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LEAGUE OF NATIONS

BRUSSELS FINANCIAL CONFERENCE 1920

THE RECOMMENDATIONS

AND THEIR

APPLICATION

A Review after Two Years

VOLUME III

ECONOMIC AND FINANCE SECTION

March 1923

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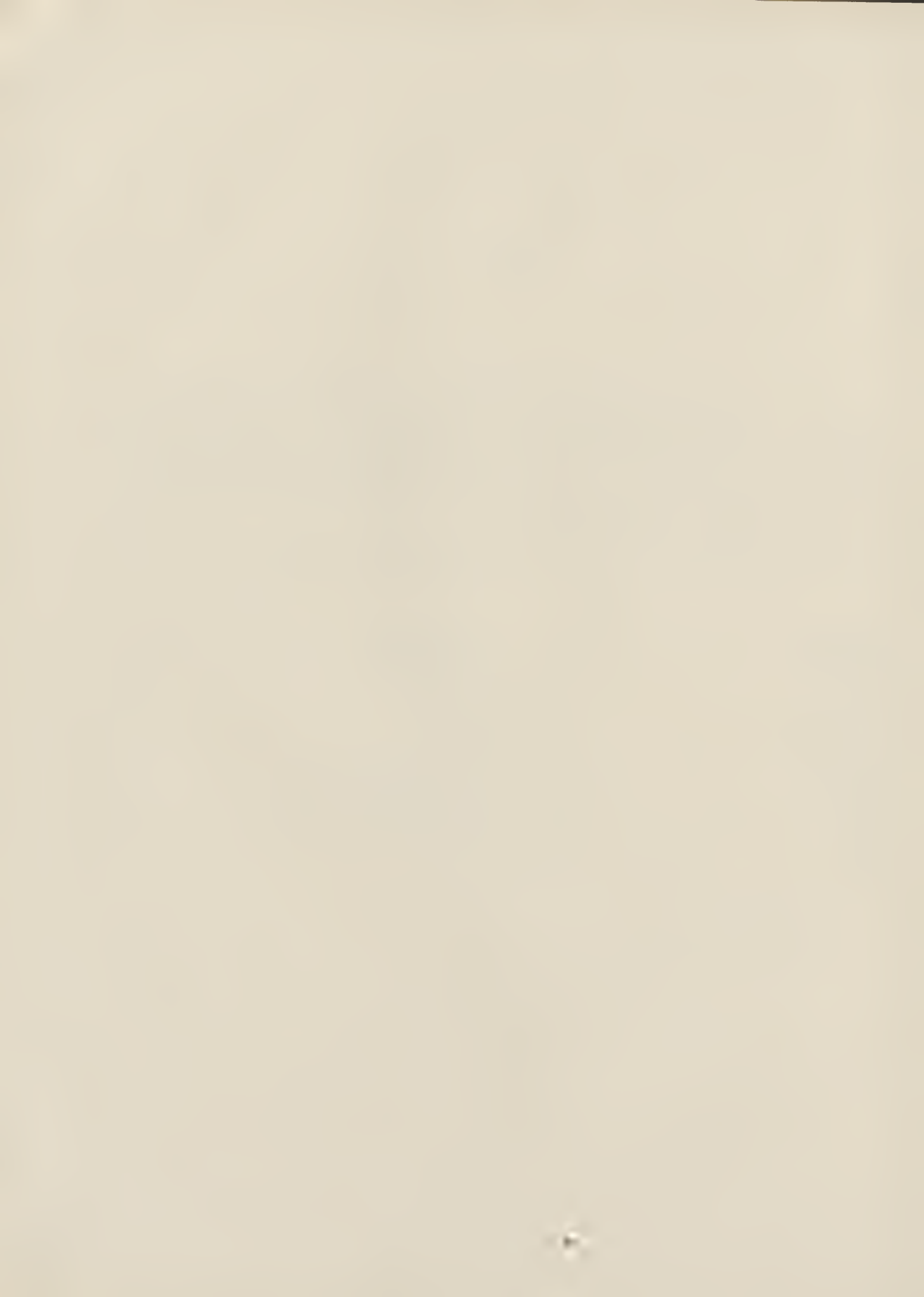
PREFACE

In this volume reports are published from Brazil, Latvia and Poland with reference to the extent to which their Governments have been able to put into execution the various resolutions of the International Financial Conference at Brussels in 1920. These reports, which have been prepared in compliance with the resolution passed by the Second Assembly of the League of Nations, thus constitute a supplement to the two previous volumes published on this subject containing replies from 22 other countries. Unfortunately, they were received too late for insertion in these earlier volumes.

In the Introduction to Volume I will be found a general survey of the progress which has been made since 1920. The complete list of special reports is as follows :

Argentina	Vol. I	Luxemburg	Vol. I
Australia	» I	Netherlands	» I
Austria	» I	New Zealand	» I
Belgium	» I	Norway	» I
Brazil	» III	Poland	» III
Czechoslovakia	» I	Spain	» I
Denmark	» I	Sweden	» I
Finland	» I	Switzerland	» I
Hungary	» I	Union of South Africa	» I
India	» I	United Kingdom	» I
Italy	» II	United States of America	» I
Japan	» I	Uruguay	» I
Latvia	» III		

Geneva, March, 1923.



Brazil.

I. BUDGETARY POSITION.¹

Year	Receipts ²		Expenditure ²	
	Milreis gold	Milreis paper	Milreis gold	Milreis paper
1920	119,382,935	459,752,268	104,357,575	480,044,095
1921	62,149,362	468,235,328	53,034,185	547,588,939
1922	78,060,255	680,672,520	85,931,211	831,193,762

The Brazilian budget as seen above shows a deficit. To meet this deficit, the Government has resorted to the issue of consolidated public debt bonds and has floated short-term loans.

Federal State Debt.

(a) *Internal debt:* The consolidated debt amounts to 1,575,095:400\$000, an increase of 51.1 % compared with the amount on December 31st, 1919.

At the end of 1922, 307,504:427\$274, were assigned to the service of the external debt. There is a floating debt of 863,008:601\$804.

(b) *Foreign debt:*

£111,930,834
\$ 74,403,000
Fr. 322,249,500

If the "dollar" and "franc" debts are converted at par into sterling, it will be seen that there is an increase of 20.53 % compared with the debt on December 31st, 1919.

¹ The budget includes two quite independent sections: Receipts and expenditure in *gold milreis* at the rate of 55 American cents to the milreis; and receipts and expenditure in *paper milreis*.

² Estimates voted by Congress and approved by the President of the Republic.

The following amounts were assigned to the service of the external debt:

Interest	Amortisation	Commission
£ 5,332,597 2s. 2d.	£77,900 10s.	£53,672 4s. 11d.
\$ 5,649,740.00	\$ 2,625,000.00	\$161,498.00
Frs.14,527,830.00	Frs. —	Frs.108,958.65

II. MONETARY SITUATION.

The amount of paper money in circulation at the end of November 1922 was 2,226,275:997\$000. This is an increase of 28.75% compared with December 31st, 1919.

Conversion Fund notes in circulation amounted to 16,097:985\$000, representing a decrease of 16.28% compared with the circulation on December 31st, 1919.

The minted and bar-gold deposits at the Federal Treasury amounted to 88,297:817\$360, that is 48,250,173 United States dollars. This gold reserve represents an increase of 55.78% as against the reserve on July 31st, 1920.

The paper money issued during the last three years was put into circulation for special purposes. In the first place, it was issued for the Re-discount Service of the Bank of Brazil. Paper money issued for this purpose only remains in circulation for a limited period. It was used, moreover, to meet obligations contracted by the Federal Government towards the Italian Government. In accordance with an agreement signed on March 10th, 1920, Brazil undertook to open a credit of 100,000:000\$000 in Italy's favour for the purchase of Brazilian products. This arrangement came to an end on March 10th, 1922, and at the present moment accounts are in process of liquidation.

The Government has established an organisation for supervising national and foreign banks. This organisation has recently been slightly modified, in that greater freedom is accorded for exchange operations.

A Re-discount Department has been established at the Bank of Brazil. The bank has also set up clearing-houses for cheques in the towns of Rio de Janeiro, São-Paulo, Santos, Porto Alegre, Bahia and Recife. Latterly, the bank has decided to create an Agricultural Loans Department.

Finally the Finance Law of 1923 authorises the Government to establish a Bank of Issue.

III. ECONOMIC SITUATION.

In 1919, the commercial balance was distinctly in the country's favour. Accordingly there was a rise in the value of Brazilian money; the value of the milreis was higher than before the war. This movement was, however, of short duration.

The fall in prices, which was accentuated in the latter half of 1920, together with a considerable increase in imports, resulted in a decrease in export prices and a surplus of imports amounting to £16,823,000. In twelve months the milreis had depreciated to the extent of 44 %. In March 1921 the fall in the price of coffee became so alarming that the Government was forced to intervene on the market. As is well known, the position of the coffee market has a considerable influence on the whole economic life of Brazil; coffee constitutes, in fact, 60 % of the country's total exports. The Government, therefore, decided to buy heavily. For this purpose it contracted a loan of £9,000,000 secured by coffee deposited in London. The operation was completely successful; the price of coffee (per 10 kilos), which had fallen in March 1921 to 7\$700, rose fairly rapidly. At the end of August it had increased by 66 %; at the end of October by 79 %; in December 1921 by 98.5 %. At the end of 1922 the price of coffee had trebled. The value of the total Brazilian exports reached £58,586,898 sterling in 1921. There was still, however, a surplus of imports, which exceeded exports by £1,881,102, though progress had been made, since the difference between the two totals was 89 % less than in 1920.

During the first nine months of 1922, exports exceeded imports to the value of £15,890,000. It may, therefore, be estimated that by the end of the year the country's trade balance will be favourable.

The rate for milreis has remained very low., at about 7d., which is equal to a sterling premium of 128.66 % on the 1913 rate. This is a result of three well-known factors: excessive fiduciary inflation, a budget deficit and exports insufficient to balance accounts.

But these facts do not represent the whole situation. Brazil, a country of immense natural resources, which have not yet been exploited, continues to develop with remarkable and ever-increasing rapidity. But the depression, to which the above figures bear witness, does not prevent Brazilian industry from making great progress. A satisfactory picture of the economic condition of the country can, therefore, only be presented if, in addition to the data given above, account is taken of the data relating to industry, agriculture and domestic trade. Account must also be taken of the important public works carried out by the State during the last three years, namely, the irrigation of vast areas in the north of the country, the construction of railways and roads, the development of ports, etc.

