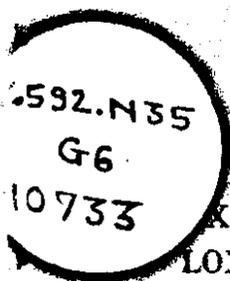


# THE BALKAN STATES

## I. ECONOMIC

A REVIEW OF THE ECONOMIC  
AND FINANCIAL DEVELOPMENT  
OF ALBANIA, BULGARIA, GREECE  
ROUMANIA AND YUGOSLAVIA  
SINCE 1919

*Specially prepared for, and with the  
assistance of, the Information Department  
of the Royal Institute of International  
Affairs*



1936

OXFORD UNIVERSITY PRESS  
LONDON : HUMPHREY MILFORD

*Price 6s. net*

10733

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## PREFACE

THE object of this work is to provide a review, concise but within its limits comprehensive, of the economic structure and development of the five States which with certain exceptions—once formed part of the Ottoman Empire—that is to say Albania, Bulgaria, Greece, Roumania, and Yugoslavia. The grouping is admittedly an artificial one, for the five States in no sense form an economic unit. In many ways Roumania and Yugoslavia belong to the Danubian and Central European region, while Albania by force of circumstance belongs to the Italian sphere, and the economic structure of Greece differs radically from that of the other countries. The five States, nevertheless, share certain characteristics, and an examination under one cover of their essential structure and development, and their commercial and financial relations with other States will, it is hoped, prove useful, especially in view of the dearth of such assembled material.

As in the case of China and the States of South America, the Balkan States should provide scope for development as soon as favourable circumstances are present. The development of these countries is considerably behind that of Central Europe, and their lack of capital has been a serious obstacle to progress. The barriers of nature are considerable; communications are few and far between; agriculture, which is largely the basis of their existence, is hampered by methods which are often antiquated. In these present conditions the standard of living and of education is inevitably low, though the younger generation is active in its desire for learning. The past of these countries has been chequered; their present sadly influenced by the repercussions of the world economic depression which bore upon them with particular severity as producers of primary commodities. Nevertheless, in spite of the dislocation of the Balkan Wars and the War of 1914–18 they achieved, with the help of foreign capital, a considerable degree of reconstruction and consolidation up to the breaking of the economic crisis.

Given a period of stability in the future in which confidence can be restored, their natural resources may be developed and their potentialities once more attract attention. With a population which is rapidly expanding, an increase in purchasing power would create new markets. Failing this, the growth in population may have unfortunate repercussions in countries to whom migration outlets and exports markets for their primary products are now largely denied. Unable to export sufficient goods to purchase the industrial goods they require, and harassed by exchange difficulties, they tend more and more to regard industrialization as a possible solution to some of their economic difficulties. Though still on a comparatively

small scale this movement is progressing rapidly and may have far-reaching effects on foreign trade relationships.

But if this process is to be carried out on a large scale, capital is required, and it remains to be seen from where it is to be obtained. The experience of foreign creditors, faced with moratoria and defaults, has been unhappy, nor has the record of the Governments or their financial administration always been above criticism. In the circumstances the resumption of foreign lending, if indeed it is resumed, is likely to be delayed.

It is in this connexion that the progress of the German policy of clearing and compensation agreements at present in process of evolution has a marked significance. During the past two years Germany has succeeded not only in taking payment in primary products for the merchandize debts owed to her, but also in running up large bills for very considerable amounts in Bulgaria, Roumania, Yugoslavia, and Greece. As under the clearing agreements these accounts can be settled only in goods, the creditors are forced to choose between forgoing payment indefinitely with the risk of the value of the Reichsmark being changed to their disadvantage, and increasing their imports from Germany. In their present financial difficulties they appear to have no choice but to adopt the latter alternative. As the goods taken in settlement are largely capital goods the process of industrialization is thus being carried a stage farther. France, Italy, the United States, and particularly Great Britain have considerable investments in the countries concerned, the future of which may well be affected by these new economic developments.

The present review, which aims at furnishing the essential background to these developments, is divided into two main parts, the first dealing with the structure and development of the various States up to the incidence of the crisis in 1931, the second describing the effects of that crisis upon their economy and their attempt to combat its repercussions. As far as possible the examination has been taken down to the end of 1935, subject to one important qualification. The imposition of sanctions upon Italy in October and November 1935 introduced a new factor the ultimate effects of which cannot yet be fully estimated. This must be borne in mind in forming any judgement based on the facts and figures set out in the following pages.

*May 9, 1936.*

*Note.* Except where otherwise stated all figures in the statistical tables are taken from the League of Nations *Annual Statistical Year Books* or *Monthly Bulletins of Statistics*.

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**PART I**

**GENERAL FEATURES OF THE POST-WAR  
ECONOMY OF THE BALKAN STATES  
UP TO 1931**

**I. THE ECONOMIC BACKGROUND**

THE purpose of this section is to summarize briefly the principal factors affecting the recent economic history of the Balkan States by way of introduction to the more detailed analysis which is contained in later sections.

*Area and population.* The countries here considered cover an area of rather more than two and a half times that of the British Isles, but their total population is not appreciably larger than that of England, Wales, and Scotland. Roumania and Yugoslavia are by far the largest in respect of both area and population. The populations of both Greece and Bulgaria are more nearly commensurate, though the area of Greece, if that of the Islands is included, is considerably larger than that of Bulgaria. The figures are as follows:<sup>1</sup>

TABLE 1. *Area and population of the Balkan States*

	<i>Area</i>	<i>Population</i>
Roumania . . .	122,200 sq. miles	18,025,000 (1930)
Yugoslavia . . .	96,100 "	18,931,000 (1931)
Greece . . . . .	50,900 "	6,204,000 (1928)
Bulgaria . . . . .	59,800 "	6,080,000 (1933)
Albania . . . . .	10,600 "	1,603,000 (1930)

But for the mountain country, the distribution of all these populations is fairly even. With the exception of the capital cities and a few districts such as Croatia and the oil-mining area of Roumania, there are no regions in which an abnormally large population is concentrated, and if the capital cities are excluded, there are only seven towns in the Balkan States which have a population of more than 100,000.<sup>2</sup> As will be seen from Appendix I, the population is increasing at a remarkably rapid rate, though less rapidly than in the immediate post-war period. The figures for the excess of births

<sup>1</sup> Fuller details will be found in Appendix I.

<sup>2</sup> Via. Plovdiv, 100,000 (1933); Salonika, 237,000 (1928)—the Piræus is really part of Athens; Subotica, 100,000 (1931); Chisinau, 117,000; Cernauti, 111,000; Jassy, 103,000, and Galatz, 101,000 (all in 1930). (Cf. Bourne-mouth, 117,000, and Leicester, 294,000.)

over deaths in Yugoslavia, Bulgaria, and Roumania in that order were the highest in Europe during 1933, those for Greece being the seventh highest.

*Physical geography.* The economic history of the Balkan countries has been largely influenced by geographical factors. From the central mountain mass of southern Serbia stretch out a number of important ranges, broken only by the corridor running north and south from Belgrade via Nish to Salonika. To the south it spreads out into the mountains of northern Greece, running south through the peninsula, relieved only by the plain of Thessaly, and across the Gulf of Corinth into the Morea.

To the north-west of the central mass is a mountain system running parallel and close to the Adriatic coast, leaving only a narrow strip of lowland between the mountains and the sea. This system, wide at its southern base in Albania, tapers in the north. It effectively cuts off the interior from access to the sea except for a few narrow corridors. At their northern end, the Alps of the Adriatic coast are separated from the central European system by the Save and the Drave, two of the principal tributaries of the Danube running through the plains of Croatia and Slovenia. To the north-east and to the east of the Belgrade-Salonika corridor runs a low range separated in the north from the Transylvanian Alps by the Danube, which pierces the range at the Iron Gates. Due east of the corridor rise the parallel Balkan and Rhodope ranges running east to the Black Sea, the former dividing Bulgaria into two parts and the latter partially cutting her off from the north Aegean coast. Between the two ranges lies the fertile valley of the Maritza, which, after running east from its source, turns south at Adrianople to flow into the north-eastern corner of the Aegean Sea.

*Proportion of population engaged in agriculture.* Thus, while this system has left both Yugoslavia and Bulgaria with comparatively large tracts of good land, and has endowed Roumania with the plains of Transylvania and the rich valley of the lower Danube, it has almost entirely denuded Greece, and to a lesser extent Albania, of fertile agricultural country. The incidence of this factor can be judged from the percentage of the population which is occupied in agriculture in these countries. In the case of Yugoslavia, Bulgaria, and Roumania it is as high as 82, 81, and 79 per cent. respectively; for Albania no figure is available, but it is probably almost as high. But in the case of Greece, the proportion is as low as 54 per cent., and that it is as high even as this is due to the acquisition in 1918 of the provinces of Macedonia and Thrace. In fact, the nature of this country has driven the inhabitants, as in classical times, to

commerce and shipping; 16 per cent. of the population is occupied in industry and 8 per cent. in commerce and shipping. But while for this reason it would be false to say that the Balkan countries are entirely agricultural, the statement requires some further modification, for example, in respect of the oil industry of Roumania and the mining industry of Yugoslavia, both of which are dealt with in detail below. At the same time, in spite of recent developments, none of the Balkan countries can be called industrial; and there are no specifically industrial areas. To this, as will be seen, the lack of industrial raw materials, particularly hard coal, has largely contributed.

*Shortage of capital.* Partly, no doubt, because of the considerations put forward in the preceding paragraph, a further determining factor in the economy of the Balkan States has been the absence of any considerable accumulation of capital and the consequent dependence upon foreign assistance. This dependence, which is perhaps most remarkable in the case of Greece, may be illustrated by the fact that at the end of 1931 the proportion of ordinary budgetary expenditure allocated to debt service (almost entirely that of the foreign debt) was never less than 20 per cent.,<sup>1</sup> and in Greece was actually over 30 per cent. But apart from State finance, the extent to which foreign capital has assisted in the economic development of these countries is very considerable, and the degree of control exercised by foreign interests over many of the more important branches of economic activity, particularly banking, mining, and the production of electricity, is consequently large. It may, for example, be mentioned here that in 1934 over 80 per cent. of Roumania's production of petroleum was accounted for by companies controlled abroad.

The scarcity of capital has been attended by two important results. In the first place, development of the economic resources of the Balkans has often been retarded by the necessity to wait until foreign capital markets were able to absorb fresh Balkan loans; and development has therefore been spasmodic, for example, in the decade ended in 1931, since which capital investment in the Balkans has almost entirely ceased. Secondly, the advance in the standard of living since the middle of the last century has lagged behind that of western Europe. This has caused the rapidly increasing population to find an outlet in emigration, particularly to the United States.<sup>2</sup> In the case of Greece, where emigration, not only to the United States but to the Levant, assumed the largest dimensions, the main cause has, however, been the inability of the country—from classical times—to support the population. Thus the restrictions recently

<sup>1</sup> Except in the case of Albania.

<sup>2</sup> See Appendix I.

imposed on immigration by many of the new countries provide a serious problem for the Balkan States, the difficulty of which will continue to increase until foreign capital once more becomes available.

*Repercussions of the War.* Apart from the factors outlined above, which are of an essential nature, development has recently been retarded by a number of factors of an accidental character. Of these the most important was, of course, the long period of war, lasting in some cases for as much as eight or nine years, which ended in 1922. It is outside the scope of this work to examine in detail the economic consequences of the War upon the Balkan States, but it may be useful to summarize very briefly some of the chief problems with which the Balkan States were faced immediately after the War.

Roumania and Yugoslavia were enlarged by the addition of huge tracts of territory from the Austro-Hungarian Empire; but the dislocation caused in the new provinces, as well as in Roumania and Serbia proper, by the further division of the Empire and the consequent loss of markets, provided problems as serious as those raised by the necessity for reconstruction, for the devastation caused by the enemy occupation of Serbia and Roumania was extensive, particularly in the matter of railways, roads, and public buildings.

*Refugees.* Similarly Greece, though enriched by the acquisition of Thrace and Macedonia, was faced not only with the cost of a disastrous defeat by Turkey in 1922, but also with the need to provide for over a million refugees from Asia Minor. In Bulgaria the situation was in many ways even more difficult; for though large territories had to be ceded to Greece, Bulgaria was required to accommodate a large number of repatriated Bulgarians and to meet the payment of reparations on a scale which, as was not finally realized until 1923, was impossibly high. Lastly, Albania, the newest of all the Balkan States, had to construct an economic system from the very beginnings, a task which, it was soon found, she could not perform without the closest type of foreign co-operation.

These circumstances and many others, which for reasons of space it has been impossible even to summarize, led soon after the War to a period of economic and financial chaos. Nevertheless, by the end of the first post-war decade the Balkan countries had experienced a remarkable recovery. This recovery must largely be ascribed to the ease with which foreign capital could be obtained, to the comparative freedom of international trade from the restrictions of a later phase, and not least to the fact that prices, particularly of the agricultural commodities produced by these States, were high and, until 1928, continued to rise. How far the recovery of this period was illusory may perhaps be seen in what follows.

## II. THE STRUCTURE OF PRODUCTION

The following section contains a brief description of the most important branches of production in the Balkans. It is not specifically limited, according to the scheme of Part I, to the period ending in 1930 since, apart from the general increase of industrialization and the expansion of agricultural production in Greece, both of which are dealt with in later sections,<sup>1</sup> there have been few notable changes since the crisis.

### 1. GENERAL NATURE OF PRODUCTION

The Balkan States, with the exception of Greece, are predominantly producers of raw materials, mainly agricultural.

*Cereals.* The main facts as to the production of cereals are set out in the three tables below:

TABLE 2. *Proportion of total area under cereals and percentage occupied by each crop*

	Proportion of total area under cereals	Percentage of total area under cereals occupied by				
		Wheat	Maize	Barley	Oats	Rye
Roumania: 1921-5 (av.)	32.9	29	37	18	13	3
1934-5*	37.4	28	45	16	8	3
Yugoslavia: 1921-5 "	17.9	36	44	8	8	4
1934-5	23.1	35	46	8	7	4
Bulgaria: 1921-5 "	20.4	47	28	10	7	8
1934-5	24.0	50	28	9	5	8
Greece: 1921-5 "	6.9	50	20	17	10	3
1934-5	11.5	53	16	16	10	5
Albania: 1921-5 "	?	?	?	?	?	?
1933-4	4.9	26	58	4	10	2

TABLE 3. *Production of cereals*

(In thousand quintals)

	Albania†	Bulgaria	Greece	Roumania	Yugoslavia
Maize: 1921-5 (av.)	?	5,340	1,700	35,613	37,789
1934-5*	1,118	8,195	2,400	48,462	51,542
Wheat: 1921-5 "	?	8,546	2,561	24,377	15,990
1934-5	648	11,316	8,535	20,835	18,596
Barley: 1921-5 "	?	2,017	1,238	12,083	3,054
1934-5	89	1,855	2,589	8,713	4,061
Oats: 1921-5 "	?	1,031	591	9,118	2,997
1934-5	143	730	1,253	5,633	3,334
Rye: 1921-5 "	?	1,481	244	2,126	1,506
1934-5	46	1,670	874	2,110	1,953

\* All figures for 1934-5 are provisional.

† Figures for 1933-4.

<sup>1</sup> See pp. 114-24 (Industrialization); 71-2 (Greece).

TABLE 4. *Yield per hectare of cereals*

(In quintals)

	Albania*	Bulgaria	Greece	Roumania	Yugoslavia
Maize: 1921-5 (av.)	?	9.1	?	10.0	14.4
1934-5†	14.9	13.1	9.2	9.7	19.4
Wheat: 1921-5	?	8.8	5.9	8.5	10.0
1934-5	15.0	9.0	10.8	6.8	9.2
Barley: 1921-5	?	9.3	8.1	6.9	8.4
1934-5	14.8	8.1	10.9	5.0	9.7
Oats: 1921-5	?	7.1	7.6	7.2	8.0
1934-5	13.0	5.8	8.3	6.8	9.0
Rye: 1921-5	?	8.3	7.4	7.6	7.8
1934-5	15.3	8.6	10.5	5.7	7.9

\* Figures for 1933-4.

† All figures for 1934-5 are provisional.

In the case of cereals, the distinction between Greece and the other countries is particularly noticeable. For while in normal years the latter export cereals on a comparatively large scale, Greece is invariably a heavy importer. It will, however, be seen that the total area under cereals has increased very considerably in recent years.<sup>1</sup>

In Roumania and Yugoslavia, doubtless because of the abundant rivers, by far the largest crop is maize, whereas in Bulgaria and Greece wheat is the most important cereal. Maize is also the largest crop in Albania, although that country is not nearly so well irrigated as Roumania or Yugoslavia. Of the other cereals the most important are barley and oats, although the cultivation of oats in Roumania has decreased considerably of late.

Roumania, being the largest country, is naturally the largest producer of cereals, except rice, which is produced on a small scale only in Bulgaria and Yugoslavia. Indeed, in a fairly good year, 1931-2, Roumania was the largest maize producer in Europe.<sup>2</sup>

*Tobacco.* Special importance attaches to the production of tobacco, which is cultivated extensively throughout Macedonia and (to a much smaller extent) on the Dalmatian coast. The importance of this crop to Greece and Bulgaria can be judged from the fact that in a normal year (1928) the value of tobacco exports represented no less than 51 per cent. of Greece's total exports, while in Bulgaria the proportion was 36 per cent.; Yugoslavia is a producer and exporter of increasing importance. The violent fall in price and the difficulty of finding markets are considered in later sections. But it is important to note here that, in striking contrast with other crops, tobacco production has been considerably reduced as a consequence of these two factors. For instance, in Greece production in

<sup>1</sup> See p. 72.

<sup>2</sup> For the place of the Balkans in the world grain market see pp. 22-3.

1932-3 was less than half that for 1929-30, though there was also a notable fall in the yield per hectare. The decrease in Bulgarian and Yugoslav production was almost equally remarkable. The annual production of tobacco for the years 1921-5 to 1934-5 is given below:

TABLE 5. *Annual production of tobacco*

	<i>(In thousand quintals)</i>					<i>Yield per hectare (in quintals)</i>	
	<i>Average 1921-5</i>	<i>1929-30</i>	<i>1932-3</i>	<i>1933-4</i>	<i>1934-5</i>	<i>Average 1921-5</i>	<i>1934-5</i>
Greece . . .	403	687	293	549	420	8.6	5.6
Bulgaria . .	373	328	174	245	149	8.7	7.4
Yugoslavia .	173	138	169	88	60	8.7	8.6

*Roots, olive-oil, wine, and industrial crops.* There are, of course, numerous other crops besides those mentioned above, though their importance is small. For instance, most of these countries are self-sufficient in respect of potatoes. Bulgaria, Roumania, and Yugoslavia all produce sugar beet. As regards olive-oil, which in these lands is a necessity and not, as is sometimes thought, a luxury, Greece is the only producer with a surplus for export on a considerable scale; but in the case of wine the production of all these countries, except Albania, is large, though Greece alone exports her wine, mainly to France.<sup>1</sup> Yugoslavia is the only considerable producer of hops in the Balkans. None of the industrial crops produced in the Balkans is yet of much importance, and their range is not large. Linseed, cotton-seed, hemp-seed, and rape-seed are produced, mainly in Roumania, Yugoslavia, and Bulgaria; sesame in Bulgaria and Greece. Experiments have recently been made with the growing of cotton in Bulgaria, but production so far is not important.

*Fruit.* Yugoslavia and Greece are the largest growers of fruit in the Balkans, the plums and prunes of Bosnia, Croatia, and Dalmatia being an important export in the former instance, and the currants of the Morea in the latter. Greece's exports of currants and rasins have in some years amounted to as much as 18 per cent. of the total value of exports. The Greek fig-growing industry also is considerable, while Bulgaria's production of table-grapes is of increasing importance. Mention must also be made of the cultivation of roses in Bulgaria (for attar of roses).<sup>2</sup> Medicinal plants such as pyrethrum

<sup>1</sup> Exports to France have, however, fallen off very considerably and amounted to 7,477 tons in 1934 as compared with 46,391 tons in 1933.

<sup>2</sup> In March 1935 cultivation of roses for attar of roses was placed under Government control, and the State Agricultural Bank was made responsible for distillation.

and opium are produced in Yugoslavia, mainly in the Vardar valley and on the Dalmatian coast, whilst the production of soya-beans in Yugoslavia, and lately Roumania, is being encouraged, it is understood by Germany.

*Stock raising.* Geographical factors have largely determined stock raising. The fertile plains of Transylvania and the Banat, and the valley of the Drave, the Save, and the Danube afford excellent pasture for cattle in Yugoslavia and Roumania. But the mountainous nature of Greece and Albania often renders it difficult to keep even sheep and goats. For similar reasons the place of horses is largely taken by mules and donkeys in Greece, Albania, and Bulgaria. Dairy farming has been greatly developed in Bulgaria since the War. The figures according to the latest census are as follows:<sup>1</sup>

TABLE 6. *Live stock*  
(In thousands)

	<i>Sheep</i>	<i>Cattle</i>	<i>Goats</i>	<i>Pigs</i>	<i>Horses</i>	<i>Mules and donkeys</i>
Roumania: 1932	12,293	4,189	421	2,964	2,034	13
Yugoslavia: 1933	8,600	3,876	1,871	2,656	1,187	135
Bulgaria: 1926	8,740	1,817	1,261	1,002	482	212
Greece: 1933	7,427	914	4,952	507	341	544
Albania: 1933	1,501	395	929	23	67	75

Thus stock-breeding is an important branch of activity in Yugoslavia and Roumania, particularly as regards cattle and pigs, and both countries can afford to export considerable quantities. Greece, however, must actually import. Similarly, poultry-breeding is extensive in both Yugoslavia and Bulgaria, and each exports comparatively large quantities of live poultry and eggs, whereas the number of poultry in Greece is barely sufficient for her own requirements.

*Industry.* For some considerable time two factors combined to prevent industrial activity from becoming an integral part of the economic life of the Balkan States: the lack of capital and the lack of raw materials. Developments during the past few years have in many respects modified this situation, and industrialization has been forced on these countries even at the expense of some fall in the standard of living. In so far, therefore, as industrialization is a phenomenon the growth of which is due to, or has at any rate been greatly accelerated by, the crisis of 1929-32, it will be more convenient to refer to it in the second part.<sup>2</sup> There are, however, two

<sup>1</sup> Compiled from International Institute of Agriculture, *Year Book of Statistics*, 1933-4.

<sup>2</sup> See pp. 114-24.

branches of industrial activity which have always formed an important part of the Balkan economy, and should be considered here. These are the timber industry and mining.

*Timber.* Most of the Balkans, with the exception of Greece, are plentifully provided with timber. The proportion of forest-land to the total area of the territory was, in 1931, 31 per cent. in Yugoslavia, 27·4 per cent. in Bulgaria (1926), 24·5 per cent. in Roumania, but only 18·5 per cent. in Greece. The main species grown in the Balkans are oak and beech, particularly in Bosnia. These are grown on the lower levels of the mountains; pine and fir are found on the higher levels, while spruce is grown extensively in Yugoslavia. The extent to which these resources have been exploited varies considerably. Systematic afforestation was unknown until quite recently in Roumania and Yugoslavia, and is still exceptional in Bulgaria and Greece. Careless felling for charcoal and the damage done by goats have left large tracts in Greece and Albania, even of the area officially returned as forest, covered with scrub oak. But in Yugoslavia and Roumania the export of timber is an important source of national income. In 1928, for instance, Yugoslavia's timber exports were 18·4 per cent. of the total value of her exports; for the same year the figure for Roumania was 17·3 per cent. A considerable saw-milling industry has grown up in both countries and, though to a much smaller extent, in Bulgaria.

*Mining.* The Balkan States are rich in minerals. A metalliferous belt runs down through southern Serbia along the whole of the east coast of Greece, reappearing in many of the Aegean Islands and in the mountains of Bulgaria; in the north, Bosnia and Croatia have considerable deposits of various types of ore. More important, the petroliferous belt of the Caucasus reappears in Roumania and, as the Italians are beginning to discover to their advantage, in Albania. But for a variety of reasons, the chief of which has been lack of capital and political instability, these resources are not exploited to their full extent, with the exception, in general, of lignite deposits, and, in particular, the oil of Roumania and the metal mines of Yugoslavia. Roumanian oil and the lead and copper of Yugoslavia alone are exported on any considerable scale.

*Oil: Roumania.* No general survey of the Roumanian subsoil has yet been made with a view to estimating the total resources, but they are probably very considerable. The principal districts where oil is found are the southern foothills of the Carpathians, from Suceava in the north to the Dambovitza valley in the south. In this region some 30,000 hectares are known to bear oil, but under a third of this area is actually exploited. The largest oil-fields which are worked at present are in the Dambovitza valley (54 per cent. of the

total output in 1933) and in the neighbourhood of Prahova (44 per cent.), Buzau, and Bacau.<sup>1</sup>

The existence of these oil-fields was known in the seventeenth century, and attempts to exploit them began soon after 1830. It was not until the eighties of last century, however, that they began to be worked on a large scale. From 1900 onwards the influx of foreign, principally German,<sup>2</sup> capital greatly accelerated the process. It was largely the possession of the Roumanian<sup>3</sup> oil-fields after Mackensen's campaign in 1916 that enabled the Germans to hold out so long against the Allied blockade, though many wells and refineries were destroyed in the Roumanian retreat.<sup>3</sup> After the Armistice, however, the properties of the German companies were sequestered in accordance with Article 297 of the Treaty of Versailles, and handed over to the Allied Powers.

Since the War Roumania's production has very greatly increased:

TABLE 7. *Roumania's production of petroleum*

(In metric tons)			
1890 . . . . .	54,000	1928 . . . . .	4,272,000
1903 . . . . .	412,000	1929 . . . . .	4,824,000
1913 . . . . .	1,848,000	1930 . . . . .	5,748,000
1923 . . . . .	1,512,000	1931 . . . . .	6,660,000
1924 . . . . .	1,860,000	1932 . . . . .	7,356,000
1925 . . . . .	2,317,000	1933 . . . . .	7,392,000
1926 . . . . .	3,240,000	1934 . . . . .	8,467,000
1927 . . . . .	3,660,000	1935 . . . . .	8,376,000

Roumania was in 1935 the fourth producer of oil in the world, coming after the United States, the U.S.S.R., and Venezuela, and her production accounts for 4 per cent. of the total. This rapid increase<sup>4</sup> would have been impossible but for two factors. Of these the more obvious is the assistance of foreign capital, for Roumania could not possibly have financed this development out of her own resources. Foreign capital in fact dominates the whole industry. Some 80 per cent. of the total production comes from companies controlled abroad<sup>5</sup> and, though the share of Roumanian capital has certainly increased since 1914,<sup>6</sup> the interest of foreign capital in the

<sup>1</sup> There is also a large and well-organized industry connected with the natural gas of Transylvania, which is distributed over a large area by a system of pipe-lines. The industry is, however, of internal interest only.

<sup>2</sup> Largely through the *Deutsche Bank*.

<sup>3</sup> Roumania was indemnified for the damage done by a deduction from its war debts to the Allies. The Roumanian Government then assumed liability for the damage to the companies.

<sup>4</sup> Cf. the increase in the United States from 98,024,000 tons in 1924 to 136,272,000 in 1935.

<sup>5</sup> The total share-capital of the 150 companies engaged in the oil industry was estimated in 1935 to be 12 milliard lei (£14,200,000 at par), and their total assets 28 milliard (£34,400,000). *Rador* official agency quoted in the *Financial Times* of September 16, 1935.

<sup>6</sup> When it was estimated to amount to no more than 1 per cent. of the total. Mihail Fizanty, *Petrol in Roumania*, Bucharest, 1930.

remaining 20 per cent. is great. No less important, however, is the *laissez-faire* attitude adopted by the State which, at any rate until fairly recently, has done little to hinder such foreign assistance. For example, the law of 1924, which nationalized the subsoil, exempted rights which had already been acquired, and the mining law of 1928 specifically recognized the equality of status enjoyed by foreign companies.

The importance of this industry to Roumania can scarcely be over-estimated. Not only is there a large refining industry comprising many refineries owned by the producing companies, but of the total production between 70 and 80 per cent. is exported, and the value of petroleum exported, about 30 per cent. of the total exports during the years immediately after the War, has increased to 52 per cent. in 1934. Moreover, nearly one-third of the revenue of the State is derived, in normal years, from the proceeds of various taxes on the industry, apart from the revenue obtained therefrom by autonomous State organizations such as the railways. The foreign exchange position and that of the national finances therefore depend very largely upon petroleum.

It is impossible in the scope of this work to examine in detail the problems facing the Roumanian oil industry. Mention must, however, be made of three important questions. First, Roumania adhered for some time to the international agreement to restrict production, but withdrew in the summer of 1933. Secondly, Roumania will shortly have to face serious competition from Iraq arising out of the recent completion of the pipe-lines from Iraq to Haifa and Tripoli. Costs in the Roumanian industry are low, owing to the high degree of rationalization, and the only field in which they can be further reduced would seem to be that of transport. If this can be done, the State will be the loser, for it indirectly owns many of the more important pipe-lines such as those from Baicoi to Constanza, Bucharest, and Ramadan on the Danube, and from Câmpina to Ploesti and Ramadan. Lastly, there is the question of the Italian market, for Roumania is Italy's largest supplier and Italy is Roumania's largest market.

*Albania.* Oil is found also in Albania, but the extent of the field is unknown. The Anglo-Iranian Oil Co., Ltd., formerly held exploratory rights in this direct, but surrendered them in 1934<sup>1</sup> to the *Azienda Generale Italiana Petroli* of Milan, which is controlled by the Italian Government. Boring has been started, notably in the Devoli district, and production has been greatly accelerated by the Italo-Abyssinian War, which has, of course, considerably added to the importance of the Albanian oil-fields. Production, however, is at

<sup>1</sup> *L'Information*, October 23, 1934.

the rate of not more than some 40,000 to 50,000 tons a year at present. Pipe-lines have been built with Italian finance from Valona to Devoli, and lately also to Kucova, near Berat.<sup>1</sup>

*Coal.* As regards the other minerals, most of the coal mined is brown coal or lignite, which has a low calorific value, and which it is therefore unprofitable to transport for any distance. The largest producer is Yugoslavia, which possesses considerable coal-fields in Bosnia and Herzegovina, and at least one famous mine at Trbovelje, the capital of which is chiefly held abroad. Next in importance comes Roumania, although her products are of poor quality. The production of Bulgaria is relatively large.<sup>2</sup> The figures for Greece are extremely small, at about 135,000 tons of lignite per year, though during the War production rose to 250,000 tons under the stimulus of the special conditions then prevailing. While, therefore, Bulgaria, Yugoslavia, and Roumania produce sufficient coal for their own requirements, Greece is forced to import coal on a fairly heavy scale. On the other hand, none of these States can afford to export. The effects of the crisis have severely restricted production of lignite in both Yugoslavia and Roumania, although in Greece and Bulgaria production has been relatively stable. The production of hard coal in all cases is comparatively small. The following figures will give some indication of the position:

TABLE 8. *Coal production*

(In thousand metric tons)

	<i>Lignite</i>		<i>Hard coal</i>	
	<i>Average 1926-31</i>	<i>1934</i>	<i>Average 1926-31</i>	<i>1934</i>
Yugoslavia . . .	4,653	3,926	335	367
Roumania . . .	2,431	1,611	342	227
Bulgaria . . .	1,367	1,561	73	76
Greece . . .	135	99*	—	—

\* 1933.

*Iron ore.* Yugoslavia is the largest producer of iron ore, the main ore-bearing district being Bosnia (Vareš), and the average annual production 355,000 tons during 1926-31; Greece follows with an annual average of 193,000 tons during these years, the average production of Roumania being 88,000 tons, though in all these cases production has greatly fallen off since 1931. Of the other metals, Yugoslavia is by far the largest producer in the Balkans.

<sup>1</sup> See *L'Europe Nouvelle*, November 2, 1935, and *Daily Telegraph*, January 8, 1936. A Swedish Group has succeeded in finding petroleum in Yugoslavia (near Bujavica), but the cost of extraction will apparently be heavy. *Frankfurter Zeitung*, December 20, 1935.

<sup>2</sup> Most of the bigger pits, such as the Pernik mine, are owned by the State.

The finance for their exploitation, however, has almost invariably been found abroad.

*Copper, lead, zinc, chromium, bauxite, &c.: Yugoslavia.* Copper is mined principally in north-east Serbia, where the chief mine, at Maidan-Pek, is owned by a French company; the total output of the foundries of ore has been raised steadily from 1,300 tons in 1919 to 44,400 tons in 1934, though it fell to 39,000 tons in 1935. The lead and zinc deposits of south Serbia have been exploited by an English company (Trepca Mines, Ltd.). The lead content of ores mined in Yugoslavia has steadily increased, from 8,500 tons in 1924 to 61,100 tons in 1933, and the zinc content from 500 tons in 1929 to 59,300 in 1933. Yugoslavia also is the largest European producer of chromium (60,000 tons in 1935), which is found at Allchar in the Vardar valley. Bauxite, the raw material of aluminium, is mined in increasing quantities on the Dalmatian coast.<sup>1</sup> Antimony (also at Allchar), magnesium (at Čačak and Uzice), and mercury (Ljubljana) are mined in Yugoslavia; gold at Maidan-Pek, though production is small. The production of silver has greatly increased under the stimulus of its rise in price.

Most of these metals are found elsewhere in the Balkans. But their exploitation is not extensive; moreover, Yugoslavia's production alone is large enough to provide for a considerable export trade, usually of ores, while elsewhere the export even of ores is negligible.

*Greece.* The principal mining district outside Yugoslavia is at Laurium in Attica, which from classical times has produced silver (Greece's production is about 4,000 kilograms annually). These mines are now exploited by a French company and produce lead, zinc, and various types of chemicals as well. Small quantities of magnesite, chromium, and nickel also are mined in Greece. The best quality of emery is obtained on Naxos, and its sale has for many years served as one of the main sources of revenue of the International Financial Commission.<sup>2</sup>

*Roumania.* Roumania's production of gold is of growing importance in view of the foreign exchange position. The figures are small, though the country's production has been raised from 1,311 kilograms in 1924 to 3,500 kilograms in 1933. This applies also to silver, of which Roumania is the largest Balkan producer (about 6,000 kilograms per year). Lead and copper are mined in small quantities. Practically the only undertaking of any importance in Bulgaria is the copper mine of Plakalnitza, in which Franco-Belgian capital is interested.

<sup>1</sup> Yugoslavia's production, which is largely financed by Swiss and German capital, was 190,000 tons in 1935 as compared with 86,000 tons in 1934 and 62,000 tons in 1931.

<sup>2</sup> See p. 38.

## 2. AGRARIAN REFORM AND AGRICULTURAL ORGANIZATION

In view of the importance of agriculture a few general considerations affecting agriculture during the decade after the War should here be briefly described.

*Agrarian reform.* In most of the Balkan countries legislation has been passed since the War which involved a considerable measure of agrarian reform. This movement has been complicated in Greece and Bulgaria by the settling of the refugees whose return to their native countries was a consequence of the Peace Treaties.

In southern Greece, in Serbia, and in the Old Kingdom of Roumania steps had been taken even in the nineteenth century towards the abolition of feudalism and the division of the large estates. Throughout Greece redistribution began in 1917, and most of the large rural properties belonging to the monasteries and other corporations were divided up and allotted to peasants who had previously cultivated this land on the *métayer* system. Elsewhere the drastic changes came after the War. In Roumania<sup>1</sup> a series of laws, of which the first was passed in 1918, reduced the share of the large estates (i.e. those of over 100 hectares) from 40 per cent. to 10 per cent. of the privately owned area. The Yugoslav Constitution of 1921 decreed the abolition of the feudal rights which had persisted outside Serbia and the partition of the large estates into which the territory ceded by Hungary had been divided. In Bulgaria legislation soon after the War limited the land which might be owned by one proprietor to about 35 hectares. Feudalism has not yet disappeared in the centre and south of Albania, and it was not till 1930 that an agrarian law was passed effecting a compulsory redistribution of some of the largest estates. The percentage of agricultural land affected by the post-war expropriations varied from 50 per cent. in Greece and 30 per cent. in Roumania to under 10 per cent. in Yugoslavia and still less in Bulgaria and Albania.

*Refugee settlement.* As regards the settlement of refugees, the total number for which Greece was required to provide was about 1,400,000, the figure in Bulgaria being over 200,000. Of these Greece had by 1930 settled some 132,000 families on the land. These families were established on the formerly Moslem property made available by the exchange of populations and on the large Greek estates which had not already been divided up. Bulgaria had by the end of 1931 settled some 30,000 refugee families on the land.

*Smallness of holdings.* The agrarian reforms and the settlement of refugees led not only to a temporary dislocation of the agricultural organization of these States, but to results of a more permanent

<sup>1</sup> For the reforms in Roumania see Hor L. Evans, *The Agrarian Revolution in Roumania*, Cambridge, 1924.

nature. For holdings in the Balkans are now extremely, often uneconomically, small. There is, of course, much variation in the size of the holdings, not only from country to country, but also from district to district. At the one extreme are the peasant farmers of Albania, Bulgaria, and Greece, with perhaps little over an acre of land, an animal or two, and a wooden plough. As an illustration may be quoted a recent estimate that the 'annual average monetary needs' of a peasant household in the Varna district do not exceed 2,000 leva, or about £6 at current rates.<sup>1</sup> At the other extreme are the comparatively large and well-run holdings of those parts of Roumania and Yugoslavia which formerly belonged to the Austro-Hungarian Empire. In spite of these variations, however, and if for the moment the estates of Transylvania are ignored, it would probably be true to say that the typical Balkan farmer is the peasant who owns, works, and lives from a very small holding.

In Bulgaria, for example, the average area per holding is less than 6 hectares, and the size of 85 per cent. of the total holdings is less than 10 hectares. Moreover, on account of the excessive partitioning of the land, holdings hardly ever consist of a single plot. In Greece the average area per holding was, in 1929, as low as 3.6 hectares; the situation will not improve as things are at present, for it is the custom for each child to receive as far as possible an equal share of his father's holding. The position in Roumania is better, for some 81 per cent. of the total area of the Old Kingdom is held in plots of up to 10 hectares, and about 11 per cent. in plots of from 10 to 100 hectares. But if Transylvania, Bessarabia, and the Bukovina are included, the size of the average holding is considerably greater; thus for Roumania proper about 90 per cent. of the total area is in holdings of up to 100 hectares. No figures are available either for Yugoslavia or Albania, but in the former instance the average holding is probably somewhere between that of Roumania and Bulgaria. The average holding in Albania, except for a few large semi-feudal estates, is probably very small.

*Backward methods of cultivation.* In addition to the smallness of the average holding, there are several other considerations of a general nature which should be borne in mind in assessing the agricultural organization of the Balkans. For example, methods of cultivation are generally backward and often primitive; mechanization is almost unknown except in Transylvania and the formerly Hungarian districts of Yugoslavia. Wooden ploughs are frequently seen in Albania, Greece, Bulgaria, Bosnia, Herzegovina, Montenegro, and Old Roumania, while in some districts of Bosnia and Albania the irrigation system dates back to the Turkish methods of the

<sup>1</sup> Department of Overseas Trade, *Report on Bulgaria, 1934*, p. 35.

Middle Ages. Development has been held back throughout by the lack of capital, though this was to some small extent offset during 1920-30 by the growth of the co-operative system in Yugoslavia and Bulgaria, and by the attempt elsewhere to reorganize agricultural credit. The financial aspects of this problem can be more conveniently examined in a later section;<sup>1</sup> for the present it is important to note that the agricultural organization resulting from the post-war reforms, together with the factors mentioned in the present paragraph, left the Balkans poorly equipped to cope with one of the more fundamental developments of the present century—the shift in the world production of wheat.

*Shift in world cereal production.* This question cannot be considered at any length in the present connexion; but it may be recalled that with the great increase in the scientific growing of cheap wheat for export, particularly in Canada, the Argentine, and Australia, the main centres of production have tended during the present century to move from Europe to the new world. This tendency was masked during the War by the fact that it was then impossible for the countries of western Europe to import Danubian grain. Thus what appeared at first to be a temporary movement has now become a permanent feature of the world's economic system. Owing to the impossibility of obtaining an estimate of the wheat exports of the Balkan States before the War because of the division of territory, it is difficult to estimate precisely the extent of the losses which they have suffered through this change,<sup>2</sup> but it has probably been great. However, during the five years 1909-13 the total wheat production of the Balkan States (allowance having been made for the splitting up of the Austro-Hungarian Empire) averaged yearly about 7·4 per cent. of the total for the world. During the period 1921-5 the percentage had fallen to about 5·0 per cent., while during the next five years the figure was only about 4·8 per cent., although the gross production of the Balkan States during 1926-30 was actually higher

<sup>1</sup> See pp. 44-7.

<sup>2</sup> Except for Roumania:

	(Million Swiss francs)	
	1911	1930
Export of wheat	244·8	44·7
"    maize	183·2	130·5
"    barley	59·8	111·1
"    oats	26·4	7·2
"    rye	16·6	2·2

These figures speak for themselves, especially in view of the acquisition of Transylvania. The harvest of 1930 was not below the average, and the fall of prices had not yet assumed great dimensions.

than it had been in 1921-5. This decrease cannot entirely be ascribed to the decrease in the Balkans of the area under wheat or of the yield.

While it does not necessarily follow from these figures that the share of the Balkans in the international wheat market has suffered a corresponding decrease, it clearly gives some grounds for the supposition, for it is *prima facie* unlikely that the backward agricultural organization of the Balkan States could compete with the more scientifically organized production of Canada and Australia. At the same time, the position of the Balkan States is less serious in respect of other cereal crops, for example, maize and barley. In the case of maize the share of these four States in the world's production fell from 8.6 per cent. in 1909-13 to 6.3 per cent. in 1921-5, but in the years 1925 to 1930 recovered to 7.7 per cent.; as regards barley, the share of the Balkan States was 5.6 per cent. in 1909-13, approximately the same in the period 1921-5, but in the period 1926-30 it actually increased to about 6.8 per cent.

### III. MAIN CHARACTERISTICS OF FOREIGN TRADE, 1920-30

#### 1. GENERAL CONSIDERATIONS

It will have been seen from the section on production that the foreign trade of these countries must necessarily consist of the exchange of their agricultural and other raw materials for manufactured and semi-manufactured articles. It should, however, be emphasized at the start that their foreign trade is small, both absolutely and in relation to their respective populations. Thus in 1929, a fairly representative pre-crisis year, the total turnover (i.e. imports and exports) of these five countries amounted to under 1.5 per cent. of the total for the world, while the total turnover per head in that year was, in the case of Greece, 219.8 Swiss francs; for Yugoslavia, 101.7; for Roumania, 100.4; for Bulgaria, 99.8; and for Albania, 51.8 Swiss francs. The figure for Great Britain in 1929 was 1,008.5 Swiss francs.

The grouping of the above figures has a further significance, for it serves to emphasize a fundamental distinction, namely, between the foreign trade of Bulgaria, Yugoslavia, and Roumania on the one hand, and that of Greece and Albania on the other. For in the former group export surpluses are customary except in times of heavy foreign borrowing, while in the latter large import surpluses are invariable. In the case of Greece the explanation is to be found during the period 1920-30 in the necessity for importing large quantities of foodstuffs, particularly grain, imports of which usually amounted, in the period under consideration, to more than 20 per

cent. of the total, the import surplus being covered by the comparatively large invisible exports which Greece's exceptional position has enabled, or forced, her to undertake. In the case of Albania, the reason is the liberal assistance in the matter of capital provided by Italy for political purposes.

