

SLOVAKIA'S ECONOMIC CRISIS

BY

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After barely four months of "independence" Slovakia presents a pitiable aspect of economic confusion, and there is no Slovak statesman able to say how and when the country will emerge from this disastrous situation. It cannot be denied that her statesmen and economic experts are doing all they possibly can to balance *Slovakia's* situation. The task, however, is beyond them. As was stated in an article in the "Le Temps" entitled "Impressions of Slovakia." (June 10) there is a striking shortage of commodities in Pozsony and other Slovak towns. In Pozsony many shops are not open for more than a few hours a day. Colonial wares and other commodities for which foreign exchange must be paid (cocoa, coffee, rice, etc.), are scarcely to be had. Other wares, too, such as fats, cloth, etc., are gradually disappearing from the market. These symptoms are a source of serious anxiety to the population.

Another thing that gives rise to serious misgivings is that Slovakia's financial situation is growing steadily worse. According to official Slovak reports the budgetary deficit for the first four months of 1939 amounted to 138 million Slovak crowns, a considerable sum for so small a country. The Government had hoped that the foreign exchange reserves of the old Republic would be distributed, and the that Slovakia's share (Slovakia claimed the value of 100 million Slovak crowns) would set the country on her feet again. This, however, has proved a vain hope. To this day Slovakia's claim has not been recognised, and it is very improbable that it will ever be met. Lack of capital naturally affects agricultural

production, as well as industry and commerce. To cope with this difficulty Dr. Pruzsinszky, Minister of Finance, resorted to the expedient of an internal loan, expecting that 3.000 million Slovak crowns would be subscribed. But although the time limit for subscribing was prolonged more than once and every method of propaganda was employed to induce people to undo their purse-strings, only 150 million Slovak crowns have been subscribed so far. July 30th has been fixed by the Minister of Finance as the last time limit, and he expects that by that date subscriptions will amount to 200 million crowns. Within a short time the State Lotteries Act will also be promulgated, by means of which, it is hoped, a new source of revenue will be opened. A *Slovak Credit Bank* has been established and the Central Bank in *Pozsony* is to open local branches all over the country within the shortest time possible. All these measures show that the Slovak Government and financial circles are doing their very best to set the country's finances in order and to consolidate the economic life of the country; but with the best will in the world nothing can be done without capital. Very much capital would be needed if agricultural production is to be increased, industry set on its feet and commerce assisted — and that capital is not at the Government's disposal.

The chief reason why this is so is to be found in the twenty years of *Czech* rule. For during that twenty years the *Czechs* did not regard their Slovak "brethren" as equal partners. Slovakia was treated as a colony and exploited as such. In 1927 the *Czech* Government passed three Banking Acts which placed all banks under the control of a department in *Prague* appointed by the Government. It is true that the main object of these laws was to make it impossible for the *Hungarian* banks then existing in Slovakia to do business, but at the same time they placed the whole Slovak system of credit and the Slovak banks under the control of the *Czech*

financial policy of centralization. Now that Slovakia has become an independent State, she must develop her financial policy and credit system on entirely new lines.

From the statements of almost every *Slovak* Minister it may be gathered that the State is struggling with great economic difficulties. Take, for example, the statement made by M. Medriczky, Minister of Agriculture, on 2nd June about the economic situation. In it he said that Slovakia had a population of 2.600.000 souls, 56% of whom are engaged in agriculture and forestry. He then went on to say that under present conditions Slovakia was incapable of supplying herself with agricultural products, but that everything was being done to made adequate provision for the country's needs in this respect. An examination of the rest of his statement reveals that Slovakia's chief exports are timber, milk and dairy produce such as butter and curds, poultry (ducks and geese), and certain industrial products of no great value. That the value of Slovakia's exports does not balance that of her imports and of her domestic needs, is obvious from the fact that competent Slovak circles are considering the advisability of new economic connections. We know this because, when a delegation of Pozsony merchants appeared about the middle of June before Minister Plenipotentiary M. Stephen *Polyák*, Government Commissioner of the Chamber of Industry and Commerce, to discuss several questions of importance to them, they were told by him in the course of conversation that Slovakia would be compelled to seek new economic outlets. In other words Slovakia would have to divorce herself gradually from the economic life of the Czech Protectorate and seek closer connections with that of the German Reich. „It will prove necessary“ — he said — „to adapt Slovakia's standards more and more to German prices. This adaption, naturally, must extend to every factor of our economic life. Wages and salaries will also have to be cor-

respondingly adapted."

