

# POLITICAL ECONOMY

## BULGARIA

### BULGARIA'S ECONOMIC BASIS EXPANDS

Bulgaria has now reached one of the turning-points in her history. As a consequence of the re-adjustment of Europe a Greater Bulgaria considerably aggrandised territorially is coming into being; though the predominantly agrarian character of that country will not be changed by the territorial changes. 73% of the population of Old Bulgaria live by agrarian production, 17.7% of the inhabitants being active in other branches of production. In the part of Macedonia formerly belonging to Yugoslavia — where 78% of the inhabitants are engaged in agriculture and only 12% in commerce and industry — the predominance of agrarian production was even greater.

The former Yugoslav part of Macedonia very considerably increases the agrarian production of Bulgaria; for its soil yields good crops of vegetables and fruit too in addition to all kinds of cereals. The fruit-production of the Banat of Vardar embraces all kinds of European fruit; while in the southern section of this territory we occasionally find also sub-tropical fruits — such as figs, almonds, pomegranates, lemons, etc. *Owing to their excellent quality the most important products of this fruitgrowing territory — e. g. plums, apples and in particular walnuts — enjoy great popularity and are much in demand in foreign markets.*

One of the most important results of the re-adjustment is that the position occupied by Bulgaria in the tobacco trade has been very considerably reinforced. Her original tobacco-growing areas are now being increased by the addition of new areas in Western Thrace, in Southern and Eastern Macedonia, in the region flanking the Egean between the Maritza and the Struma and in Western (formerly Yugoslav) Macedonia. As a consequence of the annexation of the tobacco-growing areas formerly belonging to Greece. Bulgarian tobacco production includes also the exceptionally valuable Greek brands, which are superior to even the best Bulgarian brands. The annual production of these highly valuable — so-called "oriental" — brands of tobacco ranges from 112,000 to 150,000 tons; it so far represented roughly one-half of the total European production. *Previously the quota of the total European production of tobacco falling to the share of the Bulgaria deprived of her best tobacco-growing areas was 26.67%, that claimed by Greece being 40% and that of Turkey 33.33%. The*

relative tobacco-production of the three Balkan countries will in the future show a quite different aspect. According to official estimates, in the future the annual production of tobacco will show the following development: — Bulgaria, 71,750; Turkey, 48,000; Greece, 15,750 tons. As a consequence, Bulgaria, hitherto third in order among these countries as grower and exporter of tobacco, will take the lead.

The multifariousness of agrarian culture in the territories restored to Bulgaria, intensive agricultural cultivation and the exit to the Egean at long last secured by that country, — all these are calculated to act as important factors and guarantees of the large-scale economic development and wellbeing of the Bulgarian people. (*"Bulgarische Wochenschau"*, October 28th, 1941.)

## CROATIA

### CROATIA'S SUGAR INDUSTRY

Yugoslavia was one of the countries in Europe with the smallest consumption of sugar, and during the past decade sugar-beet production grew steadily less and less profitable. *In 1929 10.950.000 quintals of sugar-beet were produced on 58.667 hectares; in 1937 only 21.237 hectares were sown with sugar-beet, and the quantity produced was 5.041.000 quintals, a decline of 66% in area and 63% in production.* It was therefore found necessary to increase the area sown with beet, in order to supply domestic needs, and in 1938 and 1939 that area was increased to 29.500 and 46.100 hectares respectively, but in 1940 it had decreased again to 42.100 hectares. Yugoslavia had six fairly big and two quite small sugar-refineries (five of them being in Serbia and the Danube Banate), besides one that was closed down. The average capacity of each of these refineries was 4500 wagonloads a year, that at *Becskerek producing 3000*. Croatia has only one sugar-refinery, at Eszék, which belongs to the sphere of interests of the Czech Živostenska, to which belonged also the sugar-refinery and distillery in the Uzora district, which, however, have now been closed down for several years. During the past two years the quantity of sugar produced by the Eszék refinery was 1500 and 1600 wagonloads respectively; but with more land sown with sugar-beet it would be able to produce 2000 wagonloads annually. Even this quantity would only be half as much as Croatia requires for domestic consumption, so that, in order to eliminate the necessity of importing sugar from abroad, *Croatia will be compelled to establish new refineries.* For the present she is importing sugar from the Cservenka and

Ujverbász refineries in Hungary. The town of Susak has been chosen as the site of a new refinery; but difficulties arise from the circumstance that Croatia does not possess sugar-beet fields of a size large enough to supply a big refinery with the required amount of raw material.

