

an
Recovery
Program

AUSTRIA
COUNTRY STUDY

Economic Cooperation Administration
February 1949 • Washington, D. C.

Austria

Country Study

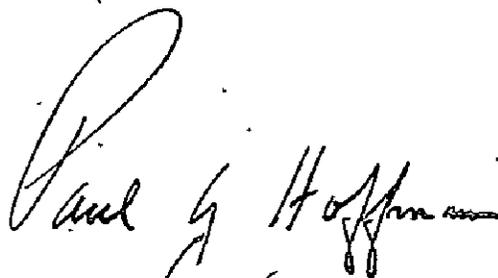


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This document is based on the best information regarding Austria currently available to the Economic Cooperation Administration, and the views expressed herein are the considered judgment of the Administration. Both the text and the figures for 1949-50 are still preliminary in character; participating countries will therefore understand that this report cannot be used to support any request, either to the Organization for European Economic Cooperation or to the Economic Cooperation Administration, for aid in any particular amount for any country or for any particular purchase or payment.

A handwritten signature in cursive script, reading "Paul G. Hoffman". The signature is written in dark ink and is positioned to the right of the date.

Administrator.

FEBRUARY 14, 1949.

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PART I

Summary and Conclusions

The difficulties faced by Austria in establishing a self-supporting economy began at the end of the first world-war. After a tremendous struggle and period of adjustment Austria had just about overcome its economic unbalance in 1937 the year before the Anschluss. Since then the situation has been greatly aggravated by the problems stemming from World War II and by the continued four-power occupation.

Until 1918, Austria was the key component of a well-balanced large economic unit, the Austrian-Hungarian Empire; independent, Austria became a small republic of 32,000 square miles inhabited by a little more than 6 million people. Vienna contained nearly one-third of the new republic's total population; a large part of this population had been previously engaged in the activities appropriate to the capital of a large empire. The capital city became the industrial center of a small country which could neither supply its own food requirements and raw materials nor consume the products of its industry. Natural resources were, in many cases, undeveloped as many items had been supplied more economically by other parts of the monarchy.

Austria could no longer pay for a substantial part of its needs through the performance of political, administrative, and financial services. Lacking sufficient capital to expand production to pay for necessary imports, and hampered in its search for markets by trade barriers, Austria went through a period of inflation and economic instability in the 1920's and a depression after 1930. The Government was forced to seek assistance in the form of foreign loans. Strenuous efforts of the Austrian Government to increase agricultural production brought about a decrease in food imports from 32 percent of all imports in 1924 to 28 percent of all imports in 1937.

Systematic exploitation of the country's natural resources, its forests, its hydroelectric potential, and its limited mines was paralleled by increased efforts to maximize its invisible receipts. With improvement of facilities Austria became one of the best favored vacation lands, attracting a large number of tourists. Capitalizing on its central European location, Austria developed considerable income from transit trade and traffic. As a result of these efforts, Austria for the first time virtually paid its own way in 1937. The deficit

on merchandise account in that year was almost covered by income from tourism, services, and revenue from assets retained in the countries which were formerly part of the Austro-Hungarian Empire.

In March 1938, Austria was annexed by Germany and its economy integrated with that of the Greater Reich. Some lasting economic gains resulted, including hydroelectric and petroleum development and expansion of capacity in heavy industry. On the other hand, the emphasis on war preparation resulted in considerable industrial unbalance. Agricultural development was also arrested.

The war caused widespread damage. With the surrender, Austria was left with a disrupted political structure, a prostrate economy, and no foreign assets to assist in a new start. This was aggravated by removal of plant and equipment by the Soviet forces after the war ended. Austrian industry after the war was unbalanced; an excess of capacity existed in some fields while capacity in other phases was inadequate.

During and immediately after the war, agriculture suffered some damage and production is still considerably below prewar.

Austria's agricultural production began to show measurable improvement only with the arrival of agricultural supplies under the United States aid programs. Despite this improvement, Austria's production of food at the present time covers only 55 percent of its current consumption.

During the first 2 years after the war, the food supply in Austria was extremely low; basic rations ranged from 1,200 to 1,550 calories per day. With the improvement in indigenous output, and with the help of greater imports, the basic ration has been raised first to 1,700, then to 1,800 and subsequently to 2,100 calories per day. The average consumption by the nonfarm population, allowing for supplemental rations and off-ration consumption, is about 2,500 calories daily.

Until the summer of 1947, the availability for consumption of industrial products was also extremely low. Since then there has been marked improvement. The monetary reform of December 1947, the increase in industrial production which followed, and the flow of United States aid, greatly increased the availability of goods.

At the same time the spread between legal and black-market prices narrowed sharply.

From a virtual standstill in 1945, industrial progress in 1946 was slow. The severe winter of 1946 resulted in an almost complete shut-down of industries during the latter part of December and through the months of January and February 1947. However, with the coming of spring, power generation increased, the flow of coal under the aid programs of the United States, the United Kingdom and UNRRA became regular and, with increased supplies of raw materials procured under foreign trade agreements, Austria's industries began to recover.

In 1948 receipt of aid under the ERP, with its emphasis upon recovery rather than relief, gave the Austrian economy a major impetus. As a result, industrial progress during 1948 was very substantial. Industrial production rose from 44 percent of the 1937 rate during March 1947 and 62 percent during December 1947 to 98 percent by October 1948.

This degree of recovery was achieved in the face of very considerable political difficulties. Although regarded as a liberated nation with a functioning government of its own, Austria remained under quadripartite occupation. Basic differences of policy between the Western Powers and the Soviet Union have made it impossible to conclude an Austrian treaty which would enable that country to enjoy full freedom of action in dealing with its economic problems. Moreover, an important part of Austria's economic assets, particularly petroleum, are under the control of the Soviet authorities and not of the Austrian Government.

Despite the improvement in industrial production which has been achieved since the summer of 1947, Austria's foreign accounts remain badly out of balance. While income from transit traffic and tourism may be expected to recover, Austria's foreign investments have been lost almost completely and the ability to earn income from other service accounts has been greatly diminished. Requirements for essential imports of food, fuel, and raw materials remain well in excess of the present export potential.

Austria can approach a self-supporting status only through intensive development of her indigenous resources. Outstanding in this program is the development of Austria's very large hydroelectric potential, which would permit substantial savings in requirements for coal imports. Agriculture will need to be expanded to reduce food imports and forestry to provide a source of export revenue. Considerable investment is needed in Austria's basic industries, partly in order to fill the gaps in the industrial structure resulting from the German occupation, the war, and the postwar removals of equipment by the Soviets, and partly to establish higher production levels. The transport system also needs rehabilitation.

The development of sources for the required investment funds is a crucial problem. Private investment is at a low level. Government revenues are sufficient only to pay for the ordinary expenses of Government. Therefore while there is a substantial program of Government investment, it is based almost entirely upon the use of counterpart funds.

The long-range recovery program, submitted by the Austrian Government, reflects these difficulties. Two-thirds of the total net investment planned for the next 4 years is to be financed by the Austrian Government, and this financing is to be derived entirely from counter-

part funds. The long-range plan for the use of counterpart funds for this purpose, in fact, is well in excess of their probable availability.

The Austrian recovery program, moreover, shows a foreign trade deficit of almost 100 million dollars in 1952-53. The revenue from exports and invisibles is expected to cover in that year only 82 percent of the total foreign exchange expenditures.

Without a large-scale investment program, Austria cannot achieve a self-supporting status. Consequently, it would appear essential that adequate sources of investment funds be provided. To do this would require strong fiscal measures both to provide additional Government revenue available for investment and to divert a substantial amount of private expenditure from consumption to investment channels. If these tasks are performed, it should be possible to bring Austria's foreign accounts into closer balance within 4 years than is contemplated in its long-term program.

During 1948 the ERP has provided fuel and raw materials, without which Austrian industry could not operate, and the capital goods needed to initiate the long-range investment program. The benefits derived from the fuel and raw materials imports were evidenced in the sharp and steady improvement in industrial production during the past year. The advantages which will result from the investment program will, of course, take longer to become apparent but such a program is prerequisite to Austria's achieving a self-supporting status.

Austrian exports have also reflected the stimulus of increasing production made possible largely by foreign aid. Exports during the first 9 months of 1948 were at more than twice the 1947 rate. Nevertheless, it remained impossible to avoid a large deficit, estimated in the Austrian program at 296 million dollars for the current fiscal year. The sharp reduction in Austria's invisible earnings has contributed to this deficit and reflects small receipts from tourism and transit traffic and the loss of foreign investments.

Under the Austrian program for 1948-49, as screened by the OEEC, 206 million dollars of this deficit is with the Western Hemisphere. There is an additional deficit of about 22 million dollars with other nonparticipating countries, particularly with eastern Europe which has always been a major source of food, fuel, and raw materials for Austria. This results in a total dollar deficit of 228 million dollars. The Austrian Government assumed that about 11 million dollars of this amount would be covered by loans from the Export-Import Bank and the War Assets Administration, leaving the requirements for ECA aid at 217 million dollars.

On the basis of the latest figures available, about 13 million dollars will be financed by loans and advances from non-ECA sources. This would leave the net dollar deficit for the fiscal year to be covered by ECA at 215.2 million dollars.

The Austrian request and aid granted in 1948-49, as well as the request and estimate for 1949-50, are summarized in the following table:

TABLE 1.—*External aid required*
(In millions of dollars)

| | 1948-49 | 1949-50 |
|--|---------|---------|
| Austrian request for gross dollar aid..... | 339.3 | 217.0 |
| OEEC recommendation of gross dollar aid..... | 217.0 | (1) |
| ECA estimate of gross dollar aid..... | 215.2 | 197.0 |

¹ National submissions for 1949-50 not yet reviewed by OEEC.

Austria received an allotment of 62 million dollars as a direct grant for the second calendar quarter of 1948. To date, of the programmed amount of 215.2 million dollars for fiscal 1949, Austria has received allotments totalling 158.8 million dollars, of which 154.4 million is a direct grant and 4.4 million conditional aid.

An additional allotment of 56.4 million dollars will be necessary to complete the program for 1948-49.

The program submitted by the Austrian Government for the fiscal year 1949-50 contemplates a 200-calorie increase in food consumption and limited increases in the availability of other consumer goods to the population. The program calls for an increase of about 10 percent in the production of foodstuffs resulting from an expansion in the area under cultivation, and increased yields stemming from greater use of fertilizers. There would be a rise in the output of bread grains, a substantial increase in sugar beet output, and higher production of meats, fats, and milk.

The supply of raw materials, including coal, to industry, according to the program, would increase about 10 percent. This increase is in accord with the planned rise in industrial production.

No over-all estimates of the investment program for 1949-50 have been presented. However, about 40 percent of the machinery which it is planned to import during the next 3 years is scheduled for purchase during 1949-50.

The Austrian program contemplates total foreign exchange expenditures for 1949-50 amounting to 571 million dollars, or about 12 percent greater than in the 1948-49 program. Commodity imports under the program would rise from 471 million to 519 million dollars, or about 10 percent.

Invisible expenses are expected to increase by 8.5 million dollars. This reflects, principally, anticipated payment on a debt owed to the Bizone on past transactions, as well as interest and initial installment payments against Export-Import Bank and War Assets credits.

The import program as submitted shows projected purchases in the Western Hemisphere at about the same level as in the 1948-49 pro-

gram. Imports from other participating countries and other non-participating countries (principally Eastern Europe) would increase substantially. In terms of percentage, imports from the Western Hemisphere would decline from 41 percent of the total under the 1948-49 program to 38 percent in the 1949-50 program.

Exports would rise from 189 million dollars planned for 1948-49 to 251 million dollars in 1949-50, an increase of about 33 percent.

Under the Austrian program the net deficit on current account would be 288 million dollars, as compared with 296 million dollars in the 1948-49 program. Of this total, 190 million dollars would represent the deficit with the Western Hemisphere. Trade with other participating countries would show a debit balance of 71 million dollars and trade with other nonparticipants a deficit of 27 million dollars.

It is recognized that the present food consumption standard in Austria remains below prewar and the availability of other consumer goods to the population is relatively much lower. Nevertheless, it would appear that any improvement in the level of food consumption, such as that contemplated by the Austrian Government, must await considerable further progress toward the goal of a self-supporting economy.

It is essential that Austria make a strong effort to finance a larger part of its essential investment program from its own financial resources, instead of by counterpart funds alone. The coming fiscal year should therefore see a strong effort to channel substantial private Austrian funds into the investment program by appropriate fiscal measures. This would necessarily result in retarding improvement in the level of personal consumption.

In the circumstances, it is believed that some reduction in the proposed import program is appropriate, principally with regard to food. At the same time, calculations indicate that there should also be some reduction in the import requirements for coal. With these modifications, however, the import program is regarded as a sound basis for continued recovery. The requirements for industrial raw materials are geared to the anticipated level of production. The planned imports of equipment form an indispensable part of the long-term program designed to permit more effective utilization of Austria's economic resources. These reductions yield a total import figure of 471.3 million dollars as compared with the Austrian request of 519.3 million dollars.

The export program submitted by the Austrian Government represents an increase of about one-third over 1948-49. This reflects progress along the road toward a self-supporting economy.

On this basis, it is estimated that the net dollar deficit on current and capital account would amount to 197.0 million dollars. Austria has no source other than ECA aid to finance such a deficit.

PART II

Chapter I. Analysis of the Current Situation

A. CONSEQUENCES OF THE WAR

Before 1918 Austria was the key component of the Austro-Hungarian monarchy—a well-balanced large economic unit—an empire of 240,000 square miles with a population of 51 million. With the dissolution of this empire Austria became one of the several successor nations, a republic of 32,000 square miles inhabited by a little more than 6 million people. Vienna contained nearly one-third of the new republic's total population; a large part of this population had been previously engaged in the activities appropriate to the capital of a large empire. The capital city became the industrial center of a small country which could neither supply its own food requirements and raw materials nor consume the products of its industry. Natural resources were, in many cases, undeveloped as many items had been supplied more economically by other parts of the monarchy.

Import requirements of food and raw materials made it imperative for Austria to export her industrial products but the raising of tariff barriers in areas with which it had once traded freely made the restoration of trade connections difficult.

Austria had little to offer in that period. It could no longer pay for a substantial part of its needs through the performance of political, administrative and financial services. Lacking sufficient capital to expand the internal market and to pay for necessary imports, Austria went through a period of inflation and economic instability in the 1920's and a depression after 1930. The Government was forced to seek assistance in the form of foreign loans. Strenuous efforts of the Austrian Government to increase agricultural production brought about a decrease in food imports from 32 percent of all imports in 1924 to 28 percent of all imports in 1937.

Systematic exploitation of the country's natural resources, its forests, its hydroelectric potential, and its limited mines was paralleled by increased efforts to maximize its invisible receipts. With improvements of facilities and development of a road system and cable cars

to mountain peaks, Austria became one of the best-favored vacation lands, attracting a large number of tourists. Capitalizing on its central European location, Austria developed considerable income from transit trade and transports. As a result of these efforts, Austria for the first time virtually paid its own way in 1937. The deficit on merchandise account was almost covered by income from tourism, services and revenue from assets retained in the successor countries.

In March 1938, Austria was annexed by Germany and its economy integrated with that of the Greater Reich. Some lasting economic gains resulted, including hydroelectric and petroleum development and expansion of capacity in heavy industry. The emphasis on war preparation, however, created considerable economic dislocation; for example, agricultural development was arrested and industry became unbalanced.

The war caused widespread damage. This was aggravated by removal of plant and equipment by the Soviet forces after the war ended. With the surrender, Austria was left with a disrupted political structure, a prostrate economy, and with no foreign assets to assist in a new start. The years 1945 and 1946 were extremely difficult. With increasing aid from the United States and the United Kingdom, however, recovery began in 1947 and rapid progress was made in 1948.

