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AUSTRIA — Public Finances

THIRD REPORT

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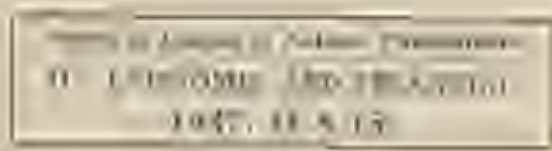
Geneva, September 21st, 1937.

Note.

In accordance with Article 10 of Annex III of the Austrian Protocol of July 15th, 1932, and the Council resolution of September 25th, 1936, contact is to be maintained between the Austrian Government and the Financial Organisation of the League of Nations, by the preparation and publication of periodical statements on Austrian public finances by the Financial Organisation of the League of Nations, for which purpose it has been arranged that an official of that organisation will visit Vienna from time to time.

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I. INTRODUCTION.

1. There is a striking increase in production and exports and a considerable diminution of unemployment.

2. Tourist traffic also continues to improve.

3. Economic recovery thus stimulated is gradually extending to other sections of economic life. Important sections are, however, still little affected; domestic consumption has only partially recovered.

4. Though economic and financial conditions are greatly improving, comparisons with the very bad situation a few years ago may be misleading as showing the present situation in too favourable a light. Comparisons should—as in other countries—also be made with more prosperous periods, such as 1929. (This is done in the tables in Appendices III and IV.) A large part of the Austrian population—and this is an important psychological factor—is of course apt to make comparisons also with its pre-war standard of life.

5. The National Bank has completely regained the foreign exchange which flowed out after the devaluation in the *gold-bloc* countries in September 1936.

6. The railways are profiting considerably from the increase in Austria's foreign trade. Railway transit trade through Austria is double what it was last year. Total railway receipts were 38 million Schillings higher during the first seven months of 1937 than during the corresponding months of 1936.

7. For the Ordinary State Budget, the first seven months of 1937 have resulted in a substantial surplus of receipts over expenditure. Later in the year, higher seasonal expenses will have to be met; but if nothing unforeseen happens, the budget can be expected to close with a surplus.

8. Several taxes showing a timelag of a year, which are based on the income of the previous year, may yield even higher receipts next year than at present.

9. Now that receipts are rising above expenditure, new problems have to be faced. In this connection, it has to be borne in mind that the State domestic indebtedness has increased to a considerable extent during the years of depression.

2. STATE FINANCES.

(a) 1937 BUDGET: RESULTS OF FIRST SEVEN MONTHS.

Provisional results are available for the first seven months of the 1937 budget. They show a surplus, not only on the ordinary budget, but even including the investments, and compare favourably with

seven-twelfths of the 1937 Budget Estimates, as well as with the Provisional Results for the same period of the previous year:

	Provisional Results January-July 1937	Difference as against	
		Seven-twelfths of 1937 Estimates ^a	Provisional Results January-July 1936
(In millions of Schillings)			
<i>Ordinary Budget.</i>			
Expenditure:			
Personnel	423.5	— 0.2	+ 10.8
Material	725.1	— 54.5	— 15.8
	1,148.6	— 54.7	— 5.0
Receipts	1,163.3	+ 23.3	+ 12.6
	14.7	+ 78.0	+ 17.6
Surplus	10.2	— 11.4	— 8.2
<i>Investments</i>	4.5	+ 89.4	+ 25.8
Total surplus			

^a Including the first and second amendments to the estimates.

Apart from the investments, a sum of 15.7 millions out of the ordinary expenditure of 1,148.6 million Schillings is to be covered from the 1937 Investment Loan as forming part of the programme for which that loan was raised (see second report, page 5). Thus the first seven months have resulted in a surplus of 30.4 millions (14.7 + 15.7) on the ordinary budget.

The fact that expenditure during these seven months is so much lower than seven-twelfths of the estimates (66 millions lower if including investments) is partly due to economies, partly to the favourable receipts of the Railways and partly to seasonal causes, including the fact that the expenditure to be financed from the 1937 Investment Loan, which was issued in March, is only progressing gradually and, although formally included in the 1937 Estimates, is being spread over more than one year. The saving as against the monthly budget estimates is not large (see Appendix I). During the autumn months, certain heavier seasonal payments outside the Investment Loan will have to be met.

Thanks to the continuing improvement in the economic situation, receipts have been coming in well and the good results of last year are being exceeded.

Total Ordinary Receipts.

	1937		1936
	Provisional Results	Monthly Estimates	Provisional Results
(In millions of Schillings)			
January	172.1	167.7	173.7
February	143.7	143.4	160.9
March	175.2	164.2	157.9
April	168.5	160.7	169.0
May	154.8	147.2	147.9
June	166.8	162.0	153.9
July	182.2	168.4	187.4 ^a
	1,163.3	1,113.6	1,150.7
Total, first seven months			
August: Direct taxes and tobacco only	99.41	98.82	103.88

^a Including non-recurring receipts of over 10 million Schillings.

There was thus a slight slowing-down of receipts during August. It is expected that the autumn months will, as in previous years, be good months for receipts. If the favourable trend is kept up and nothing unforeseen happens, the 1937 Ordinary Budget can confidently be expected to terminate with a surplus.

(b) TREASURY POSITION.

As a result of the issue of the 1937 Investment Loan in March last and the favourable flow of receipts the Treasury position is easy.

During June and July, Treasury bills issued early in the year for strengthening the cash reserves (*B.G.Bl.* 115/27), and amounting to 20 million Schillings, were reimbursed, so that the short-term debt of the State is reduced from 140.2 to 120.2 million Schillings. This remaining debt, part of which is lodged temporarily with the 1937 Investment Loan Account, is legally short term but, in fact, has existed for a number of years and is likely to continue to do so and is of a non-pressing character.¹ The Treasury also continued its policy of repurchasing Austrian Government bonds held abroad. Out of the total proceeds of the 1937 Investment Loan, amounting to 158.5 millions, 83.5 millions had been spent by the end of August (of which 54 millions for the consolidation of short-term debt), so that 75 millions were still available, earmarked for the programme of works.

This money is for the most part temporarily invested and part of it will not be required before next year.

(c) FEDERAL RAILWAYS.

The annual report for 1936 of the Austrian Federal Railways was issued in July. It shows that during 1936 the Railways did not yet profit from the economic recovery in Austria. The receipts were slightly less than in 1935 and expenses higher, so that the operating deficit was 45 million Schillings as against 38 millions the year before, and the net loss, before writing off depreciation, 74 millions as against 68 millions.

	1936	1935	Difference 1936 to 1935
	(In millions of Schillings)		
<i>Receipts:</i>			
Passenger traffic	130.5	131.5	— 1.0
Goods traffic	261.3	262.9	— 1.6
	<hr/>	<hr/>	
Total traffic receipts	391.8	394.4	— 2.6
Other receipts	18.0	16.4	+ 1.6
	<hr/>	<hr/>	
<i>Total operating receipts</i>	409.8	410.8	— 1.0
	<hr/>	<hr/>	
<i>Total operating expenditure</i>	455.1	449.0	+ 6.1
	<hr/>	<hr/>	
Operating deficit	45.3	38.2	+ 7.1
<i>Net loss:</i>			
Before writing off depreciation of plant	74.2	67.9	+ 6.3
After writing off depreciation of plant	86.6	87.2	— 0.6

The development of Railway receipts since 1929 can be seen from the following table, which shows that the fall of receipts did not continue during the last three years. A new low level seemed to have been reached.

¹ For the detailed composition of the short-term debt, see second report, page 13.

	1929	1930	1931	1932	1933	1934	1935	1936	Difference 1936 against 1929 ± %
	In millions of Schillings								
<i>Receipts:</i>									
Passenger traffic	208.9	209.6	183.6	161.6	145.0	132.4	131.5	130.5	— 37.5
Goods traffic	394.5	356.3	308.5	254.9	254.5	260.0	262.9	261.3	— 33.8
Total traffic receipts	603.4	565.9	492.1	416.5	399.5	392.4	394.4	391.8	— 35.1
Traffic receipts ± against previous year	—	— 37.5	— 73.8	— 75.6	— 17.0	— 7.1	+ 2.0	— 2.6	—
Traffic receipts ± against 1929	—	— 37.5	— 111.3	— 186.9	— 203.9	— 211.0	— 209.0	— 211.6	—

Expenses have been drastically reduced on all items and no further progress of importance seems possible in that direction. In fact, expenses show a slight tendency of rising again and a further rise will be unavoidable if traffic improves.