These facts taken together show how great are the means of recuperation possessed by Brazil. The Government is making every effort to assist, by adopting energetic measures of economy in public expenditure, by greater strictness in the collection of taxes and by a firm determination to limit fiduciary inflation and to restore the indispensable balance of the budget.

PARIS, *January* 1923.

Latvia.

I. BUDGETARY MEASURES.

1. *How far the ordinary expenditure (including the service of the debt) has been covered by ordinary revenue.*
2. *Whether expenditure on armaments has been reduced.*
3. *The extent of unproductive extraordinary expenditure.*
4. *The extent of productive extraordinary expenditure.*

Before the war, when Latvia (then a Russian province) had not been devastated by armies of occupation, her budget showed a considerable active balance. In the years immediately preceding the war, the net revenue reached 80 million gold francs yearly. Thus, according to the official data of the Russian Ministry of Finance, the revenue of Latvia for the year 1913 was 88,054,576 gold roubles (or 235.1 million gold francs), but the expenditure only 54,324,205 gold roubles (or 145 million gold francs).

That portion of the Russian budget which refers only to Latvia (gold roubles being turned into gold francs) is given below :

Revenue of Latvia in 1913.

	Gold francs
Direct taxes	22,071,624
Indirect taxes	115,587,005
Customs	24,721,370
State monopolies	67,819,308
Sale of State property	17,766
Repayment of advances by State	3,835,055
Various revenues	734,461
Arrears	5,383
	<hr/>
Total of ordinary revenue	234,791,972
Extraordinary revenue	313,746
	<hr/>
Grand total	235,105,718

Expenditure of Latvia in 1913.

	Gold francs
Ministry of the Interior	9,748,485
Ministry of Justice	4,988,681
Ministry of Finance	22,668,364
The Holy Synod	1,368,981
Ministry of the Imperial Court	30,446
Ministry of Public Instruction	7,751,451
Ministry of Railways and Communications	54,917,676
Ministry of Agriculture	3,896,958
Ministry of Commerce and Industry	5,352,079
State Treasury	76,848
Ministry of War	19,988,589
Ministry of Marine.	9,862,959
Control of State Accounts	763,927
Administration of State Credit	285,217
	<hr/>
Total of ordinary expenditure	141,700,661
Extraordinary expenditure	3,104,665
	<hr/>
Grand total	144,805,326

It will be seen that Latvia not only covered all her expenses, but paid about 90 million gold francs of net revenue into the Russian State Treasury.

Now that Latvia has suffered from war and revolution, the expenditure must needs be greater than before the war, while the revenue, owing to the comparative standstill in industry and commerce, is smaller. During the first years of the independence of Latvia, the greatest item of expenditure was the army. Another important item of expenditure is, and has been, the reconstruction of devastated areas.

Expenditure (including the service of the debt) and revenue.

	Gold francs		Gold francs
For 1920-21 financial year: actual revenue	121,503,516	actual expenditure	144,888,846
» 1921-22 » » » »	126,095,227	» »	121,472,716
» 1922-23 » » estim. »	191,707,297	estim. »	179,646,664

Expenditure on armaments.

Financial year	Gold francs
1920-21	22,300,907
1921-22	19,642,956
1922-23 (estimated)	24,677,717

The budget of 1922-23 is more normal and without deficit. It is as follows :

State Revenue for 1922-23.

ORDINARY REVENUE :	Gold francs
The Cabinet of Ministers and State Office	22,009
Ministry for Foreign Affairs	708,026
Ministry of Justice	294,680
Ministry of the Interior	1,706,125
Ministry of Public Instruction	866,290
Ministry of Finance	105,593,140
Ministry of Agriculture	18,180,580
Statistical Bureau	20,920
Ministry of Communications	28,459,050
Ministry of Defence	129,390
State Control	3,390
Ministry of Labour	38,800
Total	<u>156,022,400</u>
EXTRAORDINARY REVENUE :	
Ministry of Agriculture	8,102,240
State Credit	4,720,000
Revenue from State credit operations and budget savings	22,862,657
Total	<u>35,684,897</u>
Grand total of State revenue	<u>191,707,297</u>

State Expenditure for 1922-23.

ORDINARY EXPENDITURE :	Gold francs
Constituent Assembly and Parliament	917,829
Cabinet of Ministers and State Office	342,280
Ministry for Foreign Affairs	1,624,317
Ministry of Justice	3,302,209
Ministry of the Interior	8,081,959
Ministry of Public Instruction	7,828,152
Ministry of Finance	35,691,408
Ministry of Agriculture	9,781,368
Statistical Bureau	112,553
Ministry of Communications	27,464,179
Ministry of Labour	3,096,578
Ministry of Defence	23,053,520
State Control	453,355
State Credit	6,277,100
Total	<u>128,026,807</u>

EXTRAORDINARY EXPENDITURE :	Gold francs
Constituent Assembly and Parliament	330,000
Government Office	170,000
Ministry for Foreign Affairs	206,999
Ministry of Justice	34,130
Ministry of the Interior	664,255
Ministry of Public Instruction	138,961
Ministry of Finance	1,050,000
Ministry of Agriculture	1,054,221
Ministry of Communications	5,834,095
Ministry of Defence	1,624,196
State Credit	16,713,000
Special Account for unforeseen expenses	23,800,000
Total	<u>51,619,857</u>
Grand total of State expenditure	179,646,664
Balance	<u>12,060,633</u>
Total	191,707,297

Classifying the budget according to categories, we get the following items:

State Revenue for 1922-23 (classified).

Direct taxes	8,643,432
Indirect taxes	15,144,346
Customs	30,100,000
Revenue from State lands and forests	24,833,810
Revenue from State undertakings	25,675,016
Revenue from State monopolies	60,826,300
Various revenues	3,621,735
Revenue from State credit operations and budget savings	22,862,657
Total	<u>191,707,296</u>

State Expenditure for 1922-23 (classified).

Government	36,098,485
Culture	7,967,112
Social work	3,057,387
State undertakings (railways, monopolies, etc.)	53,813,965
Economic reconstruction	4,670,000
Loans to communal institutions	1,118,000
Capitalisation of autonomous State undertakings	10,925,000
National defence	24,677,717
State debt	13,519,000
Unforeseen expenditure	3,000,000
Arrears	20,800,000
Total	<u>179,646,666</u>

5. *The policy of the Government in the case of remuneration granted to officials by reason of variations in the cost of living, and the effects of this policy on budget conditions.*

In determining wages and salaries, the Government has up to now been guided by the index of the minimum standard of living for one person, as worked out by the Ministry of Labour. The minimum standard of living was fixed at 3,024 gramme-calories, and the index calculated by taking the equivalent value of foodstuffs according to existing market prices for 50 per cent., and reckoning 50 per cent. for other needs (rent, clothing, fuel, light, and miscellaneous items). This minimum standard of living has been taken as a basis for the wages of officials of the 20th category, and the ratios between the 20th and 1st categories as 1 : 4.7. The relations between the lower and higher categories, after including also ministers, professors, ambassadors, etc., who before this stood outside the categories, have somewhat changed. This system, of course, has many defects. On the one hand, an official has also to maintain his family. According to statistics there are from 1 to 5 members to a family who have to be maintained by each official. The state grants for the maintenance of each member only 10 per cent. of the wages; the parents being excluded, which allowance, naturally, does not cover the actual expenses. On the other hand, at the end of 1920, and in the first part of 1921, the cost of living increased; therefore, the wages of officials of the 18th-20th categories were below the standard of living. But taking into consideration the difficult financial position of the State, the Government could not go beyond the limits of the budget by raising the wages according to the growth of the cost of living. Nevertheless, in 1921 the wages of officials were thrice increased, but this was done by payments in kind, and did not exceed the budget economics. At present, in view of the improvement of the State's financial position, and since it will be possible to cover the increase without exceeding the savings of the budget, it is intended to increase the wages of officials.

Moreover, the Government has granted officials several long-term advances to be repaid by instalments.

6. *The existence of subsidies on bread and other foodstuffs, coal and other materials.*

Up to November 1921, the Government issued to officials subsidies in the form of foodstuffs, apparel, fuel, etc. Payments in kind were intended, on the one hand, to improve the position of the officials, and, on the other hand, to regulate the local market prices. The materials had been purchased and prepared by the Ministry of Supply. The Government issued the goods to officials at cost-prices and even cheaper, including the value of the goods in the wages. Foodstuffs (flour, herrings, lard, etc.) were issued monthly, and once a year cloth for wearing apparel, a pair of boots, linen cloth, and firewood. As the prices of foodstuffs gradually went down, the need for payments in kind diminished, and it even happened that on the open market the prices of the issued products were lower than those asked by the Government. From November 1st, 1921, therefore, the payments in kind were abolished, and since then the equivalent is being paid out in cash. Now the officials get only firewood at cost-price to the Government, which should not be regarded as a special subsidy, but as the means of liquidating the firewood stocks of the Ministry of Agriculture.

7. *Charges for unemployment.*

The Latvian Government does not grant any direct subsidies to the unemployed, but endeavours to ease their situation by organising labour exchanges and public works.

Labour exchanges have been founded in all the largest Latvian centres, viz. at Riga,

Liepaja (Libau), Daugavpils (Dvinsk), Jelgava (Mitau), Tukums (Tuckum), Ventspils (Windau), and the Riga Strand. Since the labour exchanges are only able to procure employment for a small percentage of workers (about 2 per cent.), the Government supports them by organising public works. Public works have been carried out on the largest scale in Riga. Next in order comes Liepaja (Libau), and then the other towns. During 1921-22 in Riga the number of workpeople employed in the public works averaged 26 per cent. of the number of workpeople registered at the labour exchanges. In the whole of Latvia the percentage was higher, and amounted to 137 per cent. Many useful works have been started and completed, viz., levelling trenches, laying out recreation grounds, strengthening sandhills at the seashore, draining swamps, digging channels, constructing causeways, building bridges, repairing buildings, etc.

Unskilled labourers constitute the greater proportion of the unemployed, the number of qualified labourers being comparatively inconsiderable. Since May 1922 there has been a marked improvement, because a great number of the unemployed have left the towns for work in the country. Thus, the total number of workpeople registered in Riga during April as unemployed was approximately 6,440, of whom in May 4,885 remained and on June 1st only 2,147. In Liepaja (Libau) the total number of unemployed was 1,603 on June 1st, as compared with 2,240 on May 1st, and 3,623 on April 1st, a great percentage of the remaining unemployed being invalids, people advanced in years, women and children, and in general people with a low capacity of work. The question has been raised of lodging a part in almshouses and organising workshops for the remainder.