Besides this the Government Commissioner declared that the shopkeepers were not responsible for the enormous rise of prices in Slovakia. This rise was due to circumstances over which they had no control. In *our* opinion the reason must be sought partly in the question of foreign exchange, partly in the bad economic conditions obtaining in Slovakia, and lastly in her political situation.

To lay the foundations of and develop *Slovakia's* finances, which involves a solution of the problem of foreign exchange, will require an enormous amount of work. The past must be liquidated, an independent monetary system set in operation and international connections established. As regards the liquidation of the past, we must remember that connections of long standing have been severed between creditors and debtors. The one now lives in one country, the other in another, and barriers of customs and currency restrictions stand between the need of money and the willingness to pay. It will take a long time to settle all this.

By participating for the last twenty years to the tune of many hundreds of millions of crowns in Slovakia's private and public economic life, Czech capital was able more or less to control Slovak economic life and prevent its development and growth. It is true that the Protectorates — Bohemia and Moravia — and also the German Reich wish to improve economic conditions in Slovakia, but the only way Germany and the Protectorates could help Slovakia is by granting goods credit, and the sphere in which those goods might be made use of in Slovakia is pretty limited. Every kind of manufactured commodities cannot be imported because this would endanger the continuity of *Slovak* industrial production. Thus the National Bank of *Slovakia*, which was

founded recently, and Slovak financial circles are up against very grave problems.

The *Slovak* industries were utterly ruined by twenty years of *Czech* rule. Pre-War Hungary had made great financial sacrifices in order to establish industries in the barren mountainous regions inhabited by the Slovaks. These industries received Government assistance in the shape of subsidies, abatement of taxation and State contracts. Prague, on the contrary, yielding to the pressure exerted by Czech industrial interests, for twenty years systematically worked to accomplish the ruin of the Slovak industries. The idea of the Czech Government was that Slovakia should supply the Czechs with raw materials; that she should be a market of consumption for, and not a rival of, Czech industry.

Before the War the Hungarian State, at a great sacrifice, kept the iron works at Zólyombrézó and Tiszolc provided with work, in order to give employment to many thousands of Slovak workmen. In 1938 the Prague Government sold these works; they passed into Czech hands, which resulted in an increase of Czechs in the management and among the factory hands, to the detriment of the Slovaks. Tobacco factories were built by the Hungarian Government in the most barren regions of Slovakia to give work to the Slovak labouring classes. The Czechs dismantled the greater part of the equipment of those factories and carried it away to Bohemia.

We shall prove the objective nature of these statements by giving two quotations from the 1930 Yearbook of the Manufacturers' Alliance of Slovakia: „*A thorough examination of the population as a whole shows a general impoverishment*“ . . . „Not one of the special Slovak economic problems was solved last year“ . . . We might follow up these quotations with many others of a similar nature, all of which would prove that Slovakia's manufacturing industries were totally ruined by the Czechs. The result now is that only

100.000 workers are employed by industrial undertakings in Slovakia and that the number of unemployed is very great. To set Slovak industry on its feet again would require capital and suitable economic connections; these sine-qua-nons, however, are lacking. The economic future of Slovakia is closely bound up with that of the Basin of the Carpathians; and until *Slovakia's* political situation undergoes a change, until she enters into more intimate relations with Hungarian economic life, with which for a thousand years she had natural connections that were severed by twenty years of arbitrary Czech rule, it is no use speaking of serious economic improvement. The only thing that would help Slovakia would be rapid industrialization. This process, however, can only take place with Hungary's assistance, for the situation of the two countries makes them economically interdependent, each complementing the other. At present the *German Reich* is trying to improve economic conditions in *Slovakia*. Besides other already existing economic and commercial agreements a *German-Slovak* treaty was signed in Pozsony on 23rd June. The treaty is a framework into which the agreement regarding the settling of accounts concluded on 23rd March and the rest of the economic agreements between the two countries were inserted. The treaty is based on the most-favoured-nation clause supplemented by customs agreements and a veterinary measures agreement. The two delegations came to terms regarding matters pertaining to industry, agriculture, forestry, communications and the postal services. They also agreed to endeavour to establish a balance between *Germany's* and Slovakia's balance of payments by increasing *Germany's* exports to Slovakia. This treaty will undoubtedly be of some economic assistance to Slovakia, but, as we have already said, it will not essentially contribute to Slovakia's economic recovery, which requires capital and the development of economic connections in every direction.