## 2. THE EXPANSION OF VALUES DURING 1920-30

It will be seen from Table 9 below that the development of the value of foreign trade followed a fairly uniform plan during these years. There was a considerable expansion from 1922 in the value of both imports and exports. This continued steadily until the peak was reached in or before 1929. Once this peak was attained there was a steady contraction, a movement which, of course, gathered momentum after 1930, as will be seen in Part II of this memorandum. For this expansion the ease with which foreign capital could be procured was largely responsible, particularly in the case of imports, which in this period were largely of capital goods, the payment for which was indirectly provided by long-term borrowings; while the availability of short-term credit from foreign banks facilitated the expansion of exports.

TABLE 9. *Value of exports and imports*  
(In millions of Swiss francs)

	Roumania		Yugoslavia		Greece		Bulgaria		Albania	
	Exps.	Imps.	Exps.	Imps.	Exps.	Imps.	Exps.	Imps.	Exps.	Imps.
1922	509.3	447.1	256.3	447.1	427.0	530.9	144.4	154.8	3.0	12.1
1923	624.5	495.5	446.4	460.8	225.5	538.5	161.3	233.7	8.1	23.3
1924	735.0	690.7	632.8	546.5	303.0	745.8	222.3	214.8	12.4	20.5
1925	724.5	744.1	784.5	769.3	369.7	822.7	236.2	296.4	17.1	21.8
1926	912.1	886.6	713.2	696.2	355.2	650.8	209.7	210.1	12.0	24.9
1927	1185.0	1052.5	583.7	664.5	413.2	862.0	247.3	231.2	11.1	24.7
1928	851.0	1016.3	587.9	714.7	428.6	836.6	232.5	265.3	14.9	32.3
1929	900.6	921.4	722.6	692.8	466.4	889.7	238.7	310.7	15.7	38.6
1930	887.0	716.6	622.0	638.5	403.3	709.1	231.0	171.3	12.4	33.3
<i>Annual average 1922-30</i>	814.3	773.4	594.4	625.5	376.8	731.8	213.7	232.0	11.8	25.7
<i>Per head of population (Sw. fca.)</i>	45.2	42.9	42.4	44.7	60.8	117.9	38.9	42.2	11.8	35.7

It should be noted that the expansion of the value of exports is at least as great as, if not greater than, that of imports. Between the low level of these years (1922 except in the case of Greece) and the peak year, Yugoslavia's exports increased in value by 206.2 per cent., and her imports by 72.0 per cent. The respective figures

for Greece are 107 per cent. and 67·6 per cent., and for Albania 570·0 per cent. and 219·0 per cent. In the case of Roumania, the expansion is almost equal; for imports the figure is 135·3 per cent. and for exports 132·8 per cent., while Bulgaria's exports expanded by 71·4 per cent. and her imports by just over 100 per cent. In the last case an explanation may be found in the fact that Bulgaria's exports were probably less capable of rapid expansion than those of any other Balkan State, with the possible exception of Greece. The rise of prices during the period should, however, be borne in mind in considering these figures.

### 3. PRINCIPAL COMMODITIES OF FOREIGN TRADE

The values of the principal commodities involved are given in Tables 10 and 11. They are expressed in the most convenient currency, viz. the Swiss franc. The three years chosen—1928 to 1930—are probably the most representative of the period under consideration, for while by 1927 the exceptional conditions of the earlier post-war years had disappeared, the full effects of the crisis had not made themselves felt by the end of 1930.

In general it will be seen that although there was considerable variation in the relative importance of the types of agricultural produce exported by these countries, there was a remarkable similarity in the case of imports. Further, while Albania and Yugoslavia relied upon a fairly wide range of exports, the other countries depended very largely upon their ability to market one or two commodities. In Greece and Bulgaria tobacco accounted for between 40 and 50 per cent. of the total exports, Roumanian grain for about 30 per cent., and petroleum for about 33 per cent.; though, as has been said, the proportion of the latter export has greatly increased during recent years.

As noted above, the foreign trade of these countries falls into two groups: that of Bulgaria, Roumania, and Yugoslavia, and that of Greece and Albania. As regards the former of these groups, the importance to Bulgaria of tobacco exports has already been mentioned. This was a permanent feature of Bulgarian foreign trade in the period under consideration. The importance of exports of eggs should also be noted. This increased considerably during this period, largely as the result of the encouragement given to poultry farming by the growth of the co-operative movement in the country. As regards Bulgaria's imports, nearly 70 per cent. fell under the heading of 'articles mainly manufactured'. Yugoslavia's exports, on the other hand, showed the widest variety of any of these States, except perhaps Albania, where the figures are of little international importance. Yugoslavia's largest single export accounted for only 23·6 per cent. of her total export in these years, against 32·9 per cent. in

Roumania, 41.4 per cent. in Bulgaria, and 54.9 per cent. in Greece. Moreover, Yugoslavia was less dependent than any other of these States on exports of agricultural produce, though even so the proportion they bore to the total was considerable. Yugoslavia's imports of foodstuffs were the highest of any of the purely agricultural Balkan States; but that these imports were not of an essential nature can be inferred from the fact that imports of these commodities have

TABLE 10. *Annual average value of imports, 1928-30, in detail\**

(In millions of Swiss francs)

Commodity	Albania		Bulgaria		Greece		Roumania		Yugoslavia	
	Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.
<b>1. Articles mainly manufactured:</b>										
<b>Textiles:</b>										
Cotton yarns and manufactures . . .	7.3	20.9	39.4	15.8	52.4	6.4	208.6	21.6	114.5	16.8
Woolen yarns and manufactures . . .	1.5	4.3	10.3	4.1	36.6	4.5	57.6	6.0	45.4	6.7
Other textiles . . .	0.9	2.7	19.6	7.9	35.4	4.3	84.4	8.7	46.9	6.9
Iron and steel and manufactures . . .	2.8	8.1	36.9	14.8	57.3	7.0	183.7	19.0	99.3	14.6
Machinery, including automobiles . . .	2.7	7.8	43.1	17.3	51.8	6.3	147.6	15.3	79.4	11.6
Chemicals, dyes, and paints . . .	0.9	2.7	12.2	4.9	32.3	3.9	21.0	2.2	32.3	4.7
Paper, &c. . .	0.8	2.2	2.4	1.0	16.0	2.0	15.6	1.6	18.0	2.6
Glass, stone, and pottery . . .	0.7	2.1	4.8	1.9	9.1	1.1	25.4	2.5	15.7	2.3
Rubber and manufactures . . .	0.7	2.0	3.7	1.5	..	..	22.4	2.3	..	..
<b>Total manufactured articles . . .</b>	<b>18.3</b>	<b>52.8</b>	<b>172.4</b>	<b>69.2</b>	<b>290.9</b>	<b>35.5</b>	<b>766.3</b>	<b>79.2</b>	<b>451.5</b>	<b>66.2</b>
<b>2. Raw Materials and semi-manufactured goods:</b>										
<b>(a) Foodstuffs:</b>										
Grain . . .	4.4	12.6	5.2	2.1	190.0	23.2	10.7	1.1	19.1	2.8
Coffee, sugar, and colonial goods . . .	3.3	9.5	4.0	1.6	34.4	4.2	9.6	1.0	21.2	3.2
Cattle and live stock . . .	..	..	..	..	31.0	3.8	..	..	31.5	4.6
Other specified foodstuffs . . .	0.7	2.0	6.4	2.6	50.7	6.2	32.8	3.4	34.3	5.0
<b>(b) Others:</b>										
Coal . . .	..	..	..	..	26.2	3.2	7.3	0.8	18.9	2.8
Mineral oil . . .	2.5	7.2	10.2	4.1	47.2	5.8	..	..	21.2	3.1
Cotton . . .	..	..	5.0	2.0	7.5	0.9	..	..	..	..
Wool . . .	..	..	6.7	2.7	..	..	..	..	..	..
Timber . . .	1.3	3.9	7.0	2.8	29.9	3.7	11.1	1.1	..	..
Hides and leather . . .	1.1	3.2	10.5	4.2	17.9	2.2	32.4	3.4	15.1	2.2
<b>Unspecified imports . . .</b>	<b>3.1</b>	<b>8.8</b>	<b>21.6</b>	<b>8.7</b>	<b>93.4</b>	<b>11.3</b>	<b>96.3</b>	<b>10.0</b>	<b>68.5</b>	<b>10.1</b>
<b>Total . . .</b>	<b>34.7</b>	<b>100.0</b>	<b>249.0</b>	<b>100.0</b>	<b>819.1</b>	<b>100.0</b>	<b>966.5</b>	<b>100.0</b>	<b>681.3</b>	<b>100.0</b>

\* Special trade: Albanian figures exclude bullion.

TABLE 11. Annual average value of exports,\* 1928-30, in detail

(In millions of Swiss francs)

Commodity	Albania		Bulgaria		Greece		Roumania		Yugoslavia	
	Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.	Value	Per cent.
<i>Foodstuffs:</i>										
Grain . . . . .	0.2	1.5	23.0	11.9	..	..	255.3	29.2	93.5	14.5
Live stock (including poultry) . . . . .	1.5	10.4	8.6	3.7	..	..	52.7	6.0	81.2	12.6
Eggs . . . . .	1.6	11.5	27.3	11.6	..	..	..	..	43.6	6.8
Currants and raisins . . . . .	..	..	..	..	70.5	16.4	..	..	..	..
Other fruit . . . . .	..	..	..	..	6.9	1.6	..	..	25.0	3.9
Beans . . . . .	0.1	1.0	3.8	1.6	..	..	18.1	2.1	8.4	1.3
Cheese and butter . . . . .	2.4	17.0	2.1	0.9	..	..	..	..	..	..
Meat . . . . .	..	..	..	..	..	..	..	..	22.9	3.6
Olives and olive-oil . . . . .	2.3	16.4	..	..	20.8	4.8	..	..	..	..
Wine . . . . .	..	..	..	..	29.8	6.9	..	..	..	..
<i>Other agricultural products:</i>										
Tobacco leaf . . . . .	0.1	1.2	97.3	41.5	236.4	55.0	..	..	..	..
Medicinal plants . . . . .	..	..	..	..	..	..	..	..	21.9	3.4
Hides and skins . . . . .	2.3	16.2	12.5	5.3	10.6	2.5	..	..	13.3	2.1
Essence of roses . . . . .	..	..	8.7	3.7	..	..	..	..	..	..
Wool . . . . .	1.1	7.7	..	..	..	..	..	..	..	..
<i>Other exports:</i>										
Timber . . . . .	1.1	7.7	..	..	5.8	1.4	124.1	14.3	151.4	23.5
Chemicals . . . . .	..	..	..	..	..	..	..	..	28.6	4.4
Silk cocoons . . . . .	..	..	6.6	2.8	..	..	..	..	..	..
Ores and metals . . . . .	0.5†	3.3	..	..	9.4	2.2	..	..	49.3‡	7.7
Petroleum . . . . .	..	..	..	..	..	..	288.5	33.0	..	..
Unspecified . . . . .	0.8	6.1	39.9	17.0	39.9	9.2	134.4	15.4	104.2	16.2
<b>Total . . . . .</b>	<b>14.0</b>	<b>100.0</b>	<b>234.8</b>	<b>100.0</b>	<b>430.1</b>	<b>100.0</b>	<b>873.1</b>	<b>100.0</b>	<b>643.3</b>	<b>100.0</b>

\* Special trade: Albanian figures exclude bullion.

† Chiefly bitumen.

‡ Chiefly copper.

Note to above tables (Nos. 10 and 11). These tables have been compiled on the basis of the figures given in the League of Nations' *Memorandum on International Trade for 1930*. In this publication items of import or export, the value of which is under 1 per cent. of the total, are included under the heading 'unspecified'. Moreover, the classification of the individual groups of articles varies slightly from country to country. The tables should therefore be taken only as a rough indication of the relative importance of the various groups of commodities.

greatly fallen off during recent years.<sup>1</sup> Her imports of coal were largely of hard coal or anthracite. Roumania's exports depended to more than 82 per cent. upon four commodities, namely, petroleum, grain, timber, and cattle. Her imports did not differ greatly, in respect of the principal commodities, from those of the other countries.

In the second group, 85 per cent. of Greece's exports were accounted for by no more than five crops, viz. tobacco, wine, olives and olive-oil, currants and raisins, and other fruit—mainly figs. The size of Greece's imports of grain has already been noted. This was

<sup>1</sup> See p. 137.

TABLE 12. *Distribution of foreign trade*

(i) EXPORTS

(Per cent.)

From To	Roumania			Yugoslavia			Greece			Bulgaria			Albania		
	1922	1927	1930	1922	1927	1930	1922	1927	1930	1922	1927	1930	1922	1927	1930
Germany . . . . .	5.9	18.6	18.8	8.4	10.6	11.7	21.1	21.3	23.5	16.5	23.0	26.2	0.2	0.1	*
Great Britain . . . . .	2.4	5.9	11.3	1.9	1.3	1.5	17.0	10.4	12.5	0.7	1.0	2.1	1.3	0.3	0.4
Italy . . . . .	8.0	6.7	12.9	28.1	24.8	28.3	8.3	21.1	14.1	12.1	7.3	8.3	68.7	56.7	59.7
France . . . . .	9.7	3.6	6.9	5.9	2.8	4.2	5.0	5.9	6.8	7.1	5.8	5.9	2.3	0.7	0.1
Belgium . . . . .	10.3	3.0	3.2	0.2	0.3	1.2	1.0	1.4	2.6	4.0	4.9	4.9	—	—	..
Switzerland . . . . .	0.3	0.1	0.2	7.6	3.4	2.6	0.1	*	*	3.8	3.2	4.2	—	—	..
Austria . . . . .	7.1	13.1	9.1	23.0	22.6	17.7	0.6	1.1	2.8	5.0	16.0	7.7	—	0.5	..
Hungary . . . . .	17.1	8.3	7.5	5.2	7.6	7.2	..	..	..	3.7	3.9	3.8	—	—	..
Czechoslovakia . . . . .	8.0	5.3	7.0	8.1	8.3	11.2	..	2.3	4.4	2.4	4.7	6.4	—	—	..
Albania . . . . .	*	*	*	*	*	*	*	*	*	*	*	*	—	—	—
Bulgaria . . . . .	2.5	1.0	1.3	0.4	0.2	0.3	0.7	0.6	0.4	—	—	—	—	—	..
Greece . . . . .	3.4	3.3	2.4	4.7	9.7	6.1	—	—	—	7.0	14.8	4.4	18.0	22.7	18.8
Roumania . . . . .	—	—	—	0.3	0.5	3.0	0.9	0.9	*	1.0	0.7	0.4	—	—	..
Yugoslavia . . . . .	2.9	1.4	1.8	—	—	—	1.7	0.7	0.4	2.9	0.3	0.5	3.4	2.3	3.6
U.S.A. . . . .	0.2	0.2	0.3	0.5	*	0.9	26.6	21.7	14.4	2.4	1.0	1.0	4.5	16.2	17.1
Egypt . . . . .	4.8	3.9	4.2	0.6	0.8	*	4.6	3.7	4.7	0.4	*	*	1.6	0.5	..
Other countries . . . . .	17.4	25.6	13.1	5.1	7.1	4.1	12.4	8.9	13.4	31.0†	13.4	24.2†	—	—	0.3
Total . . . . .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* Negligible.

† Whereof 23.9 per cent. to Turkey, probably to be accounted for by the War in Asia Minor.

‡ Whereof 10.2 per cent. to Poland.

## (ii) IMPORTS

(Per cent.)

To From	Roumania			Yugoslavia			Greece			Bulgaria			Albania		
	1922	1927	1930	1922	1927	1930	1922	1927	1930	1922	1927	1930	1922	1927	1930
Germany . . . . .	19.7	22.3	25.1	7.2	12.3	17.6	6.0	7.4	10.1	21.5	21.0	23.2	0.5	2.0	5.4
Great Britain . . . . .	8.9	8.4	8.1	7.1	7.0	5.9	14.4	13.6	12.7	15.0	12.0	8.2	3.5	7.2	7.4
Italy . . . . .	5.9	8.7	7.9	15.3	12.9	11.2	8.9	6.6	6.1	12.3	14.6	18.6	69.3	62.5	50.2
France . . . . .	5.9	7.7	7.4	3.0	4.4	3.9	6.5	7.8	7.2	6.9	7.3	9.3	*	2.6	2.9
Belgium . . . . .	1.1	2.6	1.8	0.6	0.8	1.0	3.3	3.4	4.3	3.7	3.1	2.4	..	..	..
Austria . . . . .	16.0	13.3	11.6	28.9	19.6	16.8	0.3	0.8	1.2	8.4	8.2	6.3	3.1	1.9	3.4
Hungary . . . . .	6.7	3.7	3.9	2.6	4.9	5.8	*	*	*	5.1	2.8	1.0	..	..	..
Czechoslovakia . . . . .	9.4	14.2	14.6	19.8	19.2	17.6	*	4.5	3.8	3.8	9.8	9.4	*	5.6	7.3
Albania . . . . .	*	*	*	*	*	*	*	*	*	*	*	*	—	—	—
Bulgaria . . . . .	..	0.1	0.1	0.8	0.1	0.2	2.5	3.6	1.5	—	—	—	..	..	..
Greece . . . . .	1.3	0.9	0.9	2.8	1.4	0.8	—	—	—	3.2	1.6	1.0	11.6	4.9	3.6
Roumania . . . . .	—	—	—	3.8	3.8	3.2	3.7	7.4	5.6	7.4	5.4	8.0	..	..	..
Yugoslavia . . . . .	0.4	0.3	0.3	—	—	—	2.6	7.2	5.7	0.7	0.6	1.3	4.9	5.1	7.7
U.S.A. . . . .	3.3	2.9	5.4	3.5	3.5	4.1	21.9	15.9	15.3	1.9	1.6	1.9	1.6	4.1	7.2
Other countries . . . . .	21.4	14.9	12.9	4.6	10.1	11.9	29.9	21.8	23.5	10.1	12.0	13.5	5.5	4.1	4.9
Total . . . . .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* Negligible.

one of the fundamental features of the Greek economic system during these years, though since 1930 the lack of foreign currency to cover her requirements of grain has, together with other factors, forced her to extend cultivation.<sup>1</sup> The percentage of Greece's imports of manufactured goods was smaller than in any of the other countries; this was not solely due to the high percentage of grain imports, for industrialization in Greece during this period was not so backward as in the case of the other countries. As regards Albania, the variety of exports, already noted, was of little importance in view of the overwhelming import surplus. The proportion of Albania's imports of mainly manufactured articles was smaller than in the case of Bulgaria, Yugoslavia, and Roumania. The reason for this was probably the poor demand for such commodities, for the Albanian peasant has not advanced beyond the 'household economy' stage, and makes at home most of what he requires.

#### 4. DIRECTION OF FOREIGN TRADE

Table 12, (i) and (ii), gives some idea of the direction of foreign trade and of the chief developments which took place during the years under consideration.

In general there are three points worthy of notice. In the first place, the dependence upon the markets of the Succession States was considerable in Yugoslavia and Roumania, also to some extent in Bulgaria, though not in Greece or Albania. Moreover, Yugoslavia, Bulgaria, and Roumania obtained a large proportion of their imports from Austria, Hungary, and Czechoslovakia. This was a legacy from the pre-war period, when the Austro-Hungarian Empire not only included much of the present Balkan system within its territories, but also dominated to a large extent the trade of these States. In spite of the division of the Empire, the trade of the Balkans with Austria, Hungary, and Czechoslovakia increased very considerably in almost every case over their trade with the Empire before the War. This can be seen from Table 13.

The explanation, at any rate in the case of Yugoslavia and Roumania, is probably that it was from the territories ceded to Roumania and Yugoslavia (Transylvania, Croatia, and Slovakia) that most of the agricultural supplies of the Empire had been drawn, and that after the Peace Treaties the industrial districts of the Empire, the present Austria and Czechoslovakia, continued to obtain most of their agricultural supplies from these districts. Thus it would not appear that during this period the Balkan States were put to a very great disadvantage in this respect by the splitting up of the Austro-Hungarian Empire.

<sup>1</sup> See p. 72.

**TABLE 13. Foreign trade of the Balkans with Austria-Hungary and the Succession States**

(i) IMPORTS FROM AUSTRIA-HUNGARY\*

(a) Percentages of total imports.

(b) Absolute figures in millions of Swiss francs.

	Bulgaria		Greece		Roumania		Yugoslavia §	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1911† . .	24.2	42.8	13.5†	21.4	24.0	136.7	40.7	47.9
1922 . .	17.3	26.8	0.3	1.3	32.1	145.5	51.3	229.5
1927 . .	20.8	48.1	5.3	41.5	31.2	328.4	43.7	290.4
1930 . .	17.6	31.0	5.0	35.5	30.1	215.7	40.2	256.7

(ii) EXPORTS TO AUSTRIA-HUNGARY\*

(a) Percentages of total exports.

(b) Absolute figures in millions of Swiss francs.

	Bulgaria		Greece		Roumania		Yugoslavia §	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
1911† . .	5.7	10.6	10.1†	13.1	10.8	62.9	41.4	48.9
1922 . .	11.1	16.0	0.6	2.6	32.2	123.7	36.3	93.0
1927 . .	24.6	60.7	3.4	14.1	26.7	316.4	38.5	242.2
1930 . .	17.9	41.3	7.2	29.0	23.6	209.3	36.1	205.9

\* i.e. Austria-Hungary in 1911; Austria, Hungary, and Czechoslovakia in the other years.

† 1911 is chosen as being the last normal year before the Balkan War.

‡ Average 1908 to 1912.

§ In 1911, Serbia only.

Secondly, it will be observed that there was a steady increase in the proportion borne by imports from, and exports to, Germany. Whether these remarkable increases were due merely to the comparatively low level of German prices in the period, or were the results of conscious policy on the part of Germany, as is often maintained, it is impossible to say. If the latter is the case, it must be admitted that Germany accorded the Balkan States an unusual degree of reciprocity, as can be seen from the increase in the proportion of their exports to her. At the same time, it is hardly fair to judge from the extremely low percentage figures of 1922, which was, of course, a year of monetary chaos in Germany, when normal trade relationships were completely disorganized. It cannot be denied, however, that the importance of Germany as a market for, and a supplier of, the Balkan States increased very considerably during the period.<sup>1</sup>

Lastly, attention should be drawn to a third feature: the remark-

<sup>1</sup> For the further very remarkable increase since 1930 see preface and pp. 139-41.

ably small proportion to the whole borne by inter-Balkan trade. The highest percentage in any of the three years for imports from the rest of the Balkan States by any one country except Greece is under 12 per cent. ; in the case of Greece the figure is under 20 per cent. This clearly brings out the contention of an earlier section, viz. that the Balkan States do not form an economic unit and are not supplementary to each other in regard to production. Greece is, to some extent, an exception to this, but even so the grain she imported during the period was taken largely from the United States and not from the rest of the Balkans. It would appear from these tables that there are few obvious opportunities for developing inter-Balkan trade, a factor which will therefore limit very strictly any efforts to secure a greater measure of economic co-operation in the Balkans, at any rate in some of its more important aspects. Many of the chief exports of the individual Balkans, for instance, tobacco, timber, and grain, actually compete with, and do not supplement, each other.

It is often maintained that the political interests of the larger Powers in the Balkans have been furthered by their commercial policy towards these States, for example, by giving preference to their imports of Balkan goods. An examination of the share of the larger Powers in Balkan trade during the period would not appear to support this view. For example, the exports of Roumania and Yugoslavia to France did not show any remarkable increase during the period in spite of their close political relationship. France's trade with these countries was throughout relatively unimportant, whilst Italy's political relations with Yugoslavia, which were notoriously unpropitious during the years 1920 to 1930, did not apparently interfere with Yugoslavia's exports to that country, although her imports from Italy were allowed to fall off. On the other hand, the increase of Italy's political influence in Bulgaria during the period was accompanied by a slight rise of Bulgaria's imports from that country, but also by a considerable fall in Bulgaria's exports to Italy. In Albania, where Italy's political influence was perhaps greater than that of any of the larger Powers in any one of the Balkan States, there was actually a fall in the proportion both of Albania's exports to, and imports from, Italy. Nor would it appear that the heavy borrowings of the Balkan States during the period—mostly from the United States, Great Britain, and France—resulted in proportionately greater imports from the lending countries. The foreign currency so obtained seems to have been used to purchase goods in cheaper markets, e.g. Germany.

As to the position in the individual countries, by far the greatest change is in the case of Roumania. Before the War some 34 per cent.

of the value of her exports (average 1901-11) went to Belgium, the figure largely representing grain shipped to Antwerp in transit for London. As was seen in Section II, 2 above, the War drove Great Britain away from south-eastern Europe for her wheat, and Roumania has failed to recover her pre-war position on this important market. British requirements of this and other Roumanian cereals are now imported direct, and by 1930 no more than 3.2 per cent. of the value of Roumania's exports went to Belgium. As to Roumania's other exports, her oil was taken largely by Germany, Great Britain, Italy, and France, also by the other Balkan States, her grain and cattle mostly by the Succession States and Greece, and her timber chiefly by Germany. Roumania's imports of textiles came chiefly from Austria and Czechoslovakia and, to a very much smaller extent, from Great Britain; her machinery and iron and steel goods from Germany. Yugoslavia's exports of timber went chiefly to Italy, Great Britain, and France, her grain to Italy, Czechoslovakia, and Hungary, her copper to Germany and France, and her live stock to Italy, Austria, and Greece; fruit to Austria and Germany. Textile imports came mostly from Czechoslovakia, Austria, and Italy, machinery and iron and steel goods from Germany, the United States, Czechoslovakia, and Austria, and coal from Germany and Great Britain. Greece's exports of currants were mostly taken by Great Britain, her tobacco by Germany and the United States, whilst her wine crop went mostly to France.<sup>1</sup> Imports of textiles came chiefly from Great Britain, machinery from Germany and Great Britain, and grain and cotton from the United States. Bulgaria's tobacco exports were taken almost entirely by Germany, Italy, and the Succession States, her grain by France and Italy, and her eggs and poultry by Germany and the Succession States; her imports of textiles came mainly from Germany, Italy, Czechoslovakia, and, to a lesser extent, Great Britain; machinery and iron and steel goods from Germany, and latterly also from Poland. The only country outside Italy with which Albania enjoyed any notable interchange of goods during the period was Greece, which imported small quantities of Albanian live stock.

## 5. THE BALANCE OF PAYMENTS

The relation of the values of exports to those of imports can be seen from Table 14, p. 34.

It will be noted that in Roumania, Yugoslavia, and Bulgaria the proportion rarely fell below 90, 85,<sup>2</sup> and 70 per cent., respectively,

<sup>1</sup> But see note 1, p. 13.

<sup>2</sup> There was an abnormal reduction of exports in 1922 owing to the temporary imposition of export duties on foodstuffs.

or rose above 55<sup>1</sup> and 50 per cent. in the case of Greece and Albania. That in the case of the first three countries the value of imports exceeded the value of exports at all must largely be ascribed, as has been said, to their heavy foreign borrowings in these years. The question of how these adverse trade balances were covered and how the favourable balances were expended is of con-

TABLE 14. *Value of exports expressed as a percentage of that of imports*

	<i>Roumania</i>	<i>Yugoslavia</i>	<i>Bulgaria</i>	<i>Greece</i>	<i>Albania</i>
1922 . . . . .	113.9	53.5	107.3	80.6	24.6
1923 . . . . .	126.0	96.9	69.0	41.9	34.8
1924 . . . . .	108.0	116.0	103.5	40.6	55.6
1925 . . . . .	97.4	102.0	79.7	44.9	78.4
1926 . . . . .	102.9	102.4	99.8	54.6	48.2
1927 . . . . .	112.6	87.8	106.9	47.9	44.9
1928 . . . . .	83.7	82.3	87.6	51.0	46.1
1929 . . . . .	97.7	104.3	96.8	52.4	40.7
1930 . . . . .	123.8	97.4	134.9	56.9	37.9

siderable importance to the Balkan States in view of the pressing character of the foreign debt problem.

Although regular and detailed particulars as to the balance of payments are lacking in several cases, certain generalizations can safely be made. In every instance during these years there was a large and continually increasing amount to be met in respect of the debt service, in addition to the adverse balance of visible trade, if and where it occurred. But the foreign investments of the Balkan States were negligible, and the invisible exports in the shape of interest and dividends were exceedingly few. Except for the case of Greece, where the balance of payments differs fundamentally from those of the other States, the invisible exports arising out of shipping were not large, and credit items in respect of commissions earned were normally offset or exceeded by debit items of a similar nature. This applies also to the tourist account except in Greece and Yugoslavia, where the development of the tourist trade was just beginning during the period. Almost the only considerable invisible export was the remittances from the large number of emigrants—usually in the United States, but also, as regards Greece, in the Levant; and this item by itself was never large enough to cover the interest service on the long- and short-term debt, let alone the other—often very large—invisible imports. If, therefore, the case of Greece is for

<sup>1</sup> 1922 was an exceptional year owing to the war in Asia Minor.

the moment set on one side, it may be said that adverse balances of visible trade were for the most part covered by further imports of capital during these years.

A closer view of the current items entering into the balance of payments of these countries may be obtained from the following figures:

TABLE 15. *Balance of payments: goods and services only*

(In millions of Swiss francs)

Credit items +      Debit items -

<i>Annual average</i>	<i>Greece 1929-30</i>	<i>Roumania 1927-9</i>	<i>Yugoslavia 1927-9</i>	<i>Bulgaria 1927-9</i>	<i>Albania 1927-9</i>
Excess of imports of merchandise (adjusted) . . .	-376.6	-- 7.5	-87.2	-13.6	-19.0
Net interest payments on Government* debt . . .	- 83.6	-112.6	-47.2	-26.8	..
Do. on other debt . . .	- 2.8	- 29.4	-61.6	-12.4	- 0.2
Net insurance, commission, and brokerage payments . . .	- 4.7†	..‡	-15.5	+ 3.5	..
Net emigrants' remittances . . .	+204.0	+ 16.9	+64.5	+ 4.1	+ 9.2
Net transport receipts . . .	..	+ 31.9	+29.2	+ 1.1	..
Net tourist receipts . . .	+ 5.1	..§	+ 1.8	- 5.3	+ 3.7
Net shipping receipts . . .	+ 23.0	+ 0.2	+ 8.9	+ 1.7	..
Reparations payments (cash) . . .	+ 15.6	+ 16.4	+26.6	- 9.8	..
Diplomatic and other payments . . .	- 91.8¶	+ 8.0	+ 2.7	+ 1.4	..
Income of Greeks residing abroad, &c. . . . .	+106.9	..	..	..	..
Bullion . . . . .	..	..	- 0.5	- 1.1	..
Balance . . . . .	-204.9	- 76.1	-78.3	-57.2	- 6.3

*Note:* This table is compiled from the League of Nations, *Balance of Payments, 1927-9, 1930, and 1931-2*. The figures given for the various items in each country are probably not strictly comparable, but may afford a rough basis for comparison.

\* Figures for Greece and Bulgaria include amortization of public external debt.

† Insurance premiums only.

‡ Inconsiderable debit balance.

§ Included with emigrants' remittances.

|| This item probably includes receipts on private foreign investments and net commission and brokerage payments, i.e. the figures for net interest payments above (86.4 mill.) are not inclusive.

¶ Government expenditure abroad other than debt service.

The period covered by the above figures came at the end of a phase of heavy borrowing abroad, and imports of merchandise therefore exceeded exports. However, except for the service of the foreign debt, public and private, most of the net invisible exports or imports were fairly constant throughout the period 1920 to 1930, and in respect of these items the table may claim to be representative of the longer period.

It will be noted that the order of transactions is far higher in the case of Greece than in that of any other State; this is largely due to the commercial character of the country. Emigrants' remittances also are higher in the case of Greece. This item is subject to violent fluctuations in accordance with the economic situation in North America and the Levant (particularly Egypt), where most of the Greek emigrants are domiciled. These remittances were probably at their highest point since the War during the years 1929 to 1930.<sup>1</sup> The relative importance of the net revenue from shipping will be noted.<sup>2</sup> The debit item in respect of other interest payments represents the amounts payable on the foreign private debt less the interest earned by the foreign assets of the Bank of Greece and other Greek banks. It will be seen that Greece is the only Balkan State with any considerable foreign investments. Whereas the total service (including amortization) of the Greek foreign debt amounted to 122 million Swiss francs in 1929 and 138 millions in 1930, 27 million Swiss francs and 38 millions respectively were deducted from the total for payments made on account of foreign debt held in Greece. This is a conservative estimate, and the proportion of the foreign debt held in the country is probably higher than is indicated by these figures. In Greece, alone of the Balkan States, the service of the foreign debt is not synonymous with the transfer question.

In Roumania and Yugoslavia there was some affinity between the balance of payments. Both, like Greece, received substantial sums on account of reparations. Emigrant remittances were of more importance to Yugoslavia than to Roumania, but the service of the non-Government foreign debt was higher than in Roumania, possibly because most of the foreign companies operating in Roumania, unlike those of Yugoslavia, drew their profits, as, for instance, in the case of petroleum, from exports. On the other hand, the service of the public foreign debt was normally far higher in Roumania than in Yugoslavia. Unlike Greece, Roumania and Yugoslavia both received a considerable revenue from the transit trade, for obvious reasons. In Bulgaria the turnover was far smaller than that of the three larger States, largely owing to the comparatively undeveloped condition of the country. The incidence of payments in respect of reparations will be noted; this item reached its peak (16.2 million Swiss francs) in 1927. In the case of Albania there is little call for comment. The relatively high level of emigrant remittances and receipts from the tourist traffic should, however, be noted.

<sup>1</sup> These remittances are usually treated as partaking of the nature of income. There is, however, reason to suppose that they often represent transfers of capital, which would necessitate a considerable alteration in the accounts. This may apply to the other countries also.

<sup>2</sup> For the international importance of Greek shipping see Appendix V, 4, p. 149.

## IV. THE FINANCIAL STRUCTURE

### 1. THE PROBLEM OF CAPITAL

#### (a) *General considerations.*

It has frequently been stated here that the development of the Balkan States has been retarded by their lack of capital. In this deficiency is to be found the key to the entire financial structure of these States. Its significance has two main aspects.

From the external point of view, the lack of capital has forced these countries to borrow abroad at heavy rates since the very beginning of their independent existence. For their part, the lenders would probably have been deterred by the economic weakness of the borrowers had it not been for the political<sup>1</sup> and other advantages which they imagined would thereby be gained. But the readiness of lenders to advance money to these States for reasons unconnected with their capacity to repay has actually encouraged them in many cases to borrow beyond their means. It is, in fact, impossible to avoid the conclusion that some, at any rate, of these States are in an over-borrowed condition, quite apart from the question of price movements.

But in addition to the habitual need of these countries for external financial assistance, the agrarian reforms immediately after the War created an urgent and quite extraordinary demand for capital on the part of the new peasant proprietors who, in many cases—particularly in that of the refugees into Bulgaria and Greece—were without stock, seed, or agricultural implements. This fresh demand forced the rate of interest, already excessively high, up to quite exorbitant levels, and during the earlier part of the period it was not unusual for the peasant to be compelled to borrow at 20 per cent., and even much more, per annum. The price of agricultural produce was rising, however, and for the time the interest could probably be met in most cases, even if it was only by further borrowing. While some of the funds lent in this manner came at first from savings existing inside the country, the larger part was provided, in the last resort, by foreign lenders.

#### (b) *Pre-war borrowing.*

The Balkan countries had borrowed fairly heavily abroad before the War, chiefly for the purpose of building railways and increasing their armaments. Greece's career as a debtor country had started

<sup>1</sup> When Bulgaria was trying to raise a loan in Paris during 1912 the Russian Ambassador wrote to St. Petersburg: 'M. Poincaré said to me that the French Government is disposed to facilitate the Bulgarian loan in Paris only because the Russian Government declared that Bulgaria, after forming a secret agreement with Servia, had firmly decided to ally itself with the Entente' (*Livre Noir*, i. 283). This view may be taken as being typical of the attitude of foreign lenders to most of the Balkan States before the War.

so far back as 1824 on the proclamation of independence. The country often failed to receive anything like the total nominal amount of the loans raised, mainly in Great Britain, for the issues were priced at very low figures; and by the end of the century she had defaulted at least three times. In 1898 the revenues on which the various loans were secured were placed under the control of an International Financial Commission. Bulgaria, Serbia, and Roumania also borrowed heavily—mainly from France, Germany, and Austria—after the time of their liberation from Turkish rule. Bulgaria, whose debt increased from 26.4 million gold francs in 1888 to 850.0 millions in 1914, was, like Greece, subjected (in 1902) to a measure of control on the part of foreign creditors. In Serbia, which obtained independence with Bulgaria in 1878, the foreign debt had by 1896 increased to 369.2 million gold francs: by 1914 it was as high as 903.0 millions. The overborrowed condition of the country gave rise to some alarm, and though, as in Bulgaria, there was no actual default, certain revenues were paid directly to representatives of the (mainly French and German) creditors, in accordance with an agreement of 1895. The credit of Roumania before the War was in a different class from that of the other States, and, though she probably borrowed more heavily, none of her revenues was subjected to the control of her creditors. Albania's foreign borrowing did not, of course, begin until after the War.

(c) *War debts and reparations.*

Mention must also be made of war debts and reparations. This is of more than academic interest for, unlike Great Britain, whose receipts on account of war debts and reparations were offset by the payments made, most of the Balkan States received considerably more than they paid, as can be seen from the figures given in Table 16.<sup>1</sup>

It should be pointed out that, especially in the case of Yugoslavia, receipts on account of German reparations largely took the form of reparations in kind. While the total amount of reparations received by these States was large, the terms of the funding agreements entered into by the United States with Greece and Yugoslavia were very liberal in the matter of interest payments; in Roumania they were heavier, in accordance with what was believed to be her capacity to pay. The only Balkan State which paid reparations was, of course, Bulgaria. The financial requirements of the Treaty of Neuilly were impossibly onerous, the total capital amount of reparations being fixed at 2,250 million gold francs. During 1923 this sum was

<sup>1</sup> The total capital amount of war and relief debts on the respective dates was as follows (figures in millions): Greece 5,864 drachmae (Jan. 31, 1935); Roumania 34,020 lei (March 31, 1935), and Yugoslavia 12,863 dinars (June 30, 1932).

scaled down in effect to 550 million gold francs on which Bulgaria was required to pay annual instalments of 5 million francs till 1930, rising to 10 millions in 1930 to 1940, and 12.5 millions in 1940 to 1966. In accordance with the Lausanne Agreement of 1932, most of the payments in respect of war debts and reparations on the

TABLE 16. *Total war debt and reparation receipts and payments of the Balkan States, to June 30, 1931 (including cash value of reparations paid in kind)*

(In million gold £)

	Greece	Yugoslavia	Roumania	Bulgaria
RECEIPTS				
On account of German reparations	2.1	34.2	5.6	..
On account of Austrian, Hungarian, and Bulgarian reparations and the Czech Liberation Loan	1.0	2.3	0.2	..
Total	3.1	36.5	5.8	..
PAYMENTS				
On account of war debts, mainly to the United Kingdom, the United States, Canada, France, and Italy	1.7	1.5	1.8	..
On account of reparations	..	..	..	2.2
Net receipts	+1.4	+35.0	+4.0	-2.2

(Source: *Economist*, November 12, 1932.)

part of these countries were suspended. The remainder, viz. the payments to the United States, have remained in default since the expiry of the Hoover moratorium.

(d) *Post-war foreign borrowing, 1920-31.*

After the War political considerations no longer played their former part in the foreign borrowing of the Balkan States. Other factors, however, rendered the lending nations almost equally blind to the true capacity of the Balkan States to meet the service of their foreign loans. The years from 1920 to 1931 were marked by an almost continuous flow of capital into the Balkan States. This movement ceased abruptly in the latter year, since which imports of capital have been negligible. The results of this period of foreign borrowing are given in Table 17, p. 40. In considering this table one observation should be made at once, viz. that perhaps as much as 45 per cent. of Greece's foreign debt is held inside the country, and, to that extent, the problem of transfer does not arise.<sup>1</sup>

<sup>1</sup> For example, no less than £2,500,000 of the sterling tranche (£10,000,000) of the 7 per cent. League Loan of 1924 was actually issued in Athens.

TABLE 17. *Foreign debt of the Balkan States, including war and relief debts*

(In millions of Swiss francs)

	Greece	Roumania	Yugoslavia	Bulgaria	Albania
Public debt as at . . . . .	31.12.31	1.1.32	1.7.32	31.7.32	1932
Private debt as at . . . . .	1932*	1932*	..	Sept. 1932	..
<b>(a) Foreign indebtedness:</b>					
<i>Long-term debt:</i>					
(i) Public . . . . .	2,153	4,705	2,979	630†	65
(ii) Private . . . . .	194	151	?	51	?
<i>Short-term debt:</i>					
(i) Public . . . . .	45	.. ‡	290	..	?
(ii) Private . . . . .	26	410	..	34	?
<i>Total foreign debt:</i>					
1914 (public only) . . . . .	1,100§	1,700	903	850	..
1932 (public and private, long- and short-term) . . . . .	2,418	5,266	3,269	715	..
Total foreign debt per head of population in 1932 (in Swiss francs) . . . . .	378	292	235**	118	65**
<b>(b) Annual service of foreign debt (long and short term):</b>					
(i) Public debt . . . . .	127	172	124	30	0.2
(ii) Private debt . . . . .	13	31	?	5	..
(iii) Total . . . . .	140	203	124**	35	0.2**
<b>(iv) Total service expressed as percentage of exports:</b>					
1928-30 (av.) . . . . .	32	23	19	15	..
1931 . . . . .	49	28	29	16	..
1932 . . . . .	69	39	48	28	..
1933 . . . . .	89	47	52	34	..
1934 . . . . .	90	49	46	38	..
1935 . . . . .	70	44	44	30	..

\* No more precise data are given in the Stresa report.

† Excluding capital value of reparations.

‡ Included in long-term public debt.

§ 1917 (end): total amount administered by the International Financial Commission.

|| Serbia only.

\*\* Public debt only.

*Note:* The above table is based on figures given in the report of the Stresa Conference of 1932 as regards the four larger countries. In the case of Albania the figures are taken from other sources; the estimate of the service of Albania's foreign debt comes from the League of Nations memorandum on the *Balance of Payments*.

It is impossible within the scope of this work to enter into details of the various foreign loans raised during the period, although certain particulars are given in Appendix IV. It may, however, be useful to summarize a few of the more important aspects of the question.