Austria is in a unique position among the participating countries in that it has a central government of its own while still being occupied by four Allied Powers. Austria was occupied not as an ex-enemy country but with a view to the restoration of a viable independent state. In the Moscow Declaration on Austria of November 1, 1943, the United States, jointly with the other Allied Powers, declared its desire to see Austria reestablished as an independent state with political and economic security. The United States recognized Austria as a liberated country comparable in status to other liberated areas, subject only to the controls reserved to the occupying powers in the new control agreement for Austria of June 28, 1946. By virtue of this agreement, the Allied Powers are in a position to exercise certain political and economic controls over Austrian affairs until such time as an Austrian treaty may come into force. At the same time, they bear a certain responsibility to assist in the political and economic reconstruction of the country. The four occupying powers pledged themselves "to assist the Austrian Government to recreate a sound and democratic national life based on stable economic and financial conditions."

In the absence of a treaty, Austria remains under military occupation and divided into four zones. Movement of persons is free but there has been some interference from time to time with the movement of goods from eastern to western Austria.

Certain controls are still exercised over the Austrian Government in the political and economic fields collectively through the Allied Council for Austria and individually in the four separate zones through the respective commanders in chief. Acts of the Austrian Government are subject to review, but not veto (unless unanimous), by the Allied Council for Austria in Vienna.

The essential tasks of occupation may be regarded as completed, the severance of Austria from Germany has been accomplished, Austrian national identity and the fabric of Austrian institutions have been restored. Extensive progress has been made by Austria in regaining its position as a member of the international community on an equal footing with other states. Austria exchanges diplomatic representatives with other governments. It has joined specialized agencies of the United Nations and other international organizations which seek to attain common ends through the cooperation of independent national states. Austria is, for example, a participating member of the Organization for European Economic Cooperation, the Food and Agriculture Organization, the International Labor Organization, International Civil Aviation Organization, International Bank for Reconstruction and Development, and International Monetary Fund.

The present Austrian Government was formed in accordance with the results of the free national election in November 1945 and has maintained a clear record of internal stability, resistance to communism, support of democratic reconstruction, and devotion to national independence. Two major political groups emerged after the first world war and have persisted to the present time, the People's Party, which represents principally clerical, conservative, business, and peasant elements, and the Socialist Party which draws its strength primarily from the urban working-class and lower middle-class groups including a number of small farmers. These two groups organized since the war divide political power almost equally between them. They hold 161 out of 165 seats in Parliament, with the People's Party having 85 and the Socialist Party 76 representatives. Despite differences in their programs, both parties have cooperated closely as partners in the Government. The Austrian Socialists have been strongly anti-Communist. Both the People's Party and the Socialist Party have a long political tradition in Austria and have a solid foundation in the social structure of the country. Their dominant position, therefore, could be shaken only if the social structure itself, owing to a deterioration of the economic situation, should undergo a serious transformation.

The Communists, as the third political party, are small in number, having obtained only 5.4 percent of the total vote in 1945 and four seats in Parliament. Although they had one representative in the Government until November 1947 and although they have been given

Soviet support, they have had no significant influence on the policies of the Government.

The Government has pursued a course of rebuilding the country's political and economic structure within the framework of a republican, federal, and democratic constitutional system. It has stood firm against Communist attacks and against Soviet interference both in internal administration and in the application of Austrian law. Even if a future election should bring changes in the relative strength of the two major parties, it is unlikely to affect the democratic composition of the Government or to increase Communist influence on the internal affairs of Austria materially unless the Government fails to continue its efforts to create stable economic conditions.

Occupation nevertheless continues under these conditions because of the differences between the Western Powers and the Soviet Union over certain basic issues of the Austrian treaty. This has prevented final agreement in spite of efforts since June 1946 to conclude the treaty, and of agreement on many of the articles. The continued occupation without settlement of fundamental differences between the Allied Powers concerning Austria has caused the following hindrances to the recovery of that country:

Arbitrary intervention.—The Austrian Government must constantly cope with uncertainties in political and economic matters arising from the occupation, with the arbitrary and unilateral action of the Soviet authorities in the eastern zone and Soviet sector of Vienna and with Soviet obstruction in the Allied Commission. The Soviet occupying forces have been responsible for many arrests and abductions of public officials as well as private persons. Soviet pressure also has been brought to bear through obstructing the shipment of certain commodities from the eastern and western zones; far-reaching demands for Austrian railroad equipment and scrap metal, claimed as war booty; Soviet efforts to conclude bilateral agreements in settlement, outside the Austrian treaty, of major questions affecting the Soviet position in Austria. The resulting personal and material insecurity has tended to depress Austrian initiative and to retard systematic creation and execution of long-range economic programs.

Unsettled property questions.—The Potsdam Agreement expressed the general principle that German enterprises in eastern Austria should become the property of the Soviet Union, and German enterprises elsewhere in Austria that of the other powers. It has not as yet proved possible to obtain agreement on individual properties to be transferred to the Soviet Union as former German assets or as compensation in lieu of specific properties, nor on the conditions under which the Soviet Union would exercise such property rights in Austria after the coming into force of a treaty. In the absence of a settlement of this type and through exploitation of its position as an occupying power, the Soviet

Union has extended control over a series of enterprises claimed as German assets in the Soviet area of Austria. These are operated through a large industrial organization known as USIA (Administration of Soviet Controlled Enterprises in Austria), generally outside of Austrian law and administrative regulations. The broad interpretation given to German assets by unilateral Soviet decision prior to any agreed settlement is responsible for a continuing drain on the Austrian economy and for an element of uncertainty in some sectors of Austrian economic life.

Lack of control by Austria over facilities and indigenous resources.—The conditions created by the continuing occupation and the unresolved property questions deny to Austria full freedom of action in utilization of its own facilities and indigenous resources. An outstanding example is the inability of the Austrian Government to exercise control over the oil resources and facilities in the eastern zone; it cannot determine the rate of production, the distribution of oil supplies, and the amounts available for export and for domestic use, and, even worse, some 55 percent of the petroleum production of Austria is estimated as being syphoned off without benefit to the Austrian economy.

In spite of persistent attempts of the Austrian Government to bring economic activities of the Soviet-controlled enterprises fully under Austrian law, it has not been able to prevent the withholding of many products by the Soviet authorities from the Austrian economy. It has also proven impossible to reopen the Danube in the Soviet zone to commercial shipping.

Occupation costs.—The occupying powers have levied each year occupation costs ranging from one-third of the Austrian budget in 1946 to about one-tenth in 1948. The Soviet Union has insisted upon the full use of its share; the United Kingdom and France have attempted, during the last year, to limit their requirements for occupation costs to a minimum and the United States has been on a pay-as-you-go basis since June 1947, thus providing the Austrian economy with dollar receipts of approximately 12 million annually. The financial drain on the economy through occupation costs amounts to approximately 500 million schillings annually. In addition, the requisition of materials, facilities and services, although decreasing in extent but not all paid for by occupation cost schillings, places an additional burden on the economy. The rendering of priority services to the occupying powers, particularly in the case of the Austrian railways results in operational deficiencies.

Displaced persons.—An additional strain is placed upon the Austrian economy through the presence of some 430,000 displaced persons, a majority of whom are considered stateless and for whose care the Austrian Government must spend an estimated 150 million schillings per annum.

A valuable asset for economic recovery is the high degree of political and social stability achieved by Austria since its liberation. The Austrian population has shown extraordinary social discipline in the difficult circumstances since the end of hostilities. During this period no serious strikes and no social unrest have hindered the operations either of the Government or of the occupation forces. The Austrian trade unions have accepted sacrifices and maintained strict self-control in the face of continuing economic scarcity and have avoided resorting to measures which would have a serious inflationary impact.

The coalition government has been maintained unimpaired even though its existence has been threatened at times by the attempt of either the People's Party or the Socialists to take partisan credit for joint accomplishments or to engage in mutual recriminations over historical differences. Nevertheless, the coalition has survived each of these threats and offers every prospect of continuing to serve as a factor of stability and resistance to Soviet interference. The strength of the coalition has enabled the Austrian Government to pursue an independent course and to resist firmly external pressures and Communist attacks.

The achievement of such conditions can be attributed to three chief factors:

(1) The character of the social organization in Austria;

(2) The need for cooperation in dealing with problems created by the occupation;

(3) Agreement between the People's Party and the Socialists on fundamental policy aims. These include the attainment of full national independence for Austria as a free and democratic state, the revival of economic life on a sound basis, and the maintenance of internal stability.

In summary, Austria was faced with extremely difficult political and economic problems after the end of the war. It is still unable to utilize its industrial and agricultural resources fully. Nevertheless, it has been able to avoid runaway inflation and to achieve substantial industrial progress since the latter part of 1947. While Austria should benefit greatly from participation in the European Recovery Program, it will continue to encounter major difficulties until the present political uncertainties can be resolved through the conclusion of an Austrian treaty.

B. PRODUCTION

I. Agriculture

Following the dissolution of the Austro-Hungarian Empire, Austria was left with only 8 percent of the agricultural land of the former Empire. During the interwar years, the Austrian Republic made great strides toward maximizing production by increasing the land

under cultivation and by improving the yields in both crops and livestock. Production of bread grains increased; the country changed from an importer of dairy products to a net exporter and became self-sufficient in the production of potatoes and sugar. The production of vegetables, meats, fats, and oils increased. Agricultural production in Austria reached its high point just prior to the Anschluss, when it supplied approximately 75 percent of Austria's food requirements. The bulk of the indigenous output came from the eastern part of Austria, now the Soviet zone of occupation.

The remaining 25 percent of Austria's food requirements had to be imported. Imports provided 45 percent of consumption requirements for fats and oils, about one-third for bread grains, and 20 percent for animals and meats. Of these food imports, Austria bought the greater part in European countries, particularly in the food surplus areas to the east and southeast.

During and immediately after the war, agriculture suffered heavily. Cultivation practices and insect control deteriorated, adequate fertilizer was unavailable and the quality of available seeds was low. Farm machinery was poorly maintained. Most of the machinery used was of German manufacture and spare parts were not available. During the last days of the war, the retreating German Army and the advancing Soviet Army requisitioned farm tractors and trucks.

Austrian agricultural production began to show measurable improvement only with the arrival of agricultural supplies under the United States aid program.

The following table, based on Austrian statistics, indicates land utilization in comparison with prewar years:

TABLE 2.—*Land utilisation.*
[In thousand hectares]

| | 1937 | 1944 | 1946 | 1947 | 1948 |
|----------------------------------|-------|-------|-------|-------|-------|
| Arable land..... | 1,976 | 1,690 | 1,627 | 1,712 | 1,745 |
| Gardens and orchards..... | 99 | 73 | 53 | 56 | 58 |
| Vineyards..... | 39 | 40 | 39 | 38 | 37 |
| Meadows..... | 928 | 1,075 | 1,059 | 1,056 | 1,053 |
| Pastures..... | 352 | 376 | 382 | 379 | 369 |
| Alpine meadows and pastures..... | 963 | 883 | 891 | 886 | 894 |
| Forests..... | 3,135 | 3,054 | 3,012 | 3,061 | 3,061 |

The area devoted to the production of grains and potatoes has fallen below the prewar average. On the other hand, grass and meadow land has increased.

The livestock population has fallen well below prewar when Austria imported large quantities of livestock feed from its eastern neighbors. The stoppage of these imports, combined with the unfavorable years of 1945, 1946, and the drought of 1947, has reduced the livestock population and resultant production of animal products.

Austria's production of food at present covers approximately 55

percent of its consumption. The other 45 percent is provided through imports, particularly of bread grains, fats, and sugar. Crop yields can return to the prewar level rapidly with normal weather and adequate supplies of fertilizer, seeds, and spare parts for farm machinery.

During 1948, Austrian agricultural production has shown marked improvement. Favorable weather was responsible for some of the improvement, but imported agricultural supplies brought in under United States aid programs, were also an essential element. Approximately 15 million dollars worth of these supplies, consisting mainly of seeds and fertilizer, enabled Austrian agriculture to take advantage of the first near-normal season since the end of the war. As a consequence of increased production and imports, the daily caloric level for the normal consumer was raised from 1,700 to 1,800 in July, and from 1,800 to 2,100 in September. The potato crop from United States imported seed potatoes was especially good. Fresh fruits and vegetables were in better supply through the summer and comparatively few imports of these commodities were necessary. Payment of a milk subsidy to dairy farmers is stated to have increased milk deliveries to such an extent that, during July and August, for the first time since the war, skimmed milk was made available to normal consumers in Vienna.

2. Forestry

Following the First World War, Austria was forced to rely heavily on its forest resources to pay for necessary imports. Its 3.1 million hectares of major spruce forests are capable of producing 9.5 million cubic meters per year. In peak years the cut exceeded this rate of growth. Large amounts of wood pulp were also exported to neighboring countries, since pulp production far exceeded the capacity of Austria's paper mills. Exports declined during depression years, but Austria's forest resources between the two wars not only furnished a livelihood for about one-sixth of the population but also contributed about one-half of the tonnage of all exports.

During the postwar period, production gradually increased in volume as logging workers began to receive more adequate food supplies, transportation facilities improved, and business in general revived. From complete stagnation in May 1945, lumber production in 1947 rose to about 85 percent and paper production to about 50 percent of prewar. Planned production for the following year was reduced at the insistence of Austrian foresters that overcutting during the war had decreased the productive capacity of the forests. However, with an admitted annual growth of 8.8 million cubic meters, Austria's forests could support an annual cut of 30 percent over the 1948 plan. Such a level of production would be within the limits of annual growth and enable Austria to help meet the large demand for wood and wood products in neighboring countries.

Logging output has been adversely affected by the lack of equipment. A loan of 900,000 dollars for the import of lumber machinery has been secured from the International Bank for Reconstruction and Development. Further imports are being obtained with ECA aid.

The following table shows annual growth, logging and lumber production in 1948 compared to prewar.

TABLE 3.—*Logging and lumber production in Austria*

[In million cubic meters]

| | 1937 | 1948 |
|--|-------|-------|
| Annual growth in productive forests..... | 8,800 | 8,800 |
| Industrial wood production..... | 7,100 | 5,200 |
| Lumber production..... | 1,900 | 1,500 |

3. Coal

The Austro-Hungarian Empire drew the bulk of its coal supplies from mines located in what is now Czechoslovakia. During the interwar period Austria produced approximately 40 percent of its coal requirements. Three-fourths of Austria's coal imports came from Czechoslovakia and Poland, the balance mainly from Germany.

Following the end of the war, coal production dropped sharply, but by the end of 1947 it had virtually regained the 1937 level. Due to the increased requirements for fuel, however, domestic output since the war has satisfied only 30 percent of total requirements. Further increases in production are not anticipated because of the limited capacity of the Austrian mines. There is some doubt, in fact, whether the current rate can be maintained unless substantial investment is made in the mining industry.

Austria's coal mines (which produce 95 percent lignite) as well as its mining equipment, have deteriorated as a result of forced production and exhaustive operation during the war when new development was almost completely neglected. Present output per worker is 0.75 ton per day as against 1 ton per day prewar. As a result, mining costs are excessively high. To date the Austrian Government has refused to sanction higher prices for coal and thus many mines are said to be operating at a loss and are therefore requiring Government subsidy.

It is vitally important that new mines be developed to assume the burden of production when old mines, which are now said to be near exhaustion, cease to be economically operable.

4. Electric Power

In 1937, hydroelectric power output in Austria was 2.9 billion kilowatt-hours out of a potential of 25-30 billion kilowatt-hours per annum.

Between 1937 and 1944, the rate of increase of total electrical energy production averaged over 10 percent yearly. By 1944, total generation amounted to 5.6 billion kilowatt-hours. The next year, 1945, was one of disorganization and production fell off 43 percent to only 3.2 billion kilowatt-hours. By 1948, however, output recovered to 4.6 billion kilowatt-hours.

