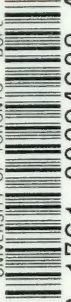


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# PRESENT DAY SOCIAL AND INDUSTRIAL CONDITIONS IN AUSTRIA

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THE AMERICAN ACADEMY OF POLITICAL AND SOCIAL SCIENCE  
39TH STREET AND WOODLAND AVENUE  
PHILADELPHIA  
1921

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FRANCE: L. Larose, Rue Soufflot, 22, Paris.  
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## FOREWORD

### Present Day Social and Industrial Conditions in Austria

By DR. FRIEDRICH HERTZ

Vienna

THE fate of Austria has aroused world-wide sympathy and the unparalleled relief-movement organized in so many countries, is, perhaps, the most hopeful symptom of the revival of the spirit of solidarity and brotherhood in the world. America has taken the lead in this movement and her generous efforts have actually saved Austria's children and have filled the hearts of the Austrian people with gratitude and admiration. Yet even charity must at last come to an end. The question therefore arises whether the present Republic of Austria, as constituted by the Peace Treaty, is capable of existing as a separate unit at all; whether it possesses the basis for living on the products of its own labor.

Austrian public opinion at present seems to despair of this possibility. For plebiscites, organized in several Austrian provinces, gave an overwhelming majority for fusion with Germany. Also, immediately after the foundation of the Republic, the Austrian National Assembly pronounced itself for such a union. But all these declarations encountered the veto of the Allies, especially of France, which threatened Austria with the gravest measures if she did not check the movement, though the Peace Treaty expressly admits the possibility of a fusion with the consent of the League of Nations. The Austrian plebiscites had no aim other than to create a basis for an appeal to the League of Nations by ascer-

taining that the people really desired a fusion with Germany.

The motives of this movement are to a great extent economic though, of course, the general desire for national unification also plays a certain part. A glance at the rates of exchange or prices, suffices to prove that Germany is by far better off than Austria, in spite of all the schemes for the economic rehabilitation of Austria, drawn up by the Allies. Up till now (July, 1921) very little has come of all these schemes and Austrian public opinion has lost nearly all confidence in this respect. On the other hand the German mark, which in pre-war days was 1.18 kronen, at present is equivalent to almost 11 kronen! The main reason for this disastrous depreciation of the currency consists in the disproportion between imports and exports, which forces the government continually to increase the banknote circulation in order to pay for the necessary imports of food, coal, and raw materials. Consequently, the Austrian krone has gone down to much less than the hundredth part of its pre-war standard and the budget shows a steadily increasing deficit.

Now the question is whether this deficit in the trade balance and in the budget is temporary or permanent; in other words, whether Austria possesses enough productive powers to pay for her supplies from abroad. In Austria opinions on this point are divided but in most cases the answer is in the negative. The fact is emphasized that by

the Peace Treaty Austria has lost most of her natural wealth; that her former coal riches, especially, and most of the fertile soil have been awarded almost totally to other countries, and that nothing has been left to Austria but the barren rocks of the Alps and a huge capital of two million inhabitants, the former administrative center of a big empire, now doomed to unproductiveness. It has been maintained that the population of Vienna consists mainly of officials, commercial and financial middlemen, artists, pleasure-seekers and similar elements, while industrial production in former Austria was mostly carried on in Czecho-Slovakia. Such statements, however, are exaggerations. To a great extent their underlying motive is political propaganda, and they are employed especially by certain supporters of the fusion with Germany to underrate the productive capacity of Austria in order to prove that the union is the only way left. On the other hand, these pan-German arguments are also used by Czech propagandists who represent Vienna as a parasite which has always sponged on the toil of the Slavic provinces and which therefore must be eliminated by a system of trade restrictions.

The only truth in all these statements is that the natural resources of present Austria are very restricted indeed. They consist mainly in forests, iron ore, salt and water powers. Of the total subterranean coal wealth of former Austria, only one-half of one per cent came to the present Austrian Republic, all the rest being divided between Czecho-Slovakia and Poland.<sup>1</sup> Then, too, the agricultural soil of Austria cannot be compared with the rich plains of Jugo-Slavia, Poland or Czecho-Slova-

kia. It is also true that Austria has lost a very great part of her industries, developed, financed and owned by Austrian manufacturers in the German parts of Czecho-Slovakia. But on the other hand, Austria even now possesses great industries, mainly concentrated in and around Vienna. Probably most Austrians would be highly surprised by the statement that present Austria comprises almost the same number of factories and factory workers as Bohemia, though Bohemia has half a million inhabitants more. Yet it is an indisputable fact as can easily be gathered from pre-war statistics.

In former Austria, every industrial worker employed in a workshop with motor power had to be insured against accident. In 1913 the number of such insured industrial workers amounted to 745,289 in Bohemia and to 740,000 in the present territory of Austria. The number of factories (workshops with motor power and more than twenty workmen) amounted in 1919 to 6,283 in present Austria, while in Bohemia there were 6,544 factories in 1915. These are the latest figures available. Of course, Bohemia had a greater mining industry (64,568 miners against 29,308 in Austria) and her domestic industries, not included in the preceding statistics, were more extensive than those of Austria. Moreover, Bohemia has the great advantage of a much more fertile soil and a very high level of agricultural development as compared with Austria. But these advantages of Bohemia are more than outweighed by the enormous transit, trade and banking system of Austria, by her great capital investments in all the territories of the former empire and by the importance of Vienna as a center of science, medicine, technics, art, music and pleasure, attracting hundreds of thousands of foreigners from all parts of the world.

<sup>1</sup> The actual output is larger than the percentage quoted but the Austrian coal mines will be exhausted in a rather short time and the coal (lignite) is of very poor quality.

The greatest drawback for Austria is that her agriculture, which is mainly in the hands of small peasants, is not on the same level as her industries. Yet Austria possesses 50 per cent more productive soil per head than does Switzerland, and it can easily be proved that Austria could produce the greatest part of her food requirements. This, however, cannot be achieved in a short time because the peasants can only be educated gradually and slowly. Moreover, the development of Alpine agriculture according to the Swiss model demands large capital and many years.

Also, the view that unproductive elements form a much greater part of the population in Austria than elsewhere is quite unfounded. Before the war in the present territory of Austria 53 per cent of the total population were employed in different occupations and this figure surpassed every country in Europe and was equalled only by France. Especially great was the percentage of female workers. The number of officials and professionals (lawyers, teachers, etc.) in 1910 amounted to 7.29 per cent of the occupied population in Austria; to 8.2 per cent, in France; 6.4 per cent, in England; 6.2 per cent, in Germany and 6.1 per cent, in Holland. This percentage of officials would certainly seem too numerous for present impoverished Austria, but it must be borne in mind that the figures usually quoted comprise all the railwaymen and workers in state mines and factories (salt and tobacco monopolies, etc.). The greatest part of these so-called officials are therefore manual workers. If railway employes are excluded, the number of state officials (including teachers and law officials) forms about six-tenths of one per cent of the population.

It is possible, therefore, that Austria possesses enough productive forces to maintain herself, provided that she

were really in a condition to use these means to their full extent. If the plight of Vienna and the ruin of Austrian finances has startled the world, the reason consists in the fact that productivity was paralyzed for a very long time and even now is far from being normal.

Present Austria produces comparatively but little coal, raw materials and food and she must buy these products from the neighboring states with industrial products. Therefore, Austria more than most other states absolutely requires free trade both for imports and exports. Long before Germany was united in a customs union, old Austria had already formed an economic unit without internal barriers (since 1773) and all parts of the big empire were economically interdependent. This economic unity was broken up by the Peace Treaty in such a way that new Austria was absolutely at the mercy of her neighbors who believed that their interests would be greatly furthered by a system of economic seclusion. This belief, however, proved entirely wrong. The disruption of the monetary union by Jugo-Slavia and Czecho-Slovakia not only ruined Austrian currency, but also did great harm to the monetary value of the states themselves. While after the war the old Austrian currency was still quoted about 30 Swiss francs for 100 kronen, this figure, after the stamping of the bank notes, went down to about 4 francs for Czecho-Slovakia, and even now, after the lapse of three years, stands below 8 francs. The same happened in all other states which believed that the monetary separation from Austria would greatly improve their own currency.

The same belief led also to a sort of mutual commercial blockade among all the Succession States of Austria-Hungary. Of course the underlying ideas of this new mercantilism were, more or

less, to be found everywhere in Europe; they were but the war spirit applied to economics. Everywhere, states (and even provinces or districts within each state) endeavored to keep their food and other vital productions as much as possible for themselves, and therefore restricted exports. Everywhere, the tendency was also to restrict imports of luxuries and other "unnecessary" things in order to protect the rate of exchange; and, lastly, everywhere, traffic and travelling generally were subjected to many regulations and restrictions, either in order to secure the working of the internal distribution, the control of food, coal and raw materials introduced during the war or to conform to the Peace Treaty.<sup>2</sup>

But in the case of the Austro-Hungarian Succession States, the consequences of this system were the more disastrous as they had formed an economic unit for many centuries, and as very often the economic isolation was still aggravated by national animosities.

Most critical was the situation at Vienna, because it was most helpless and most exposed not only to national jealousies directed against the former capital itself but also to economic reactions springing from differences among neighbors. Whenever Poles and Czechs, or Poles and Germans, or Hungarians, or Czechs, or Italians and Jugo-Slavs were quarrelling about coal territories, or a province or a seaport, the reaction was felt in Vienna, because of her central position, and immediately

coal and food supplies were stopped either through the suspension of railway traffic or through other extraordinary measures. Moreover, every state possessing food was willing to sell it only against "sound money" or against goods, not against paper money. But how could Vienna pay in sound money since the disruption of the monetary union had brought about a total breakdown of the Austrian currency, and how could her industries produce, since the coal supply from Czecho-Slovakia and Silesia was strangled to an entirely insufficient minimum? In 1919 the factories of Austria could work only at a rate of about 25 per cent because the coal producing states absolutely refused to deliver more coal and the people of Vienna had to cut down trees in the surrounding woods and drag them home on their backs in order to cook their scanty meals. In the following year the coal output in Czecho-Slovakia increased to 86 per cent of the peace production, yet Austria received only 40 per cent, though most of the Czecho-Slovak mines are owned by Austrians who would willingly have sent coal if the Czech Government had only allowed it. At last the impoverishment of Austria led to a severe crisis in Czecho-Slovakia whose industries had always sold most of their products to Vienna. The consequence was a closing down of factories in Czecho-Slovakia and a setting free of coal for Austria which, however, in the meantime had been forced to procure coal from Holland!

In the same way Austria had during a long time to buy grain, flour and meat in America, Manchuria, etc., and even sugar in Java, instead of getting them from her neighbors who had an abundance of these foodstuffs. Generally in all states, including Austria, exports were restricted not only where there was a scarcity, but also when a great

<sup>2</sup> On the one hand, the economic system of the Peace Treaty forcibly increases exports for Reparation, etc., and at the same time keeps down wages in Germany and Austria. The natural consequence is that every other state tries to shut itself off against these forced exports. On the other hand Germany and Austria had to impose enormous new taxes and this made it necessary too to control exports in order to prevent *Vermögensflucht* (smuggling out of values).

surplus was available for export, as in the case of sugar and coal in Czecho-Slovakia, or in the case of wood and paper in Austria and of cattle and grain in Jugo-Slavia. Every state tried to control the export of its chief products in order to exact greater advantages from neighbors dependent on these supplies. But the result of this policy was very often the exact opposite of that expected! Indeed, Czecho-Slovakia which developed this policy to the highest pitch, through it lost the Austrian market for many of her products. For example, Czecho-Slovakia restricted the export of textile goods and iron to Vienna with the effect that the Italians conquered the Austrian market in cotton goods and the Germans, the iron market to the detriment of Czecho-Slovakia. The same policy of state interference was also applied to imports, and Austria suffered severely through the sudden seclusion of many of her traditional markets. Instead of protective tariffs, a general prohibition of all imports has been decreed and any imports (as well as exports) require special licenses.

Austria herself at the beginning followed a much freer trade policy than her neighbors, but gradually she, too, began to increase her trade restrictions, either because of retaliation or for purposes of taxation of luxury imports. Yet the whole system has already over-lived itself. Conviction has become general in all the Succession States that trade and traffic must be relieved of some of their fetters and that the system of prohibitions and special licenses must give way to the principle of comparatively free trade under a revised customs tariff.

Under this practical blockade, Vienna had to suffer appallingly but already the beginning of freer traffic has created a surprising revival in trade at the Capital. Moreover, the very difficul-

ties arising from the economic disruption have, on the other hand, contributed to very remarkable developments in Vienna. The countless barriers, discrepancies and frictions between the new states made it more necessary than ever to have a central point for coping with these new fangled absurdities. Every traveller must now continually change his money because he has to pass a new frontier every few hours. The trader cannot send money freely to any place without the assistance of a bank, as he formerly did, and if he has to travel, passport and other difficulties cause enormous waste of time and force. Under such circumstances, Vienna has become a gigantic clearing house, central market and meeting point for all the Succession States. An incredible number of new banks and commercial houses have sprung up and their gorgeous premises form a new feature in the streets of the city. The Vienna banks are dealing every day with fantastic amounts of foreign exchanges and the stock exchange is seething with wild speculation for the account of all new states. The very multitude of trade and traffic difficulties which nobody can keep in mind induces foreign merchants to consign their goods to Vienna which serves as a sort of free port and as a distributing center for the whole of former Austria-Hungary and Eastern Europe. In consequence of so many difficulties, many more brains and hands are necessary for handling a certain volume of trade and this is one of the main reasons for the astounding multiplication of new firms in Vienna.

All these evolutions have created an atmosphere of bustling commercial activity, of reckless gambling and extravagant luxury. The people connected with it are mostly foreigners and the Viennese are very bitter against them, calling them "profiteers"

(Schieber). Yet their doings are to some extent an inevitable consequence of the great catastrophe of war. Good and evil are inextricably mixed up in this development, yet superficial observers usually overlook its less favorable side; they forget that this whole buoyant prosperity is in many respects more apparent and artificial than real, and that, in the main, a relatively small class is profiting by it. For, in the last resort, all these thousands of new traders and gamblers with their huge staff of clerks and their appendix of parasites are, to a great extent, not a symptom of increased production or trade. They owe their existence partly to the disruption of the former economic unity and the paralyzing effects of government restrictions, which can be overcome only by the often unscrupulous practices of these adventurers, and partly to the impoverishment of Austria by such adventurers who with their "sound money" buy up the remnants of Austria's wealth. Somebody must at last pay for this multitude of new businesses, and this darker side is neglected by most of the foreign visitors walking through the luxurious streets near the "Ring."

Yet the fact remains that in the last year a remarkable improvement has taken place in Austria, in spite of the fact that the rate of exchange has dropped about one-fifth during this time.<sup>3</sup> The working classes have been able to increase their wages considerably though they are still far below the peace parity. But the situation of the intellectual middle classes and of old people, no longer able to work, has grown still worse. A higher official or university professor, for example, now receives about 12 times his pre-war

<sup>3</sup> In July, 1920 the quotation in Vienna for 1£ was 600 kronen and for 1 dollar 150 kronen, while a year later the £ was over 3,000 and the dollar over 800 kronen.

salary, and this will soon be increased to about 20 times the amount, but prices have gone up at least from 100 to 150 times as compared with pre-war prices. There are many scholars and retired high functionaries who have taken to manual professions or other very subordinate positions; old admirals or generals have become cobblers and their wives and daughters are toiling day and night with needlework. Many families can keep two ends together only by selling their furniture, trinkets or works of art. Of course this condition must soon come to an end.

The condition of the middle classes however, will be affected for the worse by the progressing abandonment of state control over food. The system of selling food rations to the people below the cost price paid by the state was quite unavoidable as long as the productive forces of the towns were paralyzed by coal scarcity and other hindrances. On the other hand, the state subsidies for this purpose have ruined the budget, and the currency and maximum prices have contributed to lame agricultural production. Therefore a radical change is about to be carried out, but it will certainly cause new sufferings to the classes which are least organized and least able to adapt their income to rising prices, viz., the intellectual workers.

It is generally recognized that any real economic rehabilitation of Austria must begin with the stabilization of the monetary value. The rapid fluctuations in the exchange are seriously impeding solid trade and fostering speculation. Therefore the different schemes for restoring Austria's economic life have all taken this as a starting point. At present the League of Nations is considering such a plan and there is no doubt about its earnest desire to carry it through. Conferences are to be held at the same time between

all the Succession States for the settlement of outstanding economic questions and the abandonment of trade restrictions. This excellent scheme is due mainly to the endeavors of the former American Representative on the Reparation Commission, Colonel Smith. Some minor questions have already been settled in this way, but unfortunately most new states seem rather reluctant to follow a policy of economic solidarity and coöperation because they are afraid that this would infringe upon their sovereignty. Austrians, generally, deeply regret that America has withdrawn from the Reparation Commission and that apart from its most magnanimous relief measures the United States seems to be disinterested as regards the economic consequences of the disruption of Austria which was mainly brought about by President Wilson's policy.<sup>4</sup>

One great asset in Austria's future development is the total absence of tendencies dangerous to external and internal peace. Most European countries are at present agitated by the mad convulsions of nationalism and communism. In Germany, Italy, Hungary, etc., civil war was or is still raging, and red and white terrorists are outdoing one another in bloodshed and atrocities. In Austria the whole revolution from an old monarchy to a new republic has passed off quietly. Austria is the only country, indeed, where communism is almost non-existent; at the general elections not even 1 per

<sup>4</sup>It is, however, unfounded to blame the principle of self-determination as is often done in American papers. Not the principle but the fact that it has been disregarded has caused the present economic situation and political unrest. According to this principle the thirty-nine million Germans, annexed by Czecho-Slovakia, would have remained united with Austria and since their territory comprises the greatest coal mines and industries Austria would never have been paralyzed in her productivity and would not have needed any relief whatever.

cent of the votes were cast for the communists and they have not a single member in Parliament. Even the nationalists polled only a small number of votes (13 per cent), and these of a rather mild type if compared with the Pan-Germans in Germany or the Fascisti in Italy. Obviously, the Austrian character is averse to all forms of violence. The two great parties are: 1. The Christian Socialists, who are similar to the German Centre party, and chiefly composed of small peasants and artisans. They polled 43.5 per cent of all votes. 2. The Social Democrats (35.5 per cent), who are moderate Socialists. At present a non-party government is in power, formed of neutral officials and mainly supported by the Christian Socialists. In external politics, Austria pursues a policy of strictest neutrality and good relations to all states.

Vienna has always been a very international city. From earliest times two of the greatest European commercial highways have crossed it. Vienna has also been the center of a great international Empire for many centuries. Nowhere else in Europe do so many cultural elements from different nations flow together, and this very confluence has formed the Viennese character with a certain instinctive tolerance and broadmindedness. There is no aggressiveness in the Austrian mind and the people, certainly, never had the slightest suspicion of the criminal folly of those few diplomats who kindled the War in 1914. Also, the Austrian character does not lack energy to the extent that is so often supposed. But what is really wanting, just now more than ever, is self-confidence. Quite otherwise from the inhabitants of Germany, Austrians were rather used to underrate their own economic efficiency, and their local patriotism satisfied itself, rather, with stressing cultural achieve-

ments. Even before the war it had been a quite general tendency in Austria to compare the economic development of Germany with that of Austria in a manner very derogatory to the latter. Indeed, it was a great surprise to Austrian economists when I proved, in a book published in 1918, that in the ten years before the war Austrian industries had increased in exactly the same proportion as had the industries of Germany.<sup>5</sup> Now the whole development since the breakdown of old Austria has still greatly increased the lack of confidence in the future. The absolute dependency of Austria on her neighbors as regards food, coal and raw materials, other restrictions in the Peace Treaty and, finally, the failure of so many well-meant schemes of the Allies for the economic restoration, have created a wide-spread feeling of despondency.

Therefore economic reconstruction requires a psychological change as well. It is necessary to diminish the abnormal dependency of Austria on her neighbors and to make her more self-contained by developing agriculture, opening new coal mines and harnessing water powers. A project of greatest importance for Austria has just been started in Germany, namely the construction of a ship canal between the Rhine and the Danube. This great work will, of course, take a long time but its accomplishment will give Vienna free access to the North Sea, and increase traffic on the Danube enormous-

<sup>5</sup> Cf. Dr. Fr. Hertz, *Die Produktionsgrundlagen der österreichischen Industrie vor und nach dem Kriege, insbesondere im Vergleich mit Deutschland* (Verlag für Fachliteratur, Wien) 6th Edition, 1918.

ly. The difficulty with the Danube always has been that while most transports went up the river, return freights were lacking. But after the completion of the ship canal it will be possible to ship all raw materials, food and coal direct from Rotterdam down the Danube to Vienna, and to the other Danube ports which in return will send their products up the river.

Many other excellent schemes, too, have been drawn up for increasing productivity and enabling Austria to live on her labor. But it must be realized that all these plans require great outlay of capital and a long period of time, and that the whole economic organism of Austria has been exhausted to the utmost during the years of the War and still further through the economic war after the War. The particular conditions of Austria render the execution of great schemes and reforms most difficult, and the constantly progressing financial ruin of Austria has up till now justified the pessimism dominating public opinion.

Finally, it is important beyond all that the still pending questions connected with the Peace Treaty should be settled as soon as possible. The uncertainty as to how these outstanding problems will be solved is making for much distrust of the future. Also the question of reparations, though it does not seem to have much practical bearing, ought not to be left open. Only such a general settlement will restore the confidence of foreign capitalists in Austria's future, and will give hope to the Austrians themselves that their efforts for working out their own salvation will not be in vain.

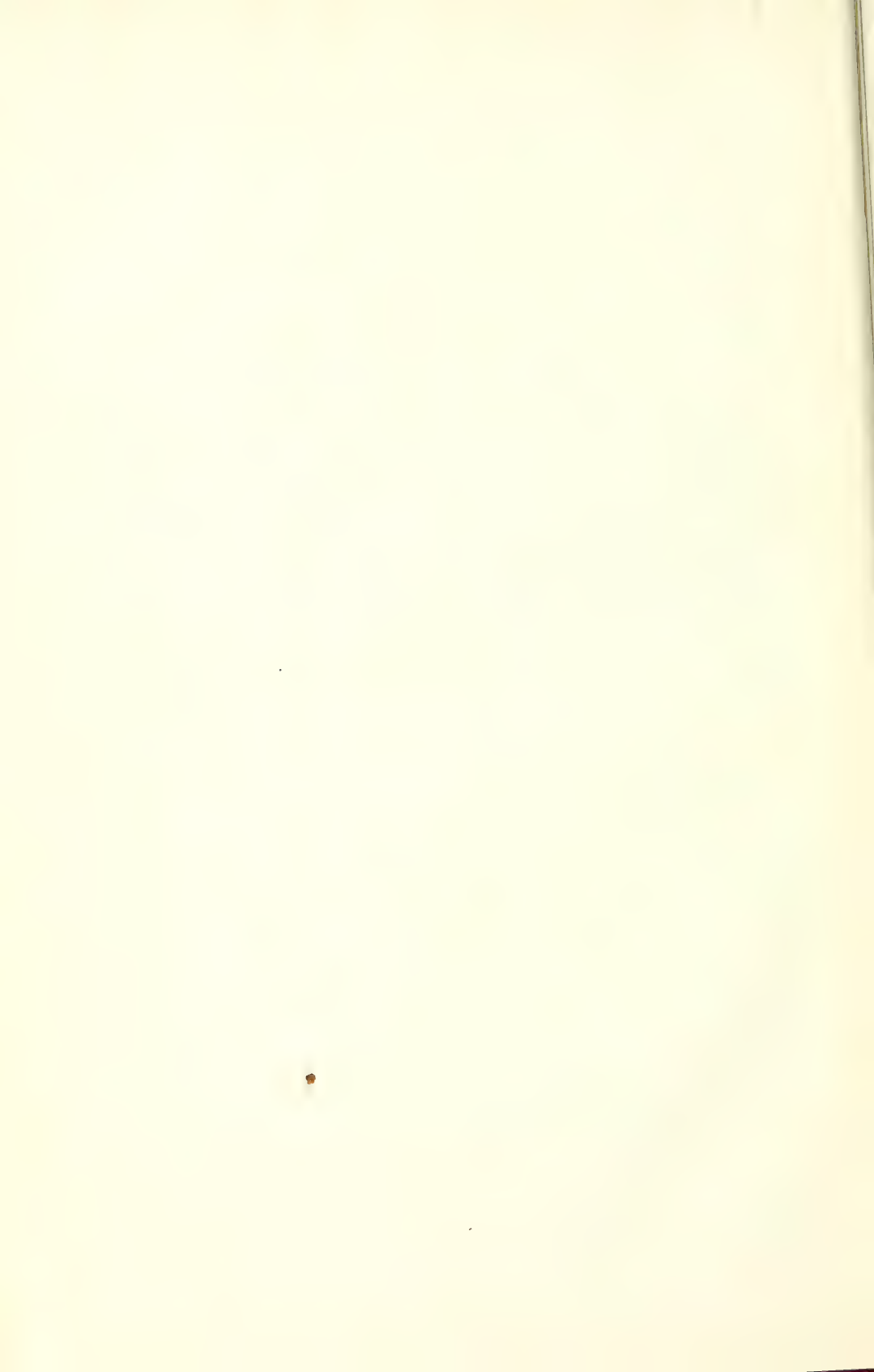


## ACKNOWLEDGMENTS

THIS supplement on "Present Day Social and Industrial Conditions in Austria" was edited for the American Academy by Professor W. Gleispach of the University of Vienna. The Editorial Council asked Professor Gleispach to prepare this supplement in order that the readers of the ANNALS the world over may have at hand data on present conditions in Austria compiled by Austrian scholars with access to valuable and complete information. Our acknowledgments are due Professor Gleispach for careful and painstaking editorial work.

The Foreword and Chapter III were translated by Friederich Hertz, Chapter VII, was translated by Otto Rosenberg and the remaining chapters were translated by Marianne Herzfeld.