In principle—if not in regard to the sums realized—the most important foreign loans of the period were the four League loans raised in all by Greece and Bulgaria. In both countries the situation after the War was so desperate as to call for international effort of a special type. In the main there were two problems to be solved: that of providing funds for the settlement of the refugees from Asia Minor into Greece, and from Thrace and Macedonia into Bulgaria; and that of ensuring—as it was then thought possible to ensure—some degree of stability in the economic life of these States. In both cases exhaustive inquiries into the situation were made by the League of Nations authorities, and as a result four international loans were floated between 1924 and 1928. In the case of Greece the sums raised were considerable. In 1924 a loan of £10 millions was issued at 88 simultaneously with an issue in New York of \$11 millions, all of which bore interest at 7 per cent. The nominal value of the stabilization and refugee loan of 1928 was high also, for that of the sterling tranche was just over £4 (issued at 91), the \$ tranche being as high as \$17 millions. These tranches bore interest at 6 per cent., but there was a further advance of over \$12 millions by the United States Government bearing interest at 4 per cent.<sup>1</sup>

In the case of Bulgaria the sums involved were smaller. The total nominal value of the refugee loan of 1926 was £2.4 and \$4.5 millions. The loan bore interest at 7 per cent., and was issued at 92, the sterling tranche in London, Amsterdam, Zürich, and Italy, the dollar tranche in New York only. On the other hand, the stabilization loan of 1928 totalled £1.8, \$13, and French francs 130 millions, and bore interest at 7½ per cent. The sterling portion of this loan was issued in London and Prague, and the dollar in New York, Brussels, Amsterdam, Zürich, and Italy. It should be added that while the special character of these League loans enabled them to be issued on terms which were probably more favourable to the debtors than would otherwise have been the case, it also entailed some degree of international supervision<sup>2</sup> over the finances of the borrower. It was probably for this reason that the other Balkan States did not raise money by this method.

The loans just described were international in the widest sense. This was the exception rather than the rule in Balkan finance of this period. There were only three other similar loans: Roumania's 7 per cent. stabilization loan of 1929; the 7½ per cent. franc loan obtained by Roumania in 1931; and Yugoslavia's 7 per cent. stabilization loan of 1931. Most of the other loans were issued either in London or New York—generally in both. Except for the stabiliza-

<sup>1</sup> For further details as to the stabilization loans see pp. 53 ff.

<sup>2</sup> Of an entirely advisory character, of course.

tion loan, Yugoslavia borrowed almost exclusively in the United States and France; while Albania has borrowed only from Italy. The Bulgarian Government was unable (or unwilling) to borrow abroad<sup>1</sup> except in the case of the two League loans already mentioned. Most of the post-war borrowing of these States was done in the United States, Great Britain, and, to a much smaller extent, in France. Lastly, the lowest nominal rate of interest at which any of these loans was issued was 5 per cent., and in most cases the rate was between 6 and 7 per cent. It must, however, be remembered that in all the more important lending countries interest rates were high throughout the period, though the special risk of lending to new countries was here the dominant factor.

The purpose to which the loans were put varied considerably. Fuller details will be found in Appendix IV. For the present it may be said that the sums spent by Greece and Bulgaria on refugee settlement were large. All of the Balkan States except Albania raised loans for the specific purpose of stabilization: Greece and Bulgaria, as already mentioned, in 1928, Roumania in 1929, and Yugoslavia in 1931. The funds obtained by these loans were not merely added to the gold reserve of the Central Bank for the protection of the currency. In most cases budgetary deficits were in existence, and large portions were utilized for reducing the debt of the State to the Central Banks. In Greece the stabilization loan provided funds for the actual establishment of a new Central Bank.

Public works was another important object for which Governments raised money in these years. The main purpose of the Yugoslav 'Blair' loans of 1922 and 1927 and of the Belgian loan to Greece in 1925 was the building of railways; drainage and irrigation in the Vardar and Struma valleys were undertaken out of the Greek Public Works loans of 1928 and 1931. A loan was raised in the United States by Greece during 1925 for the necessary task of improving the water-supply of Athens. The 1931 loan supplied Roumania also with funds for railways, drainage, and road-making. Lastly, the improvement of agricultural credit was the object of considerable portions of the Greek and Bulgarian stabilization loans of 1928, and of the Roumanian loan of 1931. How far the loan funds were applied to the purpose for which they were raised it is impossible to say in general. However, the reports of the Technical Adviser to the National Bank of Roumania suggest that in the loans of 1929 and 1931 there was considerable misapplication.<sup>2</sup>

The amount of foreign capital obtained otherwise than by Govern-

<sup>1</sup> At any rate as regards long-term capital.

<sup>2</sup> Cf. *Report of the Adviser to the National Bank of Roumania*, 1932, p. 16 (English translation).

ment loans during the post-war period was substantial. Figures and details, however, are scarce. Before the War the stake of foreign capital in the banks and principal public utilities of these States had been considerable. The influx of capital after the War mainly took the form of further assistance to foreign-owned, or largely foreign-owned, undertakings. The case of the railways, however, must be excepted, for their ownership had by the end of the War passed into the hands of the State in most cases, though a Greek railway<sup>1</sup> borrowed a large sum in London during the period. The commercial banking systems of these countries received liberal assistance from abroad during the period through short-term credits, particularly in Yugoslavia and Roumania, while agricultural credit banks, for example, in Yugoslavia and Greece, sold large amounts of mortgage bonds abroad.<sup>2</sup> Less frequently foreign investors took over a shareholding in commercial banks.

Electrification offered an obvious opportunity for foreign capital, particularly in Yugoslavia, where French, Belgian, Swiss, and occasionally Austrian and German capital was provided for the building of power stations. Franco-Belgian capital was obtained to finance the erection of power stations to supply Bucharest and to extend the existing system in Sofia, while a large sum of British capital was invested in electrification at Athens and the Piraeus; and an American concern obtained a monopoly for the working of the telephone system of Roumania. Mining had, before the War, attracted appreciable sums to Yugoslavia; this tendency was intensified, notably by British capital invested in the lead and zinc mines of south Serbia. Lastly, the amount of British, French, and American capital invested in Roumanian oil was very greatly increased, largely at the expense of German capital, which was bought out. This is by far the largest individual foreign investment in the Balkans, except, of course, for the loans to Governments.

These cases relate exclusively to direct investments of foreign capital. It will be seen that few direct investments were made in industry. Where Balkan industries were financed by foreign capital, funds were provided for the most part indirectly, i.e. by bank credits. It should, however, be noted that Vickers Ltd. took a participation in the Roumanian heavy industry during the period, while the Swedish Match Trust obtained monopolies in Roumania, Yugoslavia, and Greece. The inconsiderable extent of direct foreign investments in Balkan industry is probably due to the fact that industry was of little importance, at any rate before the period of foreign lending had come to an end. It may be of interest, however, that during the boom period of 1929 it was possible to float an 'Albanian

<sup>1</sup> The Piraeus-Athens-Peloponnese Railway Company.

<sup>2</sup> See pp. 45-6.

National Brewery Company' in London, though the company was in liquidation before the end of the year.

(e) *The financing of Albania.*

The financing of Albania proceeded on rather different lines from that of the other countries during the period. Soon after the War Albania obtained a financial adviser from the League of Nations; but efforts to obtain a League loan were unsuccessful. This failure gave an opportunity to Italy of securing a political hold on the country—highly desirable for strategic reasons—by making loans, although there could be little, if any, economic justification for such lending. The first step was the financing by Italy of the foundation of a central bank in 1925<sup>1</sup> which, in turn, proceeded to found the S.V.E.A.,<sup>2</sup> a company the object of which was to be the development of the economic resources of Albania. In this concern Italian capital was interested almost exclusively. Later in the year the new company made a loan to Albania of 50 million gold francs to be spent on road-building, improvements at Durazzo, and other public works,<sup>3</sup> interest and principal being guaranteed by the Italian Government. This was as well for the bondholders, as Albania herself appears to have transferred no more than 900,000 gold francs on the service of the loan,<sup>4</sup> though some provision for the service has been made in recent budgets.

In 1931 the Italian Government finally abandoned indirect methods and itself undertook to provide for ten years a loan of not more than 10 million gold francs annually, to be used for public works. This loan was not to bear interest, and repayment was to depend upon the financial position of Albania. For her part Albania agreed to instal a number of technical experts from Italy, whose advice was not to be restricted solely to financial and economic matters. In the event, the Albanian Government did not prove so submissive to Italian control as might have been expected, and only 20 million gold francs in all seem to have been paid to Albania under this arrangement.<sup>5</sup> On the other hand, it must be admitted that, up to the present, Albania has benefited considerably from the Italian capital she has obtained. Even if Durazzo harbour is far too big for her requirements, roads, bridges, and public buildings have been built, and swamps drained. For this Albania has made little cash return.

<sup>1</sup> See p. 56.

<sup>2</sup> *Societa per lo Sviluppo Economico dell'Albania.*

<sup>3</sup> A number of imposing public offices were built in the capital, Tirana, during the period, though whether they were paid for out of the Italian loan is not certain. <sup>4</sup> In 1930.

<sup>5</sup> 17 millions in 1931 and 1932, and 3 millions in January 1935. League of Nations *Memorandum on Public Finance, 1928-35* (Geneva, 1936): Albania, p. 8. It was reported in *The Times* of March 21, 1936, that Italy has now agreed to resume payment of the instalments of this loan.

(f) *Agricultural credit.*

The special need of the post-war period for agricultural credit arising out of the agrarian reforms then enacted has already been mentioned. The existing organizations whose purpose was the provision of agricultural credit were quite inadequate to meet these needs. It is true that in Transylvania, Slovenia, and Croatia there had existed a comparatively well-developed system of mortgage credit-banks, and that the development of the co-operative system in Bulgaria had made some progress before the War, but neither was sufficient even for normal requirements. For extraordinary purposes such as the financing of a period of agrarian reform they were entirely unsuited. To a small extent the deficiency was made good, as has been seen, by foreign lending. But the deficiency remained, and the peasant farmer was forced to borrow at rates of interest which became uneconomically high when prices began to fall, and finally, as will be seen in Part II, a series of agricultural moratoria had to be introduced in most of these countries after 1931.

*Mortgage credit.*

Agricultural credit in the Balkans falls into two classes: the agricultural mortgage-bank system and the co-operative system. In regard to the former of these some progress was made during the years 1920 to 1930. This progress was not, however, of a permanent nature, for it usually depended on continual subventions of foreign capital.

In Roumania most of the banks operating in the formerly Hungarian districts were forced out of business by the inflation. Moreover, in many cases the new allotments of land were legally inalienable and could not, therefore, be offered as security for loans. Long-term loans were thus out of the question, and the small farmer was compelled to borrow on short-term at ruinous rates on the security of his crops. Thus, even if he was able, in a time of rising prices, to earn and repay his interest, he was unable to create a reserve of savings for the bad years to come. Moreover, where long-term advances were made, in the majority of cases they were re-discounted with the National Bank, thus threatening the stability of the national finances. A large Agricultural Mortgage Bank was set up by the State in 1931 with the help of foreign capital, and a unified code of legislation covering the issue of mortgage bonds was passed in the same year; but there was not enough time for any real change in the position to take place as the result of these steps before the crisis of 1931 appeared.

What has been said of Roumania is for the most part true of the other countries, though to a lesser degree. In Yugoslavia, for

instance, though the allotments were usually at the disposal of the holder, the existing organization was almost equally inadequate to cope with the new situation, and, though the activity of the State Mortgage Bank of Serbia was in 1922 extended to cover the whole of Yugoslavia, the total of the credits granted was small. By 1928 the mortgages granted by this bank were only 1.9 milliard dinars, or about £7 millions gold; but of this just under one-half was raised by bonds issued abroad, and under one-tenth was applied to agricultural credit. Again, the State's real efforts came too late, for its Privileged Agricultural Bank was not formed till 1929.

In spite of the funds provided by the League loans to Greece, the situation here was even worse. Until 1929 no organization existed whose specific task was the provision of agricultural credit, and interest paid by the farmers was sometimes as high as 50 or even 80 per cent. per annum. The establishment of the Agricultural Mortgage Bank in 1929 did not greatly relieve the situation, for its total mortgages could not legally exceed 2 milliard drachmae (under £8 millions gold), and the rates of interest paid on its mortgage loans were still high. Moreover, it appears to have depended entirely on the foreign capital market for its funds. In Bulgaria the organization of agricultural credit by the State began in 1894, but, in spite of the considerable progress made since that date, the system was quite inadequate. The Mortgage Bank of Bulgaria would not lend at less than  $2\frac{1}{2}$  per cent. over the bank rate (in practice about 10 per cent.), and in any case depended largely upon foreign capital. In Albania the problem has hardly been formulated, and the peasant appears to have been in the hands of the village money-lender.

#### *The co-operative system.*

The assistance given to the farmer by the mortgage credit system was therefore not remarkable in spite of developments during these years, and in any case it depended for its continuity upon foreign capital. On the other hand, the progress made by the co-operative system was great. Indeed, its further progress during the crisis and post-crisis years suggests that it is here rather than in the Mortgage Bank that the solution to the problem must be found, so long as foreign capital cannot be obtained.

The co-operative system is perhaps best developed in Bulgaria. Here the movement began so far back as 1882. From 1907 the system has been encouraged by the State, and has worked in conjunction with the State agricultural institutions. Considerable progress was made after the War, particularly during the Stamboulsky régime. By the end of 1930 there were 1,870 co-operative associa-

tions (1,599 in the rural districts), with about 350,000 individual and 1,350 corporative members. In the absence of adequate agricultural finance these associations were of great assistance to the farmers by enabling them to purchase seed and stock, and even to buy or share agricultural machinery, at fairly reasonable rates.<sup>1</sup>

The co-operative system was well developed in the formerly Austro-Hungarian provinces of Yugoslavia; its origins can be traced to 1855 in Slovenia, and to 1896 in Croatia. But though the system was introduced into Serbia in 1894, its development lagged behind that of the other districts. After the War the development was rapid throughout Yugoslavia, and by 1929 there were no less than 6,338 co-operative associations, of which many catered for the needs of the small farmer; and the total membership was about 600,000. In Roumania, too, the co-operative movement has grown considerably since the War. Though there were fewer associations, the membership was greater than in the other countries, the figures in 1928 being about 4,000 and a million, respectively. It is worth noting, however, that while the co-operatives in Roumania had issued about 4 milliard lei of credits in 1928, the rate of interest was probably far higher than in the other Balkan countries. In Greece the development of the co-operative system did not begin until after the War, but by the end of 1927 there were as many as 5,700 associations, 4,500 of which were rural and the majority of which were credit co-operatives. In Albania the movement has made very little headway.

## 2. NATIONAL FINANCE, 1920-30

It is impossible in the space available to go into this subject in any great detail. Moreover, the absence of the necessary statistics often makes precise comparison between the Balkan States unsafe. In addition, the method of accounting has led to great confusion and even obscurity, as the result not only of changes in the duration of fiscal years, but also of the existence of autonomous financial institutions, the close connexion of which with the budget makes the final position difficult to determine.

It is hardly necessary to say that the administration of public finance during the earlier part of this period was far from orthodox. The reason for this is largely to be found in the chaotic conditions prevailing after the War in general, and in particular the special problems, many of which have already been mentioned,<sup>2</sup> with which these Governments were confronted. The payments arising out of these extraordinary conditions involved a continual increase in budgetary expenditure, which in most cases exceeded any increases

<sup>1</sup> For the considerable expansion of the co-operative system in the Balkans since the crisis see p. 111 and note 3.

<sup>2</sup> See p. 10.

which could be effected in revenue. At first these deficits were to some extent met by internal borrowings, generally by way of forced loans. Such resources were soon exhausted, and Governments were driven to direct inflation through borrowing from the Central Banks and through the issue of notes, thus causing a headlong depreciation of the currency. By 1924, however, the need for such extraordinary expenditure had in most cases been met, and with this the acuter phases of inflation ceased. Meanwhile, perhaps as a result, foreign capital markets began to open to the Balkan States and it became possible for Governments to repay, in part at least, the loans raised from their Central Banks during the earlier years.

With the increase of borrowing abroad during the latter half of the period, attempts were made to deflate budgets; and the appearance of equilibrium was gradually produced in nearly all these countries. It is doubtful, however, if during the whole period any real equilibrium between expenditure and revenue was ever attained. The extent to which this is so varies considerably; in Yugoslavia, though detailed figures are not available, it is probable that the finances were soundly administered and that the returned figures of budgetary surpluses are not seriously misleading. Nor would it appear that the situation in Bulgaria was misrepresented by the returned figures. The case of Roumania, however, and possibly also that of Greece, was very different, and in the former instance the reports of the Technical Adviser to the National Bank give reason to suppose that budgetary surpluses during this period were either non-existent or at any rate far smaller than would appear from the accounts. In Greece also it is doubtful whether the reduction of taxation and the increase in the salaries of State officials during 1929-30 were justified in view of the real position of the public finances.

A more fundamental reason for supposing that the budgetary equilibrium of the latter half of this period was illusory is to be found in the continual increase of expenditure after the *de facto* stabilization of currencies. In most cases this increased expenditure, once sanctioned, could not readily be reduced. The constantly increasing burden of the debt service, in particular, could be scaled down only by default. On the other hand, revenue was essentially elastic, and budgeted increases could be attained only so long as agricultural prices were rising. Prices were, in fact, rising during the period under consideration, but it was clear that when once they began to fall budgets would no longer be balanced, if, in fact, they had ever been balanced at all in the strict sense of the word.

Yet it must not be supposed that the increase of expenditure bore no relation to the increase in the population since the War. This can be seen from a comparison with expenditure per head in 1929-30

when budgets in the majority of cases had reached their most inflated levels:

TABLE 18. *Budgetary expenditure per head of the population*

(In Swiss francs)

	<i>Roumania</i> (1909-10)	<i>Yugoslavia</i> (Serbia) (1911)	<i>Bulgaria</i> (1911)	<i>Greece</i> (1914)	<i>Albania</i>
Pre-war . . . . .	60.3	40.4	46.8	114.9	..
1928-9 . . . . .	60.5	48.4	71.4	199.1	31.8

From the above table it can be seen that only in Greece and Bulgaria was the increase really substantial; in both cases the special circumstances arising out of the transfer of populations can to some extent be pleaded in justification. In Yugoslavia the increase is not larger than might be accounted for by the increase in productivity between the two periods, while in Roumania it is almost certainly less.

Of these increases by far the greatest was usually on account of the service of the foreign debt. For instance, in the case of Yugoslavia the proportion of budgetary expenditure on the internal and external debt to the whole was, in the fiscal year 1924-5, 3.8 per cent.; by 1932-3<sup>1</sup> it had increased to 21.2 per cent. In Greece the debt service accounted for 12.6 per cent. of the total in 1921-2, but as much as 31.7 per cent. in 1930-1. The figure in Bulgaria for 1922-3 was 21.7, and, for 1930-1, 18.0, the latter figure excluding the very heavy payments on reparations. In Roumania, however, there was actually a decrease, for while debt service accounted for 23.2 per cent. of the budget in 1923, the figure for 1931 was only 20.2 per cent., such had been the increase of expenditure on other items.

Comparable details are not available as to expenditure on other items during these years owing to the lack of uniformity in allocating expenditure to ordinary or extraordinary budgets. If, however, the ordinary budgets alone are examined it will be seen that the largest item is expenditure on defence. The estimated figures for 1925-6, a fairly normal year, were 30.1 per cent. for Yugoslavia,<sup>2</sup> 30.0 per cent. for Greece, 21.8 per cent. for Roumania, and for Bulgaria, in spite of Treaty provisions, 21.5 per cent. Expenditure on social services (public health, education, &c.) occupies a place of far less importance than in western Europe, being 16.1 per cent. for Roumania, 16.0 per cent. for Yugoslavia, and 12.1 per cent. for Greece; but that on

<sup>1</sup> This year has been given in preference to 1930-1 or 1931-2 as the figures for neither of these years includes the service of the international loan of 1931. The figure relates to budgeted expenditure only, for transfer was suspended in 1932.

<sup>2</sup> 1926-7.

public works in the ordinary budget usually accounted for something like 5 per cent. of the total, while the cost of many public works undertaken with a view to improving the social services of the State was borne indirectly by the service on the foreign debt. The same applies also to agriculture.

As regards revenue there are only a few points which call for comment. Firstly, the revenue arising out of direct taxation is comparatively small. This is a feature common to most agricultural countries, where the difficulty of collecting direct taxes in peasant areas compels the State to rely rather upon indirect taxation. The position can be seen from the following table, in which the year 1926 is again taken as being one of comparatively stable conditions:

TABLE 19. *Sources of ordinary revenue*

<i>Percentage of ordinary revenue arising out of</i>	<i>Bulgaria 1925-6</i>	<i>Greece 1925-6</i>	<i>Yugoslavia 1926-7</i>	<i>Roumania 1926</i>
Direct taxation . . . . .	15.7	16.3	20.3	17.8
Indirect taxation (excluding customs duties) . . . . .	31.3	36.1	26.0	27.5

The other main source of revenue is constituted by import duties. The proportion of this item to the total varied during 1926 from about 30 per cent. in Yugoslavia to 10.2 per cent. in Roumania. In the latter case an important source of revenue during these years was the export duty on petroleum, accounting sometimes for as much as 25 per cent. of the total revenue. The tax was subsequently reduced, and yielded only 16.4 per cent. in 1926. Export duties are small or non-existent in the other countries.

The administration of the monopolies, at any rate in the good years, also contributed large sums to the revenue of the State. Throughout the Balkans the practice prevails of handing over to a monopoly the exploitation of certain branches of production or distribution, such as the manufacture of matches, the distribution of salt, or, in Roumania and Yugoslavia, the sale of tobacco. In the last two cases the surplus yielded by the monopolies accounted respectively for 16.7 and 22.6 per cent. of the total revenue during 1926. In addition to the monopolies there is usually a number of autonomous financial institutions administering (apart from the usual objects of State activity, for instance, posts and telegraphs) undertakings such as the State forests and mines, and in particular the railways which, except in Greece, are almost all State-owned.

The importance of these institutions is great. For not only is the State liable in most cases for any deficit which may be incurred, but

their autonomous character often enables them to avoid the pursuit of a general line of financial policy which may be required by the State, since their revenues and expenditure are usually not included in the general budget. The result is that institutions which, in fact if not in law, are organs of government can by these means escape from the control of the State. The existence of such bodies has occasionally led to a position of almost inextricable confusion, particularly in Roumania, where the system of autonomous institutions is perhaps most developed and centralization least employed. Although this consideration applies chiefly to Roumania, it cannot be said that the other countries have entirely avoided the evils of the system, for if the development of autonomous institutions is less extensive, the value of other extra-budgetary expenditure, to which similar considerations often apply, is usually high.

Lastly, it should be stated that public finance in the Balkans is complicated by several other factors of a more general nature. It must, for instance, be remembered that all these countries suffered, particularly just after the War, from a great lack of administrative experience. This was to some extent offset by the presence of technical advisers, delegated by the League in the case of Greece and Bulgaria, obtained from France by Yugoslavia and Roumania, and appointed by Italy in the case of Albania. But technical advice need not be followed. In the case of Roumania, the repeated admonitions of the technical advisers were powerless to repress the inefficient accountancy, the over-estimation of revenue, the slackness with which arrears of taxes were collected, and even the wholesale corruption, which are recorded in their reports. These faults were by no means peculiar to Roumania.

It should be added that during most of this period the administration of the Albanian finances was almost entirely in the hands of Italian officials. Estimates of expenditure and revenue have been published, but information as to the extent to which they were realized is unreliable, and no comment can usefully be made upon them, for as the Albanian economy was dependent upon loans from Italy, the position was highly artificial. Fuller information, however, is available for the years after 1928.<sup>1</sup>

### 3. MONETARY POLICY, 1920-31

Four distinct stages can be discerned in the monetary history of the Balkan States after the War: the period of inflation, that of *de facto* stabilization, and that of *de jure* stabilization, which was followed, after 1931, by an almost complete collapse of the entire

<sup>1</sup> See pp. 96-7.

monetary system built up in the preceding decade. The last stage will be dealt with in Part II.

Before the War these States had all belonged, in fact or in law, to the Latin Monetary Union. The Greek drachma, the Roumanian leu, the Bulgarian lev, and the Serbian dinar<sup>1</sup> had all been maintained on a gold basis at a parity of 25·2215 to the £ gold. During the War convertibility at this rate became impossible. After the Armistice the rapid increase in State expenditure, financed by note issues, led to an equally rapid depreciation of the currency, which was accompanied by all the usual inflationary phenomena, such as an immense rise in prices, a growth of speculation, and a large increase in the number of banks. This period of inflation was complicated by a number of special circumstances. In Yugoslavia the circulation of Austro-Hungarian crowns, Serbian dinars, Montenegrin perpers, and even of Bulgarian levas, and the uncertainty as to their mutual relationship, added greatly to the prevailing monetary chaos. In Greece political pressure exerted in favour of inflationary action was a powerful influence, at any rate until 1926, while Bulgaria was deprived of the resources which might have been used to defend the lev by the entire loss of a large portion of her foreign assets through the depreciation of the German mark. The results of this period of inflation can be seen from the following table:

TABLE 20. *External value of Balkan currencies*  
Annual average cost of old gold U.S. \$\* expressed as a percentage  
of its cost at par

	Bulgaria (Lev)	Greece (Drachma)	Yugoslavia (Dinar)	Roumania (Leu)
1920 . . . . .	1,175·1	172·7	505·3	980·5
1921 . . . . .	1,898·4	331·0	814·4	1,564·2
1922 . . . . .	2,803·3	583·7	1,426·7	2,768·7
1923 . . . . .	2,183·5	1,125·7	1,799·6	3,908·3
1924 . . . . .	2,850·1	1,077·9	1,505·3	3,873·0
1925 . . . . .	2,637·1	1,235·8	1,131·4	3,993·2
1926 . . . . .	2,676·2	1,533·9	1,093·4	4,176·5
1927 . . . . .	2,686·9	1,464·8	1,096·4	3,193·5
1928 . . . . .	2,675·8	100·1	1,096·4	3,146·1
1929 . . . . .	100·1	100·3	1,096·9	100·4
1930 . . . . .	100·2	100·1	1,091·3	100·1
1931 . . . . .	100·9	100·4	99·3	100·6
Date of <i>de jure</i> stabilization .	October 1928	April 1928	June 1931	January 1929
Rate of <i>de jure</i> stabilization .	1:26·71	1:14·87	1:10·96	1:32·26

\* i.e. U.S. \$ of gold content legally required until March 1933 (25·8 grains of gold nine-tenths fine).

<sup>1</sup> The drachma is divided into 100 leptas, the leu into 100 bani, the lev into 100 stotinki, and the dinar into 100 paras.

It will be observed that the greatest degree of depreciation was in all cases attained between 1922 and 1926, for, as was seen in the previous section, the highest peaks of budgetary inflation were mostly reached by 1924, and from that point foreign capital began to flow into the Balkans. Here a distinction must be drawn between foreign loans to be used for the import of commodities or services and those to be spent inside the country. For in the latter case, and it was perhaps the more frequent owing to the actual lack of capital and not merely of foreign exchange, the foreign currency was ultimately sold to the Central Bank and so strengthened the reserves.

Thus even before foreign loans had been obtained for the specific purpose of stabilization, the gold reserves of the Central Banks began to grow through the influx of foreign capital, and this, together with the cessation of the acuter phase of budgetary inflation, gradually checked the depreciation of currencies. At the same time there was a considerable expansion of foreign trade and also, it is probable, of certain invisible exports. It is, however, more than doubtful whether, during the earlier part of the period under consideration, this factor was of greater importance than the influx of foreign capital. In any case, by 1925 the influx of foreign currency combined with the cessation of direct budgetary inflation enabled Governments to enter upon a period of *de facto* stabilization. This is illustrated by Table 21, p. 54, showing the movements in the note circulation and gold reserves over the period.

*Greece.* The first of these countries to stabilize its currency was Greece. From 1926 the fluctuation of the value of the drachma in terms of gold had been small. In the autumn of 1927 it was decided by the authorities that it was possible to stabilize. To that end the stabilization loan was issued in May 1928, as stated in a previous section. The value of the drachma was fixed at 375 to the £<sup>1</sup> or about the rate at which it had stood in the open market during the previous two years. Of the proceeds of the loan (about £9 millions nominal) a third was allocated to the meeting of budget deficits, and a further third to the formation of a new central bank. The latter step was deemed necessary as the Banque Nationale de Grèce, which had formerly acted as the chief bank of issue, was involved in commercial transactions and even in mortgage business, which would compromise the administration of a properly conducted central bank. The charter of the new bank was drafted by the League and contained several significant provisions. For instance, an attempt was made to secure the independence of the bank from direct political influence by a provision that not more than one-

<sup>1</sup> i.e. 1 pre-war drachma (= Swiss franc) = 14·87 drachmae.

tenth of the share capital was to be held by the State, though the Government commissioner might protest against any decision of the bank and refer it to arbitration. Strict limits, however, were imposed upon the amount of treasury bills to be discounted or

TABLE 21. *Gold and foreign currency holdings, and notes in circulation, of central banks, 1919-31*

(a) *Gold and foreign currency holdings (end of year).*  
(b) *Notes in circulation (end of year).*

	Albania (million francs)		Bulgaria (million leva)		Greece (million drachmae)		Roumania (million lei)		Yugoslavia (million dinars)	
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)*	(b)
1919	..	..	..†	2.9	..†	1.4	..†	4.2	..†	..†
1920	..	..	..†	3.4	..†	1.5	..†	9.5	..†	3.3
1921	..	..	..†	3.6	..†	2.2	..†	13.7	..†	4.7
1922	..	..	1.0‡	3.9	0.8	3.1	7.0	15.2	..†	5.0
1923	..	..	1.1§	4.1	0.9	4.7	7.7	17.9	0.8	5.8
1924	..	..	1.9	4.5	1.0	4.9	8.0	19.4	0.9	6.0
1925	1.6	..	1.4	3.7	2.1	4.3	8.1	20.1	0.9	6.1
1926	5.4	2.3	0.8	3.5	2.4	4.9	8.3	21.0	1.0	5.8
1927	13.2	6.3	1.6	3.7	2.5	5.0	8.5	21.0	1.1	5.7
1928	16.5	10.1	4.1	4.2	4.2	5.7	8.2	21.2	1.1	5.5
1929	18.9	11.5	2.5	3.6	3.1	5.2	16.0	21.1	1.2	5.8
1930	22.4	12.9	2.2	3.3	3.0	4.8	11.1	19.6	1.1	5.4
1931	20.4	11.9	1.8	2.9	1.9	4.0	10.0	23.8	2.1	5.2

\* Until 1931 holdings of foreign currency were reckoned at their nominal parity only. At the end of 1930 foreign currency holdings so reckoned were given as 54 million dinars. The figure for the end of 1931, reckoned at the new parity, is given at 336 million dinars.

† No comparable figures are available before 1922 owing to the fluctuation of currencies and the consequent difficulty of knowing at what rate holdings have been valued.

‡ No comparable figure available.

§ 1922-3: gold only.

|| Year of *de jure* stabilization.

accepted as collateral, of direct advances to the Government, and of investments in Government bonds. Lastly, the reserve for the note issue, which was made a monopoly of the bank, was fixed at 40 per cent. of the notes in circulation, and was to consist not only of gold, but of 'gold exchange'.

*Bulgaria.* The stabilization of the lev was undertaken on similar lines. Since 1924 the currency had been in a condition of *de facto* stabilization. The stabilization loan of 1928 made it possible for *de jure* stabilization to be enacted with the assistance of the League authorities, and the rate was formally fixed in November 1928 at 673.66 to the £ or 26.71 new leva to 1 old lev. Here again a radical reorganization of the Central Bank was effected, the sixth since its foundation in 1879 and the third since the War. A new charter was granted to the bank, in which the League financial authorities

made a third attempt to secure some measure of independence for the bank from political influence, and an undertaking was obtained from the State that the bank would, at a future date, be constituted as an independent corporation. The share capital, however, remained largely in the hands of the State. Restrictions were imposed upon advances which might be granted to the State. One and a half million pounds of the £5 millions realized by the loan was earmarked for the repayment of advances to the State, a prohibition was placed on the commercial transactions formerly undertaken by the bank, and its mortgage department was taken over by a new agricultural bank. The sole right of issue was irrevocably granted to the Central Bank, while the minimum reserve, which here also could be in gold or gold exchange, was legally fixed at 33½ per cent. not only of the total note circulation but of the sight obligations as well.<sup>1</sup>

*Roumania.* In Roumania, as in Yugoslavia, stabilization was effected on rather different lines since, largely for reasons of prestige, the assistance of the League was not obtained. The leu had been maintained at a more or less stable rate since 1927, and in February 1929 it was legally stabilized at the low figure<sup>2</sup> of 32·26 times its old gold parity, giving a rate of 813·593 to the £. This was achieved with the help of the international loan of \$100 millions mentioned on page 41. About a quarter of the proceeds went to redeem the debt of the State to the National Bank, the constitution of which was now redrafted and which received a technical adviser from France. The new statutes, however, tacitly repudiated the principle of independence from the State which had been followed by the League in the case of Bulgaria and Greece, for they empowered the Government commissioner to require that 'any decision . . . contrary to the laws or statutes or interests of the State be suspended'. But the shareholding of the State was restricted to 10 per cent. of the bank's capital, and limits were imposed upon the extent of loans to the State. The minimum reserve, which might consist of gold or gold exchange, was fixed at 35 per cent. of the total sight obligations.

*Yugoslavia.* The Yugoslav dinar had been stabilized *de facto* almost before any of the other Balkan currencies, but *de jure* stabilization did not take place until May 1931. As has been stated earlier, an international loan was raised, largely in Paris, for 1,025 million French francs nominal. Of the proceeds, viz. about 890 million French francs, some 470 millions were allocated towards the reduction of the State debt to the bank, while the gold content of the dinar

<sup>1</sup> But see p. 128, note 2.

<sup>2</sup> Though here, as in the case of Yugoslavia, the rate chosen for stabilization was considerably above the lowest rate to which the paper currency had depreciated.

was fixed at a rate which gave a parity of 276·32 to the £ (1 old dinar = 10·96 new dinars). For defending the currency at this rate the National Bank possessed, in addition to the resources already mentioned, the profit now obtained from the revalorization of the gold stock; and the minimum cover for the note circulation was fixed at 35 per cent.,<sup>1</sup> of which 25 per cent. had to be in gold coin or bullion. As regards the relations of the bank to the State, here, as in Roumania, the connexion was legally far closer than in Greece and Bulgaria. Although by the new charter of 1931 the State's holding of the share capital was limited to 20 per cent., and the total advances which might be made to the Government were restricted to a low figure, a commissioner was appointed to enforce the control of the State. Moreover, as with the National Bank of Roumania, he was empowered to veto any decision which might conflict with the policy or interests of the State.

*Albania.* Lastly, in Albania no national currency had existed during the years immediately after the War, and the currencies in circulation were those of the neighbouring States, and even Austro-Hungarian kroner or Maria Theresa dollars. In 1925 it was decided to introduce an Albanian currency based on the gold franc (25·2215 to the £ gold) and to form a central bank. The share capital was issued in Italy, and a participation was offered to Albanian nationals, but, owing to the inability of Albania to subscribe, almost the whole of the capital was taken up in Italy. The bank is managed principally by Italians, the head office is in Rome, and the Albanian franc has been rigidly controlled from the start. It is hardly necessary to say that the Albanian currency has never been of any international importance, and that up to the present it has therefore been possible to maintain it on a gold basis at its original parity.

It is impossible to say whether the new parities could have been maintained for any length of time if the financial crisis of 1931 had not taken place. But it is significant that the period of the greatest stability enjoyed by these currencies was the period during which they were importing the greatest amount of foreign capital. As will be seen, the crisis made it no longer possible for these parities to be supported except by measures of the most artificial nature, and most of the reforms brought about during the period of *de jure* stabilization have been swept away. The reforms affecting the principles of central banking systems, however, have for the most part remained intact. Of these the most important is perhaps the attempt in Greece, and to a lesser extent in Bulgaria, to secure for the bank of issue some independence from political influence. Yet even here the

<sup>1</sup> But see p. 128.

degree of dependence is still great; in Roumania and Yugoslavia it is even greater. These differences may prove to be of considerable importance in the future monetary history of the Balkan States.

#### 4. COMMERCIAL BANKING, 1920-30<sup>1</sup>

It has been convenient to deal with certain aspects of the banking system, such as central banking and the mortgage and co-operative system, in describing those parts of the financial structure to which they logically belong. This method of treatment suggests the existence of a more or less hard and fast distinction between the various types of banks in the Balkans. In a sense this is misleading. For while the Central Banks are naturally in a class of their own, the usual distinctions between the various types of bank are not nearly so well drawn as in western Europe. Banks in the Balkans are essentially enterprises which, at any rate until fairly recently, are prepared to undertake almost any type of financial transaction; and Central Banks have even been known to take an interest in real property.

This fact must always be remembered in considering the commercial banking system of these States. There is not, and never has been, for instance, any distinction between investment and deposit banking. This is largely due to the origins of banking in the Balkans, for the Balkan banking system was derived from Germany and Austria, where the distinction does not exist. It must also be ascribed, in part, to the absence of any form of money market in which the assets of deposit banks might be invested. Thus the liquidity of banks has often been endangered by the necessity to lay out too much of their resources in real property, commodities, or industrial undertakings, the alternative being a serious reduction of profits. Indeed, many of the larger banks are often more akin to investment trusts than to commercial banks, while some of the smaller institutions are frequently no better than *bureaux de change* or pawnshops.

A further feature peculiar to the Balkan banking system is the slow development of the principle of branch banking, except in Greece. The results of this factor have been twofold. On the one hand, it has exposed the banks to all the dangers of 'regional' banking, and has thus stood in the way of the distribution of risks. On the other, it has produced a system composed of a large number of small, weak units rather than of a few large banks, a tendency which was intensified by the inflation. This factor, combined with the insufficiency of the average bank's capital for its normal needs, rendered the banking system of most of these States liable to very

<sup>1</sup> Developments in Balkan banking after 1930 are dealt with on pp. 105-12.

grave risks. It is significant that the only country of the Balkans to escape a first-class banking crisis during the past few years is Greece, where the development of branch banking is greatest.

The growth of the banking system has been retarded also by the slow increase in the use of the cheque, which through a great part of the Balkans is still practically unknown. Even in Greece, where financial technique is less backward than in the other countries, differences between banks at the end of banking hours were actually settled by payments in cash until just after the War. Elsewhere, as, for instance, in England before 1844, slow development in the use of the cheque has been advantageous to banks, for the profits accruing from the issue of notes by commercial banks can be considerable. In the Balkans, however, the Central Banks all hold, and have held for some time, a monopoly of issue. The only exception to this until quite recently was Greece, where the last private bank to enjoy the right of issue surrendered this privilege in 1928. Banks in the Balkans are thus subject to all the disadvantages of this factor.

The above circumstances have not led to the growth of strong banking systems. They have been accentuated by the lack of rediscounting facilities and by the absence of any unified code of banking law. A further noteworthy feature of Balkan banking is the considerable foreign interest in the banks. From the start foreign finance played a predominant part in the organization of the banks until the War,<sup>1</sup> though since 1920 the role of foreign capital has for the most part been confined to granting short-term credits rather than to the acquisition of a direct share interest. The importance of this factor is great. For in good years foreign capitalists have taken the opportunity of providing finance to extend the interests of their affiliated institutions. In bad years, however, foreign affiliations are usually the first to suffer from a general restriction of credit, and the consequent withdrawals, as will be seen, can have serious reactions upon weak financial structures such as those of the Balkan States.

*Roumania.* The above remarks apply especially to Roumania, where the distinction between investment and deposit banking has probably been least regarded, and the growth of small banks has been greatest: the total number of banks increased, under the stimulus of inflation, from 542 in 1920 (with a capital of 123·3 million Swiss francs) to 1,099 in 1929 (with a capital of 327·5 million Swiss francs). Moreover, commercial banking after the War was complicated by several special considerations. In the old kingdom, where joint-stock

<sup>1</sup> For the early interests of British banks in the Balkans see A. S. J. Baster, *The International Banks*, London, 1935.

banking did not appear until comparatively recently, the banking system was not very highly developed, while Transylvania had an organization of its own which was quite separate from that of the other districts. Further, commercial banking in the Bukovina had been dependent entirely on Vienna, and in Bessarabia on the old Russian banks. The creation of a national banking system, therefore, gave rise to serious problems, many of which still remain to be solved. During the years 1920-30 these problems were for the time rendered less urgent by the large influx of foreign capital into the banking system, with the result that the necessity for amalgamations and the elimination of smaller banks was less obvious than it would otherwise have been. No steps were taken to reduce the number of small banks, and the relative importance of most of the larger banks actually decreased during the period.

*Yugoslavia.* The commercial banking system of Yugoslavia also is complicated by the fact that each of the constituent parts of the kingdom had banking systems of its own which, since the formation of the new kingdom, have remained more or less separate from the others. While banking as a whole was comparatively well developed, and the principle of branch banking had made some headway in Dalmatia, Slovenia, and especially Croatia (Zagreb, not Belgrade, is the financial centre of Yugoslavia), in Serbia this was very far from being the case. Of the 700 banks in existence at the end of 1930 a disproportionate number—over 300—were situated in Serbia. In other respects, what has been said of banking in general holds good, particularly as regards investment and deposit banking. In Yugoslavia the dangers of failing to observe this distinction has been accentuated by the fact that most of the commercial banks were originally established, and still operate very largely, as savings banks, and should therefore require to keep their funds in as liquid a form as is compatible with the earning of profits. In spite of the great number of banks, some 40 per cent. of their total share capital was accounted for in 1930 by sixteen banks, whose head offices were mostly in Zagreb. Much of the share capital of these sixteen banks is held abroad, mainly in France, Belgium, Austria, and Great Britain, though that of one or two of the largest was held almost entirely inside Yugoslavia. Several important amalgamations took place during the period, sometimes with Government assistance, but it cannot be said that the resulting system as a whole was one of any great strength, as will be seen in a further section.

*Bulgaria.* Commercial banking in Bulgaria does not differ greatly in principle from that of the other countries except in that the difference between purely agricultural banks and commercial banks is perhaps more sharply defined. Apart from this the distinction

between deposit and investment banking is not notably observed, and the insufficiency of capital for normal needs is marked, a factor which the Government have attempted to eliminate by the promotion of amalgamations. But though at the end of this period most of the business was in the hands of nine large banks, which had incidentally begun to adopt the principle of branch banking, the total number was still upwards of 130; and there is no doubt that, like most of the Balkan States, except Greece, Bulgaria is overbanked. Lastly, foreign capital, chiefly French, Belgian, German, and Austrian, has probably been of greater importance in the development of banking in Bulgaria than in any other of the Balkan States, though it is remarkable that so far as is known no British capital is directly invested.

*Greece.* Greece is an exception to what has been said above, partly no doubt because of the difference already noted between the Greek economy and that of the other Balkan States. For instance, the principle of branch banking has here been widely applied, for Greek banks have many branches even outside the country, particularly in the Levant and Egypt, where Greek finance is of some importance. Moreover, the total number of banks, under fifty, is comparatively small. It has been estimated<sup>1</sup> that in 1927 three-quarters of the commercial banking business of the country was transacted by no more than seven banks. This remarkable degree of concentration may be due to the fact that the system is older than that of the other countries,<sup>2</sup> for the Banque Nationale de Grèce was founded so long ago as 1841. This bank acted as a Central Bank till 1928, although it undertook commercial business in competition with the other banks. Yet, in spite of the differences between the Greek and the other banking systems, the commercial banks, which are largely modelled upon those of France and Belgium, do not for the most part distinguish between investment and deposit banking. There is a number of important private banking houses in Greece, an anomaly in Balkan finance except possibly for Roumania.

The National Bank (and its branches), already referred to in the previous section, is the only bank in Albania.

## 5. SAVINGS BANKS

The savings banks have already been referred to in the case of Yugoslavia. This type of bank began to play a part of increasing importance in the financial organization of the Balkans during the period under consideration. As their most rapid growth took place

<sup>1</sup> League of Nations *Memorandum on Commercial Banks, 1913-29*, p. 165.