8. *The financial position of public undertakings.*

At the present time the only monopolies are of flax and spirits, the hide monopoly having been abolished in the first half of last year. The figures given below show that a profit was derived from the flax and spirit monopolies, and a loss from the hide monopoly. This loss was caused by the liquidation of the hide monopoly, since after the liquidation there remained large stocks of hides, boots, and harness to the total value of about 2,000,000 gold francs. These stocks are now being sold.

Of the State undertakings, the railway budget shows a deficit, which is due to the fact that, after the war and the invasion by the communists, the railways were in a very bad condition. The renewal of the railways required large sums. The railways are now working, so that, for example, for the financial year 1921-22 the deficit is only 45,303 gold francs. The Government undertaking for the exploitation and supply of peat has been liquidated.

Financial position of the chief State undertakings for the financial years 1920/21 and 1921/22.

	(Gold Francs)		
	Estimated for financial year 1920/21	Actual accounts for 1920/21	Estimated for 1921/22
A. STATE MONOPOLIES.			
(1) Flax monopoly.			
Gross revenue	33,702,500	16,513,854	23,220,000
Expenditure on exploitation	16,358,462	11,349,212	17,426,229
Net revenue	+ 17,344,038	+ 5,164,642	+ 5,793,771

	(Gold francs)		
	Estimated for financial year 1920/21	Actual accounts for 1920/21	Estimated for 1921/22
(2) <i>Hide monopoly.</i>			
Gross revenue	4,089,077	318,396	1,438,056
Expenditure on exploitation	3,938,358	2,506,441	1,114,308
Profit or deficit	+ 150,719	— 2,188,045	+ 323,748
(3) <i>Spirit monopoly.</i>			
Gross revenue	9,104,811	8,018,108	20,865,311
Expenditure on exploitation	3,802,327	3,507,631	6,106,341
Net revenue	+ 5,302,484	+ 4,510,477	+ 14,758,970
B. STATE UNDERTAKINGS.			
(1) <i>Railways.</i>			
Gross revenue	11,402,706	7,822,384	17,868,852
Expenditure on exploitation	15,398,139	16,656,029	17,914,155
Net deficit	— 3,995,433	— 8,833,645	— 45,303
(2) <i>Posts, telegraphs and telephones.</i>			
Gross revenue	1,538,462	2,338,478	3,686,065
Expenditure on exploitation	2,192,218	1,660,570	2,899,806
Profit or deficit	— 653,756	+ 677,908	+ 786,259
(3) <i>Exploitation of forests.</i>			
Gross revenue	13,028,846	2,720,730	5,081,967
Expenditure on exploitation	9,319,137	6,050,067	1,808,257
Profit or deficit	+ 3,709,709	— 3,329,337	+ 3,273,710
(4) <i>Operations of supply.</i>			
Gross revenue	57,375,363	5,021,996	—
Expenditure on exploitation	55,234,897	15,319,343	—
Profit or deficit	+ 2,140,466	— 10,297,347	—
(5) <i>Exploitation of peat.</i>			
Gross revenue	982,076	829,958	—
Expenditure on exploitation	942,355	821,047	—
Net revenue	+ 39,721	+ 8,911	+ 24,590
(6) <i>Exploitation of State ships.</i>			
Gross revenue	2,035,384	2,007,441	—
Expenditure on exploitation	1,920,000	1,881,538	—
Net revenue	+ 115,384	+ 125,903	—

(7) <i>State land and forests.</i>	(Gold francs)		
	Estimated for financial year 1920/21	Actual accounts for 1920/21	Estimated for 1921/22
Gross revenue	4,705,612	3,184,668	20,736,566
Expenditure on exploitation	3,825,715	3,076,909	12,143,448
Net revenue	+ 879,897	+ 107,759	+ 8,593,118

9. *The introduction of new taxation.*

No new taxes have been introduced by the Government, but on the contrary such taxes as were detrimental to economic life have been abolished as, for example, the 1 per cent. duty on the export of foreign currency, the duty on cheques, and exchange of money. In the other fiscal laws, several amendments have been made, the scales of the taxes being even decreased in some cases.

10. *Methods of raising money by loans, whether by (a) long-term loans, (b) short-term loans in the open market, (c) loans direct from the central bank leading to further new inflation.*

On December 6th, 1918, the National Council passed the law for the "5% Short Loan of Latvia's Independence" with a term of 15 years. The total amount of this loan was 10,000,000 Russian roubles. After the issue of Latvian money had begun, and in conformity with the law of March 18th, 1920, the loan was converted into Latvian roubles, two Russian roubles being considered equal to one Latvian rouble. The loan was raised partly by compulsory, and partly by voluntary, subscriptions in the beginning of the year 1920.

On March 18th, 1920, the National Council passed the law for the "4% Premium Loan" to the total amount of 50,000,000 Latvian roubles and with a term of 50 years. By October 1st, 1922, only 13,619,700 roubles of that loan had been raised. No other internal loans have been floated.

Interest and premiums on internal loans have been paid regularly.

Latvian external loans are comparatively small and, therefore, their influence on the economic life of the State is not particularly marked. These loans are mostly outstanding debts for food-stuffs and ammunition which had been received from abroad in the course of the first years of Latvia's independence. (See table below.)

THE LATVIAN STATE EXTERNAL DEBT ON OCTOBER 1ST, 1922.

To whom due	Total amount of the debt	Paid off		To be paid
		Capital	Interest	
United States of America . .	\$ 2,521,869.32	—	126,266.19	2,521,869.32
American Relief Administrat.	\$ 2,610,417.82	—	—	2,610,417.82
Norwegian Government . . .	Kr. 6,000,000.—	—	904,418.94	6,000,000.—
— do —	,, 737,558.43	—	66,414.39	737,558.43
British Government	£20,169 1s. 10d.	—	1,815 4s. 6d.	20,169 1s. 10d.
French "	Fr. 11,631,139.01	9,889,622.40	—	1,741,516.61
Lloyds Bank, Ltd. London	£ 775,000	596,600	20,008	178,400

The Government is not indebted to the Bank of Latvia. Under the statutes of the Bank, credits for the requirements of the Government are strictly limited. Loans may be raised only if the Government mortgages its gold stocks at the Bank or hands over its foreign bills.

11. *The influence of foreign loans and trade balances.*

The foreign debts are so small that their repayment has not had any considerable influence on the foreign trade balance.

12. *The effect of local and provincial finance on the budget of the State.*

The finances of the local administrations, especially during the first years of Latvia's independence, were in a very bad condition, and the Government was obliged to issue loans to the total of 3,084,070 gold francs. In addition, subsidies and loans have been granted to industry, agriculture, banks, and for other requirements.

II. MONETARY MEASURES.

1. *The increase or decrease of the note circulation.*

The amount of paper currency at present in circulation reaches 2,419 million Latvian roubles, or 48 million gold francs. The first issue of Latvian roubles was made in 1919, in order to meet the expenses involved by national defence, 1 Latvian rouble being made equal to 2 German marks (paper) which were at the time in circulation in Latvia. Owing to the general inflation of currency, this ratio soon disappeared. The Latvian rouble fell more than the German mark, but in 1921, as a result of economy in State expenditure, increased taxation, and an improvement of the trade balance, the exchange value of the Latvian rouble recovered to such an extent that since November 12th it has been stable, being equal to 02 of a gold franc, i.e. 50 Latvian roubles to a gold franc. This rate of exchange is accepted by the Bank of Latvia as a basis for financial operations at home and abroad, as it corresponds to the actual value of the Latvian rouble in circulation and in private business transactions. The Latvian currency at present may be regarded as stable in regard to gold. (See table below.)

CIRCULATION OF THE STATE TREASURY NOTES.

Year	Month	(Latvian roubles)	
		Total issue at the end of the month	In circulation at the end of the year
1919	April	1,480,000.—	
	July	3,304,600.—	
	August	8,599,590.—	
	September	34,058,445.—	
	October	56,511,625.—	
	November.	100,138,295.—	
	December	123,557,182.—	123,557,182.—

Year	Month	(Latvian roubles)	
		Total issue at the end of the month	In circulation at the end of the year
1920	January	156,440,981.—	
	February	193,592,981.—	
	March	232,802,101.—	
	April	324,517,356.—	
	May	389,267,646.—	
	June	484,269,467.40	
	July	696,354,172.90	
	August	841,414,481.—	
	September	858,175,831.—	
	October	882,175,831.—	
	November	889,661,831.—	
	December	1,030,743,531.—	907,186,349.—
1921	January	1,142,243,521.—	
	February	1,339,243,531.—	
	March	1,535,275,831.—	
	April	1,859,725,831.—	
	May	1,988,285,831.—	
	June	2,194,028,131.—	
	July	2,305,238,131.—	
	August	2,243,730,131.—	
	September	2,086,994,624.50	
	October	2,129,189,481.—	
	November	2,228,614,481.—	
	December	2,464,574,481.—	1,433,830,950.—
1922	January	2,468,974,481.—	
	February	2,487,914,481.—	
	March	2,418,974,481.—	
	April	2,418,974,481.—	
	May	2,418,974,481.—	
	June	2,418,974,481.—	
	July	2,418,974,481.—	
	August	2,418,974,481.—	
	September	2,418,974,481.—	
Total issue allowed		2,520,000,000.—	roubles.
Withdrawn from circulation.		100,000,000.—	„

In August 1922, a monetary law was passed and in September 1922 the statutes of the bank of issue (Bank of Latvia) were published. The law concerning money provides that the unit of Latvian money is the gold lat, equal to one gold franc. The text of the law is as follows:

1. The Latvian money system is based on gold. The money unit is one lat, containing two million nine hundred and three thousand two hundred and twenty-six ten-millionths (.2903226) of one gramme of pure gold. The Latvian lat is divided into one hundred centimes.

2. The State only has the right to coin metal money and to circulate it. The Minister of Finance supervises the minting and issue of the new money.

3. Gold money shall be coined of gold belonging to the State and also of gold delivered by private persons. Gold delivered by private persons for minting shall be accepted at a price determined by the Minister of Finance, if the gold is delivered in bars of gold money of other

States containing the percentage of gold fixed by the Minister of Finance and if the quantity of gold delivered is not less than one hundred grammes.