The power network itself sustained little damage, except in the eastern half of Austria.

Part of the equipment was removed by the Germans during the war for use elsewhere, and some was later removed by the Soviet forces. Moreover, removal of generating equipment by the French occupation forces from certain plants in the French zone of Germany which had been supplying power to Austria, resulted in a decrease in availabilities to Austria.

A large-scale program of construction of generating plants and transmission lines had been started by the Germans in line with their unification of the Austrian and German economies. This program was about 25 percent complete at the end of the war.

German construction was divided into three main parts which were correlated with the existing Austrian installations. The Vorarlberg plants in the extreme western portion of Austria have systems of reservoirs and provide peak power for the industrial sections of southern and western Germany. The Tyrol plants, also in the west, were linked to the Bavarian grid to the north. In central, eastern, and southern Austria, where the bulk of Austrian industry is located, all consumers and producers were united into a compound hydro and thermal network, whose hydroelectric output was insufficient to meet demand at peak periods, especially in winter, when maximum needs coincided with reduced effectiveness of hydro sources, and the thermal plants, aided by energy imports from Germany, made up the deficit.

The Austrian Government is still committed to continuing the export of power to southwestern Germany from the Vorarlberg plants and to Bavaria from the Tyrolean system. This contributes both to meeting German industrial needs and to providing a source of revenue for the purchase of coal and other goods from the Bizone.

5. Oil

Austria's oil resources are sufficient to supply the country's maximum needs and even allow for a substantial export of refined petroleum products. Since the war, however, the Soviet authorities have controlled Austria's crude-oil and refinery production, all of which is derived from the Soviet zone. As a result Austria has had access only to that portion of the output which the Soviet occupation authorities choose to allocate to the Austrian economy.

An analysis of postwar crude oil and refinery production in Austria follows:

TABLE 4.—*Oil production and deliveries*

[1,000 metric tons]

| Year | Crude oil production | Refinery output | Deliveries to Austrian Economy | Imported POL | Total consumption of refined products |
|-----------|----------------------|-----------------|--------------------------------|--------------|---------------------------------------|
| 1937..... | 32.3 | 31.2 | 31.2 | 359.3 | 360.0 |
| 1945..... | 223.3 | 101.6 | 26.0 | 14.6 | 40.6 |
| 1946..... | 346.3 | 567.4 | 323.9 | 36.9 | 360.8 |
| 1947..... | 927.6 | 608.6 | 355.0 | 12.7 | 367.7 |
| 1948..... | 907.5 | 691.0 | 337.0 | 48.7 | 383.8 |

¹Partly in the form of crude oil.

6. Industry

Austrian industry suffered serious losses and dislocations during and immediately after the war. The Soviet occupation forces removed substantial portions of the heavy industrial equipment from their zone of occupation. As a result Austrian industry became badly unbalanced: an excess of capacity existed in some fields while capacity in other fields was inadequate.

From a virtual standstill in 1945, industrial progress in 1946 was slow. The severe winter of 1946 resulted in an almost complete shut-down of industry during the latter part of December and the months of January and February 1947. However, with the coming of spring, power generation increased, the flow of coal under the aid programs became regular, and, with increased supplies of raw materials procured under foreign trade agreements, Austria's industries started a steady recovery.

The general upward trend continued throughout 1948, reaching approximately 94 percent of the 1937 rate in September, and 98 percent during October:

TABLE 5.—*Indices of production of Austrian industry*¹

[1937=100]

| | Mining | Metal-lurgical | Machin-ery and equip-ment | Chemical | Con-sumer goods | All in-dustry |
|----------------|--------|----------------|---------------------------|----------|-----------------|---------------|
| <i>1947</i> | | | | | | |
| March..... | 71.0 | 37.8 | 59.9 | 50.8 | 28.4 | 44.0 |
| June..... | 76.6 | 53.3 | 67.5 | 79.7 | 39.7 | 55.0 |
| September..... | 81.3 | 73.2 | 74.5 | 89.7 | 48.3 | 64.6 |
| December..... | 82.0 | 73.3 | 82.3 | 97.7 | 37.7 | 62.2 |
| <i>1948</i> | | | | | | |
| January..... | 93.3 | 88.6 | 82.6 | 100.0 | 46.5 | 69.6 |
| February..... | 88.3 | 88.6 | 99.0 | 102.5 | 46.4 | 74.3 |
| March..... | 99.0 | 90.5 | 113.8 | 118.0 | 50.1 | 82.6 |
| April..... | 101.2 | 98.3 | 114.7 | 120.2 | 51.8 | 84.7 |
| May..... | 88.8 | 91.9 | 95.6 | 111.2 | 53.3 | 77.3 |
| June..... | 96.2 | 117.3 | 114.7 | 131.6 | 59.2 | 90.4 |
| July..... | 96.3 | 117.8 | 95.5 | 129.4 | 62.3 | 81.5 |
| August..... | 92.5 | 115.9 | 106.2 | 140.2 | 51.8 | 84.9 |
| September..... | 98.9 | 112.0 | 100.8 | 148.2 | 67.7 | 93.7 |
| October..... | 98.9 | 116.7 | 120.2 | 160.1 | 67.1 | 98.0 |

¹This index is one of three developed since the war. One of the others is higher and one lower. The one used is believed most accurate.

Production in the heavy metallurgical, chemical, and machinery industries has exceeded the average production level of 1937, while the production of consumer goods has remained considerably below prewar. The Austrian Government has assisted the basic industries and the principal exporting industries, partly at the expense of lower production of consumer goods for domestic use.

Metallurgical industries.—During September and October 1948, pig iron production was approximately 56,000 tons monthly, crude steel was produced at a rate approaching 59,000 tons monthly, and rolled steel, approximately 38,000 tons monthly.

In 1948 ECA financed the purchase of a 4.3 million dollars blooming mill for the Donawitz plant with a capacity of 40,000 tons monthly.

Aluminum production, which is subject to serious curtailment in winter months because of the electric power shortage, has risen from a low of approximately 50 tons monthly in January and February 1948 to nearly 2,400 tons in July and August. During the current winter it has slumped to about 300 tons per month.

Machinery and equipment industry.—Truck production is currently about 70 units monthly and is expected to exceed 200 units per month by the spring of 1949. Light tractor output is being maintained at approximately 350 units per month.

The production of heavy machinery and equipment, such as boilers and containers, heavy plate shears, platform scales, construction lifts, winches, steel structures, and concrete mixers is approaching capacity. Production of light machinery and equipment is increasing.

Chemical industries.—The Austrian chemical industry is operating at approximately 75 percent of present capacity. This industry has been considerably expanded since 1937 although much of this expansion is ill designed for Austrian needs. With this augmented capacity the chemical industry has reached a level of output 50 percent above that of 1937. Production of heavy chemical salts and fine chemical inorganics has been started and a coke-gasification plant for large-scale production has been built.

Heavy chemical output has also increased steadily during recent months, as has production of glass, soaps, rubber products, adhesives, paints, matches, wax products, photosensitive materials, inks and pesticides.

Consumer goods industries.—Production in the Austrian consumer goods industry remains at a relatively lower level. This is largely the result of shortages of raw materials and accessories, as well as of priorities for the heavy industries in fuel and power allocations.

The Austrian textile industry operated at an estimated average rate of 72 percent of single-shift capacity during October. Shortages of certain raw materials, accessories, dies, and chemicals for finishing woven goods continue to retard production.

Rawhide collections showed an increase in the fall season, but a shortage of bichromates and chrome alum, and a lack of spare parts for leather-working machinery, in addition to the relatively small production of rawhides, continue to retard the Austrian leather industry.

Manufacture of leather shoes approximated 270,000 pairs in October, the equivalent of 54 percent of capacity. In addition to this output, 280,000 pairs of leather-substitute shoes were produced.

Austrian production of building materials reached approximately 85 percent of capacity in October, about 139 percent of the average 1937 monthly production.

The Austrian food processing industry is operating at an average of 40 percent of capacity and continues to be retarded by a shortage of raw materials.

Production of mechanical pulp amounted to 4,400 tons in October, about 50 percent of capacity, while the manufacture of chemical pulp was approximately 25,000 tons, or 90 percent of capacity. Production of paper reached 18,000 tons, or about 80 percent of Austria's paper manufacturing capacity.

7. Transportation

War damage, neglected maintenance, temporary structures, and obsolete equipment hamper the carrying capacity of Austria's inland transport system. The following table compares the availability of rolling stock in 1937 and 1948.

TABLE 6.—Availability of rolling stock

[In units]

| | Locomotives | | Freight cars | | Passenger cars | |
|-------------------|-------------|--------------|--------------|--------------|----------------|--------------|
| | Total | Service-able | Total | Service-able | Total | Service-able |
| 1937 ¹ | 2,145 | 1,829 | 32,900 | 29,100 | 7,788 | 6,700 |
| 1948 ² | 2,930 | 1,329 | 48,341 | 33,716 | 6,943 | 4,090 |

¹ Figures for Austrian Federal railroads representing about 90 percent of the total.

² As of July 1948.

The supply of serviceable locomotives and passenger-train equipment has fallen considerably under prewar. Freight-train equipment, although larger in total number than in 1937, is lower in certain essential types such as boxcars and gondolas. Poor condition of the equipment reduces efficiency of utilization considerably.

In the face of inadequate equipment, the burden on the Austrian railroads has increased. In addition to normal internal traffic, they must carry an increased transit traffic (one of the important sources

of foreign exchange) and almost all of the traffic which would normally move on the Danube. This river traffic cannot move on the Danube at present because of restrictions imposed by the Soviet authorities. Downstream Danube traffic is practically limited to carrying Ruhr coal to Linz.

After the end of hostilities, the Soviet authorities claimed as war booty 1,330 locomotives, 12,789 freight cars and 2,097 passenger cars. Up to November 1, 1948, the Soviets had actually removed 626 locomotives, 11,664 freight cars and 297 passenger cars from Austria. Between June 16, 1947, and April 30, 1948, the Soviets scrapped 2,398 cars.

Arrears in railroad track maintenance due to wartime shortages and war damage are estimated to be 35,000 tons of steel rails and 3,600,000 ties.

Though Austria has considerable industrial capacity for rebuilding and repairing locomotives and other railroad equipment, this capacity is heavily engaged in production for export.

C. CONSUMPTION

Until the summer of 1947, the availability for consumption of both food and industrial products was extremely low. Since then there has been marked improvement. The monetary reform of December 1947, the increase in agricultural and industrial production which followed, and the flow of United States aid greatly increased the availability of goods. At the same time the spread between legal and black market prices narrowed sharply.

I. Food

During the first 2 years after the War, the food supply in Austria was extremely low; rations ranged from 1,200 to 1,550 calories per day. With the receipt of increased foreign aid since the summer of 1947 and the initiation of the ECA program, imports were increased substantially. At the same time, there was a marked improvement in indigenous output. As a result, the basic ration for the normal consumer is now 2,100 calories per day. Allowing for supplemental rations to workers and other categories of the population, it is estimated that the average amount of rationed food distributed to non-self-suppliers is about 2,250 calories daily. Nonrationed food and food purchased outside of legal channels is estimated at an additional 250 calories, resulting in an average total consumption by non-self-suppliers of about 2,500 calories. Consumption by the farm population probably averages 3,000 calories daily.

2. Coal

During 1946 the total coal supply (including mine consumption) averaged 316,000 tons of hard coal equivalent monthly.¹ Of this total, 129,000 tons were produced in Austria and 187,000 tons were imported. By August 1947, there had been some improvement, but coal availability was still less than 400,000 tons (hard-coal equivalent) monthly.

During 1947 United Kingdom and United States assistance made increased imports of coal possible: The improvement continued during 1948 as a result of United States assistance from interim aid and ECA funds, and it is estimated that the total supply during 1948 was 7.4 million tons or about one-third more than actual consumption in 1937. Part of this increase reflects the larger industrial requirement, particularly in such fields as metallurgy, as well as in the heavy industries which were substantially expanded during the German occupation.

3. Raw Materials

The estimated consumption of basic industrial raw materials in 1948 is compared with actual consumption in 1937 in the following tabulation:

TABLE 7.—Consumption of industrial raw materials
[Thousand metric tons]

| | 1937 | 1948 | | 1937 | 1948 |
|------------------|-------|-------|---------------------------------------|-------|-------|
| Pig iron..... | 359.0 | 387.0 | Paper..... | 114.9 | 123.0 |
| Crude steel..... | 643.3 | 625.7 | Cardboard..... | 31.4 | 33.1 |
| Cotton..... | 36.9 | 11.9 | Raw magnesite..... | 389.0 | 390.6 |
| Wool..... | 9.3 | 5.4 | Timber (million cubic meters)..... | 4.6 | 5.2 |
| Rubber..... | 3.8 | 4.7 | | | |
| Graphite..... | 4.7 | 4.2 | | | |

It is evident that progress has been very uneven. While consumption of such items as pig iron, steel, magnesite, rubber, paper, and cardboard is close to or above prewar levels, consumption of textile raw materials is far lower than in 1947. This trend reflects the relatively low priority given to the requirements of the consumer goods' industries.

Clothing, footwear, household goods, and similar consumer items have been in very short supply since the war and many of these commodities are rationed. However, there has been substantial improvement in recent months, though supplies are still low.

¹ A large part of Austria's coal supply is actually in the form of lignite and lignite briquettes, whose heating value is considerably less than that of hard coal. The term "hard coal" itself is a translation of the German "Steinkohle" which comprises principally bituminous coal with small quantities of anthracite. For purposes of comparison the consumption of lignite and lignite briquettes is translated into the tonnage of hard coal which would have the same heating value.

D. GOVERNMENTAL USE OF RESOURCES

In addition to the usual public services, the Austrian Government operates the federal railways, an extensive bus system and the postal service. The railway service, at present, operates at a substantial deficit. The Government administers as trustee industrial plants in the Western Zones of Austria, which were formerly German external assets. Additional governmental expenditures include payment of occupation costs, partial maintenance of displaced persons, and a limited subsidy program. As indicated above, the Government is sponsoring a substantial investment program. Part of this is a 500-million-schilling housing program for which 50 million schillings were allocated in 1948, while planned expenditures for housing in 1949 total 200 million schillings.

E. INVESTMENT

During the period of German occupation, most investment was Government controlled and was directed primarily towards the objectives of war preparation. These included hydroelectric and petroleum development, metals and metalworking, and synthetic-textile plants. Of outstanding importance were the iron and steel works at Linz and the aluminum works at Ranshofen, which were erected during this period.

During the immediate postwar period, new private investment was insignificant. There were two currency reforms, which largely wiped out wartime monetary savings, and the low level of production and consumption precluded the accumulation of new savings. In the absence of substantial private savings, the Government has had to embark on a large-scale financing of investment, particularly for hydroelectric development and electrification of the railroads. Both of these would reduce the requirement for coal imports. Government financing also includes the development of basic industries, such as coal mining and iron and steel. In addition, it was also necessary to finance a substantial reconstruction program.