## CROATO-SWISS ECONOMIC CONNECTIONS

On September 10th, at Zagreb, there was concluded between Switzerland and the independent Croatian State an agreement dealing with trade in goods and clearing arrangements, which agreement will serve as basis for the adjustment of the economic connections between the two countries. Switzerland previously maintained a good economic connection (though on a modest scale) with the Yugoslavia of former days: the exchange of goods with Yugoslavia during recent years showed the following development: —

	<i>Imports</i>	<i>Exports</i>	<i>Total Value</i>
	(in millions of Swiss francs)		
1936	8.7	9.2	17.9
1937	13.9	10.3	24.2
1938	11.1	10.9	22.0
1939	19.0	4.9	24.9

Croatia's quota of the above figures was roughly two-thirds. The most important of Yugoslavia's export articles were firewood and timber. In addition that country exported also poultry, eggs and fodder to Switzerland. Yugoslavia imported from Switzerland textile goods (wool, woolen goods and linen goods), as well as machinery, watches, chemicals, etc. The Croato-Swiss economic agreement provides for trade in the current year of a value of 500,000,000 kuna — i. e., roughly 43,000,000 Swiss francs. Payments are to be effected in free foreign exchanges, the rate of exchange fixed being 1 Swiss franc = 11.59 kuna. From this it may be seen that *already in the first year the Parties reckon on a trade turn-over which represents a value double that of the trade formerly carried on between Switzerland and Yugoslavia.* Great Britain having declared that she is extending the intensified blockade to include Switzerland too, the economic circles of Switzerland have realised that it is only by expanding their trade with the Continental countries that they can save their State from the danger of unemployment. Swiss economic circles are particularly interested in procuring brown coal, for which there is a lively demand in that country. ("Deutsche Zeitung in Kroatien", Zagreb, October 29th, 1941.)

## HUNGARY

HUNGARIAN GOVERNMENT ISSUES TRANSYLVANIAN  
PREMIUM LOAN OF 100,000,000 PENGŐ

In recent years the Hungarian Government has had to cope with gigantic tasks in order to be able to provide for the requirements postulated by conditions. *The amount appropriated for the investments and national defence programme — originally estimated at 1,000,000,000 pengő — has already increased to 4.5 milliards, 2.3 milliards of this amount having actually been paid out, — 1.1 milliards out of tax receipts and 1.2 milliards out of loans taken up for the purpose.* Conditions have impelled the Government to appeal direct to the population of the country *when issuing the 100,000,000 pengő Transylvanian premium loan* and to request the payment of this sum — a relatively small sum as compared to the enormous items enumerated above — *in the form of a direct loan.*

Apart from securing the current requirements and the war expenditure, the Government has at the same time to continue the work of equipping the national defence army and of replacing the equipment used up in the war. Social problems have also to be solved. In addition, provision has to be made for the development of the economic resources and for the organic re-union of the re-incorporated territories with Trianon Hungary in respect of public administration and of cultural and social matters too. It was when faced with problems of the kind entailing exceptionally great sacrifices that the Hungarian Government appealed to the population of the country with a request the fulfilment of which will enable that Government to solve a task in which every Hungarian is deeply interested — *the re-construction of Transylvania.*

Since the re-incorporation of that province Hungary has made considerable sacrifices on Transylvania's behalf. *On behalf of Transylvania the Hungarian Government this year undertook the burden of a deficit of 279 million pengő — at a time when the Estimates for 1941 drafted for Hungary without including the items relating to the re-incorporated parts of Eastern Hungary and of Transylvania, showed a deficit of only 32 million pengő.* In order to further the improvement of transport conditions in the re-incorporated districts of Eastern Hungary and Transylvania the Hungarian State Railways have spent 99 million pengő on investments; the sums spent on the repair and upkeep of the roads aggregate 48 million pengő; and 22 million pengő have been spent for social purposes. For various buildings required by the public administration the sum of 29 million pengő and for the financial strengthening of the co-operative societies the sum of 42 million pengő has been appropriated.

