new railway lines. This scheme involves an expenditure of 4000 million lei; 20 new railway stations have already been completed, while another 50 railway stations are just in process of building.

One of the most important points is the doubling of the Campina-Brassó line, which connects the petrol area with the Capital and the Western front and has, thus, catered for an ever increasing traffic in recent years. This line some time ago reached the limit of its working capacity, so that its doubling means the solution of a grave transport problem. Its length is 75 kilometres, and the cost of building amounts to 6000 million lei, i. e. 8 millions per kilometre. After its rebuilding the double line now satisfies all demands of the still enormously increasing traffic. The electrification of the line is also planned, whereby its working capacity will increase still further. Similarly, the electrification of the double track between Campina and Ploesti is also included in the scheme. The Bucharest-Alexandria line has been completed and is now in full operation.

In order to increase the security and capacity of communications it has been decided to reorganize and unify the signalling system; similar reforms are to be introduced in several other branches of the railway system.

Another important point in the new railway scheme is the purchase of new locomotives and other rolling stock. Considering the state of the present stock, Rumania will require an average addition of 100 locomotives, 100 passenger cars and over 1000 trucks every year. Even this, however, will not suffice to cope with the demands of the enormously increasing railway traffic, so that sooner or later Rumania will have to re-fit and increase her stock of locomotives and cars on a hitherto incredible scale.

The execution of the scheme is the duty of the Rumanian manufacturing industry, and the largest factories in the country have already made all the necessary preparations to be able to meet the orders placed by the State. The leading undertakings in this respect are the "Resitza" and the "Malaxa" concerns; the recent nationalization of these two concerns has already enabled the State to solve a considerable part of the financial problems incidental to the realization of the scheme in question.

CRISIS IN RUMANIAN MONEY MARKET

In recent years the Rumanian money market was characterized by a rapid increase of the volume of means of payment, mainly due to the methods with which Rumania sought to solve the gravest financial problems of the State. *For many years Rumania has spent innumerable millions on rearmament and on the fortification of her frontiers,* without ever considering how far the limits of her economic and financial capacity really allowed her to go in the realization of these schemes.

In an article recently published in the "*Excelsior*", M. Petre Constantinescu gives an interesting, though timidly careful, account of the present crisis in the Rumanian market. If we remove this veil of timidity, the following picture of the Rumanian money market is revealed:

The Rumanian banking and credit system was far too undeveloped to be able to cope with the problem of financing the gigantic rearmament scheme. While other States sought to solve the problem by an extension of credits, Rumania *soon resorted to the method of increasing the means of payment.* At the same time, however, the Government was unable to fix either prices or the standard of wages, which made the situation still worse.

It is surprising to learn that the reason why this method did not lead to even more critical results was that, in view of the international crisis, the Rumanian public accumulated, and withdrew from circulation, a considerable amount of money, which exercised a quieting effect on the future development. Just to be able to form an idea of the enormous dimensions of this money-storing activity, we would remind our readers that a few months ago no bank in Bucharest was able to offer a vacant safe; and if the situation has improved since, that is by no means a sign of decline in the process of money accumulation, but simply means that the public has lost faith even in the safes and is now taking refuge in the more elementary methods of money-accumulation.

The current accounts opened at the principal banks show a surprising state of liquidity, which not only makes the trustworthiness of the Rumanian banks rather doubtful, but is a most alarming fact from an economic point of view too.

While the money-market is almost swamped by means of payment, the Stock Exchange — which is the money-market properly so called — is almost completely inactive and the issuing of new securities has been almost completely suspended.

Since the rate of production is largely influenced by the difficulties impeding imports and by the political crisis of the State, there is no sound explanation for this enormous increase in the means of payment; in fact, *it creates more and more the impression of an impending inflation.*

Under such circumstances it is easy to understand that the State is being forced to free itself gradually from the traditional methods of national economy and to attempt a solution of the critical problem by totalitarian methods. What with political pressure from outside and the critical state of the money-market at home, the Government is more and more obliged to deprive private enterprise of its leading position in the economic life of the State. Rumania is one of those States which have abandoned the traditional paths of economic policy for a considerable time to come.

SLOVAKIA

THE NEW TRADE AGREEMENT BETWEEN HUNGARY AND SLOVAKIA

The first trade agreement between the two countries was concluded in 1939, when the internal structure and conditions of the new State were still wholly undeveloped and in a process of evolution. The leaders of the new State were faced with the formidable task of building up a political structure almost from nothing, of finding a suitable place for it in the commercial network of older States, and of defining the functions of the various classes of society in the new State.

