Economy Shows Greater Vitality

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The economy of Western Germany during the months of October and November reflected a vitality which surpassed the strength of the autumn level in 1950. The most pronounced amelioration was found in Germany's foreign trade and payments position. At the end of 1950, Western Germany had a foreign trade deficit of $723,000,000* and a cumulative debit with the European Payments Union (EPU) which exceeded Germany's EPU credit quota and forced her to restrict imports drastically in order to check the mounting deficit. In contrast to that sizable trade deficit and the EPU payments crisis, Germany by November 1951 had not only registered several monthly trade surpluses but had also tallied her first, though small, EPU cumulative credit, and was contemplating reliberalization for the beginning of the new year.

Reports of difficulties in coal and raw material supplies persist but have lost much of the force of the long publicized critical shortages. Industrial production has expanded about seven percent above the September-November 1950 level, and employment has risen in manufacturing as a whole. The number of registered unemployed, which has decreased steadily since January 1951, showed the first autumn increase at mid-November. This increase in unemployment, as well as its distribution among the states and occupations, however, repeats the seasonal pattern of 1950.

Prices in general rose again slightly in November, with the most important increases in the agricultural sectors. Record grain and sugar beet harvests are estimated for 1951, with another bumper potato crop. The food supply is adequate for current requirements.

Western Germany's foreign trade during October was characterized by (1) a distinct reaction in the import trend to September's unusually high level and (2) an export figure considerably lower than expected in view of recent developments in production. The Federal Statistical Office announced late last month that because of a new system for reporting exports by customs houses effective Oct. 1, the figures reported for that month is not accurate. It is certain that minimum imports for October were $302,000,000. The import figure is not affected by this new system.

The October import figure was, to a large extent, a reaction from the abnormally high September imports, and for purposes of analysis, the two months may be treated as a single unit. Average monthly imports of $328,000,000 for this period were substantially above the monthly level for the June-July-August period. Increases in the number of import licenses issued indicate an effort by the Federal Government to raise gradually the level of imports for the two months remaining before contemplated reliberalization on Jan. 1, and thus prevent a sharp rise at the first of the year.

October imports found the largest percentage reduction in the finished goods sector—a reaction to the high percentage increase in September when importers attempted to avoid special tariff increases effective Oct. 1. Food imports were down considerably. Raw materials imports fell only slightly.

The West German EPU monthly accounting surplus in November was $9,600,000, which for the first time reflected a cumulative surplus position, although only by the negligible sum of $350,000. November balance of payments will probably be in the range of $30,000,000 to $40,000,000 due to the indicated rise of other accounts. This undoubtedly represents a real trade surplus, especially considering adjustments which may be necessary because of the revised export recording procedure. This trade surplus may mean that imports have continued, on average, to lag behind the goals accepted by the OEEC.

Industry

Industrial activity reached a new postwar record, although barely above the previous high point in April-May 1951. Western Germany's October industrial production index is at 139.5 percent of the 1936 level—a monthly rise of four points, and 10 points above October 1950—with another substantial increase indicated for the November index. Consumer goods production accounted for a large part of the October increase, with major rises in shoe and leather production. There were also substantial increases in heavy industry. Postwar peak production was registered for the iron and steel industry, electrical equipment, optical and precision instruments, crude oil, coal and coal by-products, electricity and gas. Vehicle production was up 14 percent, but raw materials, especially light sheet iron, are in short supply.

The coal shortage question in Western Germany has drawn the efforts of government, labor and business alike for more than a year. Although coal remains generally in tight supply, the principal problem seems to lie not in adjusting allocations but in increasing production and enforcing equitable retail distribution. Favorable developments in November were the increased coal output and the decisions of the Council of the Inter-

* DM 3,050,200,000 at official rate of 19.6 cents to the Deutsche mark.
national Authority for the Ruhr (IAR) to adopt the new export price schedules and to revise the minimum export quotas.

Coal production has begun its expected seasonal rise, with a total production of 10,322,000 metric tons for the 24 working days in November to average 403,350 tons daily production (excluding Sunday and holiday output). For the first month since 1945 the daily average production has exceeded 400,000 tons, as compared with the daily average of 384,400 tons in 1936 and 448,200 tons in 1938. This increase is attributed to an increased daily average number of manshifts worked, with more workers on the mine books and a reduced rate of absenteeism. During the third quarter 1951, coal stocks for industry, public utilities and the Bundesbahn (Federal Railway) increased slightly to total 3,347,000 tons for these groups, compared with 2,513,000 tons at the end of the second quarter and 2,933,000 tons at the end of the third quarter 1950.