4. Gold money shall be minted in coins of ten and twenty gold lats.

5. The gold money shall contain nine hundred out of one thousand parts of pure gold, .001% "remedy" being allowed (.899—.901). The weight of the ten-lat coin shall be three grammes and two hundred and twenty-five thousand eight hundred and five millionth parts (3.225805 of one gramme. Twenty lats— six grammes and forty-five thousand one hundred and sixty one one-hundred-thousandth parts (6.45161) of one gramme. The "remedy" allowed in the weight of the money shall be as follows : for coins of ten lats— three one-thousandth parts of the weight, and for coins of twenty lats— two one-thousandth parts of the weight.

6. Besides the gold money, small coins shall also be minted of metal, designed by the Cabinet of Ministers upon the proposal of the Minister of Finance.

The Government has already ordered small metal coins in Switzerland. They are being minted of bronze and nickel. Bronze coins will be of 1, 2, and 5 centimes, and nickel coins of 10, 20, and 50 centimes. This money will be put into circulation at the end of the current year.

The provisions of the statutes of the bank of issue (Bank of Latvia) in regard to the issue of banknotes are as follows :

Only the Bank of Latvia shall have the right to issue banknotes. The banknotes shall be issued in lats, and they shall be covered to their full nominal value :

(1) If the amount of bank-notes issued does not exceed one hundred million lats—to the extent of not less than fifty per cent. by gold, or reliable and stable foreign currency, and the remainder by reliable short-term bills of exchange ;

(2) If the amount of bank-notes issued exceeds one hundred million lats but does not exceed one hundred and fifty million lats, the amount in excess of one hundred million lats shall be covered to the extent of seventy-five per cent. by gold, or reliable and stable foreign currency, and twenty-five per cent. by reliable short-term bills of exchange ;

(3) Issues of bank-notes in excess of one hundred and fifty million lats shall be covered to their full value by gold, or reliable and stable foreign currency.

On demand of bank-note holders, the Bank shall at any time redeem the bank-notes issued in gold. The bank-notes shall at any time be exchanged for gold, one lat being reckoned as .2903226 grammes of pure gold.

The bank of issue (Bank of Latvia) began its activities on November 1st. The Bank is subject to a special Council which is quite independent.

2. *The influence of Government expenditure on currency.*

3. *The repayment of floating debt and the effects thereof.*

The State loans do not influence the currency, because the issue of paper money has been stopped. Likewise, the currency is not influenced by the repayment of debts and interest.

4. *The connection between the Government and the Central Bank of Issue.* (See Part II, paragraph 1.)

5. *The restriction of granting of credits either by means of the rate of interest or in other ways.*

The Bank of Latvia has not yet ceased granting credits to trade and industry.

6. *The existence of any artificial control of exchange with a description of its character and its effects.*

On the Exchange at Riga a special Quotation Commission has been established on which the Minister of Finance has only the right of veto. The transactions of the Bank of Latvia have a definite influence on the exchange. Since the Bank endeavours to maintain the stability of the Latvian currency by aid of its reserves, the exchange is guided by the rates at which the Bank purchases and sells foreign bills.

III. COMMERCIAL POLICY.

1. *The abolition or the establishment of prohibitions on imports or exports or of special permits; the abolition or lowering of import or export duties, etc.*

A. *Export.*

The first regulations concerning the export trade were published by the Latvian Government on December 4th, 1918, prescribing that goods might be exported only under a special licence, issued by the Ministry of Trade and Industry. When issuing export licences, the Ministry strictly observed the local needs and allowed the export only of such goods as were not required by Latvia herself. There were no special export prohibition lists. The scale of export duties was worked out gradually and, later on, the system of the exchange of currency received for goods exported was also introduced, *i.e.*—a part (25-75%) of the foreign currency received for exported goods was to be exchanged at the State Treasury for Latvian money at the existing official rate of exchange in Riga. In 1919 a State monopoly of flax, linseed, and hides was introduced, and the export of these goods by private persons was prohibited.

Such arrangements, with slight modifications, remained in force until March 7th, 1921, when the Ministry of Trade and Industry issued an export free list. The list contained 31 groups of commodities—the staple Latvian manufactures—which might be exported without special Government licences. For other goods, the licence system continued in force, but the compulsory exchange of currency was abolished, except for hides, timber, and seeds.

On July 27th, 1921, the hide and linseed monopolies were abolished but the export of hides by private persons was allowed only from October 23rd and subject to a fixed export duty.

From July 1st, 1921, the export of dairy produce, eggs, bacon, fowl, fish, and fruit was also allowed.

On October 15th, 1921, a new export tariff came into force. With the introduction of this tariff, all other measures of control were cancelled. The export of goods and articles not mentioned in the tariff was permitted without licences and without duty, with the exception of such goods as remained a State monopoly.

This tariff was finally worked out and supplemented on the basis of the law of the Constituent Assembly concerning export duties, which continues in force as from February 7th, 1922. Apart from this tariff, export from Latvia may be regarded as freed from all restrictions.

B. *Import.*

Import duties on the chief import articles were for the first time imposed by the law of April 6th, 1919, according to which certain imported goods (raw materials and foodstuffs) were freed from customs duties, but the remaining goods were subject to customs duties to the extent of 2 to 100 per cent. On November 19th, 1920, this law was amended, the goods for importation into Latvia being divided into three categories. The first category included goods which were considered of prime necessity: *i.e.* raw materials, machinery, agricultural implements, artificial manures, chief foodstuffs, coal, naphtha and products thereof, chemicals for industrial purposes, etc., and were allowed for importation into Latvia without licences or limitations. The second category included goods the import of which was strictly prohibited, such as articles of luxury, alcoholic beverages, confectionery, etc. The third category included goods which were not regarded as of prime necessity, the so-called "tolerated goods" which might be imported under special licence from the Ministry of Trade and Industry in each individual case on paying the fixed customs duties. In 1921 the Government altered some of the tariff rates and, on March 7th, made certain changes in the import lists, leaving in force the partly modified import prohibition list, but gradually removing the licence system for the so-called "tolerated goods". It was intended to admit these later without a licence on payment of the respective import duties. The licence system was finally annulled by the customs tariff which came into force on July 20th, 1921, by virtue of which the list of goods prohibited from importation was also abolished. On May 26th, 1922, the revised customs tariff passed by the Constituent Assembly was published, which, on the whole, lowers the rates of the preceding tariff and is at present the only Government Act which regulates the import trade.

C. *Transit Traffic.*

Transit traffic through Latvia to all foreign countries is freed from all customs duties. The transit of goods may be effected by land-, rail- and waterways. If the goods are conveyed by rail, the transport through Latvian territory is conducted and supervised by the respective customs-houses. If the transit takes place by water or land routes other than rail, the importer has to deposit with the customs-house a sum equal to the amount of duties which should be paid on the imported goods. The transport is not subject to any supervision. The deposited money is refunded on the presentation of a certificate issued by another customs-house testifying the re-export of the goods.

D. *Foreign Currency.*

By virtue of the law published on July 1st, 1921, foreign currency might be exported under a special licence from the Ministry of Finance or its concessioned banks. Exception was made with regard to travellers, who had the right to export foreign currency without the above-mentioned permit, if the total amount did not exceed 100 gold francs per person. On the issue of the permits, an export duty of 1 per cent. of the value was levied. Money in transit was not subject to this duty or other restrictions. On November 5th, 1922, this law was abolished, and the export and import of foreign currency is now quite free from any restriction.

3. *The conclusion of (a) commercial conventions; (b) transport conventions.*

(a) *Commercial conventions.*

Up to now the Latvian Government has definitely concluded only one commercial agreement, *i.e.* with Hungary.

Negotiations are, however, proceeding with nearly all European Powers. The draft of a commercial agreement with Germany has already been mutually agreed to, but owing to some unsettled questions touching war-loss compensations due to Latvia from Germany, the agreement has not yet been ratified. Draft agreements have also been exchanged with Great Britain and negotiations are in progress. It is also proposed to enter into a customs union with Esthonia. All negotiations are being conducted on the basis of a scheme drawn up by the Cabinet of Ministers for commercial agreements, except in the case of Great Britain and Germany, with whom negotiations were begun before the scheme was worked out.

(b) *Transport conventions.*

Transport conventions have been concluded with all neighbouring countries. A mutual convention for transport of goods and passengers has been concluded with Esthonia and Lithuania. Conventions of the same nature have been concluded with Russia, Germany, and Poland. The conventions with all the countries mentioned, except that with Germany, were a combination of the regulations of the former Russian conventions and the scheme drawn up by the Central Bureau of International Transport by rail. The convention with Germany is wholly based on the regulations of Berne. Conventions have also been entered into with Germany, Belgium, France, and Great Britain for the establishment of direct communication between Riga-Berlin-Brussels-London, taking as a basis the regulations of Berne. At the present time the regulations of Berne are being amended and adjusted to Latvian requirements. As soon as the final draft is elaborated, a convention for conveying goods will be concluded with the countries referred to above.

January 21st, 1923.

Poland

I. BUDGETARY MEASURES.

Since 1920 the Diet and Government have concentrated their efforts upon securing budgetary equilibrium. It is with this object in view that the Diet adopted — in addition to the usual measures for determining and controlling the revenue and expenditure of the State — Article 10 of the Polish Constitution, which provides that all proposals and bills — whether put forward by the Government or by the Diet — which entail expenditure on the part of the State, must make provision for meeting the proposed expenditure.

Further, on December 16th, 1921, the legislative Diet adopted the following resolution: "Until budgetary equilibrium has been established, no expenditure shall be voted by the Diet without the approval of the Minister of Finance." A similar resolution — without any time-limit, however, — referring to decisions of the Council of Ministers, is contained in the law of December 17th, 1921, regarding ways and means of improving the national finances. This law also grants to the Finance Minister wide powers enabling him to supervise the organisation of State enterprises, to suppress them, to confirm the appointment of officials in all the Ministries and to enter into contracts affecting the State finances.

The resolution of the Diet of December 16th, 1921, calls upon the Government to reorganise the work of the administrations by diminishing the number of Government departments and by reducing the number of officials by 20 %. Further, a large number of orders have been issued for the purpose of enforcing economy.

Notwithstanding all that has been done to reduce the expenditure and to increase the revenue of the State, it has not yet been possible to balance the budget, for, in spite of the increase of revenue and the reduction of expenditure, the attempts to enforce economy have been paralysed by the fall in the Polish mark (see Chapter II). Thus, the receipts from taxes in 1921 show an increase in the proportion of 1:74.4 as compared with 1919, whereas the value of the Polish mark in United States dollars had fallen 79.2 % in January 1921. Moreover, it is extremely difficult to apply a uniform system of taxation in Poland. The three sections of the country, having belonged formerly to three different States, possess different financial systems. A beginning has, however, already been made in the work of unifying the fiscal system.

