

## BUSINESS AND FINANCIAL CONDITIONS ABROAD.

The erratic movements of the foreign exchanges, together with the serious contraction in the foreign trade of the leading industrial countries, have brought the question of competition among countries very much to the fore in the course of recent months. The importance of exchange fluctuations in the calculations of individual business men engaged in foreign trade is obvious. All international transactions are speculative as long as the instability of the currencies continues. But not so obvious, in fact exceedingly elusive, are the interrelations between internal and external prices of the various countries—in other words, domestic as compared with international prices—which are closely linked up with the foreign exchange problem, and all questions involved in international competition.

### ENGLAND.<sup>1</sup>

General prices in England appear to be relatively higher than in other western European countries except Sweden. This was probably true before the war, but the difference in price levels appears to have been accentuated since then. Too much emphasis should not be put upon this difference in general price levels, however, when competition between countries is being studied. After all, the general level is merely an average of the prices of all the different commodities that are being marketed; and especially at the present time consists of prices which may be relatively cheap or dear when judged from an international standpoint. However, measuring international price levels by the best methods at our command—namely, by expressing European prices in terms of dollars—we obtain the following estimates of the comparative levels in June, 1921:<sup>2</sup> Sweden, 183; England, 157; France, 136; Italy, 131; Germany, 84. These estimates would seem to show that in trade between England and the Continent, the Continent has the selling advantage since it can produce at home at comparatively low prices and sell to England at relatively high ones. Conversely, they show that England is at a disadvantage in placing her goods on European markets.

Of as great importance as the trading of England with the Continent is the question of the competitive position of all Europe with the outside world. The comparative price levels existing in the various European countries are

<sup>1</sup> British price, trade, and financial statistics may be found on p. 1143.  
<sup>2</sup> These estimates were obtained by multiplying the index numbers showing the depreciation of foreign currencies in terms of the dollar by the respective wholesale price indexes of those countries and dividing by 100.

of importance in this connection, since they indicate in a general way the advantages of the different countries as producers.

Coal mining, cotton and wool manufacture, iron and steel production, and shipbuilding are leading British industries. It is the commodities produced by these industries that make up the bulk of the export trade. Before the war England's export trade in coal was greater than that of Germany and the United States combined. Since the war there has been an enormous decrease in British exports (from 75,000,000 tons in 1913 to 27,000,000 tons in 1920), and a smaller reduction in total exports from Germany, which fell from 37,000,000 tons in the first 11 months of 1913 to over 21,000,000 tons in the similar months of 1920. During the same period the American export trade has very nearly doubled. It amounted to 40,700,000 tons in 1920, as compared with England's 27,000,000 tons. The British, however, still have the advantage over the United States in the cost of production and over the Germans in quantity of output. It seems clear, therefore, that so long as production is maintained in England her international position is assured. Her problem here is much more that of maintaining production than of obtaining foreign markets.

### COAL PRODUCTION AND EXPORT, ENGLAND, FRANCE, AND GERMANY, 1913 AND 1920.

[In thousands of metric tons.]

	Production.			Export.		
	1913	1920	Per cent of change.	1913	1920	Per cent of change.
England.....	292,045	233,218	-20	74,635	26,605	-64
France <sup>1</sup> .....	40,051	21,128	-47	1,765	472	-73
Lorraine.....	3,817	3,175	-17	.....	.....	.....
Germany.....	<sup>2</sup> 173,620	<sup>2</sup> 131,347	-24	37,497	<sup>3</sup> 21,584	-42
Saar.....	12,223	9,410	-23	.....	.....	.....
United States.....	517,065	585,687	+13	23,392	40,679	+74

<sup>1</sup> Not including Lorraine or the Saar.

<sup>2</sup> Not including Alsace-Lorraine, the Saar, and the Palatinate.

<sup>3</sup> Eleven months of the year. Coal delivered to allies included.

The British encounter more serious competition from the Continent in the textile and iron and steel industries. At the present time the British obtain their American cotton at a premium over the price paid by continental buyers, because of their relatively favorable exchange position. In addition, they have a measure of control in the production of the Egyptian and Indian staple. The cost of labor in England, however, is higher than on the Continent (and especially in Germany),