CLYDE L. KING,  
*Editor.*



# CHAPTER I

## The Population of the Austrian Republic

By DR. WILHELM WINKLER

Hofsekretär of the Central Commission for Statistics and Privatdozent for Statistics at the University of Vienna

THE former Austro-Hungarian Monarchy has fallen a victim to the working of the principle of nationality according to which political boundaries and those of language communities should be identical. It may, therefore, not seem unexpedient to begin a contemplation of the resident population in one of its newly formed states with a review of the distribution of the inhabitants of the old Danubian Monarchy according to their language.<sup>1</sup>

### A CLASSIFICATION OF THE POPULATION OF THE FORMER DANUBIAN MONARCHY BY LANGUAGE \*

	AUSTRIA		HUNGARY		BOSNIA AND HERZEGOVINA		AUSTRO-HUNGARIAN MONARCHY	
	<i>Absolute numbers</i>	<i>Percentage</i>	<i>Absolute numbers</i>	<i>Percentage</i>	<i>Absolute numbers</i>	<i>Percentage</i>	<i>Absolute numbers</i>	<i>Percentage</i>
Germans . . .	9,950,678	34.83	2,037,435	9.75	22,968	1.21	12,011,081	23.39
Magyars . . .	10,899	0.04	10,050,575	48.12	6,443	0.34	10,067,917	19.61
Czechs . . . .	6,435,532	22.52	.....	.....	7,045	0.37	6,442,577	12.54
Slovakians <sup>b</sup>	<sup>b</sup>	<sup>b</sup>	1,967,970	9.42	482	0.03	1,968,452	3.83
Poles . . . . .	4,965,667	17.38	°	°	10,975	0.58	4,976,642	9.69
Ukrainians . .	3,518,882	12.32	472,587	2.26	7,431	0.39	3,998,900	7.79
Slovenians . .	1,253,148	4.39	°	°	3,108	0.16	1,256,256	2.45
Croatians } .	783,010	2.74	1,833,162	8.78	1,822,564	96.02	5,545,207	10.80
Serbians } .			1,106,471	5.30				
Roumanians	275,088	0.96	2,949,032	14.12	608	0.03	3,224,728	6.28
Italians and Ladinians	768,592	2.69	°	°	2,462	0.13	771,054	1.50
Sundry others <sup>c</sup> . . .	.....	.....	469,255	2.25	13,958	0.74	483,213	0.94
Foreigners <sup>d</sup> . . .	609,304	2.13	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	<sup>d</sup>	609,304	1.18
	23,570,800	100	20,886,487	100	1,898,044	100	51,355,331	100

<sup>a</sup> Language of daily commerce in Austria, mother-tongue in Hungary, Bosnia and Herzegovina.

<sup>b</sup> The Slovakians being numbered among the Czechs in Austria, the number of the latter would appear a little too high, that of the former a little too small.

<sup>c</sup> In Hungary, the Poles, Slovenians, Italians and Ladinians are included in "Sundry others."

<sup>d</sup> In Austria the foreigners were excluded from the census relating to the question of language, not so in Hungary, Bosnia and Herzegovina.

<sup>1</sup> See *Oesterreichische Statistik* N. F. Vol. 1, Part 2, Vienna 1914; *Magyar Statisztikai Közlemények*, Vol. 42, Budapest 1912; *Die Ergebnisse der Volkszählung von Bosnien und Herzegovina*, Sarajevo 1912. Foreigners may best find these figures in *Annuaire Internationale de Statistique*, Vol. 1, Page 143 ff., Haag 1916.

The number of the inhabitants of Austria-Hungary speaking German amounted to nearly ten millions or almost 35 per cent, and, together with the 126,393 subjects of the German Empire and other German-speaking foreigners, to more than ten millions. In Hungary, alone, their number exceeded two millions, thus forming one-tenth of the entire population. This total number of over 12 million Germans in the Danubian Monarchy—of which over 9.4 millions inhabited an area of 119,000 square kilometers, a compact territory with a population speaking exclusively German, and bordering on the German Empire<sup>2</sup>—was, during the existence of the Danubian Monarchy, a factor of some importance, but with respect to the intellectual rather than to the political life, the three parts in which the Monarchy was divided (Austria, Hungary and Bosnia-Herzegovina) being quite independent of each other as far as their politics of nationality was concerned. Great importance attaches to those figures, however, as illustrative of the working of the principle of nationality after the dismemberment of the old Monarchy. For while the majority of the other nations of the disintegrated Monarchy succeeded in realizing the principle of nationality,<sup>3</sup> the German-speaking inhabitants had to face very grave opposing influences. Indeed, representatives of the compact German territories, elected by universal, equal and secret elections, met in a National Assembly in Vienna immediately after the Revolution, and solemnly and unanimously passed a law which pronounced

these territories to belong together and to form one single state, the National State of German-Austria.<sup>4</sup> The foundation of this state, an example of the formation of a state by the right of national self-determination, has, however, not been acknowledged by the Council of Four in Paris.

The new Austrian state, while it was compelled to adopt the name of Republic of Austria, had to give up a territory of 26,869 kilometers with 3,122,839 German-speaking inhabitants to the Czecho-Slovakian Republic, a territory of 7,318 kilometers with 228,447 German-speaking inhabitants to Italy, and likewise some rather large districts with a German majority to Jugo-Slavia. This loss of territories with their population was particularly painful, as the territories yielded up to Czecho-Slovakia were some of them remarkable for their abundance in coal and manufactures (German-Bohemia) and others for their agricultural productivity (German-South Moravia), while with the Dolomite district Austria lost a center of attraction for tourists throughout the world.

#### GEOGRAPHICAL FRONTIERS OF THE REPUBLIC OF AUSTRIA

The new frontier of the Republic of Austria as fixed by the Treaty of St. Germain takes almost the same course as the old boundaries of the provinces of Lower<sup>5</sup> and Upper Austria towards

<sup>4</sup> See: *Staatsgesetzblatt für den Staat Deutschösterreich*, No. 1 ex 1918 (Resolution of the Provisional National-Assembly of German-Austria, dated 30th of October, concerning the fundamental institutions of the supreme power); No. 40 ex 1918 (Law dated 22nd of November, 1918, concerning area, frontiers and relations of the territory of German-Austria); No. 4 ex 1919 (Decree *Vollzugsanweisung* of the German-Austrian Staatsrat, State-council, dated the 3rd January, 1919, concerning the districts of jurisdiction, municipalities and villages, which should form the territory of German-Austria.

<sup>5</sup> Deviations are to be found in the districts of

<sup>2</sup> See the detailed statement on the cover of my map of languages in Central Europe, Vienna, Hermann Goldschmiedt, 1921.

<sup>3</sup> The Czechs obtained an independent state of their own, the Poles, Roumanians, Southern Slavs and Italians were united with their motherlands.

Czecho-Slovakia on the north. Then it runs along the old boundary line towards Bavaria and Switzerland, abandoning the same, however, south-west of Nauders and, turning eastward over the ridge of the Central-Alps (the Alps of the Oetzal, the Stubai and the Zillertal, and the Brenner Pass) cuts the German territory of the Tyrol in two.<sup>6</sup> Starting from the Dreiherrnspitze in the Hohe Tauern it first runs south and then southeast, following on the whole the southern frontier of Carinthia (Carnishian Alps, and Karawanks) at the same time sequestering the district of Tarvis and two smaller districts in southern and northeastern Carinthia. Farther north of the Drave, the frontier takes in the main and eastward course as far as Radkersburg, whereby important German territories, among them Mahrenberg and Marburg have fallen to the share of the Jugo-Slav Kingdom.<sup>7</sup> The eastern frontier of the Republic of Austria follows at first a tract of the former frontier of the Empire northeast of Radkersburg, then deviates to the northeast, following in general the frontier determined by language and embracing German-West Hungary, the so-called "Burgenland."

Lundenburg, Feldsberg and Gmünd, some parts of Lower-Austria being given up to Czecho-Slovakia.

<sup>6</sup> For this and for the following see: "Flugschriften für Deutsch-Oesterreichs Recht," Vienna 1919.

<sup>7</sup> See: *Die Südgrenze der deutschen Steiermark*, memoir of the Academic Senate of the University of Graz, Graz 1919. The territory hemmed in by the frontier of the German language at Marburg, by the Bacher-range and a part of the frontier of Carinthia, is inhabited by 40,080 Germans (= 52.4 per cent) and 36,310 Slovenes (= 47.5 per cent). It is further remarkable, that this frontier cuts off the only direct railway communication (Leibnitz-Marburg-Klagenfurt) between the provinces of Styria and Carinthia which are separated by the 'Kor-Alp.' So the whole traffic between the inhabitants of these provinces must be carried through a foreign country, unless the people prefer to take the

The German town of St. Gotthard remains at Hungary; the frontier then takes its course to the north till it reaches the Neusiedler Sea. Excluding the German town, Güns, it turns a little eastward, north of the Einser Canal, but bends off northwards to the Danube without embracing the whole of the territory where the German language is spoken excluding, especially, the German towns of Wiesselburg and Ungarisch-Altenburg which like St. Gotthard and Güns have been only quite lately Magyarized. Finally, the frontier follows the Danube and the March.

#### GENERAL DECREASE IN POPULATION

The territory enclosed within these limits (excluding German-West Hungary which has not been surrendered to Austria and the plebiscite territory of Carinthia) covers an area of 83,944 kilometers. According to the census taken on January 31, 1920,<sup>8</sup> its population has diminished from 6,294,639 in the year 1910 to 6,067,430, *i.e.* by 227,209 persons or 3.61 per cent. The main share of this decline falls to the city of Vienna, the population of which has been reduced from 2,031,498 in the year 1910 to 1,842,005 in the year 1920, the reduction reaching the number of 189,493 persons or 9.33 per cent. We may best understand the importance of

round-about way via Graz and Bruck of Mur. Yet the Council of the Four generally made allowances in the interests of traffic even if against the principle of nationality. So for instance the Magyars were given over the wholly German territory of Wieselburg and Ungarisch-Altenburg (belonging to Western Hungary) to secure for them the railway-line from Raab to Pressburg, which is indeed of minor importance for them, than the above line (Leibnitz-Marburg-Klagenfurt) for Austria.

<sup>8</sup> See: *Beiträge zur Statistik der Republik Oesterreich*, Part 5, *Vorläufige Ergebnisse der ausserordentlichen Volkszählung vom 31. Jänner, 1920 nebst Gemeindeverzeichnis*. Published by the Central Commission for Statistics, Vienna 1920.

these statistic facts if we bear in mind that a healthy population living under normal conditions should increase. This increase amounted in the territory of the present Republic of Austria during the decade from 1900 to 1910, to 10.61 per cent annually, *i.e.* more than one per cent a year.<sup>9</sup> This statement of a decrease in the year 1920 not only implies the above-mentioned loss of a quarter of a million people, but beyond this it means at the same time an outweighing of the growth the populace must have shown in the pre-war period from 1911 to 1914. We must further consider the reduced

## MORTALITY

The figures below may allow us to form an idea of the natural evolution of the populace (*i.e.*, excluding those who died outside the frontiers of the Austrian Republic on the battlefields or in hospitals).<sup>11</sup>

The number of births has diminished from 153,542 in the last year of peace, 1913, to 87,594, or a decrease of 57.04 per cent, in the year 1918, the last in which these statistics have been published. Taking the sum of the yearly deficit in births we arrive at a total deficit of 227,514 births up to 1918.

## BIRTH AND DEATH RATE 1913-1918

Year	Born alive	Deaths	Excess of births over deaths
1913.....	153,542	118,363	35,179
1914.....	151,862	119,462	32,400
1915.....	118,942	140,211	21,269
1916.....	94,199	136,402	42,203
1917.....	87,599	147,384	59,785
1918.....	87,594	166,378	78,784

birth-rate during the war and post-war time, which allows us the computing of the total war loss of this small country at nearly one million souls. The actual war losses due to military service form but a comparatively small part of this total. Including an appropriate quota of those reported "missing," they may be estimated at 160,000-170,000.<sup>10</sup> There must be added the increased mortality in the interior of the country due to the starvation blockade and the economic catastrophe following the War; then, the falling-off in the birth-rate owing to the absence of the men from their families, to the war casualties and, eventually, to losses by migration.

On the other hand, the number of deaths increased during the same period from 118,363 to 166,378 or up to 140.56 per cent. This makes an excess of 118,022 deaths for the entire period under consideration. The deaths of military persons although included in these figures, contribute but little to them; for of the 325,000 deaths of military persons, who according to the army statistics have died of their wounds or of diseases at the hospitals, at least one-half occurred mainly on foreign soil at the front or along the military roads. Supposing the remainder of the wounded to be evenly distributed over the whole Monarchy, about 18,000 would fall to the share of the Republic of Austria, still leaving an excess of, at least, 100,000 civilian deaths. So, for instance, in Vienna, of which town we

<sup>9</sup> Calculated after the *Oesterreichische Statistik* N. F. Vol. I, part 1, pages 29 and 36.

<sup>10</sup> See: W. Winkler *Die Totenverluste der österreichisch-ungarischen Monarchie nach Nationalitäten*, Vienna 1919.

<sup>11</sup> See: *Statistisches Handbuch für die Republik Oesterreich*, Vol. I, first year, Vienna 1920.

have specified figures, the number of deaths among civilians increased from 32,130 in the year 1913 to 44,130 in the year 1918. Among this number the deaths from tuberculosis amounted to 4,981 in the year 1913, to 7,381 in the year 1918 and to as many as 7,843 in the year 1919.<sup>12</sup> The influenza epidemic in 1918 had easy play with the population which had been weakened through lack of proper nourishment. Half of the inhabitants of the Austrian Republic were attacked by the disease and 20,458 persons succumbed to it.<sup>13</sup>

#### STRUCTURE OF POPULATION

Some of these changes in the population are made evident by a careful

At the age above fourteen there were 1,212 women to 1,000 men; in places with more than 2,000 inhabitants, we even find an average of 1,337 to 1,000. This proportion of the figures opens up bad matrimonial prospects for the young girls and a bad outlook for the future growth of the population. This structure of the population is also a disadvantage for the productivity of the Austrian Republic. While according to the United States census of 1910 there were in America but 91 women to every 100 men from twenty to sixty years of age, there were 109 women to every 100 men of that age in Austria. The proportion of the sexes alone, represented in an equal number of in-

#### INCREASE IN TUBERCULOSIS 1913-1918

	1913	1918
Cases of tuberculosis . . . . .	5.97 per cent	7.60 per cent
Duration of illness from tuberculosis, . . . . .	240.10 days	336.50 days
Deaths from tuberculosis . . . . .	0.04 per cent	0.93 per cent

consideration of the structure of the population according to the age of the inhabitants, as it would appear from a study of the census of 1920. It is true this does not clearly demonstrate the aforementioned mortality among civilians for, as a matter of fact, it has victimized individuals of every age and sex. On the other hand, we can easily gather from this census the casualties among all men able to bear arms and the heavy falling off of births. The decline of the male population is in the first place of great importance to the menaced evolution of the population.

<sup>12</sup> See: The publications of the Public Health Department at the Ministry for Social Administration: VIII, Siegfried Rosenfeld, *Die Wirkungen des Krieges auf die Sterblichkeit in Wien*, Vienna 1920 and XI, by the same author, *Die Aenderungen der Tuberkulosehäufigkeit Oesterreichs durch den Krieg*, Vienna 1920.

<sup>13</sup> Publications of the Public Health Department at the Ministry for Social Administration: XIII, Siegfried Rosenfeld, *Die Grippeepidemie des Jahres 1918 in Oesterreich*, Vienna 1921.

dividuals, ensures a greater working capacity in the United States than in Austria.

Yet we have so far considered only the number of deaths, not the disabled soldiers (about 180,000) and those whose health was impaired by the so-called starvation blockade.<sup>14</sup> Indeed, it is not only the mortality but also the morbidity which became appalling in consequence of the War. We find among every 100 subscribers to the health insurance in Vienna and Lower Austria<sup>15</sup> an increase in tuberculosis as shown above.

Similar increases took place with other kinds of diseases. The poor and helpless old men and women are special victims; the deaths caused by old age were increased, in Vienna for instance

<sup>14</sup> In spite of all these losses of working hands 84,000 unemployed were counted included in the census of the year 1920: *Beiträge zur Statistik der Republik Oesterreich*, Vol. 7.

<sup>15</sup> Rosenfeld, Publications, etc., XI, page 2.

from 1,542 in the year 1913 to 3,279 in the year 1918.<sup>16</sup>

#### THE CHILDREN AND THE AGE-PYRAMID

Not less deplorable but still much more serious if we contemplate the future of the Austrian population, is the health of the children. In an examination of 144,947 school children made by Professor Pirquet at the request of the American Help the Children Administration in the year 1920, only 30,594 equal to 21.1 per cent, were found to be well fed; 81,287, equal to 56.1 per cent, were marked as "ill-fed"; 33,066 children, or 22.8 per cent, were put down as "very ill-fed." Also in other towns of Austria measurements were made with similar unfavorable results.<sup>17</sup>

The health of the infants is a matter for even graver consideration. According to a report of Dr. Poerner at the Congress for Jugendfürsorge which met in Vienna in July, 1921, 85,000 children up to six years of age were

<sup>16</sup> Publications, etc., VIII, page 35.

<sup>17</sup> See: Friedrich Reischl, *Die amerikanische Kinderhilfsaktion in Wien*, Vol. I-III, Vienna 1921.

assigned for medical examination by the *Mutterberatungstellen*, mothers advice councils, in the year 1920. Of these but 10 per cent were in the condition of normal nourishment, while the nourishment of 90 per cent was disturbed, 60 per cent being really ill. Children with infectious diseases were excluded from the examination. In 19 per cent of these cases one or both of the parents were ill; in 3½ per cent, incurable.

Thus we may trace the terrible destitution working havoc at every stage of life and aggravating the heavy wounds inflicted by the War. The children forming the base of a once proud age-pyramid are growing up, small in numbers and shaken in health. Indeed an appalling outlook on future possibilities opens up before the observant eye should the present economic distress be allowed to continue. We will however not abandon ourselves to such gloomy aspects of the future; we will rather be confident of an improvement in the economic situation and hope for a more favorable evolution of the population.

## CHAPTER II

### The Present State of Agriculture and Forestry in the Republic of Austria

Compiled by the Central Board for the Protection of the Interests of Agriculture and Forestry

THE fundamental conditions of Austrian agriculture and the food supply closely connected with it, are in the first instance to be looked for in the orographic and climatic situation of the country. With the exception of a few small districts Austria is a mountainous land, with a prevailing continental and Alpine climate

Of a total area of about 7,785,295 hectare<sup>1</sup> nearly 800,000 are unproductive, so that only 7,000,000 hectare of the whole area are cultivated. Of these, 2,947,000 hectare are covered with forests, 1,274,000, with pastures, Alpine pastures, lakes, swamps and

<sup>1</sup> One hectare = 10,000 square meters = 2.471 acres.



ponds, and do not count for intensive cultivation. There remains only a comparatively small area of 2,770,000 hectare for intensive cultivation. Of these, again, 1,790,000 are arable soil, and the rest meadows, gardens and vineyards.

Austrian agriculture consists chiefly in the production of grain as far as permitted by the orographic and climatic conditions: namely, over an area of about 780,000 hectare; the greater portion of this area serves to grow rye. It may be well to remember that Western Hungary is not included in these figures, as this territory has so far not been actually united with the Austrian Republic.

A clearer insight into the alarming falling off in agricultural production may be gained if we point out how completely Austrian soil has been exhausted by the piratical system of tillage practised, of necessity, during the War. Between the years 1913 and 1919, the crops were estimated at from 35 to 40 per cent below normal. Official investigations in 1919 have shown a yield of only one-half the yield of grain in former times.

Although the experience of pre-war time would justify the hope of considerable improvement in the rentability of land, the fact remains that Austria will always be dependent on foreign imports of grain. That no effort is spared in bringing about such an improvement is demonstrated by an action inaugurated by the government and supported by a lively propaganda on the part of all agricultural bodies, especially the association of Austrian husbandmen (*Landwirstelle*), to provide a cheap supply of all kinds of manure.

It goes without saying, that every importation of grain to meet the requirement of the Austrian populace means an enormous burden for the

public finances of Austria, in view of the present rate of the kronen exchange. This is why the government continues to control the production and trade in grain, even though such control doubtless means a serious impediment to the revival of agriculture. Since it compels the farmers to deliver a great percentage of their crops at government prices, which are far below those in the foreign markets, it is only natural that the peasants regard government control as a grave injustice and peril.

Now that the flour ration is so small the potato crops are of increasing importance. Official statistics show that, altogether, 97,000 hectare were utilized for growing potatoes in 1919. The potato crops have suffered a yet greater reduction than those of grain; this reduction may be estimated at about 50 per cent as compared with pre-war times. Great efforts were made to raise the home production. These resulted in the government's importing seed potatoes from abroad, chiefly from England, at a great sacrifice. The imported potatoes were handed over to the farmers together with the requisite quantities of artificial manure.

We may make a similar observation regarding leguminous plants, the importance of which has been augmented in proportion to the reduced rations of bread and flour. Austria lost her chief districts for growing leguminous plants when Bohemia, Moravia and Galicia were separated from her after the break-down. It must further be noted that according to official statistics the yield of leguminous plants had diminished by one-third during the war as compared with pre-war times.

From what has been said above, we may gather that the yields of Austrian soil will never entirely suffice to meet the requirements at home even

if we admit the possibility of an improvement in the future by proper tillage and investment of capital. The future hopes of Austria concerning agriculture are founded on the breeding of cattle, for which the conditions are much more favorable. Here we may be allowed to point out the large stretches of pasture in the Alps, the favorable climate for breeding strong and hardy cattle and the training of the cattle farmers, which dates back some hundreds of years.

Unfortunately, here as elsewhere, the War with its compulsory delivery produced great damage, less affecting the quantity than the quality of the live stock. A great diminution is to be observed in the number of horses; by the official statistics, only 230,000 horses were counted in the Republic of Austria in 1919, while at that time there were 1,950,000 head of horned cattle, of which 550,000 were young cattle. A considerable increase is shown in the number of goats which reached 289,000 in 1919, that is about 50,000 more than in pre-war times; likewise in the number of sheep, with 316,000 head against 290,000 head in pre-war times. The stock of pigs is to be estimated at 1,100,000 head against 1,800,000 before the war.

As mentioned above, the qualitative loss was more apparent. The fact that the present live stock is not full-grown and that the number of animals used in the yoke, such as horses and oxen, has been reduced, is of the gravest import to Austrian farming. Another difficulty is the obstacle to breeding added by the indiscriminate requisitions during the long years of the War, which often deprived the farmers of their best breeding material. Moreover, the complete stoppage of transport for other than military purposes prevented the exchange of cattle, so that in-

breeding was favored to an appalling degree. Even during the first period of peace, the great difficulties in procuring food caused the provinces, the districts and the communities within them to set up barriers against the export of cattle. Only quite recently has it proved possible in many instances to remove some of these measures of isolation. It may, however, be expected that the mutual intercourse between the various districts, so important to a cattle breeding country, will revive again. But even then cattle breeding will suffer great difficulties from the want of concentrated forage.

In conclusion, we may say that in all branches of agriculture there is a large disparity between supply and demand, and that Austrian agriculture will never be in a position to supply sufficient food for the people although, thanks to incessant labor, improvement has already commenced and a further improvement may be expected.

#### THE FORESTRY SITUATION IN AUSTRIA

The prospects of forestry are a little more favorable. An area of three million hectare of Austrian soil are covered with forests, so that about 38 per cent of the total area of Austria is devoted to forestry. We should, however, be induced to form very erroneous notions of Austrian wealth in wood if we forget to add that according to official statistics about 20 per cent of these forests are either inaccessible or declared a sort of preserves, *Servituten*, wherein no trees may be felled. We must therefore first eliminate this fairly large portion of the forests before contemplating the chances of utilizing the wood. The exploitation of about 20 per cent of Austrian forests is partly conceded to the peasants on the strength of the right of *Servitut* and therefore the gen-

erally available production is limited.

If wood may rightly be called the principal article for export in Austria, one must not forget that continuation of this export has been possible only on account of the large stock which had accumulated thanks to the conservative forestry system of pre-war times. Owing to this large reserve stock Austria is still able to export wood despite its being used as fuel to a much greater extent than before. It will soon follow, as a matter of course, that highly valuable timber will have to be used as fuel and great damage will ensue to the economics of the Republic.

The efforts of the Austrian Government have been so far successful in bringing about an improvement of the coal supply of the country. There is reason to hope, therefore, that the prophesied economic harm may not result but that, on the contrary, Austria's natural riches in wood may in the future suffice to meet the demands both foreign and domestic.

The problem of recolonization has developed as a consequence of the injurious effects of the repeated selling out of small farms, which had fallen into trouble, by the great landed proprietors. The dimensions to which this so-called *Bauernlegung*, selling out of peasant farms, has grown, may be gathered from the fact that within the last fourteen years over 12,000

smaller farms have been assimilated by the great landed estates. The colonization law (*Wiederbesiedlungsgesetz*) of the year 1919 slipped a bolt, here, by decreeing that under certain conditions all such farms or cottages as could be worked individually and had been independent since 1870, should be returned to the farmers who had formerly been on them. Naturally the preparatory work took some time, so that the lists of the farms fit for colonization were finished only in June, 1921. An idea of the number of farms concerned may be gathered from the fact that in 240 communities of Lower Austria, alone, 1,100 farms have been entered in the registers. The opposition of the great landed proprietors has been so far vanquished by the pressure brought to bear on it by the peasants that in many cases they were ready to enter into negotiations with the peasantry. This peaceful adjustment serves to accelerate the enforcement of the colonization law, since the long investigation of the colonization commissions and the delays caused by remonstrances, which might be raised in the course of the legal procedure, may be thus avoided.

By such measures Austrian agriculture may soon be intensified, a development which, in the light of the preceding statements, is a consummation to be sincerely wished by every Austrian.

## CHAPTER III

### The Water Power Question in Austria

By DR. FRIEDRICH HERTZ

Vienna

AUSTRIA'S poverty in coal is partly compensated by the abundance of her water power; nor is the statement correct, though so often repeated, that

Austria has as yet made no real use of this natural resource. There are in existence innumerable water power stations beside many modern ones.

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tions. Nevertheless, Austria certainly does appear behindhand compared with the progress made in hydro-electricity by Scandinavia, Switzerland, Italy and France. The reason for this is that in the old days coal could be obtained to such advantage from Ostrau and Upper Silesia that many factory owners shied at the considerable outlay of capital involved in the installation of water power. The utilization of water power is in itself a lengthy and costly process, and the lack of capital in a war-worn country is a great obstacle in the way of the realization of extensive schemes.