1. *How far the ordinary expenditure (including the service of the debt) has been covered by ordinary revenue.*

The budget estimates for 1921 and 1922 were as follows:

	1921		1922	
	In millions of Polish marks	In millions of U. S. dollars according to the rate of exchange in January 1921	In millions of Polish marks	In millions of U. S. dollars according to the rate of exchange in January 1922
Ordinary expenditure.	111,042.7	140.2	439,983.3	128.8
Ordinary revenue.	99,758.1	126.0	347,054.7	101.6
Deficit	11,284.5	14.2	92,928.6	27.2
Percentage of budget represented by deficit	10.2		21.1	

The increase in the budget deficit for the year 1922 as compared with 1921 has been caused chiefly by a new method of classifying ordinary and extraordinary expenditure, and the total deficit of the ordinary and extraordinary budgets (excluding loans) is 22.5 % in 1922 as compared with 35.3 % in 1921.

2. *Whether expenditure on armaments has been reduced.*

The expenditure of the Ministry of War, which in 1919 represented more than half of the total expenditure, has been considerably reduced and amounted to the following figures in the budget estimates:

Year	Ordinary expenditure	Extraordinary expenditure	Total in millions of Polish marks	Total in millions of U. S. dollars according to the rate of exchange in Jan. of the year in question	Percentage of total expenditure
1921	28,501.1	32,532.2	61,033.3	77.1	29.2
1922	95,035.9	57,813.3	152,849.2	44.7	25.8

Thus reckoned in dollars, the expenditure of the Ministry of War was reduced by 32,317,172 dollars in 1922 as compared with 1921, *i.e.*, by 43.2 %.

3. *Proportion of unproductive extraordinary expenditure.*

Unproductive extraordinary expenditure was as follows according to the budget estimates:

Year	In millions of Polish marks	In millions of U. S. dollars according to the rate of exchange in January of the year in question	As percentage of total extraordinary expenditure	As percentage of total ordinary and extraordinary expenditure
1921	69,965.3	8.8	71.5	33.5
1922	40,254.0	11.8	26.5	6.8

Thus, reckoned in dollars, unproductive extraordinary expenditure was much lower in 1922 both absolutely and also in relation to extraordinary expenditure and to the total of ordinary and extraordinary expenditure.

4. *Proportion of productive extraordinary expenditure.*

Productive extraordinary expenditure was as follows according to the budget estimates:

Year	In millions of Polish marks	In millions of U. S. dollars according to rate of exchange in January of the year in question	As percentage of total extraordinary expenditure	As percentage of total ordinary and extraordinary expenditure
1921	27,953.2	35.3	28.5	13.4
1922	111,396.9	32.6	73.5	18.8

5. *The policy of the Government in the case of remuneration granted to officials by reason of variations in cost of living, and the effects of this policy on budget conditions.*

The remuneration of civil officials is fixed by the law of July 13th, 1920. It consists of a fixed salary plus bonuses calculated according to the number of years' service, evidence of advanced studies, and the increase in the cost of living. The whole country has been divided into "zones of dearness" and the last-mentioned bonus varies according to the zone to which the region inhabited by the official belongs. The bonus also depends upon his family ties and his rank. The co-efficient upon which the general level of the cost-of-living bonus depends is fixed by the Council of Ministers in accordance with the changing factors of the economic situation. The decisions of the Council of Ministers do not, however, depend upon the variations in the cost of living tabulated by the Central Statistical Office or upon the index numbers of prices.

Since the introduction of the above-mentioned law, the co-efficients of increase in the cost of living have been raised several times. Changes in the relation of the cost of living in different districts have resulted in a reduction of the number of "zones of dearness".

The abolition of the Food Supply Offices has resulted in the suppression of bonuses in kind which were not provided for by law, but which had been distributed up to that date.

The following table shows the remuneration of an official at Warsaw in the case of a married man with one child:

For July of each year	Remuneration according to rank (in Polish marks)				
	III	V	VII	IX	XI
1920	10,100	7,490	5,320	4,012	2,730
1921	57,390	40,676	31,500	24,006	17,484
1922	277,393	181,293	131,497	91,812	53,117

If the salaries of Polish officials in Austria in January 1914 are represented by the figure 1,000, the "real wages" are as follows:

For July of each year	III	V	VII	IX	XI
1921	85	157	230	299	475
1922	134	238	314	373	471

Since the remuneration of officials represents more than half of the general expenditure of the State, any increase in salaries very considerably increases the deficit, as the revenue of the State cannot be increased simultaneously in the same proportion.

6. *The existence of subsidies on bread and other foodstuffs, coal and other raw materials.*

Agriculture has made great progress in Poland during the last few years, as is shown by the following table, from which the reduction in uncultivated land may be seen :

Uncultivated Land

District	1919	1920	1921	1922
	%	%	%	%
Old Congress Poland	9.5	7.9	2.0	0.5
Eastern Poland	68.5	31.0	18.0	7.3
Little Poland (formerly Galicia)	30.8	17.0	5.7	0.8

The development of agricultural production made it possible in the first half of 1921 gradually to reduce Government intervention in the matter of controlling supplies, to remove (by the Law of July 7th, 1921) the restrictions upon internal commerce in cereals and, finally, to liquidate the affairs of the Ministry of Food, which, together with the offices for the purchase and distribution of various articles of consumption, was abolished by the Law of December 17th, 1921, as from January 1st, 1922.

The production of coal in those parts of Poland which formerly belonged to Russia and Austria has increased considerably (in certain months of 1922 it even exceeded the pre-war production) with the result that it was possible, by a Decree of the Ministry of Industry and Commerce of July 13th, 1921, to introduce within the country as from October 1st, 1921, freedom of commerce in various kinds of fuel, such as anthracite, coke, lignite and briquettes.

In consequence of the introduction of freedom of commerce as regards foodstuffs and coal, the expenditure of the State for supplies to towns, workmen, etc., was no longer necessary, and the budget for 1922 only contains very slight charges in connection with the liquidation of the offices concerned.

It is only the deficit on the post and telegraph services (see Section 8) which still constitutes a heavy burden on the finances of the State.

7. *Charges for unemployment.*

In 1919 and during part of 1920, the Government was obliged, in consequence of the economic and political situation, to distribute large grants to the unemployed.

The gradual recovery of industry (in the country as a whole there were 222,297 unemployed in January 1920, and 78,298 in June of the same year, while in April 1922 the figure was 54,028) made it possible to abolish unemployment grants in 1920, so that at the present time — apart from ordinary expenditure for pensions and allowances for invalids and the aged, etc. — the State has to meet only expenditure with regard to the repatriation of Poles from Russia.

8. *The financial position of public undertakings.*

The depreciation of the Polish mark reacted unfavourably upon the revenue obtained from State undertakings, for, while expenses increased in proportion to the increase in salaries and in the price of raw materials, etc., receipts did not increase on the same scale ; it was extremely difficult for the Government to undertake the responsibility of raising prices, inasmuch as public opinion regarded any increase in rates either on the railways or for postal services as being the cause of a corresponding increase in the cost of living. To-day the Government admits the necessity of operating the railways and administering the Post Office on economic principles and of avoiding a deficit, and believes that it will be able to achieve this object by gradually raising rates and by effecting reasonable reductions in expenditure.

The following provisional data show the receipts and expenses of the State (with the exception of one undertaking) according to the budget figures :

(In thousands of Polish marks).

	1/VII 1919 to 31/III 1920	1/IV 1920 to 31/XII 1920	1921
Expenses	1,773,248	8,678,666	69,868,648
Receipts	760,523	4,088,517	37,617,179
Deficit in Polish marks	1,012,725	4,590,149	32,251,469
Percentage deficit	57.1	52.9	46.2

The above table comprises the cost of installations, including the cost of construction of new railway lines, but not the cost of interest and amortisation of capital.

It will be seen that the extent to which expenditure is being covered by revenue is constantly increasing.

The expenditure and revenue of the Ministry of Posts and Telegraphs (which also deals with the telephone service) amounted to the following figures in thousands of Polish marks :

	1920	1921
Expenses	834,621	7,262,463
Receipts	504,392	4,987,918
Deficit in marks.	330,229	2,274,545
Percentage deficit	39.6	31.3

As in the case of the railways, the deficit on the postal services diminished in 1921.

9. *The introduction of new taxation.*

A whole series of new taxes has been created since 1920, and existing taxes have been largely increased. An extraordinary tax was imposed by the Law of December 16th, 1921. The chief effect

of this tax is to multiply the amounts due by the taxpayers — owners of land, immovable property and industrial enterprises — in accordance with co-efficients established by the law in question. Although this tax is not very heavy, it has noticeably reduced the State deficit, as may be seen from the following table :

(In millions of Polish marks).

1922, Month.	Ordinary and extraordinary expenditure	Ordinary & extraordinary revenue		Deficit	
		Total	from tax	Total	as percentage of expenditure
January	34,055.6	17,146.1	306.2	16,909.5	49.7
February	40,684.3	28,848.7	4,058.4	11,835.6	29.1
March	48,258.8	45,267.1	20,373.6	2,991.7	6.2
April	32,928.4	32,761.1	14,728.4	167.3	0.5

The tax on profits arising from the purchase of immovable property and the paying off of mortgages dating from before the war was instituted by the Law of March 31st, 1922. This tax is imposed upon persons who acquired immovable property after January 1st, 1919, and on persons who have paid off mortgages created before January 1st, 1915, and have thus benefited by the fall in the Polish mark.

The Law of December 17th, 1921, instituted an industrial tax throughout the country — a measure which marks the first step towards unifying the financial system in the three different sections of Poland.

The Law of April 4th, 1922, considerably simplifies the Law of July 16th, 1920, regarding income tax by adapting the tax to the alterations which take place in the value of the mark.

The taxes on land and immovable property have twice been increased (in 1920 and 1921).

The tax on war profits has been extended so as to apply to all profits made in 1919.

In order to establish a proper relation between indirect taxation and the purchasing value of the Polish mark, the Council of Ministers was authorised by the Law of May 10th, 1921, to increase these taxes so as to make them correspond in value to the taxes imposed on the same articles in 1912-14, which were based upon the prices of those articles at those dates.