<sup>2</sup> British and French capital played a large part in the early history of Greek commercial banking, but most of the principal banks are now controlled inside Greece.

for the most part after the crisis of 1931, they will be dealt with in greater detail in Part II.<sup>1</sup>

## 6. INSURANCE

Little information is available as to insurance in the Balkans, though a summary of the legal provisions, which in most cases grant to the State varying degrees of supervision over insurance companies, and lists of the principal foreign and domestic concerns are contained in the *International Insurance Intelligence*, published annually in London. All that can safely be said is that the interest of foreign capital is considerable, if not predominant. Many of the big European companies have branches or are represented in most of the Balkan States, and the range of risks insured is wide, a speciality often being made of the insurance of crops against hail. But both in countries such as Greece, where the number of foreign branch offices is large, and in those where foreign penetration is less obvious, for instance Roumania, the bulk of the business is reinsured abroad, usually in London or Paris. The expansion of Austrian companies in the Balkans, at one time considerable, has largely been checked by the crisis of 1931.

<sup>1</sup> See p. 112.

PART II  
THE CRISIS OF 1931-2 AND SUBSEQUENT  
DEVELOPMENTS

INTRODUCTION

THE economic system built up in the years 1929-30 depended upon three factors: a high or rising level of prices, a comparatively unrestricted market for agricultural exports, and a free access to foreign capital. By 1931 each of these factors had ceased to operate, and the result was the collapse of the system existing during the previous decade. It must, of course, be admitted that all these factors were closely interconnected, that the fall of prices had begun as far back as 1929, and that the restrictions upon foreign trade had been growing ever since the War. However, the world crisis of 1931 accelerated their progress very greatly; and it is, therefore, convenient to take that year as marking the end of a period, particularly as the failure of the Oesterreichische Kredit-Anstalt in May, the German and Hungarian crises of July, and the collapse of sterling in September, brought to an end the flow of foreign capital into the Balkans.

The effect of the fall in prices had two main aspects. Internally, it upset the relationship between the debtor farmer and the creditors from whom he had borrowed when prices were high, and led to a severe restriction of his purchasing power. This had a direct effect upon national finance which, as has been seen, was scarcely in a sound position even before the onset of the crisis. As a result of the continual decrease of revenue the State was in most cases rendered impotent to relieve the farmers' position by an active policy. From the external point of view, the effects were even more serious, for the foreign trade of the Balkans largely depends upon the export of agricultural produce; and this was the very class of commodity in which the fall of prices was heaviest. Yet the price of the chief imports of all these States except Greece fell at a much slower rate.

The diminution in the value of exports was accelerated by the increasingly severe restrictions which were imposed in the principal markets, notably Germany and the Succession States, and the Balkans were in turn compelled to place restrictions upon their own imports. But though the result was that in 1931 and 1932 the proportion of the value of exports to that of imports was higher in most cases than it had been since the War, the position was in reality not

improved, for the absolute value of the export surplus was lower. Moreover, this decrease was accompanied by a sharp fall in the value of the principal invisible exports, particularly the remittances from emigrants, and that at a time when the cost of the debt service payable abroad was steadily increasing owing to the fall of prices.

The balance of payments naturally suffered very seriously from the circumstances described above. The deficit steadily increased, and could no longer be made good by further imports of capital. Nor was this all, for the banking crisis of 1931 had been preceded by the actual withdrawal, where possible, of much of the short-term foreign capital invested in these States, principally Yugoslavia, Roumania, and Greece. There was therefore a continual decrease in the foreign assets of Central Banks, and exchange restrictions, originally designed to maintain the currency at the stabilized rates, were imposed. The system of exchange control, however, did little to remedy the situation, and its sole achievement was the maintenance of those currencies at levels which, by 1932, had ceased to be anything but artificial. In Greece the restrictions failed even in this, and the gold standard had to be abandoned in 1932. Elsewhere the depreciation of the currency has been tacitly recognized in one way or another, though the original parity is still maintained in theory. Lastly, it became impossible for these States to meet in full the service of their foreign obligations. For even if they had not been borrowing beyond their means, the exchange position did not permit of the transfer of the full service abroad. As the result, each State is at present in some stage of default.

Since 1932 the intensity of the adverse tendencies outlined above has greatly decreased, and the feeling of acute crisis which paralysed economic activity in the preceding year or two has now disappeared. During 1933, 1934, and 1935 the Balkan States have, in varying degrees, adapted themselves to the new conditions which have prevailed since 1930, and in Greece there has been an almost spectacular recovery. In most of these countries the question of agricultural indebtedness has been solved for the moment by remissions of principal, while the lack of exchange with which to purchase manufactured articles—in spite of the relief granted by the suspension of the full foreign debt service—has been met by the growth of industrialization. But before the considerations outlined in this section are examined in detail, one point should be firmly emphasized. However satisfactory the degree of adaptation or recovery may seem to be, the fundamental problems are still unsolved, and are likely to remain so until the three factors referred to at the beginning of this section are once more in operation.<sup>1</sup>

<sup>1</sup> *Developments in Albania since 1931*: There is little information available as to the

# I. AGRICULTURE AND THE FALL OF PRICES

## 1. PRICE MOVEMENTS SINCE 1929

No really reliable method exists of comparing price movements in the Balkans during recent years. The published indices are not constructed on a uniform basis. Moreover, in addition to differences in weighting, the base year differs in almost every case. Last, but not least, a serious complication has been introduced by the depreciation of the external value of the currencies in which these prices are expressed; and except for Greece, and perhaps Yugoslavia, it is impossible to ascertain the true extent of depreciation. The table which appears below will, therefore, afford no more than the barest indication of the degree to which price movements varied from country to country, and must be read in close conjunction with the figures given below:

TABLE 22. *Price movements since 1929*

*Wholesale price indices recalculated with 1929 as base year  
(Yearly average of monthly figures)*

<i>Original base year:—</i>	<i>Albania 1927</i>	<i>Bulgaria 1913</i>	<i>Greece 1913-14</i>	<i>Yugoslavia 1926</i>	<i>Roumania 1929</i>
1929	100.0	100.0	100.0	100.0	100
1930	88.0	80.9	90.9	86.1	84
1931	90.3	67.7	81.2	72.5	65
1932	73.6	60.1	97.5	64.8	58
1933	57.2	52.8	110.3	64.0	57
1934	51.1	54.3	108.7	62.8	58
1935	56.2	55.6	110.6	65.5	67

In considering these figures there are three main points to be noted. First, though there are many differences of detail, indices are inevitably weighted very heavily by the price of primary commodities, in which the fall of prices was the heaviest. This phenomenon is so well known that it is unnecessary to go into detail; an idea of the fall can be obtained from Table 23.

Secondly, it is important to note that the fall was relatively far greater in the exports of these States than in the industrial articles which account for so much of their imports. This fact, which has by now become commonplace in agricultural countries, can be illustrated by the figures given in Table 24. In every case except that of Greece the fall of export prices was considerably greater

economic situation in Albania during this period, and it is difficult to arrive at any precise conclusions as to the real position. The general observations contained in the following sections therefore refer only to Bulgaria, Greece, Yugoslavia, and Roumania, unless Albania is expressly included.

TABLE 23. *Prices of certain agricultural products*

	<i>Greece</i>	<i>Roumania</i>		
	<i>Average price per ton of exported tobacco*</i>	<i>Price in lei per kilogram on home market†</i>		
	<i>Swiss francs</i>	<i>Wheat</i>	<i>Maize</i>	<i>Barley</i>
1929 . . . . .	5,302.0	7.50	5.91	4.75
1930 . . . . .	4,623.0	4.69	2.85	2.38
1931 . . . . .	3,519.1	2.52	2.12	2.45
1932 . . . . .	2,225.4	3.52	1.88	2.51
1933 . . . . .	1,448.3	4.85‡	1.73	1.61
1934 . . . . .	1,575.5	4.19	2.08	2.16
1935 . . . . .	2,030.4	4.10	2.35	2.36

\* Including f.o.b. charges.

† Average for year.

‡ For an explanation of this rise, see the following section, p. 68.

than that of imports; in Roumania the fall is nearly twice as great. The exceptional position of Greece is due to her large imports of grain, at any rate until fairly recently. Thus, with this single exception, the fall in exports was not offset by a corresponding fall in the price of the principal imports. The Balkan States have consequently been forced for the most part either to forgo, or to manufacture for themselves, the industrial articles which they formerly imported.

TABLE 24. *Price per metric ton of exports and imports*

(In Swiss francs)

	<i>Roumania</i>		<i>Yugoslavia</i>		<i>Greece</i>		<i>Bulgaria</i>	
	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>
Average 1922-30 . . . . .	121.3	815.8	126.8	424.6	577.9	315.6	531.6	617.0
1931 . . . . .	68.5	853.9	131.9	366.7	472.4	231.9	268.9	591.4
1932 . . . . .	57.0	823.4	108.4	276.5	385.3	142.5	215.4	498.0
1933 . . . . .	49.3	768.5	79.9	257.8	224.4	129.6	241.1	346.5
1934 . . . . .	46.5	629.6	75.8	286.4	205.4	128.2	222.1	329.1
1935 . . . . .	49.4	547.0	85.2	264.3	234.6	128.4	369.1	401.6
Percentage fall between 1922-30 average and lowest point 1931-5 . . . . .	62	33	40	40	64	59	60	47
Percentage rise since lowest point . . . . .	6	—	12	2	14	(0.2)	72	22

Lastly, what is in many ways much more remarkable is the fact that, as measured by these indices, prices in the Balkans appear to have responded very slowly to the stimulus of depreciation. In Yugoslavia—until 1935—the index had actually been lower since the depreciation of the dinar, as can be seen from Table 25, in

which the figures for the twelve months immediately preceding the official recognition of the depreciation are taken as a base:

TABLE 25. *Price movements in Yugoslavia*

	<i>Wholesale price index (recalculated)</i>	<i>Percentage discount of the dinar against gold plus (average for period)</i>
April 1932–March 1933	100.0	—
Year 1933 . . .	98.6	22.3
„ 1934 . . .	96.8	23.1
„ 1935 . . .	100.9	23.0

In Bulgaria, where there has undoubtedly been a heavy fall in the external value of the currency (although nominal gold parity is maintained), prices during 1935 have shown a slight tendency to rise; but it is very improbable that they have risen to the extent of the depreciation of the lev.

In Roumania, and still more in Greece, there has been a noteworthy rise in prices expressed in national currency as compared with the low levels of the last few years. But it is improbable that the rise has caught up with the depreciation of the currency. This cannot be certainly demonstrated in the case of Roumania. Here the index of wholesale prices (1929 = 100) rose from 58 in 1934 to 67 in 1935, but the Government in August 1935 tacitly recognized a discount on the gold value of the leu amounting to about 22 per cent., and the real extent of the fall in the external value of the currency is probably even greater than is suggested by this figure. However, in Greece, where the gold standard was abandoned in April 1932, the position is clear:

TABLE 26. *Price movements in Greece*

	<i>Wholesale price index (recalculated with last complete 'gold standard' year as base)</i>	<i>Percentage of discount on drachma against gold parity</i>
April 1931–March 1932	100.0	—
Year 1932 . . .	121.6	35.9
„ 1933 . . .	137.5	56.7
„ 1934 . . .	135.6	56.8
„ 1935 . . .	137.9	57.1

It might therefore appear that the rapidity of the fall of prices during the earlier years of the crisis was offset by the lack of rapidity with which they rose when the external value of the currency began to fall since, in theory at any rate, this puts a premium on exports.

In practice, however, the increase of exports arising out of depreciation failed by a considerable margin to compensate the Balkan States for the severe effects of the fall of prices. For although there was no rise of prices commensurate with the extent of currency depreciation, the appearance of entirely new factors, such as the exchange restrictions, tariffs, and quotas imposed by their principal customers, limited very strictly the markets in which expansion was possible.

## 2. THE FALL OF PRICES AND THE POSITION OF THE FARMER

The fall of agricultural prices had two immediate and obvious results upon the internal situation. In the first place, the peasant was induced to hold his stocks off the market entirely if they were not of a perishable nature or else, if they were, to throw them all on at once to get what he could, which depressed the price still further. Secondly, it became continually more difficult for him to meet the service of the debts he had contracted with banks, co-operatives, State agricultural organizations, and village money-lenders when the general level of prices was far higher. In both cases the State acted to protect the farmer's position.

### (a) *The 'revalorization' of cereals.*

State action to support the price of grain was taken in Bulgaria, Yugoslavia, and Roumania.

In 1930 the Bulgarian Government created a Cereal Purchasing Board to buy wheat from the farmers for export. A price considerably above the world price was paid, 50 per cent. in cash and 50 per cent. in bonds which might be used for the payment of taxes. In 1931 the cash proportion of the purchase price was raised to 70 per cent. and in 1932 to 100 per cent.; but, in spite of a reduction in the official price, the world price had fallen to such an extent that an increasing deficit appeared. Moreover, the producer had great difficulty in securing payment for his deliveries. The board was therefore supplanted in January 1934 by a body which might sell on the internal as well as the international market, and is thus able to cover losses on the international market by increasing the internal price, whereas the old board sold only for export, and was thus bound to incur a loss so long as external prices continued to fall. The effects can be judged from the fact that in 1935 wheat was being bought by the monopoly at 3.20 leva per kilo against a free price of 2.70 leva; while the monopoly was selling on the internal market at 3.80 leva per kilogram.

In Yugoslavia a Privileged Agrarian Company was set up by the Government during the summer of 1931 to purchase wheat, both for export and for sale inside the country, at a price considerably higher

than the world level. But the price paid was so high that it was difficult to sell abroad at all except at a loss or through special arrangements with countries politically allied to Yugoslavia. Moreover, there were no facilities for the storage of grain on a large scale. Lastly, as the scheme put a premium on wheat growing, the Government defeated its own ends, for much of the land which it had encouraged farmers to sow to special crops such as tobacco or flax was now turned over again to wheat. Yet the scheme produced no distortion in prices comparable to that caused by similar schemes in other countries, for instance Roumania, since it was possible to suspend the working of the monopoly in the autumn of 1933 without causing a collapse of the market.

The introduction of the State support of cereal prices in Roumania was later than the introduction of similar schemes elsewhere, but was perhaps attended by more serious results. The harvest of 1932 had been poor, and when a State Cereal Commission was formed to maintain the price level by purchasing cereals, mainly wheat for sale in Roumania or abroad, its task was rendered comparatively easy by the scarcity of supplies. The mediocre harvest of 1934 also assisted the Commission. Even so, large sums were used by the Commission; in 1934 over 900 million lei (over £1,800,000 paper). Since from 1931 a system of export bounties on wheat had been in existence and was continued after the Commission began its work, the necessity for the Commission is not obvious, particularly as harvests had been poor and prices would naturally tend to remain at or around the levels at which they stood, or at any rate would be unlikely to undergo a violent fall. However, the monopoly continues to operate.

(b) *The remission of agricultural debt.*

It has been seen how one of the immediate results of the fall in agricultural prices was a heavy increase in the burden of indebtedness. It soon became clear that, as on previous occasions in the history of Balkan agricultural finance, the State would have to protect these debtors in the interest of the economic system as a whole and even, in some cases, of public order. In all these countries, except Albania, action of some sort was taken during the years 1932-4 to meet this situation, usually by the passage of a series of laws to protect agricultural debtors. In no case was the first law of the series the most favourable from the debtors' point of view; and further concessions continually had to be made as prices fell and the economic situation deteriorated.

In Bulgaria many of the peasants had been in default since at least 1932, although the first law designed to regularize the position

was not passed until January 1934. This, however, was superseded by a further law in the following August. Provision was then made for a reduction in the principal of debts of under 300,000 levas<sup>1</sup> amounting to 40, 30, and 20 per cent., respectively, for peasant proprietors, artisans, and skilled workers. Moreover, amortization was entirely suspended for two years and the ultimate date of maturity was greatly extended. No provision appears to have been made in these cases for a reduction of interest rates, but in that of debts between 300,000 and 1,000,000 leva a reduction of interest rates, but not of the principal, was granted. Bonds bearing interest at 3 per cent. per annum and guaranteed by the State were issued and could be tendered in settlement of debts covered by this procedure. The total of debts of the smaller category (under 300,000 leva) amounts to between 4 and 5 milliard leva out of a total of agricultural and other similar indebtedness amounting to about 12 milliard leva, or £30 millions paper.

In Yugoslavia, where the indebtedness of the small farmer was estimated in 1933 to be in the region of 8 milliard dinars, or about £37 millions paper,<sup>2</sup> the problem was met in a slightly different manner. A moratorium was declared in 1932 and a settlement was not attained until the end of 1933. Agricultural debts<sup>3</sup> contracted before April 20, 1932, except those due to the National Bank and certain State institutions, were to be repaid over a period of twelve years. Compulsory realizations of property were suspended. Interest rates were reduced to a maximum of 3.54 per cent.<sup>4</sup> in the case of debts owing to private creditors and 6.02 per cent.<sup>5</sup> in the case of those owing to banks and credit institutions. Thus while debtors obtained a very considerable measure of relief by the reduction of interest, the amount of the capital which they must eventually repay was left untouched.<sup>6</sup>

Agricultural indebtedness in Roumania was estimated to amount to some 50 milliard lei, or about £100 millions paper. Decisive action was postponed by a series of moratoria from 1932 onwards. A law was finally passed in April 1934 reducing the total capital amount of agricultural indebtedness by 50 per cent., repayable over seventeen years, or by 70 per cent. if the debtor agreed to a shorter term of amortization. The annual interest payable was reduced to 3 per cent. In the case of urban debtors, the reduction of the capital amount was

<sup>1</sup> If contracted before 1931.

<sup>2</sup> More recently at rather less: viz. 6.9 milliard dinars. *Die Børsse*, January 3, 1936.

<sup>3</sup> i.e. those contracted by farmers with less than 75 ha. of land or by associations with less than 200 ha.

<sup>4</sup> Reduced by a further law of August 1934 to 3.5 per cent.

<sup>5</sup> Reduced by the law of August 1934 to 6 per cent.

<sup>6</sup> Further legislation is understood to be under discussion.

only 25 per cent., and the maximum interest rate 6 per cent. Other reductions, both of capital and interest, were granted where payments were made in advance. The adviser to the National Bank states that a 'very large number of the agricultural debtors made use of the right to pay in advance so as to gain the supplementary reduction'.

In Greece, though the problem of peasant indebtedness exists no less than in the other Balkan countries, the relative importance of agriculture to the national economy was not such as to render the question as urgent as in Bulgaria, Yugoslavia, and Roumania. The total of agricultural indebtedness is in the region of 9 milliard drachmae (£18 millions paper), of which about 7 milliard is owed directly or indirectly to the State. A virtual five-year moratorium was granted during the autumn of 1931 upon agricultural debts not owing to the State, but default has been made upon a large proportion of the sums due to the State, including the interest on loans made in settling rural refugees. The total capital amount of these is about 4.25 milliard drachmae. In other words, the question has yet to be faced; and it is difficult to see how Greece can ultimately escape some solution of the far-reaching type found by the other countries.

(c) *The present position.*

The above expedients by no means exhaust the measures taken by the Governments of the Balkans to relieve the situation caused by the fall of prices. Mention has already been made, for example, of export bounties for cereals. But the two methods described above remain the most important efforts made by the Balkan States, and it is therefore useful to inquire briefly what their effect may be on the economic system as a whole.

Of the two it would appear that the so-called 'revalorization of cereals' is by far the more vicious, or at any rate less satisfactory. In none of these cases is it clear that the State purchase of cereals is operated solely with a view to smoothing out temporary fluctuations. The purpose, it would seem, is rather to perpetuate, even at great expense, a level of agricultural prices which bears no relation whatsoever to the price in the open market, in other words, to perpetuate an artificial situation which has no economic justification. Moreover, the cost is inevitably thrown on the internal consumer, since he must buy the commodity at an artificially high price or, if the commodity is sold only for export, must bear the cost of any loss by the payment of heavier taxes. Lastly, as has been frequently pointed out, especially in the case of the Roumanian Cereals Commission,<sup>1</sup> the

<sup>1</sup> See *Report of the Adviser to the National Bank of Roumania, 1935*, p. 15 (English translation.)

State is by this method often committed to a kind of speculation in commodities which may entail danger to the public finances.

On the other hand, the treatment of agricultural indebtedness shows a far more practical outlook. A distinction must be drawn between the settlements effected in Roumania and Bulgaria, where the principal as well as the interest was reduced, and the Yugoslav settlement, where the interest alone is affected. For in the former instances the Government is at least facing the facts by admitting the debtor's inability to repay the full amount of the debt contracted when prices were far higher than they are at present. In the latter the question of interest is clearly irrelevant if it is maintained (as it seems to be) that it is inequitable for a debt incurred when prices are high to be repaid in accordance with the terms of the contract when prices are low. The difficulty attaching to these solutions lies in the obvious fact that the loss must be borne by some one, and in the last resort this is usually the State. Thus in the case of Roumania, the Treasury had to hand over to the National Bank bonds to the amount of over 7 milliard lei (£14 millions gold) as cover for losses upon 'agricultural and urban debt'. Whether the principle should be pushed to its logical conclusion and a similar reduction be made in the capital value of the national debt is another matter.

The fall of prices has had little, if any, appreciable effect upon agricultural production in general, when allowance is made for the poor harvest of 1934. There are, however, two important exceptions to this statement.

In the first place, there has been a very considerable rise in the production of cereals in Greece. This rise in production is largely due to the very thorough efforts made by the Government<sup>1</sup> since the War to increase production and to settle the refugees on agricultural land. These efforts, it would seem, are at last beginning to show some tangible results. It may also, perhaps, be ascribed to the exchange position, which has made it difficult for Greece to find the foreign currency to cover her requirements for the import of grain, and in this sense is the counterpart of the general movement elsewhere towards industrialization. The figures are given on p. 72.

Secondly, reference must be made to the 'agricultural five-year plan' now being formulated in Bulgaria. The details of this scheme are not yet fully known, but it would seem that this, too, is a result of the scarcity of exchange. Its main object is to encourage the peasant to cut down the acreage sown to cereal crops in favour of crops of a more remunerative nature, such as oilseeds, cotton, hemp, grapes, nuts, and fruit, and if put into effect the plan will do much to facilitate the growth of industrialization. It seems, however, to

<sup>1</sup> With the help of large portions of the funds raised by the League of Nations Loans.

TABLE 27. *Agricultural progress in Greece*

(i) *Production (in thousand quintals).*

		<i>Wheat</i>	<i>Maize</i>	<i>Barley</i>	<i>Oats</i>	<i>Rye</i>
Average	1925-9	3,327	1,632	1,474	711	394
Season	1930-1	2,642	1,728	1,705	855	467
"	1931-2	3,056	1,587	1,556	766	457
"	1932-3	4,645	2,135	1,934	993	530
"	1933-4	7,725	2,733	2,295	1,344	711
"	1934-5	8,535	2,400	2,589	1,253	874

(ii) *Imports (in thousand quintals).*

		<i>Wheat</i>	<i>Maize</i>	<i>Total grain imports</i>
Average	1927-9	*	*	5,449
Year	1930	5,747	70	5,946
"	1931	6,629	194	6,845
"	1932	6,016	1,518	7,610
"	1933	4,486	267	4,763
"	1934	2,601	39	2,640
"	1935	4,429	*	*

\* Figure not available.

(iii) *Area sown (in thousand hectares).*

		<i>Wheat</i>	<i>Maize</i>	<i>Barley</i>	<i>Oats</i>	<i>Rye</i>
Average	1925-9	506	204	183	106	49
Season	1930-1	565	221	216	136	64
"	1931-2	605	250	223	139	69
"	1932-3	606	265	216	134	68
"	1933-4	693	261	224	138	74
"	1934-5	739	237	238	142	83

involve the perpetuation of the Cereal Monopoly, although it contains several features, such as a measure designed to obviate the excessive parcellation of holdings,<sup>1</sup> which, if realized, would be of real benefit to agriculture. So far the only tangible result of the plan is a noteworthy increase in the export of grapes, mainly to Great Britain.

## II. THE CRISIS AND FOREIGN TRADE

### 1. FOREIGN TRADE AND BALANCE OF PAYMENTS, 1931-5

#### (a) *General considerations.*

The movement of foreign trade during these years is illustrated by the figures given in Table 28.

The figures given in Table (i) are in a sense misleading owing to the depreciation of the drachma and the dinar since 1932 and the virtual

<sup>1</sup> See p. 21.

TABLE 28. Foreign trade 1931-5

(Figures in millions)

TABLE (i). (Values expressed in national currency.)

	Roumania (lei)		Yugoslavia (dinars)		Greece (drachmas)		Bulgaria (leva)		Albania (gold francs)	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
Yearly average: 1922-30 . . . .	28,544	27,008	7,283	7,670	4,847	9,573	5,672	6,058	11.8	25.7
Year 1931 . . . . .	22,189	15,426	4,801	4,800	4,165	8,702	5,034	4,000	7.5	29.5
" 1932 . . . . .	16,655	11,953	3,050	2,860	4,578	7,852	3,383	3,472	4.5	22.8
" 1933 . . . . .	14,171	11,742	3,378	2,883	5,138	8,430	2,846	2,202	5.7	15.9
" 1934 . . . . .	13,656	13,208	3,878	3,574	5,472	8,792	2,534	2,248	4.3	12.3
" 1935 . . . . .	16,456	10,375	4,031	3,700	7,027	10,682	3,253	3,008	6.0	14.2
A. Percentage fall between 1922-30 average and lowest point . . . .	52	62	58	63	14	18	55	64	64	62
B. Percentage rise from lowest point	20	—	32	29	69	36	28	37	39	15

TABLE (ii). (Values expressed in Swiss francs.)

Yearly average: 1922-30 . . . .	814.3	773.4	594.4	625.4	376.3	731.8	213.7	232.0	11.8	25.7
Year 1931 . . . . .	687.0	478.2	438.3	438.1	280.2	589.4	222.2	174.5	7.5	29.5
" 1932 . . . . .	516.3	370.5	259.0	243.3	197.3	338.5	126.7	130.0	4.5	22.8
" 1933 . . . . .	433.1	358.9	230.6	204.5	149.7	245.5	103.5	80.1	5.7	15.9
" 1934 . . . . .	414.0	400.4	272.3	251.0	159.0	255.4	92.1	81.0	4.3	12.3
" 1935 . . . . .	458.1	288.8	283.3	280.0	202.7	308.2	119.9	110.8	6.0	14.2
Percentage A (Table i) . . . . .	49	63	60	67	60	66	57	65	64	62
Percentage B (Table i) . . . . .	11	—	18	27	35	26	30	38	39	15

TABLE (iii). Balance of visible trade.

(a) Amount in million Swiss francs. (b) Value of exports expressed as a percentage of that of imports.

	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)
Yearly average: 1922-30 . . . .	+ 40.0	105	- 31.0	95	- 355.5	51	- 18.3	92	- 13.9	46
Year 1931 . . . . .	+ 209.7	144	+ 0.2	100	- 309.2	48	+ 47.7	127	- 22.0	25
" 1932 . . . . .	+ 145.8	139	+ 16.6	107	- 141.2	58	- 3.3	97	- 18.3	20
" 1933 . . . . .	+ 74.2	121	+ 35.1	117	- 95.8	61	+ 23.4	120	- 10.2	36
" 1934 . . . . .	+ 13.6	103	+ 21.3	109	- 96.4	62	+ 11.1	113	- 6.0	36
" 1935 . . . . .	+ 189.3	159	+ 23.3	109	- 105.5	66	+ 9.1	108	- 8.2	42

depreciation of the leu and the lev since 1933. It has, however, been seen that in no case have prices risen to the full extent of the depreciation. In Greece and Yugoslavia, and probably also in Bulgaria, some proportion of the increase of exports since 1932 probably indicates a real improvement over the worst years since 1930.

It is impossible to estimate with any degree of precision the extent of this improvement, owing to the absence of essential data as to movements in the price of the chief exports. The same applies also to imports. Table (ii), however, will give some idea of the effect upon the exchange position of the movement of foreign trade since 1930, at least in Greece and Yugoslavia, where the extent of the depreciation of the currency is known. In the case of Bulgaria and Roumania it must again be pointed out that the figures cannot be accepted without qualification for, at any rate since 1933, the real external value of the lev and the leu has depreciated considerably, though nominally the gold parity has been maintained. In these cases the true figures for 1933, 1934, and 1935 would probably be much lower than those shown.

The efforts of the Balkan States to improve the position of the exchanges by means of their foreign trade policy can be judged from Table (iii). In every case there was a very considerable increase during the years 1931-3 in the percentage of export values. The scarcity of foreign exchange resulting from the crisis of 1931 made it imperative for these States to restrict their imports and push their exports by every means in their power. For the most part they were far more successful in the former than the latter, and the decline in the value of imports was far greater than that of exports.

It will be seen that since 1933 there has been a general increase in the volume and value (gold and paper) of imports. This is due to a number of factors, of which the most important are perhaps the necessity for restocking arising out of the severe restriction of imports for three years, and the effect of the numerous clearing agreements which these States have concluded since 1932. These agreements are commented upon more fully below, but it may be said here that their general effect, at any rate in their earlier phases, is to increase the imports of countries with weak currencies while diminishing their exports. Yet if imports have increased, the decrease of exports has slowed down very considerably, and in some cases there have been remarkable increases here also.

*(b) Principal commodities of foreign trade.*

Tables showing the value in Swiss francs and percentage of the total in the case of the principal exports and imports during 1928-30,

1932, and 1934 are given in Appendix II. These years have been chosen as showing the position respectively in the last three 'normal' years before the crisis, the year in which the restrictions upon foreign trade were probably most severe, and the latest year for which complete figures are available. With certain notable exceptions, there are few changes of importance between 1930 and 1935 in the relative values of the principal exports and imports. The largest changes are not qualitative but quantitative, and arise, as has been seen, very largely from the movement of prices and restrictions upon foreign trade.

In terms of national currency 1935 was the first year since the crisis in which exports increased over the preceding year in each of the Balkan States. Measured in terms of Swiss francs, also, there was an increase of exports in every case last year. In Yugoslavia, and still more in Greece, there can be no doubt about the improvement, which has continued since 1932, but in Bulgaria and Roumania, where the true rate for the conversion of the national currency into Swiss francs cannot be certainly known, the situation is rather different, though in Roumania the figures for the volumes suggest that, as in Greece and Yugoslavia, the increase in the value of exports as expressed in national currency is not merely due to depreciation. In Bulgaria, however, where the old parity is still maintained in theory, the value of exports in Swiss francs is probably far lower than that shown in Table 28; and as will be seen, the volume of exports fell considerably in 1935:

TABLE 29. *Volume of foreign trade*

(In thousands of metric tons)

	<i>Bulgaria</i>		<i>Greece</i>		<i>Yugoslavia</i>		<i>Roumania</i>	
	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>	<i>Exp.</i>	<i>Imp.</i>
Average 1928-30	408	395	728	2,564	4,877	1,583	7,368	953
Year 1931	769	295	593	2,542	3,323	1,113	10,047	560
" 1932	588	261	512	2,375	2,396	890	9,057	450
" 1933	431	231	668	1,895	2,930	793	8,778	468
" 1934	411	246	774	1,992	3,594	876	8,852	636
" 1935	324	275	864	2,400	3,324	964	9,276	528

Thus there has been a substantial increase in the gross volume of exports since the worst years, by 39 per cent. in Yugoslavia (though volumes were slightly smaller in 1935), and 70 per cent. in Greece. In the latter case the figure is considerably larger than in 1928-30. It would appear that, at any rate so far as the volume is concerned, depreciation has given an appreciable stimulus to exports from these countries. The virtual depreciation of the leu also may account for

the increase, in 1935, of the volume of exports from Roumania, though in Bulgaria the figure has steadily declined to below the level of 1928-30.

In imports by far the most important individual change is in Greece's imports of grain, the proportion of which has fallen from 22.8 per cent. in the years 1928-30 to 10.3 per cent. in 1934. This change has already been referred to above. The other changes arise from the necessity to restrict imports of all except the really essential commodities. Thus it will be seen from the general decrease in the proportion borne by imports of machinery that substantial economies have been made in the case of capital goods. Saving in this direction, however, will obviously entail further expenditure in the future when replacements become indispensable, and can hardly be regarded as a permanent feature. Indeed, there are signs that imports of capital goods are once more tending to increase, especially in Yugoslavia and Roumania. Other changes, again, are due to the increase of industrialization such as the increase of imports of 'cotton manufactures' in Bulgaria and Yugoslavia, where a large part of the rise is due to imports of semi-manufactures, i.e. cotton yarns for weaving inside the country. In Greece, where the textile industry is more advanced, the effect is seen in an increase in imports of raw cotton.

Detailed comment upon the relative importance of the various exports is not so necessary as in the case of imports, for the economic structure of these countries is not such as to facilitate large changes in their export trade over a short period. Thus the relative importance of the principal exports has remained approximately the same as in the preceding decade. One of the more important exceptions to this is Roumania, where exports of petroleum have gained considerably, chiefly at the expense of timber exports. This is due, not only to the increase in Roumania's production of petroleum, but also to competition from Russian timber. For the same reason a decrease occurred also in the relative importance of Yugoslavia's timber exports between 1928-30 and 1932, though there was a recovery in 1934, particularly in exports to Italy. This tendency continued into 1935. A further change of some importance is the fall in the relative value of Greek tobacco exports. This arises largely from the fact that the fall in the price of tobacco has been heavier than in most of the other important exports, particularly currants and raisins, the price of which has remained comparatively stable. Thus in spite of greatly increased competition from California and Australia, Greek exports of currants represented, in value, a higher proportion of the total in 1934 than in 1930. Yet the absolute value has decreased substantially, and in view of the preferential treatment of Empire products in Great Britain, the largest importer of

Greek currants and raisins, also of the antiquated methods of production and sale in Greece,<sup>1</sup> exports will presumably continue to suffer from this factor.

Of the other changes the most noteworthy is the increase in the relative value of Yugoslavian exports of ores and Bulgarian eggs and dairy produce. In the former instance the reason lies in the recent very rapid increase of production, financed mainly by British capital, and the consequently substantial increase in the volume of exports. The increase in Bulgarian dairy exports, particularly eggs, is largely due to encouragement of this kind of production by the co-operative societies, and has to some extent offset the decrease in importance of exports of rose-essence arising out of their luxury character. Mention should also be made of the decrease of Greek exports of wine, already referred to,<sup>2</sup> and the increase in that of table grapes from Bulgaria.<sup>3</sup>

(c) *Distribution of foreign trade.*

It is impossible to consider this subject as a whole without reference to the exchange clearing agreements concluded since 1931; and it has therefore been found more convenient to deal with this subject in Section IV. 3 below.<sup>4</sup>

(d) *Balance of payments.*

The peculiarly close connexion between foreign trade and the balance of payments in most of these countries was noted in Part I. It will, therefore, be readily understood that the movements of exports and imports just described had an immediate and serious effect upon the balance of payments between the Balkan States and the rest of the world. Unfortunately complete figures for the years 1930-5 have not yet been published in all cases, and it is impossible to give a comparative table such as was given in Part I.

*Greece.* The figures relating to Greece are given in Table 30.

These figures are for the most part self-explanatory. The most remarkable feature is the reduction in the surplus of imports, which has already been commented upon. The extent of the fall in emigrants' remittances also will be noted, though the income from shipping has been comparatively steady. The increase in tourists' expenditure is of some importance; while that for 1932 arose from a heavy decline in the sums taken out of the country by Greek travellers, the increase for 1933 is almost entirely due to the larger number of foreign tourists visiting Greece in that year. The figures for 1935 will probably show a considerable improvement over those for 1934.

<sup>1</sup> e.g. Greek currants are still sold in units of Venetian pounds.

<sup>2</sup> See p. 13.

<sup>3</sup> From 21.6 mill. kg. in 1934 to 37.2 mill. in 1935.

<sup>4</sup> See pp. 124-7.

TABLE 30. *Greece: balance of payments: goods and services only*

(In millions of Swiss francs)

	1930	1931	1932	1933	1934
(1) Excess of imports of merchandise . . . . .	- 328.8	- 305.7	- 155.2	- 87.8	- 91.0
(2) Net interest payments on Govt. debt . . . . .	- 83.2	- 103.1	- 12.1	- 15.3	- 32.6
(3) Ditto on other than Govt. debt . . . . .	- 16.2	- 18.9	- 10.0	- 42.6	- 25.0
(4) Net payments on short-term foreign assets . . . . .	+ 7.3	+ 3.4	+ 1.6	+ 0.5	+ 0.5
(5) Net income of Greeks residing abroad . . . . .	+ 94.9	+ 38.1	+ 36.0	+ 35.9	+ 30.0
(6) Net income from shipping . . . . .	+ 21.8	+ 30.1	+ 22.6	+ 19.0	+ 25.0
(7) Net insurance, premiums, &c. . . . .	- 4.9	- 5.9	- 0.8	- 0.9	- 1.0
(8) Net emigrants' remittances . . . . .	+ 209.9	+ 177.1	+ 71.9	+ 76.9	+ 46.0
(9) Net tourists' expenditure . . . . .	- 0.9	+ 0.4	+ 13.6	+ 45.9	+ 23.2
(10) Reparations receipts . . . . .	+ 27.1	+ 24.0	..	+ 2.0	..
(11) Net Government expenditure abroad, other than (3) above . . . . .	- 102.2*	- 28.6	- 26.5	- 18.2	- 2.2
Balance, viz. exports or imports of capital or bullion and/or loss or gain of foreign exchange . . . . .	- 175.2	- 189.1	- 58.9	+ 15.4	- 27.1

\* This figure apparently includes private payments of commission and brokerage not included in item 7.

*Bulgaria.* The figures for Bulgaria also largely explain themselves. It is noteworthy that though the absolute value of the export surplus in 1933 was only just over half that in 1931, the value of exports in 1931 amounted to 127.3 per cent. of that of imports, as against 129.1 per cent. in 1933. The decrease in the value of the

TABLE 31. *Bulgaria: balance of payments: goods and services only*

(In millions of leva)\*

	1930	1931	1932	1933	1934 (10 months)
Excess of exports of merchandise (corrected values) . . . . .	+ 1,378	+ 839	+ 531	+ 429	+ 280
Service of Govt. debt (net) . . . . .	- 702	- 826	- 426	- 179	- 213
Net interest and dividend payments . . . . .	- 439	- 295	- 83	- 14	- 11
Net receipts from shipping . . . . .	+ 36	+ 40	+ 38	+ 30	+ 25
Railway freights, &c. . . . .	- 123	- 104	- 74	- 80	- 69
Net insurance commission, brokerage, &c. . . . .	+ 34	+ 70	+ 20	+ 10	+ 15
Emigrants' remittances . . . . .	+ 90	+ 54	+ 77	+ 55	+ 40
Tourist payments . . . . .	- 45	- 45	- 31	- 23	+ 15
Expenses of students, &c. . . . .	- 120	- 105	- 74	- 70	- 45
Payments on patents, &c. . . . .	- 15	- 18	- 20	- 25	- 20
Government expenses . . . . .	+ 31	+ 1	+ 14	- 14	- 3
Net reparation payments . . . . .	- 246	- 230	- 36	- 21	..
Gold coin and bullion . . . . .	- 22	- 19	..	..	..
Balance . . . . .	- 141	- 638	- 64	+ 98	+ 14

\* As in theory the lev has remained on the gold standard, the figures have not been corrected.

export surplus was offset by the fall in reparations payments and to a smaller extent by the decrease in payments for rail freights, but this again was counterbalanced by a decrease in the principal invisible exports such as emigrants' remittances, shipping, commissions, and brokerage.

*Yugoslavia and Roumania.* The available data make it difficult to arrive at precise conclusions as to Yugoslavia and Roumania. They may be set out as follows:

TABLE 32. *Yugoslavia*

(In millions of Swiss francs)

	Average 1927-9	1931	1932	1933	1934	1935
Excess of imports and exports of merchandise	- 87.2	- 0.2	+16.6	+35.3	+21.3	+23.3
Emigrants' remittances <sup>1</sup>	+ 64.5	+26.0	+17.7	+ 6.6	+ 4.6	?
Net interest payments	-108.8	..	..	..	..	..

TABLE 33. *Roumania*

(In millions of Swiss francs)

	Average 1927-9	1931	1932	1933	1934	1935
Excess of imports and exports of merchandise	- 7.5	+209.7	+145.8	+74.2	+13.6	+169.3
Emigrants' remittances <sup>1</sup>	+ 16.9	+ 5.2	+ 10.4	+ 6.2	+ 3.9	?
Net interest payments	-142.0	..	..	..	..	..

Though these countries both suffered the loss of a further invisible export through the cessation of reparation payments, the figure given for net interest payments in 1927-9 is probably smaller than that actually payable by Yugoslavia and Roumania on this account in 1932; for both borrowed large sums abroad in 1931, on which the additional interest would be appreciable. Against this must be set the advantages gained by the depreciation of sterling and the dollar.

As far as Yugoslavia is concerned, it has already been noted that in these years the surplus of imports in 1920-30 was converted into the export surplus which is natural to the economy of the country. Even so, the amount of foreign exchange thus obtained is quite insufficient to cover the full payment of interest on the foreign debt. Moreover, in 1931-2 there was a decrease in the value of all the other important invisible exports quite as heavy as that of emigrants'

<sup>1</sup> For 1931-4 the figures are those given by the U.S. Department of Commerce, which usually comprise a very large proportion of the total remittances of this kind to Yugoslavia and Roumania. The figures are therefore not net.

remittances. On the other hand, it is probable that there was a substantial increase in the income from tourists during 1934, and particularly 1935, over 1930-2, although no figures can be given to support this statement. In 1927-9 the net income from this source was on the average only 1.8 million Swiss francs; it was in all likelihood several times as high in 1935.

In Roumania the increase of the export surplus was more remarkable in 1931 and 1932 even than in the good years, but after falling to a very low figure in 1934, it recovered considerably last year. It is improbable that the export surplus returned in 1931-2 was sufficient to cover the total net interest payments at their increased figure, except by a small margin. For much of Roumania's export trade, particularly oil, is in foreign hands, and a considerable proportion of the proceeds never reaches the country in the form of foreign exchange. It may be added that while in nearly all the other countries the position of the balance of payments in 1933 and 1934 showed some slight improvement over the more acute years of the crisis, no such signs were visible in the case of Roumania. Yet it must be remembered that payments in respect of imports are considerably in arrear, and the current position of the balance of payments may therefore be slightly better than might appear from the returned figures.

It must lastly be pointed out that a consideration of extreme importance to all these countries arose in 1935 from the operation of the clearing agreements entered into by the Balkan States. Large credit balances were accumulated last year by all those countries in Italy and Germany, the liquidation of which is proceeding very slowly.<sup>1</sup> To obtain a true picture of the balance of payments it would therefore be necessary to make a substantial deduction from the total value of exports, for payment either in goods or in cash may not be received for some time. A large proportion of the exports of goods made by these countries to Italy and Germany thus represents, for the moment, an export of capital, and the above figures must be modified in the light of this fact.

## 2. THE CRISIS AND THE EXCHANGES

Figures relating to the position in the four more important countries are given in Table 34.

It was seen that by 1928 all these currencies had been stabilized, either *de facto* or *de jure*, on a gold basis. It was seen also that stabilization was possible only with the help of foreign capital. The assumption which this involved was that the economic situation of the world in general, and particularly the level of agricultural prices,

<sup>1</sup> See further, p. 125-6.