#### ESTIMATES OF WATER POWER PROSPECTS

The various estimates of the power available differ considerably according to the extent of the power included. As a rule, the estimates include only the larger sources of water power; some are based on low water, others, on a medium water, etc. The water power prospects of the Austrian Alps have been thoroughly investigated by many experts, official and otherwise, and extremely valuable and practical information is at the disposal of anyone interested. The State Hydrographical Central Bureau has prepared a schedule of most of the water courses, giving statistics and diagrams of all hydrological and other data appropriate for the development of water power. The various sheets of this schedule may be bought singly. Moreover, the management of the State Railways has for years been studying the utilization of water power and the adaptation of the obstacles to electricity, and its investigations have likewise yielded an almost complete description of the chief sources of water power. The principal results are contained in the reports, *Mitteilungen über die Studien über die Ausnützung der Wasserkräfte*"

(Government Printing Office, 1917). The Appendix to this valuable work contains a list of 433 important sources of water power in the Alps, indicating their respective HP capacity.

The result of these investigations on the part of the State Railways Administration was the conclusion that in the Alpine regions then belonging to Austria, about 3 million HP of water power were available which could be usefully employed under the economic conditions then prevailing; of these only 250,000 HP (*i.e.* only 8 per cent) were at that time already in use. It must further be remembered that the enormous increase in the price of coal which exceeds the increase in the cost of building, has enlarged the possibilities of profitably installing hydraulic power. Under existing conditions, water power may be used with advantage which would not previously have paid, and the financial possibilities have altogether increased. The reason for these altered conditions is that about half the cost of installing hydraulic power consists of wages, which have not increased to the same extent as the price of coal, which has to be paid for in foreign currency.

On the other hand, the figure of 3 million HP has been reduced, as important sources of water power are situated in the territories ceded under the Peace Treaty. In particular, the German part of the Southern Tyrol, which has fallen to Italy's share, is a district very rich in water power; also, the German districts of Marburg, which fell to the share of Jugo-Slavia, and of Südmähren, which went to the Czechs, possess valuable water power. If we reckon up the sources of Alpine water power examined by the Administration of State Railways that now remain within the restricted frontiers of Austria, the result is a mean yield of about 1.4 millions a year. How-

ever, as the estimate does not include many smaller sources of power, and as the district to the north of the Danube also contains considerable water power, *the total available water power of German Austria worth using would give a mean annual yield of about 2.5 millions.*<sup>1</sup>

#### WATER POWER FOR COAL REPLACEMENT

If we accept the figure, customary in industry, of 3,000 hours' use, we arrive at the conclusion that, theoretically, *all the water power of Austria, fully utilized, would provide a substitute for 7.5 million tons of black coal, or about 11.25 million tons of lignite, i.e., considerably the greater part of the quantity of coal which Austria is now obliged to import.* This calculation does not regard the fact that many water powers can be used twenty-four hours a day which, of course, increases still further the quantity of coal replaceable.

According to official estimates, about 7 million tons of coal, at present used to provide power and light for railways and industries, could at once be replaced by means of water power; whereas, the coal required for heat for industrial purposes (1.5 million tons) and for household use (4.2 million tons) could be replaced by electricity only if the price of coal were extremely high, and even then could be only partially replaced.<sup>2</sup> For the present, it is prob-

<sup>1</sup> Proof that the investigations of the Administration of State Railways have not exhausted all the water power resources is provided by the example of the Danube, which appears on the list with only three stages with a total yield of 242,000 HP. Even if only a small amount of water is withdrawn from the Austrian part of the Danube the power obtainable may be estimated as at least half a million HP; optimists have given even higher estimates.

<sup>2</sup> A thorough and practical study of the Swiss electrical works (c. f. *Elektrotechnische Zeitschrift* 1919, Vol. 40, 41) has led to the conclusion that 1 kilogram of good coal used in a reliable central heating installation equals 4 to 5 kilowatt

hours; used in a good separate stove, 1.8 to 2 kilowatt hours; in ordinary inferior separate stoves, 1 to 1.2 kilowatt hours. Further, experience has shown that cooking by electricity is not more costly than gas cooking, if one kilowatt hour for cooking purposes costs half to one-third of one cubic metre of gas. According to this, the use of water power for heating might be a sound economic proposition even in Vienna under present conditions. This is particularly applicable in cases where cheap night current is available and where the heat can be stored.

able that gas will be used mostly for cooking, as this is the best way of making complete use of coal, whereas gas lighting will gradually give way to electric lighting.

Unfortunately, however, the practical realization of this object cannot be expected in the immediate future. Even before the war, when Austria was comparatively rich in capital, it seemed impossible to raise funds for carrying out an extensive program for the development of water power.

The steep descent of the Alpine streams makes high pressure installations possible, and these are for the most part cheaper and quicker of installation than the low pressure installations on streams and rivers of the plains. However, even the best high pressure stations of our Alps produce their energy at greater cost than the large stations on the seacoast of Norway and Dalmatia, which must therefore be regarded as important competitors on the world market in electro-chemical products which necessitate large quantities of the cheapest current.

Under existing conditions matters have taken a turn in favor of Austria. For many years now, a few large electro-chemical undertakings, aluminum, calcium carbide, iron products, nitric acid, calcium nitrate, etc., have established themselves in the Austrian Alps and are working with good results. With the help of electro-chemistry, Austria would be able to replace

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hours; used in a good separate stove, 1.8 to 2 kilowatt hours; in ordinary inferior separate stoves, 1 to 1.2 kilowatt hours. Further, experience has shown that cooking by electricity is not more costly than gas cooking, if one kilowatt hour for cooking purposes costs half to one-third of one cubic metre of gas. According to this, the use of water power for heating might be a sound economic proposition even in Vienna under present conditions. This is particularly applicable in cases where cheap night current is available and where the heat can be stored.

many raw materials from abroad, which the present rate of exchange has placed almost beyond her reach.

The water power available in the Alps is subject to considerable fluctuations according to the season, and it is difficult to balance these fluctuations. The construction of reservoirs for preserving the water against drought is for the most part impracticable in the Alps, which are limestone, because the geological formation of the substrata and of the sides of the valleys would make the construction of the walls of the reservoirs very difficult, and, further, because the large quantities of rubble carried along by the Alpine streams would fill up the tanks. In this respect, the districts to the north of the Danube, which are on primeval rock, are better, as they offer a solid foundation and smaller deposits of silt. But even in the Alps there are parts where lakes or other suitable spots can be used for storing water, and the Administration of State Railways is now studying the possibilities of utilizing several such suitable localities.

#### ELECTRIFICATION PROJECT OF THE STATE RAILWAYS ADMINISTRATION

The former administration of the Austrian State Railways had already secured twenty-four water power stations, with a mean annual yield of 125,000 HP, beside a number of options with a view to the electrification of the Alpine railway. Twenty of these power stations are within the territory of the Austrian Republic. The existing Austrian State Railways require electricity to the extent of about 116,000 HP mean annual yield.

The lengthy investigations of the Administration of State Railways have before the War often been deprecated as being an obstacle in the way of the utilization of water power. Since the electrification of the railways of-

ferred formerly no financial advantages in view of the prices then ruling for coal, and since, moreover, the Army Staff objected to it from the military point of view, the Administration of Railways was not in a position to proceed with the work, nor could it release the water power to private enterprise. Now these obstacles have ceased to exist and the Administration of State Railways has worked out an extensive program for the electrification of the Alpine railways,<sup>3</sup> which is already being carried out.

The Railways Administration has demonstrated by figures that the execution of the scheme would introduce considerable economies in coal, engines and coal trucks, staff and time, thus making the whole traffic cheaper, more regular, quicker and capable of increased business; moreover travelling would become pleasanter. The idea is, in the first place, to electrify the Western State Railways, traffic on which is most important, and which represent 40 per cent of the mileage and 50 per cent of the coal consumption of the State Railways. It would take from twelve to thirteen years to complete the adaptation. Five of these lines would be worked upon first, representing 14.6 per cent of the State Railway system. This would mean an annual saving of 400,000 tons of coal (at 4,500 calories) *i.e.*, about 12 per cent of the total requirement of the State Railways and 5 per cent of the total requirement of Austria. Given favorable conditions, the electrification of these five lines might be completed in about five or six years. The cost for these lines is calculated at 5.1 million kronen, and the annual saving of coal at 327 to 424 million kronen. Of course all these cal-

<sup>3</sup> C. f. the very valuable statements affixed to the draft of a law concerning the introduction of electricity and motive power for railways, etc. 1920, which gives a full survey of the matter.

culations are very uncertain, as future price developments cannot be foreseen. The requirement of power will be covered by the development of certain works in Vorarlberg, Tyrol and Salzburg.

#### WATER-COAL SUBSTITUTION SCHEMES IN VIENNA

The most urgent question, however, is to substitute coal in Vienna and the surrounding industrial area of Lower Austria. More than half the population is contained in Lower Austria, besides two-thirds of the heating surface of all the boilers of the country. Of the rest of the population and of the boilers, about half is contained in Styria. But whereas Styria is rich in coal and water power, and whereas the remaining provinces can easily be connected with certain power stations, Vienna presents a more difficult problem. The energy generated in the Alps can be transmitted to Vienna only at great expense and with great loss of current. The most suitable plan would be to use the water power of the upper Enns (about 79,000 HP mean yield); its energy could be transmitted to Vienna by means of a 170 kilometer transmission line. Up to the present, however, the province of Styria, in whose territory this installation would come, has opposed this course in order to reserve the power for Styrian industry. This attitude is a sign of regrettable local interests, for Styria can cover her requirement from plenty of other streams, whereas Vienna has no such choice. Quite recently, however, Styria seems to have modified her attitude.

The city of Vienna has in consequence of these difficulties decided, in the first place, to develop the water power of the upper Ybbs (13,000 HP mean yield), and to connect with this a smaller station, Kienberg-Gaming (about 5,300 HP). The 120 kilometer

transmission line of the Ybbs station (110,000 volt tension) is being adapted to yield 35,000 HP, and the situation of the locality makes it possible, if desired, later to connect with it part of the power of the Enns, should the present difficulties be overcome. The time it will take to get the Ybbs Station in working order is calculated at three to four years, and for the Enns Station, five to six years; an advantage of the combination of both works is that their respective low water periods set in at different times of year. It is further designed to bring the above mentioned transmission in connection with the project of Persenbeug (a loop of the Danube with a mean yield of 7,200 HP) and with the Lunz coal mines at present about to be opened by the city of Vienna. The scheme, therefore, promises to make use of a quite substantial amount of power within a comparatively short time. Further it should be remembered that the power of the Ybbs can be accumulated by means of the Lunz Lake and by blocking the valley, to compensate for the variations in the flow of the water and achieve a regular supply of current. In any case, this scheme seems to hold much more promise than, for instance, the daring project of the Krems-Kamp Works (continuous annual yield of 27,000 HP), which would involve unduly great technical difficulties, or the power stations of the Thaya and the Drau, which it was formerly thought might be used for supplying Vienna, but which are now in Czech or Jugo-Slav territory.

Nevertheless, there are various objections to the development of the water power of the Ybbs, these objections being raised by the adherents of the Danube scheme, who are afraid that the execution of the less ambitious project would indefinitely postpone installation of the much larger Danube

works. They state that, if the standing annual requirement of Vienna were covered by these smaller works, there would be no prospect of developing the important water power of the Danube for the remaining irregular requirements, which vary considerably, since this would not be a financially paying proposition.

#### THE DANUBE AND OTHER PROJECTS

The Danube, it is true, would be capable of supplying an enormous quantity of power, and there are in existence a large number of schemes, in a state more or less developed. The Wallsee scheme, in Upper Austria, is the only one which is ripe for execution. Its mean yield would be 140,000 HP at a rate of 1,350 cubic metres per second; the energy could be transmitted to Vienna by means of a conduction 130 kilometers in length. This scheme entails the building of a dam on the Danube and has given rise to many objections on account of the danger of floods and ice. The concession for the work has, however, been granted upon such conditions as would appear to avoid these dangers and the interests of shipping have also been fully protected in the concession.

All the other Danube projects have been designed without the necessity of a dam, *i.e.*, with free flow of the stream. This has the advantage of avoiding the construction of a dam, which would be a lengthy and costly process; but, on the other hand, the water works would be dependent upon the state of the stream, so that there would be greater fluctuations, and very long canals and expensive constructions for regulating the current would be necessary.

In the Lower Austrian district, between Krems and March alone (*i.e.*, a reach of 120 kilometers long from Vienna) a maximum yield of 160,000 HP, or an annual mean yield of 140,-

000 HP, could be obtained without any prejudice to shipping; and this is calculating drawing water from the Danube only at the rate of about 400 cubic metres per second. The Communal Building Office of Vienna estimates the cost of construction at 211 to 270 million gold kronen.

The advantage of most of the Danube works consists in the large quantities of power they can extract, of the fact that they do not necessitate long conductions (in the case of the Lower Austrian reaches of the river) and of the fact that the necessary canals can be quickly dug by mechanical means and by unskilled labor.

The disadvantages, on the other hand, are as follows: great fluctuations in the flow of the stream; the necessity of a very long time for construction; danger to shipping by reduction of the quantity of water in the river and the accumulation of gravel in consequence of decreased carrying power. The last disadvantage can certainly be obviated by regulation of the stream and by dredging, but this would increase the expense. Whether power from the Danube would be cheaper or more expensive than the Alpine high pressure works mentioned above is doubtful. The Vienna Communal Building Office assumes that Danube horse power would be somewhat more expensive than high pressure power. It is generally found that low pressure power is dearer because it requires a larger quantity of water, and therefore the canals, sluices, machines, etc., have to be constructed on a larger scale. On the other hand, the high pressure works under consideration have the disadvantage of necessitating very costly tunnelling and boring and very long transmissions. The time needed and the expenses entailed by the Danube works depend chiefly upon whether a sufficient number of dredg-



ers and enough other building apparatus, trucks, etc., are available.

#### TREATY OF ST. GERMAIN AND WATER POWER DEVELOPMENT

In this connection, we must refer to Article 298 of the Peace Treaty of St. Germain, which prescribes that the interests of water power development are actually to take precedence of the requirement of shipping, but only on condition that a full agreement has been reached by all the States through which the river runs and which are represented on the Danube Commission. It is now feared that there may be some among these States which have no interest in freeing Austria from its dependence upon foreign sources of coal supply. *It is of the greatest importance that this question should be cleared up as soon as possible.* The Peace Treaty further provides for a Court of Arbitration to be appointed by the League of Nations with authority to deal with questions of this kind.

Before the War, Austria had introduced a complete reform of water rights and of electricity laws, representing the most modern point of view. The War, however, and the internal political situation put a stop to this reform. The local interest of the various states forms a barrier to uniformity of laws; besides, various states wish to use the water power available as much as possible for local purposes. But we may hope that in the end purely economic and commercial considerations will win the day. The individual states simply do not command the money to execute elaborate schemes without the help of the federal exchequer and of the financial institutions of Vienna. In Switzerland, for instance, the rivalries between the different Cantons caused similar difficulties; but in the end they did not

put a stop to the development of water power.

It is of primary importance that the law governing sources of electrical energy shall at last be settled, as otherwise the construction of long-distance transmissions is exposed to local obstructions and petty hindrances. It must further be considered whether in order to save coal industrial undertakings should not be compelled by law to make use of the electric power to be generated.

The Finance Ministry is encouraging the development of water power by allowing substantial dispensation from taxation. Several bills have been passed to this effect. Foreign capital invested in such undertakings will be free of capital levy, and all capital so invested will receive great advantages as to amortization. In any case, an extensive scheme for the development of water power can rely on the Austrian Finance Ministry for full approval and support.

#### WATER POWER—A PROSPECT FOR FOREIGN CAPITAL

To summarize the preceding remarks, it may be said that all legal and technical facilities for the most extensive development of water power in Austria are provided, and, further, that *the financial prospects for foreign capital are particularly favorable.* The immense increase in the price of coal has turned the tables in favor of water power, and even such water power stations as would hardly have been able to compete with coal before the War are now in a much more favorable financial position than coal power stations. While the price of coal has increased 120 to 150 fold, the cost of construction has risen only about 100 fold. Before the War the construction of one HP cost from 600 to 1,000 kronen. Moreover the dollar rate of

exchange has risen so enormously *that at the present rate of exchange American capital could develop the water power of Austria at about one-half of the expense in dollars that such an undertaking would have entailed in pre-war days.*

Austrian water power, therefore, can offer much better inducements in the international market than has ever been the case before; further, it could undoubtedly be used for the develop-

ment of an important electro-chemical industry and other such products as would find a good market on account of the low price at which they could be exported, *so that the foreign capital invested in the development of Austrian water power would also earn interest in foreign currency.* Such investments would be of inestimable advantage to Austria's whole economic situation.

## CHAPTER IV

### The Coal Supply of Austria After the Revolution of 1918

By RUDOLF KLOSS, D.L.L.

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**T**HE Revolution at the end of 1918 completely upset the coal supply of Austria. The most important coal districts of Austria, the brown coal district of Northwestern Bohemia, the gas, coal and coke district of Ostrau-Karwin, the district of Trifail, fell to the Succession States, which immediately imposed hard conditions on the export of coal.

In Upper Silesia, which supplied most of the coal needed in Austria, the output was reduced to but a small fraction of its normal extent and therefore only quantities quite inadequate to the demand could be spared for Austria. The supplies from the Ruhr-Saar valley on which the western provinces of Austria (the Alpine Montan-Gesellschaft in particular) depended for coke for their blast-furnaces, ceased entirely.

So Austria had to fall back on her own coal production which has at all times come short of the demand and suffered a further reduction through the Revolution. Her inland coal, being

brown coal, lignite, was of inferior quality. It was clear, then, that the coal supply of the new Republic had to undergo a process of reconstruction under greatly changed circumstances.

#### DISTURBANCE OF COAL IMPORT DUE TO POLITICAL CONDITIONS

The unfavorable situation of the coal problem was further aggravated by the political conditions at home and abroad. The dismemberment of the old Monarchy into the several National States dealt a heavy blow to the competence of the central authorities. This made itself specially felt with regard to the coal supply. Some of the provinces took the coal administration into their own hands. But the economic pressure of those days caused not only the provinces but also some of the town and district councils, workmen's and soldiers' councils, military bodies and subordinate railway authorities to proceed independently in the coal question; they laid embargoes on all coal they could get.

Similar conditions in the neighboring countries also added to the difficulties of the import of coal, whether the governments of these countries closed the frontiers, or whether subordinate railway authorities arbitrarily laid embargoes on coal destined for export to Austria, some of them in order to secure their own demand, some only in demonstration of their national feeling.

Especially the coal transports through Czecho-Slovakia, through which country all the coal from Upper Silesia has to pass on its way to Austria, continued to suffer disturbance for a long time. Often the frontiers were even completely closed, as when the bank notes were being stamped with a view to nationalization or when the warlike conflict raged between Czecho-Slovakia and Poland over the division of the plebiscite district of Teschen. Over and over again, even up to the present day, the precarious and inadequate coal supply of Austria

has had to cope with like disturbances, forcing many industries to reduce the working hours and hampering their steady development. Just at present Austria has to do without pit coal from Upper Silesia owing to the political troubles which began on May 1 of this present year.

#### REQUIREMENTS AND HOME OUTPUT

The monthly requirements of fuel in Austria are divided according to the various groups of consumers as shown below.

These fuel requirements have to be met by the home product and by importation.

The Austrian *home output* of coal amounted to 228,925 tons a month in 1913, the last year of peace; it sank to 150,000 tons, *i.e.* 12 per cent of the requirements, after the Revolution. It must also be remembered that the inland coal is nearly all brown coal (lignite), pit coal being produced only in

MONTHLY FUEL REQUIREMENTS FOR AUSTRIA

<i>Groups of consumers</i>	<i>Coal</i>	<i>Coke</i>	<i>Total</i>
Transport . . . . .	388,800	2,560	391,360
Vienna metropolitan gas work . . . . .	66,000	.....	66,000
	38,350	.....	38,350
Gas, water and electrical plants in the provinces . . . . .	12,250	.....	12,250
Private consumers in Vienna . . . . .	156,300	15,500	171,800
Private consumers in the provinces . . . . .	141,700	14,100	155,800
Agriculture . . . . .	4,500	.....	4,500
Food industries . . . . .	30,100	1,700	31,800
Iron, and steel foundries . . . . .	148,730	83,250	231,980
Requirements of the coal-mines . . . . .	25,800	.....	25,800
Other mines . . . . .	17,400	1,500	18,900
Salt works . . . . .	11,600	.....	11,600
Chemical industries . . . . .	36,500	4,200	40,700
Glass industries and potteries . . . . .	14,900	100	15,000
Building materials . . . . .	58,100	5,380	63,480
Tobacco manufactories . . . . .	1,450	80	1,530
Textile industries . . . . .	28,200	1,400	29,600
Leather industries . . . . .	5,100	300	5,400
Paper industries . . . . .	35,000	100	35,100
Wood, and other industries . . . . .	1,500	300	1,800
Total . . . . .	1,222,280	130,470	1,352,750

trifling quantities. Yet the inland coal is the only coal which Austria really has at her disposal.

#### GOVERNMENT MEASURES TO INCREASE DOMESTIC COAL OUTPUT

Therefore the Austrian government is giving its best attention to the home production. In the first instance, the government tried to stimulate the development of the existing coal mines and the establishment of new mining enterprises. Unfortunately, all investments had in consequence of the prevailing coal shortage to encounter the greatest difficulties, as the industries which should have supplied the machinery and other materials required could be worked only temporarily.

One of the chief reasons for the diminution of the coal output was the decrease of the working capacity of the miners by the bad food situation. The Coal Department of the Board of Trade, therefore, induced the government to grant the miners the privilege of considerably better food supplies on condition of more efficient work. For an intensification of their work by 10 per cent as compared to the work done in the first quarter of 1920 and for the performance of one Sunday-shift a month, the miners are granted premiums in the shape of foodstuffs at very low prices, the premiums being raised to conform to a further increase of the work, finally approaching the food supply of pre-war times, should the increase reach 20 per cent. For additional Sunday-shifts the miners receive premiums in the shape of clothing.

By all these measures gradual increase of the home production of coal was made possible. The coal output amounted to not over 156,000 tons a month in the year 1919. These measures raised it to 197,000 tons in January, 1920, and it had already reached

the peace output with 229,000 tons in January, 1921. These figures have since been even a little surpassed.

#### DIMINUTION IN PRINCIPAL SOURCES OF SUPPLY

But the first place in the coal supply of Austria must be left to the *import of coal from abroad*, especially from Czecho-Slovakia and Germany. Czecho-Slovakia, which had supplied Austria with 35 per cent of her coal requirements in 1913, placed exportation under very hard conditions immediately after the Revolution. Therefore negotiations on behalf of the continuity of the coal supply were begun immediately. For political reasons these negotiations turned out to be extremely difficult. It must be continually borne in mind that the regulation of the Austrian coal supply has always been hampered by political problems. At present, Austria gets 140,000 tons of coal a month, *i.e.* about 40 per cent of the quantities received in peace time, from Czecho-Slovakia, conforming to a contract of compensation.

Another country of importance for the coal supply of Austria is Germany, the territories that form the new Austria having obtained from Germany, especially from Upper Silesia and to a smaller extent also from the Ruhr and Saar districts, 360,000 tons of pit coal a month. After the Revolution the supplies from the last mentioned districts were stopped absolutely. In Upper Silesia the output was reduced to one-sixth of the pre-war output, partly by labor troubles, and partly by the lack of means of transport, as Germany was compelled by the terms of the Armistice to give a large part of her engines and other transport facilities to the Allied Powers. For some time therefore, the export to Austria had to be nearly suspended. Only gradually after the hauling conditions had im-

proved could deliveries to Austria be increased.

On the occupation of Upper Silesia by the Interallied Plebiscite Commission in 1920, the quantities of coal to be delivered from Upper Silesia to Austria were fixed by the Reparation Commission in Paris at 200,000 tons a month. This quantity was always fully delivered up to May 1 of the present year when the supplies were stopped, owing to the political troubles in Upper Silesia.

Finally, Austria gets the comparatively trifling quantity of 13,500 tons a month, in accordance with a compensation treaty, from Poland.

In addition, some smaller quantities are being brought in to Austria beyond the contingents fixed by treaties, especially from Czecho-Slovakia. The output of brown coal of inferior quality in Czecho-Slovakia has constantly surpassed the demand, leaving a surplus for export, on all of which an export duty was imposed.

The provision of American or English pit coal, offered for sale in any quantity, has so far proved impossible, its price being prohibitive in consequence of the depreciation of the Austrian exchange. In Vienna, the price of Czecho-Slovakian brown coal amounts to about 3,000 kronen, the price of pit coal from Upper Silesia, to 4,500 kronen per ton, while the price of the American pit coal is nearly 10,000 kronen, a price the Austrian industry cannot pay, threatened as it is by foreign competition.

Altogether, Austria had a quantity of 6,490,789 tons of coal at her disposal in the year 1920, *i.e.*, 540,000 tons a

month, just 41 per cent of her total requirements. The coal situation was, therefore, extremely hard, especially during last winter.

#### CONSEQUENCES OF DIMINUTION IN SUPPLY

The inevitable consequence of this insufficient supply and of the frequent stoppages of importation were repeated restrictions of the tram service and a very scanty supply for the most urgent public needs such as food industries, gas and power works, hospitals and household fuel, even kitchen fires. The population was often exposed to the direst distress, and the laboring classes to the greatest unrest owing to unemployment.

Most hopeless was the plight of the metropolis, Vienna. Here the gas and power works as well as the tram service had to undergo decisive restrictions, and private households were limited to the consumption of one cubic meter of gas and one hectowatt of electricity a day only. In Vienna, the allowance for kitchen fires per week and household is only seven kilos (about 15 lbs.). A more liberal supply to the 540,000 households in Vienna could be granted only if there were much larger quantities of coal on hand.

Though the coal situation of Austria has gradually improved as compared with the awful plight immediately after the Revolution, the quantities of coal at her disposal are not nearly sufficient to allow a return to normal economic life. Only by considerably raising the import from abroad and by securing its regular delivery can anything like a lasting improvement be produced.