The development of operating expenditure since 1929 is given in the following table:

	1929	1930	1931	1932	1933	1934	1935	1936	Difference 1936 against 1929 ± %
	In millions of Schillings								
<i>Expenditure:</i>									
Salaries	349.2	339.1	308.0	241.2	210.7	195.0	195.0	195.6	— 44.0
Pensions	93.4	96.6	108.7	124.3	133.3	138.7	141.0	138.9	+ 48.7
Together	442.6	435.7	416.7	365.5	344.0	333.7	336.0	334.5	— 24.4
Social insurance	14.9	15.8	16.1	16.0	14.9	11.3	11.3	10.9	— 26.8
Fuel	43.9	38.3	36.8	30.3	29.1	22.9	21.1	19.9	— 54.7
Other material ex- penditure	94.2	81.7	62.4	52.8	46.8	50.4	55.5	62.9	— 33.2
General expenditure	30.1	39.8	26.7	19.0	18.0	16.1	14.8	16.5	— 45.2
Contribution of sub- sidiary concerns to debt service	12.4	13.8	14.0	13.8	12.2	12.2	10.3	10.4	— 16.1
Total operating expenditure ^a	638.1	625.1	572.7	497.4	465.0	446.6	449.0	455.1	— 28.7
^a Including renewals amounting to	30.6	25.1	14.9	17.4	14.0	16.9	15.4	24.5	

The diminution of the numbers of the employees is still continuing and the number of new pensioners shows a parallel increase. On the other hand, the number of the pensioners taken over from the former Railway organisation shows a natural decline:

	1929	1930	1931	1932	1933	1934	1935	1936	Difference 1936 against 1929 ± %
	Number								
<i>Staff:</i>									
Active staff . . .	87,160	81,195	76,124	67,029	60,255	56,420	55,899	55,537	— 36.3
Old pensioners . .	30,103	29,346	28,887	28,399	27,582	26,784	25,897	25,038	— 16.8
Südbahnclearing pensioners . . .	7,087	6,855	6,211	5,593	5,406	5,225	5,007	4,801	— 32.3
New pensioners . .	23,677	25,555	30,060	37,509	44,121	48,943	50,494	51,166	+ 116.1
Total pensioners.	60,867	61,756	65,158	71,501	77,109	80,952	81,398	81,005	+ 33.7
Active staff and pen- sioners together .	148,027	142,951	141,282	138,530	137,364	137,372	137,297	136,542	— 7.8

The traffic development during the present year presents a picture totally different from that of last year. December 1936 was the turning-point. Since then, Railway receipts have been more favourable every month than during the corresponding month of the preceding year, so that the total receipts during the first seven months of 1937 were 38 millions higher than the year before. The receipts during August are expected to be equally favourable. The Railways have thus been able to reduce considerably their debts to the banks. In connection with the bigger traffic, certain expenses, such as for coal, etc., are naturally rising, and it will be necessary to make bigger reserves for depreciation of interest. As is well known, the amounts written off by the Federal Railways in recent years have been considered by certain experts as insufficient.

If the present development continues, the deficit over 1937 may be considerably smaller than that budgeted for (95 million Schillings).

Railway Receipts.

	Goods traffic		Passenger traffic		Total	
	1936	1937	1936	1937	1936	1937
	In millions of Schillings					
January	19.8	21.8	8.4	8.4	28.2	30.2
February	19.1	23.5	8.2	8.4	27.3	31.9
March	20.6	25.3	9.0	10.8	29.6	36.1
April	19.1	25.0	10.0	9.1	29.1	34.1
May	19.3	24.8	10.4	11.3	29.7	36.1
June	19.7	26.4	12.0	12.0	31.7	38.4
July	21.4	27.6	16.9	18.7	38.3	46.3
January-July ^a . . .	139.0	174.4	74.9	78.7	213.9	253.1

^a Definitive figures from January to April.

Though passenger traffic has somewhat improved, the increase in receipts is due almost exclusively to the goods traffic (35 out of 38 millions). The statistics for car loadings show that the improvement is due, in large measure, to the increase in foreign traffic. Transit traffic, in particular, shows a remarkable increase—more than double that of the previous year. Inland goods traffic continued stagnant until March 1937, but from then onwards each month showed higher figures than last year. This corroborates the impression gained from other figures that the recovery which at first only stimulated those parts of economic life in touch with foreign countries is extending to the internal economic life of Austria.

Car Loadings (ooo's omitted).

		Total of year		Janua- ry-Feb- ruary	March	April	May	June	July	January- July	Difference 1937 from 1936
Total goods traffic .	{ 1935 1936	2,009.8 1,984.1	1936 1937	284.5 314.1	154.5 178.5	150.5 183.6	154.9 178.3	154.3 193.7	171.8 208.6	1,070.5 1,256.8	+186.3
Inland traffic . . .	{ 1935 1936	1,440.2 1,418.9	1936 1937	203.1 201.3	110.8 115.3	112.8 125.6	114.5 116.1	109.0 124.1	123.4 137.4	773.6 819.8	+ 46.2
Foreign traffic . . .	{ 1935 1936	569.5 565.2	1936 1937	81.4 112.8	43.7 63.2	37.7 58.0	40.4 62.2	45.3 69.6	48.4 71.2	296.9 437.0	+140.1
<i>Of which:</i>											
Imports . . .	{ 1935 1936	290.2 278.5	1936 1937	43.1 50.8	21.8 25.2	19.0 24.7	19.4 25.2	19.8 27.7	22.3 27.8	145.4 181.3	+ 35.9
Exports . . .	{ 1935 1936	143.1 146.8	1936 1937	21.7 26.6	12.8 17.0	12.2 16.1	12.3 16.3	13.5 18.4	12.7 19.2	84.7 113.6	+ 28.9
Transit. . . .	{ 1935 1936	136.2 139.2	1936 1937	17.1 35.5	9.1 21.0	6.5 17.2	8.7 20.7	12.0 23.5	13.4 24.2	66.8 142.1	+ 75.3

The decree for regulation of the competition between road traffic and the Railways, which was provisionally prolonged until July 1st, 1937,¹ was with minor modifications again prolonged until the end of July 1938, as it was impossible to reach an agreement between the various parties interested. More liberal regulations for road traffic will probably mean a certain loss in receipts for the Railways and it is to the advantage of the Railways budget that the present situation has been maintained for the moment.

3. MONETARY SITUATION.

(a) THE AUSTRIAN NATIONAL BANK.

The principal feature in the weekly balance-sheets of the Austrian National Bank is the increase in the gold and foreign-exchange reserves. After the devaluation of the gold-*bloc* countries at the end of September 1936, the uneasiness felt about the future of the Schilling led to a diminution of the reserve from 375 millions at the end of September 1936 to 337 millions in the spring of this year—*i.e.*, a loss of nearly 10%. Since then, the reserve has been steadily increasing. At the end

¹ See first report, page 9.

of August 1937, it had reached 380 millions,¹ which is higher than the highest level reached last year, a result due to the favourable development of tourist traffic, railway transit traffic and foreign trade and the disappearance of the uneasiness just mentioned.

The note circulation is at a slightly lower level than last year. This may be an indication that the recovery has so far been limited to the spheres of economic life, where other means of payment than bank-notes are used. On the other hand, it may be explained by an increase in the velocity of monetary circulation, which is natural during a period of economic recovery and towards which the higher turnovers of the various clearing institutes would seem to point. (See below, sub 3 c.)

Sight liabilities continue at a high level and testify to the liquidity of the money market. Note circulation and sight liabilities together have increased since the low level reached in the spring by practically the same amount as the gold and foreign-exchange reserve, so that, as is natural, the inflowing foreign exchange is increasing purchasing power. For the moment, part of the additional purchasing power seems to remain potential only, stored up in idle balances kept at the National Bank. Finally, it may be noted that, for the first time, for more than a year there was a slight temporary increase in the bill portfolio.

I. — *Situation of the Austrian National Bank.*



(In millions of Schillings)

1936—End of	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Note circulation	952	958	950	952	943	944	932	915	944
Other sight liabilities	210	213	221	232	268	262	235	247	204
Gold and foreign exchange . .	325	328	330	342	372	375	355	348	342
Bills discounted	218	220	220	219	216	213	210	208	208
State debt	624	624	624	624	624	624	624	624	620

1937—End of	Jan.	Feb.	March	April	May	June	July	August
Note circulation	895	893	891	905	882	896	915	915
Other sight liabilities	245	241	243	228	259	245	251	268
Gold and foreign exchange . .	343	339	339	340	341	343	359	380
Bills discounted	202	200	196	194	192	190	193	191
State debt	620	620	620	620	620	620	620	620

¹ 384 millions on September 7th, 1937.

The strong position of the Austrian Schilling is again leading to an increase in the uncleared balances of the clearing agreements with foreign countries. When the rates between the Schilling and foreign currencies fixed in those agreements do not correspond to the rates in the market, exports from Austria under those agreements become cheap in the foreign currencies and imports from those countries into Austria become expensive in Schillings. Thus exports to the clearing countries are stimulated and imports from them discouraged, leaving a balance in favour of Austria, difficult to clear. These balances represent credits, or rather goods sent on credit, which Austria is extending to the clearing countries. The confidence in the Schilling strengthens this tendency in another way also: foreign exporters into Austria will be inclined to keep balances in Schillings and delay repatriation and may perhaps also attempt to repatriate their claims outside the clearing, so as to obtain a better rate, in both cases withholding from the clearings amounts which would help to liquidate Austria's uncleared balances. There are obviously certain simple solutions for the problem—viz., either to agree on other rates in the clearing agreements or to tighten up the clearing regulations in Austria or again to reduce the obstacles in the way of imports. Monetary authorities abroad will be loath to accept the first, and the second goes right against the policy, followed for a number of years in Austria, of prudently slackening the monetary fetters on economic life.