TABLE 34. *Data on the position of the exchanges*

	Central Bank (in millions)			Foreign trade (in millions)			External value of currency (average for year)
	Gold holdings	Devisen holdings (at end of year)	Total	Exports	Imports	Balances	Per cent. premium or discount in relation to gold parity
<b>1. Greece (drachmas):</b>							
1929 . . .	640	2,475	3,115	6,960	13,276	-6,316	+ 0.1
1930 . . .	510	2,510	3,002	5,986	10,524	-4,538	- 0.2
1931 . . .	869	1,047	1,916	4,165	8,762	-4,597	- 0.4
1932 . . .			1,599	4,576	7,852	-3,276	-35.9
1933 . . .	Not shown separately.		3,954	5,138	8,430	-3,292	-56.7
1934 . . .			4,013	5,472	8,792	-3,320	-56.8
1935 . . .			3,261	7,027	10,682	-3,655	-57.1
<b>2. Yugoslavia (dinars):</b>							
1929 . . .	1,046	..*	1,046	7,922	7,595	+327	..†
1930 . . .	1,080	..*	1,080	6,780	6,960	-180	..†
1931 . . .	1,758	338	2,096	4,801	4,800	+ 1	..†
1932 . . .	1,761	207	1,968	3,056	2,860	+196	- 6.8
1933 . . .	1,795	111	1,906	3,378	2,883	+495	-22.3
1934 . . .	1,785	121	1,906	3,878	3,574	+304	-23.1
1935 . . .	1,432‡	33	1,465	4,031	3,700	+331	-23.0
<b>3. Roumania (lei):</b>							
1929 . . .	9,185	6,745	15,930	23,960	29,628	- 668	-0.2
1930 . . .	9,275	1,746	11,021	23,522	23,044	+5,478	-0.6
1931 . . .	9,679	278	9,957	22,189	15,426	+6,763	-0.6
1932 . . .	9,526	495	10,021	16,655	11,953	+4,702	-0.2
1933 . . .	9,895	257	10,152	14,171	11,742	+2,429	-1.4
1934 . . .	10,285	91	10,376	13,656	13,298	+ 448	-2.4
1935 . . .	10,801	92	10,893	16,456	10,375	+6,081	-10.2
<b>4. Bulgaria (leva):</b>							
1929 . . .	1,389	1,158	2,547	6,397	8,325	-1,928	-0.1
1930 . . .	1,455	793	2,248	6,191	4,590	+1,601	-0.7
1931 . . .	1,511	256	1,767	5,934	4,600	+1,274	-0.8
1932 . . .	1,519	123	1,642	3,383	3,472	- 89	-0.4
1933 . . .	1,645	141	1,686	2,840	2,202	+ 644	-2.9
1934 . . .	1,547	121	1,668	2,534	2,248	+ 286	-3.8
1935 . . .	1,591	448	2,039	3,253	3,008	+ 245	-1.6

\* Figures not comparable.

† Legal parity not fixed till June 1931.

‡ But see p. 123.

were entering upon a long period of stability, in which these countries might build up foreign exchange reserves of their own to support the new parities. For the exchange reserves acquired in this way by the Central Banks were entirely insufficient to do more than smooth out temporary or seasonal fluctuations. In the event, this assumption has been shown to be false. The fall in prices began very shortly

after these currencies were stabilized. Before the last *de jure* stabilization—that of the dinar—had taken place, the financial crisis of 1931 had already been in full swing for some months.

The incidence of this crisis upon the exchange position can be seen in the movements of the balance of international payments just described. These movements resulted in a steady decrease of the foreign exchange holdings of the Central Banks, which began to become serious at a time when conditions in foreign capital markets made it no longer possible for them to make good their shortage of foreign currency by further borrowing abroad. By the middle of 1931, that is to say after the collapse of the Oesterreichische Kredit-Anstalt in May, it was fairly clear in most cases that, if the decrease were allowed to continue, these reserves would shortly be exhausted.

To meet a situation of this kind by the classical expedients, namely by raising the bank rate, was impossible. In most of these States changes in the bank rate are usually of purely formal significance, for a money market in the western sense does not exist. The type of action which remained possible was therefore strictly limited. The first and most obvious step was to control the exchanges.<sup>1</sup> It then became clear that a partial suspension of transfers on the foreign debt service was inevitable.<sup>2</sup> The last stage was the realization that, in view of the steps already taken, the further maintenance of the currency at the stabilized rate was illogical, not to say detrimental to the national economy. Unfortunately, the formal recognition of this fact has been evaded in Bulgaria and, until the middle of 1935, in Roumania.

*Greece.* In the more agricultural countries, Bulgaria, Yugoslavia, and Roumania, the crisis of autumn 1931 came as the culminating event in a series which might be traced back to the beginning of the fall in prices. In Greece, on the other hand, the approach of the crisis was more sudden and in a sense more violent. This must largely be ascribed to the pre-eminently commercial character of the Greek economy and to the more advanced financial organization of the country as a whole, which rendered Greece more sensitive to developments abroad. For during 1920–31 Greece had depended to a greater extent than was the case in the other countries upon imports of foreign capital, and the abrupt cessation of foreign lending<sup>3</sup> was bound to be followed in the near future by serious results.

<sup>1</sup> There were, of course, ample precedents for this in the monetary history of the Balkans immediately after the War. The restrictions upon foreign exchange transactions which have grown up since 1931 are extremely intricate, and it is not possible to give more than the very broadest outlines of action taken in this sense.

<sup>2</sup> The foreign debt of these States is dealt with in Sections III. 2 (a) and (b). See pp. 97–105.

<sup>3</sup> Greece was able to obtain a large loan in London during the spring of 1931, though a large proportion of the issue was left with the underwriters. See Appendix IV.

The suspension of the gold standard by Great Britain in September 1931 was in fact followed by a crisis of the first order. In addition to the above considerations, a substantial proportion of the foreign assets of the banks was held in London, and the loss to their foreign exchange reserves through the depreciation of the pound was therefore great. Moreover, private persons had accumulated considerable savings in sterling. Although one of the first steps taken by the authorities was to base the convertibility of the drachma upon the American dollar and not the pound as hitherto, the uneasiness of the public and the fear of a depreciation of the drachma—expressed in the export of capital on a large scale—was not allayed; and on September 28 it was necessary to introduce restrictions on dealings in exchange, whereby the Bank of Greece would issue permits for the purchase of foreign currency only where it could be shown that the deal related to purely commercial needs.

In a country whose foreign exchange reserves are largely drawn from exports of goods it is comparatively easy to control the exchanges. But in Greece, where most of the reserves are derived from invisible exports such as freights and emigrants' remittances, it was at first a fairly simple matter to evade the restrictions. Thus a 'black bourse' soon developed for dealings in the foreign currency so obtained, wherein the drachma went to a large discount. Meanwhile, the foreign assets of the Central Bank, deprived of these resources, steadily dwindled in spite of the increasing severity of the restrictions. By January 1932 the reserve for the note issue<sup>1</sup> had fallen below the statutory limit, for it was quite impossible to contract the note issue as fast as the exchange reserves decreased. In such a situation the Government was unable to transfer the full service of the foreign debt. At the invitation of the Government, a delegation from the Financial Committee of the League examined the situation and recommended the suspension of the transfer of sinking fund payments. As will be seen, the Government went far beyond this recommendation and also reduced by a large amount the proportion of interest transferred. Even so, it became clear that under the circumstances the convertibility of the drachma could not be maintained, and on April 26 the gold standard was abandoned. The drachma immediately went to a discount of about 50 per cent.

The relief obtained by the partial suspension of the debt service together with the progressive tightening of the exchange restrictions gradually reversed the position of the balance of payments. This movement was accompanied by a recovery in the Central Bank's

<sup>1</sup> The drain of foreign currency was hastened by the discount on sterling, which encouraged the import of British goods far beyond the normal needs of the country. In this the fear of an imminent depreciation of the drachma played a large part. For the results of this abnormal rise of imports see pp. 104-5.

holding of foreign currency at the expense of the foreign creditors. The drachma has remained comparatively stable at a discount of about 56 per cent. for the past four years, though it is questionable whether the deficit in the balance of payments for 1934 does not imply a lower rate for the currency than that at present offered. For in spite of the abandonment of the old parity the situation is still to some degree artificial, though by no means as artificial as in certain other Balkan States. This can be inferred from the retention of exchange restrictions. Dealings in exchange are at present entirely in the hands of the Bank of Greece and certain authorized banks, to which the proceeds of all exports of goods must be sold. Moreover, importers must before placing orders obtain authorization to import, which carries with it the right to purchase exchange for payment. Thus the authorities maintain a stranglehold on imports in addition to the utilization of tariffs, quotas, and exchange clearing agreements.

*Yugoslavia.* It has already been mentioned that the difficulties of the other countries had been growing ever since prices began to fall. These difficulties were greatly increased by the crisis in central Europe, especially in Germany, Austria, and Hungary, on which, as distinct from Greece, they largely depended not only for their markets, but also for their finance. In particular the Oesterreichische Kredit-Anstalt had been interested in Yugoslavia and Roumania; and its failure in May 1931 led to a series of withdrawals, both internal and external. These withdrawals were a *fortiori* accelerated by the fall of the pound.

The insecure foundation upon which stabilized currencies had been erected in some of these States was particularly noticeable in Yugoslavia. Within a few weeks of the passing of the law fixing the gold content of the dinar, it became obvious that the funds with which the National Bank had been provided were inadequate except for the smoothing out of temporary fluctuations. To provide a counterpart for the sums withdrawn by foreign banks and frightened nationals, they were quite insufficient. Inconceivable though it may seem, large capital withdrawals in the near future do not appear to have been expected even in May 1931, when the stabilization loan was issued. Although the gold and exchange holdings of the National Bank were comparatively large, the events of the autumn gave rise to the fear of further capital exports if exchange restrictions were not reimposed.<sup>1</sup> Restrictions were introduced on October 8, and were progressively tightened as the financial situation grew worse. For in spite of a short-term credit from France the National Bank con-

<sup>1</sup> Dealings in foreign currency had been subject to the permit of the National Bank up to the time of *de jure* stabilization.

tinued to lose foreign exchange, since the full service of the foreign debt was transferred during the first half of 1932.

The relief accorded by the partial suspension of the foreign debt service some months later did not allay the fears of holders of dinars, and an unofficial premium began to be quoted for foreign currency. In the spring of 1933 the authorities initiated a more realistic exchange policy. The National Bank began to purchase at a premium the foreign currency obtained by Yugoslav exporters out of transactions with countries which had concluded clearing agreements with Yugoslavia. In April 1933 the Bank extended this premium to all exchange transactions. The premium gradually increased so as to give a discount of about 23 per cent. on the gold parity of the dinar, around which rate it has remained comparatively stable up to the present. Thus without abandoning gold parity the authorities have officially recognized that, in relation to the prevailing level of prices, the revaluation of the dinar in 1931 was carried out at too high a rate. Yet they have avoided committing themselves as they would by legal devaluation for, in theory at any rate, the premium can be varied as and when required.

Since 1933 the position has somewhat improved. It is true that the transfer of the public debt service<sup>1</sup> was from 1932 to 1935 reduced to 10 per cent. of the total amount due, transfers on other debts being subject to very stringent regulations,<sup>2</sup> though the transferable amount has recently been increased to 15 per cent.<sup>3</sup> It is also true that severe restrictions on exchange transactions are still in force as regards current payments, that exchange dealings are concentrated in the hands of the National Bank and certain authorized institutions, and that importers must apply for exchange permits even before placing orders. Moreover, payments for imports may in some cases be effected by paying dinars into a blocked account, there to await an opportunity for conversion, which often causes serious delay. Yet here again the proportion of the foreign currency which exporters had to sell to the National Bank on receiving payment for exports was reduced from a half to a third in March 1936.<sup>4</sup>

*Bulgaria.* In Bulgaria the exchange situation had been growing steadily worse for some time before 1931. Yet, at least in the period immediately before the crisis of that year, Bulgaria had been making little use of foreign short-term credits except in the case of exports, which were to a large extent self-liquidating. The banking system

<sup>1</sup> Yugoslavia's foreign debt service does not constitute so large a proportion of the total of payments to be made outside the country as is the case in Greece and Roumania. But the situation in the early part of 1933 was so serious that any relief, however small, was of importance.

<sup>2</sup> For the new monetary policy introduced in the autumn of 1934 see Section IV. 4 below, pp. 127-8.

<sup>3</sup> See p. 100, note.

<sup>4</sup> *Neue Freie Presse*, March 3, 1936.

did not suffer greatly, therefore, from withdrawals such as those which took place in Roumania and Yugoslavia. Moreover, in the narrow sense the depreciation of the pound brought some relief for that part of the foreign debt which was expressed in sterling, whilst the sterling assets of the Central Bank were small and the loss inconsiderable. The export surplus, however, had fallen by about 20 per cent. between 1930 and 1931, and the foreign assets of the Central Bank were continually decreasing. These considerations appear to have weighed more heavily with the public than those outlined above, and in September 1931 domestic capital began to leave the country on a comparatively large scale. On October 15, the Government was compelled to reintroduce the control of exchange dealings, which had been largely suspended since the lev was stabilized in 1928.

As elsewhere in the Balkans the introduction of restrictions, while protecting the stability of the currency for the moment, failed entirely to improve the Central Bank's reserve of foreign currency. On the contrary, the situation rapidly became worse. The restrictions grew in severity throughout the rest of 1931 and the early part of 1932; whilst the increase of restrictions elsewhere reduced the export surplus still further. The next step was, therefore, the suspension of a large proportion of the transfers upon the foreign debt-service, which took place in the spring of 1932. This measure, together with the suspension of reparations payments, which did not become entirely effective for Bulgaria until 1933,<sup>1</sup> brought some relief to the balance of payments which in 1933 and 1934 appear to have closed with a surplus although, possibly owing to the operation of the clearing agreements which Bulgaria has concluded, the gold and foreign exchange reserves of the Central Bank have failed to increase to any appreciable extent from the low levels of 1933. Meanwhile the restrictions, which are still extremely severe, have succeeded only in maintaining the theoretical parity of the lev.

Even this success was largely illusory. Not only has the leva price of foreign products risen considerably,<sup>2</sup> thereby implying that the real rate for the lev should be appreciably lower than in fact it is, but the Government has tacitly recognized this by encouraging the use of the system through which this rise takes place. The method is to extend the import quota beyond the normal figure, provided that importers making use of the extended quota agree to buy at a premium the necessary foreign exchange from exporters of goods which could not otherwise be exported.<sup>3</sup> This encourages exports as, having

<sup>1</sup> See Table 31, p. 78.

<sup>2</sup> D.O.T. *Report on Bulgaria*, October 1934, p. 5.

<sup>3</sup> The premium has been high enough at times to give a depreciation of 30 per cent. from parity, cf. *L'Information*, November 27, 1935.

received the premium, the exporter can charge exceptionally low prices; but the cost of the premium, which has to be borne by the importer, naturally increases the price in leva of the goods imported. In other words, the same result is achieved as would have been the case if the lev had been devalued or allowed to depreciate. The only advantage gained is that additional exports are made at the cost of the internal consumer, but without increasing the leva equivalent of the foreign debt-service. As in any case the foreign creditor is receiving only a small proportion of what he is owed, it is difficult to see that the advantage is great.

Lastly, it must be pointed out that the restrictions themselves are excessively stringent. The National Bank at present releases only a small proportion of the foreign exchange required to meet payments for imports, and usually refuses to permit a further transfer for at least three months. In some cases the importer is enabled by the authorities to pay in 'blocked' leva, the uses of which are extremely restricted. Finally, permission to import must be obtained in many cases before the order is given.

*Roumania.* In spite of her close economic and financial relations with the Succession States, particularly Austria and Hungary, Roumania was not faced in 1931 by exchange problems so acute as those of the other Balkan States, and the crisis took longer to develop. Probably this was due to the large foreign loan which the country had managed to obtain earlier in the year, to the comparatively large export surplus achieved in spite of everything during 1931, and to a Swiss banking credit of some 50 million Swiss francs raised in August 1932. But if the crisis came later, it has also taken longer to resolve, than in the rest of the Balkans. It might even be said with some truth that at present Roumania is farther from a solution than any State in south-east Europe.

It is true that the financial situation of Roumania, like that of all agricultural countries, had been steadily deteriorating since 1929. But, in view of the favourable considerations just mentioned, to which may be added the decrease in Roumania's debt-service arising from the depreciation of sterling and the dollar, it might have been thought that she would be able to avoid a serious crisis altogether, had it not been for an element not present in the other countries here discussed: namely, the exceptionally weak budgetary situation. The position was unsatisfactory even in the good years of 1920-9; in 1930-1 it had rapidly grown worse. Thus, quite apart from the state of the balance of payments, the possibility existed that the Government would be forced to inflate the currency in order to meet its liabilities. It is, therefore, not surprising that in view of the existing uncertainties this additional factor led to a large-scale export of

domestic capital in the spring of 1932. Finally, on May 17<sup>1</sup> restrictions were introduced.

Throughout 1932 the situation grew worse. The funds of the 1931 loan were largely exhausted; the export surplus decreased considerably from the high level of the previous year, in spite of a severe reduction of imports; and though the reserves of the Central Bank were not seriously affected except during the seasonally difficult period of the early summer, it became clear that Roumania could not meet the full service of the foreign debt. As the result the bondholders were forced by events to agree in 1933 to the suspension of a considerable proportion of the service. The relief thereby accorded was offset by a further decrease in the export surplus during 1933 and especially 1934. The result was that the exchange restrictions, originally less stringent than most of the other countries, progressively increased in severity. Meanwhile, the large export surplus of 1935 has apparently failed to improve the situation, presumably owing to the operation of Roumania's clearing agreements.<sup>2</sup>

The system of exchange control was entirely reorganized in October 1934. The new system was apparently designed to secure that the value of imports should not be higher than 60 per cent. of that of exports. Of the proceeds of exports of timber, petroleum, and grain, 40 per cent. was retained by the National Bank for payments on behalf of the State; in the case of other exports (usually not more than a fifth of the total) this 40 per cent. was to be applied to the liquidation of commercial debts outstanding to foreigners. For the remaining 60 per cent. of the proceeds the exporter received an 'import' certificate which could be sold to an importer and which entitled the importer to receive, though not at once, exchange to meet the cost of his imports.

When placed on the market, however, these 'import certificates' soon went to a discount, though the leu was still maintained, in theory, at the rate fixed in 1929. During the first few months of 1935 the Government was forced to recognize this depreciation of the leu for, ostensibly in order to 'encourage production', the Government began to pay a premium, in the region of 30 per cent. over the legal price, upon its purchases of home-mined gold.<sup>3</sup> The Government

<sup>1</sup> By a law of February 27 it was decided that payments could be made by Roumanians in lei only to countries where restrictions prevented payments in foreign currencies to Roumanian creditors.

<sup>2</sup> See pp. 125-7.

<sup>3</sup> On July 23, 1935, it was reported that the Government had devalued the leu by 30 per cent. This was officially denied at once, but there was no recovery in the leu rate for sterling, which had immediately fallen from the gold parity rate against the £ paper of about 480 to 625. It appears that what happened was that the Government decided to extend the premium of 30 per cent. over the legal price which had previously been paid for home-mined gold to exporters for the foreign exchange sold to the National Bank. Legal parity, however, is still maintained in theory.

was, however, compelled to carry its recognition of the depreciation of the leu still further in December 1935, when the restrictions were once more entirely recast. All exporters without exception were now obliged to sell the proceeds of their exports to the National Bank, which undertook to pay a premium of 38 per cent. over the legal parity for the exchange so obtained. Simultaneously an *ad valorem* tax of 12 per cent. was imposed on all imports and extended to exports of petroleum. Importers, therefore, must not only pay a premium of 38 per cent. to the National Bank for their exchange requirements, but meet an additional tax of 12 per cent., the price of imports thereby being increased by 50 per cent.

Thus there are at present at least four rates for the leu, viz. the theoretical gold parity, the rate arising out of the premium paid on gold by the National Bank, the rate paid by the ordinary exporter, which gives a discount against parity of 27.5 per cent., and the 'black bourse' rate, at present about 1,000 lei to the pound, giving a discount of about 36.5 per cent.<sup>1</sup> Moreover, if the additional import and export duties are taken into consideration, there are two further rates, namely the 'export petrol' rate produced by the premium of 38 per cent. less the duty of 12 per cent. on exported petrol, viz. a discount of 20.6 per cent., and the 'import' rate produced by the premium of 38 per cent. plus the duty of 12 per cent. viz. a discount of 33.3 per cent. The constant changes of the regulations have led to great confusion and rendered the conclusion of long-term contracts very difficult.<sup>2</sup>

### III. THE CRISIS AND THE FINANCIAL STRUCTURE

#### 1. PUBLIC FINANCE, 1931-5

The crisis of 1930-2 had a serious and immediate effect upon public finance. The fall of prices added very greatly to the difficulty of collecting direct taxes in the peasant areas; while the decrease of imports, encouraged by the authorities in order to improve the exchange position, led to a decrease in one of the chief sources of revenue, namely, the customs duties. Expenditure, on the other hand, was difficult to compress, for one of the largest items—the debt service—was fixed, and reductions could not be made in the

<sup>1</sup> Fears as to the future of the currency have been expressed not only by a great increase in this 'black bourse' rate but by unprecedented activity in the building industry, which in many cases represents a flight from the currency. In October 1935 it was estimated that consumption of cement for the year would be 360,000 tons as compared with 31,000 tons in 1934. *Frankfurter Zeitung*, October 23, 1935.

<sup>2</sup> It was stated in the Roumanian Senate during November last that there had been no less than twenty-five changes of the restrictions upon foreign trade and the exchanges during the preceding two years. *The Times*, December 5, 1935.

other items as fast as revenue decreased. The result was that during the early years of the depression budgets failed to balance by substantial margins, and there was a heavy increase in the floating debt.

Since 1932 there has in general been a gradual improvement of the current position in most cases, and at any rate revenue has ceased to decline as fast as in the previous three years. Such improvement as there has been is not necessarily due to any improvement of the general situation but rather to factors of a more or less adventitious nature. Thus the depreciation of sterling and the devaluation of the dollar greatly reduced the cost of the foreign debt service expressed in national currencies. Moreover, in Bulgaria and Greece, although the difficulty of transferring the debt service was justifiably urged as a reason for the partial suspension of transfers, the untransferred portion has been paid in 'blocked' currency, which the Government has proceeded to 'reborrow' or, in other words, has simply been taken from one pocket and put into another. In Roumania no provision at all has been made in the budget for the full service in national currency.<sup>1</sup> In both cases the necessity of raising money by taxation for the foreign debt service has been evaded. The position of the national finances has to this extent then been improved.

In addition to the treatment of the foreign debt service, it must be remembered that the situation arising out of the deficits realized in the bad years has by no means been liquidated. In Roumania, for example, the increase and present dimensions of the floating debt assumes an importance far greater than the current relation of revenue to expenditure. How far there has been any real improvement in the general position of national finance in the Balkans is a question which depends very largely, therefore, on the extent to which the liquidation of the worst years of the crisis has been or can be achieved.

*Roumania.* The decline of receipts has been most remarkable in the case of direct taxation, which fell from 9,078 million lei in 1930 (12 months) to 3,457 millions in 1933-4. The yield of indirect taxation, also, fell from 13,348 millions in 1930 to 8,192 millions in 1932, but recovered somewhat in 1933-4. Efforts have certainly been made by the Government to improve revenue, but the reports of the various foreign advisers have made it clear that not only has the collection of taxes in force been excessively slack, but that existing rates of taxation are abnormally low, and could easily be increased without injury to the economic system.<sup>2</sup> It has even been suggested that

<sup>1</sup> In Yugoslavia the position is uncertain, for the foreign bondholders may use the untransferred portion of interest due for certain purposes inside the country.

<sup>2</sup> e.g. the alcohol tax is far lower than in all the countries which most closely resemble Roumania in their economic structure. In 1933 a very moderate reform in the rate—from 2.20 to 2.50 per cent.—of the turnover tax, which also is relatively low, produced a sum half as large again as that in 1932.

(Note: The figures in the following tables, and most of the information in this section, are taken from the League of Nations *Memorandum on Public Finance, 1928-35* (Geneva, 1936), to which reference should be made for fuller details.)

TABLE 35. *Roumania: summary of budget accounts*

(In million lei)

		I General Budget			II Extraordinary Budget			III
		Receipts	Expendi- ture	Balance	Receipts	Expendi- ture	Balance	Final Balance
1928	16 months	32,768	35,224	-2,456	..	..	..	-2,456
1929	" "	36,016	34,372	+1,644	..	..	..	+1,644
1930	12 "	31,155	31,579	- 424	..	..	..	- 424
1931	15 "	27,643	34,703	-7,060	..	..	..	-7,060
1932	12 "	17,848	18,848	-1,000	1,490	498	+ 992	- 8
1933-4	" "	18,364	19,967	-1,603	1,469	1,204	+ 265	-1,338
1934-5	" "	18,809	19,845	-1,036	13,808	14,745	- 937	-1,973
1935-6	" "	19,987	20,687	- 700	14,278	12,340	+1,938	+1,238

Note: 1928-35, provisional results only; 1935-6, estimates. Extraordinary budget, 1934-5, estimates only. The 'final' balance for 1934-5 is therefore approximate only. The extraordinary budget was instituted largely to carry arrears of payments and receipts.

proposals for increases of taxation have been seriously considered only when increased revenue was required for capital expenditure, i.e. that the increase of taxation to cover normal budgetary requirements is unusual.<sup>1</sup> A reorganization of the basis of taxation and of administrative methods would clearly have done much to improve the position as a whole.

On the other hand, expenditure has been drastically reduced in certain departments, such as in salaries where reductions of 10-22 per cent. were effected in 1931, and a further 15 per cent. in 1932, and the foreign debt service, where the total relief to the budget is estimated to have been 4½ milliard lei.<sup>2</sup> But it is significant of the administration of the national finances that expenditure was not reduced *pari passu* with this saving, for the reduction was offset by corresponding or (in 1934) even larger increases in expenditure, thus removing justification for the failure to pay the service of the foreign debt in lei whether it was possible to transfer it or not. Moreover, the attempts made by the Government to check the practice of 'irregular commitments', i.e. expenditure not sanctioned in the budget, appear to have been unsuccessful.

The figures given in the above table do not show the true position, for very large arrears of expenditure have accumulated for expenditure incurred by the State but not paid. By March 1935 these

<sup>1</sup> Report of the Financial Adviser to the National Bank of Roumania, 1935, p. 36. (English translation.)

<sup>2</sup> See p. 101.

arrears totalled more than 11,639 million lei. Against this arrears of taxation unpaid were included in 1935-6 amounting to 14,278 million lei, but a large proportion of these arrears will probably never be collected. In 1934, the Government raised an internal loan to the total nominal value of 4,772 million lei, the purpose of which was to repay some of the amounts owing by the State, but the proceeds were largely allocated to fresh capital expenditure.<sup>1</sup>

The total amount which has had to be found by the Treasury during these years has consequently been heavy. A 'temporary' advance of 2,000 million lei was made by the National Bank to the Treasury in 1932, but has not yet been repaid, and the floating debt was thereby increased to the returned figure (March 31, 1935) of 2,501 million lei, but the true figure is larger, for additional advances amounting to 3,480 million lei had been made by the National Bank by the end of 1934, while the Treasury has borrowed, but not repaid in full, sums from a fund formed for the service of the foreign debt and from other semi-governmental institutions. Thus it cannot be said that the position has improved since the years of acute crisis or indeed that it shows any signs of improvement at all. On the contrary, if a programme of far-reaching reforms is not shortly applied, the adviser to the National Bank stated in February 1935, an unprecedentedly serious situation will arise.

TABLE 36. *Greece: summary of budget accounts*

(In million drachmas)

ASSESSMENTS AND COMMITMENTS

	I			II			III	IV		
	Effective budget			Capital movements including proceeds and repayments of loans					Final Balance (3 and 6)	Balance excluding proceeds of loans and repayments
	Receipts	Expenditure	Balance	Receipts	Expenditure	Balance				
(1)	(2)	(3)	(4)	(5)	(6)					
1928-9	9,994	7,868	+2,126	1,231	2,278	-1,047	+1,079	+1,429		
1929-30	10,949	9,325	+1,624	8,832	10,020	-1,188	+ 436	-7,141		
1930-1	11,467	9,484	+2,003	1,340	2,635	-1,295	+ 708	+ 708		
1931-2	10,250	8,522	+1,728	2,062	3,161	-1,099	+ 629	- 540		
1932-3	8,830	8,265	+ 565	1,115	1,420	- 305	+ 260	- 488		
1933-4	8,858	10,203	-1,345	1,870	76	+1,594	+ 249	-1,360		
1934-5	9,842	10,719	- 877	1,458	117	+1,341	+ 464	- 869		
1935-6	9,140	11,060	-1,920	1,673	16	+1,657	- 263	..		

Notes: 1928-32, closed accounts; 1932-5, provisional results; 1935-6, estimates.

The decline of receipts according to assessments made began in 1929-30, for the figures for 1930-1 include certain extraordinary receipts. The fall was heaviest in direct taxes, which fell from 2,300

<sup>1</sup> A second tranche of this loan was issued in July and August 1935.

million drachmae in 1928-29 to 1,850 millions in 1932-3, but rose again to 2,050<sup>1</sup> millions in 1934-5. The return from indirect taxation fell from 5,203 millions in 1928-9 to 4,461 millions (1932-3), recovering to 4,892 millions<sup>1</sup> in 1934-5. The receipts from monopolies and stamp duties have similarly recovered, an indication of the recent prosperity of the country. The low level of expenditure in 1932-3 is explained by the exclusion from the budget of the untransferred service of the foreign debt, and the subsequent rise is due largely, but not entirely, to its inclusion.<sup>2</sup> Salaries of officials were reduced by 5 per cent. in 1931-2, but were restored to the old level in 1934-5 and in general there has been an all-round rise in expenditure since 1928-9, e.g. defence from 1,839 to 2,038 millions in 1934-5; agriculture 232 to 334 millions; communications from 682 to 1,242 millions. In this, some allowance must be made for the fall in the purchasing power of the drachma.

The above table gives little idea of the position of the Treasury, for the figures relate only to assessments and commitments, and are not on a cash basis. Moreover, arrears of payments made and receipts collected more than four months after the close of the fiscal year are not included in the above figures, and in each of the years under consideration there was a considerable excess of arrears of payments to be made over those due. The net result is that between April 1928 and March 1935 the Treasury had to provide for a deficit of 2,381 million drachmae after the loans referred to in the above table had been raised. This amount was met mainly from surpluses accumulated in previous years, but the Treasury's balance in hand has consequently fallen from 366 million drachmae in March 1931 to 40 million in March 1935. Meanwhile, the arrears of unpaid taxation—which date back to 1918—increased from 2,433 millions in 1928 to 8,255 millions in March 31, 1935, arrears of payments due by the State falling from 3,469 to 2,899 millions.

But on the whole the position is considerably sounder than in most of the other countries, especially in view of the recent increases of receipts. Yet the recovery would not have been possible except for the treatment accorded to the foreign debt, and in this connexion it should be repeated that expenditure has recently tended to increase by substantial amounts, although the Government gave the League of Nations a public undertaking in 1933 that a conservative policy in regard to public expenditure would be pursued over a period of years.

<sup>1</sup> These figures relate to assessments, and the rise in cash receipts was probably larger. The figures given for expenditure on individual items, also, relate to commitments.

<sup>2</sup> The Government borrows the untransferred portion against non-interest-bearing treasury notes.

TABLE 37. *Yugoslavia: summary of budget accounts*

(In million dinars)

	I General Budget			II Budget of public undertakings, &c.			III Treasury 'working capital' fund. Balance at end of year
	Receipts	Expendi- ture	Balance	Receipts	Expendi- ture	Balance	
1928-9	7,541	7,301	+ 240	4,448	3,845	+ 603	+ 122
1929-30	9,018	7,386	+ 1,632	5,140	4,431	+ 709	+ 635
1930-1	8,476	8,041	+ 435	4,835	4,429	+ 406	+ 129
1931-2	6,758	7,384	- 626	4,207	4,145	+ 62	+ 10
1932-3	6,132	6,879	- 747	3,469	3,559	- 90	?
1933-4	6,467	6,653	- 186	3,507	3,127	+ 380	?
1934-5	6,914	6,914	..	3,643	3,257	+ 386	?

Note: 1928-32, closed accounts; 1932-4, provisional results; 1934-5, estimates.

The decline of receipts from indirect taxation was heavy, receipts falling from 3,693 million dinars in 1929-30 to 2,300 millions in 1933-4. Receipts from direct taxation fell from 2,393 million dinars in 1929-30 to 1,785 millions in 1931-2, but, as the result of measures to increase the yield, rose to 2,103 millions in 1933-4. This rise took place in spite of laws alleviating the burden of taxation in certain cases. The rate of various indirect taxes has been considerably increased during the period. Expenditure has been heavily reduced in certain departments, salaries of officials by 10 per cent. for example, and various departments have been unified to save expense. Even expenditure on defence fell from 2,429 million dinars in 1928-9 to 1,804 millions in 1933-4, though estimates for 1934-5 are somewhat higher.

The effect of the crisis upon the budgetary position cannot be accurately estimated, for no returns have been issued since 1932 of the position of the floating debt or of the Treasury's 'working capital' fund. This fund is of great importance, for in 1929-30 its expenditure—mainly on national defence,<sup>1</sup> public undertakings such as roads, &c., and arrears—amounted to nearly a quarter of the expenditure of the general budget. Presumably there has been a heavy increase in the debit balance of this fund—reduced to a credit balance of 10 million dinars by the end of 1931-2—and a correspondingly heavy increase in the floating debt. An unofficial estimate made in the summer of 1934 placed the total of Government short-term debts outstanding to banks and contractors, &c., at about 2 milliard dinars, while the total of budget deficits between 1930-1

<sup>1</sup> In addition to sums spent in the Government budget.

and 1934-5 has been more recently<sup>1</sup> computed at 1½ milliard dinars. The debt appears to be carried largely by the National Bank (600 millions) and State institutions such as the postal savings bank.<sup>2</sup>

So far as can be ascertained the current position has somewhat improved since the worst years of the crisis. But in view of the extent which the floating debt must have attained and the large total of expenditure outside the budget, some reserve is necessary in accepting this conclusion. In this connexion it is of interest that in the estimates for the next fiscal year the Minister of Finance proposes to combine the two budgets.<sup>3</sup>

TABLE 38. *Bulgaria: summary of budget accounts*

(In million leva)

	I <i>Receipts</i>	II <i>Expenditure</i>	III <i>Receipts from loans, &amp;c.</i>	IV <i>Balance (I+III-II)</i>	V <i>Floating Debt (as at March 31)</i>
1928-9	7,508	8,085	1,054	+ 477	382
1929-30	7,971	11,599	3,492	- 136	167
1930-1	6,758	9,443	839	-1,846	748
1931-2	6,168	7,832	693	- 971	808
1932-3	5,755	6,708	205	- 748	1,550
1933-4	6,097	6,607	307	- 203	2,021
1935	7,149	7,149	..	..	1,867 (Aug. 31)

*Note:* 1928-34, closed accounts; 1935, estimates. Up to and including 1933-4 the fiscal year ran from April 1-March 31. The budget for 1934, which has been omitted, covered 9 months.

The decline of receipts was most noteworthy in the case of indirect taxation, which fell from 2,648 million leva in 1929-30 to 1,924 millions in 1933-4,<sup>4</sup> but was estimated at 2,202 millions in 1935. The yield of direct taxes also fell considerably, and in general the efforts of the Government to increase revenue have met with little success. On the other hand expenditure which, until 1932, included sums spent out of the proceeds of the stabilization loan of 1928, was effectively reduced in many departments during the crisis years; notably salaries and pensions were reduced by 4 to 14 per cent. in 1931 and again in 1934 by 3 to 5 per cent. on salaries and 15 per cent. on pensions.

The deficits of the years 1928-34 were met partly by loans as can be seen (col. III), but the Treasury has had to find 3,400 million leva for this purpose over the period. This was done partly by the

<sup>1</sup> *Frankfurter Zeitung*, January 31, 1936.

<sup>2</sup> In January 1936 it was announced that one-year treasury bills would be issued to the extent of 500 million dinars for meeting some of the arrears of payments due by the State. 300 million dinars of this loan were issued in February and March.

<sup>3</sup> *Nous Presse*, December 12, 1935.

<sup>4</sup> Customs duties fell from 1,239 million leva in 1928-9 to 626 million in 1933-4.

use of over 1,170 million leva from the coinage receipts<sup>1</sup> and the issue of treasury bills (see col. V). Moreover, the Government reborrowed part of the sums deposited with the League Commissioner as the untransferred portion of the foreign debt service.<sup>2</sup> Though this is in reality a matter of book-keeping the Government has thereby avoided the necessity of raising taxation for this purpose. Sums of 59 and 230 millions were raised by medium-term internal loans in 1933-4, and have largely been applied to cover the arrears of payments due by the State.

The current situation has evidently improved since the worst years of the crisis, though the amount of the floating debt, which represents payments still to be made on the crisis years, is disproportionately high for a country like Bulgaria where no money market exists; the Government have recently<sup>3</sup> consulted the League with regard to a proposal for raising the limit of treasury bills which may be discounted by the National Bank. Moreover, numerous reforms have been advocated by the League Commissioner which so far have not been enforced. Of these, the more important relate to the loose method of drawing up the estimates, which commits the Government to expenditure which may be greater than the revenue realized; and the application of revenues due in one year to the budget of the following year. Thus the scope for future reforms is considerable.

TABLE 39. *Albania: summary of the budget accounts*  
(In million gold francs)

Ordinary and extraordinary budget	Estimates							
	1928-9	1929-30	1930-1	1931-2	1932-3	1933-4	1934-5	1935-6
Receipts . . .	28.2	31.8	31.4	29.1	28.5	24.5	18.8	17.2
Expenditure . .	28.2	31.8	31.4	31.5	31.6	27.5	18.9	18.0
Balance . . .	..	..	..	-2.4	-3.1	-3.0	-0.4	-0.8
Proceeds of loans . . .	..	..	..	2.4	3.1	3.0	..	..
Final Balance .	..	..	..	..	..	..	-0.4	-0.8

The decline in receipts has been common to all departments, and no special measures have been taken to increase yields. Expenditure, particularly on defence, which in the earlier years accounted for from 45 to 50 per cent. of the total, was maintained until 1932-3, but serious reductions were subsequently effected, e.g. defence from

<sup>1</sup> These should have been used for the reduction of the State debt to the National Bank according to the terms of the stabilization loan. Permission was obtained from the League Commissioner for this exceptional procedure.

<sup>2</sup> 90 per cent. of the amounts untransferred during 1932-4 was subsequently cancelled. See p. 99. <sup>3</sup> *Report of the Financial Committee to the League*, December 20, 1935, p. 3.

15.1 million gold francs (1931-2) to 6.7 millions (1935-6), and in the salaries of officials. On the other hand, in 1934-5, 250,000 gold francs were included in the budget for the first time on account of the service of the S.V.E.A. loan of 1925. The inclusion was made also in 1935-6, but whether the sums were transferred is unknown.

No official estimates are available for results, but sources quoted by the League Memorandum make it clear that the budgets of 1925-31 closed with a deficit of 3 million francs each, owing to over-optimistic estimates of expenditure, &c., the amounts being covered by collection of arrears and payments out of current receipts. The real deficits for the years after 1931 were probably much higher than are shown in the official figures. The sources quoted suggest that from 1931 to 1934 the total deficit was 19 millions. This amount was covered as to 6 millions by instalments paid on the loan from the Italian Government,<sup>1</sup> as to a further 3 millions by receipts from the same source in January 1935, and as to 1.8 millions by money borrowed from a fund (created out of contributions from civil servants) which was to act as capital for an agricultural bank. Thus the uncovered amount would be 3.5 million francs until the end of 1934. It is evident that the Albanian budget entirely depends at present on external resources.

## 2. THE FOREIGN DEBT PROBLEM

### (a) *Public external debt.*

Before dealing with this subject in detail there is one important distinction which must be emphasized although it will be clear from what has already been said. The difficulties with which the Balkan States have been faced in paying the service of their foreign debt are twofold. On the one hand, budgetary difficulties have made it in most cases extremely hard to provide for the full service of the debt in national currency, at any rate in the years of more acute crisis. On the other hand is the transfer problem, which arises directly from the position of the exchanges. These two difficulties are theoretically quite separate; and although they have operated in the case of all these countries, their incidence has varied considerably.

The figures on p. 40 show what would have been the relationship between the total value of exports during each year and the annual service of the foreign debt if it had been maintained in full. It must, of course, be admitted at once that in one sense the figures are misleading,<sup>2</sup> for the amounts necessary to meet the service of the

<sup>1</sup> See p. 44.

<sup>2</sup> Foreign debt outstanding on respective dates, in milliards of national currencies: Bulgaria 17.1 (31. iii. 31), cf. 14.7 (21. viii. 35); Roumania 159.1 (31. xii. 30, i.e. excluding 1931 loan), cf. 114.4 (31. iii. 35); Greece 31.3 (31. iii. 31), cf. 33.6 (31. i. 35). No such figures are available for Yugoslavia.

foreign debt were considerably reduced by the depreciation of sterling and the dollar.<sup>1</sup> This factor, however, is common to all these countries, though its importance naturally varies with the extent to which their foreign debt is payable in sterling and in dollars. In point of fact the differences on this account are probably small, though it is probable that a larger proportion of the Yugoslav foreign debt is payable in francs than in the case of the other countries. If the figures cannot therefore be corrected for the fluctuations of sterling and the dollar, the effect of these fluctuations has probably not varied greatly from country to country. Secondly, it must be repeated once more that a large proportion of the foreign debt of Greece is held inside the country and to that extent the question of transfer does not arise.

It is unfortunately impossible to give comparable figures illustrating the second problem, viz. the difficulty of providing for the service of the foreign debt in the budget.<sup>2</sup> This is due, as has been seen,<sup>3</sup> to a considerable degree of variation in the treatment of the untransferred portion of the service. Since a comparative table is therefore out of the question, the budgetary position will be referred to separately in the case of each country.

The treatment of the foreign debt service has been determined by a series of arrangements; and revisions in the case of Greece and Bulgaria have usually been in a downward sense.<sup>4</sup> For the most part the bondholders' representatives have agreed to, and occasionally even approved of, the proposals of the debtors. An exception must, however, be made in the case of Greece, whose latest proposals have been severely criticized by the bondholders' organizations.

*Bulgaria.* In Bulgaria it is almost certainly the transfer question which has predominated. The normal service of the foreign debt was in 1931 not very much more than about 1,400 million leva. This figure, which includes amortization and reparations payments, would in any case have been lowered by the depreciation of sterling and the dollar. The total of ordinary expenditure in the budget, which was over 6.4 milliards in 1930-1, has now been reduced to about 5.7 milliards. In other words, if the total cost of the foreign debt service, after allowing for the depreciation of sterling and the dollar, is put at somewhere about 630 million leva, the proportion borne to the total expenditure is comparatively low, namely, about 11 per cent. In point of fact, no more than 250 million leva were actually transferred during 1931. It would not therefore appear that

<sup>1</sup> See p. 97, note 2.

<sup>2</sup> Though in any case this method should be used with care. Debt service should not necessarily be the last item of the budget to be considered. <sup>3</sup> See page 90.

<sup>4</sup> The foreign debt of Albania, which was in default before 1931, cannot here be considered, as no information is available as to the details of settlements.

the payment of the service puts a very great strain upon the budget. A glance at the figures for the balance of payments, however, will show the difficulty of transferring substantially larger amounts.

