

ECONOMIC CONDITIONS IN FOREIGN COUNTRIES

1932-1933



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FOREWORD

ON THE eve of the International Economic Conference there seems to be a growing confidence throughout the world that the low point of the business depression has been reached and left behind, and that in the absence of unfavorable developments in the political field the beginning of a revival in industrial and trade activity is to be expected in the second half of 1933. The constructive accomplishments that are in a large measure responsible for this feeling of optimism may be listed as follows:

1. The conclusion of the Lausanne agreement, removing the question of reparations from the field of politics.

2. The balancing of the British budget and political stabilization in Great Britain, which restored confidence in the British financial and economic system.

3. The successful conversions of internal debts of the governments of Great Britain and France.

4. The marked stability of the prices of world staple commodities since the summer of 1932.

5. The dramatic reversal of the disastrous process of deflation in the United States in the spring of 1933.

6. The initiative taken by the President of the United States in breaking the international deadlock by inviting the heads of foreign governments to Washington for personal discussion of world economic and political problems.

7. The decision made after the Washington conversations to convene the International Economic Conference in London on June 12, 1933.

8. The acceptance by the leading nations of the world of the American proposal for a tariff truce until the International Economic Conference finishes its work.

The importance of these constructive accomplishments, however, must not be overestimated. The difficulties that lie ahead are extremely grave. World trade is strangled by innumerable restrictions on the international movement of goods, in the form of excessive tariffs, import quotas, licensing systems, foreign exchange controls, clearing agreements,

and so on. World currencies are unstable, and in most countries the value of the exchanges as stated in the official quotations is purely nominal, owing to prohibition of free dealings in foreign exchange. An enormous volume of short-term foreign credits is frozen, while an even larger volume of long-term foreign debts is in default. In addition, the financial position of many governments remains extremely precarious.

The political relations among some of the leading countries are in a state of extreme tension, while open warfare, although without a declaration of war, is carried on in the Far East. Furthermore, the internal political conditions in many countries are ominous, and the threat of revolutions and internal disorders endangers economic revival and world peace.

The Continent of Europe is in turmoil. The cause of the conflict is the Treaty of Versailles. In the course of the last decade the movement for a peaceful revision of the Treaty has gained numerous adherents, and the justice of many claims put forward by the advocates of revision is not denied by neutral observers at the present time. Recent developments at the Disarmament Conference and the statements issued by the Governments of the United States, Great Britain, France, and Germany indicate that treaty revision by means of another war will not be tolerated by the leading countries of the world. Most of the wars in modern history have been fought to bring about revision of treaties that to some countries appeared inequitable, and all wars have resulted in the conclusion of treaties that some countries regarded as intolerable. If the extraordinary developments in the field of international politics that have taken place in recent weeks are to be interpreted as a sign that the principal countries of the world have come to realize that international difficulties can never be adjusted by means of war and that war always creates new difficulties, a great advance has been made toward the maintenance of peace and the orderly progress of civilized society.

In his message to the sovereigns and presidents of fifty-four nations, sent on May 16, 1933, the President of the United States stated that the "ultimate objective of the dis-

armament conference must be the complete elimination of all offensive weapons" and that in the present discussions the nations should agree: "First, to take, at once, the first definite step toward this objective, as broadly outlined in the MacDonald plan. Second, to agree upon a time and procedure for taking the following steps. Third, to agree that while the first and the following steps are being taken, no nation shall increase its existing armaments over and above the limitations of treaty obligations." The President, however, went further than this and proposed that "all nations of the world should enter into a solemn and definite pact of non-aggression; that they should solemnly reaffirm the obligations they have assumed to limit and reduce their armaments, and, provided these obligations are faithfully executed by all signatory powers, individually agree that they will send no armed force of whatsoever nature across their frontiers."¹

The MacDonald Disarmament Plan, mentioned by the President, was presented to the Disarmament Conference on March 16, 1933. Part I of the Plan deals with the question of security; Part II, with disarmament provisions; Part III, with the exchange of information; Part IV, with the prohibition of chemical warfare; and Part V, with general provisions, Permanent Disarmament Commission, exceptions, etc. Under this plan the land forces of Continental Europe would be put on a comparable basis. In order to limit the power of aggression they would be reduced to a militia basis by fixing 8 months as the maximum period of service, with the provision that the length of service could be extended to 12 months in certain cases to be decided by the Conference. The military strength of the principal European powers, as thus limited, would be as follows:

Country	Home Forces	Overseas Forces
France	200,000	200,000
Germany	200,000	..
Italy	200,000	50,000
Poland	200,000	..
Czechoslovakia	100,000	..
Jugoslavia	100,000	..
Hungary	60,000	..
Austria	50,000	..