The work thus begun must be continued. That is why the Hungarian Government is issuing a premium loan to further

Transylvanian objects. *The loan is to be issued for a nominal value of 100,000,000 pengő; it will bear interest at the rate of 4% per annum, the interest to be due for payment already as from November 1st, 1941.* The face value of the bonds is 200 pengő each; but in order to enable also persons not possessing any considerable capital to take their share of the work of reconstruction, half and quarter bonds are to be issued too. *The bonds are redeemable within a period of 20 years — at their face value.* Amortisation is to begin as from the third year; but the drawing of prizes will begin already on January 2nd, 1942. During the twenty years nearly 26,000 prizes will be drawn — the total value of the same aggregating more than 46.5 million pengő. *The prizes will include seven premiums of 1,000,000 pengő each, four premiums of 750,000 and 14 premiums of 500,000 pengő each.* The drawings of the prizes will take place twice a year, early in the months of January and July respectively. Provision has also been made for the banking companies to assist in the work of subscribing the loan; *they are to grant loans not exceeding 50% of the amount subscribed.* This of course refers only to subscriptions of larger amounts.

## RUMANIA

### PROBLEMS OF RUMANIAN AGRARIAN PRODUCTION

Professor Michael Antonescu, Deputy Premier of Rumania, at a meeting of the Association of Agrarian Trade Unions gave his audience an opportunity of realising the problems facing Rumanian agriculture.

In his speech the Deputy Premier revealed the causes which had been responsible for the agrarian reform announced and carried into effect in 1921 failing to come up to expectations. What had this failure been due to? The Deputy Premier in the first place pointed to the fact that about the middle of last century Rumania had with precipitate haste adopted the legal system of the West and organised the free sale and purchase of property without taking into account the social conditions and the conditions of production prevailing in the country.

*"The 1921 agrarian reform"* — said the Deputy Prime Minister — *"far from relieving the crisis ruling in Rumanian agriculture, had actually aggravated that crisis, though the situation of the country's agriculture had already given cause enough for anxiety. The chief fault of the agrarian reform was that it attempted to solve the agrarian problem, not on an economic and general national plane, but by serving as a means of national recompense and reward calculated to provisionally tone down the explosive feelings brought from the front which was creating such a tension among the landless peasants who had served in the army."*

An agrarian reform the principles underlying which are not

safeguarded by a general, well-considered plan, being indeed inspired solely and exclusively by political opportunism, was bound to yield only bitter fruit. In Rumania prior to the first Great War the situation of the agrarian proletariat was more wretched than in any other country in Europe. A bloody peasant rising of unparalleled dimensions — that of 1907 — had shaken the very foundations of the whole political and social structure of Rumania. The social convulsion which had then burst out with the violence of an earthquake reminds us of the violent and bloody peasant revolutions of the close of the Middle Ages. These anything but ideal preliminaries were then crowned by the experiences of the Great War; and it was for the solution of this chaos of misery and blood that the expedient "*improprietărire*" — the allotment of landed property to the peasantry — was resorted to. This surgical intervention did not cure, but on the contrary decomposed and mortified the agrarian problem of Rumania. The large *latifundia* previously managed each by one hand and as single units were cut up into thousands of small holdings, the agrarian machinery, implements etc. available being also divided in proportion. But, whereas the *latifundia* even with such meagre means of labour proved able somehow to cultivate the soil, the quota of the inventory thus scattered piecemeal which fell to the share of a small holding was absolutely insufficient to maintain the productiveness of the soil at least on the level of that of the large estates. This was why there ensued a situation in which the peasantry, though indeed possessing land, did not possess the requisite means of labour — still less the capital needed — to enable it to cultivate the land allotted to it. The further splitting up of landed property resulting from the process of inheritance led to a continued crumbling of the units.

The consequence of this state of things was that during the two decades of the "Trianon period" Rumanian agrarian production declined gradually both quantitatively and qualitatively. Today there is scarcely any country in Europe where landed property is suffering to such an extent from the troubles incidental to an unsound policy of land-distribution on so excessive a scale and where as a consequence agrarian production as a whole is so exceptionally low. Whereas in Germany, the average yield of maize per hectare is 2020 kilogrammes and that of wheat 2100 kilogrammes, in Rumania — a country with much more fertile soil — the average yield per hectare of land is only 950 kilogrammes in the case of wheat and 1110 kilogrammes in that of maize.