The treatment of the external debt service can be shortly summarized. The transfer of interest on the public external debt, including the 'League' loans, was reduced to 50 per cent. of the amount due from April to November 1932, and to 40 per cent. from then to March 1933. In March 1933 it was agreed that until April 1934 only 25 per cent. should be transferred. In April and May 1934 the Government undertook to increase the percentage of interest transferred to 32½ per cent., but in September 1935 announced its intention of transferring 15 per cent. only of the interest due until March 1936, when the proportion was increased to 21½ per cent. Meanwhile sinking fund payments have been suspended since 1932.<sup>1</sup> The treatment of untransferred interest has varied. In 1932 provision was made in the budget for the full payment in leva, and when the sum transferred was reduced to 50 per cent. the balance was paid to the National Bank in blocked leva which the Government was authorized to reborrow for budgetary purposes. But in the 1933-4 budget the full service was not provided for, though this was afterwards regularized by a supplementary credit. The claim of the bondholders to the balance was subsequently recognized, and it was agreed that 10 per cent. of the value of the leva untransferred during 1932-4 should be paid in October 1934, April 1935, and October 1935, the remaining 90 per cent. being cancelled, while the Government undertook to provide for the full interest in leva in the budget.

*Yugoslavia.* In the absence of detailed estimates of the Yugoslav balance of payments the transfer difficulty proper cannot be demonstrated, but the figures given on p. 79 suggest that, at any rate until quite recently, it was serious. On the other hand, the budgetary position can be seen from the following figures:

TABLE 40. *Yugoslav debt service*  
(In million dinars)

	Provisional results			Estimates
	1931-2	1932-3	1933-4	1934-5
1. Budgetary expenditure (excluding that on State undertakings) . . . . .	7,384	6,879	6,653	6,914
2. Allocation to public debt service . . . . .	919	966	919	964
3. 2 as a percentage of 1 . . . . .	12	14	14	14

The rise between 1931-2 and 1932-3 in the estimated cost of the debt service, which includes that of the relatively small internal

<sup>1</sup> Irregular redemption payments have been made on the Refugee loan of 1926 out of transfers in foreign currencies from capital repayments made by refugees.

debt, is due to the inclusion of the service of the stabilization loan issued in 1931, while subsequent movements arise out of the suspension of sinking fund payments in 1933, the depreciation of the dollar and, to a lesser extent, of sterling, all of which are offset by the depreciation of the dinar. The figures include both the transferred and untransferred portion of the debt service. On the whole, therefore, it would seem that here, too, the question of transfer has been the dominating factor.

Default was made on the external debt in the summer of 1932. The position was regularized by agreements with the French bondholders in March, and with the British in July 1933. In accordance with these agreements, which bore a close resemblance to each other, sinking fund payments were to be suspended until October 1935. As regards interest, holders were given the option of receiving payment in full in untransferable dinars, the use of which was restricted, or accepting funding bonds expressed in French francs and bearing interest at 5 per cent. These bonds were to be issued to the extent of 90 per cent. of the interest due, the balance of 10 per cent. being transferred each year. British holders were relieved of liability for income tax on the issue of funding bonds by the further issue of funding bonds accepted in lieu of tax by the British authorities. The bondholders' organizations recommended this settlement as the best which was possible under the circumstances; its terms have been observed, and no modifications have so far been made. Since the signing of the agreements the position of the dinar and the balance of payments have improved to a considerable degree. As has been seen, the question of transfer is probably of far greater significance than purely budgetary considerations, and the case for an increase of the transferable proportion when new agreements are negotiated will presumably be strong.<sup>1</sup>

*Roumania.* In Roumania the budgetary aspect was originally of more importance than in the case of Bulgaria and Yugoslavia, though not of Greece. However, the transfer difficulty subsequently increased very greatly. The budgetary aspect is illustrated by the figures in Table 41.

It will be seen that, if the full service of the foreign debt had been met up to the present on the basis of the 1932 figures, the proportion borne by this item to the total annual expenditure would have increased very greatly as compared with 1931, even when allowance is made for the depreciation of sterling and the dollar, for expenditure has been considerably reduced since 1931. Moreover, in the

<sup>1</sup> A new settlement with the French holders was concluded in January 1936 whereby the transferable proportion was increased to 15 per cent. Only 55 per cent. of the balance, however, was to be paid in funding bonds; the remainder (30 per cent.) was to be set aside for amortization: *Frankfurter Zeitung*, January 26, 1936. No agreement with the British holders appears to have been made as yet.

years for which figures are given the amount by which expenditure exceeded revenue was substantial, and the burden of full payment upon the taxpayer would therefore have been heavy. In the event the real saving to the Roumanian budget by the partial suspension of transfers was, in 1934-5, about 4½ milliard lei out of a total budgetary allocation on the service of the foreign debt of about

TABLE 41. *Roumanian debt service*  
(In million lei)

	1931 (results)	1932 (12 months' results)	1933-4 (results)	1934-5 (estimates)
1. Total budgetary expenditure . . . . .	31,870	23,619	21,441	21,492
2. Of which total amount actually spent on debt service (including small internal debt) . . . . .	6,914	5,960	3,504	2,282
3. 2 expressed as percentage of 1 . . . . .	22	25	17	11

Note: These figures, which are taken from the *Report of the Adviser to the National Bank*, 1934, differ slightly from those on p. 91 owing largely to subsequent adjustments.

7 milliard under normal conditions, and the proportion of the total expenditure on the foreign debt service is far lower in 1934-5 than it was in 1931. On the other hand, the difficulty of transfer, originally less serious than elsewhere, has greatly increased since 1932 owing to the fall in the export surplus.

Nevertheless the receipt of the 1931 loan and the export surplus of 1931-2 respectively sustained the budget and the exchanges sufficiently for Roumania to maintain the full debt service longer than any other of these countries. Default on interest payments was not made until August 1933 until, in fact, it had become clear that application to the League for technical assistance<sup>1</sup> was unlikely to be followed by further foreign loans, though sinking-fund transfers on the External loan of 1922, the Stabilization loan of 1929, and the Development loan of 1931 had been suspended since February 1933. The position was regularized for the most part by an agreement with the bondholders' representatives in November, whereby 25 per cent. of the interest due was to be transferred on most loans except the 4 per cent. External loan of 1922 on which, in view of its contractual priority,<sup>2</sup> 50 per cent. was to be transferred: an agreement of March 1934 secured the transfer of 50 per cent. of the interest on the Stabilization Loan of 1929. By a further agreement of July 1934,

<sup>1</sup> In the summer of 1932, when default had not yet been made on the external debt, the Government applied to the League for technical assistance in carrying out a scheme of financial reforms. A delegation from the financial committee subsequently visited Roumania, but few tangible results arose out of the discussions.

<sup>2</sup> The loan contract contained a clause granting it a priority of charge over all other external or internal loans, present or future.

50, 53, and 55 per cent. were to be transferred in each of the years 1934-5 to 1936-7 respectively in the case of interest on the loans of 1929 and 1931 and the External Loan of 1922, small additional payments being transferred in the case of the latter loan in order to preserve its priority. The percentages of interest due to be transferred upon the other loans were 25 per cent. in 1934-5, 35 per cent. in 1935-6, and 42 per cent. in 1936-7. In all cases sinking-fund transfers remained suspended.

The treatment of the untransferred portions remained for some time most unsatisfactory, and in the case of the Stabilization Loan transfer was made conditional upon the bondholders' agreement to the appropriation of untransferred balances for budgetary purposes. The agreement of July 1934, however, provided that these untransferred amounts were to be funded into 4½ per cent. Funding bonds. This arrangement referred only to such untransferred amounts as accrued between October 1933 and March 1934. On the whole, however, it may be said that the treatment of Roumania's foreign debt has so far been more favourable to the foreign bondholder than in the rest of these States. Default was avoided for a longer period; transfers of interest have been made at a higher rate; and the position of some at any rate of the untransferred amounts has been regularized.<sup>1</sup>

*Greece.* The Greek position differs from that of the other countries in that the budgetary aspect of the question is probably no less important than the transfer aspect. It must, further, be pointed out that the figures given for Greece below are misleading, partly on account of Greece's invisible exports, which are large compared with those of the other States, but still more on account of the fact, already referred to, that a considerable proportion of the public debt, though expressed in foreign currency, is held in Greece. This proportion has probably increased during the past few years.

The budgetary aspect may be seen from the following figures:

TABLE 42. *Greek debt service*  
(In million drachmae)

	1930-1	1931-2	1932-3	1933-4	1934-5
1. Total budgetary commitments . . . . .	9,464	8,522	8,265	10,203	10,719
2. On account of debt service (internal and external) . . . . .	3,800	3,500	1,370	1,400	1,550
3. Whereof external debt service actually transferred . . . . .	2,150	1,950	670	640	760
4. 2 expressed as percentage of 1 . . . . .	40	41	16	14	15
5. 3 expressed as percentage of 1 . . . . .	23	23	8	6	7

<sup>1</sup> In February 1936 a Franco-Roumanian agreement was reached in principle for covering the payment of the coupons of the Roumanian loans issued in France. In order to permit the necessary transfers, Roumania was to cede to a French group for twelve years three-

It will be seen that the percentage (4) was of a higher order altogether than in the other countries. To this it must be added that the heavy depreciation of the drachma, though offset by that of sterling and the dollar, would probably have required a considerable increase in the service of the external debt if it had been transferred in full. Moreover, expenditure exceeded revenue during these years; and there is therefore little doubt that the full payment of the foreign debt service would have subjected the public finances to a strain which would probably have been heavier than in the other countries. It was estimated by the Financial Committee of the League in 1933 that the amount in drachmae required to pay the full foreign debt service, including amortization, was no less than 4,746.6 million drachmae, as against total draft estimates of expenditure for that year of 7,054.6 millions.

The history of the external debt during the past three years is extremely intricate and cannot here be summarized except on the broadest lines. As has been seen, transfers on the external debt service were suspended in April 1932, and an agreement was signed with the bondholders' representatives in September 1932 whereby 30 per cent. of the interest due would be paid until March 1933, sinking-fund payments being entirely suspended. In April of that year the Government invited a delegation of the League Financial Committee to visit the country and report. After lengthy negotiations the Government agreed in November 1933 to transfer 27½ per cent. of the amount due for interest during 1933-4, the proportion to be increased to 35 per cent. for 1934-5. In February 1935 the Government announced that it proposed to transfer 35 per cent. for 1935-6, but the bondholders' representatives reported that they were unable to recommend this offer and suggested that 50 per cent. would be a more reasonable figure. Very few bondholders have, in fact, accepted the Government's proposal, with the result that to this extent Greece, alone of these four countries, is in total default at present.

The treatment of the untransferred interest on the foreign debt has varied. As has been seen, no provision whatsoever was made in the budget of 1932-3 for the untransferred interest. The omission was remedied in the budget of 1933-4, and such provision is at present being made on the understanding that the Government is allowed to reborrow the untransferred portion of the interest against the deposit of non-interest-bearing treasury notes. For this reason quarters of the Government-owned royalties on petrol. Besides paying the coupons of these loans, the royalties so ceded were to be used for payment of imports of French armaments to the value of 725 million francs, arrears on commercial debts to France, and certain other payments due. *The Times*, February 1, 1936. For the Anglo-Roumanian clearing agreement of 1936 see p. 131.

the figures of the untransferred portion are not shown in the above table.

(b) *Private external debt.*

The private external debt falls mainly into three categories: long-term investments other than in Government bonds or those of State institutions; short- or medium-term credits; and arrears of payments for imports. All three are subject to exchange restrictions. In general, the treatment of creditors has been less favourable than in the case of the State debt, and their position is more unsatisfactory since debtors can plead *force majeure* in the shape of the exchange restrictions. On the whole the third category has received the most favourable treatment, for obvious reasons.

The application of exchange restrictions in detail varies from country to country, and it is impossible to discuss the subject at length. As regards Bulgaria, where debts of the first category are probably not large,<sup>1</sup> most capital transfers appear to be forbidden entirely; and the transfer of interest payments is subject to the approval of the National Bank, thus depending upon the position of the exchange reserves. In the case of arrears of commercial indebtedness also the position is unsatisfactory. Arrears were considerable even before the currency difficulties of the last few years, and the total has since increased. By June 1934 the outstanding amount was estimated to be as high as 2½ milliard leva. In view of the pressure of the exchange situation upon the current transfer position, it is difficult to see how these arrears can be liquidated in full for a very long time.

In Yugoslavia also the general position is unsatisfactory, though there have recently been signs of improvement. Transfers to be made for interest payments or arising out of the sale or redemption of securities held in Yugoslavia can be made only in 'temporarily tied' dinars; this applies also to banking credits, both as regards interest and repayment. An effort is being made to liquidate these 'temporarily tied' dinars by means of additional exports, but this method is slow, for until May 1935 payment even for imports had to be made into a 'temporarily tied' account, such payment being a legal discharge for the importer; and sums so paid will presumably be the first to be released. No estimate of the amount of these blocked amounts is available, but it is probably large.

Greek banks authorized to deal in foreign currency may sell exchange in order to make transfers on the service of investments in Greek companies expressed in foreign currency. But this provision is only permissive, and the extent to which it is availed of

<sup>1</sup> See p. 85.

depends entirely upon the day-to-day position of the exchange. Loans in foreign currency, if granted before April 1932, have mostly been repaid in 'blocked' drachmae; though in some cases they may be used for the financing of 'additional' exports.<sup>1</sup> Arrears of payments for imports amounted to about 100 million Swiss francs by April 1932, largely as the result of increased purchases on credit made since September 1931, or while the drachma was at a premium over the pound. These debts were in 1932 subjected to a five-year moratorium, and half-yearly payments of 10 per cent. are being made regularly. It is not known whether since April 1932 arrears have again increased by an excessive amount. It is, however, improbable, for the discount on the drachma has scarcely been an encouragement to importers.

Lastly, in Roumania the transfer of sums for interest or capital repayments on long-term debts has been made conditional on the permission of the National Bank; and the same applies to loans and credits made in foreign currency. Moreover, in most cases the debtor can obtain a discharge by payment of 'internal lei', which may be used, in the main, only for investment in Roumania, and are thus virtually 'blocked', as in the case of Greece. Arrears of payments for imports had, by the early part of 1935, increased to a large figure at least in the case of Great Britain, for with most of the other countries from which Roumania principally imports, payment was made through clearing agreements. An attempt to regularize the position was made in February 1935, when an Anglo-Roumanian payments agreement was concluded, but the working of this and the subsequent agreement of August 1935 was unsatisfactory, and a new agreement was concluded in May 1936.<sup>2</sup>

### 3. THE CRISIS AND THE BANKING SYSTEM

#### (a) *Commercial banks.*

It has been seen that two of the most important features of the banking system of the Balkans were the absence of any distinction between investment and deposit banking and the dependence upon short-term foreign capital. The crisis showed that these defects were in fact the most vulnerable points of the whole system. By the withdrawal of short-term capital until finally it was prevented by the introduction of exchange restrictions, the Balkan affiliations of central European banks such as the Oesterreichische Kredit-Anstalt were among the first to suffer. But even if withdrawals had not

<sup>1</sup> For the proposed treatment of the mortgage-bonds issued by the National Mortgage Bank of Greece in London, see p. 110, note 2.

<sup>2</sup> See p. 131. For the proposed treatment of outstanding commercial indebtedness to France, see footnote, p. 102.

occurred, many of the banks, especially in Yugoslavia and Roumania, would have had to restrict their operations very considerably, since, as they were for the most part under-capitalized, their activities depended upon further short-term capital from abroad, which was no longer to be available. It was highly important from the internal point of view also that, under conditions such as those prevailing in 1931 and 1932, assets should be in a very liquid form. Since short-term credits from abroad could not be drawn upon, the only course open to the banks was to realize some of their assets invested inside the country. It was here that the results of the failure to distinguish between investment and deposit banking were felt. For most of the assets of this kind, at any rate in Yugoslavia and Roumania, were in the form of advances on commodities the price of which was rapidly falling or, to an even greater extent, in medium- and even long-term credits to industry, many of which could not be realized at once, if at all.

This applies in particular to the small local banks, the number of which was so large in Roumania, Yugoslavia, and Bulgaria. Between 1931 and 1932 it became clear that a large proportion of the banks' assets in these countries was in an entirely illiquid form. Moreover, the connexion of the larger banks with Austria and Hungary was well known to the public. The result was, at least in Yugoslavia and Roumania, a loss of confidence in the banks, leading to large withdrawals of deposits by domestic depositors. In Yugoslavia this was followed by the imposition of restrictions—in many cases not yet raised—upon such withdrawals, and in Roumania by a number of serious failures. In Bulgaria the situation was not so serious, though the banking system had to be largely reorganized. The Greek banks were, as will be seen, in an exceptional position during the whole of this period.

A further difficulty arose out of the treatment of agricultural indebtedness. For the most part, it is true, the consequent losses were borne by agricultural banks closely connected with the State, if they were not actually State institutions; in Roumania much of the loss fell directly on the State. But there is no doubt that commercial banks themselves, at any rate in Yugoslavia, Roumania, and Bulgaria, suffered very severe losses by these measures. Moreover, in the last two cases there is not even a remote chance that the loss will be made good in full, as a proportion of the debt was actually remitted. Lastly, the steps taken to meet the situation have not as yet gone far, that is, if the solution is to include amalgamation on a wide scale, the elimination of the weaker banks, and the writing down of capital by considerable proportions, which is, after all, no more than the logical counterpart of the remission of agricultural

indebtedness. In the event Bulgaria is the only country where important amalgamations have taken place since 1931, though in certain of the other countries the capital of some of the larger banks has been reduced.

*Yugoslavia.* These general considerations apply especially to Yugoslavia, whose financial connexions with Germany, Austria, and Hungary had been very close. There is little doubt that these difficulties were accentuated by the policy of the National Bank, which between June and July 1931 raised its rediscount rate from 5½ to 7½ per cent. and began to restrict credit very severely. This action is occasionally held to have been a political manoeuvre,<sup>1</sup> and to have been directed against the large Zagreb banks of Croatia, which regarded their credits from the Central Bank as an 'iron reserve', whereas the numerous small banks of Serbia rarely kept accounts with the National Bank at all and were therefore not directly affected by the measure. In spite of the fact that in Yugoslavia, as in Roumania, politics play an unusually large part in banking, this view is on the whole unlikely, for the restriction of credit would seem to have been merely a part of the general deflationary policy designed to maintain the gold standard.

In any case these circumstances continued to lessen confidence in the banks very greatly. During the autumn there was a series of runs, and unofficial measures were taken to prevent depositors from withdrawing more than a small proportion of their deposits. In April 1932 one of the largest banks temporarily suspended payments, and it became necessary to pass a decree enabling all banks whose assets exceeded their liabilities to declare a moratorium on old liabilities. This was repeatedly extended until December 1933. A law was then passed requiring the 170 banks which had sought the protection afforded by the previous moratoria to apply to the Government for permission to liquidate, to reorganize,<sup>2</sup> or to prolong their moratorium for a period of not more than five years, and allowing all other banks to follow the same procedure as regards the moratorium. Banks choosing reorganization were permitted to take unusual measures, such as to allot shares to creditors in partial settlement of their claims, and to value their Government securities at cost.

The majority of banks affected chose to apply for a further mora-

<sup>1</sup> See 'Bankenkrise in Jugoslawien' in *Der Deutsche Volkswirt*, June 9, 1933, and Miss Elizabeth Wissemann, 'Yugoslavia since Marseilles' in the *Political Quarterly*, July-September 1935, p. 371.

<sup>2</sup> Insolvent banks of economic and national importance might declare a moratorium, cancel their liabilities up to 50 per cent., or, with the consent of a majority of the depositors, transform 50 per cent. of their deposits into shares. League of Nations, *Memorandum on Commercial Banks, 1929-1934*, Geneva, 1935, p. 135.

torium, although this entailed a certain degree of State supervision; most of these banks required the moratorium to be extended over a period of twelve years, or the length of the moratorium on agricultural debts, a significant stipulation. The total liquidations under the scheme was small, and the number of banks still remains in the vicinity of 700, many of which are almost entirely illiquid. Subsequent legislation has tended to reduce the rôle of the State in banking reorganization; moreover, since 1931 little has been done by the banks themselves in the direction of amalgamation.

*Roumania.* The Roumanian banking system was clearly unsound even before the crisis of 1931-2, and a run on the Bank Marmorosch Blank in March 1930 was a sign of what was to follow. The events of the first seven months of 1931, and particularly the collapse of the Oesterreichische Kredit-Anstalt, were followed by an almost complete break-down of the banking structure. Two of the largest banks in the country suspended payments, largely owing to their industrial interests. Confidence in the banks was seriously affected and hoarding greatly increased. Finally, in April 1932 the Bank Marmorosch Blank suspended payments.<sup>1</sup>

The moratorium on agricultural indebtedness made the position worse, particularly in Transylvania. A similar effect resulted from the operation of the 'compulsory composition' law, which under certain conditions forced creditors to accept the terms put forward by debtors. Through 1932 and 1933 many of the smaller banks and some of the larger banks which had not already failed were compelled to have recourse to this law; and in the spring of 1933 there was a further large failure. Thus the situation is worse than in Yugoslavia, where the banks are for the most part subject to a moratorium and their ultimate liability is in theory unchanged, since in Roumania many of the banks have forced their creditors under the compulsory composition law to accept as a discharge what repayments they see fit to make. Meanwhile the liquidation of the assets of banks which have failed is proceeding very slowly.

The law regulating agricultural indebtedness has at last made it possible to estimate the losses which most banks will have to suffer, and since it came into force the Government has begun to take action for the reorganization of the banking system. A law of May 1934 provided for certain safeguards such as a minimum capital, a standardized form of balance-sheet and, what may be most important, a certain degree of supervision by a 'Conseil Supérieur Bancaire', then formed for this purpose. Although this legislation

<sup>1</sup> This bank has since been able to meet a large part of its liabilities. See the *Frankfurter Zeitung* of March 8, 1936.

will not be fully effective for five years, the Financial Adviser to the National Bank stated in February 1935<sup>1</sup> that it 'has now become possible to demand the winding up of moribund or too heavily invested institutions, and to obtain the necessary fusions'. A law was passed in May 1935 which, if put into effect, will do much to remedy amalgamations. It is too early to estimate what will result from the efforts of the Government. What can safely be said is that a great deal still requires to be done. The Adviser to the National Bank stated<sup>2</sup> that 85 of the 115 banks in Bucharest should be wound up, and that in the provinces some 430 out of a total of 924 ought to disappear.

*Bulgaria.* In Bulgaria the situation is perhaps less serious than in Yugoslavia and Roumania, for there have been fewer important failures during the last five years. Moreover, as was seen, in the period immediately preceding the crisis the large banks had not been making use of foreign short-term funds to any great extent, and were thus not seriously affected by such withdrawals as took place. On the other hand, Bulgaria possesses a comparatively large number of small local banks, and by 1932 many of their assets were completely illiquid.

The obvious necessity for amalgamation has been recognized by the Government. In June 1934 legislation was enacted to secure the fusion of a number of banks the capital of which was owned inside Bulgaria, including one or two even of the larger banks such as the Union des Banques Bulgares.<sup>3</sup> The capital of the new institution, which is known as the Crédit Bulgare and which began operations in October 1934, is 250 million leva, to which the State has made or will make a contribution of some 50 millions; at present 125 millions are paid up. But although a number of smaller banks were included in the scheme, many more should clearly be amalgamated or allowed to go into liquidation. However, the action of the Government is a step in the right direction, though a recent report<sup>4</sup> of the Financial Committee of the League points out that some of the credits granted by the new bank are not altogether desirable. Finally, the banks financed by foreign capital appear to have operated without serious difficulty, though they can have obtained little external assistance during the last few years.

*Greece.* The Greek banks entirely escaped the acute form of crisis which occurred in Yugoslavia and Roumania. This is largely due to the comparatively high degree of concentration noted above, which

<sup>1</sup> *Report of the Financial Adviser to the National Bank of Roumania, 1935*, p. 21 (English translation).

<sup>2</sup> *Ibid.*, p. 22.

<sup>3</sup> See League of Nations, *Memorandum on Commercial Banks, 1929-1934*, Geneva, 1935, p. 12.

<sup>4</sup> 34th Report (April 1935), p. 7.

has allowed the banks to distribute their risks over a wider range, not only in Greece, but outside the country as well. Many of their assets are doubtless frozen, but probably not more than in other commercial countries; there has been a noteworthy increase in the liquidity of the more important banks since 1932, and they have even been able to pay dividends throughout the crisis. Yet it is probable that further amalgamations would contribute much to the comparative strength of the banking system. Though fusions have been under discussion in the case of at least three of the larger banks, no important amalgamations have, in fact, taken place during the last few years.

The degree of concentration in the Greek banking system may be illustrated by the fact that at the end of 1933 five banks held no less than 85 per cent. of the total deposits of the banks. Moreover, a notable development during the last few years has been the increase in the relative importance of the Banque Nationale since 1928. Between 1928 and 1934 the total liabilities of the larger banks fell by over 3 milliard drachmæ, but those of the Banque Nationale rose by 4 milliard, its share in the total increasing from 47 to 69 per cent. As is pointed out in the League *Memorandum on Commercial Banks for 1929-1934*,<sup>1</sup> this bank now holds a 'position of undisputed leadership', for which it would be hard to find a parallel in any other country.

#### (b) *Agricultural banks and the co-operative system.*

The agricultural credit and mortgage banks in most of these States have, of course, been seriously affected by the revision of agricultural indebtedness, though in many cases a large proportion of the loss is ultimately borne by the State. On the other hand, many mortgage banks have, in one sense, benefited through the exchange restrictions, for a large part of their funds was originally obtained by the issue of bonds abroad, and the transfer of service has been either prevented altogether or very heavily scaled down. As an example may be given the bonds of the National Mortgage Bank of Greece on which no service at all was transferred for 1933 and only 35 per cent. of the interest for 1934.<sup>2</sup> Against this it must be remembered

<sup>1</sup> Geneva, 1935, p. 58. The rapid growth of this bank since 1928 is due largely, as has been suggested (*Messageur d'Athènes*, August 29, 1934), to the failure of certain small banks during the crisis, which attracted depositors to the largest bank. Further, the Banque Nationale was often charged with the duties of liquidator, through which it took over many of the clients of the closed banks.

<sup>2</sup> On June 24, 1935, however, it was announced that the Greek Non-Governmental Loans Committee had recommended to the bondholders a settlement by which the interest, nominally 7 per cent., should be reduced to 4½ per cent., and payment be guaranteed by

that these banks will find difficulty in obtaining further foreign capital for some time to come, and that the expansion of their mortgage business will therefore be difficult.

The development of the co-operative movement since 1930 has varied much from State to State. The whole subject is too big for detailed consideration, but it is clear that development during these years has largely depended, like that of the agricultural and 'popular' banks, upon the treatment of agricultural indebtedness. Thus, in Roumania, where the principal of this type of debt was drastically reduced, great strain was placed upon the co-operative banks and associations. In particular the so-called 'Popular Banks' suffered losses in most cases from 20 to 60 per cent. of their total capital. The State has aided the movement by credits granted through the 'Central Bank of Co-operatives', but in view of the general condition of the national finances it is unlikely that this form of assistance will be extended, and many of these co-operative banks will probably be forced out of existence.

In Bulgaria also the legislation on agricultural indebtedness made it necessary for action to be taken to relieve the position of the co-operative system. In October 1934 the Government finally brought about a fusion between the State Agricultural Bank<sup>1</sup> and the Central Co-operative Bank, a State institution principally concerned in the financing of co-operative associations. The new body was granted very wide powers over the co-operative system. Thus co-operatives may not be founded without its permission, and it is empowered to exercise a large measure of control over the granting of credit by any co-operative association. It is probable that in this the Government has gone too far, and the League Commissioner observes<sup>2</sup> that the co-operative system by being thus deprived of independence may cease to be a co-operative system at all. If this is so it would be regrettable, for the organization has in the past done so much to assist the peasant farmer.<sup>3</sup>

In Yugoslavia, on the other hand, co-operation has made great

the deposit of sterling securities in London. Provision was to be made also for the payment and eventual transfer of the portions due but not so far transferred. The bank had issued £5 millions nominal of sterling mortgage bonds in London during 1928 and 1930. The settlement is of some interest, for it accords the bondholders more favourable treatment than the holders of Greek Government loans. Moreover, it introduces into the treatment of the foreign debt of these States an element of realism that has hitherto been conspicuous by its absence.

<sup>1</sup> See p. 46.

<sup>2</sup> *32nd Report* (November 1934), p. 5.

<sup>3</sup> However, the co-operative system continued to expand at any rate until the end of 1934, when the total number of co-operatives was 4,888 with a membership of 836,700 and total assets of 19,892 million leva as compared respectively with 3,378, 733,400, and 15,897 million leva at the end of 1932. The fear is expressed, however, that some of these co-operatives may have been over-trading. (*Cf. 37th Report of the Commissioner of the League* (December 1935), pp. 7 and 16.)

progress since the crisis, perhaps because of the inability of the banking system proper to continue to finance agriculture owing to the immobility of its funds. The number of co-operative associations rose from 6,338 in 1929 to 7,869 in 1932 and has since continued to grow. A noteworthy feature of this increase is that the largest rises have been in the number of co-operative societies for poultry-raising and the purchase of agricultural machinery. Meanwhile the total turnover of co-operative societies rose from 5,405 million dinars in 1928 to 8,932 millions in 1932.

The development of the co-operative movement in Greece has apparently continued to be slow, and it has still not assumed the importance it occupies in the other countries. This is probably due largely to the sounder position of the banks.

(c) *Savings banks.*

The withdrawals from the commercial banks which took place during the crisis were by no means confined to foreign depositors, but were made also by nationals who feared a repetition of the chaotic conditions of the period immediately after the War. To a large extent these sums were withdrawn in the form of notes and went into hoarding, thus making a reduction of the circulation extremely difficult during the acuter periods of the crisis. Since 1931 hoarding has in most cases decreased. But by no means all the deposits withdrawn from the commercial banks have been returned to them. It would appear that a noteworthy proportion has in fact been deposited with the savings banks, as can be seen from the figures given in Table 43.

The gradual increase of savings banks deposits had started some time before the crisis, but the very rapid increases even during the years of acute crisis, and still more after 1932, are significant. For these increases took place during the very period in which confidence in the commercial banks—except possibly in Greece—was at its lowest point. This lack of confidence was due to the serious difficulties (especially in Roumania and Yugoslavia) in which the commercial banks were involved; and these, in turn, arose largely from their failure to distinguish between deposit and investment banking. It may not, perhaps, be altogether fanciful to suggest that this distinction is now beginning to be made by the public itself, and that it is here that an explanation of the increase of deposits with the savings banks is largely to be found. Many of the savings banks, moreover, are State institutions, and the depositor knows that the credit of the State is involved in securing the safety of his deposits. It must be remembered in this connexion that the exchange restrictions make the export of capital practically impossible.

TABLE 43. *Movement of bank deposits*

At the end of	Roumania (million lei)			Greece (million drachmas)			Yugoslavia (million dinars)			Bulgaria (million leva)		
	Notes in circulation	Deposit accounts with commercial banks	Savings banks' deposits	Notes in circulation	Commercial banks' savings accounts and time deposits	Savings deposits with Nat. Bank and P.O. Savings Bank	Notes in circulation	Commercial banks' current accounts and sight and time deposits	P.O. Savings banks' deposits	Notes in circulation	Current and deposit accounts with commercial banks	P.O. Savings banks' deposits
1925	20,126	10,770	140	5,339	..*	300	0,063	..*	2	3,055	4,080	200
1926	20,961	20,683	166	4,865	..*	675	5,812	..*	8	3,481	4,103	350
1927	21,026	26,158	183	4,900	..*	024	5,743	..*	23	3,727	4,033	508
1928	21,211	29,055	187	5,690	13,205	1,254	5,523	..*	36	4,173	6,502	638
1929	21,114	31,763	198	5,013	13,063	1,715	5,815	7,423	107	3,000	6,900	634
1930	19,605	35,111	255	4,803	14,250	2,365	5,397	7,902	210	3,206	5,887	897
1931	23,760	17,360	624	4,003	12,712	3,101	5,172	0,983	334	2,010	4,404	1,208
1932	21,594	14,469	809	4,714	11,411	3,343	4,773	5,801	443	2,035	3,019	1,480
1933	21,219	..*	1,302	5,440	12,336	4,346	4,327	5,506	554	2,034	3,203	1,700
1934	22,307	..*	1,702	5,086	14,264	4,033	4,384	5,076	718	2,440	..*	2,024
1935	23,127	..*	2,185	5,988	14,306	5,115	4,800	4,095	851	2,407	..*	2,252

\* Comparable figures not available.

Note: The sources for the above figures are as follows (figures for notes in circulation are in all cases taken from the League of Nations *Monthly Bulletin of Statistics*):

1. *Roumania*. Commercial bank deposits, *Statistical Year Book 1934-5*, where the number of banks is not specified. Savings banks' deposits, League of Nations *Monthly Bulletin of Statistics*, 'National Savings Banks'.
2. *Greece*. Commercial banks: League of Nations *Monthly Bulletin of Statistics* and *Statistical Year Book 1934-5*, including all domestic commercial banks and foreign banks operating in Greece, and a few others, except for the savings bank deposits of the Banque Nationale de Grèce; savings deposits and sight and time deposits. Savings deposits, &c.: League of Nations *Monthly Bulletin*.
3. *Yugoslavia*. Commercial banks: League of Nations *Monthly Bulletin*, the 20 leading commercial banks, deposits on current account and pass books, which include sight and time deposits. P.O. Savings Bank: League of Nations *Monthly Bulletin*.
4. *Bulgaria*. Commercial banks: League of Nations *Statistical Year Book 1934-5*; current and deposit accounts with ordinary commercial banks. P.O. Savings Banks: League of Nations *Monthly Bulletin*.

## IV. ATTEMPTED SOLUTIONS

### 1. GENERAL CONSIDERATIONS

In the previous sections an attempt was made to describe certain measures taken to meet the new conditions which have prevailed since 1931. In the main, these took the shape of the reduction of imports, the support of prices, the revision of one form or another of agricultural indebtedness, the introduction of exchange restrictions, and the suspension of transfers on the foreign debt service. It is probably true that the best any of these measures could do was to prevent the situation from becoming any worse, and that none of them could be called directly constructive.

The scope for a constructive policy has not in fact been wide. International action towards this end, at any rate up to the present, has proved singularly unfruitful. For example, the recommendations of the Stresa Conference of September 1932,<sup>1</sup> at which all these countries except Albania were represented, have not been carried into effect so far as the Balkan States are concerned. The only other international agreement of importance which has been concluded since 1931 and has any bearing on the economic situation in these countries is the Balkan Pact of February 1934, to which, however, Bulgaria was not a party. The conclusion of this pact led to a proposal for the establishment of an 'Inter-Balkan Bank', to the capital of which these States should contribute: but little has since been heard of the suggestion.

On the other hand, the financial position has nowhere been strong enough to allow of a constructive economic policy based on Government expenditure on a scale sufficiently wide to produce appreciable results. In two fields, however, what might appear to be constructive action has taken place, namely, the promotion of industrialization, and the conclusion of exchange clearing agreements. In calling these experiments constructive, it is not intended to imply that they are necessarily desirable or even, in the last resort, effective.

### 2. INDUSTRIALIZATION

In order to understand this movement, it is necessary to look back for some years. Before the War the territories now belonging to the Balkan States possessed no manufacturing industries at all<sup>2</sup>

<sup>1</sup> Its principal recommendations were (1) the establishment, by contributions from the beneficiary States, of a 'currency normalization fund' which should make loans for a reasonable term to banks of issue for strengthening or restoring the monetary situation, and (2) the establishment of a fund to secure the revalorization of cereals exported by the countries of central and eastern Europe.

<sup>2</sup> Even nowadays many of the peasants in the more remote districts themselves make much of what they require, such as clothes, boots, &c., and are grouped for this purpose into household economies or (in Serbia) 'family economies' (Zadruga). It is, however, impossible

apart from a few trades connected with agriculture, such as tanning and the processing of foodstuffs, and one or two special cases such as the iron and steel industry of Roumania. A large proportion of the consumption of manufactured articles was in fact imported.

Under the impetus of economic nationalism after the War certain industries were established in each of the Balkan States. But it soon became clear that conditions were not favourable to industrialization on a large scale owing to the lack of capital and raw materials on the one hand and of technical efficiency on the other, though it is true that labour is extremely cheap.<sup>1</sup> The inflationary conditions of the years from 1920 to 1927 occasionally enabled heavy profits to be made in the new industries, but it may fairly be said that, in spite of sometimes very heavy protection, the experiment had failed by the time of the stabilization of the currencies. At that stage most of these countries had reverted to the old method of purchasing a large proportion of their industrial requirements from abroad, though that proportion was certainly smaller than before the War.

The crisis of 1930-2 has profoundly altered this situation, for it has transformed the pursuit of economic self-sufficiency, or 'autarky', from the political desideratum which it had largely been in the previous period into a vital economic necessity. For the shortage of foreign exchange compelled these countries so far as possible to restrict imports of all classes of goods which could not actually be made in the country, by increasing tariffs, imposing quotas, requiring import licences, and especially by controlling the exchanges. Such protection considerably encouraged the extension of industrialization, particularly in the case of consumers' goods such as textiles. The movement has occasionally given rise to something like boom conditions inside individual industries, notably in Greece during 1934 and 1935, while in Bulgaria and Roumania there are indications that domestic production has recently increased so much that it has even outstripped demand. As regards the capital industries, on the other hand, few of the Balkan States possessed the technical knowledge, and none the necessary funds, to enable important developments to be made.

Industrialization is thus only in its earliest stages, and it is not possible to draw more than a few general conclusions as to what its effect will be, whilst the absence of comparable and up-to-date

to estimate the value or volume of such production; and manufacturing industry is, in this section, used in the western sense of the word.

<sup>1</sup> Cf. calculations of levels of real wages made by the International Labour Office (in *Westminster Bank Review*, March 1935). Great Britain, 1930 = 100: U.S.A. 190, Denmark 113, Germany 73, Poland 61, Austria 48, Yugoslavia 45, Italy 39. It was estimated in 1932 that in Greece the average rate of a worker's wage in a number of typical industries was about 10,500 drachmas per annum, or not much more than £20 paper.

figures as to wages, employment, and the volume of production is an additional difficulty. For the moment, however, two things are fairly clear. In the first place the experiment has almost certainly increased the cost of living, for as yet the new industries are naturally not able to produce as cheaply as the industrial countries proper. At the same time, the quality of the goods produced is in general extremely poor, as might perhaps be expected. Thus in both price and quality the cost of industrialization is ultimately being borne by the consumer.

Secondly, it would appear to be a mistake to regard the movement as a transitory phenomenon which will disappear as soon as conditions in general become more normal. Tariffs and exchange restrictions have in fact led to the growth of strong vested interests, the dislodging of which would probably be difficult. Moreover, Governments themselves have a very real interest in encouraging industrialization, not only for reasons of national defence, but also in order to make good out of fresh taxes on industrial production the fall in import duties, the return from which cannot at present be increased except by allowing imports themselves to increase and so endangering the position of the exchanges. But if it is probable that imports of consumers' goods such as textiles will not greatly increase over their present levels, it must be repeated that capital goods such as machinery cannot yet be manufactured to any degree of efficiency, and their import must be resumed so soon as means can be found of paying for them.

*Roumania.* Unfortunately, no reliable figures are available for estimating the volume of industrial production in Roumania, for the existing indices appear to be based on lei values and do not allow for fluctuations in the price level or the external value of the leu. However, if allowance is made for this it may fairly be claimed that the figures in Table 44 illustrate what has been said in general as regards the progress of industrialization.

Roumania is exceptional in possessing a comparatively important iron and steel industry employing—in 1933—some 30,000 workers out of a total of those employed in industry amounting to about 160,000.<sup>1</sup> This industry, which is largely financed by foreign capital,<sup>2</sup> has been in existence for some time, and enjoyed a period of some prosperity after the War while the devastated areas were being reconstructed. Since then its activity greatly declined until, fairly recently, rearmament has given it a new lease of life. The latest reports in fact suggest a recurrence of boom conditions. The relative

<sup>1</sup> Approximately the same number of persons is employed in the iron and steel industry of Yugoslavia; but owing to a higher degree both of centralization and of efficiency, the Roumanian industry is of greater importance.

<sup>2</sup> Mainly French and British.

importance of the various industries—which except for the iron and steel industry are similar to those of the other Balkan States—is shown in Table (ii) below, though here again the actual figures are unreliable owing to changes in prices and the uncertain value which must be put upon the leu.

TABLE 44. *Industrialization in Roumania*

(i) TOTAL VALUE OF INDUSTRIAL PRODUCTION

(Manufacturing industry only)

(In milliard lei)

1922	1927	1928	1929	1930	1931	1932	1933	1934
22.4	59.0	61.0	56.1	48.4	33.2	32.5	34.9	39.8

(ii) VALUE OF PRODUCTION BY PRINCIPAL INDUSTRIES

(In million lei)

Groups	1932	1933	1934
Foodstuffs . . .	8,513	9,329	9,900
Textiles . . .	6,138	7,310	8,300
Metallurgical . . .	4,327	5,240	7,270
Chemical . . .	7,384	6,597	6,850
Paper . . .	1,894	1,908	2,220
Timber . . .	1,508	1,481	1,920
Leather . . .	1,492	1,591	1,645
Construction materials	362	914	1,000
Glass . . .	276	439	555
Other . . .	138	135	150
	31,972	34,939	39,810

(iii) INSTITUTE OF BUSINESS, INDEX OF INDUSTRIAL PRODUCTION

(1928 = 100)

1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
79.8	90.7	100.0	107.0	103.7	109.3	94.7	109.8	132.6	128.4*

Note: This index is apparently based on values.

\* First 9 months.

Exactly how far in general industrialization has progressed since 1930 it is difficult to say, but the indications are that credit conditions have impeded any remarkable developments, except in one noteworthy instance. At any rate, in the textile industry there has been considerable expansion. For example, the total number of employees increased from 34,800 in 1930 (out of a total employed in industry of 173,000) to 43,300 in 1933 (out of a total of about 160,000). Moreover, imports of finished products have fallen heavily

in volume, from 34,000 tons in 1927 to 6,400 in 1933, while imports of semi-manufactured articles have steadily risen, namely from 28,000 to 35,000 tons. Many new enterprises have been founded since 1933, though the industry is still only in its earliest stage, viz. the working up of the imported semi-manufactured article into finished products, and is by no means self-sufficient as yet. It is, however, receiving every encouragement from the Government, even to the extent of obtaining extraordinary permits for the issue of exchange to cover imports of machinery. The quality of Roumanian textiles, however, is poor, and prices are high.

But if the recent progress of industrialization has been confined for the most part to the working up of semi-manufactured textile imports, this progress is by no means negligible, for Roumania's imports of textile manufactures previously accounted for a large proportion of the total. It is reasonable to suppose that, at least in this class of import, there will be a permanent saving of exchange, even if it is at the cost of the consumer.