(b) THE COMMERCIAL BANKS.

All financial institutions are profiting from the increase in production of Austrian industry, the favourable development of foreign trade and tourist traffic and the rise on the Stock Exchange. The situation of the commercial banks improved in a twofold manner—the internal position of the banks is being strengthened and, moreover, there is a revival in various sections of current banking business.

The economic recovery has a direct influence on the situation of the banks in so far as industrial enterprises are repaying credits granted in previous years on which repayments were either entirely stopped or taking place with delays. Indirectly, the situation of the banks is improved as the better results of industry led to a rise of the prices of the industrial shares in their portfolios. The liquidity of the money market, which finds its expression in the high sight deposits at the National Bank, assisted in strengthening the commercial banks' position.

The repayment of old industrial credits and the great prudence exercised by the banks in the granting of new credits which do not fully comply with the standard of liquidity required in current banking business, is a direct consequence of the policy followed since the financial crisis of 1931 to disentangle the commercial banks from long-term industrial credit. A structural gap had thus been created. Austrian industry has been financed in the past on long term by the banks. The link between industry and the capital market has never been so direct and close as in certain financially more developed countries. The way of long-term financing of industry by the banks now being closed, new ways must be found. At the present moment, the problem is perhaps not too acute; a number of big industrial firms are able to finance new investments from their own means, whilst in several sections of industry the technical capacity of the enterprises is far from being utilised completely, and in others the export situation is such that firms can compete with existing plant. Nevertheless, the question of long-term industrial credit exists and is being actively discussed. In industrial circles, the issue of industrial bonds has been suggested. Quite apart from the question whether this is a desirable form of financing industry, the realisation of this idea depends on the possibilities of the capital market. For the moment—and probably as a result of economic recovery—the market for fixed-interest securities is somewhat sluggish. So far it has been fed exclusively by public issues and mortgage and building bonds. It is an open question whether the investing public would take to bonds of a quite different character at prices interesting to industry. It would seem that a good deal could be done to make industrial shares more attractive for investment purposes—for instance, by the modernisation of company law, the auditing of balance-sheets, rendering them more explicit, and the reform of company taxation, etc., with a view to making it easier for industry to issue their shares directly to the public.

The banks modifying their policy of limiting lending as much as possible to short-term credit had difficulties to face, owing to the insufficiency of profitable short-term investments. The quantity of rediscountable commercial bills is small. This is partly due to the restrictions on financial transactions existing in Central and South-Eastern European countries, with which the major part of Austrian trade

is conducted. Thus the Creditanstalt-Wiener Bankverein has—notwithstanding the extension of its discounting business since 1935—invested in bills of exchange only half of its liquid assets in Austria, corresponding to less than 10% of its total balance-sheet, a low percentage compared with the normal proportions in Western Europe and Scandinavia. In recent months, advances on claims of Austrian firms in the clearings with foreign countries have gained in importance. Great prudence is required in this kind of business, as no certainty exists as to the dates of liquidation of the claims. It should be noted also that the commercial banks have been showing in recent time more interest in meeting the needs for credits on the part of small firms.

An increase in the possibilities for short-term investments would also have a favourable influence on the price of bank credits. The banks are burdened with high fixed costs for staff and pension, taxation and buildings, a reduction of which seems unlikely. A more intensive use of the financial capacity of the banks, increasing their earning power, could be accompanied by a reduction in the rate of interest and other conditions for bank credits. It should be noted that in July 1937 these were reduced by $\frac{3}{4}\%$.

The improvement in current banking business has resulted in higher profits on account of interest and commission. The following table shows the profits realised by the various institutes:

Profits.

	Gross		Net	
	1935	1936	1935	1936
	In millions of Schillings			
Creditanstalt-Bankverein . . .				4.66
Länderbank				0.52
Mercurbank				0.46
Creditinstitut.				0.52

The Zentral-Europäische Länderbank, which has its seat in Paris and its chief branch office in Vienna, is the first to resume the payment of dividends; it is paying 4% on the preference shares for 1936. The Creditanstalt-Wiener Bankverein and the Mercurbank are, it is believed, not unlikely to resume dividend payment next year. The development of the situation of the banks can be seen from the following table, which gives the main items of the balance-sheets at the end of 1935 and 1936:

	Creditanstalt-Bankverein		Länderbank		Mercurbank		Creditinstitut		Industriekredit A.G.	
	1935	1936	1935	1936	1935	1936	1935	1936	1935	1936
In millions of Schillings										
Cash on hand	88.9	68.9	38.5	32.0	9.7	10.0	12.1			
Bills	59.7	68.9	66.0 ^a	68.4 ^a	23.4 ^b	21.8 ^b	10.6			
Debtors	425.6	391.0	154.8	145.9	69.7	70.7	122.9			
Share capital	167.0	101.0	^c	^c	15.0	15.0	10.4			
Reserve	0.65	1.75	—	—	1.3	1.5	2.1			
Balance-sheet total	760.8	695.5 ^d	296.2	287.1	113.8	110.6	352.2			
of which outside means . . .	591.8	588.0	295.1 ^e	286.1 ^e	97.0	93.3	339.2			
namely:										
Creditors	392.8	387.7	165.7	169.7	75.9	70.2	139.3			253.4
Deposits	132.7	137.0	130.2	117.2	21.1	23.1	4.8			—
Mortgage bonds and housing bonds	66.3	63.3	—	—	—	—	194.9	274.4		—

^a Including Treasury Bills.
^b Including foreign exchange.
^c Share capital of the Central European Länderbank, Paris, 100 million francs.
^d Decrease of balance-sheet total due mainly to reduction of capital.
^e As there is no special share capital for Viennese branch.

II. — *Vienna Stock Exchange.*

(Value of shares.)



The Stock Exchange experienced a setback during April, May and June, following upon the rapid rise during previous months. In July, a new improvement set in, which continued during August. Thus the share index rose from 89.9 in June to 96.7 in August and the value of all Austrian shares admitted to the Stock Exchange from 809 to 900 millions. The rise is chiefly due to metal, gas and electricity shares. The bond market has been somewhat sluggish for a number of months, which may be due to industry mobilising balances temporarily invested in bonds and the greater interest of the public in shares.

III. — *Value of Industrial Bonds and Shares.*



(d) PRICES.

After the sharp increase in the prices of certain raw materials during the winter and the spring, a setback set in which was first shown in the fall of the index of sensitive prices from 85 in April to 78 in June. The general index of wholesale prices continued to rise till July and showed its first fall in August. Indices of fixed prices, as well as of retail prices and of the cost of living show a slight fall as from July. On the other hand, the index of sensitive prices was rising again during July and August. It is believed that the setback of the sensitive prices was a reaction from a too rapid speculative rise during the earlier part of the year which is now replaced by a more healthy development.

IV. — *Price Level.*



After the sharp increase in the prices of certain raw materials during the winter and the spring, a setback set in which was first shown in the fall of the index of sensitive prices from 85 in April to 78 in June. The general index of wholesale prices continued to rise till July and showed its first fall in August. Indices of fixed prices, as well as of retail prices and of the cost of living show a slight fall as from July. On the other hand, the index of sensitive prices was rising again during July and August. It is believed that the setback of the sensitive prices was a reaction from a too rapid speculative rise during the earlier part of the year which is now replaced by a more healthy development.

By a Law of April 10th, 1937, the Government instituted a Federal Commissioner, attached to the Federal Chancellery, who has the duty to watch the course of prices, in particular of those on which the influence of free competition is limited by law or in practice. The Commissioner is authorised to obtain the necessary information from all interested parties, to create advisory committees and to use the services of experts. The Commissioner has to negotiate with the parties interested in order to obtain the reduction of prices not corresponding to economic needs and unjustified by circumstances or to prevent unjustified price increases. When necessary, the Commissioner can report and submit proposals to the Government.

(e) THE GOLD CLAUSE LAW.

On April 27th, 1937, the Government decreed a law on the gold clause, the purpose of which is to eliminate altogether the use of gold clauses in Austrian domestic transactions and even to restrict it in transactions with foreign countries. The text of the law and the official explanatory note are given in Appendix II.

4. ECONOMIC SITUATION.

V. — *Production and Unemployment.*



(a) PRODUCTION.

The general *production* index rose to 112 in June 1937, the last figure available (1929 = 100). When it is considered that, in June 1936, the index stood at 78, the extent of the improvement in the economic situation can be realised. Production continues to be stimulated by the favourable development of exports to which has been added lately a larger domestic investment in production goods. In this connection, it should be noted that the turnover for production goods reached the high level of 121 in June 1937 (see index on page 17).

The production of iron and steel, textiles, paper, cellulose and electricity all reached record figures. Detailed production statistics are given in Appendix IV.

(b) FOREIGN TRADE.

