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estimated by the League of Nations at £48 per head in 1928, compared with £90 per head for England, Germany has had to adjust herself to the drastic fall in national income occasioned by the severe world depression from which all countries are suffering. Superimposed on this is the necessity to adjust her affairs to the change from a substantial import of capital to a substantial export for overseas payments, which means a change from a national income enjoying a heavy subsidy to a national income already severely reduced by depression and further subjected to severe taxation.

Depressing Effects.

It is impossible to separate the effects of these two movements combining to promote difficulties in Germany. These difficulties have brought severe restriction in industry with declining output and greatly increased unemployment. The unemployment figures alone give a fair indication of the broad effects. In the summer of 1927 about 5 per cent. of Trade Unionists were unemployed. In the early part of 1931, 39½ per cent. were unemployed, while in May, 1931, 34 per cent., or more than one-third, were unemployed. In addition, certain important banking groups have broken under the strain not only in Germany but in Austria, Hungary, and Roumania. There have been casualties in big industrial concerns and difficulties in public finance have been increased by political unrest and general insecurity. All these have added to the distress and difficulty.

Since 1926, public revenue has generally been unsatisfactory and deficits have been the rule. Within the last two years taxation has fallen considerably below the estimates, and despite heavy increases in taxation and drastic economies in Government expenditure, further Budget deficits have occurred and are expected to occur. Banking difficulties have been increased by the tendency of foreigners to withdraw funds held on short term in Germany, and even the Germans themselves have been striving to transfer balances abroad for investment in countries where conditions are more secure. The currency situation in Germany, as in London, has been difficult owing to the fact that foreigners held heavy balances on short term there, and the withdrawal of these balances has made it extremely difficult to maintain the exchanges at par. But Germany, having experienced the full effects of inflation in 1923, appears to be unanimous on one point at least—that inflation must not on any account occur again; and the country as a whole appears prepared to make almost any sacrifice to preserve the stability of exchange and the soundness of her currency system.

Social Outlook.

Germany has thus been passing through a period of extraordinary strain which has had remarkable social and political, as well as disastrous economic, effects. A correspondent of the London "Economist" sums up the social outlook among typical city people in Germany in these words:

"As one goes about the city talking

to the people, one becomes more and more conscious of the tension, the sense of nervous expectancy, and the inability to penetrate the darkness which shrouds the coming winter. Germany has just emerged from the winter of 1930-31, and in this moment her people might be supposed to be feeling 'sufficient unto the season is the evil thereof.' Actually, the shadow of the winter of 1931-32 has already cast its chill and gloom over this early summer's light and warmth. In German minds to-day the advent of next winter portends the end of the world. 'I am thinking of sending my boy to a German university,' I said to one of my friends. 'When?' 'Say, about two years from now.' 'Two years! Why, what is the use of talking about anything in Germany two years hence?' 'Incidental ejaculations of this kind, made spontaneously, without any thought of political effect, reveal how deep and genuine is the foreboding of disaster.'

'What do the Germans fear? They fear an almost automatic political revolution when the economic pressure which the Government is putting upon individuals becomes at last quite intolerable. The Government are determined, as far as they are concerned, not to repeat the history of 1922-23. They are taking draconian measures to keep the public economy and the public finances of Germany sound. But these measures are all taken at the private individual's expense, in the form of drastic rationalisation, which swells the ranks of the unemployed in the middle as well as in the working class; drastic reduction of unemployment benefits (already startlingly low

on English standards) and of official salaries; drastic increases in taxation, direct as well as indirect. The fear is that, at the sharp touch of next winter, the individual may be goaded into political revolt against the personal economic sacrifices that are being demanded of him by the State.'

Assistance Needed.

The situation thus developed in Germany is one that can be met only by some measure of foreign assistance. President Hoover's proposal for a year's moratorium on reparations and war debts was the direct result of the worldwide depression and the consequent difficulties from which all countries were suffering. It was expressly stated that this proposal was intended to stimulate recovery from depression. The moratorium meant that for a period the countries concerned should be relieved of the whole burden of external obligations on war account. The proposals were accepted with some modifications, and as a result the position in Germany is a little less difficult than it might have been. But the relief given in reparations was in itself insufficient to meet the situation.

Hence, in addition, substantial credits have been advanced to the Reichsbank by the Bank of International Settlements. These credits are intended mainly to support the mark exchange, but there has also been an International Banking Committee to inquire into and report upon the financial crisis in Germany.

That committee finds that in order to remedy the situation in Germany, a
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