¹ "The New York Times," New York, May 17, 1933, p. 1.

viii ECONOMIC CONDITIONS IN FOREIGN COUNTRIES

The acceptance of the MacDonald Plan by Chancellor Hitler in his address of May 17, 1933, following the strong backing that it has received from Great Britain, the United States, France, and Italy, may have saved the World Disarmament Conference from collapse and increased the chances for success of the International Economic Conference. There appears to be a universal recognition of the fact that another great war would mean a collapse of the present civilization. So far as the international political factors are concerned, the immediate outlook for world economic recovery is, therefore, better than it has been at any time since the beginning of the business depression.

Following the policy established in 1928, the Conference Board presents in this book a brief review of the outstanding developments in world economy and economic conditions in individual foreign countries in the preceding year and in the early part of 1933. The special articles of the Foreign Correspondents of the Conference Board have been omitted from this volume and are being published in a series of independent monographs.¹ The Board wishes to take this opportunity again to thank its Foreign Correspondents for their generous co-operation and assistance in the collection and interpretation of factual information not only concerning the economic situation in their individual countries but also in regard to affairs of general international importance.

The investigation on which this publication is based was made by Mr. Vaso Trivanovitch, of the Conference Board's Research Staff, and the text was prepared by him under the supervision of the Staff Economic Council.

VIRGIL JORDAN
President

New York City
May, 1933

¹ The following articles have been published already: Sir Lennon Raws, "Possibilities of Economic Recovery in Australia"; Mr. Li Ming and S. Ikeda, "Economic Aspects of Sino-Japanese Relations"; Sir Arthur Balfour, "War Debts: The British Viewpoint"; Mr. R. P. Duchemin, "The Tariff Policy of France"; Mr. A. S. Benni, "Business Reorganization in Italy." Special monographs concerning the situation in the Netherlands, Switzerland, Belgium, Denmark, Austria, Jugoslavia, Hungary, and Argentina will be issued shortly.

CONTENTS

	PAGE
FOREWORD	v
I. GENERAL SURVEY	1
International Trade	1
International Movement of Gold	5
Commodity Prices	8
Foreign Exchanges	13
Prospects for Currency Stabilization	18
Currency Depreciation and Business Activity	25
II. CONDITIONS IN INDIVIDUAL COUNTRIES	29
Great Britain	29
Balance of International Payments	29
Public Finance	31
Employment, Wages, and Cost of Living	32
Germany	33
Balance of International Payments	34
Prices, Wages, and the Cost of Living	35
Money and Credit	36
France	38
Balance of International Payments	38
Financial and Currency Conditions	41
Italy	43
Other European Countries	45
Belgium	45
The Netherlands	46
Sweden	48
The Succession States	49
Poland	51
Canada	52
South American Countries	52
Argentina	54
Brazil	55
The Far-Eastern Countries	57
Japan	57
China	59
Table of Currency Conversion	62

LIST OF TABLES

TABLE	PAGE
1. Value of Exports and Imports, 25 Countries, 1924 to 1932	2
2. Gold Reserves of Central Banks and Governments of 40 Countries, End of 1913 and 1924 to 1932	7
3. Index Numbers of World Prices of Raw Materials and Foodstuffs, 1929 to 1933	9
4. World Stocks of Staple Commodities, End of 1930, 1931, and 1932	10
5. Index Numbers of Wholesale Prices, 7 Countries, 1931 to 1933	11
6. Index Numbers of Sterling and Gold Prices, September, 1931, to March, 1933	12
7. Foreign Exchange Rates and Percentages of Par Value, 7 Countries, September, 1931, to March, 1933	14
8. Index Numbers of Production, 6 Countries, 1930 to 1932	26
9. Index Numbers of Production, Great Britain, 1930 to 1932	29
10. Balance of International Payments, Great Britain, 1930 to 1932	30
11. Balance of International Payments, France, 1929 to 1932	39
12. Balance of International Payments, Japan, 1932.	58