The most important part of the task was to adjust the trade relations of the small State with its neighbours and other States. This was important, not only on account of its political connections, but in the interest of its internal consolidation and peace too. The tranquillity of its working classes, the very subsistence of its population, depended on whether its leaders were able to find markets for the country's products in other countries.

Hungary, Slovakia's southern neighbour, was among the first to rush to the help of the new State, in order to guide it on its way towards internal and external consolidation, enabling the new State to find its place among the States of the Danube Basin.

Under the first agreement, *Hungary offered Slovakia a quota of 100 million pengő*, which Slovakia exploited almost exclusively for the benefit of her timber export. After the return of new territories, Hungary herself had available a sufficient quantity of wood to supply her own demand, whereas Slovakia had, from the outset, based her export trade on the supply of timber to Hungary. Before the Great War, Hungary had created a number of plants in the northern areas — now incorporated in Slovakia — to provide the firewood supply of the southern areas of the country. During the twenty years of the Czech régime these plants retained this character, and Hungary's understanding for Slovakia's situation may be seen from the fact that in the first trade agreement Hungary enabled these plants to continue their work as before. At the cost of her own timber industry, so to say, Hungary took over the surplus quantity of wood from Slovakia and thereby secured the lucrativeress of these establishments. On one occasion the Slovak experts themselves admitted that Slovakia would have to reorganize completely her own timber industry if Hungary were to shut herself off from Slovakia's timber export. However, it would be almost impossible for her to find a new form of production. It would entail the planting of new forests, the finding of new markets, and the investment of large sums of money in machinery. Obviously, this is wellnigh impossible, and even if it could be done, it would — for some time, at any rate — have a merely theoretical significance for the economic life of Slovakia.

In the second trade agreement Hungary showed still more understanding for the problems of the new State *by raising the previous quota by 100% from 100 to 200 millions.* What is still more surprising is that Hungary has secured for Slovakia an active balance amounting to 30 millions, which means that while Slovakia will exploit the quota completely, Hungary will export to her only of the value of 170 millions.

Hungary has, then, thrown open her gates to let in Slovakia's exports and allow her neighbour to find suitable markets for her products. At the same time Hungary has pledged herself not to exploit the Slovak markets to the same extent for her own benefit, so that Hungary's industry will be more moderate in its endeavour to find new markets in Slovakia, than vice versa. This is the most interesting feature of the new Hungaro-Slovak trade agreement. It has, of course, several other interesting features too.

Thus, Hungary is going to export not less than *15.000 fatted pigs* to Slovakia every year. This, again, raises two important points. In the first place, Hungary undertakes such a charge at a time when she could easily find more advantageous markets for her stock of pigs elsewhere, or could even keep it at home for her own consumption. In other words, Hungary exercises an act of abstinence, as it were, in allowing Slovakia to have 15.000 fatted pigs every year at such a critical moment; moreover, Hungary has pledged herself to *fatten an additional 3.800 pigs for Slovakia* at home as reserve supply. The total number of pigs to be exported to Slovakia every year is, therefore, altogether 18.800 which — taking an average weight of 150 kilogrames — means a total of 27.000 q. of pork a year. The other point is this: some time ago Slovakia decided to cut down the import of pigs and to encourage her own breeders by offering various premiums to her farmers for this purpose. Plans were made for the fattening of 20.000 pigs, 150 kgr. each, every year. It was forgotten, however, that there would not be enough fodder to realize this plan, as they would need the maize and barley to make their bread. And now comes Hungary, the southern neighbour, extending a helping hand to the young State to solve its problem of pork consumption, a problem which it would never have been able to solve without Hungary's export of pigs.