10. *Methods of raising money by loans, whether by (a) long-term loans; (b) short-term loans in the open market; (c) loans direct from the central banks, leading to further new inflation.*

The long-term loans of the Polish Republic at the end of 1920 and 1921 are shown in the following table (no long-term loan was contracted in 1919):

Character of loan		1920	1921
5% long-term loan, 1920	marks	5,212,476,700	10,844,182,700
4% premium loan	»	930,256,000	1,991,614,000
Total of internal loans	»	6,142,732,700	12,835,796,700
6% loan (in dollars).	\$	18,200,000	18,200,000

The subscription lists for the 1920 5% long-term loan were opened in April 1920 and have not yet been closed. This loan must be entirely paid off in the course of the next 45 years.

The subscription lists for the 4% lottery loan were opened in September 1920 and closed in April 1922. Weekly drawings take place during the first 20 years, commencing on October 2nd, 1920, and in each of these there is a winning lot of 1,000,000 marks. During the succeeding

20 years (1940-1960) the bonds of the premium loan will be repaid at their nominal value at the time of drawing.

The subscription lists for the Polish dollar loan were opened in May and closed in October 1920.

The following is a list of the short-term loans as they stood at the end of the years 1919, 1920 and 1921:

(In Polish marks)

Loan	1919	1920	1921
5% bonds, 1918	2,032,052,224	418,246,092	155,979,994
5% short-term loan	—	2,129,336,100	2,129,336,100
4% Treasury bonds (Series I)	—	947,376,000	485,482,000
5% Treasury bonds (Series II)	—	—	14,622,715,000
Total of short-term internal loans	2,032,052,224	3,494,958,192	17,393,513,094
Short-term United States dollar loans according to the rate of exchange at the end of December 1921	\$ 187,947,665.42	263,803,203.04	265,179,610.67

The 1918 5% bonds were repayable in 1919; some of these bonds, however, have not yet been presented for payment or for exchange against scrip of the 1920 loan.

The 1920 5% short-term loan is repayable five years after the date of issue; the subscription lists for this loan were closed on October 31st, 1920.

The first series of Treasury bonds matures in two years and the second series in one year.

The following is a list of the foreign loans which have been raised in various countries according to the data available on December 31st, 1921:

United States	166,257,964 dollars
(i.e. approximately 60% of the total external Polish debt).	
France	783,858,404 French francs
(i.e. 22% of the total amount).	
Great Britain	£ 4,374,849
(i.e. 7% of the total amount).	
Italy	17,428,232 lire
(i.e. 3% of the total amount)	36,325,490 gold francs
	1,259,605 French francs
The Netherlands	18,218,686 Dutch gulden
(i.e. 2.5% of the total amount).	
Norway	16,497,417 Norwegian krs.
(i.e. 1% of the total amount).	
Denmark	358,849 Danish krs.
Sweden	173,000 Swedish krs.
Switzerland	73,600 Swiss francs.

These loans were contracted in the various countries, not as a rule in the open market, but with Governments or private institutions or commercial houses.

The total amount of foreign loans in existence on December 31st, 1921, includes a loan contracted with the United States Relief Administration amounting to 1,265,076,074 Swiss francs and a similar loan contracted in Europe amounting to 107,154,361 Swiss francs. (The conditions for loans of this kind in America are not the same as they are in Europe.)

The foreign loans were contracted almost exclusively in goods, 60% of which are articles of primary necessity, 28% military supplies and only 7.7% articles required for State enterprises.

The maturity dates of long- and short-term loans were as follows on December 31st, 1921:

Date of maturity	Amount of debt (In Swiss francs)	% of total debt
1921	126,072,567	9.733
1922	276,369,233	21.347
1923	277,220,771	21.413
1924	156,234,899	12.063
1925	230,074,715	17.764
1926	119,466,424	9.233
1927	6,218,473	0.480
1928	5,104,350	0.394
1929	5,104,350	0.394
1940	93,366,000	7.209

Negotiations are now proceeding between the Polish Government and the States concerned with regard to the consolidation of the foreign debt.

Being unable to raise loans in the ordinary market, either in Poland or abroad, the Government has been forced, in order to cover the deficit, to apply to the bank of issue (P.K.K.P.). The movement of debt under this head is as follows:

January 1st, 1920	6,825	millions of Polish marks.
January 1st, 1921	59,625	» » »
January 1st, 1922	221,000	» » »
June 1st, 1922.	217,000	» » »

II. *The influence of foreign loans and trade balances.*

The foreign loans were contracted, as we have already mentioned, almost exclusively in goods. Consequently, they did not exercise a direct influence upon the exchange rate of the Polish mark, or increase, even at the moment when the loan was raised, the amount of foreign currency held, but they made it possible to obtain foodstuffs, armaments, etc. on credit, and in this way indirectly decreased the demand for foreign currency. It is, of course, true that at the present time our foreign engagements are exercising an unfavourable influence on the exchange rate of the Polish mark. It should, however, be observed that, as compared with the debts of other States, the foreign debt of Poland is not very large.

The unfavourable balance of trade also affects the state of Polish finances.

This balance constitutes the most important part of the general Polish balance-sheet, and, therefore, contributes largely to the depreciation of the mark; a further result is to be seen in an increase in Polish expenditure abroad, reckoned in marks, and a corresponding increase in prices within the country. The decrease in the purchasing power of the mark within the country causes an increase in the expenditure of the State, since the revenue cannot be increased in the same proportion, and a deficit is thus caused.

Stress should, however, be laid upon the fact that the Polish balance of trade is constantly improving, especially since the beginning of the current year (1922), and that articles of general consumption have ceased to be imported and have even been exported; but the complete re-establishment of the balance of trade is not possible in the near future for want of the large quantity of capital indispensable for the reconstruction of the economic organisation destroyed during the war. In the present circumstances, a deficit can only be avoided by the contraction of very substantial foreign loans.

12. *The effect of local and provincial finance on the budget of the State.*

The fall of the Polish mark has had an unfavourable effect upon communal and municipal finances, and especially upon the finances of the towns. As in the case of the State, the revenue of the communes is not sufficient to cover expenditure.

In that large part of the Republic of Poland which formerly belonged to Russia, municipal and communal institutions had only just been created, and these, lacking, as they did, a well-developed financial system, had a hard task before them. The State was, therefore, compelled to come to their aid, and it began by granting loans to the towns, since the municipalities, which were only then in process of formation, could not count upon obtaining private credit.

The following table shows approximately (in millions of marks) the loans granted to the towns in two districts:

Year	Former Russian Poland	Little Poland	Total
1919	56.1	24.2	80.3
1920	403.6	153.5	557.1
1921	2,132.4	572.1	2,704.5

II. MONETARY MEASURES.

1. *The increase or decrease of the note circulation.*

2. *The influence of Government expenditure on currency.*

The fluctuations of the Polish mark during the years 1920-1921 and the first half of 1922 are shown in the following table (the figures given represent the average rate each month on the Warsaw Stock Exchange):

Polish marks to the United States dollar.

	1920	1921	1922
January.	131.50	710.00	3,168.00
February	153.00	855.00	3,704.00
March.	158.93	852.59	3,916.00
April	169.25	828.75	3,958.00
May	181.06	925.12	3,982.00

Polish marks to the United States dollar.

	1920	1921	1922
June	159.12	1,549.50	4,320.00
July	171.12	2,220.00	
August	204.50	2,442.50	
September.	244.00	4,455.00	
October.	283.75	4,137.50	
November.	410.00	3,307.50	
December.	552.50	3,186.25	

The reasons for this very heavy fall in the value of the mark are both economic and political. Poland commenced her existence as an independent State in conditions of the greatest difficulty. Two-thirds of the country had been either ruined by military operations or exhausted by an extreme measure of exploitation on the part of those in occupation.

Approximately one-quarter of the area of arable land remained uncultivated; industry and trade were destroyed. An enormous amount of capital would have been required to carry out a scheme of reconstruction. Further, the country was ruined, the population was impoverished to the last degree and, therefore, incapable of furnishing the material means which were required either by taxation or by an internal loan, and foreign credit was practically unobtainable owing to the fact, above all, that Poland did not possess clearly defined frontiers until 1921.

The balance of trade showed deficits in every direction and it was even necessary to import cereals and other articles of consumption, although Poland is chiefly an agricultural country. In these conditions, therefore, in order to provide for its expenditure, which was insufficiently covered by the receipts obtained from foreign loans, the Government only had one means at its disposal — the issue of notes: it employed this means on a large scale and thereby brought about a very heavy depreciation in the exchange rate of the Polish mark.

It was only in the latter months of 1921, from October onwards, that the value of the Polish mark improved. This improvement was due to the union of part of Upper Silesia with Poland, and to the impression produced abroad by M. Michalski's scheme for financial reconstruction.

The increase in the note issue, as compared with the increase in the State debt to the P.K.K.P., is shown in the following table:

		(In millions of Polish marks)	
		Note issue	State debt to the P. K. K. P.
1920	January 1st . . .	5,316.3	6,825.0
	April 1st	10,690.6	14,775.0
	July 1st.	21,730.1	27,625.0
	October 1st . . .	33,203.5	40,625.0
1921	January 1st . . .	49,361.5	59,625.0
	April 1st	74,087.4	93,625.0
	July 1st.	102,697.3	130,625.0
	October 1st . . .	152,792.1	178,000.0
1922	January 1st . . .	229,537.6	221,000.0
	February 1st. . .	239,615.3	227,350.0
	March 1st. . . .	247,209.5	230,600.0
	April 1st	250,665.5	232,100.0
	May 1st.	260,553.8	220,000.0
	June 1st.	276,001.1	217,000.0

Until towards the end of 1921 the State debt was greater than the total note circulation; in 1922 this proportion was reversed, owing to the energetic efforts made by the P.K.K.P. at

that time to assist the industry of the country by discounting bills of exchange and by making loans on security (see Section 5).

3. *The repayment of floating debt and the effects thereof.*

During the whole of this period the current debts increased; praiseworthy attempts were, however, made to reduce the State debt to the P.K.K.P. (see previous section, April-May 1922). Although these attempts had temporarily a favourable effect, they could not be systematically followed up until the fundamental cause of inflation — the deficit — had been removed.

The reduction of the State debt in April and May of this year made a favourable impression and led to effective results; it was no longer necessary to cover current expenditure by an increased issue of paper, and the continuance of the issue during this month was solely intended to encourage production.