Foreign trade continues to expand. The total value of exports for the first seven months of 1937 was 684 million Schillings as against 541 millions during the same period last year—*i.e.*, an increase of 26.4%.

July 1937, with exports of 109 million Schillings, shows the highest monthly total reached since 1931. It is 53.5% above the figure for July 1936.

Imports have increased by practically the same amount, from 696 in 1936 to 837 in 1937, so that the import surplus has hardly changed (153 as against 155). The increase of the import of raw materials is a sign of the improvement of Austrian industrial activity which finds expression in the considerable rise in the export of finished products.

Merchandise, Gold and Silver.

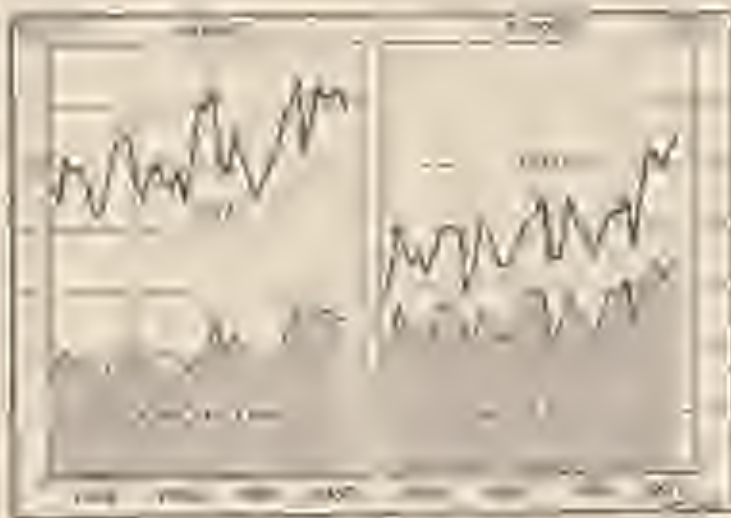
	Imports				Exports			Import surplus
	Total	Live animals and foodstuffs	Raw material (includ. fuel)	Finished products	Total	Raw material	Finished products	
In millions of Schillings								
January to July:								
1936	696.0	178.9	280.7	225.1	541.2	156.4	351.9	154.7
1937	836.7	234.1	362.2	238.2	683.9	214.8	439.8	152.8
Increase	140.7	55.2	81.5	13.1	142.7	58.4	87.9	— 1.9
Increase in percentage.	20.2	30.8	29.0	5.8	26.4	37.3	25.0	— 1.2

In the period under review, agreements were concluded with Italy for the prolongation for a year of the commercial agreements which terminated at the end of June. With Hungary, detailed negotiations took place concerning the importation of wheat during the 1937/38 campaign. For the autumn, a considerable programme of commercial negotiations is being prepared.

VI. — *Foreign Trade.*

(c) TOURIST TRAFFIC.

Tourist traffic shows a favourable picture. The number of foreign tourists has been considerably higher than last year, when it was considered good. Prosperous conditions in a number of countries make more money available for foreign travelling than in previous years. It is noteworthy that the number of Austrian tourists is not increasing. This is probably to be explained by the increasing tendency on the part of better-situated classes in Austria which are profiting directly from the economic recovery to travel abroad, a tendency which is stimulated by very favourable tourist prices in certain neighbouring countries.



Tourist Traffic.

1936	In special tourist centres			In Vienna			1937	In special tourist centres			In Vienna		
	Total	From abroad	From Austria	Total	From abroad	From Austria		Total	From abroad	From Austria	Total	From abroad	From Austria
In thousands of persons													
March . .	90	23	67	32	20	12	March . .	119	43	66	37	25	12
April . .	91	18	73	30	20	10	April . .	114	28	86	28	19	9
May . . .	120	21	99	32	22	10	May . . .	193	69	124	40	30	10
June . . .	216	72	144	35	27	8	June . . .	233	93	140	41	32	9
July . . .	341	126	215	44	36	8	July . . .	409	195	214	52	45	7
August . .	421	163	258	58	50	8	August . .	476	231	245	60	52	8

(d) UNEMPLOYMENT.

Unemployment has fallen steeply. The number of unemployed in receipt of benefit during the last two months was well below 200,000, the lowest level reached since 1930. As is brought out in the table below, unemployment is diminishing much more rapidly in the provinces than in Vienna. In certain industrial districts in the provinces, unemployment is stated to have practically disappeared. For the first time since 1923, the number of unemployed in the provinces (90,000) is lower than that in Vienna (92,000).

The same picture is given by the statistics for persons insured against illness, which give a rough indication of employment. There also the improvement as against last year is due much more to the provinces than to Vienna. The Burgomaster of Vienna has recently announced an active programme of measures in order to attack specially this problem of unemployment in Vienna.

One of the causes of the special unemployment problem in Vienna is that the Viennese industry is almost confined to the production of consumption-goods and is therefore apt to experience the recovery at a later stage than the production-goods industry.

Unemployed receiving Benefit.

	In Austria			In Vienna			In Austria apart from Vienna		
	1936	1937	Differ- ence	1936	1937	Differ- ence	1936	1937	Differ- ence
	In thousands of persons								
Middle of:									
February	322	315	— 7	124	122	— 2	197	193	— 4
August	219	182	— 37	99	92	— 7	120	90	— 30
Improvement from Feb.- August	— 103	— 133	+ 30	— 25	— 30	+ 5	— 77	— 103	+ 26

Insured against Illness.

	In Austria			In Vienna			In Austria apart from Vienna		
	1936	1937	Differ- ence	1936	1937	Differ- ence	1936	1937	Differ- ence
	In thousands of persons ^a								
End of:									
January	1,210	1,200	— 10	435	430	— 5	775	770	— 5
June	1,340	1,400	+ 60	460	466	+ 6	880	934	+ 54
Improvement from Janu- ary-June	+ 130	+ 200	+ 70	+ 25	+ 36	+ 11	+ 105	+ 164	+ 59

^a The figures for the whole of Austria are published in millions, those for Vienna in thousands of persons, so that the calculations given for Austria apart from Vienna may not be quite accurate.

(e) CONSUMPTION.

Consumption is not yet showing clear signs of increasing and the contrast between industrial recovery and consumption to which attention was drawn in the previous report remains striking (see Second Report, page 22). Many consumption indices are at the same low level as last year or even lower.

Turnover Indices.^a

	General business	Consumption goods	Production goods
	1923-1931 = 100.		
1936:			
March	76	82	88
April	77	82	87
May	74	78	87
June	71	79	84
1937:			
March	84	80	101
April	86	73	108
May	84	75	108
June	86	79	121

^a Weighted indices.

The Institut für Konjunkturforschung published an exhaustive study on consumption in Austria in the July number of its *Monthly Bulletin*, in which many other data are given showing the contraction of consumption in recent years and the absence of a clear revival. All these figures tend to show that, notwithstanding the remarkable improvement in the financial and economic situation, the purchasing power of the majority of the Austrian population remains very low.

MONTHLY ESTIMATES AND PROVISIONAL

RECEIPTS (Gross)	March	April			May			June	
	1937	1936	1937		1936	1937		1936	1937
	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.									
In millions of Schillings									
A. Administration :									
Direct taxes	33.11	36.14	29.50	30.32	23.61	24.00	22.67	27.51	30.50
Customs	14.75	15.33	14.20	13.73	13.73	16.10	17.93	14.58	14.50
Tax on cattle fodder, etc.	3.08	3.15	2.70	4.38	3.48	2.70	4.02	3.46	3.00
Excise duties	13.17	15.63	14.63	14.98	14.02	14.42	14.50	14.30	15.42
Turnover tax	12.32	10.97	11.80	11.67	11.30	11.50	12.23	11.49	11.60
Turnover tax, emergency surtax	11.55	11.76	11.40	11.22	10.96	11.10	11.95	11.13	11.20
Tax on transactions, legal fees, etc.	11.00	11.03	10.85	13.32	9.45	10.04	11.14	9.85	10.12
Other receipts	0.34	0.28	0.30	0.32	0.29	0.30	0.34	0.25	0.30
Total taxes	99.32	104.29	95.38	99.94	86.84	90.16	94.78	92.57	96.64
Deduct : Shares of Local Authorities	18.44	15.46	14.34	13.86	14.09	15.69	15.89	20.06	17.52
Remaining State taxation receipts	80.88	88.83	81.04	86.08	72.75	74.47	78.89	72.51	79.12
Receipts of Social Administration	16.47	15.45	14.73	15.52	15.93	15.12	15.94	15.27	15.25
Administration of Public Debt	6.52	6.51	6.43	6.45	5.10	5.18	5.24	7.46	5.30
Other administrative receipts	14.52	5.99	6.30	8.13	6.45	4.80	6.43	6.59	8.96
Total receipts of the Administration	118.39	116.78	108.50	116.18	100.23	99.57	106.50	101.83	108.63
B. Monopolies :									
Tobacco	24.22	23.14	23.49	22.68	23.80	23.67	23.73	24.75	24.39
Salt	2.76	2.52	2.54	2.52	2.04	2.50	2.57	2.05	2.24
Lotteries	5.57	5.47	5.06	5.47	2.36	2.14	2.13	4.83	5.22
Gunpowder	1.24	0.71	0.75	0.90	0.88	0.80	1.15	0.57	1.12
Total Monopolies	33.79	31.84	31.84	31.57	29.08	29.11	29.58	32.20	32.97
C. Public Undertakings :									
Post and Telegraphs	19.84	17.70	17.67	17.69	16.07	15.74	15.51	17.14	17.71
Forests	1.17	0.78	0.80	1.06	0.76	0.80	1.15	0.80	0.80
Other	1.98	1.86	1.91	2.07	1.75	1.93	2.04	1.88	1.93
Total Public Undertakings	22.99	20.34	20.38	20.82	18.58	18.47	18.70	19.82	20.44
D. Total Railways	0.03	—	—	—	—	—	—	0.02	—
Total Ordinary Receipts	175.20	168.96	160.72	168.57	147.89	147.15	154.78	153.87	162.04

I.