## CHAPTER V

## The Public Finances of the Republic of Austria

By DR. EMANUEL HUGO VOGEL

Professor of the University of Vienna

THE public finances of Austria reflect the situation to which that country has been reduced by the Treaty of St. Germain. After the dissolution of the former economic unit of the Austro-Hungarian Monarchy, the Alpine provinces, lacking coal, mineral oils, etc., and chiefly dependent on importations from abroad for agricultural products and the most necessary commodities, remained with the newly founded Austrian Republic; while the larger part of the territories boasting of great riches in raw materials and manufactures fell to Czecho-Slovakia. Austrian manufactures are taking great pains to resume their former economic relations with the other Succession States, but industry and commerce continue to be much hampered in their development by reciprocal customs boundaries and restrictions on both import and export trade. And these difficulties, bad as they are, are outweighed by the terrible depreciation of the currency, which, on the one hand, causes the import trade to become one of the heaviest burdens on the public finances and national economy, and, on the other, compels the other countries to erect a customs frontier against the natural export tendency of Austria. As long as the Austrian currency is not raised to a standard averaging from 7 to 8 kronen relatively to one Swiss franc, by the help of credits granted by the League of Nations, Austria will not be in a position to exchange goods with the surrounding National Succession States on the same terms as Czecho-Slovakia and Germany.

So long as these conditions continue, a revival of Austrian economic energies is quite out of the question. All measures concerning credits which do not tend to raise the kronen exchange, *previous* to the introduction of a new currency, to the above-named standard, or at least to a standard considerably facilitating trade and commerce (from about four to five kronen to one Swiss franc), must in the end become a vain sacrifice and could have but a transient effect. The awful consequences of the deep currency depreciation are demonstrated by the Austrian budget.

## THE BUDGET

The currency depreciation is one of the principal causes of the appalling height of the deficit and the expenditure figures. According to the latest budget for the second half of 1921, the balance between the relation of revenue and expenditure appears in Table I.

The figures of the table alone serve to show the cause to which the half-yearly deficit of 25.4 billions kronen (yearly deficit over 50 billions) is to be ascribed. It is the consequence of the currency depreciation and of the dearth of imports occasioned by it. The loss comes in consequence of the deterioration of the rate of exchange which has been calculated at the rate of 100 Austrian kronen equal to one Swiss franc, though the rate of exchange has since become still more unfavorable in spite of the action planned by the League of Nations. The result has been a loss of 10,380 millions kronen on the government

TABLE I

RELATION BETWEEN REVENUE AND EXPENDITURE, JANUARY 7-DECEMBER 31, 1921

		<i>Million Kronen Percentage</i>	
<b>I. Expenditure</b>			
Loss in consequence of the deterioration of the rate of exchange:	1 State-monopolies . . . . .	2,184.16	} 16.2
	2 Railways . . . . .	1,755.69	
	3 Public debts . . . . .	2,337.70	
	4 Government contribution to the private pre-war debts according to the Treaty of St. Germain . . . . .	1,960.00	
	5 Government contribution towards the payment of foodstuff prices.	10,286.00	
	6 Other government contributions in administration and enterprises.	395.45	0.8
	<b>TOTAL . . . . .</b>	<b>18,913.00</b>	<b>38.0</b>
National debt services (interest and redemption) . . . . .		2,282.30	4.0
Civil service and pensions fund . . . . .		14,117.10	29.0
	<b>TOTAL . . . . .</b>	<b>35,312.40</b>	<b>71.0</b>
Other sundry expenditure . . . . .		14,184.10	29.0
<b>Total of expenditure . . . . .</b>		<b>49,496.50</b>	<b>100.0</b>
<i>Million Kronen Percentage</i>			
<b>II. Gross-revenue</b>			
Capital levy . . . . .		500.00	2.0
“Income tax” (assessed according to the income of the tax payer) . . . . .		868.60	} 5.0
Other direct taxes . . . . .		409.30	
Customs . . . . .		2,895.30	12.0
Excise . . . . .		790.10	3.0
Stamps and other similar duties . . . . .		1,962.00	8.0
<b>TOTAL . . . . .</b>		<b>7,425.30</b>	<b>30.0</b>
Monopolies . . . . .		5,194.00	22.0
Government enterprises . . . . .		6,530.50	27.0
Export licenses . . . . .		900.00	} 21.0
Realization of government property and loans . . . . .		2,033.00	
Other revenues . . . . .		1,992.30	
<b>Total of revenue . . . . .</b>		<b>24,075.10</b>	<b>100.0</b>
<b>Deficit . . . . .</b>		<b>25,421.40</b>	

imports of foodstuffs; *i.e.*, the government paid per head of the population in one year, 3,200 kronen, in order to reduce the price of foodstuffs (flour, meat, fat, milk). The low exchange rate is also to be held responsible for losses on other imports, especially on coal for the railways and material for the tobacco monopoly, losses amounting to 8,633 millions kronen in half a year. Altogether, 18,913 millions kronen in half a year and 37.8 billions in a year, that is 38 per cent of the total expenditure or 74 per cent of the deficit, is accounted for by these losses. Could the Austrian krone be raised to two Swiss centimes the above named sum of 18.9 billions would be reduced to about 9.456; with a rise to four or five Swiss centimes, the loss in consequence of the deterioration of the exchange would play no part at all in the budget. This shows quite clearly the importance of a serious and efficient foreign credit action.

#### CIVIL SERVICE EXPENDITURE

But the most distressing effects of the currency depreciation have fallen on the civil service and pensions expenditure which has reached a pitch quite disproportionate to a small country. This division of the expenditure, including the salaries of employes and workmen in public enterprises, amounts to more than 14 billions kronen for half a year or to 28 billions kronen for the whole year. As it has since been found necessary to raise salaries, this sum added to the government contributions towards the civil service expenditure of the provinces and their capitals, will actually come to 37 billions kronen a year. However, one must not forget that a large part of the civil service expenditure falls not to the share of the government administration but to national enterprises, as the whole railway system has been

nationalized. Of the above mentioned 14 billions for the six months estimated, 4,467 millions fall to the share of the railways, 1,146 to that of the post, telegraph and telephone, 1,050 to the subsidies for the provinces and municipalities. Even the army estimate (30,000 men and officers) which amounts to 914 millions half-yearly is included in this figure. All these expenditure figures can be rightly understood only when compared with the dearth provoked by the currency depreciation.

On the average, the civil servants' pay still falls short of the often centupled advance in price for all commodities as compared with that ruling before the War, particularly for clothing, shoes and also most foodstuffs. Accordingly, the standard of life of those classes engaged in civil work has fallen, while at the same time other classes more favored by the ruling circumstances, farmers especially and capitalists making money transactions or trading in wares, were able to realize great profits. The brain workers have to bear the brunt of this hard struggle and with them suffer the principal supporters of the intellectual and social reconstruction of Austria. The following data may serve to illustrate this injustice. The Revolution has encouraged certain despotic tendencies in the social policy which have caused a hardly justifiable re-grouping of the economic conditions. The salary of a second waiter has been multiplied by 62; that of a government official of the lowest rank by 37; that of a departmental head with university training in one of the ministries, or of a professor in the university only by 16, and that of an official of the fourth rank, chief of a department in a ministry, by 11. These figures show distinctly enough the economic disadvantage under which the brain work-



ers, the persons most indispensable to the organization of the task of reconstruction of the country, labor.

No doubt, the number of civil servants is far too large for so small a country; *i.e.*, 264,467, of which the railways supply 72,951; the post, telegraph and telephone, 32,201; the army, 30,000. The families included in this figure amount to 751,564 persons out of a total population of 65,000,000. A considerable part of them is engaged in the national transport system, which, it is true, works with a great deficit, or the monopoly plants for tobacco and salt and in the "national industry works," an enterprise in the form of nationalized economies. It will, however, prove impossible to reduce the staff of civil servants before a general reconstruction that will afford opportunities for these employes to exchange their present government employments for private positions. Likewise, a cutting down of salaries and wages can follow only upon the effect of an adequate improvement in the rate of exchange, making itself felt in a fall of prices for all commodities. Compared to the civil service expenditure the other real expenditure on administration is of no great importance (14 billions kronen in the half-year), especially as 1,829 millions are included for grants to the finances of the provinces and municipal districts. The estimate for education names a sum of only 403 millions kronen, that is eight-tenths of one per cent of the total expenditure for the six months' budget.

#### MONOPOLIES AND NATIONAL ENTERPRISES

Although all articles produced under government monopolies have gone up so high, and the railway tariffs and postal rates have been raised so far as to make them a heavy burden for

economic life, it is only the so-called "fiscal monopolies," tobacco, salt and saccharine, which yield positive and not inconsiderable returns; other national enterprises, as railways and post, are worked at a loss. This loss is to be attributed chiefly to the enormous sums spent on wages and raw materials, owing to the depreciated currency, quite aside from undeniable mistakes in the management of the works, defective or unbusinesslike organization and the often irrational employment in which the staff are engaged. Table II gives the prevailing net profits and losses for figuring in the six months estimates (that is, after deducting the costs for the staff from the expenditure figures) in millions of kronen.

The net revenue of the monopolies is therefore counterbalanced by the government enterprises, so that the total deficit amounts to 4.6 billions in half a year. The most serious item on the side of liabilities is furnished by the state railways, the deficit of which amounts to 9 billions a year, less the offset formed by the railway traffic taxes, which though not yet booked among the receipts are expected to run up to roughly speaking 2 billions kronen. The huge deficit is principally due to the large expenses for coal and other materials, which are computed at not less than 1,756 millions kronen half-yearly. The low rate of exchange must also be made responsible for 2,184 millions kronen lost half-yearly on the gross proceeds of the monopolies (for tobacco alone, 2,164 million) over the purchase of raw materials from abroad. This together with the high expenditure for salaries and wages accounts for the bad returns on the national enterprises.

#### TAXES

According to the huge increase of the expenditure, the pressure of taxa-

TABLE II

NET PROFIT AND LOSS IN GOVERNMENT MONOPOLIES AND NATIONAL ENTERPRISES		<i>Stand of capital on December 31, 1921</i>	
	<i>Profit</i>	<i>Loss</i>	
<b>I. Monopolies</b>			
Tobacco.....	723.1	.....	8,564.1
Salt.....	228.6	.....	376.4
Saccharine.....	100.0	.....	3.0
Mineral Waters.....	1.2	.....	.....
Lotteries.....	38.7	.....	.....
<b>TOTAL.....</b>	<b>1,081.6</b>	<b>.....</b>	<b>8,943.5</b>
<b>II. Enterprises</b>			
Forests, estates.....	217.7	.....	2,810.0
Mines belonging to the state.....	6.9	.....	119.3
Railways.....	.....	4,599.0	78,665.6
Post.....	.....	353.7	39.9
Telegraph and Telephone.....	.....	144.3	2,491.1
Mines.....	14.8	.....	576.0
Industrial plants.....	.....	743.9	3,573.4
Sundry smaller enterprises (printing offices, theatres run to the state, etc.).....	33.3	146.5	897.0
<b>TOTAL.....</b>	<b>1,354.3</b>	<b>5,978.4</b>	<b>98,115.8</b>
<b>Net loss.....</b>	<b>.....</b>	<b>4,624.1</b>	<b>.....</b>

tion had to be applied to the utmost extent. Among the provisions to meet the extraordinary demand, the "single great capital levy," decreed on July 21, 1920, ranks first. This tax is levied on all unencumbered chattel, real and personal, according to a progressive scale, and has to be paid by individuals as well as by corporate bodies. The scale for individuals slides from 3 per cent on a capital of 30,000 kronen to 65 per cent on 10 millions kronen and over. The tax on the greater part of the capital property will average from 30 to 45 per cent, while the joint stock companies have to pay a uniform tax of 15 per cent, beside the high taxation for earned income. The shares in the shareholders' hands are exempt from the tax. The levy on capital is designed partly for the payment of war debts, partly for the purchase of

foreign values and the diminution of the circulation of bank notes. The capital levy is expected to yield a return of about 12 billions kronen, about 8 billions having already been received as a privileged advance payment in the first half of 1921. This sum was used for the payment of debts as advance payments were permitted partly in war loans and treasury bills. The further returns of the capital levy will come due during the coming years and are prelinimated at 500 millions kronen for the first half of 1921.

Beside the capital levy, destined to meet the extraordinary expenditures, the direct profit tax and especially the "income tax," assessed according to the income of the tax payer, have been raised as far as possible to increase the ordinary revenue. The burden of this rise in taxes is felt all

the more as it coincides with a heavy struggle for existence; the manufactures have to fight in order to be able to keep pace with upward movement of wages and prices for raw materials. The greatest part of the direct taxation involves the inhabitants of towns and, in the first degree, the crafts and manufactures and the profits of commercial and banking concerns with a fixed abode. It is much to be regretted that for technical reasons innumerable intermediary profits could not be taxed. The classes mentioned have to bear the whole burden of the government taxes.

So far, the farmers have had to contribute a small share consisting of a perfectly inadequate ground and house tax (62 millions kronen yield 3 millions of taxes a year) added to an income tax, the collection of which in the country side is not carried out energetically enough. Out of a half yearly total of 1,778 millions kronen at which the direct taxes are pre-eliminated, one-half (868.6) is furnished by the considerably raised income tax. According to the scale for 1921, the tax rises progressively from about 1.5 per cent on an income of 30,000 kronen to 60 per cent on all incomes exceeding 1.2 millions kronen. As all incomes accruing from either house or landed property, chattels, personal or business, are further encumbered with profit duties on which an extra government tax of 100 per cent is charged, it may easily be gathered that Austria has reached the extreme limit of the tax payers' capacity. A remedy can be found only in a proper taxation of the farmers' income and an energetic, though technically difficult effort to make all those dealers and speculators contribute to the national finances who, in drawing huge profits out of their undeclared transactions in money or wares, give an ever renewed impetus

to quite unjustifiable rises without doing any useful economic work.

The excises have also been very much raised, *e.g.*, the wine tax by 400 kronen a hectoliter; the beer tax by 20 kronen on each degree of beer wort per hectoliter; the spirits tax by 100 kronen per liter of alcohol; the sugar tax by 160 kronen per 100 kilogram; but the total excise revenue (amounting to about 790 millions kronen half-yearly) lags far behind that of the direct taxation, seeing how little the population can spare for these articles. The stamp duties are also very high and mean a heavy charge on the whole commercial life which is further augmented by a duty on the transfer of foreign exchanges and values and by the railway transport duties. The latter (averaging 30 per cent on the passenger and freight rates and consequently going up simultaneously with these rates which are many times what they were before the war) are pre-eliminated at 1,015 millions kronen per half year; the stamp taxes, at 947 millions.

A very considerable portion of Austria's revenue is contributed by the customs, to the disadvantage, it is true, of the consumers and of the producers, as the prices of nearly all necessities of life have been very much raised by the customs duties. As these have to be paid in gold or in an equivalent for gold, the government levies additional duties when the customs are paid in paper money; since May 1, 1921, these have been raised a hundred-fold on some articles, and to one hundred and thirty-fold on the nominal gold customs duties for articles having to pay excise fiscal custom, such as coffee, tea, rice. Therefore, the total revenue of the customs is pre-eliminated at not less than 2,895 millions kronen for six months or 5,790 millions per annum. These

costs on being added to the prices of commodities, occasion an increase of wages. In spite of the greatest exertion, the total of the taxes collected amounts to not over 30 per cent of the total gross revenue and 14.8 per cent of the total expenditure, while monopolies and national enterprises play by far a greater part on the assets as well as on the liabilities side of the budget.

While since December, 1920, the increase of the railway tariffs, postal rates, stamp duties and additional customs duties brought a surplus revenue of 9.6 billions kronen, and while about 3 billions could be saved by the gradual reduction of the government contributions towards the cost of food-stuffs, a new railway tariff for passengers and freights introduced on July 1, 1921 will yield a surplus revenue of 6 billions per annum and an automatic surplus revenue of the traffic duties of 1.4 billions as preliminated in the budget. This was necessitated in order to allow a raise in the salaries of the government officials. Meanwhile, the expenditure has been augmented quite disproportionately by permitting higher wages. The deficit of the coming budgetary period will consequently be greater if the currency depreciation should continue. In order to provide for this expenditure a new increase of the fiscal customs tariff, stamp duties, the duty on the transfer of stocks and shares, and on tobacco prices, and further a radical reduction of the government contributions towards the flour and bread prices is planned. The latter measure will be felt very severely by the consumers.

#### THE NATIONAL DEBT

No less a burden than that of the expenditure is the capital debt of a country with a population of six millions whereof nearly one-third live in

Vienna and the provincial capitals. This is composed of the public debts of former Austria carried over to the account of the Republic of Austria as dictated by the Treaty of St. Germain and of the new national debt of the Republic of Austria. By the terms of the Peace Treaty the Austrian Republic, as the lawful successor to the old Monarchy and supposed "accomplice" in the Great War, has to bear the full burden of her predecessor's debts. They form a list of figures which must act as a drag on the work of reconstruction from the very outset and tend only to demand greater sacrifices for this purpose on the part of the foreign powers. On June 30, 1921, the public debt of former Austria (pre-war and war debts of the Monarchy) amounted to 28,340 millions kronen, nominal value, to which must be added nearly as high a sum for the augmentation of the debt caused by the currency depreciation, *i.e.*, 24,859 millions. Consequently, that part of the debt of former Austria taken over by the Austrian Republic burdens that country with no less than 53.2 billions kronen. Nevertheless, the nominal national debt of former Austria has been reduced, thanks to redemptions made by the new Austrian Republic, by as much as 9,694.5 millions (from a total of 82,196 millions on June 20, 1920, to 72,501 millions nominal value on June 30, 1921). This reduction was managed by the war loans, paid into the treasury by way of a levy on capital, and by the redemption of the war profits tax (about 9 billions) and the "N.U.M. credit" granted by the Netherlands. In the meantime, the currency depreciation of the krona to one-third below last year's level has alone sufficed to increase the burden of the debt despite all redemptions. A reduction or redemption of the national debt would seem impossible

without a thorough reform of the currency. Again we may see that the sole means of reconstruction is a raise of the rate of exchange, whereby the debt would at least be reduced again to its nominal level.

The total of Austria's *new* public debt already amounted to 59,259 millions kronen on June 30, 1921, to which sum must be added the foreign credits for foodstuffs and raw materials, as far as the accounts for them have already been settled and met by bonds. Computed at their nominal value, *i.e.*, at par before the War, they come to 464 millions kronen in gold, but to 57,434 millions kronen if computed at the present value of the kronen and considering the difference in the rate of exchange. Those foreign credits of at least 27 billions for which so far no bonds have been issued on the part of Austria are not taken into account any more than the further currency depreciation which occurred after June 30, 1921. So the debts run up by Austria herself amount to 117 billions kronen during the first two and one-half years of this Republic's existence; adding to this sum, the share of the old Austrian debts allotted to her by the Peace Treaty, we arrive at a total charge of 170 billions kronen (28,333 kronen per head of the population). The interest and redemption service for this debt requires, altogether, 4,620 million kronen half-yearly (that is, 9.2 billions per year). On the other side of the scales, we find the national property of the Austrian Republic,

although it is not available, and, further, the various assets of the state itself. The latter are composed of the capital invested in the monopolies and national enterprises (estimated at about 96 billions kronen) and of all the other movable and immovable property under government administration (public office, buildings, inventories, etc.) for which no reliable basis for valuation is available.

#### OTHER OBLIGATIONS UNDER THE TERMS OF THE PEACE TREATY OF ST. GERMAIN

But to fill the cup to the brim, Austria has been placed under the following additional obligations, resulting from the Peace Treaty, for one-half of the year 1921: balance of costs for the Vienna Section of the Reparations Commission, nominal value kronen, 250,000, *i.e.*, 32.8 million kronen under prevailing conditions (3.75 millions nominal value or 303.8 million kronen for the corresponding half of 1920); further, a government indemnification of two billion kronen granted to Austrian debtors for losses incurred through their being bound over to redeem their foreign private pre-war debts up to former nominal value, and for the liquidation of Austrian property abroad; 200 million kronen for delivering up materials of warfare; finally, 1.4 million kronen to defray the costs of the International Danube Commission: altogether, a total surplus charge of 2,238 million kronen.

## CHAPTER VI

## The Currency Problem of Austria

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THE fate of Austrian currency best shows the serious consequences of the Peace Treaty and the dismemberment of the old Monarchy which formed a homogeneous simple territory as far as customs and currency were concerned. At the beginning of the War, the currency of the old state was on the whole consolidated. By an appropriate exchange policy, the Austro-Hungarian Bank succeeded in maintaining the gold parity of its notes.<sup>1</sup> On July 23, 1914, the bank boasted a metal reserve of 1,589 million kronen and a bank note circulation of 2,130 millions; *i.e.*, 75 per cent was covered in gold. During the War this relation sank as inflation increased. At the time of the break-down of Austria-Hungary, November, 1918, the circulation of bank notes amounted to 35.6 billion kronen, the outstanding debts, *Giroguthaben*, to 7.1 billion; that is, the current liabilities amounted, altogether, to 42.7 billion kronen, covered by the metal reserve only to the extent of eight-tenths of one per cent. Simultaneously, the value of the Austrian krone in the foreign markets rapidly depreciated. New York bills in Vienna which, at the end of August, 1914, noted 5.12 kronen, rose at the end of 1915 to 7.85 kronen, the price of the dollar in Vienna; at the end of 1916, to 9.56; after the break-down at the end of November, 1918, to 15.82; at the end of June, 1919, to 30.25; in October, 1919, to 103; in December, 1919, to 155; in February, 1920, to 250; in June, 1920, to 148; in October,

1920, to 405; in December, 1920, to 659; in April, 1921, to 666 and, on July 23, 1921, to 846 kronen.

The dreadful depreciation of the currency illustrated by these figures, set in with the break-down of the monetary unity and with the process of a total separation of the single Succession States from the formerly uniform currency system of the Monarchy. This process of separation was also accompanied by sad consequences for the bank notes of the other Succession States, though these were distinguished from the Austrian notes by being impressed with a stamp to show the country to which they belonged. The rate of exchange of these notes sank likewise below the level of that of the uniform notes of former Austria in the foreign markets. The depreciation within the five small new currency units differed only in extent from that of Austria, and was, of course, modified according to the degree of the economic consolidation and equipment occasioned by the terms of the Peace Treaty. The first to begin with the currency separation was Jugo-Slavia, which on January 8, 1919, ordered the Austro-Hungarian notes on Jugo-Slav territory to be stamped with a national mark; Czecho-Slovakia followed suit by the law of February 25, 1919; then came Poland and, at last, Hungary in 1920.

All the Succession States carried out these measures without first trying to arrive at an agreement either with the Austro-Hungarian Bank or with the banks of neighboring countries, though an understanding with regard to an

<sup>1</sup>Irving Fisher, "The Purchasing Power of Money," New York, 1911.

organized separation of the currencies would have been best for all concerned. With the creation of independent national currencies, their independent quotations were started in the foreign markets first on an approximately even basis and later, in 1919 and 1920, with an always greater differentiation to the detriment of the remaining and also nationally stamped Austrian currency. The figures in Table 1 show the enormous change in the value of the Austrian krone; here the rate of exchange

lowed; the export, still prohibited. Up till now, the *Auslandskronen* have been quoted higher than the *Inlandskronen*, since the former could be used for payment not only in Austria but also abroad, and as their available number is limited, while the latter may as a rule be used for payment or investments in Austria only. Table 2 shows the movement of the rate of exchange of the cheques on Vienna in Zurich (*Auszahlung Wien, Geldkurs*), *i.e.*, the rate of exchange of

TABLE 1  
RATE OF EXCHANGE ON CHEQUES ON ZURICH IN VIENNA

	1918	1919	1920	1921
January . . . . .		324.64	3,928.00	.....
February . . . . .				(14.) 11,000
March . . . . .		410.53	3,865.38	.....
April . . . . .				(30.) 11,650
May . . . . .		469.16	3,492.00	.....
June . . . . .				.....
July . . . . .		618.69	2,735.18	(5.) 12,590
				(22.) 13,925
August . . . . .				.....
September . . . . .		1,022.00	4,119.00	.....
October . . . . .	(31.) 230.50			.....
November . . . . .	(30.) 273.25	2,127.86	7,521.69	.....
December . . . . .	(30.) 323.25	.....	10,175.00	.....

of the cheques on Zurich in Vienna shows the movement in Austrian kronen. (Where no specific date is stated, monthly average quotations are given.)

A still more distinct language is spoken by the rates of exchange in the chief money markets of Europe: Zurich, Amsterdam and London. As Austria had prohibited the export of kronen bank notes with the purpose of stopping the overstocking of foreign markets (without, however, being able to prevent smuggling), a difference was produced between the rate of exchange of "inland kronen" *Inlandskronen* and "foreign kronen," *Auslandskronen*. At present, the import of kronen is al-

the *Auslandskrone*, while the rate of exchange of the *österreichisch gestempelte Kronennoten* (bank notes stamped by the Republic of Austria) has always been some points lower than that of the *Auslandskronen*. Not until some time after the prohibition of import embargo for kronen had been removed did the rate of exchange of the cheques on Vienna drop to the level of the kronen bank notes.

This survey shows well enough that the real catastrophe of the rate of exchange only took place *after* the War in the years 1919 and 1920. Before the separation of the currencies, the Austrian krone noted 42.50 centimes and

TABLE 2  
CHEQUES "ZURICH-VIENNA" AT ZURICH (100 KRONEN AND CENTIMES)

Month m. = medio, u. = ultimo	1918	1919	1920	1921
January . . . . .		{ m. 30.15 u. . . . .	{ m. 2.30 u. 2.05	{ m. 1.22½ u. 1.77½
February . . . . .		{ m. 24.50 u. 23.40	{ m. 2.05 u. 2.35	{ m. 1.50 u. 1.30
March . . . . .		{ m. 24.00 u. . . . .	{ m. 2.40 u. 2.70	{ m. 1.37½ u. 1.55
April . . . . .		{ m. 18.00 u. 18.75	{ m. 2.75 u. 2.70	{ m. 1.70 u. 1.50
May . . . . .		{ m. 21.00 u. 18.75	{ m. 2.70 u. 4.25	{ m. 1.30 u. 1.35
June . . . . .		{ m. 17.00 u. 18.50	{ m. 3.70 u. 3.85	{ m. 1.25 u. 0.97
July . . . . .		{ m. 16.50 u. 11.50	{ m. 3.70 u. 3.42½	{ m. 0.82 u. 0.77
August . . . . .		{ m. 12.50 u. 11.75	{ m. 3.00 u. 2.80	. . . . .
September . . . . .		{ m. 8.50 u. 9.00	{ m. 2.77½ u. 2.80	. . . . .
October . . . . .	{ . . . . . u. 42.50	{ m. 5.00 u. 5.25	{ m. 2.25 u. 2.02½	. . . . .
November . . . . .	{ m. 37.75 u. 32.75	{ m. 4.65 u. 4.00	{ m. 1.75 u. 1.95	. . . . .
December . . . . .	{ m. 30.25 u. 30.50	{ m. 3.00 u. 3.25	{ m. 1.65 u. 1.55	. . . . .

even some time after the Revolution in the middle of the year 1919 (June 28, 1919) it maintained a rate of 18.5 centimes, a level which not even the boldest financial plan on the part of Austria or of the League of Nations would dream of reaching again. This proves that by a timely interference the déroute of the Austrian exchange might have been inhibited or avoided entirely at much smaller sacrifices than are now demanded. It proves further, that this depreciation was brought about by the one-sided measures of the Succession States, which were carried through without the slightest regard for the Austro-Hungarian Bank or for the exchange of the notes left to Austria. Another reason was the enormous inflation of bank notes in Austria, herself, which became inevitable because of the

financial wants of Austria, the terrible shortage of commodities, the rise of all prices, chiefly of those for imports, naturally caused by the depreciation itself, and so on in endless succession. Still the Austrian krone retains a higher purchasing power at home than abroad.