The Antonescu Government is endeavouring to rouse Rumanian agrarian production from its lethargy in two ways. On the one hand it is attempting to prevail upon the Rumanian peasantry to accept the idea of so-called "village communities" (or, to give them their Rumanian name, "*obstii sătești*"). These

"village communities" are in reality variants of the "*colchos*" adapted to Rumanian conditions. The Government called upon the peasantry to form work-communities (associations) to facilitate the carrying out of agrarian operations (ploughing, sowing, harvesting) and in particular to further the procural of harvesting machinery. The Government is endeavouring to secure the marketing of the harvest yield also by community methods. We see, therefore, that the Rumanian Government is trying to find an expedient to replace co-operative organisation by suggesting the idea of "village communities". The other expedient which the Government is anxious to employ is the encouragement of medium- and large-sized estates. In the speech already referred to the Deputy Premier of Rumania emphatically stressed that in the Rumanian agriculture now about to enter its renaissance an important role will be played by medium-sized and large estates. These two categories of landed estate — to which in the statements made by them so far Rumanian politicians and economists have referred in terms of haughty depreciation — will be set the task, first of leading the way in ensuring a greater volume of production, that being easier for them as a result of the greater possibilities within their reach, and in the second place of setting a good example to the masses of small-holders. The medium-sized and large estates must take their full share of the work of training the peasantry.

We Hungarians cannot help wondering why the competent factors of our eastern neighbour have found it necessary to brand as feudal toriyism the circumspect agrarian policy pursued at all times by the Hungarian Governments. For here we have a confession from the lips of the most competent factor admitting that the agrarian reform which the propaganda of our eastern neighbours extolled as the greatest social achievement of the twentieth century, was nothing more or less than an overhasty display of a merely opportunistic character the bitter fruit of which is only just showing its real flavour!! On the other hand we have the Hungarian agriculture vilified as "feudal", the productive capacity of which is more than 50% in excess of that of Rumanian agriculture. It is the irony of fate that Rumania should have chosen to re-allot to the much-abused *latifundia* an important role at a time when Hungarian agrarian policy is striving with a well-considered progressive spirit in keeping with the Hungarian national character to eliminate the social drawbacks of the system of *latifundia*.

### NEW GERMAN UNDERTAKINGS IN RUMANIA

To further the development of the trade in goods between Germany and Rumania two new large-scale undertakings have been established in Rumania. One of these has begun operations

under the title "*Balkan Commercial Co. Ltd.*" and has a share capital of 3,000,000 lei. This undertaking has set itself the object of furthering the export trade in Rumanian agrarian and oil industry products and the import trade in German industrial products. The Bucharest affiliation of the well-known Berlin firm *Röchling* just established is to further the trade in and importation respectively of steel and iron goods. The share capital of the latter undertaking has been registered at the amount of 2,000,000 lei.

## SERBIA

### REORGANISATION OF SERBIA'S BANKING SYSTEM

With the disintegration of Yugoslavia and the accompanying economic reorganization, Serbia's banking system has undergone a great transformation. Yugoslavia's Governments strove to make Belgrade the economic and financial centre of the country, so they centralized all the banking institutions in that town. It was a well-known fact that the banks and banking institutions in Belgrade were strongly favoured by the Government as compared with the country banks. It is therefore to be understood that the big banks all strove to establish themselves in Belgrade. This often unnatural centralization led to a number of abuses. *Very many hole-and-corner banks arose, and those who were foolish enough to trust them suffered severe losses.* Now all this has been changed. Councillor Dr. Mayer, the financial adviser to the Command of the German troops occupying Serbia, has elaborated a detailed plan for the reorganization of Serbia's banking affairs. *In future Serbia will enter into a close economic co-operation with Germany, and in consequence her banks and banking system must change accordingly. Naturally consideration is being paid to the special conditions obtaining in Serbia, and therefore the German banking laws will not be copied letter by letter, but will be applied in a modified form.*

*The basis of the Serb Banking Ordinance will nevertheless be the German banking laws.* This among other things means that the Serb National Bank is no longer on the gold standard, and as Germany's example has been followed here, so will that example be followed in all other branches of banking life. The control of the banks is regarded as the most important task to be accomplished. For this purpose a special Bank Controlling Bureau will be established whose head will be appointed by the Serb Minister of Economy in agreement with the German Economic Commissioner for Serbia. In future the functioning of banks will be conditional on a special permit; the operations of the banks will be regulated in order to eliminate all unsound and harmful competition; banks and banking establishments will be members of one or more alliances, and, should necessity arise,



measures will be taken to make it possible to apply disciplinary sanctions to banks.