RESULTS: MARCH TO SEPTEMBER 1937.

June		July			August			September		RECEIPTS (Gross)
1937	1936	1937		1936	1937		1936	1937		
Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates		
In millions of Schillings										
31.36	30.63	29.00	35.05	22.54	22.50	22.89	29.61	30.00	ORDINARY BUDGET. A. Administration : Direct taxes. Customs. Tax on cattle fodder, etc. Excise duties. Turnover tax. Turnover tax, emergency surtax. Tax on transactions, legal fees, etc. Other receipts. Total taxes. <i>Deduct</i> : Shares of Local Authorities. Remaining State taxation receipts. Receipts of Social Administration. Administration of Public Debt. Other administrative receipts. Total receipts of the Administration. B. Monopolies. Tobacco. Salt. Lotteries. Gunpowder. Total Monopolies. C. Public Undertakings : Post and Telegraphs. Forests. Other. Total Public Undertakings. D. Total Railways. Total Ordinary Receipts.	
15.98	13.70	14.30	14.05	15.89	13.50	12.56	15.36	14.50		
2.72	3.34	3.00	3.27	3.42	3.00	2.56	3.35	3.00		
15.06	17.59	16.57	16.80	18.82	18.22	20.13	16.77	17.98		
12.49	12.15	11.80	12.51	12.11	11.70	12.37	11.93	12.50		
12.04	11.46	11.40	11.98	11.18	11.30	12.06	12.01	12.00		
10.38	12.67	11.65	14.62	9.60	10.13	8.94	8.82	9.63		
0.29	0.27	0.30	0.32	0.24	0.30	0.21	0.27	0.30		
100.32	101.81	98.02	108.60	93.80	90.65	91.72	98.12	99.91		
18.74	14.22	13.66	14.74	15.82	17.43	17.41	19.85	20.46		
81.58	87.59	84.36	93.86	77.98	73.22	74.31	78.27	79.45		
14.29	15.77	15.26	16.84	18.45	18.51	18.51	15.73	16.41		
5.28	6.56	5.22	5.22	6.42	5.18	5.18	6.48	5.18		
10.02	20.97	8.15	10.34	4.05	4.68	4.68	9.51	8.68		
111.17	130.89	112.99	126.26	106.90	101.59	101.59	109.99	109.72		
25.14	27.29	25.59	25.49	25.90	25.60	25.10	24.48	25.14		
2.27	2.07	2.54	2.53	2.46	2.13	2.13	2.20	2.60		
5.17	4.96	5.09	5.08	4.86	4.81	4.81	5.00	4.97		
1.09	0.73	0.85	0.90	0.64	0.84	0.84	0.62	0.98		
33.67	35.05	34.07	34.00	33.86	33.38	33.38	32.30	33.69		
19.03	19.05	19.09	19.12	16.08	16.43	16.43	19.38	19.28		
0.98	0.76	0.80	1.20	0.89	0.80	0.80	0.84	0.80		
1.94	1.61	1.47	1.61	1.14	1.38	1.38	2.06	1.77		
21.95	21.42	21.36	21.93	18.11	18.61	18.61	22.28	21.85		
—	—	—	—	—	—	—	—	—		
166.79	187.36	168.42	182.19	158.87	153.58	153.58	164.57	165.26		

Appendix
MONTHLY ESTIMATES AND PROVISIONAL

EXPENDITURE (Gross)	March	April			May			June	
	1937	1936	1937		1936	1937		1936	1937
	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates
ORDINARY BUDGET.									
	In millions of Schillings								
A. Administration:									
Supreme State Organs	0.21	0.21	0.21	0.21	0.19	0.20	0.20	0.23	0.21
Debt Service	14.95	18.00	15.76	15.77	14.38	13.72	13.20	11.98	13.06
Payments to Local Authorities and Municipality of Vienna	1.84	1.87	1.97	5.03	1.87	1.89	2.02	2.13	3.00
Pensions	18.30	18.05	18.25	18.31	18.11	18.25	18.21	18.12	18.32
Federal Chancellor's Office and Foreign Affairs	2.31	1.70	1.76	1.78	1.30	1.70	1.70	1.79	2.01
Police	5.56	5.50	5.50	5.44	5.48	5.41	5.34	5.45	5.50
Gendarmerie	3.11	2.96	2.98	2.93	2.98	2.88	2.88	3.26	3.30
Auxiliary Defence Corps	0.08	0.53	0.05	0.05	0.31	0.05	0.05	0.41	0.10
Justice	4.35	4.09	4.05	4.00	3.84	3.89	3.85	4.34	4.36
Education, Fine Arts, Church	6.72	5.61	5.66	5.65	5.46	5.58	5.54	6.79	7.02
Unemployment and Old-age Pensioners	27.33	24.88	23.54	22.79	21.71	19.84	19.15	21.30	19.32
Social Administration, other	10.03	6.87	6.37	6.34	8.17	7.06	7.00	8.31	8.56
Financial Administration	4.31	4.10	4.11	4.07	3.86	4.02	3.93	4.25	4.51
Public Taxes	0.19	0.14	0.16	0.17	0.22	0.17	0.19	0.19	0.20
Treasury	0.40	0.38	0.27	0.33	0.47	0.26	0.31	0.62	0.30
Agriculture	4.37	3.77	3.71	4.11	4.55	3.64	3.31	4.48	3.76
Commerce and Traffic	6.13	5.31	5.21	6.00	5.96	5.64	4.84	6.13	7.72
Defence	10.87	8.29	11.41	10.65	8.83	11.10	10.93	8.88	11.40
Army Equipment	5.24	2.06	5.97	5.37	1.57	6.85	9.21	2.20	8.12
Other Administration	0.30	1.12	0.30	0.30	—0.20	0.30	0.29	2.06	0.31
Total Administration	126.60	115.44	117.24	119.30	109.06	112.45	112.15	112.92	121.08
B. Monopolies:									
Tobacco	8.57	9.81	9.93	9.99	9.82	9.06	9.18	9.22	9.47
Salt	1.28	1.25	1.37	1.35	1.19	1.30	1.30	1.17	1.35
Lotteries	4.79	6.47	6.88	7.51	0.93	1.23	1.05	1.34	1.74
Gunpowder	0.90	0.64	0.61	0.66	0.38	0.65	0.89	0.72	0.94
Total Monopolies	15.54	18.17	18.79	19.51	12.32	12.24	12.42	12.45	13.50
C. Undertakings:									
Post and Telegraphs	17.99	18.13	18.13	18.05	18.17	17.52	17.47	18.13	17.78
Forests	1.75	1.60	1.64	1.59	1.69	1.71	1.76	1.63	1.71
Other Undertakings	2.28	2.25	2.32	2.34	2.22	2.31	2.26	2.44	2.36
Total Undertakings	22.02	21.98	22.09	21.98	22.08	21.54	21.49	22.20	21.85
D. Railways:									
Federal Railways	7.08	8.94	6.08	6.08	8.94	4.33	4.33	8.94	6.13
Charges under the Südbahn Convention	3.05	—	—	—	—	—	—	3.07	3.10
Other Railways	0.26	0.30	0.32	0.30	0.26	0.23	0.24	0.25	0.31
Total Railways	10.39	9.24	6.40	6.38	9.20	4.56	4.57	12.26	9.54
Total Ordinary Expenditure	174.55	164.83	164.52	167.17	152.66	150.79	150.63	159.83	165.97
Total Ordinary Receipts	175.20	168.96	160.72	168.57	147.89	147.15	154.78	153.87	162.04
Ordinary Budget Balance	+ 0.65	+ 4.13	— 3.80	+ 1.40	— 4.77	— 3.64	+ 4.15	— 5.96	— 3.93
INVESTMENTS.									
Tobacco	0.42	0.63	0.23	0.23	0.62	0.45	0.45	0.38	0.44
Salt	0.01	0.03	0.04	0.02	0.02	0.00	0.00	0.03	0.02
Post and Telegraphs	0.45	0.67	0.40	0.34	0.36	0.41	0.33	0.76	0.43
Other Undertakings	0.06	0.03	0.03	0.02	0.02	0.10	0.04	0.18	0.02
Railways	1.27	—	0.57	0.51	—	0.36	0.42	2.54	0.93
Total Investments	2.21	1.36	1.27	1.12	1.02	1.32	1.24	3.89	1.84
Total Budget Balance	— 1.56	+ 2.77	— 5.07	+ 0.28	— 5.79	— 4.96	+ 2.91	— 9.85	— 5.77

I (concluded).