But this one isolated fact which is favorable for the consumer, now begins to vanish, as the rise due to wild speculation with wares and foreign values has brought the prices of commodities and wages almost on a par with those in foreign countries. In some cases they have even surpassed them. What this means while the Austrian krone is almost completely depreciated (on July 21, 1921: 0.77 centimes at Zurich) can well be imagined. So it came to pass that of late



even the Hungarian krone, which had always been valued lower, gained considerably over the Austrian krone on July 21, 1921: 1.85 centimes) so that the exchange of goods with this neighboring country was rendered much more expensive for Austria.

The financial scheme of the League of Nations which was abandoned almost as soon as it had been started could effect only a quite transient improvement of the rate of exchange on the cheques on Vienna at Zurich to 1.70 centimes (April 16, 1921). Beside the continuous delay of the promised international credits, the Austrian rate of exchange was prejudiced by the news that the program of the delegates of the League of Nations provides for a stabilization of the rate of exchange only on the bases of one to two, that is, hardly above the present level. (But not even for this plan could the most necessary condition, the suppression of the general mortgage laid on all the revenues of Austria by the peace terms, be obtained.) The presumable failure of such a scheme, even if it could be carried out with fewer sacrifices, was valued accordingly in the money market. Beside the repeal of the kronen import embargo and its consequence, the equalizing of the Auslands- and Inlands-krone depreciated the rate of exchange of the Auslandskrone, as the reason for its being valued higher was partly removed. Soon after, the rate of exchange of kronen bank notes and cheques dropped rapidly to reach its lowest level on July 21, 1921. The sole consolation for this financial ruin of a country may perhaps be found in the fact that, on the same day the Polish mark, though from other causes, was rated at Zurich at only 0.32 centimes and was somewhat nearer the low water mark.

The situation of the Austro-Hun-

garian Bank, as far as it has the function of issuing notes for the Republic of Austria, has naturally become worse. The circulation of stamped Austrian bank notes already amounted to 50.14 billion kronen on July 7, 1921, the other liabilities due immediately, to 9.1 billions; these were covered by a mental reserve including gold bonds only up to 5,220,132 kronen. The principal assets are the treasury bonds issued by the government and presented at the Austro-Hungarian Bank to the amount of 47.8 billion kronen. When in January, 1920 the Austrian bank notes inflation was disclosed for the first time apart from that of Hungary and that of the non-stamped and nationalized notes of the former Monarchy, the Austrian circulation amounted to only 13.2 billion kronen, whereas the gold reserve amounted to 222.6 million (beside 11.4 millions gold bills and 57 million silver currency). The total bank notes circulation of the former Monarchy amounted to 35.6 millions kronen at the end of 1918, *i.e.*, previous to the real financial explanation.

Table 3 shows the development of the bank note circulation in millions kronen.

On top of all this, there came the liquidation which is forced upon the bank by article 206 of the Treaty of St. Germain. This was only actually begun in the year 1920. According to the wording of the Treaty the former managers of the bank, as the legitimate representatives of the shareholders and the Austrian and Hungarian government, are totally excluded from the liquidation, and only the liquidators nominated by the Reparations Commission are charged with the liquidation. The first difficult problem of liquidation concerned the remaining gold reserve of the bank (still 222.7 millions kronen in gold on November

TABLE 3  
INFLATION IN BANK NOTES IN AUSTRIA

Situation on	Metal reserve (incl. of cheques)	Total circulation	Circulation of Austrian notes	Circulation of Hungarian notes
December 31, 1918.....	342.65	35,588.6	.....	.....
December 31, 1919.....	297.36	53,109.4	.....	.....
January 31, 1920.....	291.08	56,772.8	13,266.8	.....
March 15, 1920.....	286.76	60,197.3	14,793.0	.....
November 15, 1920.....	325.73 <sup>a</sup>	74,124.4	25,977.9	12,000.0

<sup>a</sup>The fluctuations in the metal reserve are produced by the changing state of the gold cheques included (November 15, 1920: 46.6 billion) in the figures for the year 1921 most of the metal reserve is excluded or belongs to the liquidation stock.

INFLATION IN BANK NOTES IN AUSTRIA AND HUNGARY

Situation on	Austria		Hungary	
	Metal reserve	Circulation of banknotes	Metal reserve	Circulation of banknotes
May 23, 1921.....	5.06	44,244.3	0.18	12,725.1
May 31, 1921.....	7.09	45,583.1	0.18	13,685.6
June 30, 1921.....	6.63	49,685.1	0.18	18,095.9
July 7, 1921.....	5.22	50,142.6	0.18	17,923.8

15, 1920; 46.6 millions gold bills on foreign countries and 56.4 millions in silver currency).

Although only Austria and Hungaria and not the Succession States are liable for the foreign circulation of the old Austrian bank notes according to the Peace Treaty, all the Succession States try to make their claims on the gold reserve. By order of the Reparations Commission the bank handed over, to begin with, an amount of 65 million gold kronen to the liquidators out of which advances were given to the Succession States. Austria received, after a credit already paid back to Holland had been deducted, about 8 million gold kronen.

Concerning other problems, too, the enforcement of article 206 of the

Treaty of St. Germain caused the greatest difficulties. It is now generally acknowledged that the strict application of these decisions of the Peace Treaty cannot be carried through; the liquidators are now bringing about an agreement between the Succession States concerned, regarding the problem of recovery of the bank notes, the liabilities to the creditors of the notes, etc. But this attempt at some agreement encounters great difficulties in the Succession States, so that all these complicated legal and financial questions are waiting for settlement—much to the damage of the Austrian currency whose rate of exchange has to suffer by the uncertainty concerning finances and currency. A settlement will go far toward stabilization.

## SUMMARY

The whole situation of Austrian finance is not promising for, as we have seen, it is an immediate consequence of an unequal distribution of burdens at the creation of the new National States out of the ruins of the old Monarchy. Under these circumstances the bank note inflation appears as a necessary consequence of the general financial situation; as a matter of course, it continues to depress the value of the currency and forces up the price of all commodities. It is characteristic enough that neither the announcement of an "action of the League of Nations" and the financial program elaborated for this purpose, nor the promised credit of foreign values could bring about the expected improvement on the kronen exchange in the foreign markets. On the contrary, shortly after, the Austrian krone suffered a slump down to 0.87 centimes (on cheques, Zurich-Vienna), and closed with 0.90 centimes for cheques and 0.79 centimes for stamped Austrian bank notes on July 3, 1921.

We may infer from all these facts that preliminary to the introduction of a new currency, a rise of the Austrian kronen value must be the aim. By the accumulation of ample gold funds and suitable measures based on extensive instalments of credits from the League of Nations in all the principal money markets, the krone might be raised to equal 8 Swiss francs on the average, thus enabling Austria to trade freely with the surrounding National States. *At the very lowest a rate of exchange of about 4 to 5 ought to be attained* if a move toward reconstruction is to be made with any prospect of success. *Subsequent* only to having reached such a desirable basis by easy stages and within a suitable period of time so as to avoid any abrupt changes (endan-

gering the export manufactures with the effects of a presumable slump), the introduction of a new currency and the stabilization of the new rate of exchange might be attempted. This will necessitate a continuation of foreign support in future. The proposed respite of only twenty years before the enforcement of the right of a general mortgage on the Austrian revenue, will prove too short under these circumstances as there must be a possibility of prolonging open foreign credits beyond this period.

An attempt at stabilization on the existing basis of 1 or 2 would allow only a hand to mouth existence in the present fashion, but not a definite reform. In the long run the majority of the people will be unable to bear all the restrictions of a mental, intellectual and physical nature. In this respect it may be important to point out particularly that the outward show of luxuries in Vienna by its numerous foreign visitors, does not allow any inference to be drawn as to the real standard of life of the laboring classes. If today love of pleasure and luxury are to be seen, if the restaurants, cafés, and pleasure resorts are crowded, it must be regarded as one of the sad symptoms attendant on any great crisis in any country. The lack of confidence in the constancy of the value of the currency leads to reckless spending as nobody likes to risk a lasting investment of capital or to save up money for the future. But it would be a great mistake to believe the true born Viennese rolls in luxury. In reality it is only the people who have enriched themselves during and after the War and who are now filling the ranks of the war-profiteers and speculators by making extraordinary gains in an unscrupulous manner, running up the prices of all necessities of life, dealing in foreign values and contributing to the depreciation of the

Austrian krone. To a great extent this set of people is intermingled with foreigners, chiefly former "war-refugees" from Eastern Galicia and Bucovina, who, after having settled down in Vienna permanently, make the best of the prevailing conditions by accumulating riches.

In this respect the low rate of exchange has had the most serious consequences for Austria. It first led to selling off Austrian necessities, which wandered abroad frequently only to be re-imported after a time and sold at a high price when the shortage of commodities became intolerable. This favorable opportunity over, an unrestrained speculation in foreign values and exchanges set in to the detriment of the rate of exchange and purchasing capacity of the krone at home and abroad. In Austria many of the parasites described contribute vastly toward the rise in prices and there is no legal means to stop them or even to subject them to an effective taxation. Apart from this motley crowd of speculators from home and abroad, the set securing the doubtful fame of Vienna as a center of "luxuries and pleasures,"

is formed of foreigners. They flock together from the National States and the abnormally high purchasing power of their money makes Vienna the "cheapest city in all the world" for them. Exactly like the above-mentioned set of Austrian and foreign speculators they are in a position to satisfy a taste for the luxuries of life which is denied to the rest of the population. The restaurants, places of entertainment, big emporiums, theatres and even the places where serious art is cultivated reckon with the "new rich" as their chief customers, whereas the enjoyment of all the refinements of art and civilization is denied to the intellectual middle classes of the native population.

The antagonism of the classes and masses has thus been intensified in an alarming degree. A new exceedingly low-bred social layer has come to the surface, the "new rich." It will be a long and arduous task to heal the serious economic, social and, last but not least, the injuries to ideals in the new Republic of Austria and this task will require the steady, organized assistance of the civilized countries of the West.

## CHAPTER VII

### Austrian Banks

By DR. MAX SOKAL

Manager of the Wiener Giro-und Kassen-Verein, Vienna

**I**T was prophesied of Austrian Banks, that after the collapse of the Austro-Hungarian Monarchy they would have greatly to reduce their establishments on account of the diminution of their sphere of action, the vastness of their organizations being wholly out of proportion to the requirements of crippled Austria.

So far this hypothesis has been dis-

proved by facts. The banks very soon had to extend their business, to increase their staff, to enlarge their premises; and the turnover of the last financial year, where balance sheets are already available, shows a considerable surplus over that of preceding periods, a surplus, which is, of course, partly accounted for by the steady depreciation of Austrian currency.

In the period immediately following the cessation of hostilities, the Austrian banks were chiefly busy carrying out measures of an economic nature (whether emanating from the state or from organizations and individuals) which were a consequence of arrangements made between Austria and the new states, such as the liability for state bonds, etc. But very shortly afterwards, proper banking set in in Vienna which, beginning with the business in stocks and foreign exchanges, grew in intensity, and with the reconstruction of industry and trade soon embraced all departments of normal banks.

#### BRANCH REORGANIZATION IN NEW STATES

A transformation and reorganization had to be worked out in the case of branches of Austrian banks situated in some of the new states where the political situation made it necessary to give to the branch of the Austrian bank the status of an independent institution. The Czecho-Slovakian government, for instance, enacted restrictive regulations concerning the admission of branch establishments of foreign banks. Those which exist already must not carry on their business any longer than five years, and even this short lease is made subject to conditions.

Under these circumstances, some Vienna banks preferred to reorganize their branches situated on Czecho-Slovakian territory and others are about to do the same. A similar policy is being adopted in the case of branches in what is now Poland and Jugoslavia. These new banks are, of course, to a certain extent controlled by their mother-institutions which hold a considerable portion of their shares and have come to special arrangements with them. On the other hand, Vienna banks have lately begun to add

to the number of their branches in provincial towns of Austria. This policy is a consequence of the fact that the peasantry, comparatively speaking, is much better off now-a-days than the town folk and that, in this sense, country places have gained in economic importance at the expense of the capital.

Side by side with the branches of Vienna banks, however, new banks have arisen in the Succession States which were intended partly to cater to the special wants of the agrarian population and partly, also, to apply themselves to the trade in foreign exchanges.

The chief interest of Austrian banks centers in the financing of industry but of late, especially in the last year, the strongly increasing transit trade of Vienna has afforded opportunity for all sorts of banking transactions. What the industrial clients demanded of the banks was that they should be provided with capital for obtaining raw material and labor, the nominal cost of both having risen to exorbitant figures, and thus enabled gradually to resume their work in the home market and export trade. The close connection which has always existed in Austria between banks and industrial establishments greatly facilitated that task and the latter could generally rely upon being backed up in case of need by their banks. On the other hand, many industrial undertakings have increased their capital generally with the assistance of banks which assisted willingly with a view to relieving the pressure on their own means which would otherwise have been taxed too highly.

#### STOCK EXCHANGE DEALINGS

Complicated problems of a technical and economic nature had to be solved by the banks through the constantly growing interest of the public in stock exchange dealings, a tendency which

has become peculiarly marked since the autumn of 1920, the banks making a point as far as lay in their power of keeping away mere gamblers from transactions in stocks and foreign exchanges. A comparison of figures published in the yearly reports of the *Wiener Giro-und-Kassen-Verein* for 1918, 1919 and 1920 throws light on the increasing importance for banks and bankers of the exchange business. The *Wiener Giro-und Kassen-Verein*, it may be stated here, is entrusted with the technical liquidation of all dealings in stocks done at the Exchange and in addition to that, although there is also a Clearing Association of the Austro-Hungarian Bank, with the clearing between the various banks and bankers.

The total turnover of the *Wiener Giro-und Kassen-Verein* amounted as follows:

1. In kronen: 1918, 99,964,291; 1919, 115,354,377; and 1920, 593,-214,985.

2. In the number of checks drawn on the institution: 1918, 95,092; 1919, 79,686; and 1920, 255,736.

I may mention in this connection that the system of stock clearing which is employed at the Vienna Exchange, and which is carried out by the *Wiener Giro-und-Kassen-Verein*, is rather unique in its way. It is now being imitated in Prague and Budapest, and by far surpasses that customary in Paris and Berlin. This system makes it possible to clear gigantic turnovers in a very short time with a staff relatively small. Leaving other causes out of the question, it would appear that this high efficiency is one of the reasons why stock exchanges in the new states did not develop intensively. It is a fact that organization and technical superiority play a far bigger part than is commonly thought. The security warranted by a thoroughly efficient clearing is of decisive influence for the

development and the importance of the Exchange.

In other respects, also, for instance in their safes and treasure vaults which are constructed according to the newest and most approved systems, Vienna banks stand on a remarkably high level. Vienna boasts of the most modern bank palaces. I need mention only the *Wiener Bank-Verein*, the *Niederösterreichische Escompte-Gesellschaft* and the stately pile of the *Credit Anstalt*, which is not yet finished. On a great number of other bank premises, reconstructions and improvements have been effected. This modern construction in addition to their splendid organization and their highly trained staff makes Vienna banks extremely capable economic instruments.

#### FOREIGN EXCHANGES

The disruption of the currency which set in shortly after the collapse of the Monarchy and in consequence of which the new states evolved separate money standards has greatly stimulated dealings in foreign exchanges in Austria. Such dealings, contrary to what was the case up to the autumn of 1920, are now free of government restrictions. There is a clearing in foreign exchanges under the supervision and guidance of the *Devisenzentrale*, State Office for Regulating the Trade in Foreign Exchanges, which since its coming into existence has been able, with very few exceptions, to procure to industry and commerce those foreign exchanges which they required. Restrictive regulations, however, are still in force with regard to the Austrian krone which is transferable from one "inland" account to another only. Its transfer to a "foreign" account is subject to the granting of a special permit by the *Devisenzentrale*.

The fact that since this time last year so many new banks and banking

houses have been established, all dependent upon making a profit out of the trade in foreign exchanges, will alone serve to show that Vienna has become an important center for the trade in this commodity.

Balance sheets of the larger banks, for 1920, as far as they were available up to time of writing, are shown in Table 1.

An examination of these figures will give a clear insight into the economic situation of the moment which is characterized by a large gross revenue, high working expenses, enormous taxation and large pecuniary requirements of customers. A brisk demand for stocks has been alluded to above as being typical of the last few years. This tendency has created interest abroad in Austrian stocks and as a natural consequence, a still stronger demand at home.

#### INFLUX OF FOREIGN CAPITAL

Austrian economists have been watching this phenomenon with somewhat mixed feelings. A general clearance sale was ironically spoken of in connection therewith, and fear was entertained in some quarters lest Austria's industry and banks pass completely under foreign control. As far as can be judged now, however, the influx of foreign capital has proved beneficial to Austrian concerns; for it must not be overlooked that the Peace Treaty had brought Austria into a position which made her completely incapable of surmounting by her own strength the numerous restrictions and impediments to trade with other countries, and a resumption of relations was made possible only by the interested assistance of foreign capital.

On the other hand, from the point of view of foreign capitalists it may be said that investments in culturally and industrially developed Austria stand an excellent chance of proving advan-

tageous. Many industrial undertakings and banks involve shares of foreign capital, a Belgian and an American group being at present interested in the *Wiener Bank Verein* and in the *Credit Anstalt für Handel und Gewerbe*, respectively; French capital, in the *Boden-Credit Anstalt* and in the *Wiener Kommerzialbank*, and Italian financial circles, in the *Niederösterreichische Escompte-Gesellschaft*. Two banks, viz., the *Länderbank* and the *Anglo-oesterreichische Bank*, are the object of special state legislation. It is intended to convert the *Länderbank* into a French and the *Anglo-oesterreichische Bank* into a British banking institution, and to transfer their headquarters to Paris and London respectively; but this change of nationality has to be authorized by the Austrian legislature. Bills to that effect are at present under parliamentary discussion.

Foreign interest in Austrian banks generally took shape when, and where a bank was about to raise its capital. Raising of the capital had continually to be resorted to, in intervals of various duration, these last two years, in order to balance the depreciation of money which had its counterpart in the enormously increased figures of all bank transactions. It is only fair to say, however, that such measures were decided upon and finally taken very cautiously and did not by a long way keep pace with the depreciation of the currency. Table 2 shows the increase of capital of the various banks.

#### RATE OF EXCHANGE

The favorable opinion of the Exchange in regard to these transactions is proved by the fact that the new shares were invariably taken over smoothly and that the syndicates for their issue were very short-lived. Another proof is furnished by the exchange value of shares.

TABLE I  
SIGNIFICANT FIGURES FROM THE BALANCE SHEETS OF THE LARGER BANKS FOR 1920

	Wiener Bankverein	Boden-Cre- dit-Anstalt	N. ö. Escompte- Gesellschaft	Union- bank	Verkehrs- bank	Depositen- bank	"Mercur"	Central- bank d. deutsch. Spark.	Wiener Komm- zialbank	Steier- märk Escompte- bank
1. Total balance . . . . .	10,318,350	6,049,075	2,969,272	2,950,764	4,456,954	3,837,160	2,842,924	3,599,524	1,564,365	1,080,577
2. Creditors . . . . .	8,983,531	5,625,752	2,546,300	2,541,728	3,486,861	3,119,681	2,331,776	2,585,437	1,393,151	916,693
3. Treasury bills and savings bank-books . . . . .	623,255	.....	48,576	95,679	277,361	148,840	131,729	161,984	13,990	60,039
4. Acceptances . . . . .	24,500	35,340	34,985	54,384	6,960	14,120	27,377	.....	.....	.....
5. Debtors . . . . .	7,236,706	5,288,131	2,495,179	2,268,581	3,638,826	2,431,366	2,311,956	1,558,099	1,306,560	1,027,723
6. Bills . . . . .	438,572	235,347	199,705	180,211	54,382	334,448	117,739	33,733	25,671	9,360
7. Stocks . . . . .	341,671	146,871	64,966	104,389	90,320	109,771	93,586	127,651	47,509	11,107
8. Payment for syndicate business	146,788	82,718	58,891	22,719	76,644	93,722	44,432	.....	40,443	908
9. Revenue from interest . . . . .	160,252	63,024	57,242	50,205	43,846	73,674	40,948	44,238	30,907	16,766
10. Revenue from commission business . . . . .	77,316	46,037	46,977	44,767	110,732	52,964	50,166	35,939	29,992	17,956
11. Profits of foreign values, stocks etc. . . . .	156,575	44,245	33,316	42,234	18,150	74,857	41,220	.....	37,053	15,223
12. Salaries, Pensions, etc. . . . .	155,937	46,218	48,966	56,239	66,103	69,887	56,945	56,738	23,795	17,786
13. Expenses . . . . .	89,749	12,307	10,898	21,127	44,913	33,310	14,981	28,712	17,445	13,448
14. Taxes . . . . .	69,226	49,630	19,014	26,575	13,427	20,618	20,348	10,565	21,361	2,839
15. Net-return . . . . .	76,775	45,459	36,624	33,418	49,031	76,503	39,341	16,966	35,628	13,900

Note. Values are given in thousand kronen.



TABLE 2  
INCREASE IN THE NOMINAL CAPITAL OF IMPORTANT BANKS

<i>Institut</i>	1914	1917	1918	1920	1921 <i>p3. 15. 3.</i>
Anglobank . . . . .	100,000,000	130,000,000	150,000,000	200,000,000	300,000,000
Bankverein . . . . .	150,000,000	150,000,000	180,000,000	300,000,000	300,000,000
Boden-Credit-Anstalt . . . . .	54,000,000	63,000,000	75,000,000	105,000,000	150,000,000
Centralbank d. deutsch. Spark. . . . .	30,000,000	30,000,000	50,000,000	80,000,000	120,000,000
Credit Anstalt . . . . .	150,000,000	170,000,000	200,000,000	320,000,000	400,000,000
Depositenbank . . . . .	33,000,000	60,000,000	80,000,000	300,000,000	300,000,000
Escomptegesellsch. . . . .	110,000,000	100,000,000	100,000,000	150,000,000	150,000,000
Länderbank . . . . .	130,000,000	130,000,000	160,000,000	160,000,000	160,000,000
"Mercur" . . . . .	50,000,000	66,000,000	80,000,000	180,000,000	200,000,000
Unionbank . . . . .	70,000,000	100,000,000	100,000,000	150,000,000	200,000,000
Verkehrsbank . . . . .	50,400,000	65,000,040	75,040,000	175,000,000	175,000,000
Kommerzialbank . . . . .	.....	30,000,000	45,000,000	150,000,000	150,000,000
Wr. Lombard-u. Escompte- bank . . . . .	10,000,000	15,000,000	20,000,000	100,000,000	100,000,000

The favorable opinion of bank shares entertained in competent quarters is, of course, largely due to their lucrativeness. Table 3 shows the percentage of dividend paid by banks.

#### IMMEDIATE PROBLEMS

The preceding sketch will not leave on the mind of the reader an adequate

impression of the task set before Austrian banks unless he remembers constantly how their will to work and their efforts to revert to normal business have to struggle against the obstacles erected by the Treaty of St. Germain. The budgetary position of the state, and in connection therewith the currency question, the economic

TABLE 3  
AMOUNT OF THE DIVIDENDS, IN PER CENT, PAID BY IMPORTANT BANKS

<i>Institut</i>	1913	1915	1917	1919	1920
Anglo-österr. Bank . . . . .	8 1/3	8 3/4	10 5/6	10	
Wiener Bank-Verein . . . . .	8	7	8 1/2	8 1/2	12
Boden-Credit-Anstalt . . . . .	20	20	22	20	20
Credit Anstalt . . . . .	10 5/8	10	12 3/16	11 7/8	15
Escompte-Gesellschaft . . . . .	10 1/2	11	12	12	14
Länderbank . . . . .	7 1/2	6	8	6	
Unionbank . . . . .	8 1/2	7 1/2	9	9	11
Centralbank d. deutsch. Spark. . . . .	5	4 1/2	5 1/2	6 1/2	8
Depositenbank . . . . .	8 1/2	8 1/2	9 3/4	10	12 1/2
"Mercur" . . . . .	9	7	9 1/2	10	12 1/2
Allg. Verkehrsbank . . . . .	7.85	6 3/7	8 4/7	10	12.85
Wr. Lombard-u. Escompte- bank . . . . .	6 1/2	5	5	5	
Wr. Kommerzialbank gegr. 1916 . . . . .			6	8	10

policy of the new states, the financial arrangements to be made with them, the payment of pre-war debts (especially kronen debts) constitute so many problems which the managers of Austrian banks have always to keep before them and which continually remind them that the greatest efforts are needed to surmount these difficulties.

Austria is a small country, but it is to be doubted whether even among the larger countries of the world there can

be found one upon which is incumbent the solution of so many complicated problems as confront this advanced post of western culture in Central Europe. It is therefore only natural that an appreciation of the Austrian, or more especially the Vienna, question should take this fact into account. Conditions in Austria have become sufficiently consolidated to make clearly discernible the economic bearing of the problem as shown in the balance sheet of the banks.

## CHAPTER VIII

### Traffic and Transport in Austria

Compiled by the Ministry for Transport and Traffic

THE transport system of Austria is not the necessary effect of an economic evolution; it is indeed, like the state itself, nothing but the torso, the western fragment of a once united system. Vienna, the former center of traffic, is now situated, with all its central apparatus, on the periphery of a small country. This fact should not be overlooked in considering the transport system and the separate means of transportation.