In November, the IAR examined the new export prices for German solid fuels and the question of German solid fuels export quotas. The IAR, acting by unanimous agreement and recognizing that the new export price schedule adopted by the Federal Republic in September involves a system of dual pricing as between exported coal and coal retained for internal consumption, agreed to accept the export price schedule retroactive to July 1, 1951. This price schedule is to be reexamined by the IAR on Oct. 1, 1952, unless the Schuman Plan high authority conference decides to exercise jurisdiction before that time.

With regard to export allocations of solid fuels, which were previously at 6,200,000 tons per quarter (including Saar exchange of 900,000 tons), the IAR decided to adjust the export quota (excluding Saar exchange) to a minimum of 5,100,000 tons in the fourth quarter 1951 and to 5,000,000 tons in the first quarter 1952. Further, the basic allocation for the second quarter 1952, pending a final decision, has been set at a minimum of 5,000,000 tons, plus 15 percent of production in excess of 395,000 tons daily average production including overtime production, and 10 percent of the total production on all Sundays and holidays. Coal supply difficulties, meanwhile, are still reported for the chemical and some non-ferrous metals industries.

This adjustment in the export allocation for solid fuels will result in an actual decrease of only 200,000 tons in the fourth quarter 1951, which equals production for about half a day.

Iron and Steel

The steel scrap shortage continues to be an important problem for the steel industry, but the fuel situation is primarily one of cost rather than availability. The iron and steel industry and the Ministry of Economics agreed to a DM 37 per ton increase in the basic price of steel, in addition to the DM 50 increase which was effective until Nov. 1, 1951.

This increase has been justified on the basis of some DM 20 increase in production costs and DM 17 as compensation to the iron and steel industry for the renunciation to finance the US coal imports by exporting rolled steel.

The Federal Government is attempting to decrease exports of semi-finished steel and increase the export of end-products, so that more rolled steel will be available for the German market. The Bank deutscher Laender has agreed to make available a dollar credit to prefinance the import of US coal for the iron and steel industry. The amount of pig iron and steel produced from US coal imports continued to show monthly increases with 325,000 tons of pig iron and 255,000 tons of steel thus produced in October. During the steel year ending Sept. 30, 1,362,400 metric tons of pig iron and 1,203,100 tons of steel are attributed to the use of US coal, which has been used in quantity only during the last six months of this period.

The power supply situation improved during November with increased deliveries in coal, a slight increase in run-of-river hydro power available together with the reduction in power consumption by the continued application of restrictions. The situation was further improved by imports from Northern Italy, where increased rains provided surplus hydro power.

During the first half of November 1951, rail traffic demands remained at the high October level of 72,000 cars per working day. While freight car shortages could not be completely overcome, the Bundesbahn, aided by relatively favorable weather and satisfactory locomotive coal stocks, managed to meet 90 percent of demands. In the second half of November, car demands dropped and the railway returned to a more normal rate of operations.

A joint committee, compromise version of the law on the organization of the Bundesbahn was approved by the Bundestag and Bundesrat (Federal Lower and Upper Houses), to be promulgated in December 1951. As finally adopted, the law promises a self-supporting Bundesbahn, managed along sound commercial lines, since the Bundesbahn board of directors and management have been granted considerable latitude in the day-to-day operations of the railway. The direct influence of the Minister for Transport is, nevertheless, stronger than had been recommended in the 1950 ECA survey.

The railway unions will have 25 percent representation on the board of directors but without the "co-determination" status in the coal and steel industries. Success of the law will depend largely on the caliber of men appointed to the board of directors and the four key managerial positions of the Bundesbahn.

Labor

Developments in the labor field for November showed a seasonal slackening in outdoor occupations but employment increases in manufacturing, certain wage gains and a step forward toward general co-determination legislation. Union-government relations remained strained.

As in 1950, the unemployment trend was reversed upward in November, due mainly to the usual seasonal cutbacks in outdoor employment, notably in building and construction and partly in agriculture, and in the building materials industry. Employment rose, however, in manufacturing as a whole, with seasonal influence and price stabilization and reductions boosting the consumer goods industries. Still heavy backlogs plus increasing orders stimulated employment in the capital goods branches, except stones and earths.

Registered unemployment in the Federal Republic increased by 93,000 to raise the total number of jobless to 1,307,000 persons — 8.1 percent (7.3 percent in October) of the estimated wage and salary earning labor force. Inasmuch as the expansion in the labor force at this time of the year is comparatively substantial, total employment probably remained relatively static during November. Wea.;her conditions will be the most decisive influence on the extent to which unemployment climbs in December. (In December 1950, unemployment increased by approximately 375,000 as inclement wea.;her seriously affected construction work.)

Negotiations between the Federal Government and the German Trade Union Federation (DGB) continued for the fourth consecutive month in an effort to settle outstanding differences. Substantial agreement was reported by the participants on the establishment of a federal economic council which would advise government on matters of economic policy. According to union repor ters, agreement has not been reached on the reorganization of local chambers of commerce and industry in which
the unions desire equal representation and on the extension of co-determination to the chemicals industry, including the I.G. Farben complex.