*Yugoslavia.* The structure of Yugoslavia's manufacturing industry is in many ways similar to that of Roumania, except in that cheap water-power is usually more accessible. The amount of persons returned as employed in industry has fluctuated during recent years between 450,000 and 590,000, but many of these are employed in forestry, mining, and the distributive services. The numbers employed in the more important manufacturing industries except in the foodstuffs branches (which are of some size) are given in the following table:

TABLE 45. *Employment in the more important manufacturing industries*

	<i>As on December 1, 1932</i>	<i>As on December 1, 1933</i>
Textiles . . . . .	32,800	40,500
Iron and steel . . . . .	29,900	31,100
Clothing . . . . .	23,200	24,800
Chemicals . . . . .	9,500	9,700
Vehicles . . . . .	5,700	5,800
Paper . . . . .	3,900	4,600
Boots and shoes . . . . .	3,500	3,800
	108,500	120,300

No figures are available for estimating the value or volume of industrial production during recent years. It is clear, however, that the history of industrial development has been similar to that of Roumania. Thus there was a period of great activity immediately

after the War, during which several small industries were started, and the iron and steel industries expanded considerably owing to the demands of reconstruction. From about 1926 onwards, there followed a reaction (in spite of tariffs) terminating in the crisis of 1930-2. This has been succeeded in turn by increasing activity in certain branches of manufacture.

The industries which, at any rate up to fairly recently, have probably suffered most from the depression are iron and steel and cement. The iron and steel industry is chiefly concerned with the working up of semi-manufactured imports, in spite of the considerable resources of iron ore which Yugoslavia possesses. There are only four large steel mills in the country, the largest of which are at Kranj (near Ljubljana) and Zenica<sup>1</sup> in Bosnia, both of which were formerly in Austrian territory and are still largely owned outside Yugoslavia. For some years the industry has only worked to a very small percentage of capacity (about 140,000 tons per week) and in 1932 the two mills referred to were temporarily compelled to close down, though rearmament has considerably improved the position. The cement industry is situated chiefly on the coast, where the largest deposits of marl are found, and it has therefore produced largely for export accounting, in 1929, for as much as 21 per cent. of the total value of exports. Activity has greatly fallen off, and until the autumn of 1935 the industry had not been working to more than 30 per cent. of capacity for some years. The same may be said also of the chemical industry, which is largely in the hands of a foreign concern (*La Dalmatienne*) and produces chiefly for export.

The most interesting development of recent years has again been that of the textile industry, and it is here that the effects of the exchange shortage are most clearly seen. This industry began to expand some time before the crisis, but its growth has proceeded much more rapidly since 1931. The majority of the mills are situated in Slovenia, where water power has provided cheap electricity; the plant, which was in most cases obtained on reparation account and is therefore up to date, does not require a high degree of technical efficiency, and the industry has been very highly protected. Yet for the most part it is a weaving and not a spinning industry, and most of the yarn was imported. Moreover, the price of the finished article was high, and the quality poor. Until 1931, therefore, manufactured goods were imported on a fairly large scale in spite of the tariff. The crisis brought great prosperity to the industry. In 1933 and most of

<sup>1</sup> These mills are now to be modernized by Messrs. Krupp of Essen at a cost of some 9 million Reichsmarks, payment being effected through the clearing agreement with Germany. It is claimed that when the work is finished they will be able to supply all the iron goods required by the Yugoslav army. (*The Times*, March 7 and 12, 1936.)

1934 the mills were working almost to capacity and in 1934 many new companies were floated. But during 1935 it gradually became clear that the double protection of tariffs and exchange restrictions had allowed the manufacturer to push the price of the finished product up so high that the point of diminishing returns had almost been reached, and the peasant could not afford to buy. The Government have apparently realized that rationalization is becoming a necessity.

But even if unplanned expansion is to be followed by a period of depression, it is hard to believe that the ground gained since the crisis in this and other similar fields will be lost. So long as Yugoslavia cannot afford the exchange with which to purchase foreign textiles, the national textile industry will remain a permanent feature of the Yugoslav economy. This applies also to many of the other industries which have sprung up in the last few years. But Yugoslavia at present lacks the finance and technical experience to undertake the manufacture of capital goods. In spite of the existence of a fair-sized heavy industry, the machinery required for the advance of industrialization has to be imported.<sup>1</sup>

*Bulgaria.* In spite of the quantity of cheap though unskilled labour made available by the influx of refugees, industrial development in Bulgaria has not made very great progress, and the number employed in industry was only 43,000 in 1933:

TABLE 46. *Number of persons employed in Bulgarian industry (manufacture only)*

	1929	1931	1933
Textiles . . . . .	16,368	16,775	19,457
Processing of foodstuffs . . . . .	7,116	7,340	6,774
Engineering and iron and steel . . . . .	5,505	4,220	4,478
Quarries, brick, glass, and cement . . . . .	4,055	3,650	3,936
Tobacco manufacture . . . . .	2,547	2,120	1,700
Chemicals . . . . .	1,767	2,571	2,918
Wood-working . . . . .	1,165	1,884	1,319
Leather . . . . .	1,029	1,112	1,037
Electrical power . . . . .	906	928	1,035
Paper . . . . .	338	359	738
Total . . . . .	40,798	40,959	43,392

The scarcity of exchange, however, has given a certain impetus to industrialization, though the indications are that it is now lost. The chief reason for the failure of industrialization to proceed upon lines similar to those in other countries must be found in the lack of capital, for, as has been seen, Bulgaria is the poorest of these States. Moreover, the Government has apparently failed to appreciate

<sup>1</sup> See also p. 126, note.

the importance of the movement. At any rate their attitude to it has not been exactly encouraging up to the present.

The relative importance of the various manufacturing industries can be seen from the figures—the latest available—opposite. Figures for the value of industrial production are largely vitiated by price movements. The following table, however, may be of some interest:

TABLE 47. *Bulgaria: industrial production*

	<i>Quantum index of industrial production (manufactures only) 1928 = 100</i>		<i>Percentage of total volume of industrial production</i>	
	<i>1931</i>	<i>1933</i>	<i>1929</i>	<i>1933</i>
Textiles . . .	95	115	25.8	28.5
Foodstuffs . . .	93	108	35.5	36.5
Other . . . . .	96	95	38.7	35.0
	..	..	100.0	100.0

Here again the most remarkable feature is the increase in the production of textiles, for that of foodstuffs has little relevance, since Bulgaria has never imported foodstuffs on a considerable scale. The expansion of the textile industry is illustrated by the figures of employment already given.

The industrial policy of the Government has been exceptionally uncertain. Fresh forms of taxation for industry are continually being devised, and in 1933 duties were even imposed upon imports of raw materials. All this has added greatly to the cost of production, which was already high owing to the recent origin and comparative inefficiency of industry. Yet, in spite of these factors, consumption has lagged seriously behind production, as can be seen from the table below:

TABLE 48. *Bulgaria: industrial production and consumption*

(In million leva)

	(1) <i>Value of total production of manufactured goods</i>	(2) <i>Value of sales</i>	(3) <i>Surplus of (1) over (2)</i>
1929 . . . . .	9,071	8,678	+393
1931 . . . . .	7,007	7,203	(-286)
1933 . . . . .	6,840	5,670	+1,170

It would seem, therefore, that, under the protection of tariffs and exchange restrictions, a certain expansion took place, but that considerations of capital and technical capacity were not such as to render production possible at an economic price. It is perhaps for this reason that the Government is taking steps to reduce the number of fresh undertakings, and is considering a plan for rationalization, though no details are known at present.<sup>1</sup>

*Greece.* In Greece industrial development began under the impetus of the protective tariff introduced shortly after the War; but Greece's position is in many ways exceptional. On the one hand the influx of refugees provided an exceptionally large quantity of very cheap, though entirely unskilled, labour. On the other, the poverty of raw materials, especially fuel, is greater than in the other countries, while the capital available for industry was small, and the rate of interest payable high. In 1929, for example, 15 per cent. per annum was not an unusual figure for capital lent to industry. Yet the progress made during 1920-30 was considerable, as can be judged from the figures given in Table 49. Here again the new conditions which have ruled since 1931 have given great encouragement to industry, although the importance of the growth of industrialization in Greece is rather different from that in the other countries. The total number of those employed in industry is probably about 300,000, though this does not include a large number of craftsmen and home-workers.

Figures bearing on developments since 1932 are to some extent misleading owing to the fact that, as in Roumania, the published indices are based upon values. As far as 1933, 1934, and 1935 are concerned, however, the index of production may be accepted as it stands, for both the drachma and the general level of prices were comparatively stable during those years. This figure was returned at 111.8 for 1933, 127.5 for 1934, and 142.3 for 1935. (1929 = 100.)

Since 1931 there has in fact been a very great increase of industrial activity. But in spite of a fairly general growth of the various branches of industry, the textile section is at present the only really important manufacturing industry except for those connected with the processing of foodstuffs. It is noteworthy that the proportion of imports of manufactures other than textiles has actually increased between 1932 and 1934, whereas in the other countries it has fallen.<sup>2</sup> The textile industry, however, has made great progress since 1932, and has now reached the stage of importing raw materials and manufacturing its own yarn. Moreover, the

<sup>1</sup> Cf. *Frankfurter Zeitung*, February 25, 1936, from which it appears that certain sections of industry have already been declared 'sated' and fresh capital investment therein is to be severely restricted.

<sup>2</sup> See Appendix II.

TABLE 49. *Industrialization in Greece*

(i) VALUE OF INDUSTRIAL PRODUCTION

(In million 'stabilized' drachmae)

1921	1923	1925	1926	1927	1928	1929	1930	1931
4,825	4,200	5,975	5,300	6,655	7,115	7,150	6,631	6,079

(ii) AGGREGATE GROSS VALUE OF INDUSTRIAL OUTPUT

(In million drachmae)

	1926	1930
Textiles . . . . .	1,239	1,800
Foodstuffs . . . . .	1,215	1,236
Leather . . . . .	828	590
Chemicals . . . . .	808	903
Building materials . . . . .	309	392
Electrical power . . . . .	280	630
Tobacco manufacture . . . . .	217	186
Machinery . . . . .	200	252
Wood-working . . . . .	190	323
Iron and steel . . . . .	79	58
Clothing . . . . .	62	51
Paper . . . . .	45	211
	5,472	6,632

(iii) INDEX OF INDUSTRIAL PRODUCTION, PUBLISHED BY THE

CONSEIL SUPÉRIEUR ÉCONOMIQUE (1925 = 100)

1926	1927	1928	1929	1930	1931	1932	1933	1934	1935
84.6	94.4	100.0	101.8	105.3	106.9	102.7	111.8	127.5	142.3

Note: This index is based on values.

quality has much improved though it is still not remarkable by western standards, and prices are still comparatively high. Progress has been made also in the hardware, glass, and paint industries; but while the local textile industry is now almost capable of satisfying local demand, this cannot yet be said of the other industries.

Thus the scarcity of exchange has certainly accelerated the growth of industrialization in Greece, but it is probable that the significance of the movement is rather different from that of similar tendencies elsewhere in the Balkans. For, at any rate until 1931, Greece's largest individual import was not industrial but agricultural, viz. grain. The real counterpart of increased industrialization in the other countries had therefore been the encouragement of agriculture,

which has already led to the remarkable results noted above.<sup>1</sup> It would in fact appear that a solution to the problem of the exchange is being found rather in the extension of agriculture than in that of industrial production, if indeed a solution can be found on these lines at all.

### 3. EXCHANGE CLEARING AGREEMENTS

The introduction of restrictions upon the purchase of foreign currency in the open market led almost at once to the establishment in the Balkans, as elsewhere in central and eastern Europe, of exchange clearing agreements.

Most of the clearing agreements concluded by the Balkan States date from 1932 or the earlier part of 1933. The agreements generally cover the exchange of commodities alone, though in several cases provision is made for the liquidation of tourist payments between the contracting parties, and recently also for that of arrears of commercial payments. The agreement between Germany and Bulgaria covers all payments of any kind between the two countries. In addition, a number of special 'compensation' agreements have been concluded between private individuals or enterprises, mainly on a barter basis. Sometimes these 'compensations' relate to countries with which clearing agreements have not been concluded, as for instance the Bulgarian exchange of tobacco against engineering products from Poland. Less frequently 'compensations' have been concluded between countries where a clearing agreement is already in force, but outside the agreement itself, as in the exchange of Roumanian oil for German manufactures.

In view of the growth of restrictions upon foreign trade and the exchanges in the chief markets of these States, particularly central Europe, it seemed at first that the device of exchange clearing provided a new and effective means of overcoming the difficulties brought on by the crisis. The subject has recently been examined in detail by a committee set up by the League. Their report<sup>2</sup> makes it clear that, so far from being a constructive contribution towards the solution of the crisis, the exchange clearing agreement in general has actually made the situation worse, and at the best cannot be more than a lesser evil. This conclusion applies especially to the Balkan States.

<sup>1</sup> See pp. 71-2. It is noteworthy that recent legislation (see *Frankfurter Zeitung*, August 11, 1935; *Die B6rse*, September 12, 1935) makes the establishment of new industrial undertakings conditional upon a permit from the State.

<sup>2</sup> *Enquiry into Clearing Agreements*: League Doc. C. 153. M. 83. 1935. II. B. The report contains in an Appendix the replies of a number of Governments, including those of Bulgaria, Greece, Roumania, and Yugoslavia, to a questionnaire upon the operation of their clearing agreements.

It is not proposed that the views of the committee or the replies of the Governments of the Balkan States to its questionnaire shall be discussed in detail. There are, however, two questions of the first importance which may be asked in the light of the report: has the exchange clearing agreement led to an increase of trade? and what has been its effect upon the currency?

The general conclusion of the report may be stated as follows: in trade between a country with a strong currency and a country with a weak currency maintained at an artificially high level, a clearing agreement will in its first phase make it easier for the former to export and harder for the latter, since the exchange rate in the latter, being artificially high, will encourage imports and discourage exports. Thus the country with the weaker currency is induced to import more than would be the case under normal circumstances. This leads to a second phase. Payments for imports into the country with the weak currency consequently get into arrears. These arrears can be liquidated only by an increase of exports to the country with the strong currency. But since the latter is usually unwilling to consent to this increase of its imports, it cuts its losses, and reduces its exports under the agreement in order that a similar situation may not recur. In the first phase there may be an increase of trade arising out of the agreement; in the later, a decrease is inevitable.

Up to the end of 1934 this conclusion appears to have been borne out by the tables given in Appendix III, from which it will be noted that, in every case except Greece, over half the total both of exports and imports was covered by clearing agreements. Except in Bulgaria and Greece, there was an appreciable fall between 1932 and 1934 in the percentage of the total accounted for by trade through clearing agreements. This was true also of Bulgaria if the exceptional nature of Bulgaro-German trade is taken into consideration, while the increase of Greek exports<sup>1</sup> to 'clearing' countries between 1932 and 1934 (chiefly to Germany) may have been due to the fact that, unlike those of the other Balkan States, her imports from most of the 'clearing' countries are normally far larger than her exports to them. It may be that this decrease in trade under the clearing agreements took place in spite, not because, of the agreements. It is, of course, impossible to be certain on this point, but the replies of the Balkan Governments to the questionnaire certainly suggest that this was not the case.

During 1935, however, the opposite tendency to that just described has apparently been at work, for exports from certain of the Balkan

<sup>1</sup> The case of Greece is somewhat exceptional, for, unlike the other countries, she is in the first instance at a disadvantage in concluding clearing agreements, since her balance of foreign trade is heavily adverse.

States under clearing agreements have greatly increased to countries whose currency is maintained at an artificially high rate, particularly Germany<sup>1</sup> and Italy. Similarly, the high rate at which exchange was calculated until the beginning of 1936 for the corresponding exports from Germany and Italy has greatly discouraged Balkan importers. As the result considerable credit balances have been accumulated in Italy and Germany. It may be mentioned that at the end of May 1936 the sums outstanding in Germany in favour of Greece, Yugoslavia, Roumania, and Bulgaria were<sup>2</sup> respectively 30, 21, 18, and 10 mill. RM. The sum owed to Roumanian exporters, particularly of petrol, in Italy, was reported at the end of 1935 to amount approximately to 700 million lei.

It is difficult for the Balkan States to make use of these balances, for at any rate until the beginning of 1936 balances in Germany were available for payments of imports from that country only at the parity rate of the mark, and the price of goods so imported was thus unfavourably high. On the other hand, until sanctions brought imports from Italy to an end, the conversion of Italian industry to a war basis made imports difficult even if prices were acceptable. To all intents and purposes these credit balances are 'blocked', and important reservations must therefore be made in considering the balance of payments of the countries affected, for the balance of visible trade of course includes the amount of these exports, which cannot at present be paid for. If then in these cases there has been an increase of the volume of trade as a result of the clearing agreements, that increase has taken place at the expense of the balance of payments, and the very opposite effect has been obtained from that which was presumably desired.

The general conclusion of the report as to the effect of clearing agreements upon weak currencies may be summarized as follows. States whose currencies are maintained at an artificial rate find that the application of strict legal parity in a clearing agreement with a State whose currency is stronger than their own has the effect of rapidly wiping out a balance originally in their favour, for, as was seen, the artificially high rate encourages imports and discourages exports from the country with a weak currency. As a continuance of this tendency would lead to a deadlock, the only alternatives are either to allow clearing offices to fix their own rate, or to extend the

<sup>1</sup> It is often maintained (see *The Times*, March 7, 12, and 27, 1936), that Germany is using her position to exact economic and even political concessions out of these States (particularly Yugoslavia, e.g. the contract worth approximately £750,000 granted to Krupp for the re-equipment of the ironworks at Zenica, and various other more recent contracts). The strength of her position is, however, beyond question in times when debtors can dictate terms to their creditors.

<sup>2</sup> According to the *Financial News*, July 4, 1936.

practice of 'private compensation' in which the parties can negotiate between themselves the conditions of the transaction. In neither case is the theory of legal parity abandoned.

The two Balkan countries in which this theory is still maintained, namely Bulgaria and Roumania, afford an excellent example of the truth of this general conclusion. As has been seen, both<sup>1</sup> were forced to recognize, in this way, the depreciation of the external values of their currencies. Whether, as the report suggests, this stage is only a preliminary to the recognition of the failure of clearing agreements as a whole and their replacement by more elastic methods is a different matter. Here arrears of payments for imports from certain countries—which are very considerable in the case of Roumania—are of great importance. For the abandonment of clearing agreements largely depends upon the measures taken to liquidate these arrears. A unilateral clearing agreement might be maintained for the whole or part of the exports from Roumania until the arrears are settled;<sup>2</sup> but this would entail a suspension of imports from the creditor country and so would diminish trade. An alternative is to settle such arrears by a funding agreement, but whether this is feasible may well be doubted.

#### 4. THE NEW POLICY IN YUGOSLAVIA

It has been seen how Yugoslavia was the last of these countries to stabilize its currency *de jure*, namely in May 1931. For some time after that date the monetary policy of the Yugoslavian authorities was greatly influenced by advice received from France, where a large portion of the stabilization loan had been raised. Perhaps as a result the measures taken by Yugoslavia to meet the crisis of 1931–2 were of the most orthodox nature, as has already been observed, and were severely deflationary in effect. An attempt was made in most of these countries to enforce a similar policy, but it is fair to say that in no case was the policy rendered more effective than in Yugoslavia.

Yugoslavia, however, is unique among the Balkan States in having abandoned the attempt to meet the situation by these methods. In the autumn of 1934 and the spring of 1935 a complete break was made with the monetary policy of the previous three years. The essential feature of the new policy is to stimulate activity by a policy of cheap money and, to a limited extent, by 'reflationary' expenditure on the part of the State. Since the summer of 1934 the Government has been attempting to lower the rate of interest charged by the joint-stock and private banks, which had previously been

<sup>1</sup> Bulgaria, see pp. 86–7; Roumania, see pp. 88–9.

<sup>2</sup> For the Anglo-Roumanian Clearing Agreement of May 1936, see p. 131.

extremely high. These efforts met with a considerable degree of success, at any rate in the case of the State Mortgage Bank, where interest charges were lowered from 8 to 7 per cent., and the Privileged Agrarian Bank, where the reduction was from 7 to 6 per cent. Further, in February 1935 the discount rate of the National Bank was lowered from  $6\frac{1}{2}$  per cent. to the comparatively low figure of 5 per cent.

Simultaneously a change of considerable importance was made in the statutes of the National Bank. The legal cover in gold and foreign exchange for the note-issue was reduced from 35 to 25 per cent., of which only four-fifths need be in gold, and a revolving credit of 312 million French francs, obtained from France and used to defend the currency, was repaid in gold. Finally, in February and May 1935 the Government obtained authority to issue an internal loan of 1,157 million dinars to be spent largely on public works. Of this, 100 million dinars were issued in July 1935.<sup>1</sup> It is too early to estimate the success of this experiment, though none of the symptoms of serious inflation have yet been observed. It is largely the fear of such results that has deterred Governments of the other Balkans from similar action. But if Yugoslavia is alone<sup>2</sup> in initiating a bold monetary policy of this sort, it has been feasible largely because her national finances are, so far as can be judged, in a comparatively satisfactory position.

## V. CONCLUSION

It may be safely affirmed that the central problem with which the Balkan States are faced is still that created by the fall of agricultural prices since 1930. It is true that its solution has been rendered more difficult by a number of other quite separate factors. Of these may be mentioned the level of agricultural indebtedness, which was probably too high whatever the level of prices; and, from the external point of view, the increase of restrictions upon foreign trade in the chief markets of the Balkan States. But it is clear that until the level of prices begins to rise appreciably there cannot be any substantial recovery either in the internal situation or the position of the exchanges.

The effect of the fall in prices upon the internal situation was seen to be greatest in the case of agricultural indebtedness. The problem

<sup>1</sup> Difficulties seem to have been met with in raising the balance, as the Government has apparently had to content itself with raising 500 million dinars on short-term to meet some of the outstanding arrears. 200 million dinars of this loan were issued in February 1936.

<sup>2</sup> It is possible that a similar policy is about to be adopted in Bulgaria. In January 1936 the legal reserve in gold or gold exchange was reduced from  $33\frac{1}{2}$  to 25 per cent. of the note issue. This action was taken with the permission of the League Financial Committee. *Frankfurter Zeitung*, January 15, 1936.

has been solved for the time being by moratoria or remissions, but the loss is being borne in most cases by the State<sup>1</sup> or the banks. It has been observed how, when prices ceased to fall, the current position of the national finances improved considerably, at any rate in Yugoslavia and Greece. It is clear from this what would happen if prices began to rise. By increasing the purchasing-power of the peasant a rise of prices would compensate both the national finances and the position of the banks for the loss sustained in the remission of debt, the former by the increase of receipts and the latter by the profit to be obtained from the general increase in economic activity which would ensue. It must also be remembered that in spite of the severity of the economic crisis, the peasants have always been able at least to feed themselves.<sup>2</sup> Thus a comparatively small increase in their purchasing-power would probably have a disproportionately large effect upon the internal situation as a whole.

As regards the exchanges, it must be admitted that a rise of prices would in itself be insufficient to relieve the situation owing to the restrictions in other countries upon foreign trade; but it is probable that a general rise would in fact lead to the relaxation of the restrictions. In the absence of either a rise of prices or a relaxation of restrictions the scope for recovery is very strictly limited. For until the foreign exchange reserves begin to show signs of a really considerable increase it is futile to hope for a removal, however gradual, of exchange restrictions in the Balkans, at any rate in Bulgaria and Roumania where the currency has been maintained—in theory—at an artificially high level, since a flight of capital would probably be the immediate result. Even in Greece and Yugoslavia, where the real depreciation of the currency has been recognized, a similar result would probably occur.

The purpose of maintaining the currency on a gold basis in Bulgaria and Roumania has presumably been to avoid an increase in the cost of the foreign debt service. But this would be a largely theoretical increase, as only a small proportion of the service is actually being transferred and the balance is not being paid at all in the true sense of the word. It is, of course, true that a substantial rise in the price of agricultural produce might materially improve the prospects of the foreign creditor. But even so it is doubtful

<sup>1</sup> It should, however, be pointed out that when the depreciation of the external value of their currencies is legally recognized by the Balkan States, Governments will come into possession of a very considerable hidden reserve, if the procedure of Belgium and Czechoslovakia is followed. For the revaluation of the gold stocks of the National Banks if, as in the two cases quoted, it is appropriated by the State, will compensate the national finances in some degree for losses made in other directions.

<sup>2</sup> For a description of the sort of position to which the peasants are often reduced see *Manchester Guardian*, September 30, 1935, 'In Serbian Macedonia'. But for obvious reasons it is the educated classes and town-dwellers who suffer most under these conditions.

whether, as things are, the general level of agricultural prices could increase to a point where the transfer of the debt service in full did not put too great a strain upon these States.

While it is not suggested that these countries are at present transferring as large a proportion of the service of their foreign debt, private and public, as is consistent with their actual capacity to transfer, it is improbable that the full service can ever be resumed. The Balkan States are, in fact, placed in a serious-dilemma. On the one hand, it would seem that ultimately the solution for excessive foreign borrowing must be found in remission, or at any rate in the lowering of interest rates according to the capacity of the individual State to transfer the debt service.<sup>1</sup> On the other hand, such a solution would probably debar them from borrowing abroad, at least for a very considerable period.<sup>2</sup>

It is true that the scaling down of the debt service would clarify the position as a whole and enable the development of these States to proceed as fast as the internal situation in each country would permit. But it has been seen that these countries have suffered all along through scarcity of capital. This deficiency can be made good only by foreign borrowing which, as has just been pointed out, would probably be precluded by such a solution. In other words, the economic development, and consequently the capacity to transfer, would increase at a much slower rate than would be the case if these countries could once more borrow abroad. At present in any case they would have great difficulty in floating a foreign loan. How far, in fact, foreign capital markets would be favourably influenced by the actual form remissions might take is another question. However, the case of Greece herself shows that the ability of a borrowing country to raise further loans abroad is not necessarily impaired by the fact that past debts have been virtually remitted, at any rate in part.

Since 1932 the economic situation of these countries has ceased to deteriorate; and in certain cases, notably Greece and perhaps Yugoslavia, there has been a genuine recovery. Yet such measures as have been taken by the Balkan States themselves, as, for instance, the fostering of industrialization and the conclusion of clearing agreements, have failed to produce any real improvement in the situation, and have more often acted in a contrary sense. It is true that an exception must be made in the extension of Greece's agricultural production, which will materially relieve the exchange position, and that judgment must be suspended as to the result of the

<sup>1</sup> It is of interest that the proposed treatment of the mortgage bonds issued in London by the National Mortgage Bank of Greece follows these lines. See p. 110, note 2.

<sup>2</sup> Unless, of course, foreign lending for political purposes were to be resumed.

new monetary policy of Yugoslavia. On the whole, however, the extent to which these countries are able to secure any appreciable degree of recovery by actions of their own is very strictly limited—is limited, in fact, to the negative procedure of adapting themselves to the new conditions which have prevailed throughout the world economic system since 1930. In this, with the possible exception of Roumania, they have achieved a partial measure of success. For further recovery—that is to say, for recovery in the true sense of the word—they depend upon circumstances outside their control, such as a rise in the general level of world prices, a relaxation of restrictions upon foreign trade and the exchanges, and, unless the recovery thereby facilitated is to proceed very slowly, upon the reopening to them of foreign capital markets. Unless these conditions are fulfilled, the economic growth of the Balkan States will proceed at a far slower rate than that of the rest of Europe, and their poverty will be likely to remain for some time a feature of the economic system.

NOTE: *The Anglo-Roumanian Clearing Agreement of May 1936* (see pp. 102, 105, and 127): This agreement provides that the sterling paid for goods imported into Great Britain from Roumania will be allocated as follows: 50 per cent. for the payment of current and outstanding commercial debts to Great Britain (the amount of outstanding debts which are to be paid off by June 1937 to be £400,000); 35 per cent. for the interest of Roumanian loans held by British subjects; 5 per cent. (but not more than £50,000 per annum) for outstanding banking debts and bank credits; and 5 per cent. for interest dividend commission, freight, and certain other payments, the remaining 5 per cent. being at the free disposal of the National Bank of Roumania.

## APPENDICES

- I. POPULATION, VITAL STATISTICS, OCCUPATIONS, AND EMIGRATION.
- II. FOREIGN TRADE, 1928-30, 1932, AND 1934 (BY COMMODITIES).
- III. DISTRIBUTION OF FOREIGN TRADE, 1930, 1932, 1934, AND 1935.
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- V. COMMUNICATIONS:
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  - (5) RIVER NAVIGATION.
  - (6) AVIATION.
  - (7) ELECTRIFICATION.

# APPENDIX I

## POPULATION

### (1) Population, area, and density

	Roumania	Yugoslavia	Greece	Bulgaria	Albania
Population 1920*	15,495,000	12,017,000	5,017,000	4,847,000	817,000
" 1933†	18,800,000	14,730,000	6,630,000	6,090,000	1,050,000
Area (square miles)	122,282	96,010	50,257‡	39,814	10,620
Density 1920 (inhab. per sq. mile)	127	125	100	121	77
1933	154	153	133	152	99

\* Roumania, 1919; Yugoslavia, 1921; Albania, 1923.

† Yugoslavia and Bulgaria, 1934.

‡ Including the Islands.

### (2) Vital statistics

	Annual birth-rate per 1,000 inhab.	Annual death-rate per 1,000 inhab.	Annual excess of births per 1,000 inhab.
Roumania 1921-5 avgo.	37.9	23.0	14.9
1933	32.0	18.7	13.3
Yugoslavia 1921-5 "	35.0	20.2	14.8
1933	31.3	16.9	14.4
Greece 1921-5 "	23.0	16.5	6.5
1933	28.8	16.9	11.9
Bulgaria 1921-5 "	39.0	20.8	18.2
1933	29.0	15.4	13.6
Poland 1933	26.5	14.2	12.3
Holland "	20.8	8.8	12.0
Portugal "	29.0	17.2	11.8
Spain "	27.6	16.8	11.8
Italy "	23.7	13.7	10.0

### (3) Occupations

Numbers employed in various occupations expressed as a percentage of those gainfully occupied.

	Roumania (1913)	Yugoslavia (1921)	Greece (1928)	Bulgaria (1926)
Agriculture and fishing	79.5	82.0	53.7	81.0
Industry and mining	8.0	8.0	15.9	9.2
Commerce	2.7	2.7	7.6	2.8
Transport	1.8	1.2	3.9	1.3
Public service	3.3	3.9	1.7	2.2
Liberal professions	1.3		3.1	1.9
Other	3.4	2.2	14.1	1.6
	100.0	100.0	100.0	100.0

Yugoslavia: excluding Dalmatia.

### (4) Emigration

Excess of emigrants leaving for (-) or returning from (+) the United States.

	Roumania*	Yugoslavia	Greece*	Bulgaria*
1901-10†	-53,008	?	-167,519	?
1910-14	-10,520	?	-61,504	-4,307
1915-19	-360	?	-30,790	+3,637
1920-4	-24,220	+11,809	-603	+5,645
1925-9	-922	+4,454	+10,435	-296

\* 1901-19: old territory.

† Emigrants leaving for the United States only.

Note: It must be remembered that, from the last few decades of the nineteenth century up to the end of the Great War, there was a constant flow of emigrants from Greece to other countries than the United States, particularly to Egypt and the Levant.

## APPENDIX II

### FOREIGN TRADE, 1928-30, 1932, AND 1934

(1) EXPORTS (in million Swiss francs)

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	Albania			Bulgaria			Greece			Roumania			Yugoslavia		
	1928-30 (avge.)	1932	1934	1928-30 (avge.)	1932	1934	1928-30 (avge.)	1932	1934	1928-30 (avge.)	1932	1934	1928-30 (avge.)	1932	1934
<b>Foodstuffs:</b>															
Grain . . . . .	0.2	..	0.2	28.0	81.4	9.7	..	..	..	255.3	163.3	58.7	98.5	20.3	50.8
Live-stock and poultry . . . . .	1.5	0.1	0.5	8.6	2.2	3.6	..	..	..	52.7	17.5	13.9	81.2	39.5	30.9
Eggs . . . . .	1.6	0.5	0.5	27.3	23.4	12.3	..	..	..	..	..	..	43.6	15.5	7.1
Currants, raisins . . . . .	..	..	..	..	2.0	5.0	70.5	56.0	39.7	..	..	..	..	..	..
Other fruit . . . . .	..	..	..	..	..	6.9	..	4.8	4.2	..	..	..	5.9	25.0	18.6
Beans . . . . .	0.1	..	0.2	3.8	2.8	1.6	..	..	..	18.1	10.6	8.8	8.4	2.6	4.0
Cheese, butter . . . . .	2.4	1.3	0.5	2.1	1.4	1.3	..	..	..	..	..	..	..	..	..
Meat . . . . .	..	..	..	..	3.0	3.1	..	..	..	..	..	..	22.9	14.4	11.1
Olives, olive-oil . . . . .	2.3	0.4	0.2	..	..	..	20.8	26.1	13.1	..	..	..	..	..	..
Fish . . . . .	..	0.5	0.4	..	..	..	..	..	..	..	..	..	..	..	..
Wine . . . . .	..	..	..	..	..	..	29.8	7.5	5.5	..	..	..	..	..	..
<b>Other agricultural products:</b>															
Tobacco . . . . .	0.1	..	0.1	97.3	40.4	35.3	236.4	79.0	57.1	..	..	..	..	..	..
Medicinal plants . . . . .	..	..	..	..	..	..	..	..	..	..	..	..	21.9	22.4	8.1
Blebs and skins . . . . .	2.3	0.4	0.5	12.5	3.0	4.9	10.6	2.7	3.8	..	..	..	13.3	3.7	6.4
Essence of roses . . . . .	..	..	..	8.7	1.4	1.3	..	..	..	..	..	..	..	..	..
Wool . . . . .	1.1	0.3	0.3	..	..	..	..	..	..	..	..	..	..	..	..
<b>Other exports:</b>															
Timber . . . . .	1.1	0.4	0.1	..	0.6	0.4	5.8	3.2	5.3	124.1	31.0	45.6	151.4	43.7	56.6
Chemicals . . . . .	..	..	..	..	..	..	..	..	..	..	2.1	2.1	28.6	15.8	8.1
Silk cocoons . . . . .	..	..	..	6.6	0.4	..	..	..	..	..	..	..	..	..	..
Ores, metals . . . . .	0.5	0.3	0.4	..	..	..	9.4	3.1	5.8	..	..	..	49.3†	30.4	37.7
Petroleum . . . . .	..	..	..	..	..	..	..	..	..	288.5	220.0	219.0	..	..	..
Unspecified exports . . . . .	0.8	0.3	0.4	39.9	14.7	13.6	39.9	14.0	25.0	134.4	71.8	60.0	104.2	27.2	40.4
<b>Total . . . . .</b>	<b>14.0</b>	<b>4.5</b>	<b>4.3</b>	<b>234.8</b>	<b>126.7</b>	<b>92.1</b>	<b>480.1</b>	<b>197.8</b>	<b>159.0</b>	<b>873.1</b>	<b>516.3</b>	<b>414.0</b>	<b>643.3</b>	<b>259.9</b>	<b>272.3</b>

## (2) PERCENTAGES OF TOTAL EXPORTS

	Albania			Bulgaria			Greece			Roumania			Yugoslavia		
	1928-30 (avg.)	1932	1934												
<i>Foodstuffs:</i>															
Grain	1.5	..	5.8	11.0	24.7	10.0	..	..	..	20.2	31.0	19.0	14.5	10.2	18.8
Live-stock and poultry	10.4	2.6	18.2	8.7	1.7	8.0	..	..	..	0.0	3.4	3.3	12.6	15.2	11.4
Eggs	11.5	10.8	11.5	11.0	18.4	13.5	..	..	..	..	..	..	6.8	6.0	2.0
Currants, raisins	..	..	..	..	1.6	5.5	16.4	27.3	25.0	..	..	..	..	..	..
Other fruit	..	..	..	..	..	..	1.6	2.4	2.7	..	..	1.4	3.0	7.1	4.3
Beans	1.0	..	4.2	..	2.2	1.8	..	..	..	2.1	2.0	2.1	1.3	1.0	1.5
Cheese, butter	17.0	28.7	10.7	0.9	1.2	1.4	..	..	..	..	..	..	..	..	..
Meat	..	..	..	..	2.4	3.4	..	..	..	..	..	..	..	..	..
Olives and olive-oil	16.4	9.8	3.0	..	..	..	4.8	12.7	8.7	..	..	..	3.6	5.5	4.1
Fish	..	11.4	10.0	..	..	..	..	..	..	..	..	..	..	..	..
Wine	..	..	..	..	..	..	6.0	3.7	3.7	..	..	..	..	..	..
<i>Other agricultural products:</i>															
Tobacco	1.2	..	1.5	41.5	31.0	38.7	55.0	38.5	37.3	..	..	..	..	..	..
Medicinal plants	..	..	..	..	..	..	..	..	..	..	..	..	3.4	8.6	3.0
Hides and skins	16.2	8.5	14.4	5.3	2.4	5.4	2.5	1.3	2.5	..	..	..	2.1	1.4	2.4
Essence of roses	..	..	..	3.7	1.1	1.4	..	..	..	..	..	..	..	..	..
Wool	7.7	6.5	7.3	..	..	..	..	..	..	..	..	..	..	..	..
<i>Other exports:</i>															
Timber	7.7	8.7	3.0	..	0.5	0.4	1.4	1.6	3.4	14.3	6.0	10.8	23.5	16.8	20.0
Chemicals	..	..	..	..	..	..	..	..	..	..	0.6	0.6	4.4	6.1	3.0
Silk cocoons	..	..	..	2.8	0.4	..	..	..	..	..	..	..	..	..	..
Ores, metals	3.3	6.5	8.6	..	..	..	2.2	1.5	3.5	..	..	..	7.7	11.7	13.0
Petroleum	..	..	..	..	..	..	..	..	..	33.0	42.4	51.0	..	..	..
Unspecified exports	6.1	6.5	6.2	17.0	11.5	14.0	9.2	11.0	12.3	15.4	13.7	16.1	16.2	10.4	14.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>												

## (3) IMPORTS (in million Swiss francs)

	Albania			Bulgaria			Greece			Roumania			Yugoslavia		
	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1933	1928-30 (avgs.)	1932	1934
<b>1. Articles mainly manu- factured:</b>															
<b>Textiles:</b>															
Cotton yarns and tissues . . . . .	7.3	3.7	3.4	39.4	24.3	9.9	52.4	21.1	17.5	208.6	93.3	90.4	114.5	35.2	42.3
Woolen yarns and tissues . . . . .	1.5	0.9	0.6	10.3	6.7	3.8	36.6	13.8	14.7	57.6	14.4	21.3	45.4	15.8	18.0
Other textiles . . . . .	0.9	0.4	0.1	19.6	6.6	2.6	35.4	11.3	13.3	54.4	25.9	23.4	46.9	18.4	20.0
<b>Metal and metal   manufactures</b>	2.8	1.3	1.0	36.9	20.2	13.9	57.3	30.7	20.1	133.7	66.7	47.5	99.3	35.9	36.7
<b>Machinery (&amp; autos.)</b>	2.7	1.5	0.5	43.1	17.1	9.4	51.8	15.1	13.8	147.6	39.1	40.5	79.4	25.0	20.1
<b>Chemicals, dyes,   paints . . . . .</b>	0.9	0.7	0.5	12.2	11.1	7.4	32.3	19.4	17.5	21.0	24.5	26.6	32.3	13.8	15.8
<b>Paper . . . . .</b>	0.7	0.6	0.4	2.4	..	1.8	16.0	9.4	7.4	15.6	8.2	9.9	18.0	8.6	9.0
<b>Glass, stone, pottery</b>	0.8	0.4	0.3	4.8	3.3	1.7	9.1	3.5	2.9	25.4	11.5	11.3	15.7	6.7	4.7
<b>Rubber manufac-   tures . . . . .</b>	0.7	0.6	0.4	3.7	2.0	1.1	..	..	..	22.4	12.7	6.0	..	..	..
<b>2. Mainly raw materials:</b>															
<b>(a) Foodstuffs:</b>															
<b>Grain . . . . .</b>	4.4	5.1	0.4	5.2	0.2	..	190.0	80.0	25.3	10.7	4.5	5.7	19.1	6.8	4.2
<b>Coffee, sugar, and     colonial goods . . . . .</b>	3.3	2.0	1.0	4.0	2.1	1.2	34.4	16.1	12.6	9.6	9.6	7.1	21.2	8.2	5.3
<b>Cattle and live-     stock . . . . .</b>	..	..	..	..	..	..	31.0	10.6	12.6	..	..	..	31.5	9.2	15.2
<b>Other specified     foodstuffs . . . . .</b>	0.7	0.5	0.3	6.4	1.8	1.1	50.7	8.2	10.7	32.8	20.0	17.4	34.3	11.3	10.3
<b>(b) Other raw   materials:</b>															
<b>Coal . . . . .</b>	..	..	..	..	..	..	26.2	15.4	11.6	7.3	2.3	1.8	13.9	8.2	7.2
<b>Mineral oil . . . . .</b>	2.5	1.6	1.3	10.2	4.1	3.3	47.2	14.3	10.5	..	0.9	..	21.2	9.1	6.0
<b>Cotton . . . . .</b>	..	..	..	5.0	4.4	7.1	7.5	6.9	5.9	..	4.9	6.4	..	..	..
<b>Wool . . . . .</b>	..	..	..	6.7	6.4	4.0	..	..	..	..	..	..	..	..	..
<b>Timber . . . . .</b>	1.3	0.8	0.5	7.0	2.0	0.8	29.9	14.5	10.5	11.1	2.7	2.5	..	3.6	4.5
<b>Hides and leather</b>	1.1	0.5	0.5	10.5	3.7	2.2	17.9	5.7	7.4	32.4	9.4	7.8	15.1	3.8	3.3
<b>Unspecified     imports . . . . .</b>	3.1	2.2	1.1	21.6	14.0	9.4	93.4	42.0	12.2	96.3	19.4	33.3	68.5	23.7	23.4
<b>Total . . . . .</b>	<b>34.7</b>	<b>22.8</b>	<b>12.3</b>	<b>249.0</b>	<b>130.0</b>	<b>31.0</b>	<b>319.0</b>	<b>338.5</b>	<b>255.4</b>	<b>967.0</b>	<b>370.5</b>	<b>359.9</b>	<b>631.2</b>	<b>243.3</b>	<b>251.0</b>

## (4) PERCENTAGES OF TOTAL IMPORTS

	Albania			Bulgaria			Greece			Roumania*			Yugoslavia		
	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1934	1928-30 (avgs.)	1932	1933	1928-30 (avgs.)	1932	1934
<b>1. Articles mainly manufactured:</b>															
Textiles:															
Cotton yarns and tissues	20.9	16.4	27.8	15.8	18.7	12.3	6.4	6.2	7.1	21.6	25.2	25.5	16.8	14.5	16.9
Woolen yarns and tissues	4.3	3.9	5.3	4.1	5.2	4.7	4.5	4.1	6.0	6.0	3.9	6.0	6.7	6.5	7.2
Other textiles	2.7	1.9	1.5	7.9	5.1	3.8	4.3	3.3	5.4	8.7	7.0	6.6	6.9	7.5	8.0
Metal and metal manufactures	8.1	5.9	7.8	14.8	15.6	17.4	7.0	9.1	11.8	19.0	18.0	13.4	14.6	14.8	14.7
Machinery, including automobiles	7.8	6.4	4.0	17.3	13.2	11.7	6.3	4.4	5.6	15.3	10.6	11.3	11.6	10.3	8.2
Chemicals, dyes, paints	2.7	3.2	4.2	4.9	8.5	9.2	3.9	5.7	7.1	2.2	6.6	7.5	4.7	5.6	6.3
Paper	2.2	2.6	3.5	1.0	..	2.2	2.0	2.8	3.0	1.6	2.2	2.8	2.6	3.6	3.6
Glass, stone, pottery	2.1	1.7	2.3	1.9	2.6	2.1	1.1	1.0	1.2	2.5	3.0	3.2	2.3	2.7	1.9
Rubber and manufactures	1.9	2.8	3.2	1.5	1.5	1.4	..	..	..	2.3	3.4	1.7	..	..	..
Total manufactured articles	52.8	44.8	59.1	69.2	70.4	64.3	35.5	36.6	47.2	79.2	79.9	78.0	66.2	65.4	66.8
<b>2. Mainly raw materials:</b>															
(a) Foodstuffs:															
Grain	12.6	22.3	3.1	2.1	0.1	..	23.2	23.6	10.3	1.1	1.2	1.6	2.3	2.3	1.7
Coffee, sugar, and colonial goods	9.5	3.8	3.0	1.6	1.8	1.5	4.2	4.7	5.1	1.0	2.6	2.0	3.2	3.3	2.1
Cattle and live-stock	..	..	..	..	..	..	3.8	3.1	5.1	..	..	..	4.6	3.8	6.1
Other specified foodstuffs	2.0	2.3	2.4	2.6	1.3	1.4	6.2	2.4	4.3	3.4	5.4	4.9	5.0	4.7	4.1
(b) Other raw materials:															
Coal	..	..	..	..	..	..	3.2	4.5	4.7	0.8	0.8	0.5	2.3	3.4	2.9
Mineral oil	7.2	7.0	10.8	4.1	3.2	4.8	5.8	4.4	4.3	..	0.2	..	3.1	3.7	2.4
Cotton	..	..	..	2.0	3.4	3.9	0.9	2.0	2.4	..	1.3	1.8	(..†)	..	..
Wool	..	..	..	2.7	4.9	5.0	..	..	..	..	..	..	(..†)	..	..
Timber	3.9	3.5	3.8	2.3	1.6	1.0	3.7	4.3	4.3	1.1	0.7	0.7	..	1.5	1.3
Hides and leather	3.2	2.0	3.8	4.2	2.9	2.7	2.2	1.6	3.0	3.4	2.6	2.2	2.2	1.6	1.3
Unspecified imports	8.3	9.3	9.0	8.7	10.4	10.4	11.3	12.3	9.3	10.0	5.3	8.3	10.1	9.8	10.8
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

\* Figures for 1934 not yet available.