The Austrian investment program for 1948 is shown in the following tabulation:

TABLE 8.—Austrian investment plan for 1948, including planned sources of financing

| | (In million schillings) |
|--|-------------------------|
| A. Extraordinary budget: | |
| Agriculture and forestry (river and flood control) | 22.0 |
| Reconstruction of public buildings and roads | 102.8 |
| Monopolies (salt and brandy) | 5.4 |
| Post and telegraph office | 73.8 |

TABLE 8.—*Austrian investment plan for 1948, including planned sources of financing—Continued*

| | (In million schillings) |
|--|----------------------------|
| A. Extraordinary budget—Continued. | |
| Other State enterprises (forests printing office, etc.)----- | 4.5 |
| Railroads (mainly electrification)----- | 390.0 |
| | <hr/> |
| Total extraordinary budget----- | 598.5 |
| | <hr/> <hr/> |
| B. Reconstruction program ¹ : | |
| Coal mining----- | 50.0 |
| Electric power----- | 170.0 |
| Basic industries (mainly iron and steel)----- | 230.0 |
| Other nationalized and state-managed industries----- | 30.0 |
| Other industry----- | 120.0 |
| | <hr/> |
| Total reconstruction program----- | 600.0 |
| | <hr/> <hr/> |
| C. Contribution to housing fund ² ----- | 50.0 |
| | <hr/> |
| Total Government and Government-sponsored investments----- | 1,248.5 |
| D. Self-financing by business----- | 972.0 |
| | <hr/> |
| Total investment plan----- | 2,220.5 |

¹ Program drawn up by the Austrian Ministry for Economic Planning.

² Law of June 10, 1948, calls for 200 million in 1948 and 300 million in 1949. However, only 50 million was included in the counterpart utilization plan for 1948.

The total governmental investment is about 1,250 million schillings (125 million dollars) and represents the utilization of counterpart funds as agreed with ECA. The estimate of net business savings of 972 million schillings may prove optimistic.

F. EXPORTS AND IMPORTS

Following the end of the war, the disruption and dislocation of the country's economy, lack of imported raw materials, and the loss of markets to the East retarded the development of foreign trade. The situation began to improve slowly in 1946, but the severe winter of 1946-47 brought many industries almost to a standstill because of critical fuel and power shortages.

Substantial improvements in exports began in 1947 as larger coal supplies began arriving regularly. The upward trend in exports has continued ever since. Allowing for price changes and changes in the value of the schilling, 1948 exports were about 50 percent of 1937. The following table indicates the development of exports during the post-war period as compared with 1937.

TABLE 9.—*Total Austrian exports, 1937 to 1948*

| | (In million schillings) |
|-------------------|----------------------------|
| 1937 | 1, 217 |
| 1946 | 220 |
| 1947 | 842 |
| 1948 ¹ | 1, 747 |

¹ Estimate based on January-September rate.

Before the war Austrian exports consisted mainly of manufactured goods, particularly iron and steel products, wood and paper manufactures, and textiles; and, to a lesser extent, of raw materials, particularly wood and magnesite. Prewar exports went mainly to Germany, Czechoslovakia, Italy, Hungary, Yugoslavia, and Switzerland, and, after 1930, also to the United Kingdom, United States, and other overseas countries.

In consequence of the low level of industrial activity, Austrian exports in the early postwar period consisted principally of raw materials, such as iron ore, graphite, magnesite, wood, pulp, cellulose, and paper. With the gradual improvement of industrial production during 1946, exports of such products as steel, textiles, machinery, instruments, paper goods, certain chemicals, and glassware were resumed.

The following tables indicate the trend in exports by commodity group and destination:

TABLE 10.—*Austrian exports by main commodity groups*

[In million dollars]

| | January-Sep- tember 1947 | January-Sep- tember 1948 |
|---|-----------------------------|-----------------------------|
| Wood and paper products | 9.6 | 33.5 |
| Magnesite and other minerals, refractories, glassware | 7.9 | 14.9 |
| Metals, machinery, vehicles | 16.7 | 46.9 |
| Textiles | 9.7 | 21.9 |
| Chemicals | 2.9 | 3.2 |
| Miscellaneous | 3.0 | 10.7 |
| Total | 49.8 | 131.1 |

TABLE 11.—*Destination of Austrian exports, January-September 1948*

| Participating countries: | (In million dollars) |
|-----------------------------------|-------------------------|
| Belgium | 2.8 |
| Bizone | 6.5 |
| Denmark | 1.3 |
| France | 6.1 |
| Greece | 4.0 |
| Italy | 23.4 |
| Netherlands | 5.4 |
| Norway | .9 |
| Sweden | 5.5 |
| Switzerland | 20.0 |
| Turkey | 2.5 |
| United Kingdom | 9.8 |
| Subtotal, participating countries | 88.2 |

TABLE 11.—*Destination of Austrian exports, January–September 1948—Con.*

| | (In million dollars) |
|--|----------------------|
| Western Hemisphere: | |
| United States..... | 5.9 |
| Argentina..... | 1.8 |
| Brazil..... | .1 |
| Subtotal, Western Hemisphere..... | 7.8 |
| Eastern European countries:¹ | |
| Bulgaria..... | 1.8 |
| Czechoslovakia..... | 9.8 |
| Hungary..... | 5.4 |
| Poland..... | 2.2 |
| Rumania..... | 1.0 |
| Yugoslavia..... | 5.0 |
| Subtotal, Eastern Europe..... | 25.2 |
| Others: | |
| Egypt..... | 1.1 |
| Others..... | 8.8 |
| Subtotal, others..... | 9.9 |
| Total, all countries..... | 131.1 |

¹ All the Eastern European countries except Rumania have trade agreements with Austria.

Almost 28 percent of Austria's prewar imports (1937) consisted of food and agricultural products, which were obtained principally from Hungary, Rumania, and Yugoslavia. Raw materials, of which coal was by far the most important single item, represented approximately 40 percent. Two-thirds of the coal originated in Poland and Czechoslovakia and the rest in Germany. The balance represented semi-finished and finished goods, as well as capital equipment. The import figures for 1937 were:

TABLE 12.—*Austrian commercial imports, 1937*

[In million schillings]

| | 1937 | Percent of total |
|-------------------------|---------------|------------------|
| Food and beverages..... | 312 | 22 |
| Live animals..... | 93 | 6 |
| Raw materials..... | 620 | 43 |
| Finished goods..... | 428 | 29 |
| Total..... | 11,453 | 100 |

¹ Not including about 7 million schillings of gold imports.

During 1946 and 1947 most Austrian imports were relief supplies consisting almost entirely of food and agricultural supplies, principally from the United States, and of coal from the Ruhr and Poland financed by the United States, the United Kingdom and UNRRA. Commercial imports were only 38 million dollars during 1946, but rose to 87 million dollars in 1947, and continued to recover sharply during 1948; arrivals during the first 6 months of the year were almost as great as during all of 1947. The following table sum-

marizes imports during 1947 and the first half of 1948 by commodity group and source of financing:

TABLE 13.—*Austrian imports by main commodity groups and source of financing*
[In million dollars]

| | 1947 | | | January to June 1948 | | |
|---------------------------|------------------------------|-----------------|-------|------------------------------|-------------------|-------|
| | Commer- cial im- ports | Aid financed | Total | Commer- cial im- ports | Aid fi- nanced | Total |
| Food..... | 19.9 | 112.9 | 132.8 | 13.0 | 79.9 | 92.9 |
| Agriculture..... | 2.0 | 14.8 | 16.8 | 1.3 | 7.8 | 9.1 |
| Coal..... | 12.3 | 20.7 | 32.0 | 16.0 | 25.9 | 41.9 |
| Metals and machinery..... | 14.0 | 14.8 | 28.8 | 13.3 | 9.0 | 22.3 |
| Textiles..... | 20.2 | 16.5 | 36.7 | 12.3 | 10.3 | 22.6 |
| Chemicals..... | 7.4 | 1.9 | 9.3 | 6.4 | 1.5 | 8.0 |
| Other goods..... | 11.5 | 39.5 | 51.0 | 14.0 | 32.2 | 46.2 |
| Total..... | 87.3 | 221.1 | 308.9 | 76.3 | 156.7 | 243.0 |

As indicated in the table, about 42 percent of Austria's imports during the first months of 1948 represented food and agricultural supplies and 17 percent represented coal, leaving only about 40 percent to cover all other imports, including raw materials for industry and equipment to build up Austria's industrial potential.

With ECA aid, it became possible to shift the emphasis of the import program. In the program as originally submitted for the first year—1948-49—imports of food, agricultural supplies, and coal dropped to about 55 percent of the total, and substantial imports of capital equipment were scheduled. Subsequent revisions of the program reduced the amount of food to be supplied, with a corresponding increase in imports of raw materials and equipment.

Austria's invisible expenditures have consisted primarily of freight and debt-service charges. Ocean freight, payable in dollars, constitutes a considerable debit item in Austria's balance of payments, while land freight, because of Austria's favorable geographic position, has been a source of net income, although not always in hard currency.

G. BALANCE OF PAYMENTS

Austria had extreme difficulty in balancing its external accounts during the interwar period. The following tabulation presents the balance of visible trade by areas in 1937:

TABLE 14.—*Austria's trade balance in 1937*

[Million schillings]

| | North- ern and Central America | Other Western Hemi- sphere | Non- partic- ipating Sterling Area | East- ern Europe | Other non- partic- ipating Countries | Partic- ipating sterling area | Other partic- ipating Countries | Total |
|--------------------------|---|-------------------------------------|--|------------------------|--|--|--|-------|
| Imports..... | 106 | 48 | 57 | 510 | 229 | 67 | 444 | 1,461 |
| Exports..... | 36 | 24 | 40 | 410 | 137 | 66 | 511 | 1,230 |
| Merchandise balance..... | -70 | -24 | -11 | -100 | -92 | -1 | +67 | -231 |

The merchandise deficit of 231 million schillings was almost balanced by a surplus on invisible account, reflecting revenue from

foreign investments, chiefly in the "successor states," compensation for services rendered, principally transport, and income from tourist trade.

During the first years after the war, exports of merchandise were necessarily low and there was little invisible income, since foreign assets had been lost, tourism was practically nonexistent and transit trade was reduced. From the end of the war until the beginning of the European Recovery Program, the United States share of aid to Austria was almost 400 million dollars, principally as grants. The United Kingdom contribution amounted to 55 million dollars, also largely in the form of grants.

The estimated balance of payments for the first year of ECA aid—fiscal 1948-49—is presented in chapter III.

H. FINANCIAL SITUATION

Austria was left at the end of the war with its internal financial structure burdened by a large circulation of reichsmark notes and virtually worthless Reich securities. The first readjustments after liberation were therefore extremely difficult. Through a series of financial reforms of considerable scope it severed its financial structure from the Reich, set up a system of exchange controls, reconstituted an effective central banking system, and exercised control over prices and monetary circulation.

In spite of certain weaknesses in the financial position and a scarcity of much-needed foreign exchange, progress in the last 3 years has been substantial. Budget deficits have been traceable in large measure to extraordinary circumstances; inflationary pressures have been checked soon after they have emerged. Since the second currency reform in December 1947, production and exports have increased faster than observable inflationary tendencies.

The estimated balance of internal finance for 1948 is shown in the following table:

TABLE 15.—*Balance of internal finance*
[In millions of schillings]

| | 1948 | |
|---|--------------|--------------|
| | Debit | Credit |
| Government and Government-sponsored investments..... | 1,248 | ..... |
| Business investments (net)..... | 972 | ..... |
| Budgeted Government noninvestment expenditures..... | 5,091 | ..... |
| Unbudgeted Government noninvestment expenditures..... | 1,100 | ..... |
| Total | 8,411 | ..... |
| Government revenues..... | ..... | 5,092 |
| Business savings ¹..... | ..... | 972 |
| Total..... | ..... | 6,064 |
| Gross deficit..... | ..... | 2,347 |
| Counterpart funds..... | ..... | 1,500 |
| Net deficit..... | ..... | 847 |

¹ Private savings are estimated to be negligible.

The following program for release of counterpart funds in 1948, the ECA and non-ECA United States portions, has been approved by the ECA Administrator in Washington in consultation with the National Advisory Council:

TABLE 16.—Program for release of counterpart funds in 1948
[In millions of schillings]

| | ECA-controlled counterpart funds | Non-ECA funds |
|---|----------------------------------|---------------|
| 1. Release of GARIOA counterpart funds: Financing of investment expenditures listed in the first half of the extraordinary budget for 1948..... | | 257.4 |
| 2. Release of ECA counterpart funds: Financing of investment expenditures listed in the second half of the extraordinary budget for 1948..... | 338.1 | |
| 3. Release of ECA counterpart funds: Cancellation of Austrian Government debt held by the Austrian National Bank..... | 350 | |
| 4. Release of GARIOA and other non-ECA-controlled counterpart funds: Cancellation of Austrian Government debt held by the Austrian National Bank..... | | 600.0 |
| 5. Release of other non-ECA-controlled counterpart funds: Financing of housing loans..... | | 50.0 |
| Total..... | 1,188.1 | 907.4 |

The cancellation of 1,450 million schillings of Government debt held by the Austrian National Bank is expected to increase confidence in the stability of the currency. The national bank, through rediscount of commercial paper, was designated to finance the Austrian Government's reconstruction plan to the extent of 600 million schillings for 1948 projects. Thus the national bank is expected to regain some of its control over lending and spending. Once industrial recovery has gained momentum, a part of that industrial debt may be funded and floated in the Austrian security market at some future time.

1. Currency Reform

In the first currency conversion of December 1945, the Government replaced German reichsmarks and the Allied military schillings with an Austrian national currency, the schilling, at a rate of 1 for 1. However, this exchange was limited to 150 schillings per person and sums in excess of this amount had to be deposited in banking institutions which, in turn, were required to block 60 percent of the accounts.

Notwithstanding these measures, money in circulation continued to rise, mainly because of the issue of schillings to the Allied occupation authorities in payment of occupation costs. In December 1947, the Government carried out a second currency reform. All bank notes and coins (with the exception of the smallest denominations) were exchanged for new money. Individual holdings exceeding 150 old schillings were exchanged at the rate of one new schilling for three old ones (except in hardship cases). Of the bank deposits dating from before the first currency reform, 60 percent was wiped out (again with some exceptions for hardship cases), and the remaining 40

percent was converted into 2 percent Government bonds. 50 percent of all other bank deposits, so far as they exceeded certain minima, was blocked for from 6 to 9 months and 25 percent of all Government deposits was canceled. The entire amount by which the circulation was drawn down was used for reducing the Government debt to the national bank.

The second currency reform brought the money supply considerably closer to the amount consistent with financial stability. A further increase in production, in addition to the progress achieved in 1948, will be needed, however, in order to remove all danger of inflationary pressure.

2. Budget

During the prewar years Austria's budgetary deficits were moderate in amount and were covered by borrowing from the domestic money market. In the postwar period the Government was faced with higher budget requirements than before the war. Moreover, it was confronted with expenditures for reconstruction of the war-ravaged country and for occupation costs.

The ordinary budget.—1946 and 1947 showed surpluses, and the ordinary budget for 1948, which provided for expenditures and revenues of about 5,100 million schillings, will be nearly balanced for the year.

The extraordinary budget.—The extraordinary budget comprises large expenditures for rehabilitation of the railroads, the postal and telegraph services, public buildings and roads, and other Government installations. The program also includes investment expenditures for electrification of the railroads, for flood control, and for the nationalized and state-managed industries. In 1946 the extraordinary budget expenditures amounted to 318 million schillings and in 1947 actual outlays for reconstruction and investment purposes totalled about 670 million schillings. Virtually the entire amount of the 1948 extraordinary budget of 600 million schillings was financed from ECA (337 million schillings) and Army-controlled (250 million schillings) counterpart accounts, released for this purpose with the approval of ECA and the National Advisory Council.

The extra-budgetary expenditures.—In 1946 the Austrian Government paid 866 million schillings for occupation costs, and about 70 million schillings for the care of displaced persons. In 1947 the corresponding figures were 507 million and 97 million schillings. The final figures for 1948 are not yet available, but are estimated as follows: Occupation costs, 450 million schillings; cost of caring for displaced persons, 150 million schillings; agricultural and other subsidies, 500 million schillings. In addition, the Government planned extra-budgetary investments of 350 million schillings, including a contribu-

tion to the Housing Fund of 50 million schillings and an advance to the state-managed industries of 300 million schillings. This amount was financed by releases of non-United States-generated counterpart funds. The other extrabudgetary expenditures were financed by the issuance of Treasury certificates and by drawing on the cash reserves of the Government.