RESULTS: MARCH TO SEPTEMBER 1937.

June		July		August			September		EXPENDITURE (Gross)
1937	1936	1937		1936	1937		1936	1937	
Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	Provisional results	Provisional results	Estimates	
In millions of Schillings									
0.21	0.35	0.37	0.37	0.33	0.34		0.27	0.24	ORDINARY BUDGET. A. Administration: Supreme State Organs. Debt Service. Payments to Local Authorities and Municipality of Vienna. Pensions. Federal Chancellor's Office and Foreign Affairs. Police. Gendarmerie. Auxiliary Defence Corps. Justice. Education, Fine Arts, Church. Unemployment and Old-age Pensioners. Social Administration, other. Financial Administration. Public Taxes. Treasury. Agriculture. Commerce and Traffic. Defence. Army Equipment. Other Administration. Total Administration.
12.41	22.94	13.29	14.76	10.25	13.75		9.88	13.03	
3.09	2.01	1.84	2.87	1.86	1.86		1.84	1.86	
18.41	17.99	18.22	18.22	18.11	18.21		18.28	18.23	
2.02	2.29	2.58	2.79	2.29	2.56		1.81	2.03	
5.50	5.49	5.54	5.48	5.52	5.48		5.51	5.64	
3.31	3.11	3.19	3.17	3.08	3.09		3.17	3.11	
0.10	0.27	0.19	0.19	0.28	0.08		0.10	0.08	
4.29	4.11	4.07	4.08	3.85	3.93		4.35	4.40	
7.22	5.61	5.55	5.56	5.35	5.41		6.54	6.72	
20.04	21.24	19.07	18.73	19.86	17.63		20.13	18.37	
8.50	6.45	6.78	6.73	8.40	8.02		10.54	10.82	
4.42	4.00	4.12	4.17	3.98	4.06		4.23	4.36	
0.28	0.15	0.18	0.18	0.16	0.16		0.17	0.17	
0.43	10.93	0.41	0.34	0.32	0.37		1.44	0.29	
3.74	4.09	3.62	3.58	4.12	3.61		4.06	4.12	
6.55	7.06	9.64	9.28	7.15	8.36		7.22	8.80	
11.00	9.73	11.65	11.71	9.18	11.86		8.31	11.45	
6.56	3.04	7.04	8.37	6.07	9.80		8.39	8.80	
0.31	0.33	0.28	0.28	0.37	0.29		0.31	0.29	
118.39	131.19	117.63	120.86	110.53	118.87		116.55	122.81	
9.49	12.65	10.37	10.50	8.27	9.30	9.30	9.18	11.09	B. Monopolies: Tobacco. Salt. Lotteries. Gunpowder. Total Monopolies.
1.35	1.22	1.37	1.37	1.21	1.38		1.19	1.37	
1.48	1.78	1.79	1.62	1.45	1.75		4.83	4.32	
1.07	0.50	0.68	0.66	0.42	0.64		0.36	0.76	
13.39	16.15	14.21	14.15	11.35	13.07		15.56	17.54	
17.75	19.80	19.34	19.33	18.35	18.29		18.24	18.29	C. Undertakings: Post and Telegraphs. Forests. Other Undertakings. Total Undertakings.
1.71	1.62	1.72	1.72	1.69	1.72		1.56	1.73	
2.28	2.40	2.16	2.25	1.82	1.93		2.05	2.13	
21.74	23.82	23.22	23.30	21.86	21.94		21.85	22.15	
4.33	8.94	3.33	3.33	7.58	3.33		7.30	3.33	D. Railways: Federal Railways. Charges under the Südbahn Convention. Other Railways. Total Railways.
3.05	0.78	—	—	—	0.40		3.07	3.10	
0.31	0.22	0.12	0.12	0.26	0.17		0.22	0.31	
7.69	9.94	3.45	3.45	7.84	3.90		10.59	6.74	
161.21	181.10	158.51	161.76	151.58	157.78		164.55	169.24	
166.79	187.36	168.42	182.19	158.87	153.58		164.57	165.26	
+ 5.58	+ 6.26	+ 9.91	+ 20.43	+ 7.29	— 4.20		+ 0.02	— 3.98	Total Ordinary Expenditure. Total Ordinary Receipts. Ordinary Budget Balance.
0.35	1.18	0.25	0.35	0.22	0.07		0.16	0.17	INVESTMENTS. Tobacco. Salt. Post and Telegraphs. Other Undertakings. Railways. Total Investments. Total Budget Balance.
0.00	0.03	0.02	0.00	0.03	0.05		0.02	0.08	
0.27	0.49	0.36	0.20	0.86	0.33		0.69	0.50	
0.03	0.02	0.03	0.04	0.00	0.05		0.01	0.04	
0.95	1.00	1.54	1.54	0.60	1.34		1.90	1.07	
1.60	2.72	2.20	2.13	1.71	1.84		2.78	1.86	
+ 3.98	+ 3.54	+ 7.71	+ 18.30	+ 5.58	— 6.04		— 2.76	— 5.84	

Appendix II.

FEDERAL LAW OF APRIL 27TH, 1937, CONCERNING PROVISIONS ON GOLD CLAUSES (GOLD CLAUSE LAW).

In accordance with Article III, paragraph 2, of the Federal Constitution (*B.G.Bl.* No. 255/1934), the Federal Government has decided as follows:

Article I, § 1.

(1) Agreements fixing the extent of a monetary liability on the basis of the gold value (gold clauses) shall be regarded as non-existent if they are concluded between nationals after the present Federal Law has entered into force (§ 3, paragraph 1, of the Foreign Payment Law, *B.G.Bl.* No. 98/1935).

(2) The provisions of paragraph 1 apply irrespective of whether the monetary liability is expressed in schillings or in any other currency and irrespective of whether the gold clause is added to a monetary liability already existing on the date of the coming into force of the present Federal Law or to a new monetary liability.

(3) Gold clauses are understood in the present Federal Law to mean both gold value clauses and gold currency clauses.

Article II, § 2.

(1) In the case of monetary liabilities expressed in foreign currency—whether in cash or not—the creditor cannot rely on gold clauses if, in accordance with the Law of the State in the currency of which the liability is expressed, gold clauses are ineffective in respect of monetary liabilities expressed in such currency. In this connection, it is of no consequence whether the ineffectiveness of the gold clauses extends to all such liabilities or not.

(2) The provisions of paragraph 1 apply irrespective of whether the gold clauses are ineffective in the foreign State on the date on which the present Federal Law comes into force or become ineffective later, and also irrespective of whether the gold clause was agreed upon before or after that date.

(3) Payments made before the coming into force of the present Federal Law in order to pay off part or the whole of a monetary liability expressed in a foreign currency and containing the gold clause shall be considered as having discharged the debtor in so far as such payments would be considered as having paid off the claim in case of the application of the provisions of § 2. Nevertheless, a refund cannot be claimed in respect of amounts paid in excess.

Article III, § 4.

(1) If an agreement concluded before March 25th, 1933, for the continuous supply of goods—in particular, electric power, gas, water, etc.—fixed a price for such supply and contained a gold clause, the customer is entitled at any time to terminate the contract by giving notice in writing. Such notice becomes effective one month after it has reached the supplier. The contract is, however, not terminated if the supplier informs the customer in writing before the expiry of the term of notice that he waives the gold clause.

(2) The provision of paragraph (1) applies to contracts concluded in schillings or in any other currency, whether in cash or not.

(3) The right of denunciation under paragraph (1) may also be exercised by the customer if denunciation is not provided for in the contract or is subject to certain conditions.

§ 5. If the customer exercises his right of denunciation in accordance with § 4, the following provisions apply:

(a) If the supplier has accepted sums—even subject to reservations—in total or partial payment of a monetary liability of the customer arising out of the contract of supply before the notice of denunciation was sent off, the customer is considered as discharged if such payments are in accordance with the nominal value of his liabilities without taking the gold clause into account. A refund of amounts paid in excess can, however, not be claimed.

(b) After sending off the notice of denunciation, the customer can discharge his liabilities arising out of the contract of supply at their nominal value, even if they have become due before this date.

(c) The legal consequences provided for in the contract shall not apply in the event of the contract being denounced or cancelled.

§ 6. The Federal Minister of Finance, in agreement with the Federal Minister of Justice, may fix by decree the date as from which the customer no longer possesses the right of denunciation in accordance with § 4. This date may not be earlier than July 1st, 1938.

Article IV, § 7.

The Federal Minister of Finance is responsible for the execution of the present Federal Law.

OFFICIAL COMMENTARY PUBLISHED IN THE "WIENER ZEITUNG"

ON APRIL 27TH, 1937.