4. *The connection between the Government and the Central Bank of Issue.*

The P.K.K.P., which was formed during the German occupation in 1916, was recognised by the Decree of the Chief of State dated December 7th, 1918, as the sole Bank of Issue of the Polish State until the creation of the Bank of Poland. The administration of the Bank is in the hands of a Board, consisting of a Director and his deputy, both appointed by the President of the Council of Ministers on the nomination of the Minister of Finance. The Minister of Finance and the President of the Council have the right to require information regarding the business done by the Bank. The issue of Polish marks is carried out by the P.K.K.P. on behalf of the Polish State and under the control of the Government, *i.e.* of the Minister of Finance. The profits of the P.K.K.P. are paid into the reserve funds, and the manner in which these funds shall be employed is decided by the Diet.

In accordance with the decision of the Diet dated February 13th, 1920, the issue of notes by the P.K.K.P., and the loans contracted with this Bank by the State, are subject to the approval of the Diet.

Proposals have been put forward on various occasions for the reconstitution of the P.K.K.P. as a Bank of Poland; these proposals have, however, been postponed until the introduction of a new Polish monetary unit.

5. *The restriction of granting of credits either by means of the rate of interest or in other ways.*

The discount rate required by the P.K.K.P. for bills at 90 days was 6 % in 1920 and part of 1921 (up to September 13th). From September 13th to the present time, the discount rate has been 7 %, and is thus higher than the rates of other European banks of issue. This fact would seem calculated to attract foreign capital to Poland. When premium loan certificates are given as security, the discount rate of the P.K.K.P. is 7 %; for ordinary securities it is 8 %, and for State loan certificates 5 ½ %.

In discounting bills and granting loans, the P.K.K.P. not only exacts conditions of absolute security, but also takes into consideration the utility of the loans from the general economic standpoint, and is particularly careful to discourage any attempt at speculation. In principle the P.K.K.P. discounts bills of exchange and grants loans only when security is offered; if, however, the security in question consists of goods in the possession of a commercial establishment which is responsible for them, the Bank must obtain the authorisation of the Minister of Finance before carrying out the loan.

The bills discounted and the loans made by the P.K.K.P. were as follows:

		Bills discounted	Loans
1920	January 1st	3.9	243.8
	April 1st	8.2	319.1
	July 1st	161.4	488.2
	October 1st	333.9	1,862.9
1921	January 1st	611.6	3,999.2
	April 1st	781.0	4,745.7
	July 1st	1,557.3	5,306.5
	October 1st	6,237.3	9,878.6
1922	January 1st	15,324.4	19,300.0
	February 1st.	15,951.6	21,776.9
	March 1st.	19,555.0	22,327.7
	April 1st	25,451.1	25,473.3
	May 1st.	28,668.8	26,063.7
	June 1st.	34,555.0	26,067.0

In comparing the figures for the various months, the fluctuations of the Polish mark must be taken into consideration. The great increase in the credits granted by the Bank at the end of 1921 and at the beginning of 1922 was due to the necessity of assisting industry, which was passing, during this period, through a severe crisis caused by the rise in the Polish mark. At that time the private banks were not in a position to carry out this task without the help of the P.K.K.P.

The Government had to choose between an increase in the note issue (*i.e.* a fresh issue from the P.K.K.P.) in order to furnish credits to industry and, on the other hand, a refusal of credit, which would lead to unemployment and thence inevitably to State unemployment allowances and an increase in the deficit and the State debt. It rightly chose the first solution. The crisis is now past; the increase in the discount and loan rates is due to the normal development of economic life. It must be regarded as a favourable sign that the discounts show a tendency to exceed the loans — a tendency which, according to the general anticipations of all banks of issue, will become stronger — whereas the contrary was the case until the end of February 1922.

There exists as a State credit establishment, in addition to the P.K.K.P., the Post Office Savings Bank, which, under guarantee from private banks, grants loans to industrial establishments in order to provide them with working capital. These loans are now granted for six monthly periods at the rate of 10 % per annum to the P.K.O. (Post Office Savings Bank) and at 3 % to the guaranteeing bank. The total amount of the loans granted to industrial establishments under the above conditions between January 1st and October 31st was 9,882 millions of marks. The total amount of the credits issued by the P.K.O. now exceeds 21 milliards of marks.

The State Reconstruction Bank opens credits for the reconstruction of industries which were destroyed or damaged owing to the war. Mention should also be made of the following official or semi-official establishments which open credits: the "Bank of Poland"; the "State Agricultural Bank", the "Building Bank", the "Commercial Bank", the "Credit Establishment of the towns in Little Poland", and the "Discount Bank of Posen". Among all these forms of credit, credits for new installations can only be very small, in view of the financial position, which is closely connected with the state of the exchange.

6. *The existence of any artificial control of exchange, with a description of its character and its effects.*

A Decree by the Minister of Finance and the Minister for former Prussian Poland, dated December 31st, 1920, abolished the "Currency Commission," which fixed the rates of exchange

and gave authorisation to banks for the sale of foreign currencies to institutions, commercial firms and private individuals. It was, however, impossible to pass, without a period of transition, from active State intervention to absolute freedom in currency transactions, particularly in view of the strong tendencies which were then visible towards speculation and the hoarding of foreign currencies.

Accordingly, the system adopted under the above-mentioned Decree for the control of the exchange is designed to place as little restriction as possible on currency transactions due to the normal requirements of economic life, while it is intended to prevent the purchase of foreign currencies for purposes of speculation or hoarding.

The regulation of the rates of exchange has thus been abandoned by the State and left to the Stock Exchanges, but the sale of foreign currencies to private individuals and firms has been restricted to joint-stock banks or other specially authorised financial establishments; these establishments must make enquiries and decide whether the purchase of the currencies is economically justified and is due to the necessity of carrying out payments abroad.

The purchase of foreign currencies at the above-mentioned establishments constitutes in itself an authorisation to export the sum purchased. The regulations referred to are carried out by the Ministry of Finance. By this method the entire control of transactions in foreign currencies is entrusted to the banks (foreign exchange banks) which, as a general rule, know their clients and refrain, in their own interests, from making too many difficulties for them; in short, the restrictions imposed on transactions in foreign currencies are not very serious, and merely form obstacles to any attempt at speculation or the purchase of currencies for purposes of hoarding.

Foreign exchange banks may sell foreign currencies to individuals and private commercial firms for the following purposes only:

- (a) Fulfilment of obligations undertaken abroad in connection with the legal importation of goods;
- (b) Payment of accounts in respect of goods legally imported;
- (c) Furnishing cover for costs of forwarding and transport of goods;
- (d) Payment of foreign debts contracted for economic reasons which can be duly substantiated¹;
- (e) Payment of foreign insurance premiums arising out of legal insurance contracts;
- (f) Payment of travelling expenses up to 1,000 Swiss francs (or its equivalent in other currencies) per person for each journey, provided that special mention of travelling abroad is made on the passport; in the case of journeys to the district of the Free City of Danzig, the mention is made on the internal passport, and in this case journeys must not be made more than once a month;
- (g) Payment of cost of subsistence up to 1,500 Swiss francs (or its equivalent in other currencies) per month for each family, for persons staying abroad, if satisfactory reasons are given;
- (h) Payment of cost of maintenance of offices of Polish commercial enterprises abroad, if their existence can be justified from the point of view of national and economic interest;
- (i) Any other purposes which can be economically justified, if payments not exceeding 1,000 Swiss francs (or its equivalent in other foreign currencies) have to be carried out abroad. For larger sums the previous authorisation of the Ministry of Finance, or of the offices to which it delegates such powers, is required.

¹ Including foreign debts contracted by foreign capital invested in Poland.

The payment of foreign accounts in Polish marks on behalf of firms and persons domiciled in Poland, and the payment of such part of foreign accounts as relates to Poland, may only be carried out through the foreign exchange banks, and must be justified as being one of the forms of foreign transactions mentioned above under (a), (b), (c), (d), (e), or (i).

Payments in Polish marks on behalf of individuals and firms domiciled abroad can only be carried out through the foreign exchange banks, but are subject to no other restriction.

In other financial establishments, the sale of foreign currencies for the payment of foreign accounts may only be carried out on the authority of the Ministry of Finance or the departments authorised by it. This authority must be obtained specially for each case.

The opening of credits in Polish marks to foreign firms requires, in every case, the previous authorisation of the Ministry of Finance, or of the departments delegated by it.

The exportation of currencies which were not purchased at foreign exchange banks is permitted without special authorisation, up to an amount of 1,000 Swiss francs (or its equivalent in other foreign currencies.)

For the exportation of sums not exceeding 3,000 Swiss francs or its equivalent in other foreign currencies, a permit must be obtained from the P.K.K.P., or one of its branches. These permits must be issued on presentation of a foreign passport. Permits for larger sums are issued by the Ministry of Finance or its auxiliary offices.

The exportation of Polish marks in cash, cheques, money orders or bills of exchange is authorised without special permit up to a total of 100,000 Polish marks per person on any one occasion, provided that the total amount of Polish marks exported by a single person during one month must not exceed 300,000. Permits for the exportation of marks up to a total of 300,000 are issued by the P.K.K.P. or its branches.

For larger sums permits are issued by the Ministry of Finance or its departments.

The exportation of certificates bearing interest or dividends, or the sale of such certificates to persons or firms whose head offices are situated abroad, or the deposit of such certificates as security, requires the special authorisation of the Ministry of Finance or its subordinate offices. Such permits may also be granted as a general rule for certain kinds of securities or to certain establishments. No difficulties as a rule are raised against the issue of such permits.

The sale abroad of bills on Poland can only be carried out by the foreign exchange banks, which are obliged to notify the Ministry of Finance of all transactions of this nature. Such transactions can only be carried out by other firms or persons upon the issue of a permit by the Ministry of Finance or one of its subordinate offices.

The Ministry of Finance appoints special delegates in the nearer Polish economic centres to deal with all matters relating to the application of the regulations for transactions in foreign currencies and exchanges.

The above-mentioned regulations for the control of currencies and exchanges are binding upon foreigners, subject to the following reservations.

Contracts drawn in foreign currencies are invalid if both parties are Poles domiciled in Poland; if, however, at least one of the parties is a foreigner or domiciled abroad, transactions of this nature are valid.

Foreigners holding bank-notes deposited in Poland are subject to the same regulations as Polish holders; greater facilities are, however, granted to foreigners for the issue of exportation permits.

7. *The causes and effects of deflation.*

Deflation cannot take place in Poland, as it has been impossible to restore the equilibrium of the budget and to obtain a credit balance of payments.