#### AUSTRIAN RAILWAYS

The total railway net of the Austrian state railways has, including the small railways, a length of 6,940.05 kilometers; of these 3,415.79 kilometers called *Bundesbahnen* fall to the share of railways in the possession of the government; 302.45 kilometers, to railways belonging to private societies but operated for the government, and 836.76 kilometers, to state railways operated by private individuals; so that 4,555 kilometers are at present operated by the state.

The length of the private railways

amounts now to 921.81 kilometers. The share of the Südbahn Gesellschaft, whose total line was formerly in Austria and extended over 2,334 kilometers from Vienna to Triest, amounts now in Austria only to 703 kilometers, but the company has the administration of 195 kilometers of local railways in Lower Austria and Styria. The Aspang railway, 87 kilometers, Vienna-Aspang, is administrated by a shareholders' company. Independent local railways extend to a total amount of 1,072 kilometers.

In old Austria there were over 25 kilometers of small railways moved by steam, 362 kilometers, by electricity, and 1.24 kilometers of cable roads.

Only the following railways of the Austrian Republic have not been diminished: the western lines (Vienna-Bregenz, Vienna-Passau) and the line to the south (Vienna-Villach-Tarvis) at the Italian frontier. The Südbahn-Gesellschaft carries traffic only to the Jugo-Slavian frontier at Spielfeld, though its lines go further on over Jugo-Slavian and Italian territories,

until they reach Triest, part of the former Austrian Monarchy. Two of the principal junctions have fallen to the lot of the Succession States, *i.e.*, Marburg to Jugo-Slavia and Franzensfeste to Italy.

#### NEW FRONTIER LINES AND THE RAILWAYS

To remove the disadvantages of the present frontier lines, the countries now having parts of the Südbahn, Austria, Italy, Jugo-Slavia, have concluded an agreement, the so-called *Régime Provisoire*, which has to remain in force until a final solution of the Südbahn problem. This agreement secures the Südbahn an independent continuation and uniformity. For the administration of the Südbahn the same regulations are in force as for the state railways. The question of the employers, also, is managed in the same manner.

Of the northern and eastern lines, the Nordbahn (Vienna-Krakau), Nordwestbahn (Vienna-Prag-Tetschen-Bodenbach) and Franz-Josefsbahn (Vienna-Prague and Vienna-Eger), but fragments of 41 to 164 kilometers belong to Austria. By the fixation of the frontiers by the Peace Treaty, the transit stations, Gmünd, Znaim, Grussbach and Lundenburg, which are provided with the accommodations necessary to centers of traffic, were given over to the Czecho-Slovakian Republic. In consequence, those parts of the railway lines which remain in Austria lack stations able to collect and to dispose of the flood of goods coming into that country. The technical plants of the Gmünd and Lundenburg stations were especially accommodated to the traffic in the direction of Vienna, in which direction went heavily loaded freight trains; over these lines, the large coal transports were brought from the Czechian and Silesian coal districts having a large export industry.

It was a natural consequence of the formation of new states that customs frontiers should be erected, which render passenger and freight traffic from Vienna to Hungary and Roumania, and vice versa, by the means of passport and customs duties, much more difficult, and indeed, condemn the double-railed mainline, Vienna-Marchegg, formerly very much used, to total lack of traffic, the traffic from Hungary passing Bruck on the Leitha though that line is of smaller capacity. Some improvements in the traffic of the Succession States have been made by different conferences; the final removal of the many remaining traffic difficulties between these states will be the task of the International Conference in Portoroze, planned for September.<sup>1</sup>

The unfavorable development of railway traffic caused by the War, and its consequences from which not even the victorious countries have been spared, naturally was felt very heavily by the Austrian railways. The Austrian railways were reduced by the Treaty of St. Germain to the Alpine lines, which labor under difficult grade-building and traffic conditions, and are not much frequented. The Austrian railways were further weakened by the tendencies of the Succession States to withdraw from traffic relations dating back for centuries, while, on the other hand, the Peace Treaty imposed heavy burdens on all Austrian roads for the benefit of the Succession States. Furthermore, the continued depreciation of the currency in Austria and the continual drop in the purchasing power of the Austrian krone abroad, immensely increased the expenditure for salaries and, still further, the expenditure for materials, while the limit for raising the tariff was soon reached, due to the

<sup>1</sup> Editor's note. This chapter was compiled in July.

pauperization of the masses. But the greatest increase in expenditure was caused by the loss of the coal supply districts brought about by the Peace Treaty. This loss resulted not only in the dependency of the Austrian coal supply on the good-will of the neighboring states, which compel Austria to take coal of low grade, but also, because of the extraordinary low rate of the Austrian exchange abroad, in the raising of the price of coal to 180 times the pre-war price.

The bad business results to which this condition must lead are indicated by the following figures concerning the state railways which form the greatest part of the Austrian railway net and therefore determine the general prospect for the entire system. According to the preliminary budget for the present year—definite balances have not yet been published—an expenditure of 16.6 billions kronen stands against an annual revenue of 7.8 billions kronen (chiefly transport returns) so that, including the .4 billions kronen for interest and redemption of railway debt, we find a deficit of 9.2 billions. Of the total expenditure about 8 billions kronen fall to the share of salaries, etc., the rest, to the share of materials. Half of this expenditure for materials is designed for the coal for trains, and of this, in consequence of the bad rate of exchange, more than three billions kronen are accounted for in losses caused by the currency depreciation, which would be spared if the peace parity were reached.

A lasting improvement in this situation can be produced only by the reconstruction of economic life and the abolition of the impediments to traffic. The Austrian railways are endeavoring, either by the utmost reduction in expenditure or by far-reaching raise of revenue to oppose a further diminution of working capacity and revenues.

#### SALARIES AND EMPLOYMENT

The Austrian state railways employ about 90,000 persons. Of these about 75,000 are definitely employed with annual salaries, and 15,000 are assistants, whose employment is revocable and who have only day wages.

The payment of definite employes consists of a regular salary, plus extra salary graduated according to locality; that is, these employes may be divided into five groups whose pay varies according to the price level of the different places of employment. For instance, this extra salary amounts to 100 per cent of the regular salary in Vienna, and in the locality of the lowest paid group, to only 40 per cent. The wages of the assistants, too, differ according to grouping. In addition, all railway employes now receive "extra dearth remunerations" by fixed rates, *i.e.*, extra dearth remunerations and extra remunerations for the members of the family, which are reduced with the diminution of price level.

The payment of definite railroad employes in the tenth year of employment in Vienna, the family consisting of a wife and one child, amounts yearly (regular salary, extra pay according to locality of employment, extra dearth remunerations and "family-members remunerations" included) to:

	Kronen
For employes with academic training (engineers, etc.) . . . . .	86.160
For employes with intermediate-school learning (employes in the railway stations or in the administrative offices) . . . . .	80.568
For engine-drivers . . . . .	77.404
For conductors . . . . .	73.252
For railway guards . . . . .	71.888

The employes used in the traffic service, itself, are given shares of the working result, according to their different work, in the form of set prices (piece-work). Piece-work is introduced,

particularly in manual and technical work, as premiums, especially in the actual traffic and train service.

All questions concerning the employes as a whole or in their separate categories, or affecting the character of fundamental regulations; further, all measures concerning social or economic institutions for the employed, and, finally and all matters concerning the pensions of employes, are regulated by mutual consent of the authority passing the regulation and the elected representative of the employed.

As far as the up-keep is concerned, long neglected during the War, the railways could make up for the loss of time, but insurmountable difficulties still prevent extensive building activity. Only the principal problems, such as the establishment of institutions necessitated by the fixation of new frontiers and new traffic directions and the erection of buildings for the employes, can be considered. Then, too, lines must be provided to meet an increased pressure of 16 tons on the axle (Achsdruk) and on main lines, 20 tons.

The traffic policy of the state railways has to some extent a fiscal character, in that it varies according to the financial situation of the state. The passenger and the freight tariffs have been raised at several times and reach a considerable height. The freight tariff has already surpassed the world parity (currency depreciation). In general, on the state railways and the more important private lines, the freight rates have increased 150 times, the passenger tariff, 100 times the pre-war rate. Direct tariffs for the traffic with foreign countries could not be fixed on account of the fluctuating situation.

Further, on account of the extraordinary conditions it was impossible to put into force, unreduced, the norms of the International Convention, these

being in pre-war time the general legislative basis of the international railway freight traffic. The difficulties mentioned have brought about the conclusion of special agreements between Austria and the Succession States, providing for the application measures adopted by the Convention of Berne with some exceptions and restrictions. Only concerning the traffic between the Austrian and the Czecho-Slovakian Republic was it possible to put the agreement in force without restrictions.

#### ELECTRIFICATION PROJECTS AND THE RAILWAYS

As Austria is almost entirely dependent for her coal supply upon foreign sources, after the dissolution of the Austro-Hungarian Monarchy it was the first care of the railway administration to make use of the inland water powers for the railways. At once necessary technical and legal measures were taken concerning the Salzburg-Innsbruck-Bregenz line to the frontier, the Tauern railway (Schwarzbach-St. Veit-Attnang-Puchheim) and the Salzkammergut railway. The execution of these measures began immediately.

In the foreground stands the Innsbruck-Bludenz line (Arlberg railway) which is especially adapted for electrification because of the intensity of its traffic, its steepness, the large water powers near to it, and its long distance from the coal districts. The water power works of the Rutz near Innsbruck and of the Spullersee in Vorarlberg are also destined for railway use and the work of electrification has already begun. The railway line Salzburg-Schwarzbach-St. Veit and Schwarzbach-St. Veit-Spittal at the Millstättersee, too, is to be supplied with electric power from the power stations of Stubach and Mallnitz and the construction of both stations has already been started.

The building of electric engines has begun, passenger train engines, engines for lighter express trains and freight trains (two put together can draw even the heavy trains) and freight train engines for heavy freight trains on the steep line of the Arlberg.

The financial issue is a very difficult part of the electrification problem. A law provides for long term investment loans, especially with the help of foreign capital. But, up until now, these could not be realized and, therefore, the expenses had to be met by government means. However, the State Railways Administration hopes that the credit action of the League of Nations may change the present situation and provide Austria with the means necessary for electrification.

#### INLAND NAVIGATION

Of the Austrian waterways, the Danube and some of its tributaries and the lakes of the Alps are used for navigation. But only the navigation on the Danube is of real importance. The first Austrian navigation project was the Erste Donau-Dampfschiffahrts-Gesellschaft. It possessed at the end of 1920, 146 steamships with 69,690 H.P. and 887 trackers, and, later on, floating docks, hoists, etc. In these figures are comprised the ships on which embargoes were laid or which were sunk, during the War, so that it will only be possible to state the real number of ships after the execution of the Peace Treaty. In the year 1920 the steamships could registrate 77,965 hours of passage and 772,877 kilometers, the trackers, 1,033 kilometers. In 1913, the last year before the War, these posts amounted to 272,556 hours and 2,709,310 kilometers and 4,679,444 kilometers of trackers. The passenger movement amounted in the year 1913 to 741,594 persons. The Erste Donau-Dampfschiffahrt-Gesellschaft possesses

shipyards in Korneuburg and Obuda (Hungary), coal mines in Pécs (Hungary), a railway line from Mohacs to Pécs, and further shipping places along the Danube; the modern shipping place of Vienna is particularly remarkable.

#### SEA NAVIGATION

According to Article 225 of the Treaty of St. Germain, Austria, having no seacoast at all, yet has the right to hold a merchant fleet at sea. A law dated March 17, 1921 makes the necessary legal provisions for its flagging right.

#### POST

All legislation concerning the post and its administration falls within the sphere of the government. The administration is led by state officials and the highest post board is a department of the ministry for traffic and transport, whose chief is general manager of the post.

To the post administrations of Vienna, Graz, Klagenfurt, Linz and Innsbruck, belong 2,100 post offices and 2,120 branch post offices. Eleven hundred post offices send rural postmen out to carry letters, parcels, etc. into the country. There are further travelling posts and numerous postmen.

All post offices are central receiving offices for the post office savings bank. Of these, 1,725 post offices attend also to the telegraph and 1,350 to the telephone. The number of the officials amounted on December 31, 1920 to 9,691, of whom 219 were versed in jurisprudence and 22,876 subaltern officials, workmen, etc.

#### TELEGRAPH AND TELEPHONE

The Austrian telegraph and telephone is administrated by the government, *i.e.*, one department of the ministry of traffic and transport.

Directly under its administration are the chief telegraph offices in Vienna, Graz, Innsbruck, Linz and Klagenfurt. After the union of the Burgenland (Western Hungary) with the Republic of Austria according to the Peace Treaty of St. Germain, a further chief telegraph office in Ödenburg will be added.

Next follow the independent telegraph and telephone offices. In Vienna there exists a central telegraph station with 36 simple Hughes apparatus, 40 Hughes duplex apparatus, 4 double-fold Baudot apparatus, 3 twofold Baudot apparatus, 7 Siemens telegraph apparatus (Duplex), etc.

Besides, there are in Vienna and the provinces seventy-six independent telegraph offices. The whole net of wire includes cables of the length of 48,000 kilometers, covering distances of 18,000 kilometers. The telephone communication is administrated by thirty-three independent telephone offices including 79,467 main partners and 40,054 secondary partners.

Altogether, 11,500 persons belong to

the telegraph and telephone administration, of whom 500 are in the administrating and in the building service.

#### AERIAL NAVIGATION

The state of aerial navigation in Austria has been determined by the Treaty of St. Germain. According to the terms of this treaty, all army aeronautic material, airships, motors, hangars, balloons and so on, had to be delivered to the Allied and Associated Powers and those not ordered for foreign transport, destroyed.

Since Austria had no private airships, her aeronautic activity is at present at a standstill. Its renewal will be possible only after the removal of the prohibition to build, to import or to export airships and their parts. The Paris Conference of the Allied Powers is willing to give to the Austrian government hangars and other aeronautic equipment for the supply of four aviation fields, Aspern, near Vienna, Thalerhof, near Graz, Klagenfurt and Innsbruck.

## CHAPTER IX

### The Manufactures of the Republic of Austria

By DR. SIEGMUND SCHILDER

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**I**N those provinces which in November, 1918, united to form the state of German Austria, the later Republic of Austria, there existed all sorts of manufactures in pre-war times, which continued even through the war. Simple handicrafts and repairing work were to be found in both town and country, beside gigantic industrial concerns, such as the Österreichische Alpine Montangesellschaft with its mines,

iron forges and iron industries in Northern Styria and Carinthia; the Aktiengesellschaft Krupp at Berndorf for the manufacture of manifold objects of base metals; the Steyrer Waffen und Kraftwagenfabrik, arms and motor-car industry; the Puchschen Fahrradwerke, motorcycle works in Graz; the Lokomotivfabrik in Wiener Neustadt; the two railway carriage factories in Vienna and Graz; the

Vöslauer Kammgarnspinnerei, long wool spinning mills, and the large breweries at Schwechat, near Vienna, and at Puntigam, near Graz.

During war-time some of these industries such as the metal and chemical factories, leather and shoe industries, were particularly flourishing inasmuch as they had to supply military requirements and were not totally cut off from the supply of raw materials. During the War, also, several state enterprises were added to private manufactures. These state enterprises were partly new projects and partly enlargements, like the Arsenal in Vienna, the ammunition works in Wöllersdorf and Blumau, etc.

Between the two extremes, *i.e.*, between handicrafts and the great manufactures, were large numbers of various factories of medium size. The War put an end to many of these smaller concerns either through their managers' being called to arms, or through want of raw materials; on the other hand, if their directors happened to be exempt from military service, or if the concern itself could be managed by women and did not lack raw materials, many of these medium sized manufacturers flourished as never before.

#### EFFECTS OF THE TREATY OF ST. GERMAIN

During the War established conditions underwent a great change which manifested itself in the adaptation of factories to the production of war requirements, in the lack of raw materials, in government prohibition on the manufacture of luxuries, etc. Then, after the War, the distribution of old Austria among the Succession States by the terms of the Treaty of St. Germain, in many cases had a detrimental effect on the industries remaining in the Republic of Austria. For example, sufficient spinning mills and

finishing works but by far too few looms are at disposal of the textile manufactures. The tanneries lack the supply of skins and tanning materials from the agricultural and forest districts of former Austria-Hungary. The important iron mines and smelting works in the Austrian Alpine provinces miss the necessary coal supply from the mining districts, which now belong to Czecho-Slovakia.

Still another effect of the treaty made itself disagreeably felt: namely, the fact that many of the great manufactures had always had their seats in Vienna but their factories, mines, etc., in those parts of former Austria-Hungary at present belonging to Czecho-Slovakia, Poland, Rumania, Jugo-Slavia or Italy. In these outlying districts, as it happened, circumstances in pre-war times afforded better prospects for industrial work: an abundance of raw materials, semi-manufactured goods and fuel; favorable lines of communication for export trade; moderate wages; low land prices and rents; occasionally, also, a lower taxation. Very often, indeed, only the commercial managements had their seat in Vienna.

#### MANUFACTURE OF LUXURIES IN VIENNA

The disadvantages of the breaking-up of the former great Austro-Hungarian economic and customs unit were less felt by the manufactures of luxuries and objects of art in Vienna. Here at the Capital, such manufactures derived certain advantages from the general conditions in the great metropolis which were to be found scarcely elsewhere within Austria-Hungary; *i.e.*, an innate and refined taste, a special skill in arts and crafts, surroundings encouraging such faculties and talents and comparatively wealthy and pleasure-seeking customers. Vienna, in consequence, has been able to develop



art objects to compare with the well known articles of Paris. In Vienna such products go by the name of fancy goods (*Galanteriewaren*) and comprise a great number of objects for daily use and ornaments made of the most varied materials.

Beside fancy goods made of leather, trunk articles, and saddler's wares, these are knick-knacks, smoker's requisites, stationery, articles for office use, cutlery, decorative buttons, lamps and candlesticks, high class toys, turned and carved objects made of ivory, mother of pearl, tortoise shell, horn, *gabalth* celluloid, soap-stone, marble, fine wood and base metals (especially bronze and other alloys of tin, zinc, nickle and copper) including wrought iron. The objects of art made of silver, gold and platinum rank with the jewelry and church vessels for the fabrication of which Vienna has long been renowned. Another group of art objects is formed by art fabrics and clothes, elegant gowns and underwear for ladies and children, carpets, fancy shoes, furs, feathers for trimming and artificial flowers, felt hats and art needle-work on cambric.

We must further enumerate among the manufacture of luxuries at Vienna, musical instruments (especially pianos), billiard tables, fancy stationery, more particularly notepaper, envelopes, albums, visiting cards, view-cards, pictures and engravings, maps, wicker articles, high class furniture, and the products of the film manufactures, which have gained much importance because of the possibilities for exportation after the War. For the rest, manufactures of luxuries are also to be found outside of Vienna in other cities of the Republic of Austria, as for instance, stained glass at Innsbruck, potteries in Upper-Austria (Salzkammergut), wood carvings in a number of the Alpine districts, etc.

Another consequence of the new demarcation of Austria was frequently observed in certain branches of industrial life which in the times of the old dual monarchy worked chiefly for home markets in a rather lax manner encouraged by protectionism. These manufactures were suddenly turned into export industries, within the narrowed customs and economic boundaries of the Austrian Republic. It is true that for some of these industries adaptation to new conditions was facilitated by the fact that the rate of exchange of the Austrian krone in foreign countries dropped faster than the wages and other working costs of the industries went up in Austria.

#### FOREIGN AID TO MANUFACTURES

In many instances not a few foreign firms were induced to avail themselves of the Austrian industries for the finishing up of various raw materials and semi-manufactured goods. For instance, German publishers made use of Austrian printing offices; Swiss packers, of the slaughter houses in the Austrian province of Vorarlberg. In the chapter on "Customs Policy," is given a more detailed description of this finishing up trade and of the means employed by the government to encourage it with the help of the customs and credit policy.

Besides, Austrian manufactures were allowed to profit by the short reconstruction boom, which set in immediately after the Armistice and ended in the spring of 1920 to make room for an international economic crisis.

Austrian industry was the more in need of such aid as it had to labor under a number of very unfavorable conditions. In the first instance, we must mention the lack of raw material, semi-manufactured goods and fuel. This, again, would seem a consequence of other grievances, especially the

limiting of the Republic of Austria to a territory but moderately rich in natural resources and the political isolation of Austria, caused by the policy of the other Succession States, particularly of Czecho-Slovakia. It should not be overlooked, either, that the rapid depreciation of the currency increased the purchasing power of foreign countries in Austrian markets and the consequent possibilities of selling Austrian products, while the purchasing power of Austrian manufacturers for foreign raw materials and semi-manufactured goods was sensibly diminished.

#### THE COAL SHORTAGE

The shortage of coal was particularly felt by those manufactures that use coal as an integral part of their products, *i. e.*, productions of calcium carbide, or employ it in comparatively large quantities as in iron mills, in brick and cement yards (where coal shortage meant stoppage in the building trade), in other branches of metallurgy, in the calcination of magnesite, etc. For almost a year past, mutual compensation treaties with foreign countries have brought some relief, for example, the exchange of Austrian cement in Jugo-Slavia for the requirements of iron works ever since the penetration of the German Stinnes concern into the Alpine Montangesellschaft. For business reasons the hauling of iron ore in the Austrian Alpine provinces was limited to the two most easily excavated *Erzberge* (one between Eisenerz and Vordernberg in Northern Styria, the other at Hüttenberg in Carinthia) by the Alpine Montangesellschaft, the most prominent of the Austrian iron foundries, although in other parts of the Austrian Republic important beds of coal are to be found. Beside the Alpine Montangesellschaft, must be mentioned the smaller iron foundries that have gained renown

throughout the world for their first quality steel.

The output of iron ore amounted to two million tons in the last years before the War but has since declined because of the generally unfavorable conditions of the Austrian Republic. The same is true in a comparatively smaller degree of the production of pig iron, which sank from 607,000 tons in 1913 to 110,000 tons in 1920, and, in 1919, even to 55,000 tons. In this extremity, numerous hardware factories were forced to import semi-manufactured goods from Czecho-Slovakia and especially from Germany. This was the case with the very capable machine works making industrial and agricultural machines, the works engaged in the production of rolling stock, railway and building materials, the motor-car and bicycle factories, the ship-building yards on the Danube, the manufactures of cutlery, scythes, sickles, etc.

The Austrian industries were forced to adapt themselves to all these unfavorable conditions. Apart from the fancy goods industries, the scarcity and high price of raw materials, semi-manufactured goods and fuel limited the manufactures to the production of articles in which the value of raw material and semi-manufactured goods falls short of the value of the labor involved. So instead of leather, leather shoes were exported; instead of any fabrics, clothing and underwear; instead of semi-manufactured paper, paper itself or rather paper-goods, stationery, prints, etc.

#### DOMESTIC ENCOURAGEMENT

But Austria found a way out of those difficulties not only by making use of capital and labor in production of high class workmanship, but by giving preference to those branches of industries for which the raw materials

were, for the greater part, to be procured at home and to which the problem of fuel presented no great difficulties. Here it is well to mention the greatest natural resource (some deposits of useful minerals excepted) of which the Austrian Republic can boast—namely, her forests. These cover 2.95 million hectare (about 7 million acres) and yield about 4.6 million cubic metres of wood, over 95 per cent soft wood. The manufacture of wooden articles in Austria comprises all sorts of wares from the simplest sawed and rough hewed goods to the finest wooden fancy articles and carvings. There are, in addition, planed woods, veneer and timber, common and select furniture, kitchen furniture, wooden parts of tools and machinery, toys made of wood, etc. Wood is further of great importance to the Austrian Republic as the raw material for the production of paper and paper goods. All this forms an integral part of the industrial activity within the narrowed boundaries of the Republic of Austria.

#### MINERALS OF AUSTRIA

Ranging far behind wood with its manifold uses and the iron industries must be named the three principal mineral raw materials of the Republic of Austria, magnesite, graphite and talcum. Magnesite is principally used as a raw material in iron foundries. In consequence of various difficulties, the almost inexhaustible deposits in the Austrian Alpine provinces (especially in Veitsch and further at Kraubath, both deposits in Northern Styria) yielded an output of only 9,971 tons raw magnesite and 52,560 tons calcinated magnesite for export in 1920. At present Germany is the principal buyer of magnesite, a capacity in which the United States had appeared before the war.

Graphite is found in Styria (particularly near Mautern-St. Michael) of a hard non-sulphurous kind which is principally used to make crucibles for casting steel. Besides, there are smaller deposits of graphite in the North West of Lower Austria (up to Spitz on the Danube) as continuations of the South Bohemian graphite deposits. The production of the last year of peace, 1913, within the territory of the present Republic of Austria amounted to 17,282 tons and far exceeded the home requirements, which, it is true, are dependent on foreign countries for some special grades. In 1920, the production of the Austrian Republic amounted to only 11,500 tons.

Talcum is to be found in several places in the Alpine provinces but in especially large quantities and very good quality at Mautern (Northern Styria). Immediately before the War its output amounted to not quite 15,000 tons yearly. It is not only used for home demand in Austrian industries, but is also to a great extent refined for export according to the various manners of its employment in powders, paints, tooth-paste, as filling material in the paper industry, finishing material in the textile industry, as non-lubricating and polishing material free from fat in numerous industries such as potteries and the glass industry, etc.

Not only are the sources of old, well-known raw material energetically exploited in Austria but attempts are made to discover new ones or to utilize others, neglected or less known up to the present. Apart from endeavors, dating back to war-time, thoroughly to investigate the nature and usefulness of the abundant and manifold plants of economic value found in the Austrian Alpine districts, interest has chiefly centered in the mineral resources. It has for instance been

possible since the autumn of 1920 to become independent of the supply of North Bohemian caoline by the discovery of quite a good quality of this material in Upper Austria and so to lay a foundation for china manufacture in the Austrian Republic.

The fabrication of aluminum conducted with the help of the Alpine water powers has suffered very severely from the lack of the raw material, *bauxit*, ever since the collapse of the Monarchy in the autumn of 1918. Diligent mineralogical and geological research succeeded in discovering this mineral in Upper Austria and Salzburg and in stimulating a new development of the aluminum industry.

The gold mining which was carried on in the Alpine provinces, especially in Salzburg, to a comparatively large extent in the fifteenth and sixteenth centuries fell into disuse later on, owing partly to the unfavorable natural causes, descent of glaciers, and partly to the expulsion of the Protestant miners. But in the course of the last year gold mining has again been taken up with greater zeal as a good capital investment and met with some success, especially in the territories of Gastein and Rauris.