Budgetary balance.—In 1946 the Austrian Government budget showed a total deficit of 1,047 million schillings, although the ordinary budget showed a surplus of 207 million. In 1947 the total deficit was only 72 million schillings, largely because of a surplus in the ordinary budget amounting to about 1,200 million schillings. The large surplus in the ordinary 1947 budget was due principally to the fact that the Currency Protection Law of December 1947 permitted tax payments to be made before the conversion period without incurring conversion losses. Total figures for 1948 are not yet available. The ordinary budget probably will be in balance, but it is probable that the extraordinary budget expenditures will exceed estimates by 100 million schillings, which, together with the extra-budgetary expenditures of 1,400 million schillings, will bring the total deficit to 1,500 million.

The 1949 budget.—The 1949 ordinary budget, as passed by the Austrian Parliament on December 18, 1948, provides for revenues and expenditures of about 6,100 million schillings. The increase in expenditures over 1948 reflects the effects of the September 1948 wage-price agreement. The same agreement, however, is expected to increase the yield of certain taxes, particularly the wage tax. The Government also anticipates a higher over-all tax yield as the result of an increase in business stimulated by ECA aid. The cost of caring for displaced persons was included in the ordinary budget for 1949 for the first time. A summary of this 1949 budget is shown in the table below:

TABLE 17.—*Summary of the proposed ordinary and extraordinary budget for 1949*
(In millions of schillings)

| | Ordinary receipts | Ordinary expenditures | Net surplus (+) or deficit (–) in ordinary budget | Extraordinary expenditures | Net surplus (+) or deficit (–) in total budget |
|---|-------------------|-----------------------|---|----------------------------|--|
| Normal Government functions..... | 3,708.6 | 3,626.9 | +81.7 | 647.2 | –565.5 |
| Monopolies..... | 221.8 | 122.1 | +99.7 | 8.3 | +91.4 |
| Federal Railways..... | 1,336.3 | 1,496.5 | –160.2 | 609.9 | –770.1 |
| Other enterprises..... | 779.1 | 843.9 | –64.8 | 176.9 | –241.7 |
| Net profit of the tobacco monopoly..... | 45.0 | 0 | +45.0 | 0 | +45.0 |
| Total..... | 6,090.8 | 6,089.4 | +1.4 | 1,442.3 | –1,440.9 |

In addition to the expected deficit of 1,441 million schillings in the budget, the Austrian Government will probably be faced with the following extra-budgetary outlays in 1949: Occupation costs, unless their elimination can be accomplished; subsidies, estimated at 300 mil-

lion schillings, on the assumption that the grain and potato subsidy and the coal subsidy will be continued; and a Federal contribution to the Housing Fund, which may total 300 million schillings in 1949, but only 100 million schillings of which will probably be eligible for ECA financing.

The budgetary deficit, plus the prospective extra-budgetary outlays, reach a total which is higher than the amount of counterpart funds prospectively available. However, the Government has announced that it plans to levy a special tax to pay occupation costs. Further progress toward general budgetary balance could be made by a reorganization of the Federal Government which would consolidate departments and reduce personnel. A preliminary step in the reduction of Federal operating costs, consisting of the appointment of Economy Commissioners for each of the Federal Departments, has already been taken.

3. Taxation

The Austrian tax system imposes a considerable burden on personal income, with considerable added revenue coming from taxation of consumption and business. New capital and capital accretion taxes were enacted in 1948 and will come into force in 1949. These taxes call for payments on war profits and excess postwar profits, as well as a small levy on other types of capital assets, both corporate and individual. The proceeds will be used, in accordance with the Currency Protection Law, to redeem the Government bonds issued to compensate owners of accounts affected by the monetary reforms.

Tax collections throughout 1948 showed considerable improvement over 1947, and the lag between collections and estimates in the first half of the year was more than made up by the end of August. Further income from taxation in 1949 is expected to more than counterbalance the increase in expenditures for Government functions proper although, except for an increase in the tax on wine and in the general sales tax, the Government plans to continue present tax rates. The yield from many types of taxes is expected to increase due to anticipated increased business as a result of ECA aid. An increase in the revenue from the income tax is also anticipated as a result of the recent wage-price agreement.

4. Subsidies

Agricultural subsidies were introduced early in 1948 as an inducement to farmers to produce and deliver larger quantities of agricultural products. This was considered necessary because of the gap between prices of agricultural and industrial commodities, which the Government was reluctant to close in order not to upset the wage-price structure. Under a new wage-price agreement of September 1948, food prices were raised, however, and most of the Government's sub-

sidy burden was eliminated. The resulting increase in the cost of living for wage and salary earners was offset by a flat monthly allowance to employees, provided for primarily by the employers and to some extent by the Government.

5. Effect of ECA Aid on the Budget

The influence of ECA aid on the budget is considerable. The general rise in business results in increased tax receipts. The importation of foodstuffs makes possible the sale of food at low cost and thus the maintenance of stability in wage-price relations. The counterpart funds form the financial basis of the Government investment program.

6. The Austrian National Debt

The prewar Austrian national debt cannot be determined at this time because of many uncertainties resulting from the German annexation of 1938. It is expected that these uncertainties will be resolved by the Austrian treaty.

A summary of the postwar debts of the Austrian Government, and of other external Austrian debts guaranteed by the Government, is shown in the following table:

TABLE 18.—Austrian postwar federal debts as of 31 Oct. 1948

| I. EXTERNAL DEBTS | | | | | | | |
|---|-------------------|------------|-------------------------|------------------|------------|------------------|------------|
| [Amounts in millions of indicated monetary units] | | | | | | | |
| | Amount authorized | | Interest rate (percent) | Amount utilized | | | |
| | Foreign currency | Schillings | | 1 Jan. 1948 | | 31 Oct. 1948 | |
| | | | | Foreign currency | Schillings | Foreign currency | Schillings |
| United States surplus credit..... | \$12.5 | 125.0 | 2 3/4 | \$2.6 | 26.0 | \$0.3 | 93.0 |
| United States War Assets credit..... | \$10.0 | 100.0 | 3.0 | | | \$2.5 | 25.0 |
| Export-Import Bank functional credit... | \$ 5.5 | 5.0 | 3.5 | | | \$0.5 | 5.0 |
| British relief credit ² | | | 2 | | | | |
| Total external debts | | 230.0 | | | 26.0 | | 123.0 |

¹ Special credit covering ocean freight on War Assets Administration purchases.

² In December 1946, the U. K. provided £8.5 million to finance relief and other supplies for Austria. A part of this assistance was to be in the form of a loan and the rest as a grant. No determination has as yet been made as to the exact division.

II. INTERNAL DEBTS

[In millions of schillings]

| | Amount authorized | Interest rate (percent) | Amount utilized | |
|---|-------------------|-------------------------|-----------------|--------------|
| | | | 1 Jan. 1948 | 30 Oct. 1948 |
| Owed to Austrian National Bank ¹ | 12,300.0 | | 7,547.0 | 7,841.4 |
| Treasury bonds 1947 (S. 14 Conversion Law) ² | 2,350.0 | 2 | | 1,850.0 |
| Treasury certificates issued: | | | | |
| (1) To cover Occup. costs ³ | No limits | 2.5 | 970.0 | 1,219.5 |
| (2) For support of Treasury ⁴ | 498.5 | 2.5 | | 330.0 |
| (3) Under No. 27 Conversion Law..... | 800.0 | 2.5 | 350.0 | 621.9 |
| Total internal debts | | | 8,873.0 | 11,362.8 |

¹ Originated in 1945. Upon its reestablishment after liberation, the only important asset of the Austrian National Bank was its claim against the Reichsbank. This claim was transferred to the Austrian Government and the counterclaim of the National Bank against the Government was included among its assets under the Bank of Issue Transitional Law.

² Provisional figures.

³ Issued under amendment of 13 June 1946 to Bank of Issue Transitional Law.

⁴ Issued under Federal Finance Law of 1948.

TABLE 18.—*Austrian postwar federal debts as of 31 Oct. 1948—Continued*

III. EXTERNAL LOANS GUARANTEED BY THE GOVERNMENT

| | Amount granted in foreign currency | Value in millions of schillings |
|--|------------------------------------|---------------------------------|
| (1) Export-Import Bank Credit..... | \$13,005,000 | 130.05 |
| (2) British Wool Credit..... | £1,500,000 | 60.0 |
| (3) Joint Export Nord-Rhein-Westfalen Credit for Austrian Steel Works..... | \$327,735 | 3.3 |
| (4) Credit granted by Rybin, Milano to VOEST..... | \$510,000 | 5.1 |
| (5) Emeg SA Zurich to Oesterreichische Papier-Holz G. m. b. H..... | 13,225,000 | 7.5 |
| (6) Swiss Potato Credit..... | 16,125,000 | 14.2 |
| (7) Swiss Frozen Meat Credit..... | 13,510,000 | 8.2 |
| Total value of external loans guaranteed by the Government..... | | 228.9 |

¹ Swiss francs.

7. Monetary Circulation

Money supply and circulation.—In the first half of 1948 currency circulation averaged about 4.1 billion schillings. In the second half of the year, however, circulation began to expand and reached 5.6 billion schillings by December 1948.

Monetary expansion was caused largely by the unfreezing of accounts temporarily blocked under the Currency Protection Law, by the increase in budget expenditures, and by expansion of bank credits. The increase in circulation was, however, paralleled or exceeded by the increase in production as recorded in official indices.

Gold and foreign exchange reserves.—Gold and foreign exchange holdings of Austria, including those held by the Government, private institutions, and persons were estimated at about 65 million dollars as of October 31, 1948.

8. The Austrian National Bank

The Austrian National Bank is the country's central bank and has the exclusive right to issue bank notes. It controls the country's gold and foreign exchange transactions, operates a clearing service; rediscounts commercial paper and, together with the Postal Savings Bank, acts as fiscal agent for the Government. The Austrian National Bank was reconstituted in July 1945, having been abolished by the Germans in April 1938.

On December 31, 1948, the bank had liabilities of 7.4 billion schillings, including its note circulation of 5.6 billion, free deposits of 1.4 billion, and blocked deposits (largely counterpart funds) of 0.4 billion. The bulk of its assets consisted of the Government debt (5.9 billion) representing the equivalent of Austria's claims against Germany for removing the bank's prewar assets. Both blocked deposits and the Government debt were reduced in December 1948 by 1,450 million schillings as the result of the release of counterpart funds for that purpose.

9. Exchange Rates

In 1946 the Austrian authorities adopted the military rate of 10 Austrian schillings for 1 dollar as the basis for foreign exchange transactions. In many ways this rate, which represented a devaluation by almost 50 percent in relation to prewar, was not in line with the then-existing price level, which had been maintained under the German rule at the 1938 level.

Austria has an exchange control system. Foreign transactions require the permission of the Austrian National Bank. Where the official exchange rate would interfere with the consummation of a transaction, the national bank has informally made provisions allowing exporters to retain a certain portion of their foreign exchange earnings for financing their own imports and, in certain instances, to transfer such foreign exchange to other importers.

Devaluation of the schilling in terms of dollars is advocated by some Austrian business circles as a measure to promote exports. It is feared, however, that such a devaluation, by increasing the costs of imports, may upset present price-wage relations. Opponents of devaluation point out that Austria has at present practically no unused indigenous resources, only a small portion of unused industrial capacity available for exports, and no unused manpower which could be profitably diverted into marginal export industries.

Neither the rate of the schilling on the Zurich market, which fluctuates in the neighborhood of 10 schillings per Swiss franc, nor the black-market rate of the dollar, which fluctuated recently between 40 and 50 schillings, represent the real value of the schilling. Comparing internal and world market prices of important commodities, the overvaluation of the schilling, if any, would be much smaller. Imports in some cases are too cheap at the official rate when compared to world market price, and some Austrian specialties and luxury goods are too expensive in foreign currency when converted at the official rate. In spite of these discrepancies, however, Austrian foreign trade expanded in 1948. During 1948, Austrian net foreign exchange holdings rose steadily from 101 million to 245 million schillings in all currencies.

In August 1948 Austria became a member of the International Monetary fund but is has not yet applied for establishment of an official par value for the schilling.

10. Volume of Credits and Rates of Interest

Foreign credits.—Foreign credits granted to Austria after the war consisted of a United States surplus property credit of 12.5 million dollars, a United States War Assets Administration credit of 10 million dollars, and an Export-Import Bank loan of 1947 in the amount of 13 million dollars. Most of the assistance extended to Austria, however, has been in the form of grants which have included United

States and United Kingdom Army civilian supplies, UNRRA relief, and post-UNRRA and interim aid from the United States. In addition the United Kingdom extended assistance in December 1946 in the form of a grant and credit arrangement in the amount of 10 million pounds sterling.

Commercial banks.—In October 1948, Austrian credit institutions, other than the national bank, had total assets (excluding interbank claims and transit items) of 12.6 billion schillings, of which, however, a substantial amount represented probably worthless claims against Germany. On the other hand, their liabilities included purely formal accounts set up in the name of the government in connection with the currency reform of 1947 totaling 3.3 billion schillings.

Deposits with Austrian credit institutions other than the national bank (excluding interbank deposits) amounted to 6.2 billion schillings, of which 4.4 billion represented demand deposits, 1.2 billion savings deposits, and 0.6 billion deposits temporarily blocked under the currency reform legislation. During the preceding 6 months, deposits increased by 0.2 billion. This compared with a rise in the same period of 0.5 billion in note circulation and central bank deposits.

The volume and distribution of bank loans outstanding are shown in the table below:

TABLE 19.—*Loans outstanding with Austrian credit institutions—by type of recipient*

[In million schillings]

| Period | Total loans | Agriculture | Industry and mining | Small business | Commerce and transportation | Municipalities | Others |
|---------------------|-------------|-------------|---------------------|----------------|-----------------------------|----------------|--------|
| Dec. 31, 1946..... | 1,869.7 | 208.8 | 725.2 | 181.4 | 163.0 | 202.8 | 388.4 |
| Dec. 31, 1947..... | 2,146.2 | 153.5 | 885.8 | 228.8 | 265.2 | 204.4 | 378.5 |
| Sept. 30, 1948..... | 3,404.2 | 339.2 | 1,414.1 | 382.0 | 443.4 | 262.9 | 562.6 |

The latest figures available are as of September 30, 1948. Total loans outstanding increased in the first 9 months of 1948 by 1,258 million schillings; of this increase 565 million schillings occurred in the first quarter of 1948 following the currency conversion, 333 million in the second quarter, and 360 million in the third quarter. The increase in the third as compared with the second quarter was attributed to financing in connection with ECA deliveries.

The increase in credits was not financed by savings resulting in an increase of deposits, but by allowing the banks to draw upon their temporarily blocked and since released current accounts at the national bank to the limit of 600 million schillings and to discount treasury certificates up to the limit of 700 million schillings.

Austria has no legal requirements regarding bank reserves. The German-imposed credit control law is not strictly enforced and is

planned to be replaced by Austrian legislation. Increase in the authority of the existing Credit Control Commission and of the Austrian National Bank would be intended to bring commercial bank credits under both quantitative and qualitative control and prevent inflationary credit expansion. The counterpart release program for 1948 is expected to strengthen the influence of the Austrian National Bank by the role which the bank is designated to play in the rediscounting of industrial investment paper.

The problem of commercial banking in Austria is complicated not only by uncertainty as to a considerable portion of the banks' preliberation assets, but also by similar uncertainty as to the ownership of the most important banking institutions themselves. At present these banks are managed by administrators appointed by the Austrian Government.