The Bank Controlling Bureau will work in conjunction with the Serb National Bank, not with the Ministry of Finance. Its task will be to examine and supervise the balance-sheets of the banks; it will be entitled to demand an insight into their operations; will issue orders concerning their management; fix the rate of interest; settle cases of rivalry between banks or cause them to be settled; perform special tasks in connection with credits; collect membership fees from its members, and impose disciplinary fines. *This Bureau will organize an alliance first of the banks and then of the savings-banks, and will also reorganize the alliance of credit co-operatives.* Banks already established must again apply for a licence to function. Exceptions to this rule are the Serb National Bank and the State Mortgage and Agrarian Banks, which will be allowed to function without a renewal of their licences. Licences issued may be withdrawn if, for instance, the banks in question are not properly managed. Banks and Savings-banks may not engage in any business except such as is compatible with the word "bank" and "savings-bank". It will be impossible in future for small banks to keep large shops. This was quite common in Yugoslavia. To ensure the solvency of the banks they must possess several times as many liquid assets as the value of their registered capital. Reserve funds will not count as capital. No loan larger than 10% of the bank's capital may be issued to a single applicant. This applies also to concerns. No bank may purchase its own shares, nor may they buy real estate beyond their own requirements in the way of premises or houses for their officials. The new Serb Banking Ordinance also regulates the issue of loans on security. Loans on gold may not exceed 100% of the value of the gold as determined by the National Bank, and loans on commodities may not be greater than 50% of the market price of the commodity in question. *The system of passbooks bearing a password instead of a name will cease and in future every passbook must bear the full name of its owner.* This is necessary in view of taxation. Banks and banking establishments must prepare annual, semi-annual and monthly balance-sheets and submit them to the Bank Controlling Bureau. The so-called "*family banks*" belonging to large firms will be allowed to remain, but they must not accept deposits from private individuals.

The object of the new Banking Ordinance is to create healthy conditions where Serbia's banks and banking establishments are concerned. It is probable that many minor banks will close in consequence, which will be a source of loss to many private individuals, but authorities on the question consider it necessary to settle it radically, for until this takes place there is no possibility of effecting a reorganization of Serbia. ("Reggeli Ujság", November 7.)

## SERBIA IN THE LIGHT OF ECONOMIC STATISTICS

Serbia, as she was before 1912, and as she is now, following the collapse of Yugoslavia, under the administration of the Belgrade Government, has an area of 49.500 square kilometres and a population of 3.500.000. The extent of her agricultural land is now 4.000.000 hectares as compared with Yugoslavia's 7.600.000, which means that 32.9% of Yugoslavia's arable land remains to Serbia.

The average density of the population in Yugoslavia was 66 to the square kilometre, in Serbia it will be 70. But this number will grow larger in consequence of the steady influx of returning refugees. The quota of agricultural land per inhabitant is 1.14 hectares, an ample amount even if the standard of life is high.


The number of freehold farms in Serbia is estimated at 600.000, which means on an average an area of 6.66 hectares of agricultural land per farm, of which 4.16 hectares are arable land.

The area of Serbia's agricultural land is large enough, but *the number of her draught animals is small in comparison*. In the whole of present-day Serbia there are no more than 140.000 horses, or only one-eighth of Yugoslavia's entire stock. The number of horned cattle is 1.100.000. In effect this means that 60% of Serbia's farms lack the animals necessary for the cultivation of the soil. It is true that the German military command is selling horses to the Serb farmers, which will be some help, though it is not enough.

*Even with her present system of extensive farming Serbia will be able to produce 1.500.000 tons of wheat as compared with Yugoslavia's 2.800.000 tons*. Besides this, she can produce 2.000.000 tons of maize (Yugoslavia produced 4.000.00), while her barley crop may be estimated at 170.000 and her sugar-beet crop at 196.000 tons. *These figures show that Serbia's agricultural production is not only sufficient for her own inhabitants, but she will also have a certain surplus to export*. Systematic methods of farming, the use of more manure and a better quality of seed, would improve production. This in turn would raise the standard of life of the agricultural population, augment the volume of Serbia's exports, and increase the buying power of the farmers: all moments that would help Serbia to take a more active part in international trade.

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