

public may not necessarily represent an acute danger to the unity of the Allies. But of one thing many Englishmen feel sure: that the political equipment of the British Government to be used for the work of reconstruc-

tion after the war requires a thorough overhauling. And all England is discussing what, according to British ideas, the new world order should look like.

W. W.

RUMANIA FINANCES THE WAR

One of the most difficult problems in warfare is that of financing the war. In fact, it is so complicated that usually it is described in a manner understandable only to the financial expert. In the following two pages our contributor in Bucharest has succeeded in presenting the problem of Rumania's war finances clearly and simply.
—K.M.

MARSHAL Antonescu, who took over the government of his country in the autumn of 1940, could not think of leading his nation into a serious war unless he radically reformed all branches of the administration, which had been undermined by decades of corruption. One of his chief tasks was to bring order into the national finances.

The budget for 1940/41 had been made for Greater Rumania, including Bessarabia, North Bukovina, and North Transylvania. As a result of these regions being acquired by the Soviet Union and Hungary, the Government was now faced with a reduced income with which to cover expenditures which had risen considerably as a consequence of increased armaments and the restoration of earthquake damages. All unnecessary expenditures were therefore cut, thus entailing a saving of 16.16 billion lei. The tax collectors, who had formerly been in cahoots with the dilatory tax payers, soon felt the relentless hand of the Marshal. The law courts were slow and continued to lag behind; but, nevertheless, the punishment for tax evasions often followed on the heels of the deed. For the pillory and the concentration camp, both widely employed, proved far more effective than the law courts, in which skillful lawyers could often turn wrong into right. After many years of peace in which the budgets closed as a rule with deficits, the year 1940/41, a year of crises, brought in 40.98 billion lei in ordinary revenue, thus exceeding the estimated amount by 9 per cent. The Army budget and the Air Force and Navy budget, which were based on special revenues, also closed with surpluses.

PUNCTUAL PAYMENTS

This favorable development of the nation's finances continued during the next

two years. Salaries and old-age pensions were paid out punctually, and war pensions for disabled soldiers were distributed without a hitch. This fact, which might be taken for granted in many other countries, deserves special mention. For in all the previous years of peace it had never been the case in Rumania that the salaries of the Government employees were really paid every month on a certain day. Payments usually started on the 20th of every month, first in the capital, dragging along for two or three weeks until they had been made in the many small, remote towns and villages of the provinces. For pension receivers, there was never any regular date of payment. Day after day they would make their pilgrimage to the finance department, until their pensions were finally remitted. During the worst depression years, in 1930 and 1931, the salaries of the Government employees were not paid at all for months on end. Some years ago, when disabled soldiers of the Great War tried to form a procession in Bucharest to demonstrate in front of the Parliament, they were dispersed by means of fire hoses; but this did not mean that their pensions were paid any more punctually. These "normal" conditions must be borne in mind in order fully to appreciate the achievements of Antonescu's Government during the difficult years of war.

The fiscal year 1941/42, with its 66.19 billion lei of ordinary revenue, also surpassed the estimates by 47.5 per cent. The extraordinary budget for national defense yielded another 19.59 billion lei of revenue; together the revenues surpassed ordinary expenditures by 37.11 billion lei, which amount was added to the amounts used for financing the war. The fiscal year 1942/43 brought a further considerable increase in revenue. In this case, however, the increased circulation of

bank notes and the decline in the purchasing power of the Rumanian currency must not be disregarded. In this second year of war, the ordinary income amounted to 112.911 billion lei, which was 55.7 per cent higher than the estimated revenue and 70.1 per cent higher than the ordinary income of the previous year. The extraordinary budget for national defense also closed with a considerable surplus.

MORE INDIRECT THAN DIRECT TAXES

In the current fiscal year 1943/44 the hitherto separate budgets were combined into a single one in which expenditures are divided into two large groups, military and civilian. 48.2 per cent of the entire ordinary budget is needed for civilian expenditure, while more than half of the ordinary revenue is used for military purposes. The estimates of this new budget have again been increased considerably in comparison to those of the previous year, amounting now to 171.88 billion lei. The budgets of the Government monopolies and commercialized Government plants, which are attached to the ordinary national budget, amount to a total of 192.96 billion lei, so that, including the special budgets for the autonomous provinces of Bukovina and Bessarabia, the estimates reach a total of 373.96 billion lei, that is, one third more than in the previous year.

A foreigner passing through Rumania is often amazed at all the different-colored revenue stamps which every waiter, in restaurants or dining cars, sticks on the bill. Later he finds similar revenue stamps on the bills for every purchase, on every movie ticket, on every public notice and every theater program. The reason for this time-wasting mania for stamps is to be found in the fact that, as a result of its inadequate tax apparatus, the Rumanian financial administration has to rely chiefly on revenue from indirect taxes, stamp taxes, etc. Although these indirect taxes cannot be socially adjusted as fairly as the direct taxes, they are easier to collect. Thus in the current budget the revenue consists of 56.6 per cent

indirect taxes and only 18.6 per cent direct taxes, while 19 per cent represents income from the monopolies (tobacco, alcohol, matches, salt, gunpowder, playing cards, etc.), which can also be reckoned as indirect taxes.

For the actual financing of the war, a special finance plan was drawn up. It is based chiefly on the surpluses from the ordinary national budgets, furthermore on domestic loans (so far two in number) as well as on the issuing of short-term treasury notes. In addition there are extensive credits made by Germany to her Rumanian ally on the strength of the credit agreements of December 4, 1940, January 17, 1941, and January 17, 1942. These are in the form of war material which does not have to be paid for until after the war.

GOLD COVERAGE MAINTAINED

Under these circumstances, Rumania was able to carry out her war financing almost without any strain whatever on the National Bank. During the Great War, she had financed three quarters of her war costs with the aid of the bank-note printing press, which had led to a serious devaluation of the Rumanian currency. In spite of the fact that the Rumanian National Bank has had to increase its bank-note circulation from about 36 billion lei in the last year of peace to about 132 billion lei, it now occupies one of the most stable positions in Europe from the point of view of currency. The fact that it is anxiously clinging to gold coverage, which is still 29 per cent above the statutory minimum, is understandable, since Rumania is the only country in Europe which possesses a gold-mining industry worth mentioning (2,585 kilograms of fine gold in 1942).

But, quite aside from the question of currency, the problem of financing the war has so far been solved to the extent of 80 per cent by ordinary revenue, so that, from a material point of view, only a small part of the burden of the war has been shifted onto the shoulders of future generations.—P.