Interest rates and capital market.—The discount rate of the national bank is 3½ percent. The rate at which the national bank gives loans upon collateral is 4½ percent. Commercial bank loans carry an interest rate of 2 percent above the discount rate, but various other charges raise the effective rate for bank loans up to 8½ percent. The rate for discounting first-class paper by commercial banks is 7 percent. Up to January 1, 1948, no interest was paid by the banks on either savings or on current deposit accounts. Since that time the banks have paid 2 percent on savings and three-fourths of 1 percent on current accounts. First-class mortgages and industrial 4-percent bonds are quoted at about par on the stock exchange. This, however, is no indication that industry will be able to obtain money at that rate on the capital market. The regular bank rates previously mentioned probably will apply for some time. Industry is striving, however, for a lower rate for financing capital goods imports, and the national bank has indicated its willingness to permit preferential rates for such imports.

Despite the fact that the Vienna Stock Exchange was reopened in November 1948 (before that time there had been only unofficial meetings of security dealers), the capital market in Austria has not yet resumed its normal activity. In 1948 all capital issues amounted to only about 70 million schillings. Until some of Austria's present problems are brought nearer to solution, it will probably not be possible to float any substantial amount of new issues, either Government bonds or industrial securities.

II. Prices

In 1938, the German price structure was introduced in Austria. After the war, price controls were at first continued within the general framework of wartime measures. From 1946 on, gradual rises were permitted until by the middle of 1947 many prices had advanced

three or four times as high as the prewar level. The increase in the cost of living was somewhat greater while the rise in wages lagged behind.

TABLE 20.—*Index of wholesale prices*

[1938 March=100¹]

| | Wholesale food prices | Wholesale prices for industrial goods | Aggregate index |
|---------------------|-----------------------|---------------------------------------|------------------|
| 1946: December..... | 195 | na | na |
| 1947: | | | |
| July..... | 286 | na | na |
| August..... | 358 | na | na |
| September..... | 432 | na | na |
| October..... | 421 | 481 | 447 |
| December..... | 434 | 471 | 447 |
| 1948: | | | |
| January..... | 436 | 474 | 450 |
| April..... | 436 | 477 | 451 |
| June..... | 419 | 486 | 443 |
| July..... | 441 | 487 | 458 |
| August..... | 439 | 478 | 453 |
| September..... | 411 | 478 | 435 |
| October..... | ² 552 | 493 | ² 531 |
| November..... | 556 | 493 | 538 |

¹ Based on Reichsmark prices in March 1938.

² Increase due to wage-price agreement of October 1948.

After the currency conversion of December 1947 prices began to level off. The combined effects of the currency reform, increased United States aid, and the rise in production and availability of goods kept prices virtually constant until the fall of 1948. The wage-price agreement of October 1948, which eliminated some of the gap between agricultural and industrial prices and did away with most of the subsidies, caused the index to rise again. The aggregate index of 533 percent of prewar in November 1948 reflects the readjustment of the price structure under that agreement.

Black-market prices have declined sharply since the currency conversion. With January 1946 as a base, black-market food prices in Vienna stood at 64 in December 1947, 35 in February 1948, 16 in October 1948, and 15 in December 1948. Black-market prices for gold and foreign exchange showed similar trends.

I. EFFICIENCY AND PRODUCTIVITY

(a) *Labor*.—Prior to the Anschluss in 1938, the problems of unemployment dominated the Austrian labor situation. Post-1938 expansion eliminated unemployment. Mobilization, war losses, and the influx of slave labor changed the composition of the labor force. Before the collapse of the Nazi empire, foreign labor and war prisoners topped the number of wage earners employed before "Anschluss."

The liberation of Austria in 1945 was followed by a new disorganization of the labor market.

Hampering quick reorganization of the labor market were (a) the war casualties and disabilities, (b) the temporary loss of much of the male population of best working age because of the slow repatriation of war prisoners, (c) the necessity for reconversion of former war industries, and (d) absenteeism, resulting from the need to search for food to augment the insufficient food rations.

Once the readjustment process following liberation was completed, registered unemployment (mostly of white-collar workers) fell and remained small while the number of employed increased steadily until it exceeded 1,900,000. While 321,000 unemployed were counted in 1937, and 74,000 in 1946, only 51,000 were registered in July 1948.

A comparison of 1934 and 1948 data reveals that, in spite of the substantial over-all increase, employment in agriculture has declined. The number of employed has doubled in mining and trebled in construction. The ratio of women to men in the labor force is one to two, about the same as before the war.

TABLE 21.—Wages and salary earners in Austria, 1934¹ and 1948 (excluding apprentices)

| | 1934 | | 1948 | | |
|--|-----------|-------------|-----------|-------------|-----------------|
| | Total | Percent-age | Total | Percent-age | Foreign workers |
| Total..... | 1,469,931 | 100 0 | 1,909,957 | 100 0 | 231,255 |
| Agriculture and forestry..... | 331,233 | 22.5 | 309,893 | 16.2 | 68,191 |
| Mining..... | 16,184 | 1.1 | 33,408 | 1.7 | 3,164 |
| Manufacturing..... | 386,180 | 26.3 | 594,663 | 31.2 | 61,811 |
| Durable goods..... | (129,570) | (8.8) | (313,437) | (16.5) | (33,679) |
| Nondurable goods..... | (256,610) | (17.5) | (280,926) | (14.7) | (28,132) |
| Construction..... | 53,842 | 3.7 | 165,803 | 8.7 | 35,750 |
| Transportation and public utilities..... | 132,713 | 9.0 | 175,160 | 9.2 | 3,975 |
| Trade..... | 91,332 | 6.2 | 111,866 | 5.9 | 8,421 |
| Finance..... | 27,544 | 1.9 | 26,746 | 1.4 | 640 |
| Service and entertainment..... | 307,075 | 20.9 | 254,820 | 13.3 | 29,103 |
| Government ² | 65,752 | 4.5 | 194,796 | 10.2 | 3,062 |
| Employees of the occupation forces..... | ..... | ..... | 42,802 | 2.2 | 17,408 |
| Army..... | 30,291 | 2.1 | ..... | ..... | ..... |
| Other..... | 27,735 | 1.8 | ..... | ..... | ..... |

¹ Census data for 1934; estimates for 1948.

² Data for 1934 and 1948 not comparable. Data for 1948 include: all regular (pragmatisiert) government employees, and those temporary (vertrag) government employees who could not be classified elsewhere. Data for 1934 include only regular and temporary government employees not elsewhere classified.

(b) *Productivity*.—Although there has been considerable improvement recently, labor productivity remains low. Following the second currency reform, productivity in 1948 increased sharply from 54 percent of the 1937 rate in January 1948 to over 70 percent by the middle of 1948 and showed continued improvement throughout the whole year.

The increase in productivity was a result of the increased availability of goods for purchase and increased confidence in the schilling, as well as the fact that the previous practice by employers of hoarding labor for cheap currency was discontinued, so that the worker realized that his job now increasingly depended on his ability to produce. In

addition production methods were organized more efficiently, the supply of power and raw materials improved and there was fuller utilization of capacity.

(c) *Prices and wages.*—The Austrian wage and price levels remained virtually unchanged between 1938 and 1945. After the end of the war most price subsidies were withdrawn and prices were permitted to rise, reflecting increased production costs. Wage adjustments lagged behind the price increases.

In August 1947 a wage-price agreement was concluded in an attempt to end the pressure on the wage-price structure. Despite this agreement, prices continued to rise and, although the increases leveled off after the second currency conversion in December 1947, and although subsidies on many farm products were introduced, a new adjustment became necessary by the summer of 1948. In October 1948, a second wage-price agreement was reached. Most food subsidies were eliminated and increases in food prices were permitted. At the same time, wages were raised and family allowances, based upon the number of dependents, were established; the total increases in workers' gross incomes ranged from 12 to 20 percent, depending upon the size of the family. The increase in workers' incomes was somewhat greater than the price adjustments. The following table shows the trend of the cost of living in comparison with wages:

TABLE 22.—*Indices of cost-of-living and wages*

[Index numbers, April 1945=100]

| | Cost-of-living | Wages | | Cost-of-living | Wages |
|------------------|----------------|-------|----------------|----------------|-------|
| 1945: April..... | 100 | 100 | 1948: | | |
| 1946: | | | June..... | 362 | 305 |
| April..... | 113 | 115 | September..... | 357 | 303 |
| June..... | 114 | 120 | October..... | 1 423 | 1 374 |
| December..... | 144 | 159 | November..... | 430 | 376 |
| 1947: | | | | | |
| June..... | 189 | 204 | | | |
| September..... | 342 | 305 | | | |
| December..... | 357 | 305 | | | |

¹ Increase due to price-wage agreement of October 1948.

(d) *Farmers.*—Farming in western Austria is devoted largely to livestock raising, while eastern Austria is the cash crop area with livestock to provide balance, utilize the roughage, and furnish manure for crops. Eastern farms are mostly small and generally consist of scattered holdings in the fields which are operated by families living in the villages. This type of operation is not well suited for mechanization. In the western part of the country farms are more frequently in one unit, with the land around the homestead rather than in scattered fields.

Productivity per agricultural worker is lower than in western Europe but higher than in eastern Europe. The use of machinery is

limited, partly because of the small size of the average holdings. Farm wages have been relatively low so that there has been little incentive to reduce labor costs by improving efficiency. Moreover, the income of the average farmer is too low to permit purchase of farm machinery, increased quantities of fertilizer, or other investments which would increase productivity.

Chapter II. Long-Term Program and Basic Problems

The long-range program submitted by the Austrian Government contemplates substantial progress toward the achievement of a self-supporting economy by 1952-53, but it does not reflect the expectation that the goal can be achieved within 4 years. According to the plan, Austria's foreign exchange earnings by 1952-53 will fall short of covering its expenditures by almost 20 percent. The program does not present any comprehensive figures on Austria's economy as a whole, which would serve as a basis for broad comparison with either prewar or current conditions, or which would permit appraisal of the planned utilization of economic resources toward the recovery objectives.

A. CONSUMPTION

Generally speaking, the Program aims at achieving, within 4 years, a level of internal consumption of food and consumer goods per capita somewhat above that enjoyed before the war for a population expected by the Austrian Government to be about 7.5 percent greater. (This increase in population is believed to be overestimated.)

The Austrian program assumes that, by 1952-53, it will be possible to dispense with food rationing.

The amount of goods available for industrial consumption is expected to be significantly larger than prewar, as indicated in the following tabulation:

TABLE 23.—*Total industrial materials consumption*

[1,000 metric tons]

| | 1936-37 average | 1947 | 1948-49 | 1952-53 |
|---------------------|--------------------|-------|---------|---------|
| Solid fuels..... | 5,071 | 5,031 | 9,238 | 10,885 |
| Crude steel..... | 658 | 370 | 644 | 900 |
| Finished steel..... | 360 | 206 | 330 | 460 |
| Copper..... | 15 | 5 | 11 | 14 |
| Cotton..... | 39 | 11 | 24 | 30 |
| Wool..... | 11 | 6 | 6 | 10 |

Emphasis will be upon producers' goods industries more than upon consumer goods. In the latter category per capita availability is expected to be only slightly above prewar.

Electric power consumption is expected to rise very sharply. The anticipated pattern of requirements follows:

TABLE 24.—*Electric power consumption*
[In million kilowatt-hours]

| | 1937 | 1948 | 1952 |
|---|--------------|--------------|--------------|
| Household consumption..... | 250 | 700 | 870 |
| Small industries and agriculture..... | 110 | 370 | 440 |
| Industries (including output of captive generating plants)..... | 1,396 | 1,610 | 2,150 |
| Transportation..... | 242 | 400 | 580 |
| Public lighting..... | 37 | 33 | 50 |
| Losses..... | 444 | 710 | 900 |
| Exports..... | 413 | 790 | 970 |
| Total..... | 2,892 | 4,613 | 5,970 |

Despite this large increase in the consumption of power, coal requirements are also expected to rise. The Austrian program attributes this principally to the contemplated expansion of heavy industry.

TABLE 25.—*Austrian coal requirements, 1936-37, 1952-53*
[1,000 metric tons]

| | 1936-37 | 1948-49 | 1952-53 |
|--|--------------|--------------|--------------|
| Industry..... | 2,731 | 3,821 | 4,465 |
| Gas works..... | 740 | 768 | 780 |
| Thermal power plants..... | 204 | 714 | 1,220 |
| Transportation..... | 1,208 | 1,375 | 1,400 |
| Space heating..... | 1,547 | 1,710 | 2,000 |
| Total..... | 6,430 | 8,358 | 9,865 |
| Plus requirements of coking plant..... | | 900 | 1,020 |
| | | 9,258 | 10,885 |

B. INVESTMENT

The realization of these programs for agriculture and industry will require substantial investment. The total requirements and expected sources of funds over the 4-year period are indicated in table 26.

The total volume of investment over the next four years thus is estimated at about 1,330 million dollars or about 350 million dollars yearly.

Of the total investment requirement, the plan does not anticipate that more than one-third can be financed privately. It is hoped that the remaining requirements of 941 million dollars will be provided through the use of ECA counterpart funds.

The Austrian plan recognizes the importance of internal fiscal measures to support the investment program. It does not, however, give any details with respect to the precise actions to be taken.

TABLE 26.—*Austrian long-term investment plan*

[Net investment—million dollars]

| Item | Total for 4-year period | Proposed source of finance- | |
|--|-------------------------|-----------------------------|----------------|
| | | ECA counter-part funds | Self-financing |
| Transport and communications..... | 270 | 270 | |
| Reconstruction (Government buildings)..... | 50 | 50 | |
| Total Government investments (extraordinary budget)..... | 320 | 320 | |
| Coal mining..... | 27 | 27 | |
| Electric power..... | 200 | 163 | 37 |
| Iron and steel..... | 110 | 100 | 10 |
| Mining..... | 8 | 4 | 4 |
| Nonferrous metals..... | 37 | 10 | 27 |
| Hardware and metal products..... | 4 | 2 | 2 |
| Steel products..... | 16 | 12 | 3 |
| Electric equipment..... | 16 | 11 | 5 |
| Chemicals..... | 45 | 20 | 25 |
| Building materials..... | 10 | 0 | 10 |
| Tourism..... | 30 | 15 | 15 |
| Housing..... | 130 | 100 | 30 |
| Other construction..... | 20 | | 20 |
| Handicraft..... | 150 | 100 | 50 |
| Other industries..... | 92 | 20 | 72 |
| Total industry and construction..... | 894 | 584 | 310 |
| Agriculture..... | 100 | 30 | 70 |
| Forestry..... | 16 | 7 | 9 |
| Total agriculture and forestry..... | 116 | 37 | 79 |
| Grand total..... | 1,330 | 941 | 389 |

As shown in the detailed plan, in addition to investment required for the expansion of agriculture and industry, large sums will be needed to restore the transport and communication systems, to rehabilitate the tourist trade and for general reconstruction. Transport and communications, in fact, represent the largest single item in the entire reconstruction program.

War and postwar damage and losses, both in permanent installations and the rolling stock need replacement. It is also planned to electrify substantial additional portions of the railway system in order to save on coal imports and increase efficiency. Considerable improvement is needed in the inland waterways, particularly for harbor facilities in Vienna and Linz.

Tourism was, before the war, a major source of foreign revenue. In 1937 receipts from this source amounted to about 43 million dollars. The tourist trade has necessarily suffered greatly during the war and the plan contemplates about one-third of the prewar volume in 1952-53. This would require considerable investment with respect to both tourist facilities and accommodations.

C. PRODUCTION GOALS

I. Agriculture

In the field of agriculture the Austrian program plans to increase production by 1952 to an extent sufficient to meet about 75 percent of

total requirements—about the same ratio as the prewar peak. At present, domestic production covers only about 55 percent of the total needs; hence, the program contemplates an increase of about one-third over the next 4 years.