The coal output which still remains short of the demand has been raised on the one hand by the exploitation of coal mines neglected till now, and on the other hand by more intense exploitation of the deposits already worked which already show an increase of from not quite two million tons in 1919 to about two and one-half million tons in 1920. It is true

that for the greatest part brown coal is hauled. The oil slate (*Ölschiefer*) deposits in Northern-Tirol which had already been exploited on a moderate scale for some time have been worked more intensively ever since the summer of 1920. They are to furnish the raw material for some chemical works.

#### NATIONALIZATION

During the first two years of the Republic of Austria while the Social Democratic party played an important, and sometimes even a leading part in the government, eager attempts were made to create industries on the basis of nationalization (*Gemeinwirtschaft*) or as half private enterprises. Some municipalities of larger towns that are in the hands of the Social Democratic party, Vienna, Wiener Neustadt, Graz, etc., have pursued this line of action since the autumn of 1920 and the same may be said of the organizations of consumers in town and countryside, coöperative societies and agricultural purchasing societies. They are tackling the problems of the exploitation of the water powers, electric plants, coal mines, mills, bakeries, the production of medicines, the procuring of agricultural implements and machinery, seeds and sundry other agricultural requirements, the shoe industries, the manufacture of saddles, leather goods and the weaving and making up of textiles, etc.

But none of these attempts have so far been so greatly successful as materially to discredit the old established system of free capitalistic initiative.

## CHAPTER X

## Austria's Trade

By HOFKAT PROFESSOR ANTON SCHMID

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TRADE is of decisive importance for Austria and especially for Vienna. Agriculture and mining are unable to meet the demand made upon them by the population. The manufactures lack raw materials and other means of fabrication. Despite the greatest exertions made by the government and all classes of the population, only a comparatively small part of the demand for raw materials and manufactured goods could be furnished by home production. Through trade alone would it seem possible, therefore, to obtain the necessary raw materials. If amply provided with raw materials Austria could also manufacture high class specialties in fancy goods on a large scale. In order to dispose of this surplus of production highly developed trade would again be needed.

To a certain degree the very existence of Austria and Vienna can be assured only by an enormous development of trade and commerce. The foundations for such a development are already laid, since Austria by geographical position appears eminently suited to form a connecting link for the trade between the North and the South, the West and the East of Europe. Then, too, Vienna, beside all kinds of institutions needed for carrying on trade and traffic boasts, in the first instance, banks and other similar organizations, insurance companies, communications, forwarding agents, storehouses, etc. Just after the break-down of the Austro-Hungarian Monarchy the natural and historical importance of Vienna as an international, financial and commercial

center in Central Europe re-asserted itself and has grown ever since.

When the unhappy War was over, the home trade found itself chiefly occupied with foodstuffs and the necessities of life. Very often speculators caught hold of these valuable articles and raised their price inordinately, despite the most severe preventive measures. This questionable trade, carried on as it is chiefly by foreigners, injures the reliable, old-established indigenous merchants as well as the population, the economic life and the currency; but it will doubtless cease immediately when necessities of life can be thrown into the markets in sufficient quantities.

The weekly markets in the larger towns, the cattle markets and the trade carried on by hucksters are important for home trade. Owing to the difficulties of communication, markets and fairs have gained in importance. In Vienna regular public sales by auction of objects of art, articles manufactured by the arts and crafts, and antiques are held. At the public pawn broker's office and repository (*Versatz und Verwahrant Dorotheum*) new and second-hand goods are sold by auction almost daily.

Most of the commerce between the Succession States and Austria-Hungary is actually or financially carried on through the intermediary of Vienna. If the Allied Powers really mean to keep up the independence of Austria and Vienna, they can achieve this only by granting correspondingly *high credits*, in order to pay up Austrian

currency, and by promoting Austria's manufactures and trade to the utmost. Unfortunately, Austrian trade is much hampered by various measures adopted by neighboring countries, whereas, perhaps, if these countries were to study their own interests, they would guard the independence of Austria.

Three great valleys following the main direction of the mountain range and four side valleys in the Alps, all of which are traversed by railway lines, form the natural network of traffic for the trade of Austria. From west to east the Danube forms the important line of commercial communication, but it is far from having been properly utilized because Austria could not command the necessary funds for enlarging the ports of Vienna, Korneuburg and Linz on the Danube and stimulating the traffic.

Next to Vienna the most important commercial centers are Graz, Innsbruck, Linz, Salzburg, Klagenfurt, Bregenz, Villach, Wiener-Neustadt, St. Pölten, Baden, Steyr, Wels, Krems.

The most important articles of Austrian trade are at present as follows: wood and wooden articles, iron, and iron mongery, paper and paper goods, (stationery), machinery, apparatus, textile fabrics, clothes, grain, leguminous plants, flour, vegetables, fats, fuel, chemical products, mechanical instruments, watches, leather and fancy goods and the so-called "Viennese articles"—ready-made clothes, furniture, cars and carriages, leather goods, articles for smokers, works of art, articles produced by the arts and crafts and cigarette paper.

The imports arranged according to quantity comprise: coal, coke, grain, vegetables and vegetable products, sugar, all kinds of foodstuffs, iron and iron mongery, stone-, china- and glassware, pottery, minerals, mineral oils, raw materials for textiles, chemi-

cals, machinery and apparatus, salt, raw materials and other materials used in manufacture.

The principal articles for export arranged according to quantity are: wood and wooden articles, minerals, especially magnesite, graphite, lime, stones, ores, talcum, iron, and iron mongery, offal, paper and stationery, vegetables and fruit, machinery, apparatus, wearing apparel, cars, chemicals, books, works of art, glass- and chinaware.

Three-quarters of the total imports consist of coal and coke, grain, leguminous plants, rice and flour. Sugar and other foodstuffs rank next. It is most satisfactory to state the increased import of industrial raw materials particularly cotton, wool, hemp, jute, hides, skins, tanning materials, India rubber, leather, iron, raw metal, together with a decrease in the importation of their manufactured articles. The rising importation of manure salts and other manure is also a matter of satisfaction. The increased export is in the first place to be attributed to the greater exportation of wood, metal, ores, magnesite, and further to that of cotton fabrics, woolen materials, hats and umbrellas, ready-made clothes, stationery, India rubber goods, shoes, furniture and other wooden articles, cement, hardware, colors, soaps, and chemicals (especially vitriol of copper).

More than half of the imports come from Germany, one-fourth from Czecho-Slovakia, whereas one-fourth of the exported goods go to Italy, one-fourth to Czecho-Slovakia, and smaller fractions to Germany, Hungary, Switzerland, Jugo-Slavia and Poland. Unfortunately, the large Viennese trade with the western countries, with Russia and countries overseas, which had been flourishing before the War, could not be resumed to such an extent as to ensure even the most precarious existence for Austria and Vienna.

The transit trade is very considerable in all sorts of fuel, cotton yarn and cotton fabrics, apparatus, salt, foodstuffs, sugar, minerals, iron and hardwares, chemicals, beverages, wool and woolen goods, ready-made clothing, stationery, glass-, china- and earthenware, cars, mechanical instruments, watches, matches, candles, soaps and offal.

Whereas in 1919 the import came up to scarcely 40 millions kronen and the export scarcely to 10 millions kronen, the import rose to 14.5 millions kronen during the first quarter of 1921 against 11.4 millions during the corresponding period of 1920. The export rose from 1.9 millions kronen in the first quarter of 1920 to 3.8 millions in the first quarter of 1921. The import showed an increase of 28, the export, of 100 per cent. But unfortunately the export continues to form only one-fourth of the import, whereas for the sake of her mere existence Austria ought to export much more than she imports.

Only the exceedingly large finishing up trade, for which America, England, France, Italy, Belgium and the Succession States of Austria-Hungary should allow her credits and raw materials to facilitate the selling of the finished articles in their own commercial centers, may help to save Austria from utter ruin in which Europe and the

overseas countries would be involved to a much higher degree than it can be imagined at present.

Vienna's innate vitality has so far stood the severest tests very well indeed, despite all pessimistic prophecies, and the Capital has developed into a center of trade and commerce for Central and Eastern Europe. The most strenuous efforts are being made at present in this heavily afflicted city to arrange a fair on the largest scale.

But a lasting guarantee for the existence of Vienna can be found only in its development into a center of transit, with a transit port on the Danube, as many transit storehouses as possible and other institutions for transit trade. During the Great War, Vienna received the fugitives of foreign nationality from the North, the East and the South with great hospitality. It has preserved peace and order in spite of the severest sufferings and the greatest shortage of food. These facts, alone, would make it particularly adapted as a centre for international trade and commerce and as the meeting place for international commissions. Foreign capitalists wishing to invest their money would find in Vienna many opportunities, that bid fair to pay rich interests and gradually develop into an excellent and lasting business.

## CHAPTER XI

### The Customs Policy of the Republic of Austria

By DR. SIEGMUND SCHILDER

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**T**HE trade and customs policy of the Republic of Austria is founded mainly on the following principles:

1. The customs tariff of former Austria-Hungary, dated February 13,

1906. This tariff has undergone numerous modifications, *i.e.*, reductions or partial alterations through the commerce treaties of Austria-Hungary concluded in the meantime. The

customs duties fixed by those treaties are still in force, though quite a number of the countries concerned have themselves put an end to the treaties either by considering them a consequence of the war or by revoking them. These tariffs have been maintained by decrees of the former government, dated October 6, 1914, and February 14, 1918, in the interests of the consumers. In respect to those foodstuffs that are of particular importance as exports from Italy, such as dried fruits, olive-oil, etc., article 223 of the Treaty of St. Germain provides for the maintenance of the tariff until December 16, 1922.

2. Numerous reductions of and exemptions from duties dating from the time of the great war. These were intended to facilitate the supply of certain commodities which had become scarce by reason of the war, *i.e.*, foodstuffs, raw materials, semi-manufactured foods, cattle for farming and slaughtering, fish, meat, cereals, rice, legumes, flour, malt, fruit, vegetables, Italian pastes, food yeast, sugar, molasses, butter, artificial butter and margarine, cheese, various animal fats, condensed milk, raps, lead, alloys of lead and starch.

3. Maintenance by the Republic of Austria not only of these duty exemptions and reductions of war time, but, the economic situation getting worse, further exemptions and reductions of import duties. The exemptions in force in the summer of 1921 included the duties on the following: chicory (for making coffee-surrogates), certain coal tar oils, art prints and chromopasteboard, paper for art prints and chromo paper, raw-tanned goat and sheep skins, cement, sheet iron, iron plates and hammered iron, certain kinds of iron rolled into wire, rails and materials for fixing rails, certain goods of not malleable iron and certain goods of malleable iron. The sole export-

duty *i.e.*, that on raps, was considerably reduced.

4. The depreciation of Austrian currency which caused the payment in gold of the customs duties as fixed by a decree of February 13, 1906, to become, even during the war, a problem rather difficult to solve. (In October, 1918 the quotation of the Austrian krone was 40 Swiss centimes, against 105 in June, 1914.) Already during the last period of the monarchical system, the government had tried to make up for the currency depreciation in decreeing on September 18, 1918, an augmentation of the customs rates by 150 per cent in case the latter were paid in paper kronen. As the Austrian exchange was continually declining till it had reached the level of not more than one centime, and the distress of the state finances was going from bad to worse, the Republic of Austria was forced considerably to raise these additional duties from time to time. According to the last decree, dated April 24, 1921, the customs rates have to be multiplied by 100 when paid in paper money. For some groceries, as dried fruit, alcoholic drinks, dainties, textiles, millinery, clothing, precious metals and jewelry, gold watches, perfumery, cosmetics, the coefficient of augmentation is 130. The government terms these goods "luxuries" the import of which by the impoverished Austrian Republic should be prohibited or should at least support high duties.

5. The fact that in the former Austro-Hungarian Monarchy the temporary duty-free import for reëxportation after refining the raw materials was subject to the proof of export of manufactured goods and much limited. It was further bound to the proof of identity. But few exemptions based on the privilege of the "equivalent principle" were granted. This reëxportation was treated with much more liberality by



the Republican government of Austria.

A similar spirit of liberality is displayed in the new customs administration law of June 6, 1920. This law contains the most extensive concessions to meet the requirements of the export manufactures regarding the regulation of the refining trade. Among other things, it subjects the decisions of the customs authorities, to a considerable extent, to the administrative jurisdiction, similar to an old established practice in Anglo-Saxon countries. Reexportation of late has also helped the export industries to overcome the difficulties caused by the import and export prohibitions of post-war time. The facilities offered to exportation by the finishing up trade mentioned, serve also the purposes of a new kind of reexportation trade, which plays a prominent rôle in Austria as well as in other countries, which have enjoyed but small credit abroad since the year 1919. This re-export trade concerns the duty-free raw materials and semi-manufactured goods, and is understood to procure credits to the export industries for the purchase of raw materials in foreign countries with an appreciated currency. In return, the creditors have a specially guaranteed hold on the raw materials during the process of manufacture, on the goods made out of them and on the foreign values that are received for them.

6. A preference of the Republic of Austria from its very beginning to pursue a policy of free trade. Its capital, Vienna, being far too large for so small a country, it was quite natural that the Republic should in the first place try to meet the needs of the transit and finishing up trade. But in view of the not over-friendly attitude of some of her neighbors and the Succession States, especially the Czecho-Slovakian Republic and to some extent also Jugo-Slavia, the

Austrian Government had to content itself with issuing provisional compensations or, at most, "contingent" treaties during the first year or two after the Armistice. Moreover when these treaties, as far as they were favorable for Austria, were not observed by her neighbors (especially Czecho-Slovakia), impoverished Austria lacking the most important foodstuffs and raw materials and totally disarmed was economically and politically too weak to oppose herself to their breach. This situation became still more aggravated when on June 16, 1920, the Treaty of St. Germain came into force. This treaty obliged the Republic of Austria to accord the clause of the most favored nation to all Allied Powers (including the Succession States, Czecho-Slovakia, Jugo-Slavia, Poland, Hungary and Roumania) in respect to commerce, customs policy and personal rights. No reciprocity being stipulated, Austria has no means to fight a tariff war, even if ever so much wronged by any one of the Allied Powers.

The situation of the Austrian Republic was to some extent improved when the growing international commercial crisis in the world's market, which began in the second half of the year 1920, strengthened the position of the buyer in respect to the seller. The commerce treaties which she concluded with her principal neighbors and with the Succession States are again more like the pre-war treaties. The trade with remote countries, especially the oversea trade which had been interrupted by the War, has gradually revived.

#### PLANS FOR ENLARGING CUSTOMS BOUNDARIES

Ever since the proclamation of the Republic, plans have been under consideration tending to amalgamate the

territories now forming the Republic of Austria with some larger economic unit, with one custom boundary in common. One of these plans, which has, however, found but few adherents, their number constantly decreasing, aims at the re-union into one homogeneous economic whole of those parts that formerly constituted the Austria-Hungarian Monarchy or, failing this, of at least its central provinces, comprising the republics of Austria, Czecho-Slovakia and Hungary.

Aside from some smaller obstacles, this plan failed for the following reasons: the desire of Czecho-Slovakia to make Prague the political and economic capital of Central Europe; the deterioration which the Treaty of St. Germain has produced in the commercial and financial position of Austria, which would involve Czecho-Slovakia, also, in case of a tariff union; the divergence of the rates of exchange of the three countries, which would be a heavy burden to Czecho-Slovakia and a benefit to Austria and Hungary; the differences between Austria and Hungary on the question of the "Burgenland" (Western Hungary) and the contrast of the royalist-aristocratic trend of Hungary and the re-

publican-democratic trend of Austria.

Therefore, from the very beginning, the vast majority of the population has most energetically embraced the other plan. After this plan, Austria being in its present shape almost entirely inhabited by a population speaking and feeling German, would be united, at least economically, with Germany. Beside the argument of nationality there is an economic consideration, too, which speaks in favor of the union with Germany. Heavy as may be the burden imposed upon Germany by the Treaty of Versailles, the situation of this country may be termed brilliant when compared with that of the Austrian Republic. Further, Germany has always shown a very friendly attitude in respect to all questions of commerce and tariff policy ever since the autumn of 1918, and German capitalists have invested large sums in Austrian enterprises, especially in the iron industry in the North of Styria.

It is highly desirable that a feasible plan shall soon be adopted, for the economic situation of the country, lacking the most necessary natural resources and burdened with too large a capital city, still continues very unsettled.

## CHAPTER XII

### Social Policy in the Republic of Austria

By DR. ANTON HOFFMANN-OSTENHOF

Vienna

**I**N the following pages we propose to try to give a clear picture of the present state of social legislation in Austria as it has developed from the very beginning of the new Republic. Immediately after the War, in November, 1918, Austria was threatened by grave dangers. A multitude of sol-

diers returning from the front and unaccustomed to regular work flooded the country, while the war manufactures had to shut down. Thus there collected a whole army of unemployed, and serious outrages were to be dreaded in view of the excited state of mind of the population. It was therefore one

of the first duties of the newly founded Republic to find a remedy and to enable the unemployed to earn their living. Indeed, a few days later an unemployed payment was created with great financial sacrifices on the part of the government, by which the more serious economic and social disturbances could be avoided. The unemployed payment was at first nothing but a provisional measure to meet emergency; to carry it out, it was necessary to create a complicated new machinery and to institute special agencies for the unemployed. It devolved upon these agencies, in the first place, to procure suitable work for the unemployed who applied to them; if this proved impossible, the unemployed payment was granted out of the public fund, if the applicant had previously been in a situation which made health insurance compulsory. The sum of the unemployed payment was proportional to the daily insurance money, with extra pay for the members of the family.

As the economic situation continued to remain unfavorable, the unemployed payment had to be maintained; but, profiting by experience, it was reduced to a legal basis and transformed from a provisional emergency measure into a lasting institution organized in the form of an insurance against unemployment. Since the new law of 1920, the costs of the unemployed payment are no longer borne exclusively by the government but, according to the principles of insurance, the employers and employes are also compelled to contribute to the payment. While at first allowance was made for a critical situation and an indulgent treatment of the applicants for assistance proved necessary, at present the conditions of unemployed payment are based by law on severer rules and its duration is limited to a certain date within a year. The unemployed payment has also

been extended to all industrial laborers and employes. The amount of the grant is at present fixed in accordance with the daily money paid by the health insurance in case of sickness; the extra pay for the family has been abolished. Decision as to claims to the grant is regulated by law, and abuse of the unemployed payment is provided against by extensive measures of control.

The overstraining of the human working power as practised during the War necessitated a series of legislative measures all of which tend to spare and preserve the physical strength of the population and to protect certain classes of persons particularly in need of protection, against over-exertion.

#### THE EIGHT HOUR DAY

The most important measure to this end is the fixing of the eight hour day. Like the unemployed payment, this measure, long demanded by the laborers, was introduced in the winter of 1918-19 only by way of trial, and limited to the workmen in factories, where it encountered comparatively small difficulties. There, although it was impossible to form any definite opinion owing to the prostration of industrial life, a year after the law had been enacted it was observed that the factories had so far adapted themselves to the eight hour day that its definite institution could be contemplated, the more so as Austria's neighbors had followed the same course. The eight hour day was, accordingly, extended to all enterprises, not only concerning laborers but employes as well, by a law that came into force in the middle of 1920. Under this measure, the working of overtime may be allowed by the authorities to satisfy an increased demand for production. By mutual agreement (*Kollektivvertrag*) the eight hour day may be supplanted by the forty-eight hour week in order to pro-

cure the workers the advantage of a free Saturday afternoon. Exceptions of a general character for certain groups of enterprises may be fixed by the Ministry for Social Administration after having heard a council wherein employers and employed are represented in equal numbers. Such exceptions have been repeatedly granted, especially to meet the requirements of the small industries in the countryside.

The eight hour day was also introduced in the bakeries. The unsanitary conditions in this industry called for a special provision for the workmen. Already during the war when the baking of white rolls and bread were stopped, the customary but much opposed nightwork had been abolished to a certain extent. The bakery law of 1919 gave the prohibition of nightwork a legal form. With regard to the particular danger to health accompanying this work, the employment of baker's apprentices was made subject to medical certificate, establishing the physical qualification of the apprentice. The same precaution is taken in English legislation.

#### INDUSTRIAL PROTECTION

Among the persons most in need of protection we must count the women, juveniles and children. According to the laws now in force, women are not allowed to do regular industrial work during the first six weeks after their confinement. It is forbidden in all industries to employ female workers of any age, or male juveniles of between fourteen and eighteen years of age, in nightwork, between 8 p.m. and five a.m. The night's repose of these persons must amount to at least eleven successive hours. Exceptions beside those necessary to remedy a disturbance in the works or to avoid the loss of material, can be fixed by the Ministry for Social Administration, after

having heard the trade unions of the workers concerned and the associations of the employers, if important economical considerations or the interests of the workers should require them.

Detailed regulations for the protection of children are made by the Children's Employment Law of 1918. This refers to the employment of children, boys and girls below fourteen years of age, in regular remunerative work, even when not separately paid. The employment of children before their twelfth year of age is prohibited altogether except for light work in agriculture or in the household, and even here permitted only after the tenth completed year of age. In certain precarious enterprises and in dangerous lines of work, every kind of child employment is forbidden. As far as it is possible under the law, children must not be impaired in health, bodily or mental development, must not be morally endangered, or prevented from attending school. Also the night's rest of children, their employment on school days and school holidays and their Sunday rest are regulated by this law.

In the mining industry, the employment of children and the nightwork of women and male juveniles are prohibited just the same as in all other industrial undertakings. Juveniles of both sexes under eighteen years may be employed in mines only in such manner as not to injure their bodily development. Women of any age may be employed in mines only during the daytime; women before their confinement only for light work, and not sooner than six weeks after their confinement. Sunday rest is kept in the mining industry in the same manner as in other industrial undertakings.

Already in peace-time the legislative protection of persons employed in home-work in Austria had long been contem-

plated. This problem gained in importance during the war when numerous women were employed as homeworkers in the manufacture of underwear and uniforms for the army. The actual law on working and wages conditions for homework presents itself as a continuation of these endeavors. This regulation is confided to special commissions that, on the whole, have the same task as a board of wages. They fix minimum wages and may issue compulsory decrees regarding labor and delivery conditions. In addition, the law provides measures to prevent economically weak employes from being over-reached by their employers.

During the rush work of war-time it was not always possible to pay the necessary attention to protection of labor with regard to avoidance of accidents in factories. This could be secured only when quieter conditions returned. Connected with it is the reform of the meritorious institution of factory inspection which has existed in Austria since 1883. By a lately promulgated law its domain was much enlarged, so that it now controls not only the industrial undertakings but also the majority of other enterprises, such as banks, theatres, newspapers, homework, children's work, etc. That the inspectors of factories may fulfill their difficult duty, a higher official authority was bestowed on them, giving them the right to make a recommendation in criminal cases concerning the violation of the protection of labor, and the right to dispose independently in order to avoid threatening dangers when measures are necessary for the protection of the life, health and morality of the workers.

#### THE ARBEITERKAMMERN AND BETRIEBSRÄTE

Of the whole social legislature of the democratic Republic of Austria the

democratic principle of the worker's right of determination is most characteristic. This principle is especially realized in two modern institutions: the *Arbeiterkammern* (workmen's chambers), and the *Betriebsräte* (workmen's councils). In the *Arbeiterkammern* the workers and employes secure a representation of their economic interests organized by legislature. Heretofore, only employers had possessed such representation in the Chambers of Industry and Commerce. The *Arbeiterkammern* are organized in analogy to the Chambers of Commerce and Industry. Their members are elected by the workers and employes. Their task is, particularly, to give reports, memoranda, and proposals concerning the regulation and protection of labor, workers' insurance and aid for workers, to the authorities and legislative corporations for use in the making of labor statistics, welfare work, etc.

The institution of the *Betriebsräte*, or workmen's councils, is regulated by a law in force since the middle of 1919. With the experience acquired since that time it may be said that the fears of this new institution expressed by some quarters were unfounded. The *Betriebsräte*, which it is well to discriminate from the so-called *Arbeiterräte*, promise to become a useful intermediary between the employer and the employed. Fulfilment of this promise has been facilitated by the fact that their domain has been strictly circumscribed by law, and that in the event of the springing up of controversies, their decision has been referred to special boards, *Eini-gungsämter*, which are composed of equal parts of employers and employed, and are presided over by an impartial jurisdictional official. *Betriebsräte* must be elected in all factories and other enterprises with at least twenty workmen or employes. The number of the members of the *Betriebsräte* varies

according to the number of the persons belonging to the enterprise; the elections are to be made according to the principle of proportional elections. The Betriebsräte have to further the economic and social welfare of the employed. It is their task to execute the collective agreements, to control their execution, to introduce new ones after an understanding with the trade unions, to control the execution and observation of legislative prescriptions on workmen insurance, factory health, prevention of accidents, to inform the controlling authorities if necessary, to see that discipline is kept in the factory, etc. The Betriebsräte can be dismissed only if a legal reason exists, for such dismissal, and then, only with the consent of the Einigungsamt.

These Einigungsämter, beside attending to the tasks above mentioned, practise as *Friedensrichter*, (justices of peace), in the settlement of controversies springing out of conditions of labor, and can, if a friendly settlement is not established, pronounce an award which is legally executable, if the parties submit to it. Furthermore, they are registering boards for collective agreements. The system of collective agreements which is in use in nearly all branches of industry is registered at the Einigungsamt and published by it. The Einigungsamt can also extend the prescriptions of a collective agreement having gained preponderate importance to other labor contracts which are similar to those regulated by the collective agreement.

#### GENERAL SOCIAL MEASURES

Beside the workers and their employes the clerks have also succeeded in securing social improvements. In the period at the end of the war, they were protected against the loss of their positions by the prohibition of dismissal through employers. Later on, this

prohibition was limited and dismissal allowed under certain conditions, especially against the grant of a compensation. Finally, the whole legislation concerning clerical employes was regulated by a new law. This law perpetuates the prescription that the employe, who leaves his place through no fault of his own, after having held his position for some time, has the right to a compensation. Also the regulations concerning the consequences of unfounded dismissal, the terms of said dismissal, the receipt of salaries during sickness, confinement and leave of absence, give many advantages to the employes. A special law regulates paid leave for industrial workers who have a claim to from one to two weeks leave every year.