III. COMMERCIAL MEASURES.

1. *The abolition or the establishment of prohibitions on imports or exports, or of special permits: the abolition or lowering of import or export duties, etc.*

In the matter of international exchanges, the Polish Government has endeavoured as far as possible to put into practice the principles laid down in Section II of the resolutions adopted by the Committee on International Trade at the Brussels Financial Conference, to the effect that the exchange of goods should be free from all restrictions in order that no artificial economic obstacles may be raised to impair the unity of European economic life. Owing, however, to the European war, during which Polish territory was a theatre of hostilities and was occupied by foreign troops, and owing to the two years of military operations in the East, the Polish authorities have been obliged to subject exportation to a certain control, since the country has only a limited quantity of certain articles, particularly cereals. The authorities have also been obliged by the same causes to restrict importation, owing to the precarious position of the balance of trade. These considerations led to the creation of the Import and Export Commissions, which issued special permits for the importation, exportation and transit of all goods (Decree of February 7th, 1919). In order to keep pace with the continually accelerating fall in the mark in May and July 1920, it became necessary to prohibit the importation of luxuries (under the Decree of February 20th, 1920, the import duties on these articles were payable in gold only). The list of these articles has been revised twice — in June 1921 and in February 1922.

The prohibition of luxuries — food, cosmetics, tobacco, etc. — is still in force. Since the conclusion of the military operations in the East and the slow but definite return to normal conditions of production, the Polish Government has been obliged, in order to promote the production of these various articles, to facilitate the supply of raw materials and the purchase of indispensable machinery from abroad, and to bring the import tariffs into line with these requirements. In view of the poverty of the country, all import duties were abolished as early as November 1919, on articles which are indispensable to reconstruction, on industrial materials, which have been destroyed and which the country could not yet supply or manufacture in sufficient quantities (*e.g.* building materials, coal, certain chemical products, certain ores, precious and other metals, textiles, parts of machines, etc.) and on articles of primary necessity (cereals, fresh vegetables, salt, meat, fish, cattle, etc.). In November 1919 the normal co-efficient of compensation reached 200%, and in February 1920, 900%, while the differential co-efficient of compensation reached 4,900% and 14,900% respectively. Between November 1919 and the middle of 1922 the differential import duties were revised nine times. In order to protect the development of the national industry, articles manufactured in the country received no differential treatment in regard to import duties. In order, however, to check the increase in the cost of living, the Government did not raise the co-efficient of compensation to a rate corresponding to the fall in the mark, as may be seen from the following table.:

FIXED CO-EFFICIENT OF COMPENSATION.

Date of entry into force	Percentage co-efficient of exchange compensation	Co-efficient	Value of the \$	
			In Polish marks	As multiples of par
January 10th, 1920	200	3	135	32,15
February 20th, 1920	900	10	156	37,14
February 10th, 1921	1,900	20	778	185,12
July 14th, 1921	14,900	150	1,908	454,17
November 5th, 1921	39,900	400	2,788	663,69
December 24th, 1921	49,900	500	2,945	701,19

CO-EFFICIENT OF COMPENSATION ON LUXURIES.

Date of entry into force	Percentage co-efficient of exchange compensation	Co-efficient	Value of the \$	
			In Polish marks	As multiples of par
June 8th, 1921	14,900	150	1,180	280.95
August 14th, 1921	19,900	200	1,908	454.17
September 20th, 1921	29,900	300	4,753	1,131.50
November 5th, 1921	79,900	800	2,788	663.69

Import permits for the prohibited articles referred to above are issued by the Import and Export Office, which was set up under the Law of July 15th, 1920, while the Decree of June 23rd, 1921, amending the Decree of August 31st, 1920, rendered it no longer compulsory to obtain import and export permits for articles not mentioned in the lists of prohibited articles. Under the Law of July 15th, 1920, the articles imported and exported are divided into three categories: (1) articles which may be imported and exported without permit, (2) articles for which importation or exportation permits are required, (3) articles the importation or exportation of which is absolutely prohibited (e.g., importation of explosives, poisons, infected animals or plants, etc.). This division into three categories has been in force since November 20th, 1920. The restrictions on exportation are more stringent, particularly as regards the raw materials and cereals (mentioned above) which are necessary for the foundation and maintenance of national industry. As may be seen from the following table, there would be a risk that these raw materials might be exported in large quantities, owing to the considerable difference between prices in Poland and abroad.

PRICES IN DOLLARS PER 100 KGS. PAID BY THE CORN EXCHANGES OF THE RESPECTIVE COUNTRIES¹.

Rye

Country	1920				1921					
	IX	X	XI	XII	I	II	III	IV	V	VI
United States	3.88	3.14	2.96	3.15	3.41	4.08	4.20	4.22	4.15	3.54
Czechoslovakia	3.88	3.14	2.96	3.15	5.26	5.85	5.14	5.22	4.75	4.48
Germany	3.88	2.62	2.23	2.87	3.21	3.54	3.88	3.88	3.78	3.70
Poland	1.41	2.40	2.33	2.59	2.68	2.50	2.67	3.22	3.64	3.86

¹ The prices, as reckoned in the currencies of the respective countries, are converted into United States dollars at the current rate of exchange. The table represents the average of the figures thus obtained.

Wheat.

Country	1920				1921					
	IX	X	XI	XII	I	II	III	IV	V	VI
United States	5.16	4.48	4.42	4.74	4.62	5.42	5.41	5.60	5.45	4.82
Czechoslovakia	5.16	4.48	4.42	4.74	5.46	6.18	5.78	6.26	6.38	6.21
Germany	5.16	3.50	2.92	3.66	4.06	4.66	5.18	5.26	4.96	4.88
Poland	5.16	3.13	2.72	4.03	3.92	3.69	4.30	4.75	5.15	5.40

In June, August, September and October, 1921, the exportation without a special permit of the following articles only was prohibited : cereals, flour, meal, fresh and dried vegetables, sugar, yeast, salt, meat, lard, fodder, manure, hides, seeds, osiers, rags, flax, hemp, wooden sleepers, coal, ores, iron and steel. Precious metals are not included in this list. In June 1921 all export duties were abolished except those on petroleum and its derivatives, the exportation of which is regulated by a decision of the Central Petroleum Office. In 1922 an additional export duty on eggs was introduced.

From the above general statement it must be concluded that the Polish Government is endeavouring, as regards international commerce, to discard the principle of regulation in favour of that of free trade. During the present year, in particular, the Government intends to allow the exportation of cereals.

(2) *The existence (or abolition) of price discrimination against foreign trade.*

All States are treated uniformly in principle, with the exception of certain cases for which provision is made in treaties and conventions.

(3) *The conclusion of (a) commercial conventions, (b) transport conventions.*

Poland has concluded the following international conventions :

I. *Commercial Conventions.*

A. *RATIFIED :*

- (1) Commercial convention between Poland and France. (Signed on February 6th, 1922, ratified by the Diet on May 12th, 1922).
- (2) Commercial convention between Poland and Roumania. (Signed on July 1st, 1922, ratified by the Diet on July 28th, 1922).
- (3) Commercial convention between Poland and Switzerland. (Signed on June 26th, 1922, ratified by the Diet on July 28th, 1922).
- (4) Commercial convention between Poland and Italy. (Signed on May 12th, 1922, ratified by the Diet on July 28th, 1922).
- (5) Commercial convention between Poland and Memel. (Signed on June 6th, 1922, ratified by the Diet on September 26th, 1922).

B. NOT YET RATIFIED.

- (1) Agreement with Austria on commercial compensation. (Signed on March 17th, 1920).
- (2) Convention of July 5th, 1890, on the international publication of customs tariff (Signed by Poland on November 25th, 1920).
- (3) Convention with Hungary on commercial compensation. (Signed on February 11th, 1921).
- (4) Commercial Convention between Poland and Czechoslovakia. (Signed on October 20th, 1921).

II. *Other Economic Agreements.*

A. RATIFIED.

- (1) Agreement relating to the protection and restriction of rights of industrial ownership annulled during the war. (Poland adhered to this convention on June 30th, 1920, and it was ratified by the Diet on July 7th, 1921).
- (2) Convention on cold storage. (Poland adhered to this convention on June 21st, 1920 and it was ratified by the Diet on October 28th, 1921).
- (3) Agreement between Poland and France relating to the regulation of the petroleum industry. (Signed on February 6th, 1922, ratified on May 12th, 1922).
- (4) Agreement between Poland and Germany relating to the clearing of postal cheques. (Signed on May 15th, 1922, ratified by the Diet on May 24th, 1922).

B. NOT YET RATIFIED.

1. Provisional agreement relating to the management of agricultural establishments on the Polono-German Frontier. (Signed on July 17th, 1920).
2. Agreement between Poland and France relating to savings banks. (Signed on October 14th, 1920).

III. *Mixed Agreements.*

A. RATIFIED.

1. Agreement between Poland and Danzig. (Signed as a convention on November 9th, 1920, ratified by the Diet on December 17th, 1921).
2. Convention between Poland and Germany relating to Upper Silesia. (Signed on May 15th, 1922, ratified by the Diet on May 24th, 1922).

IV. *Peace Treaties.*

A. RATIFIED.

1. Peace Treaty between Poland on the one part and Russia and the Ukraine on the other part. (Signed on March 18th, 1921, ratified on April 15th, 1921).

B. NOT YET RATIFIED.

1. Treaty of Sèvres or Treaty of Austrian Succession. (Signed on August 10th, 1920)

V. *Agreements relating to Communications.*

A. RATIFIED.

1. Convention between Poland and the Free City of Danzig on the one part and Germany on the other part, relating to freedom of transit between East Prussia and the remainder of Germany. (Signed on April 21st, 1921, ratified by the Diet on January 24th, 1922).
2. Agreement between Poland and Germany relating to facilities for frontier traffic. (Signed on April 29th, 1922, ratified by the Diet on July 28th, 1922).
3. Barcelona Convention of April 20th, 1921, on freedom of transit. (Ratified on August 4th 1922).
4. Barcelona Convention of April 20th, 1921, on the construction of navigable waterways. (Ratified by the Diet on August 4th, 1922).
5. Convention on air communications. (Poland adhered on October 13th, 1919. Ratified by the Diet on September 23rd 1922).
6. Paris Convention of October 11th, 1909, on motor transit. (Ratified by the Diet on September 26th, 1922).

B. NOT YET RATIFIED.

1. Berne Railway Conventions of 1900, 1885 and 1907. (Signed on August 4th, 1920).
2. Railway agreement with Czechoslovakia. (Signed on June 24th, 1920).
3. Railway agreement with Austria.
4. " " " Roumania.
5. " " " Hungary.
6. Berne Convention on railway traffic. (Poland adhered to this convention on February 24th, 1922).

February 3rd, 1923.

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