† Raw cotton and wool are included in 'textiles'.

### APPENDIX III

## DISTRIBUTION OF FOREIGN TRADE, 1930, 1932, 1934 AND 1935

(For explanation see p. 141)

### (1) EXPORTS

(Percentages of total value)

	Albania			Bulgaria				Greece				Roumania				Yugoslavia			
	1930	1932	1934	1930	1932	1934	1935	1930	1932	1934	1935	1930	1932	1934	1935	1930	1932	1934	1935
Germany . . . . .	..*	..*	..*	26.2	26.0	42.8	48.0	23.5	14.5	22.5	29.0	18.8	12.3	16.6	16.6	11.7	11.3	15.4	18.7
United Kingdom . . . . .	0.4	0.2	0.8	2.1	2.5	2.1	4.3	12.5	23.4	17.4	12.8	11.3	14.0	10.0	8.8	1.5	2.1	4.7	5.3
Italy . . . . .	59.7	62.7	68.6	8.3	12.5	8.2	8.7	14.1	16.5	9.8	6.0	12.9	10.6	7.8†	16.2	28.3	33.0	20.6	16.7
France . . . . .	0.1	0.1	0.1	5.9	2.7	2.1	..	6.8	5.0	2.7	2.7	6.9	13.0	9.7	4.0	4.2	2.7	1.6	1.6
Belgium . . . . .	..	..	..*	7.9	9.8	3.6	..	2.6	1.7	1.6	..	8.2	3.6	2.6	0.8	1.2	2.6	4.3	3.4
Switzerland . . . . .	..	..	..*	7.2	6.5	4.8	3.0	..*	..*	0.6	..	0.2	0.3	1.5	3.5	2.6	2.2	3.6	2.4
Austria . . . . .	..*	..*	..*	7.7	15.0	5.3	4.5	2.8	4.2	2.1	..	9.1	6.4	9.0	12.3	17.7	22.1	16.4	14.3
Hungary . . . . .	..*	..*	..*	8.8	0.7	0.4	2.5	..*	..*	..*	..	7.5	5.4	5.4	8.0	7.2	4.1	3.5	5.0
Czechoslovakia . . . . .	..*	..*	..*	6.4	3.1	3.6	6.8	4.4	1.6	1.9	4.1	7.0	7.0	6.4	6.0	8.2	13.2	11.7	13.4
Albania . . . . .	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	0.3	0.5	0.2	0.2
Bulgaria . . . . .	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*	..*
Greece . . . . .	18.8	18.1	20.5	4.4	0.4	0.7	..	0.4	0.8	..*	..	1.3	0.8	0.7	0.6	0.3	0.1	0.8	0.1
Yugoslavia . . . . .	3.6	1.2	4.9	0.5	0.3	0.2	..	0.4	0.7	2.8	2.6	1.8	1.4	1.1	1.1	..	..	..	..
Roumania . . . . .	..*	..*	..*	0.4	0.2	0.7	..	1.2	1.2	2.6	3.3	..	..	..	..	3.0	0.4	1.1	0.4
U.S.A. . . . .	17.1	22.1	9.6	11.0	0.8	0.6	..	14.4	10.1	14.7	17.1	0.3	0.3	0.1	0.2	0.9	1.0	4.1	5.6
Egypt . . . . .	..*	0.5	0.1	2.7	2.4	3.9	3.3	4.7	4.2	4.5	3.0	4.2	3.9	5.1	3.5	0.7	0.5	0.7	0.8
Holland . . . . .	..	..	..	3.3	4.2	1.3	..	5.9	10.4	5.2	3.9	4.8	5.8	4.8	1.7	0.9	0.4	0.9	0.4
Poland . . . . .	..	..	..*	10.2	5.2	1.6	..	1.3	1.0	0.3	..	1.0	1.5	1.5	0.9	0.7	1.9	1.3	1.7
Spain . . . . .	..	..	..*	..*	0.3	3.2	..	..*	..*	..*	..*	0.8	1.7	2.2	..	1.0	1.2	..*	..*
Other countries . . . . .	0.8	0.1	0.2	8.0	8.3	14.0	16.1	5.0	5.2	11.4	15.5	5.9	7.5	12.8	11.2	3.5	6.4	5.7	6.9
Total . . . . .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Whereof to clearing countries . . . . .	..	..	..	..	75.3	75.1	76.6	..	28.9	26.7	41.7	..	51.3	47.3	64.5	..	59.8	61.4	60.8

\* Negligible.

† See note to table, p. 141.

## (2) IMPORTS

(Percentages of total value)

	Albania			Bulgaria			Greece				Roumania			Yugoslavia					
	1930	1932	1934	1930	1932	1934	1930	1932	1934	1935	1930	1932	1934	1935	1930	1932	1934	1935	
Germany . . . . .	5.4	4.0	5.2	23.2	25.9	40.4	53.5	10.1	9.7	14.7	18.7	25.1	23.7	15.5	24.4	17.6	17.7	13.9	16.2
United Kingdom . . . . .	7.4	6.8	0.2	8.2	10.3	6.4	4.6	12.7	18.6	10.7	15.5	8.1	10.8	16.2	10.6	5.9	0.7	0.3	10.1
Italy . . . . .	50.2	39.1	34.2	13.0	15.6	7.9	3.1	6.1	5.7	4.9	3.7	7.9	11.0	7.3	7.8	11.2	12.7	15.5	16.0
France . . . . .	2.0	1.0	2.0	0.8	6.5	3.0	1.2	7.2	5.0	6.7	..	7.4	14.1	11.2	7.2	3.9	4.5	5.0	4.4
Belgium . . . . .	2.1	1.7	..†	2.4	2.9	7.5	..	4.3	4.3	2.3	..	1.8	2.1	5.2	2.6	1.0	1.5	2.0	1.9
Switzerland . . . . .	0.5	0.3	..†	2.8	4.9	5.9	5.3	..*	..*	2.8	..	2.7	2.9	3.3	3.3	1.6	2.9	2.6	2.4
Austria . . . . .	3.4	2.0	3.5	6.3	6.0	4.8	6.4	1.2	2.2	1.8	..	11.6	4.0	10.0	11.9	10.8	18.4	12.4	11.0
Hungary . . . . .	0.0	1.1	..*	1.9	1.3	1.0	..	..*	..*	..*	..	3.9	2.1	4.0	6.9	5.8	5.0	2.9	2.9
Czechoslovakia . . . . .	7.3	7.8	5.5	0.4	5.4	3.8	9.3	3.8	3.4	4.7	3.9	14.6	12.2	9.9	10.3	17.6	15.8	11.7	14.0
Albania . . . . .	..	..	..†	..*	..*	..*	..	..*	..*	..*	..	..*	..*	..*	..*	..*	..*	0.1	0.1
Bulgaria . . . . .	..	3.8	..†	..	..	..	..	1.5	0.1	..*	..	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.3
Greece . . . . .	3.6	2.8	5.0	1.0	0.9	1.0	..	..	..	..	..	0.0	1.2	1.3	2.4	0.8	0.9	1.1	1.3
Yugoslavia . . . . .	7.7	9.1	6.7	1.3	0.4	0.3	..	5.7	4.5	4.7	3.8	0.3	0.4	0.7	0.6	..	..	..	..
Roumania . . . . .	0.1	4.5	..†	8.0	8.4	4.3	3.2	5.6	9.0	5.1	7.5	..	..	..	..	3.2	3.0	1.0	1.3
U.S.A. . . . .	7.2	9.7	5.7	1.9	1.9	2.3	..	15.3	18.8	0.3	6.2	5.4	8.4	4.2	3.1	4.1	4.4	6.4	6.2
Egypt . . . . .	0.3	0.2	0.7	0.2	0.4	0.6	..	1.2	1.4	1.6	..	..*	0.7	0.7	3.0	..*	0.2	0.4	1.1
Poland . . . . .	..*	..*	..*	1.2	3.0	2.1	..	..*	0.9	0.9	..	4.3	4.6	3.2	1.7	1.6	1.9	1.9	1.7
Holland . . . . .	0.2	0.2	..*	3.0	2.1	1.2	..	1.7	2.7	2.8	..	..*	2.2	3.3	1.3	1.2	1.2	1.9	1.7
Russia . . . . .	..*	..*	..*	0.5	0.3	0.4	..	3.4	10.1	5.0	4.6	..*	..*	..*	..*	..*	..*	..*	..*
Spain . . . . .	..*	..*	..*	0.2	0.3	2.3	1.9	..*	..*	..*	..*	..*	0.2	0.0	..	..*	0.1	..*	..*
Argentina . . . . .	..*	..*	..*	..*	..*	..*	..*	..*	7.4	5.5	9.0	..*	..*	..*	..*	..*	1.0	1.8	1.6
Other countries . . . . .	0.8	3.2	21.4	5.0	5.5	4.7	11.5	20.2	6.2	15.5	26.2	15.0	8.4	8.0	3.9	7.5	4.1	3.6	9.0
Total . . . . .	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Whereof total from 'clearing countries' . . . . .	..	..	..	..	70.9	77.2	80.7	..	38.1	40.8	37.6	..	67.2	53.7	89.9	53.9	55.0	52.4	52.8

\* Negligible.

† The Anglo-Roumanian Payments Agreement did not come into force until 1935.

‡ Figures not yet available.

§ Incomplete.

|| Whereof 11.7 from Japan.

### *Notes to Appendix III*

1. The italicized figures indicate that an official clearing agreement was in existence between the two countries concerned in the year indicated.

2. In addition to the official clearing agreements shown in the table, Turkey has concluded agreements with Roumania, Yugoslavia, Greece, and Bulgaria; Greece with Finland, Latvia, and Sweden; Bulgaria with Spain; and Roumania with the U.S.S.R. In all these cases, however, the percentage of imports and exports is very small.

3. No indication can be given of the effect of 'private compensation' agreements, although these often account for an important proportion of foreign trade of these countries, e.g. that between Austria and Yugoslavia, and Hungary and Yugoslavia.

4. The figure given as the total percentage of trade with clearing countries relates to trade between countries with which official clearing agreements were in operation during that year.

5. The most remarkable movement shown in these tables is the increase in the proportion of exports to Germany, particularly since 1934, before which there was a tendency for the figure to decline owing to considerations already mentioned.<sup>1</sup> It is to be noted that these increases were not offset by corresponding rises in the proportion of imports from Germany, except in Bulgaria. Imports from Italy showed a marked tendency to decline in 1935, not so much because of sanctions as of the conversion of Italian industry to a war basis. For example, from the early part of 1935 many Italian textile factories were no longer able to take orders from the Balkans, and the trade has gone largely to other industrial countries, mainly to Czechoslovakia. Exports to Italy, also, have fallen in percentage, except, of course, the oil of Roumania. The proportion of imports from Great Britain tended to increase until 1935, partly owing to the depreciation of sterling, but the pressure of the clearing agreements reduced the percentage somewhat in 1935, and present indications are that the percentage will be still further reduced in 1936 for the same reason. Of the other changes perhaps the most remarkable is the fall in the percentage of Greek imports from the U.S.A., which is almost entirely due to the fall in Greek imports of grain. Mention should lastly be made of the rapid increase of Japanese exports to the Balkan States, though the absolute figures are so far of no great importance except in Albania. Here imports from Japan rose from thirteenth place in 1932 to second place (11.7 per cent. of Albania's imports by value) in 1934. The cheapness of Japanese manufactures is beginning to find them a ready market in these countries, where at the best of times purchasing-power is relatively very low.

<sup>1</sup> See p. 125.

## APPENDIX IV

### PRINCIPAL ISSUES OF LONG-TERM LOANS MADE ABROAD BY BALKAN GOVERNMENTS, 1920-31

	Total nominal amount issued (in millions)	Nominal rate of interest, per cent.	Price of issue, per cent.	Flat rate of interest, per cent.	Place of issue	Amount outstanding Oct. 1935, and ultimate date of redemption (in brackets) (in millions)	Purpose
<b>ALBANIA</b>							
1. S.V.E.A. Loan of 1925.*	50.0 gold frs.	7½	71	10.6	(Italian banks)	50.0 gold frs.	Economic development.
2. Italian Government Loan of 1931.	20.0 „	Nil	100	..	(Italian Govt.)	20.0 „	Economic development and provision for preceding two years' budget deficits.
<b>BULGARIA</b>							
1. Refugee Settlement Loan of 1926-27, issued December 1926.†	\$4.5	7	92	7.61	New York	\$4.12 (1967)	Settlement of refugees, and repayment of short-term indebtedness.
	£1.75		92	7.61	London		
	£0.25		93	7.53	Amsterdam		
	£0.15		88.5	7.91	Milan		
	£0.25		92	7.61	Zürich		
2. Stabilization Loan of 1928-33, issued November 1928.†	\$9.0	7½	97	7.73	New York	\$12.85 (1968)	Stabilization of currency, working capital for Agricultural and Central Co-operative Banks, public works, and repayment of National Bank's advances to State.
	\$1.0				Brussels		
	\$1.5				Milan		
	\$1.5				Zürich		
	£1.5				London		
	£0.2				Amsterdam		
£0.1	Prague						
130.0 Fr. frs.		98.2	7.64	Paris	128.48 Fr. frs. (1968)		
<b>GREECE</b>							
1. Refugee Loan of 1924-24,† issued Dec. 1924.	£7.5	7	88	7.96	London	£9.42 (1964)	Settlement of 1,500,000 Greek refugees from Turkey.
	£2.5		80½	8.14	Athens		
	\$11.0		88	7.96	New York		
2. Water-Works Loan of 1925-52, issued 1925.	\$11.0	8	85	9.41	New York	\$9.58 (1952)	Construction of dam at Marathon, aqueduct to Athens and Piraeus, and water distribution system in both cities.

3. Railroad Loan of 1925:† (a) Tranche 'A', issued 1925 and 1927.	\$2-48	7	90	7-78	Brussels	\$2-48 (?)	Contracted with Société Commerciale de Belgique for railway improvements and construction.
(b) Tranche 'B', issued as required for payment for material.	\$2-78	8	04	8-51		\$2-78 (?)	
4. Swedish Match Co., Loan of 1926-54, issued 1928.†	£1-0	8½	94	9-04	(Swedish Match Co.)	£0-94 (1954)	General purposes.
5. Stabilization and Refugee Loan of 1928-68,† issued January 1928.	£3-87	} 6	} 01	6-50	London Milan Stockholm New York Zürich (American Govt.)	} £3-97 (1968)	£3 millions to stabilize the currency and create new bank of issue; £3 millions to repay floating debt; £3 millions to continue the work of the Refugee Settlement Commission.
	£0-40						
	£0-80						
	\$15-0						
	\$2-0	} 4	} ..½			} \$11-84 (?)	
	\$12-17						
6. Public Works Loan of 1928-68, issued December 1928.	£3-8	} 6	} 80	6-74	London Stockholm	} £3-98 (1968)	For use of the Refugee Settlement Commission, Public works, and agricultural credits
	£0-2						
7. School Loan of 1930-54, issued 1930.	£1-0	0	85	7-06	Kreuger & Toll, Stockholm	£0-98 (1954)	Erection of school buildings.
8. One-year treasury notes,** issued 1930.	\$7-5	5½	99-78	5-52	Advanced by Spayer & Co., National City Co., and J. & W. Schligman of New York	\$7-5**	General purposes.
9. Public Works Loan of 1931-68, issued March 1931.	£2-0	} 6	} 87	6-90	London Stockholm Zürich Milan Amsterdam Athens	} £4-58 (1968)	Public works and other productive purposes.
	£0-5						
	£0-4						
	£0-4						
	£0-3						
	£1-0						
<b>ROUMANIA</b>							
1. External Loan of 1922: (a) Issue of April 1923.	£1-62	} 4	} 67	} 5-97	London	} £1-89 (1942)	Not stated in prospectus.
(b) Issue of April 1927.	£0-76						

\* Neither of these loans was publicly issued.

† Not publicly issued. Full details of this loan cannot be ascertained.

‡ This was an advance made by the American Government which, together with those of the other tranches issued, made up the total nominal amount of the Loan to the authorized amount of about £9 millions gold.

\*\* Although originally a short-term advance this issue of bonds has in fact been renewed each year as it matured, and is still outstanding.

† Issued under the auspices of the League of Nations.

‡ Without 2 per cent. stamp.

APPENDIX IV (cont.)

	Total nominal amount issued (in millions)	Nominal rate of interest, per cent.	Price of issue, per cent.	Flat rate of interest, per cent.	Place of issue	Amount outstanding Oct. 1935, and ultimate date of redemption (in brackets) (in millions)	Purpose										
<b>ROUMANIA (cont.):</b>																	
2. Monopolies Institute Stabilization and Development Loan of 1929-50, issued February 1929.	£2.0	7	88	7.00	London	£1.81 (1959)	£20,000,000 to create working funds for, and to discharge floating indebtedness of, State Treasury and State Railways; \$25,000,000 to strengthen position of National Bank by acquiring from it a portion of its portfolio; \$35,000,000 to improve State railways and equipment; balance to provide productive works.										
	561.04 (French francs)							100	7.00	Paris (Swedish Match Co.)	520.8 Fr. frs. (1959)						
	\$30.0		88	7.00	New York	\$02.0 (1959)											
	\$10.0											Milan					
	\$8.0												Berlin				
	\$5.0													Zürich			
	\$4.0														Brussels		
	\$3.0															Amsterdam	
	\$3.0																Stockholm
	\$2.0																
	\$1.0		Vienna														
	\$1.0			Bucharest													
\$2.0																	
450.0 Fr. frs.	7½	86½			8.67	Paris	1,313.4 Fr. frs. (1971)	200,000,000 francs for the creation of an Agricultural Mortgage Institute; 250,000,000 frs. for railways; 200,000,000 frs. for roads; 200,000,000 frs. for working capital for the Treasury, and the balance for agricultural and other productive investments.									
378.75 "									86½ (?)	8.67	Stockholm						
250.0 "		New York															
43.75 "					Berlin												
37.5 "						Amsterdam											
35.0 "			Prague														
25.0 "				Zürich													
17.5 "												Brussels					
12.5 "													Vienna				
75.0 "														Bucharest			
Total																	
1,325.0 "																	
<b>YUGOSLAVIA</b>																	
1. External Gold Loan of 1922-62 (series A), issued June 1922.	\$15.25	8			95½		8.38	New York	\$14.88 (1962)	Railways, ports, Government buildings, and general needs of the kingdom.							
2. External Gold Loan of 1922-62 (series B), issued April 1927.	\$30.0	7			92½	7.57	New York	\$28.8 (1962)	Construction of Belgrade-Adriatic Railway and appurtenant port; and general purposes.								

3. Secured External Gold Monopolies Loan of 1928-58, issued 1928.	\$22-0	6	(?)		(Swedish Match Co.)	\$22-0 (1958)	Reduction of floating debt.†
4. International Stabilization Loan of 1931-71, issued May 1931.*	675-0 Fr. frs.	}	}	87½	8-0	1,014-8 Fr. frs. (1971)	Stabilization of currency and furthering of national economy.
	125-0 "						
	100-0 "						
	50-0 "						
	50-0 "						
	25-0 "						
Total	1,025-0 "						

\* It is uncertain whether the non-French tranches were expressed in francs or not.

† See the *Economist*, October 27, 1928.

## APPENDIX V

### COMMUNICATIONS

#### (1) *General*

On the whole the Balkan States are poorly equipped with communications. One of the chief reasons for this is geographical. For example, the natural lines of communication, such as the Danube valley, run for the most part east and west instead of north and south. Thus the mountain formation of northern Greece and the Adriatic coast has placed a serious obstacle in the way of the exploitation by Serbia, and later by Yugoslavia, of the shortest routes to the sea. Again, the Rhodope range has cut Bulgaria off from the Aegean and left her only with a Black Sea littoral, which has substantially increased the nautical mileage between Bulgaria and western Europe.<sup>1</sup> The mountainous nature of much of the country also has rendered the construction of roads and railways in many cases expensive and difficult, if not impossible.

It might be supposed that these circumstances would have compelled the Balkan States to find a solution to the problem of communications by the development of their mercantile marine. But the seaboard of Bulgaria and Roumania is small; Yugoslavia, which possesses a considerable length of seaboard, has not been in existence long enough to have acquired a mercantile marine of any size. Moreover, the ports of the Adriatic are poorly connected with the hinterland, though to some extent this is offset by the development of traffic on the Danube. Only in the case of Greece, whose inhabitants have from classical times been driven to the sea for their existence, is the national fleet of international importance.

#### (2) *Railways*

The development of the railway system of the Balkan States was from the start delayed by the lack of capital; moreover, as has been seen, the relatively high cost of railway building in the Balkans owing to the unsuitable nature of a great deal of the country has throughout increased the reluctance of foreign capital to interest itself in enterprises of this kind. The first railways were not built until the early seventies of the last century, and were constructed and maintained almost exclusively by foreign capital—Austrian, German, or French in accordance with the political interests of these countries.<sup>2</sup> For strategic and economic considerations were on the whole the dominating factors in the construction of the railway systems of these States, and often prevented the construction of lines which, though economically justifiable, were politically undesirable, while encouraging the building of lines the importance of which was purely strategic. Thus the building of a railway across Serbia to link the Adriatic with the Aegean was successfully

<sup>1</sup> Even if Bulgaria had retained the Aegean port of Dedeagatch it is doubtful whether it could have competed with her Black Sea ports.

<sup>2</sup> For the foreign financing of railway-building in the Balkans during the period 1870-1914 see Herbert Feis, *Europe, the World's Banker* (Yale University Press, 1930), ch. xiii.

opposed throughout for political reasons; similarly the Porte refused permission for the union of the Greek railway system with the European by a line which would run through Turkish territory. Lastly, it was not merely the geographical difficulties and the heavy expense, but also the desire to prevent the access of Serbia to the sea, which is responsible for the fact that there is only one trunk line running north and south (Belgrade via Nish and Skoplje to Salonika) in the Balkans.

The result is that the creation of a rational railway system by the Balkan countries after the War has been extremely difficult. In addition to the above considerations, the problem was further complicated by the fact that those parts of Roumania and Yugoslavia which had formerly belonged to the Austro-Hungarian Empire were far better equipped with railways than the States to which they were ceded. Moreover, a large proportion of the mileage (in Greece nearly half) is not of standard gauge. Some progress has, however, been made since the War. As has been seen in Part I, Section IV. 1 (d),<sup>1</sup> a large part of the funds raised by foreign loans was allocated to the railways, and most of the main lines, with a few exceptions such as the Piræus-Athens-Peloponnes Railway Co.,<sup>2</sup> are now owned by the State. Yet the foreign capital raised after the War has not resulted in much new construction, for at any rate in Roumania, Yugoslavia, and Bulgaria large sums had to be spent on repairs of damage due to the War. Only in Yugoslavia, which was greatly assisted by reparations deliveries in kind, has fresh construction assumed considerable dimensions; and even here the real improvements have been few, many of the new lines being of strategic rather than economic significance. Of the more important achievements since the War are the completion of the line from Ogulin to Knin, which joins Zagreb and Fiume to Sibenik and Split, and that of the Kraljevo-Mitrovica railway.

It cannot, therefore, be said either that the railway system is extensive or even that it is sufficient for the economic requirements of these States. The position can be judged from the mileage of railways in operation (including narrow gauge) per square mile of the territory: for Yugoslavia (1931) 60·9 miles; for Roumania (1932) 55·3; for Bulgaria 46·4; and for Greece, whose deficiencies are, of course, offset by her large mercantile marine, 33·3 (1929); while Albania has no railways at all.<sup>3</sup> The respective figure for Great Britain and Northern Ireland in 1932 was 236·5 miles. Moreover, not only is the total mileage small, but trains are infrequent and the speed even of the expresses is slow, largely owing to the difficulties of gradient, but also to the negligible amount of double-tracked lines. Thus the journey from Belgrade to Sofia, a distance of 251 miles, takes nine hours; from Nish to Salonika (278 miles) almost ten hours; and from Athens to Patras (144 miles) nearly nine hours.

Lastly, the crisis of 1931-2 resulted in a severe curtailment of programmes of railway development throughout the Balkans, and the post-

<sup>1</sup> See p. 42.

<sup>2</sup> Greece is an exception in this, for of the 2,500 km. of railways only 1,300 belong to the State. The State, however, owns the main lines which connect the Greek with the continental system.

<sup>3</sup> For the main lines, see map.

ponement of replacements of old rolling stock and permanent way. Some progress has certainly been made since 1931: for example, the Pančevo bridge over the Danube, which will materially shorten the journey between Belgrade and Bucharest, has now been completed, the train ferry between Giurgiu and Rustchuk may shortly be in operation, while in Bulgaria large quantities of rolling stock have been obtained from abroad by means of compensation agreements.<sup>1</sup> But the ultimate completion of programmes of replacement, which is sooner or later inevitable, will place a further strain upon the national finances, which already have to bear heavy deficits on the working of the State railways, particularly in Yugoslavia and Roumania.<sup>2</sup>

### (3) Roads

Here also the Balkan States are poorly equipped. This again is largely due to the mountainous nature of the country, which often renders the building of good roads extremely expensive. But even where roads exist they are rarely suitable for motor traffic, and still less frequently are they comparable with the highways of western Europe. The situation varies greatly from country to country. At the one extreme is Yugoslavia, which even before the War possessed some excellent roads, such as those built by Napoleon's marshals in Dalmatia or the famous road from Cattaro to Cetinje, the general position having been further improved by systematic building after the War with the help of foreign loans. At the other extreme is Bessarabia, where most of the roads are still mud tracks in spite of some fresh construction since the War, or Greece, where the roads are probably the worst in Europe. In all these countries a considerable proportion of the funds raised by recent foreign loans has been allocated to road-building and some progress has certainly been made. At the same time building has often been unsystematic, particularly in Greece. Here the work undertaken was often on unconnected stretches of road all over the country, which had not been completed when the financial crisis brought all fresh construction to an end; and the practical use of the roads built is therefore small. On the whole it is fair to say that with the exception of a few arterial roads (usually, however, with a very poor surface) it is only in the case of Yugoslavia that the road system supplements to any noteworthy extent the deficiencies of the railways.

The position can be seen from the following table:

	<i>Roumania</i>	<i>Yugoslavia</i>	<i>Bulgaria</i>	<i>Greece</i>	<i>Albania</i>
Length of roads open (km.) . . .	106,000 (1932)	40,000 (1931)	17,000 (1933)	14,000 (1931)	1,400 (1929)
Total number of motor-cars (including lorries) in use at end of 1934*	33,500	10,900	2,100	16,700	900

\* Figures given by the American Automobile Chamber of Commerce, March 1935.

<sup>1</sup> It should also be mentioned that through railway connexion between Roumania and the U.S.S.R. was re-established for the first time since the War in October 1935 by the rebuilding of the Tighina-Tiraspol bridge over the Dniester. (*New York Herald*, October 20, 1935.) <sup>2</sup> Cf. the reports of the French adviser to the Roumanian State Railways.

There are, however, many qualifications which must be made to this in addition to what has been said above. In Roumania, for example, the Department of Overseas Trade reports that of the total length of roads as stated here, 40,000 km. were 'natural tracks', and that few of the roads can be used for motor traffic throughout the year; moreover, there was in 1933 only one first-class road, viz. that from Bucharest to Brasov. Again, in Bulgaria the roads are very poorly macadamized and the average life is not more than three to four years; this probably applies to the rest of the Balkan States. The roads of Albania were mostly built during the period when Italian influence was strongest, and little has been done in the way of maintenance since 1930. It should also be observed that many of the cars and lorries included in the above totals are very old and that few have been purchased in the last four or five years. Further, many remain permanently in the vicinity of the large towns. For example, of the total number of cars in Greece, about half are concentrated in Athens and the Piraeus. It is only in Yugoslavia that the motor-bus system has been widely developed and efficiently maintained so as to serve the rural districts.

Finally, though large sums of foreign capital have in fact been spent on the roads, their development is not so dependent upon foreign borrowing as in the case of the railways. It is perhaps for this reason that the progress made since 1931 is by no means negligible. Considerable sums have been provided in the recent budgets of Yugoslavia, Roumania, and Bulgaria for road-building; and in Yugoslavia some headway has been made with a programme introduced in 1931 for the building of 450 miles of roads at a cost of 600 million dinars. A similar plan is under consideration in Bulgaria. It would seem that this is an instance where, in spite of the lack of capital, much can be done by the Balkan States without recourse to foreign borrowing.

#### (4) *Shipping*

The sea-going fleets of Roumania and Bulgaria are small and unimportant. That of Yugoslavia is larger, but even so it is not of any great size. However, in the first two cases the importance of river navigation is probably greater, while it is also of considerable importance in that of Yugoslavia. As has already been mentioned, it is in the case of Greece alone that the mercantile marine constitutes a fundamental part of the economic system. The position can be judged by the figures below:

#### *Merchant fleets of the Balkan States<sup>1</sup>*

*Total gross tonnage (in thousands) as at June 30  
(Vessels of 100 tons or more)*

	1913	1920	1925	1930	1931	1932	1933	1934
Greece .	723	530	898	1,391	1,398	1,470	1,417	1,507
Yugoslavia .	—	—	168	302	361	381	374	357
Roumania .	45	74	68	69	66	74	93	92

<sup>1</sup> The Bulgarian merchant fleet was of a total gross tonnage of 10,000 tons. There are no merchant ships of any size flying the Albanian flag.

The reason for the insignificance of the merchant fleets of Roumania and Bulgaria is partly the scarcity of good ports in this part of the Black Sea littoral. In Roumania the only good ports are Braila, Galatz, and perhaps Sulina; though much money has recently been spent on Constanza with a view to making it an oil port, it is still scarcely in the same class as the other three. Moreover, Constanza alone is ice-free during the winter. All these ports are served chiefly by Greek ships, with Italian occupying the second and British the third place. There is only one Roumanian line serving non-Roumanian ports (Roumania-Constantinople-Piraeus-Alexandria or Marseilles). The same applies also to Bulgaria: the only ports available to ocean-going shipping are Burgas and Varna, the latter alone being ice-free. There is practically no merchant shipping under the Bulgarian flag; there is only one Bulgarian company owning steamships at all, and this receives a subsidy from the State. In 1934 it owned about 10,000 tons.<sup>1</sup> The Bulgarian ports are chiefly served by Greek, Italian, and, to a very much smaller extent, by British lines.

The case of Yugoslavia is rather different. Under the Trumbiö-Bertolini agreement of 1921 Yugoslavia acquired some 100,000 tons of shipping formerly owned in the Austro-Hungarian Empire. Since that date the fleet has been greatly increased, but most of the ships even so are small, old, and suitable only for serving the ports of the Adriatic. Of these the most important are Sibenik, Metković, and especially Split (Spalato), the port of the timber trade, which has been much improved since the War. Gravosa (Ragusa) and Kotor (Cattaro) both possess very fine natural harbours. Zara is, of course, in Italian territory, as is the more important part of the harbour of Fiume (Susak). The latter in any case is badly served by the railways (a stricture which applies to most of the Dalmatian harbours) having been designed as the port of Hungary.

The Yugoslav Government has taken an active interest in shipping, at any rate up to 1931, and both by subsidies and legislation has helped the mercantile marine to combat the intensive competition for the Adriatic carrying trade and from the Italian lines, which are even more heavily (and more continuously) subsidized by their Government. To this end the Yugoslav Government encouraged the amalgamation of the six principal companies into one (the *Jadranska Plovidba*), with the result that this line has been able to extend its sailings considerably. There are now several services running to Egypt, the Levant, and even America.

Greek shipping is of considerable importance both nationally and internationally. Of the national importance, the best indication is given by the figures appearing in Greece's balance of payments. The table opposite will give some idea of its international importance.

But in considering these figures it must be remembered that a very large proportion of the Greek merchant fleet is extremely old. In 1930,

<sup>1</sup> In November 1935 the company bought a steamer of over 4,000 gross registered tons from the Norddeutscher Lloyd. The steamer is to serve the Levant and Alexandria. (*Frankfurter Zeitung*, November 24, 1935.)

for example, only 7 per cent. of the steamship fleet was under eleven years old, and as much as 70·8 per cent. was over twenty years old. Moreover, much of the recent increase in the tonnage of the Greek merchant fleet is represented by very old ships bought at little more than breaking-up prices.

*Merchant fleets of the world*

	<i>Total gross tonnage (thousands) 30.vi.1934</i>	<i>Total laid up (thousand tons) 30.vi.1934</i>	<i>per cent. laid up</i>
Great Britain . . . . .	17,735	1,719	9·7
U.S.A. . . . .	12,966	2,904	22·4
Japan . . . . .	4,073	59	1·4
Norway . . . . .	3,981	390	9·8
Germany . . . . .	3,691	266	7·2
France . . . . .	3,298	717	21·7
Italy . . . . .	2,928	304	10·4
Holland . . . . .	2,618	303	11·6
Sweden . . . . .	1,609	77	4·8
Greece . . . . .	1,507	105	7·0

The Greek merchant fleet does not by any means depend upon providing communication between the Greek islands and the ports of the mainland, though this is, of course, its most important function. For it takes a considerable share in the international carrying trade, and it has recently<sup>1</sup> been estimated that not more than 40 per cent. of the cargo of the Greek fleet relates to the foreign trade of Greece herself. Greek shipping is active not only in the Levant (particularly Egypt and Palestine) but outside the Mediterranean also; and the Greeks have in recent years obtained an important share in the River Plate trade.<sup>2</sup> Gains such as this have been largely offset, however, by the gradual increase of the Russian mercantile marine side by side with the recent decrease in the foreign trade of Russia, particularly in grain shipments from Black Sea ports, for in this Greek shipping formerly played an important part. However, it is not unreasonable to suppose that an increase of grain exports from Russia, such as might ensue upon a re-adjustment of her internal distributive system, would materially improve the position of Greek shipping.

The reason why Greece has been able to obtain such a disproportionately large share in the world's carrying trade is chiefly to be found in the low level of Greek costs.<sup>3</sup> A considerable proportion of her fleet was acquired very cheaply, as has been seen; moreover, the rate of

<sup>1</sup> *Frankfurter Zeitung*, June 28, 1935.

<sup>2</sup> The total of Greek shipping entering the River Plate during the first ten months of 1935 was higher than that of any other nation except Great Britain. (*Frankfurter Zeitung*, December 16, 1935.)

<sup>3</sup> Unlike the merchant marines of some other countries, the Greek fleet receives little financial assistance from its Government. Government subsidies are in fact largely confined to the Greek coastal service.

wages paid is extremely low.<sup>1</sup> This is largely due to the widespread practice whereby the ship's captain, who in most cases owns his ship, selects his crew mainly from his own relations, who can afford to take low wages because they usually receive a small share of the profits. This factor has enabled the Greek fleet to resist the effects of the decrease in foreign trade since 1930 longer than almost any other shipping nation. In spite of this it will be noted that the proportion of shipping laid up in Greece is comparatively high. Yet it may be supposed that owing to its low operating costs the Greek fleet will be one of the first to benefit from a real improvement in world conditions.<sup>2</sup>

The chief ports are the Piraeus, Salonika, Kalamata (currants), Patras, and Kavalla (tobacco). In spite of the importance of shipping to the Greek national economy it should be observed that conditions in the principal ports, especially the Piraeus, are extremely poor; little has been done to improve the harbour, and steamers still have to moor end on and discharge into lighters.

#### (5) River navigation

As has already been mentioned, river navigation plays an important part in the communications of Roumania, Yugoslavia, and Bulgaria.<sup>3</sup> Besides the Danube, the Pruth is navigable for quite large craft as far as Jassy, and the Sereth also is navigable for a considerable distance. In Yugoslavia the Drave, the Save, and the Tisza (Theiss) are also navigable.

The navigation of the Danube is of special importance to the Balkan States, for the river flows through Yugoslavia (passing Belgrade), follows the Bulgaro-Roumanian frontier for some distance, and flows through Roumania into the Black Sea, passing the ports of Braila and Galatz at its mouth. The river is navigable as far west as Ulm, and is used by all three of the riparian Balkan States for the export of their grain, in addition to the timber of Yugoslavia and the petroleum of Roumania; while the variety of imports into these States via the Danube is great.

The shipping which uses the Danube is, however, international in character. In addition to the Roumanian, Bulgarian, and Yugoslav flags, those of Germany, Czechoslovakia, Austria, Hungary, France, Greece, and Holland appear on the Danube; and British interests are involved through an investment in an Austro-Hungarian shipping company. Since 1898 the navigation of the Danube, from the sea to the end of the delta (Sulina-Braila), has been administered by an international commission, in which all the Great Powers are represented. The Treaty

<sup>1</sup> A law has recently been passed which provides for the 'rejuvenation' of the Greek fleet by attempting to purchase ships which are more than twenty years old. Whether this measure can prove effective is uncertain. (See *Frankfurter Zeitung*, June 28, 1935.)

<sup>2</sup> Efforts on the part of the individual owners to rationalize the Greek merchant fleet by the development of regular services (to some of the principal Mediterranean and Atlantic ports) were reported in the *Frankfurter Zeitung* of September 15, 1935.

<sup>3</sup> Bulgaria, however, possesses no winter harbours on the Danube. The decision to construct two such harbours at Rustchuk and Lom was announced in the *Frankfurter Zeitung* of February 4, 1936.

of Versailles, moreover, provided that the rest of the navigable portion of the Danube should be administered by a second international commission in which each riparian State and Great Britain, Italy, and France are represented. Under this statute the Danube is open to flags of all nations. The commissions, which are independent bodies and administer their own finances, have been responsible for several important improvements, notably the deepening of the river below Braila.

#### (6) *Aviation*

The importance of civil aviation to the Balkan States is so far considerable. Most of the capital cities are served by international air lines; only Roumania, Yugoslavia, and Greece run regular services of their own, in each case the operating company being subsidized by the State. The deficiencies of the Balkans in this respect are not merely due to lack of capital, for the mountainous nature of the country is not suitable for aviation; moreover, it is impossible to run regular services during the winter, at any rate in Yugoslavia and Bulgaria.

The most important lines are that of a French company (Air France) which runs a regular service from Paris to Vienna, Budapest, Belgrade, Sofia, and Istanbul (Constantinople) or Bucharest; a Polish company (Lot) connecting Warsaw with Bucharest, Sofia, Salonika, and Athens, and a German company (Luft-Hansa) connecting Berlin with Vienna, Budapest, Belgrade, Sofia, Bucharest, and Istanbul. Greece, however, is in a different position, for, apart from the Hellenic Company of Air Communications (Salonika-Athens-Jannina), most of the international lines to the East stop at Athens, for example Imperial Airways, Luft-Hansa, Royal Dutch (K.L.M.), Air France; the Italian lines to Rhodes and Istanbul also stop at Athens. An Italian company connects Albania with Italy.

#### (7) *Electrification*

The resources of the Balkan States in the matter of water-power are by no means fully exploited. It has, for example, been estimated that those of Yugoslavia are in the region of 3½ million horse-power of which, in 1930, no more than 200,000 were being utilized. Moreover, as has been seen, most of these countries possess abundant supplies of brown coal or lignite. While it is unprofitable to transport coal of this nature for large distances owing to its low calorific value, it can be cheaply transformed into current at the point of extraction.

On the other hand the development of these resources often presents considerable difficulties. Not only are the funds required for the installation both of hydroelectric and of thermal power-stations large, but outside the very few large towns the range of potential consumers is narrow. Both these factors have stood in the way of electrification on a large scale, and the majority of the power-stations in the Balkans are very small in size and capacity. The small stations are left to be financed where possible by the local banking or co-operative systems.

Electrification began with the help of foreign capital before the War, but the period of greatest activity on the part of foreign concession-hunters was that from 1920 to 1929. Unfortunately no complete statistics are available which would show the more recent increase in the production of power, but the progress made in electrification was undoubtedly great. Of the more important schemes which were put into effect may be mentioned the 'Hydrofina' scheme for Bucharest and that of the 'Power and Traction' group for Athens. However, since 1930 no foreign capital has been forthcoming for the further development of electrification, except in a few cases where existing undertakings have been expanded. The case of electrification is in fact essentially one where further progress is difficult if not impossible without further borrowing abroad. The figures are as follows:

*Production of Electricity*

(In million kwh.)

	<i>Bulgaria</i>			<i>Greece</i>	<i>Roumania</i>			<i>Yugoslavia</i>		
	<i>Total</i>	<i>Thermal</i>	<i>Hydraulic</i>	<i>Total (Thermal only)</i>	<i>Total</i>	<i>Thermal</i>	<i>Hydraulic</i>	<i>Total</i>	<i>Thermal</i>	<i>Hydraulic</i>
1925	32	*	*	*	243	192	51	*	*	*
1926	36	*	*	*	390	327	63	*	*	*
1927	45	*	*	*	415	367	48	*	*	*
1928	65	30	35	*	514	463	51	*	*	*
1929	86	37	49	102	500	439	61	460	*	*
1930	95	31	64	130	559	488	71	*	*	*
1931	99	39	60	143	516	399	117	392	140	252
1932	121	53	68	140	544	*	*	503	*	*
1933	128	47	80	*	594	*	*	*	*	*
1934	137	44	89	*	*	*	*	*	*	*

\* Figures not available.

# THE BALKAN STATES



PRINTED IN  
GREAT BRITAIN  
AT THE  
UNIVERSITY PRESS  
OXFORD  
BY  
JOHN JOHNSON  
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UNIVERSITY

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