NEW PROVISIONS REGARDING THE GOLD CLAUSES: GOLD CLAUSES BETWEEN NATIONALS
HENCEFORWARD INEFFECTIVE.

With regard to the gold clauses attaching to liabilities expressed in schillings, the law is based on the currency policy maintained by the Government for some time past, according to which the gold clauses must be dropped. The schilling has been recognised for some years both at home and abroad as a stable currency. It also proved to be stable when the wave of devaluation overcame a number of States last autumn. For some time past, therefore, there has been no reason to insert gold clauses in monetary liabilities expressed in schillings. Gold clauses disturb the uniformity of the currency. Events in a number of foreign States have proved that they lead to confusion and are harmful to economic life. Indeed, it is being more and more recognised that the surest basis for the transaction of business is constituted not by subtle gold clauses but by a stable currency. The Austrian Government has already taken steps, in Federal Law *B.G.Bl.* No. 131/36, to abandon the gold clauses in respect of life insurance policies; this law only recognises as valid agreements expressed in schillings without the gold clause. As regards mortgage credit, reference may be made to the measure contained in the Law of December 31st, 1936 (*B.G.Bl.* No. 474), by which mortgage bonds expressed in gold schillings were converted into bonds simply expressed in schillings. At the same time, it was provided that, in respect of mortgage claims expressed in gold schillings, a date for the conversion of the gold value would no longer be fixed, so that these agreements are now only expressed in schillings. The Federal Loan recently issued with such success is in the form of a simple obligation in schillings without the gold clause. The Government is now taking a considerable step further. In the Gold Clause Law, which has just been promulgated, the general legal principle is expressed that, as regards monetary liabilities between nationals arising out of agreements concluded after the present law comes into force, gold clauses are to be considered as non-existent. The rule hitherto applicable to life insurance is now extended to all legal relationships.

GOLD CLAUSES IN LIABILITIES EXPRESSED IN FOREIGN CURRENCY.

As regards gold clauses in liabilities expressed in foreign currency arising out of future contracts, Article I of the Gold Clause Law provides that such clauses will be ineffective if the contract is concluded between nationals. The law thus refuses in future to recognise the gold clause in liabilities expressed in foreign currency in Austria, even if the State in whose currency the contract is expressed recognises the gold clause. This provision is, however, restricted to contracts between nationals. The necessity for the above-mentioned provision is based on the following consideration. As gold clauses contained in liabilities expressed in schillings will in future not be effective between nationals, the possibility of providing for a gold clause in liabilities expressed in foreign currency in Austria must also be excluded. Otherwise nationals, in spite of the experience gained with foreign currencies, might be tempted to try to introduce the prohibited gold clause in liabilities expressed in schillings by the roundabout way of liability expressed in foreign currency.

It is true that, in accordance with the principle laid down in Article II, such gold clauses would only be recognised in Austria on condition that the State in whose currency the contract was expressed recognised the gold clause. Consequently, any such attempt to evade the law in future would be as problematical as it has proved questionable in the past. Nevertheless, for obvious reasons of currency policy, this roundabout way is excluded. The law endeavours by means of clear provisions to prevent any attempts of this kind. Article II expresses the legal principle that the validity of gold clauses in liabilities expressed in foreign currency is determined by the law of the State in whose currency the liability is expressed. This provision affects the existing liabilities in foreign currency, but only relates to new liabilities in so far as the gold clause is still recognised under Article I—that is to say, only liabilities at least one of the parties to which is a foreigner. If, therefore, such gold clauses are recognised as valid in the country in whose currency the contract is expressed, they must also be recognised in Austria. But if they are not recognised as valid in the country concerned, the gold clause (for instance, in the case of the American dollar) is also of no effect in Austria. (In the case of the Swiss franc, the clause is applicable.— *Note by the Editor.*) This view is widely recognised by authors and legal decision. It is true that legal practice has judged the validity of the gold clause in liabilities expressed in foreign currency only in accordance with its validity in the country whose currency is used if the contract is executed in that country. The view which is now sanctioned by law was already admitted by the Government in Federal Law *B.G.Bl.* No. 131/36, relating to the treatment of insurance policies of the Phoenix Life Insurance Company expressed in foreign currency. The present law now gives general effect to this view in Austria. Its main idea is that agreements providing for payment in a foreign currency admittedly come under the currency law of the State in whose currency the contract is expressed and that, therefore, the effect of the gold clause must be judged according to the currency law concerned, unless the question of the validity of the gold clauses is settled in general without distinction of currency by an existing imperative provision. In cases relating to a gold clause in existing agreements expressed in foreign currency, an exact basis is thus offered to legal practice.

CONTRACTS FOR CONTINUOUS DELIVERIES.

Article III of the Gold Clause Law, unlike the first two articles, which are of a general character, relates only to a particular kind of contract containing the gold clause—namely, contracts for the continuous supply of goods (for instance, electric power, gas, water, etc.), concluded before the Gold Clause Ordinance came into force—*i.e.*, before March 25th, 1933—regardless of whether the price is expressed in shillings or in foreign currency. A number of such cases in which the price was dependent on a gold clause have led to unfairness. The Decree of March 29th, 1933, fixed the final date provided for in the Gold Clause Ordinance for monetary liabilities arising out of the supply of goods. Contracts for continuous deliveries of the kind mentioned above also come within this category. This led to a number of increases in price which were not justified by economic conditions. The present Gold Clause Law regulates the question in the interest of the customers, since it entitles them to terminate the contract by a special notice of one month.

The notice must be given in writing. But the supplier can avoid the termination of the contract if he waives the gold clause in writing before the expiry of the notice. The effect of sending the notice of denunciation to the supplier is that the customer can pay the nominal value of all sums which should be paid at the gold value in accordance with the contract, whether they are due before or after the notice

has been given; in addition, payments already made at the nominal value serve as a discharge of the debt, so that the difference between these payments and the gold value cannot be subsequently claimed. If, however, payment has already been made at a higher rate than the nominal value, the customer cannot either claim a refund of the excess payment or charge it against future payments. Further, the legal consequences provided in case of denunciation or cancellation of the contract do not apply. In cases where the supplier has hitherto accepted payment of the nominal amount agreed upon in schillings, in spite of the gold clause, the provision in question will presumably make no change. In other cases, the result will presumably be a certain alleviation for the customers. It will be for the customers who are bound by a long-term contract to see whether the contract contains a gold clause. If so, they will have to consider whether they should take advantage of the right of denunciation granted by law, even in cases where the supplier has hitherto accepted payment at the nominal value.

For the present, the notice of one month may be given at any time. The Government has, however, reserved the right to fix and to publish a final date for such notice, which may not be earlier than July 1st, 1938. This authorisation was necessary because, under certain circumstances, care must be taken that the uncertainty arising out of this possibility of denunciation is not unduly prolonged. The Government considers that this settlement of gold-clause questions in the case of contracts for continuous delivery is equitable and just, since the general price-level does not justify the practical application of the gold clause in such contracts. The settlement also appears to be compatible with the position of the suppliers, especially as many of them have received certain facilities in respect of the service of debts which they have contracted in foreign currencies. This legislation is closely connected with the price policy of the Federal Government, which strongly opposes unjustified price developments, and pays particular attention to the economic importance of prices for the supply of water and electric power.

Appendix III. — ECONOMIC DATA.

	National Bank (middle of month)					
	Note circulation	Sight liabilities	Gold and foreign exchange ¹	Bills discounted	State debt	Bank rate
	In millions of schillings					Per cent
*1929	934	110	725	206	109	7.33
*1930	916	130	814	123	101	5.75
*1931	994	171	628	434	96	7.04
*1932	915	190	215	726	663	6.83
*1933	853	196	193	252	624	5.23
*1934	910	209	256	261	624	4.71
*1935	885	282	324	233	624	3.80
*1936	883	290	340	218	624	3.50
1936 IV	883	277	323	219	624	3½
V	897	263	324	218	624	3½
VI	885	289	331	220	624	3½
VII	886	286	330	221	624	3½
VIII	897	300	358	219	624	3½
IX	880	334	376	216	624	3½
X	891	279	359	213	624	3½
XI	861	300	348	209	624	3½
XII	897	258	344	208	620	3½
1937 I	846	297	341	206	620	3½
II	826	310	349	202	620	3½
III	841	294	341	199	620	3½
IV	834	300	338	197	620	3½
V	846	287	339	195	620	3½
VI	823	318	341	191	620	3½
VII	840	311	348	194	620	3½
VIII	865	308	367	195	620	3½
IX	855	332	383	192	620	3½

	Stock Exchange (middle of month)				
	Value of 34 industrial shares	Value of bonds	Austrian shares admitted to the Stock Exchange ²		Turnover tax on Stock Exchange transactions (monthly receipts)
			Total nominal value	Total Stock Exchange value	
	1923-1932 = 100	*1927 = 100	In millions of schillings		In thousands of schillings
*1929	98.8	99.8	810	1,070	55
*1930	80.5	99.9	819	893	39
*1931	60.9	98.7	807	654	33
*1932	51.7	86.8	808	570	15
*1933	43.0	90.3	807	478	14
*1934	47.9	98.5	784	462	15
*1935	63.6	107.4	762	557	20
*1936	80.9	109.0	728	707	30
1936 IV	83.9	106.8	735	747	39
V	77.2	105.9	731	683	38
VI	76.9	106.6	727	673	19
VII	76.4	106.6	725	675	21
VIII	79.7	106.9	724	699	19
IX	81.1	108.2	721	702	17
X	86.0	117.0	722	758	31
XI	91.7	116.6	722	803	47
XII	93.2	116.8	723	821	54
1937 I	95.1	115.4	717	847	44
II	100.9	115.3	720	917	54
III	101.0	115.8	719	947	78
IV	95.4	114.2	719	886	56
V	92.1	113.9	713	837	44
VI	89.9	110.3	712	809	29
VII	93.7	110.5	709	863	31
VIII	96.7	110.6	708	900	...
IX	94.8	109.4	709	870	...