The achievement of this large increase is expected through greater use of fertilizer; use of higher quality seeds; the reestablishment and development of indigenous seed-growing plants; imports of animal feeds; increased mechanization; and the rationalization of agricultural holdings. In this last respect the present strip-farming method is extremely inefficient and considerable improvement can be achieved through exchange of holdings.

It is hoped that, by these methods, it would be possible by 1952-53 to restore approximately the unit yields which were reached in the middle 1930's.

2. Industry

The present over-all rate of industrial output in Austria is about the same as prewar. It is planned to increase this rate by about 33 percent during the next 4 years. As already stated, emphasis will be upon the heavy industries, which are expected by 1952-53 to operate at about 160 percent of the 1937 level, while, for the consumer-goods industries, the anticipated rate will be only 110 percent of 1937.

The Austrian objectives for important products follow:

TABLE 27.—*Production targets—Austrian long-term program*

[1,000 metric tons]

| | 1937 | 1948-49 | 1949-50 | 1952-53 |
|-----------------------------------|---------|---------|---------|---------|
| Coal ¹ | 3,240.0 | 4,167.0 | 4,515.0 | 5,015.0 |
| Petroleum products..... | 0.4 | 330.0 | | 500.0 |
| Electric power ² | 2.8 | 4.8 | 5.0 | 6.4 |
| Crude steel..... | 650.0 | 700.0 | 750.0 | 900.0 |
| Finished Steel..... | 440.0 | 430.0 | 500.0 | 600.0 |
| Aluminum..... | 4.4 | 15.0 | 20.0 | 30.0 |
| Copper..... | 2.2 | 3.6 | 4.5 | 8.0 |
| Lead..... | 10.8 | 4.5 | 4.5 | 7.0 |
| Zinc..... | | | | 7.5 |
| Timber ³ | | 1,631.3 | 1,740.0 | 1,860.0 |
| Cotton ⁴ | 39.3 | 23.5 | 22.8 | 30.0 |
| Wool ⁴ | 10.8 | 5.8 | 7.2 | 10.3 |

¹ Gross production. Figures for 1948-53 include coal used for coking; during 1937 there were no coke ovens in Austria.

² Billion kilowatt-hours.

³ Thousand cubic metres.

⁴ Raw material basis.

3. Coal

It is expected that the gross annual output will be increased from 3.3 to 4.3 million tons, including mine consumption, by introducing more efficient operating methods. This increase in output, however, will fall short of the expected expansion of requirements with the result that imports for 1952-53 will have to be about 600,000 tons greater than in the present year, and almost twice as great as prewar.

This reflects the anticipated increase in the production of the heavy industries.

4. Electric Power

It is estimated that the total hydroelectric potential of Austria, suitable for development, is about 25 to 30 billion kilowatt-hours annually. The anticipated production for 1952-53 represents the utilization of about one-fifth of the total potential. Emphasis is placed upon projects which will quickly add to generating capacity, rather than those with larger yields requiring a longer period of construction.

Despite this planned increase, the per-capita availability of electric power for Austria would remain somewhat below that for Germany and France.

One of the major problems to be solved in connection with the electric power supply in Austria is that of providing adequate current during winter when hydroelectric generation is seasonally low. Consequently, some construction of thermal plants is essential, utilizing low-grade coal which would otherwise be unsalable. The plan calls attention to the possibility of drawing on the power resources of neighboring countries during the winter season. In turn, Austria is negotiating with Italy and Germany in connection with the establishment of hydroelectric projects in the Tyrol and the Vorarlberg. These projects are huge and if realized they would provide a very important source of power to Austria's neighbors and would permit larger power exports during the summer.

5. Forestry

Before the war lumber constituted a very important source of Austria's export revenue. In 1937 exports amounted to 131 million schillings, or about 50 million dollars at 1948 prices. About one-third of Austria's area is woodland. In the past, there has been uneven exploitation and easily accessible stands have been depleted. The plan contemplates, therefore, the exploitation of less accessible areas. This would require the construction of roads and the procurement of up-to-date logging and hauling equipment.

Before the war, exports reached 1.6 million cubic meters of softwood; in 1947 shipments were only 150,000 cubic meters. It is planned to increase production of softwood by 1952-53 to 1.8 million cubic meters, of which 800,000 cubic meters would be exported.

The production of hardwood, in which Austria is relatively deficient, is to be raised. Hardwood, at present, must be imported in substantial quantities; by 1952-53 it is hoped that these imports can be greatly reduced.

6. Iron and Steel

The anticipated increase in the production of crude and finished steel would raise the production of these commodities to levels about 40 percent over those of 1937. Pig iron capacity is, at present, in excess of finishing capacity. As a result, Austria is at present exporting large quantities of pig iron instead of rolled products from which the revenue would be considerably larger.

The long-term program provides for the following shift in the export pattern:

TABLE 28.—*Iron and steel exports*

[In million dollars]

| | 1948-49 | 1952-53 |
|----------------------------|---------|---------|
| Pig iron..... | 9 | 5 |
| Rolled steel products..... | 25 | 34 |
| Total..... | 34 | 39 |

With respect to the iron and steel industry, the program contemplates the following specific steps:

1. Increase in production of iron ore, which requires replacing equipment lost as a result of the war.
2. Replacement of dismantled plants, particularly rolling mills.
3. Modernization of obsolete plants to increase output and reduce costs.
4. Increase in finishing capacity, particularly for fine sheets, electric sheet, tin plate and pipe.

7. Nonferrous Metals

Aluminum production is estimated at 10,000 tons during 1948-49. It is hoped, through the planned increase in hydroelectric power capacity, to raise output to 25,000 tons by 1952-53. Substantial increases are planned in the output of lead and zinc ores, which would cut import requirements greatly. It is also proposed to establish a zinc-smelting plant near the mines.

The production of magnesite is of particular importance to Austria's foreign trade. It is hoped to raise 1937 output of approximately 400,000 tons by about 30 percent by 1952-53. This would permit a corresponding increase in exports.

In the textile and clothing industry only modernization and replacement but no large scale expansion is anticipated because of the probable difficulty of disposing of surplus textiles on the export market. It is, however, planned to initiate a substantial shift from the use of imported natural fibers to artificial fibers, which would lessen the requirements for foreign exchange.

D. EXPORTS AND IMPORTS

On the export side, the plan does not regard it as possible within the 4-year period to restore the level of foreign exchange earnings which prevailed before the War. The trend measured in 1948 prices is shown in Table 29.

Commodity exports, which are estimated at 189 million dollars in the 1948-49 plan are shown rising to only 407 million dollars by 1952-53. The break-down of anticipated exports by commodity groups is not shown in detail. It is expected that about 50 million dollars will be in the form of ores and metals, about 60 million dollars in machinery and slightly under 60 million dollars in textiles. Except for very small exports of agricultural products and petroleum, the remainder is grouped into a miscellaneous category.

A substantial shift is indicated in the anticipated destination of exports. Commodity shipments to the Western Hemisphere are expected to reach almost 50 million dollars as compared with less than 15 million dollars in the 1948-49 plan. Shipments to participating areas would rise from 131 million dollars in 1948-49 to slightly over 200 million dollars in 1952-53. The major increase, however, would be in shipments to other nonparticipating countries, which are expected to increase from 40 million dollars programed for 1948-49 to about 120 million dollars in 1952-53, the greater part of which would be to eastern Europe.

TABLE 29.—*Austrian long-term export program*

[Millions of dollars]

| | Western Hemisphere | | Sterling non-participating | | Other non-participating | | Other participants | | Total | |
|----------------------------|--------------------|-------------|----------------------------|-------------|-------------------------|--------------|--------------------|--------------|--------------|--------------|
| | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 |
| Agricultural products..... | | | | | | | | 2.0 | | 2.0 |
| Petroleum..... | | | | | | 0.8 | | | | .8 |
| Minerals and metals..... | 1.4 | 9.3 | 0.3 | 2.3 | 13.0 | 14.3 | 27.6 | 26.7 | 42.1 | 52.6 |
| Equipment..... | .4 | 5.8 | .1 | 3.4 | 7.0 | 34.6 | 8.5 | 17.0 | 16.0 | 60.8 |
| Textiles..... | .9 | 6.0 | | 10.0 | 1.0 | 13.0 | 21.7 | 23.0 | 24.9 | 57.0 |
| Other products..... | 11.8 | 23.0 | .7 | 18.7 | 19.2 | 56.8 | 75.5 | 130.5 | 80.5 | 234.0 |
| Total..... | 14.5 | 49.1 | 1.1 | 34.4 | 40.2 | 119.5 | 133.3 | 203.2 | 189.1 | 407.2 |

Including electric power.

The Austrian import program assumes a small net change in total import costs during the next 4 years. Visible imports are expected to increase from 471 million dollars programed for the fiscal 1948-49 to 493 million dollars for 1952-53.

The following tabulation compares the programs for 1948-49 and 1952-53.

TABLE 30.—*Austrian import programs*

[Million dollars]

| | 1948-49 | 1952-53 |
|-------------------------|---------|---------|
| Imports: | | |
| Food..... | 1 148.6 | 132.15 |
| Agriculture..... | 21.5 | 140.0 |
| Tobacco..... | 9.8 | 11.0 |
| Coal..... | 76.4 | 85.3 |
| Raw materials..... | 159.5 | 180.5 |
| Capital goods..... | 52.5 | 44.0 |
| Total, commodities..... | 471.3 | 492.95 |
| Freight charges..... | 33.2 | 22.6 |
| Invisible items..... | 8.8 | 32.9 |
| Total expenditures..... | 513.3 | 548.45 |

¹ Including coarse grains for feed.

In general, the plan reflects considerably increased reliance upon domestic sources for essential commodities. Imports of food and agricultural products would remain about unchanged from 1948-49 to 1952-53, despite the anticipated improvement in feeding standards and the expected increase in population.

Imports of coal are expected to rise moderately during the next 4 years as industrial requirements increase more rapidly than indigenous production and the availability of electric power. Expected imports in 1952-53 would be 5.9 million tons or almost double the actual imports of 3.1 million tons during 1937.

As far as other materials are concerned, there is an increase of about 12 percent planned as compared with 1948-49.

In summary, the total planned foreign expenditures for 1952-53 are 7 percent greater than those in the 1948-49 program.

At the same time, the program contemplates a major shift in the sources of imports from the Western Hemisphere to other participating countries and other nonparticipants. Commodity imports of almost 200 million dollars from the Western Hemisphere in the 1948-49 program, compare with 97 million dollars planned for 1952-53. Principal reductions are in food imports.

TABLE 31.—*Austrian long-term program—Comparison of imports by sources, 1948-49 and 1952-53*

[In million dollars]

| | Western Hemisphere | | Nonparticipating sterling area | | Other participating countries | | Other Non-participants | | Total, all sources | |
|---------------------------|--------------------|---------|--------------------------------|---------|-------------------------------|---------|------------------------|---------|--------------------|---------|
| | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 | 1948-49 | 1952-53 |
| Food and agriculture..... | 133 | 41 | 0 | 4 | 25 | 31 | 25 | 86 | 133 | 172 |
| Solid fuels..... | 0 | 0 | 0 | 0 | 45 | 48 | 32 | 37 | 77 | 85 |
| Industrial equipment..... | 13 | 7 | 0 | 0 | 39 | 33 | 1 | 4 | 53 | 44 |
| All other products..... | 53 | 49 | 17 | 32 | 70 | 74 | 13 | 36 | 153 | 191 |
| Total..... | 199 | 97 | 17 | 36 | 179 | 196 | 76 | 163 | 471 | 492 |

On the other hand, imports from other participating countries are increased from 179 million dollars to 196 million dollars. By far the largest increase, however, is in imports from other nonparticipating countries, which rise from 76 million dollars in the 1948-49 plan to 163 million dollars in the 1952-53 plan of which roughly 110 million dollars would be from Eastern Europe. This reflects the effort to return to the pattern of prewar trade insofar as possible.

E. BALANCE OF PAYMENTS

According to the program, the general balance of payments deficit, which is estimated at 281 million dollars for 1948-49, would decline to 96 million dollars in 1952-53. This means that total foreign exchange revenue would cover about 82 percent of expenditures.

The Western Hemisphere deficit is shown declining from almost 200 million dollars in 1948-49 to about 58 million dollars in 1952-53 largely as the result of the very sharp cut in Western Hemisphere imports.

It is expected that a small credit balance would be achieved with other participating countries in 1952-53 amounting to about 5 million dollars. This compares with a net deficit of 47 million dollars in 1948-49 for the same area.

With respect to other nonparticipating countries, principally Eastern Europe, a moderate increase in the deficit is anticipated, coincident with a very large increase in both imports and exports. For 1952-53 the deficit for this area is projected at 36 million dollars as compared with 23 million dollars in 1948-49.

Details with respect to the anticipated development of the Austrian balance of payments are shown in table 32.

TABLE 32.—*Austrian long-term program—Balance of payments*
[In million dollars]

| | 1948-49 | 1952-53 |
|----------------------|---------|---------|
| Expenditures: | | |
| Total imports..... | 471.3 | 492.9 |
| Freight charges..... | 33.2 | 22.6 |
| Invisible items..... | 8.8 | 32.9 |
| Grand total..... | 513.3 | 548.4 |
| Receipts: | | |
| Exports..... | 189.1 | 407.2 |
| Invisible items..... | 43.7 | 45.3 |
| Total..... | 232.8 | 452.5 |
| Deficit..... | 280.5 | 95.9 |

F. COMMENTS AND BASIC PROBLEMS

The long-term program as submitted by the Austrian Government lacks much of the detail needed for satisfactory appraisal. Only the

general outlines of the production and foreign trade programs are presented. The means for implementing the objectives are indicated in broadest outline. There is no information describing the general economic position of Austria from which it would be possible to derive estimates of the total availability or use of its economic resources.

It is clear that the effort to restore a self-supporting economy in Austria will present great difficulties. To the problems which have persisted since the end of the First World War have been added those stemming from World War II and the continuing occupation. The general economic effects of the dissolution of the Austro-Hungarian Empire have been described in the preceding chapter. The magnitude of the resulting disruption is reflected in the fact that Austria never succeeded in balancing fully her accounts during the interwar period; not until 1937 was there even approximate balance.

The manner in which the Anschluss interrupted progress toward a self-supporting Austrian economy; the direct and indirect loss and damage during the war and immediate postwar years; the unbalancing of the economic structure during the German occupation and after the war; the removals of industrial and transport equipment and the present political difficulties under the occupation have also been described.

Within the framework imposed by these conditions, Austria had to resume the effort toward building a viable economy. In important respects the task will be facilitated by the progress in industrialization which occurred during the interwar years.

However, the present political difficulties, both within Austria and as they affect economic relationships with Eastern Europe, represent a major handicap. After the end of the First World War, Austria's trade with the "successor states" of the old empire fell into a natural pattern which did not depart too violently from the habits established under the dual monarchy. The tariff barriers which were erected restricted but did not destroy this pattern. At present, however, trade relations with Eastern Europe have been greatly curtailed. Austria is confronted with the task of reestablishing those relationships insofar as conditions permit, and of developing trade relations with the rest of the world to compensate for the loss of that part of its trade with the eastern neighbors which it cannot succeed in restoring.

As stated in Chapter I, Austria probably cannot produce more than about three-fourths of its food requirements; its coal resources are inadequate for its needs, and it requires also a wide range of raw materials to support its industries. Its current level of imports is in excess of 500 million dollars annually, or an average of more than 70 dollars per capita. The provision of revenue required to pay for

these imports is a heavy burden on a country with limited resources, and one which has lost its prewar reserve from foreign investment.