To the classes which get a modern social protection belong also the house-servants, including governesses, private tutors, etc. To these persons a limit of the daily working hours, pauses for rest, free going out, yearly leave, assistance in the case of illness have been secured by law. Also the sickness and accident insurance has been extended to the house-servants.

On the whole, it is planned to extend the sickness and accident insurance to persons who earn their living independently, *i.e.*, especially to the workers in agriculture and forestry who have been excluded until now. Of particular importance is the creation of an old age and invalidity insurance, very much in demand for some time by the working classes, which, too, it is planned shall presently be extended to all dependently working persons.

For the state officials who are particularly involved by the present situation and whose salaries cannot in consequence of the sad state of public finances keep pace with the huge increase of prices, a new kind of assist-

ance has been instituted by a special sickness insurance.

#### NATIONALIZATION LAWS

The much discussed problem of nationalization has also occupied the Austrian legislation. The laws relating to public welfare provide appropriation of economic enterprises for the benefit of public corporations (state, province, municipality), which shall be executed with full compensation of the proprietor according to a well regulated procedure. Provision is made, furthermore, for the creation of *Gemeinwirtschaftliche* institutions, a kind of syndicalism, founded by the state, province or municipality and intended either for transferring private or public enterprises to the property or administration of such *gemeinwirtschaftliche* institutions or for creating new enterprises in this form. The net return of these institutions is divided between the founding corporation and its workers and em-

ployes, the share of the employes being allowed to reach one-fourth of the return.

With the exception of some few and very moderate attempts to transfer public or state enterprises to *gemeinwirtschaftliche* institutions, a realization of these legislative regulations has not yet taken place. It is quite certain that it is impossible to realize this plan to a greater extent under the prevailing difficulties.

This short enumeration of the most important measures, may prove how active the Austrian legislature has been in the last years with regard to social policy, and may serve to show what social progress has been made. That all these manifold innovations, decisive in the development of the economic life could, on the whole, be introduced without any greater troubles, gives evidence of the sound judgment of all classes and persons concerned, and permits a hope of the best for the future.

## CHAPTER XIII

### Government Organization for Social Aid in Austria

By DR. ROBERT BARTSCH

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**I**N the following article, we propose to speak entirely of juvenile aid, aid for disabled soldiers, their widows and orphans, and poor relief, since the other provisions of government organization for social help are to be dealt with in special chapters.

#### JUVENILE AID

For many centuries past it has devolved upon the Austrian courts of justice to appoint and control guardians for children who are deprived of

the legitimate guardianship of a father. The courts of justice also exercise a far-reaching right of control over the father's. They limit his power and proffer assistance even against the will of father or guardian. This jurisdictional care for juveniles has quite recently been given a wider compass by the law of 1919. This new law concerning juvenile courts decrees their jurisdiction exercised over persons under eighteen years of age to be joint with the jurisdiction of the

courts of wards, exercised over all juveniles in need of help, particularly over all waifs and strays or ill-treated children and those in moral danger from their surroundings; it gives them, also, the right to settle the abode of children sprung from various unions on the part of their parents.

The most serious defect of the old system was the inefficiency of guardians. These were chosen individually, and the acceptance of the appointment formed part of their duties as citizens. Women were excluded from this office up to 1914. The foundation of orphans' councils (*Waisenratsvereine*) intended to assist the courts of justice in the control of guardians, did not effect a change for the better. A new and promising departure has lately been made in an official guardianship (*Berufsvormundschaft*) which was recognized by the civil code in 1914.

#### OFFICIAL GUARDIANSHIP

This official guardianship, is exercised by the headmasters of boarding schools over the children under their charge, and, further, by societies and public juvenile boards (*Jugendämter*). The societies and juvenile boards are either appointed as guardians by the courts of justice in individual cases, or by virtue of a special jurisdictional authorization, become guardians of all illegitimate children within their domain from the moment of the birth of the child. What makes the official guardianship so valuable is the substitution of a specially trained and officially appointed body of guardians for the frequently incompetent, inexperienced and disloyal individual guardian. Endeavors are being made gradually to extend the official guardianship over all illegitimate children, during the first years of their lives, at least; and, in time, to institute it for

legitimate children where no sufficient guardianship on the part of relatives or friends has been provided for.

The official guardianship is the basis of the juvenile boards which have been introduced into Austria during the last ten years. At first such boards were established by the larger municipalities. Now, beside Vienna, all provincial capitals and some other larger municipalities boast them. The provinces have also set about establishing official guardianships in the countryside which form the basis of the entire organization for public juvenile aid in such districts. Some years ago the juvenile board of Lower Austria had attached official guardianships to all the eighty courts of justice in this province.

The official guardians not only exercise their special guardianship but they render every assistance to the parents and guardians in their districts. One of their principal duties is to see that relatives fulfill their duty in keeping the children, and that illegitimate fathers pay their alimonies regularly.

Infants' aid is closely connected with the official guardianship. It provides advice for mothers and issues propaganda urging mothers to nurse their own babies. This propaganda is effectively supported by the general health insurance and the nursing premiums granted by the sick funds. Thus it became possible in Lower Austria which boasts of nearly two hundred mother's advice councils (*Mutterberatungstellen*), to reduce the infant mortality from 27.81 per cent in 1915, to 13.2 per cent in 1920. The American Red Cross has recently started an efficient movement to extend the mother's advice councils and the medical control, to cover all infants.

In obedience to a law of 1919 all illegitimate, and all legitimate children not living with their parents, are placed



under public control from their birth to their fourteenth year. This control, which provides at the same time for the physical and moral welfare of the children, further makes it compulsory for all persons, other than parents and grandparents, who wish to take children under their charge to obtain a public license. For the education of neglected children and their detention in reformatories, an antiquated law of the year 1885 is still in force. A projected bill for a modern law of education through social aid was recently published by the government.

Added to the official aid of the juvenile boards, which are not spread over the entire country, is the voluntary relief work of societies and institutions. Some of these institutions, particularly foundling hospitals and orphanages, date back to very old times and were founded as charitable organizations. Nearly all the more ancient institutions bear a religious character.

Modern juvenile aid began about 1900, when there was observed the dangerous depravity of the youth of the larger towns. Such relief work received an extraordinary impetus during the War. Numerous societies and institutions, day nurseries, *crèche*, asylums for children, etc., were newly founded. Side by side with the nuns who were the only workers engaged in juvenile aid in former times, numerous secular helpers are now being trained in various private institutions.

The voluntary relief work suffered particularly from the effects of the War, manifested in the depreciation of the capital of charitable institutions and the terrifying decline in the revenue from voluntary contributions. This falling off in contributions is to be explained by the impoverishment of the former benefactors and the undeveloped sense of social duties among the

newly rich. Consequently, voluntary relief work is to a large extent carried on with aid from abroad. Prominent in such aid is the American Children's Relief Work, procuring a meal a day for several hundred thousand children, while the American Red Cross provides clothes, underwear and other materials from its large supply depots.

One branch of relief work, chiefly carried on with aid from abroad, began with a movement to afford children several weeks' stay in a foreign country for the sake of recreation. Its chief object now is to promote the foundation of health resorts in Austria in order to make good, with all possible speed, the harm done by the blockade, such as bad nourishment, tuberculosis and rickets.

The relief work for juveniles after they have finished their schooling is in the hands of voluntary helpers even at the present day. Some of its branches, however, are directed by public boards. We must mention here the organization for advising the young people in choosing a profession (*Berufsberatung*) which has branches in a great number of public boards.

The coöperation of official and private relief work with the courts of justice in the so-called Juvenile Courts' Aid is of great moment. The juvenile courts' law of 1919 authorizes the courts to avail themselves of the assistance of individuals and societies, particularly in investigating the private affairs of minors, in superintending and helping them and rendering them any assistance they may require in court proceedings. A probation control exercised by special probation officers was instituted together with the law referring to conditional sentencing and conditional pardon. The Juvenile Courts' Aid is administered partly by the juvenile courts and partly by benevolent societies. In Vienna it is prac-

tised by a committee representing forty societies with an office of their own at the juvenile court.

#### AID FOR DISABLED SOLDIERS, THEIR WIDOWS AND ORPHANS

Aid for disabled soldiers, their widows and orphans, has been regulated by a law dated April 25, 1919. As far as its structure and technique are concerned, the law is similar to that of insurance against accidents. Whoever has suffered an injury to his health, either through active war service or military action of any kind, has a claim to an indemnity to be paid him out of the public funds. Should his death result from one of the above causes, the claim may be raised by his widow and orphans. In cases of such impaired health, a claim may be brought in for medical treatment to restore the victim to health as far as possible, and to enable him to earn his living; or for obtaining artificial limbs and orthopedic appliances; or for training in some new profession in order to replace the old, or to increase the reduced capacity for making a living.

The claimant is further entitled to receive a monetary support during the term of his medical treatment or professional training and to an invalid's rent as long as his working powers continue to be considerably reduced. The invalid's rent is computed with due regard to the claimant's previous training and the place of his abode. Allowance is made for the prevailing dearth of houses. Besides, the claimant's regular income made during his civilian occupation up to the time of his accident is also taken into account. The rent calculated in this manner is paid entire in the case of the claimant's complete incapacity to earn his living. If his capacity to earn his bread, only, is reduced, a larger or smaller fraction of the full rent is al-

lowed in proportion to this reduction.

A claim to the widows' and orphans' rent may be raised by the widow—in some cases, even a woman with whom the deceased has set up house-keeping without being joined to her in a lawful wedlock—by legitimate and illegitimate children, by parents, grandparents, and brothers and sisters if the latter are orphans. The rent allowed them forms a fraction of the full rent granted to the directly injured claimant. The relations also receive "burial money."

For the calculation of the rents and the enforcement of the law, disabled soldiers' indemnity commissions have been instituted in those provinces in which the organizations of aid for disabled soldiers, their widows and orphans, and juvenile aid societies are represented. Their principal duty is to decide about the existence and extent of the claim according to the law. The proceedings are now dragging in the courts owing to the different interests involved.

#### POOR RELIEF

Poor relief in Austria is based on the home law (*Heimatsgesetz*) of 1863. By this law poor relief devolves on the native community. Only in Lower Austria are the communities of one jurisdictional district joined together in so-called "poor districts." Poor relief consists of the grant of the necessities of life, including the costs for sickness, nursing and burial, and of education for the poor under age. Claims on the part of the poor to any special kind of provision are not acknowledged. The poor relief comes into force only where no other kind of help is administered. In the relief of the poor, numerous persons are engaged as volunteers without receiving any pay. In conformity with the poor law, pecuniary aid is the last to be

rendered; nevertheless, it has in the course of time become one of the principal forms of help in the so-called outdoor relief (*offene Armenpflege*). The existing institutions for indoor relief (*geschlossene Armenpflege*), which provides homes for the poor and aged, are not numerous enough to receive all those needing them.

Poor relief varies very much according to the wealth of the supporting community; it is better in the larger towns and bad in the poorer districts of the country side. One particular

drawback is the fact that a person may be received in a community other than that to which his parents belonged only after a ten years' residence. A great number of people, therefore, belong to a different community from the one in which they live.

The public poor relief finds its complement in institutions and societies of voluntary poor relief. At present all these institutions are laboring under a severe serious lack of means as far as they are dependent on voluntary contributions or on a capital income.

## CHAPTER XIV

### The Present State of the Housing Question in Austria

By HEINRICH GOLDEMUND

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STRANGELY enough, though the population of Austria has diminished from 6,279,936 in the year 1910, to 6,057,612 in the year 1920, in all the seven greater towns of the Austrian Republic, but especially in Vienna, there has resulted a severe shortage of vacant apartments.

In the country since the year 1910, the number of inhabitants has shrunk from 3,877,787 to 3,810,667, a comparatively small decrease, whereas in the same length of time the number of the inhabitants of the towns has been reduced from 2,402,176 to 2,246,950. This loss almost exclusively concerns Vienna, its population having been reduced from 2,031,421 in the year 1910 to 1,841,326 in the year 1920, while the other German Austrian towns, such as Graz, Linz, Innsbruck, and Wiener-Neustadt, with the exception of Klagenfurt, show a growth of population. Yet the housing calamity is greatest in Vienna. The diminution of the population in all German

Austria, but especially in Vienna, is compensated by an increase in the number of householders within the territories now comprised in German Austria. Whereas 1,391,230 householders were recorded in 1910, there were 1,444,226 listed in 1920.

The increase of householders is limited to the towns, while a small diminution is noticeable in the country districts. In Vienna alone, the increase of householders amounts to 38,678 while it averages only 14,919 in the other large towns. This increased number of householders which is to be accounted for by the immigration of whole families and the setting-up of house-keeping by numerous young married couples (who were prevented from doing so as long as the War was on), does not meet with an equal increase in the number of flats. As a matter of fact there has been hardly any private mansion building since 1914. If anything, the number of apartments for private families has decreased. Some

have been restored to their former uses, and are now occupied by offices of the government economic control departments, or of newly-founded business and banking concerns.

In Vienna about 52,000 applicants for vacant apartments, among them 18,000 whose claims deserve most urgent attention, have booked their names in the registers of the municipal housing board. In the other greater towns of the Republic we may reckon with an urgent need for from 9,000 to 10,000 dwellings.

In this connection it may be observed that among the working classes the former custom of sub-letting rooms is much less practiced now, whereas the middle classes have taken it up to a wide extent.

#### RENT AND HOUSING LAWS

The great demand for apartments on the one hand, and the total lack of any offer of the same, on the other, entailed the danger of a wild rent speculation, and measures had to be devised to protect the less solvent part of the population against undue raises in the rents and against evictions. It was therefore made compulsory that on evacuation all flats were to be exclusively allotted to the would-be tenants through the intermediary of the municipal housing boards. Moreover, a law for the protection of tenants greatly restricted the right of landlords to give notice at their own free will or to raise the rents, and subjected this right to the control of the newly instituted housing boards. Owing to these measures the rents, contrary to the exorbitant demand of all other commodities and necessities of life, show but a moderate increase, that is, about 50 per cent. At present a raising of the rents corresponding to the diminished purchasing value of the currency is being discussed; nobody, however,

would dare carry it into effect, even by degrees, for fear of arousing great public sentiment.

The fight against the housing calamity throughout all Austrian towns is opposed by the greatest difficulties. The building cost of residential mansions has augmented a hundred-fold over 1914 so that only a similar raising of rents could ensure the sums required to pay for interest and amortization. At such enormous rents, however, flats could find no tenants, great as is the demand.

#### STATE ENCOURAGEMENT OF BUILDING ENTERPRISES

The government and the town councils are endeavoring to encourage private enterprises in house building by granting subsidies, and monetary credits, and by charging themselves with the payment of interest and regular quotas towards redemption. On the building of all houses the revenues of which are too small to allow of the regular payment of interest and redemption quotas, costs called "the lost building expenditure" are allowed.

By a law dated April 15, 1921, a dwelling and colonization fund has been founded, which, through shares taken by the state, by employers and by all workmen who belong to the obligatory sickness, old age insurance and other funds, will provide larger means for social help. The revenue of the fund will amount to about 160 million kronen yearly, which, including the contributions of the municipality and the employers, will suffice for the payment of interest and redemption quotas corresponding to a building capital of about 3 billion kronen. With this sum, which will first have to be raised in cash by the banks and savings banks, could be built from 5,000 to 6,000 small dwellings, consisting of one room and kitchen each, a

number which, compared with the demands for dwellings, described above, would bring but little relief.

Another suggestion to further the building of dwellings by capitalists aims at increasing the building of dwellings

with renting capacities by exemption of such from all taxes. But the hesitation caused by the present condition of the public finances which seems to oppose this particular solution, has not yet been overcome.

## CHAPTER XV

### Criminality in Austria

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**C**RIMINALITY and similar aspects of social life are the reverse of the social and economic conditions and the moral character of a nation. When a heavy economic crisis, the dissolution of a great empire and a vast social subversion coincide, criminality must increase and morality decline. So far as the social condition of Austria is concerned, the unfavorable effects of war-time and the issues of both the War and the Revolution are also to be included. Still further ominous to social life were the misuse of army supplies; the enrichment of many persons at the expense of the nation, the numbers of men who had managed to escape the army service and the excess of governmental prescriptions, which often could not be kept and so weakened the fear of infringing governmental authority. Disastrous, too, was the great disillusionment of all who had sacrificed themselves during the War, expecting some reward, and who, when it was over, had only to endure increased distress and heavier burdens.

The collapse of traditional powers and the creation of a young democracy were additional sources of difficulty for the government since the substitution of a democratic republic for a monarchy must inevitably have ill

effects. The case of the Revolution does not afford a special study of criminal law. We can simply state that the abolition of the monarchy and the institution of the republic took place almost without resistance and bloodshed, an adjustment such as has seldom occurred in history. The Revolution, therefore, did not become in Austria, as so often happens, the starting point and the contagious example for blood-shed and violent deeds. But, on the other hand, the Revolution has been hailed, in pardonable error, as liberation from every authority, as the beginning of a time when only rights exist, and not duties or regard for others. This error is pardonable since democracy requires the highest social and national sentiment, while the Austrian has scarcely been educated far enough to become a good citizen. He has received no training from history, for at the collapse of the old Austria its constitutional life was not older than half a century and the participation of the masses much younger still; or from his schooling, for social education is almost totally neglected in the schools.

The error has been further fed and propagated by the Bolshevik agitation and the papers it controls. The seeds of Bolshevism find most fertile

soil in the general economic distress, in which now this group, now that, sees itself threatened by ruin if it does not try to watch its own interest relentlessly.

#### INCREASE IN CRIMINALITY

An effort to describe the present criminality in Austria must renounce, to a great degree, any attempt to give statistical figures as fundamental. Some few official figures suffice to show the increase of criminality. The criminal courts of first instance, now belonging to the Austrian Republic, had in 1916 to deal with 16,000 crimes and offenses; in 1918, with 34,000; in 1919, with 44,000 and in 1920, with 64,000. Figures for the lighter offenses or minor criminality, with which the district courts of law have to deal, that is to say, minor robberies, slight bodily injuries, insults, etc. are neglected, but their increase is at least as great as that of the graver criminal cases.

Attacks upon life and body have not generally increased, and personal security is not threatened to any increased degree; a deplorable increase in brutality is to be seen in the lack of consideration, but it does not end in crimes of brutality. A very large increase is to be stated only in the case of abortion. This had already begun during the War and has to be ascribed, in the first instance, to the economic distress and to the impossibility of bringing up healthy children. At present, also, an increase in immorality and thirst for pleasure play a distinct rôle in Austria's social condition.

#### PROPERTY OFFENSES

The increase of criminality in general has to be ascribed to the increase in offenses against property. Now, as before, armed attacks are seldom, but the primitive forms of attack on other peoples' property, such as theft,

burglary, pocket-picking, theft in the house community and the robbery of transport goods, are particularly frequent. Here, too, the pressure of economic distress is the dominant factor. The freedom from the custom of regular work during the long campaign is another cause; likewise, a wrong conception of the social and economic revolutions and reform projects. As often as a thief attacks other peoples' property to enrich himself he admits the doctrine of private property. But if a revolution proceeds to expel whole classes of the population from their economic obligation, if the common features of "Nationalization" are distorted and used as a means of agitation, and if legislature and administration—justly or not—interfere regardless of existing rights, then, in immature and untrained brains, may easily arise the idea that robbery is an almost authorized way to produce a juster distribution of goods. In such a case there may arise, also, similar confused notions which remove or weaken the restraint against robbery.

This very large increase in property outrages endangers the whole economic life. But already the beginning of an improvement may be acknowledged. The element of distress has been somewhat alleviated by the better state of employment in industry and the smaller number of unemployed, while a wholesome social reaction against robbery has not been wanting. These efforts prove that the majority of the population has remained sound or that many, having become wiser on seeing the damage done, have begun to clear their confused ideas. For the future, all depends upon the question whether the injurious consequences of depreciated currency will not lead to increase of the impulse toward robbery.

## PROFITEERING

Reaction against robbery is the more necessary, as embezzlement and fraud, both offenses of economic life, tend, even under sound conditions, to increase with a more lively intercourse, and therefore must increase in Austria. A still greater danger are the profiteers. The very beginning of the War created an economic situation in the scarcity of and craving for goods, in which simply the lack of a strong social feeling was sufficient to sanction *Preistreiberei*, usurious raise of prices. The post-war situation accentuated this tendency to permit unjust profits. Austria's inability to supply her requirements within her own boundaries, the disturbance of all connections, the isolation of Succession States, the continued depreciation of the currency (interrupted only by a short rise in the rate of exchange) produced a quite aleatoric effect in economic life and rendered it in many businesses, almost, if not quite, impossible to discern the limit of just and unjust prices, of allowed and unallowed profit. The legislation has struggled desperately since 1914 against the nuisance of *Preistreiberei*. Beside *Preistreiberei*, other dealings have been threatened with punishment: *Aufkaufen*, the buying of goods to hold until their prices are raised; *Kettenhandel* the passing of goods through more hands than necessary in order that every vendor of them may make a profit in raising the price; *Schleichhandel*, forbidden trade with goods controlled by the state. These penalties include the heaviest imprisonment and fines up to 10,000 kronen.

This war of legislation, however, cannot be won, since symptoms of economic illness, much as they are to be condemned, cannot be removed by penal laws. Beside the fact that the

social reaction is weak at best, it has against it the difficulties of an organization of consumers, the fear of losing the indispensable purveyors and, finally, a large number of those, who have, themselves, become rich by *Preistreiberei* and similar means and are, in consequence, always ready to pay even extremely high prices. *Preistreiberei*, *Kettenhandel* and speculation with foreign values are typical diseases of such times of decay. Quite as much by taking illicit advantage, they do wrong by undermining business morality, by diverting others from their honorable but less profitable work and tempting them to imitation by bringing forth provoking luxury and debauchery.

## POLITICAL MENACES

Beside the exploitation of economic freedom in an increase of offenses against property, direct attacks upon social freedom are characteristic of the criminality of Austria at the present time. In the struggle of political factions to carry out economic claims or attempts at organization, menaces, on refusal of fulfilment of duty, are used with the utmost lack of consideration and, also, as if they were incontestable, even lawful means. In contrast to the perpetrators of economic offenses an organized multitude is generally the subject here, or a single person only as representative of a group. Open violence occurs but relatively seldom. It is generally not necessary, as the supreme power does not meet opposition by the means of its strength and as the persons menaced lack organization or power to make resistance. If this were not so, many crimes against the government and its agencies would presently ensue. But as the supreme power intercedes only for mediation and when it is itself threatened tries to find a compromise,

very often no hold at all is laid on these attacks upon freedom by criminal jurisdiction and they appear only to a slight extent in the statistics of criminality. But criminal phenomena they are nevertheless. Yet some people do not see them as attacks on freedom, but even consider that freedom itself is protected by them; *i.e.*, the freedom of the group or organization is protected against the menace, which lies in the conduct of the outsiders or the government opposed to their interest. Such attacks have been called manifestations of the birth of a new conscience concerning the law and of a new state of law. We should call this one of the false doctrines appearing in the garment of sophistry, which are also to be encountered in other domains as morality, art, and are typical of our time. Does the law not disown its purpose if it stands always on the side of the stronger?

The condition described is a transition. It leads either to dissolution or to an attempt to equalize without beforehand making use of the means of menace. In this case organizations are formed to bring about compromises. In spite of some threatening and vexing details our way leads in the second direction. Some tendencies toward it are to be observed in legislation and social institutions. Favorable evolution, however, must not be too much tried by the continuance of the crisis or must not be made impossible by an accentuation of the crisis.

Is this huge increase of criminality chronic or sudden criminality? And is it to be ascribed to habitual criminals or to occasional criminals? To be sure the activity of habitual criminality has increased in the Austrian towns, especially in Vienna, at present attracting many international criminals. It must be remembered, too, that a large

part of the fugitives from East Galicia and Bucovina who came during the War to Vienna and other Austrian towns continued to remain there after the War and that many of these strangers live by *Kettenhandel*, *Schiebungen*, speculations and other dishonest gain. Also even if these persons were condemned by the courts to banishment, the Austrian state would be too weak to actually expell them, especially since the neighboring countries and the native countries of the criminals are opposed. But all this does not suffice to explain the increase of criminality. It must be admitted that an increasing number of hitherto honest persons have fallen into crime. This fact and the heavy criminal taint on the youth of Austria are the most menacing phenomena. Next to them stands the heavy increase of prostitution among the female youth which, characteristically, is generally practised only as extra gain. Here is the danger of an ever spreading immorality, a diminution of the fear of crime, and a criminal infection of the population.

#### CRIMINAL LEGISLATION

Criminal legislation and jurisdiction conduct a difficult struggle against the increase of crime. If the security of the person is protected as usual and the security of the property not much more endangered, this safety is to be ascribed in the first instance, particularly in the worst cases, to the successful activity of the criminal police. The criminal courts are not less overburdened as means to handle the arrests are insufficient and the prisons overcrowded. The legislation tried to help as much as possible. It introduced *Schöffengerichte*, juries with two elected professional judges and two laymen judges, for all crimes and offenses which do not come before the



courts in consequence of their particular gravity or political character. In this manner the social reaction has with great success been brought to help the criminal jurisdiction. All smaller crimes and offenses can be judged summarily by a single judge (up to one year of imprisonment). Attempts are made to spare the criminal who errs for the first time and the criminal whom it seems possible to improve and to set him up by the probation system, conditional discharge or rehabilitation; and to send him who repeatedly relapses, when the penalty has been payed off, for at most five years, to a workhouse—an approach to indeterminate sentences. All this, however, cannot supply the much needed reform of criminal law and of the prisons, which cannot be put through in consequence of the crisis in public finances.

But even model institutions throughout the whole criminal jurisdiction cannot reduce criminality to a normal degree as long as the pressure of the

economic crisis gives continued impulse to crime, and as long as the steadily depreciated currency allows the unscrupulous to triumph and the honest to perish. Still the majority of the population is sound. What treasure of good qualities it bears, is shown by the resistance which it has opposed till now to the combination of impulses to immorality and criminality described. These qualities are shown, also, in the beginnings of improvement in the criminality, which can be definitely stated, and which, according to observations for the first quarter of 1921, allow the hope that the height of criminality has already been passed. The moral soundness of Austria is further proved by the fact that active Bolshevism, the declaration of violence and crime as forms of government, has (in spite of many attempts by foreign agencies) been unable to take even a provisional hold in the Republic. If Austria is saved financially, the high tide of criminality will at once go down.

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Wenzeslaus Karl  
Maximilian Maria, graf,  
1876-1944, ed.

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