When we look at the political side of Hungaro-Slovak relations we see that Hungary has had to exercise a considerable degree of self-restraint in this respect too, as the new State is almost inexhaustible in the invention of new measures which show that it *has not yet been able to acquire the routine of international political etiquette*. With one hand they continually beg for further privileges and assistance, while the other hand is continually raised to deal a blow to the southern neighbour. If we peruse the pages of the Slovak press, we shall be surprised to find articles dealing with the trade agreement and others containing some kind of political aggression on the same page. While the economic and political experts of Slovakia are negotiating with the Hungarians over the terms of the new agreement, *her press is loud in its attacks on Hungary*. It would lead too far from our original scope to attempt even a brief summary of these attacks, which are characterized by such tricks as the falsification of statistical records, a malicious discussion of the minority problems and questions of Hungary's internal policy, etc. From a historical point of view the Slovaks charge Hungary with committing a number of blunders for which the old Austrian régime was exclusively responsible. Thus, among other things, M. Csulen, a renowned anti-Hungarian politician in Slovakia, published an article in the "Slovo" in March, in which he says it is the fault of the Hungarians that the Slovaks did not get certain privileges promised them by Austria in return for their rising against Hungary at the time of the Hungarian War of Independence in 1848. The truth is however that at that time Hungary herself lived under the most cruel oppression of Austria, and the Slovak Leaders, who went up to Vienna to realize their claims, were simply refused a hearing. This article, too, appeared at the time of the negotiations at *Pozsony* (Bratislava). But instead of drawing the necessary conclusions from this state of affairs, to be expressed in the terms of the agreement, Hungary on her part chose to remain generous and patient towards her young partner, who has only just been given the enormous historical task of building up a new State, so that it has not yet had time to learn the lesson of international etiquitte.

YUGOSLAVIA

TWO HUNDRED THOUSAND WORKERS IN 4257 YUGOSLAV FACTORIES

A detailed statistical account concerning the activity of factories in Yugoslavia has recently been published. It appears from this work that the total number of manufacturing firms in Yugoslavia is 2940, possessing 4257 factories and a share capital of 12.253.599.000 dinars, while the total value of the annual production amounts to 15.755.492.000 dinars. The factories contain 300.613 places, but the total number of workers actually employed is only 200.000, a fact which shows that the Yugoslav factories have not yet exploited their productive capacity to its full extent. — The book also gives a full register of manufacturers in Yugoslavia.

YUGOSLAVIA'S WAR LOSES: ONE THIRD OF HER FLEET OF SHIPS

Before the outbreak of the present war Yugoslavia had 93 long-distance ships, 79 of which sailed on the ocean while 14 were engaged in the Mediterranean; the total tonnage was 585.692 tons. Most of these ships sailed in the distant seas and occasionally called at Yugoslav harbours.

The Yugoslav shipping companies have sold 6 ships, their tonnage being thereby reduced by 45.240 tons. Further 14.525 tons have been lost through accidents, while 80.380 have been sunk. The total war losses of the Yugoslav shipping companies, then, amount to 140.145 tons, which represents one third of the total tonnage. Two more ships are lying in distant harbours unable to do active service, while 11 ships lie idle in Yugoslav harbours. Altogether the losses of Yugoslav shipping amount to 140.145 tons owing to sale, mines and accidents, and another 59.551 tons owing to inactivity, an aggregate of 200.000 tons, i. e. 1/3 of the total pre-war tonnage.

THE FRENCH "BOR-WORKS" FINALLY IN GERMAN HANDS

The Bor mines supply 2.5% of the world's copper production. Germany has seized the mines belonging to the "Compagnie des Mines de Bor", formerly a French undertaking; the headquarters of the company at Belgrade is under German control, while the French officials have either been dismissed or transferred to other places, to the smaller offices of the company.

The Bor mines rank third among the copper mines of

Europe. In 1938 their output amounted to 760.000 tons, which rose to 984.000 tons in 1939. Out of this amount 550.000 tons are annually manufactured into goods in the furnaces of the company, while the rest is exported.

The Yugoslav companies, such as the French "Bor" and the British-owned "Trspcha" were under the control of Western concerns, but their natural market was in Central Europe, particularly Germany. After the outbreak of war these companies were faced with the awkward task of being obliged to cater for the enemies of their owners. The situation was the same as in Rumania. Rumania, it will be remembered, appointed "petrol commisioners" to control the distribution of Rumanian oil according to the terms of existing contracts; in the same way Yugoslavia has also extended State control over the foreign companies, including the "Bor". The Government commissioner continued his work until recently, when the "Preussische Staatsbank" — at the beginning of this year — took over the management of the "Bor Works", whereby Germany has acquired the possession of an extremely wealthy and well managed company, with an immense store of raw material at disposal; the company has continued to work at full swing ever since the outbreak of the war. The share capital of the "Bor" amounts to 26 million French francs, its reserves being 168 millions. The value of investments represents 242 millions, with a depreciation reserve of 170 millions. The nominal value of the shares is 200 francs. At one time, e. g. in 1936, the "Bor" paid as much as 275 fr. dividend. The last dividend was 70.50 fr., i. e. 1/3 of the nominal value.

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