* Average.

¹ In May 1934, the gold and foreign-exchange reserve was revalued.² Shares of banks excluded.

Appendix III. — ECONOMIC DATA (continued).

	Total Savings Deposits (end of month)	Clearings (per month)	
		Austrian National Bank	Austrian Postal Savings Bank
		In millions of schillings	
*1929	2,119	4,149	2,069
*1930	2,419	4,093	2,173
*1931	2,025	4,140	2,080
*1932	1,959	3,431	1,878
*1933	2,015	3,066	1,786
*1934	2,087	2,227	1,895
*1935	2,249	2,057	2,005
*1936	2,327	2,244	2,047
1936 IV	2,337	2,244	1,983
V	2,327	2,129	1,913
VI	2,331	2,077	1,883
VII	2,338	2,242	2,119
VIII	2,347	2,148	2,002
IX	2,336	2,260	2,075
X	2,295	2,551	2,318
XI	2,300	2,259	2,142
XII	2,335	2,439	2,324
1937 I	2,350	2,218	2,045
II	2,358	2,113	1,913
III	2,322	2,606	2,140
IV	2,326	2,327	2,216
V	2,331	2,230	2,044
VI	2,338	2,261	2,143
VII	2,339	2,408	2,341
VIII	2,349	2,265	2,212

	Prices (middle of month)			
	Wholesale	Cost of living	Sensitive ¹	Fixed ¹
	First half-year 1914 = 100	VII.1914 = 100	1929 = 100	
*1929	130	111	100	100
*1930	117	111	83	98
*1931	109	106	58	98
*1932	112	108	49	103
*1933	108	105	55	104
*1934	110	105	58	104
*1935	110	105	57	105
*1936	109	105	63	104
1936 IV	108	104	62	105
V	108	104	62	104
VI	109	106	60	104
VII	110	104	61	104
VIII	109	105	62	104
IX	110	105	62	104
X	111	105	65	104
XI	111	105	66	105
XII	111	105	71	105
1937 I	112	105	76	105
II	112	105	79	105
III	112	104	84	106
IV	113	104	85	106
V	115	105	84	106
VI	115	106	78	106
VII	116	105	79	105
VIII	114	104	82	105
IX	113	105	79	105

* Average.
¹ Revised figures.

Appendix III. — ECONOMIC DATA (continued).

	Turnover (per month)			
	Consumption goods 1	Production goods 1	Consumption of sugar	Receipts from turnover tax
	1923-1931 = 100		In hundreds of tons	In millions of schillings
*1929	119	119	180	21
*1930	117	96	161	21
*1931	112	76	169	18
*1932	94	68	152	15
*1933	83	67	148	11
*1934	80	75	143	12
*1935	84	83	144	12
*1936	79	88	143	12
1936 II	81	90	116	12
III	82	88	129	11
IV	82	87	125	12
V	78	87	124	11
VI	79	84	142	11
VII	81	85	180	12
VIII	79	85	146	12
IX	78	87	200	12
X	82	91	188	14
XI	75	93	131	14
XII	73	93	113	15
1937 I	76	91	162	13
II	77	99	123	12
III	80	101	138	12
IV	73	108	126	12
V	75	108	129	12
VI	79	121	144	12
VII . . . . .	...	122	184	13

Tourist Traffic (per month)



* Average.
1 Seasonally corrected index.

Appendix III. — ECONOMIC DATA (concluded).

	Production		
	General production index ^{1 2}	Labour market	
		Insured against illness (end of month)	Unemployed receiving benefit in Austria (middle of month)
		1929 = 100	In millions	In thousands of persons
*1929	100	.	164
*1930	81	.	207
*1931	69	.	253
*1932	60	.	309
*1933	62	1.38	329
*1934	68	1.28	288
*1935	77	1.30	262
*1936	81	1.30	259
1936 II	84	1.21	322
III	78	1.25	314
IV	84	1.29	282
V	81	1.33	254
VI	78	1.34	236
VII	80	1.36	224
VIII	77	1.36	219
IX	78	1.35	216
X	81	1.34	221
XI	82	1.30	243
XII	91	1.23	273
1937 I	87	1.20	308
II	97	1.22	315
III	94	1.27	296
IV	101	1.32	258
V	107	1.37	226
VI	112	1.40	203
VII	111	...	191
VIII . . . . .	...	...	182
IX . . . . .	...	...	176

	Foreign Trade				
	Imports		Exports		
	Total value ¹	Raw-material value ¹	Total value ¹	Finished products value ¹	Total quantity
	1923-1930 = 100				In millions of metric quintals
*1929	107	106	114	122	3.42
*1930	92	82	97	102	2.93
*1931	72	67	70	75	2.11
*1932	47	48	42	43	1.56
*1933	39	46	42	42	1.75
*1934	38	49	45	45	2.15
*1935	40	51	47	46	2.25
*1936	42	54	50	48	2.32
1936 III	46	59	55	52	2.20
IV	42	55	51	49	2.25
V	40	53	51	48	2.30
VI	36	44	47	45	2.49
VII	39	51	47	45	2.46
VIII	41	49	48	45	2.58
IX	41	51	48	47	2.57
X	44	61	49	49	2.24
XI	44	62	50	50	2.41
XII	41	54	53	48	2.68
1937 I	45	61	52	52	2.17
II	49	72	59	58	2.47
III	52	67	65	59	3.00
IV	49	69	63	62	3.12
V	49	73	62	58	3.25
VI	50	69	65	60	3.91
VII	48	68	70	65	3.90
VIII	45	68	63	65	3.00

* Average.
¹ Seasonally corrected index.
² Revised figures.

Appendix IV. — PRODUCTION STATISTICS.

	Production index	Electric-power production	Iron ore	Pig iron	Steel	Rolled and half-finished goods	Unfilled orders of iron industry
	(1929 = 100)	(1929 = 100)	In thousand tons	1923-1932 = 100			in percentage of normal standard
Monthly average:	1	1					
1929	100	100	156	144	143	146	102
1935	77	101	64	61	73	71	32
1936	81	101	85	78	86	85	37
1936:							
January	82	100	85	74	85	88	31
February	84	103	77	80	84	87	47
March	78	103	93	85	106	105	44
April	84	101	85	81	103	104	47
May	81	100	79	79	99	96	42
June	78	101	80	78	89	88	44
July	80	102	93	81	90	98	39
August	77	102	85	74	77	77	30
1937:							
January	87	105	98	88	118	107	80
February	97	112	100	77	117	129	84
March	94	116	125	87	123	135	101
April	101	114	128	97	148	145	102
May	107	117	124	106	152	157	104
June	112	118	157	112	151	151	95
July	111	122	170	154	165	157	89
August . . . . .	...	...	167	155	159	146	82

	Cotton yarn		Raw material consumed by weaving mills	Unfilled orders in cotton-yarn mills	Wood dust	Wood pulp	Paper	Cardboard
	In percentage of capacity	Production as per spindle						
	1923-1931 = 100				Wagons			
Monthly average:		1						
1929	78	110	105	119	868	1,870	1,913	455
1935	90	141	152	130	677	2,119	1,644	411
1936	96	160	168	153	684	2,118	1,488	435
1936:								
January	107	163	166	192	568	2,185	1,392	238
February	100	181	175	170	532	1,870	1,293	251
March	106	168	173	154	500	1,866	1,359	307
April	106	162	191	139	712	2,187	1,431	449
May	100	145	149	125	777	2,059	1,463	582
June	83	137	162	128	684	2,038	1,355	492
July	83	136	177	122	745	2,122	1,558	614
August	79	147	167	138	708	2,172	1,355	445
1937:								
January	98	155	159	192	533	2,177	1,559	247
February	98	165	164	200	587	2,431	1,781	241
March	97	162	182	217	789	2,456	1,850	392
April	100	172	191	223	862	2,551	1,903	514
May	93	159	162	213	1,003	2,596	2,231	530
June	96	187	201	200	965	2,577	2,080	602
July	104	187	197	177	1,047	2,669	2,135	597
August . . . . .	...	...	...	...	...	...	...	...

1 Weighted index.