The drive for higher wages continued as arbitration awards in the Rhineland-Palatinate and Bremen metal industry granted pay boosts of 4.7 percent and 3.3 percent, respectively. Building workers throughout the Federal Republic obtained an agreement on a 5.6 percent increase in the basic wage. Part of the increase became effective on Dec. 1 and the remainder will take effect April 1, while the entire raise will be given in the Bavarian building industry Feb. 1. The Public Services Union has served notice of termination of all existing tariff agreements as of the end of 1951. A 10 percent increase in wages and salaries was requested by the union.

**Food and Agriculture**

Estimates of the 1951 harvests indicate record levels for western Germany. In addition to a bumper grain crop, sugar beets will be at a new high, while the potato crop will be the second largest on record.

Harvesting and fall planting has been affected by the wet, foggy weather which began late in October and prevailed during most of November. Temperatures continued to be generally mild, but frequent rains delayed the harvesting of root crops and planting of winter grains.

Sowing of winter barley and winter rye was completed in time, but difficulties with the beet harvest and the inclement weather have delayed winter wheat seeding. It is likely, however, that most of the farmers' wheat planting intentions (which indicate a nine percent increase over last fall) will be carried out.

As was expected, the supply of all types of food during November was sufficient for current requirements. Likewise, large grain deliveries and continuing heavy imports from trade agreement sources combined to increase reserve stocks of basic commodities substantially. The year's increased grain prices, coupled with the early threshing and deliveries bonus, resulted in large deliveries from the bumper harvest.

Food tax legislation was published Nov. 15 in a "Law to Amend the Sales Tax Law." Pursuant to the law, the Federal Government on the following day issued the "Sixth Ordinance to Amend the Import Equalization Tax Regulation," which fixed the standard tax rate (like the sales tax) at four percent. There are provisions to reduce some tax rates and increase others, as well as to set up a "free list" for certain main food and agriculture items.

**Berlin**

The industrial production index for Berlin dropped from the postwar peak in September of 50 percent of 1936 levels to 46 percent in October. The index, however, is based on the value of manufacturers' current deliveries rather than factory output, and the gross value of industrial deliveries (excluding building, and electric power and gas production) actually increased from DM 226,500,000 in September to DM 239,800,000 in October.

Industrial employment in Berlin rose very slightly during October and stood at 170,000 at the end of the month. As of Nov. 15, the number of gainfully occupied in the city was approximately 910,000. The reported number of unemployed seeking work was just under 264,000 or 22.5 percent of the total labor force.

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**ECA Program Improves Low Cost Housing**

A 20 PERCENT REDUCTION in building costs together with key improvements in design were among the major results of the recent competition within the ECA's Housing Development Projects Program, the ECA Special Mission to Western Germany announced.

A total of 3,408 dwelling units, financed entirely from ECA counterpart funds, will be constructed in this program. The average unit cost for dwelling units is DM 10,299 ($2,450) compared with DM 12,000 to DM 13,000 ($2,085 to $3,094) average cost per unit of regular housing. According to a report prepared by Walter F. Bogner, US chairman of the selecting committee, the savings from the competition are about 10 times its cost.

The competition program required that every apartment have its own toilet and bath. This automatically lifted the quality of the dwelling above the standard low-priced units, known as the Schlichtwohnung. But aside from this, the following improvements were achieved through high standards set for selection, according to Mr. Bogner's report, which is a preliminary estimate of results to be achieved:

1. One-third of the 3,408 dwelling units will be individual family houses, while the other two-thirds are apartment buildings with a three-story limit (in contrast to the four and five-story walkup apartment buildings of most contemporary housing).

2. Attic dwellings were not included in the winning designs, thus eliminating the common practice in Germany to house families under sloping roofs.

3. Designs submitted with "captive" rooms were not accepted. The extreme economy with which the floor area of a German dwelling is exploited often results in bedrooms being approached through each other.

4. Plans of unusual merit were found in Krefeld and Freiburg, while in many other cities improved standards were accepted.

5. Improvements of the surroundings of the building sites as well as improvements in the physical appearance of the building were achieved. Instead of the monotonous rows of parallel buildings so typical of regular housing, the designs under the program call for a free arrangement, with adequate yards and living space.

6. Structural improvements were achieved. These improvements took the form of better application of existing techniques and use of building materials, rather than in revolutionary designs. The competition's rules of fixed prices from contractors, plus an extremely limited range of building materials (minimum use of wood, steel, tile and other materials requiring coal for their production) reduced opportunities for radical departures from the customary methods. More use will be made of reinforced concrete, light concrete, asbestos and asphalt.

Ground-breaking has already taken place in several of the 15 cities in which housing projects are to be built.

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