The problems which must be solved before a self-supporting economy can be reestablished in Austria are only partly within the control of the Austrian Government. It is difficult to envisage their full solution until an Austrian treaty has been concluded so that Austria can regain full freedom of political action and final assurance as to the assets which it will be permitted to retain.

In the meantime, however, the task of making the most effective use of Austria's economic resources will have to be pressed to the utmost. The following specific programs are of primary importance:

1. The increase of Austria's agricultural output.
2. Extensive development of hydroelectric resources.
3. The most effective utilization of lumber resources.
4. Expansion of coal production.
5. Expansion in other basic industries and readjustment of production patterns, both to satisfy a larger portion of domestic requirements from internal production and to increase the export potential.
6. Restoration of the transport system.
7. Promotion of the tourist trade.
8. Reestablishment of income derived from financial and commercial services.

Those objectives require large-scale investment, including substantial importation of foreign capital equipment. For the most part, however, the investment will be internal. The most critical single problem confronting the Austrian Government is that of finding the necessary sources for this investment, without which the country cannot become self-supporting.

The difficulties in obtaining large private savings in a country whose population has so large a backlog of unsatisfied consumer needs as Austria, are apparent. However, the Austrian program rests too heavily upon the utilization of counterpart funds. The plan contemplates drawing 940 million dollars from this source over the 4-year period, or about 235 million dollars a year. This rate is about equal to the actual allocation of aid for the first annual period, 1948-49, and that estimated as required for 1949-50. In subsequent fiscal years it is anticipated that the amount of aid available will be reduced substantially. Even if the entire counterpart fund during the 4-year period were used for this purpose it would probably fall considerably short of the amount expected from this source.

It appears necessary, therefore, for Austria to develop its own resources to make up at least the difference between the amount of counterpart funds that may be released and the sum shown in the plan. This means that either private or governmental investment funds will have to be found in amounts several hundred million dol-

lars greater than contemplated in the plan, possibly 600-700 million dollars instead of the 430 million dollars projected. This would mean, in turn, that it would be impossible to permit Austria's internal consumption of rise as rapidly as might otherwise be desirable. The restoration of prewar consumption levels for food and commodities by 1952-53 does not seem justified if it is not possible simultaneously to make greater progress toward reestablishing a self-supporting economy. It should be a primary objective to limit the amount of funds available for personal consumption and to increase those which become available for investment.

Food consumption standards in Austria have been raised so that they are now not far below prewar. This has been possible only on the basis of substantial external aid, first through direct appropriations by the United States and British Treasuries and now through ECA. It cannot be overemphasized that such extraordinary aid should be directed in the first instance toward restoring Austria's ability to support itself and only secondarily to improving the consumption levels of its population, once basic needs are met.

It appears essential that the Austrian economy concentrate upon providing first and foremost the industrial and agricultural foundation for a self-supporting future.

This problem of providing the necessary sources of investment on the requisite scale, and for directing the flow of investment effectively, is the outstanding issue within the competence of the Austrian Government.

There are various methods by which a policy of limited consumption for the purpose of furthering investment could be implemented. Which measures are most appropriate to the situation would have to be determined by a detailed appraisal of the entire economic position.

In addition, there will be a wide range of other problems, both internal and external in character, which will have to be resolved within the next few years. One of the most important of these is the adjustment of the price-wage structure within Austria to prevailing world market conditions. There probably will have to be some relative increase in the prices of farm and agricultural products in order to stimulate farm production. Improvement of industrial efficiency, particularly in the export industries, is needed in order to permit Austrian products to compete effectively on world markets. Above all, Austria's internal economic resources will have to be exploited to the maximum to lessen dependence upon imports and to increase export revenue.

Externally the establishment of a pattern of export and import trade, which would reduce Austria's dollar deficit, is a problem of prime importance. This will involve the restoration of Austria's

trade with her eastern neighbors, so far as practicable, since this would provide both a nondollar source for a wide range of essential imports and a substantial market for Austria's exports. Industrial production is increasing at a rate believed to be sufficiently high to support a much-increased volume of trade with Eastern Europe. In addition, however, expansion of Austria's exports to the Western Hemisphere appears essential.

In general, foreign trade would be facilitated by the establishment of a uniform exchange value for the schilling on all import and export transactions; the realization of this objective is dependent partly upon the adjustment of the internal price-wage structure. Considerable difficulties will be encountered in the restoration of normal trade relations with certain other participating countries, particularly Germany and Italy, until recovery in those countries has proceeded further so that there can be a freer flow of goods in both directions. The restoration of transit traffic, particularly on the Danube, is at present handicapped by political difficulties; if and when such traffic can be restored to its former proportions, it will constitute an important source of foreign exchange revenue.

With respect to the details of the program, it is believed that the 1952-53 target for exports, both visible and invisible, should be set higher. If industrial production in 1952-3 can be raised 30 percent above in 1937, a corresponding increase in exports should follow. The problem of finding markets is recognized and is serious, but it should be possible to overcome this difficulty, provided there is sufficient improvement in production methods and in the cost-price structure.

It is possible—and in fact probable—that even with the proposed investment program and with increased pressure for exports, the Austrian economy might have a deficit in its foreign accounts in 1952-53. Nevertheless, it should come considerably closer to balance than the program submitted by the Austrian Government would indicate. It would appear highly desirable that this program be reconsidered, that plans be formulated in much greater detail and based upon a program of maximum investment entailing restricted consumption until the nation can become self-supporting. Reliance cannot be placed upon counterpart funds for the realization of the investment program to the extent visualized by the Austrian Government. In short, it is essential to plan upon the assumption that extraordinary foreign aid will not be available after 1952-53.

In summary, the solution to some of the most important problems confronting Austria depends upon political developments over which the Austrian Government can have little influence. Within its sphere of competence the overriding problem is that of developing and maintaining a major investment program calculated to make the most

efficient possible use of limited economic resources. The other problems which have been mentioned are important individually, but their solution should follow in good part from settlement of the political issues and from the inauguration of the fiscal measures necessary to support the investment program.

Chapter III. The First Annual Programs

A. THE 1948-49 PROGRAM

The degree of recovery which the Austrian economy has achieved since its virtual postwar collapse has been largely the direct result of foreign aid. Without such aid it would have been impossible to import the food needed to provide even a minimum diet for the Austrian population or the fuel and raw materials without which its industries could not operate.

During the first two years after the end of the war, foreign assistance from the United States and the United Kingdom as well as from UNRRA was largely of a relief character. Increased grants were made available about the beginning of 1947; interim assistance and ECA funds were made available during 1948. The concrete results of this assistance are illustrated by the fact that industrial production rose from 44 percent of the 1937 rate during March 1947 to 98 percent in October 1948.

Despite this sharp improvement, the need for continued assistance remains acute. Austria needs not only food, fuel, and raw materials for her current consumption and industrial requirements but must also carry out a large-scale investment program to develop her own resources to the maximum, lessen her future import requirements, and increase her export potential.

The Austrian program, as submitted for fiscal year 1948-49, was based upon these considerations. It showed total expenditures of foreign exchange at 513 million dollars, of which 42 million dollars represented freight charges and other invisibles, leaving commodity import costs at 471 million dollars.

TABLE 33.—*Austrian imports, 1948-49*

| | (In millions of dollars) |
|--------------------|-----------------------------|
| Food..... | 148.6 |
| Agriculture..... | 24.5 |
| Tobacco..... | 9.8 |
| Coal..... | 76.4 |
| Raw materials..... | 159.5 |
| Capital goods..... | 52.5 |
| Total..... | 471.3 |

As shown in the tabulation, about 40 percent of the total commodity import requirements represented food, tobacco, and agricultural supplies. Despite marked improvement during 1948, Austria's indigenous food production is still sufficient to cover only about 55 percent of its present consumption. The imports shown are necessary both to provide an adequate level of total food consumption and the types of foodstuffs in which Austria is seriously deficient, particularly bread grains, fats, and sugar. With the assistance which has been made available, Austria has been able to establish a food ration for the normal consumer of 2,100 calories per day, equivalent to total consumption by the average non-self-supplier of about 2,500 calories.

The remainder of the import program is devoted to providing the fuel and raw materials without which Austrian industry could not operate and the capital goods needed to initiate the long-range investment program. The benefits derived from the fuel and raw material imports were evidenced by the sharp and steady improvement in industrial production during the past year. The advantages which will result from the investment program will, of course, take longer to become apparent, but without such a program it would be impossible for Austria to achieve a self-supporting status.

Austrian exports have also reflected the stimulus of increasing production made possible largely by foreign aid. Exports during the first 9 months of 1948 were at more than twice the 1947 rate. Nevertheless, it remains impossible to avoid a large deficit, estimated in the Austrian program at 293 million dollars for the current fiscal year.

Under the Austrian program as screened by the OEEC, 206 million dollars of this deficit was with the Western Hemisphere. There was an additional deficit of about 22 million dollars with other non-participating countries, particularly with Eastern Europe, which has always been a major source of food, fuel and raw materials for Austria. This made a total dollar deficit of 228 million dollars. The Austrian Government assumed that about 11 million dollars of this amount would be covered by loans from the Export-Import Bank and the War Assets Administration, leaving the requirements for ECA aid at 217 million dollars.

On the basis of the latest figures available, about 13 million dollars will be financed by loans and advances from non-ECA sources. This would leave the net dollar deficit for the fiscal year to be financed by ECA at 215 million dollars. The OEEC estimate of balance of payments and the ECA estimate for the same period are shown in the tabulation for 1948-49 (tables 34, 35):

The existing ECA appropriation has made possible an allocation of aid to Austria since July 1948 of 158.8 million dollars. Prior to the fiscal year 1948-49, Austria received 62.0 million dollars from ECA for the April-June quarter followed by quarterly allocations of

TABLE 34.—*Illustrative balance of payments for 1948-49*

[OEEO estimate, in millions of dollars]

| | Dollar account | | | Non-dollar account | Grand total |
|--|----------------|-------|--------|--------------------|-------------|
| | United States | Other | Total | | |
| 1. Imports..... | 162.3 | 68.5 | 230.8 | 240.5 | 471.3 |
| 2. Exports..... | 9.3 | 4.2 | 13.5 | 175.6 | 189.1 |
| 3. Merchandise balance..... | -163.0 | -64.3 | -217.3 | -64.0 | -282.2 |
| 4. Invisibles (net)..... | -19.9 | +10.3 | -9.6 | -2.6 | -12.2 |
| 5. Current account balance..... | -172.9 | -54.0 | -226.9 | -67.5 | -294.4 |
| 6. Settlements..... | | | | | |
| 7. Capital transactions: | | | | | |
| (a) Non-ECA financing..... | +11.5 | | +11.5 | | |
| (b) Repayments..... | -1.6 | | -1.6 | | |
| (c) Other..... | | | | | |
| 8. Net position..... | -163.0 | -54.0 | -217.0 | | |
| 9. Estimated requirements for United States aid..... | | | 217.0 | | |
| 10. Uncovered deficit..... | | | | | |

TABLE 35.—*Illustrative balance of payments for 1948-49*

[ECA estimate, in millions of dollars]

| | Dollar account | | | Non-dollar account | Grand total |
|--|----------------|-------|--------|--------------------|-------------|
| | United States | Other | Total | | |
| 1. Imports..... | 182.2 | 46.2 | 228.4 | 237.7 | 466.1 |
| 2. Exports..... | 9.3 | 2.2 | 11.5 | 187.6 | 199.1 |
| 3. Merchandise balance..... | -172.9 | -44.0 | -216.9 | -59.1 | -276.0 |
| 4. Invisibles (net)..... | -8.0 | -3.9 | -11.9 | +6 | -11.3 |
| 5. Current account balance..... | -180.9 | -47.9 | -228.8 | -49.5 | -278.3 |
| 6. Settlements..... | | | | | |
| 7. Capital transactions: | | | | | |
| (a) Non-ECA financing..... | +13.3 | | +13.3 | | |
| (b) Repayments..... | -1.6 | | -1.6 | | |
| (c) Other..... | | | | | |
| 8. Net position..... | -169.2 | -47.9 | -217.1 | | |
| 9. Estimated requirements for United States aid..... | | | 215.2 | | |
| 10. Uncovered deficit..... | | | 1.9 | | |

55.8 million dollars for July-September, 85.0 million dollars for October-December and 18.0 million dollars for January-March 1949. An additional 56.4 million dollars would be required to provide a total of 215.2 million dollars. This still would leave an uncovered dollar deficit of about 2 million dollars.

The results achieved from the aid which so far has been made available have been very substantial. However, much further effort and outside assistance is needed before the Austrian economy can attain a self-supporting status. The allocation of an additional 56.4 million dollars for the balance of the current fiscal year is believed to be the minimum needed to permit the continuation of economic recovery in Austria.

B. THE 1949-50 PROGRAM

I. The Character of the Program in General

The difficulties confronting Austria in its efforts to restore a self-supporting economy have been described in the preceding chapter.

Regardless of whether this task can be achieved within 4 years, it is clear that the Austrian economy cannot continue to recover during the next year or two at least without continued foreign assistance.

It is essential that a substantial amount of aid be provided for fiscal year 1949-50 in order to permit Austria to continue to progress along the road to recovery and to permit it to build up its productive resources while maintaining adequate standards of essential consumption.

A careful analysis of Austria's probable needs during the coming fiscal year indicates that there can be some reduction in the amount of extraordinary foreign assistance to be provided as compared with that which was made available during 1948-49. The amount of aid estimated to cover the dollar deficit is 197.0 million dollars of direct aid, to which should be added drawing rights on other participating nations of about the same magnitude as for 1948-49. While this figure is lower than the amount requested by the Austrian Government, and while the direct dollar aid would be about 18 million dollars less than that granted in 1948-49, it is believed that, with careful management, it would permit substantial further progress by Austria.

2. Imports

The Austrian program contemplates total foreign exchange expenditures for 1949-50 amounting to 571 million dollars, or about 12 percent greater than in the 1948-49 program. The composition of this estimate is shown in the following tabulation:

TABLE 36.—*Comparison of Austrian import programs*

[Millions of dollars]

| | 1948-49 | 1949-50 |
|------------------------------|---------|---------|
| Imports: | | |
| Food and agriculture..... | 182.8 | 196.7 |
| Coal..... | 76.4 | 82.4 |
| Raw materials..... | 159.5 | 174.7 |
| Capital equipment..... | 52.6 | 63.5 |
| Total commodity imports..... | 471.3 | 519.3 |
| Freight charges..... | 33.2 | 34.4 |
| Other invisibles..... | 8.8 | 17.3 |
| Total expenditures..... | 513.3 | 671.0 |

Commodity imports under the program would rise from 471 million dollars to 519 million dollars, or about 10 percent. There is a rise of about 14 million dollars in expected imports of food and agricultural products, principally to increase livestock production. The increase of 6 million dollars in coal imports, and of 13 million dollars in industrial materials, is intended to support the expected industrial expansion, particularly of heavy industry.

The proposed imports of capital equipment fall into the following categories:

TABLE 37.—*Austrian import program, 1949-50—Capital goods imports*

| [1,000-dollars] | |
|--------------------------------|---------------|
| Electric power | 10,183 |
| Mining machinery..... | 822 |
| Iron and steel equipment..... | 18,650 |
| Textile machinery..... | 5,300 |
| Woodworking machinery..... | 700 |
| Wheeled tractors..... | 260 |
| Horticultural machinery..... | 95 |
| Agricultural machinery..... | 835 |
| Other transport equipment..... | 700 |
| Machine tools..... | 4,942 |
| Other machinery..... | 21,063 |
| Total..... | 63,550 |

Invisible expenses are expected to increase by 8.5 million dollars. This reflects, principally, anticipated payment on a debt to the Bizone on past transactions, as well as interest and initial installment payments against Export-Import Bank and War Assets credits.

The import program as submitted shows projected purchases in the Western Hemisphere at about the same level as in the 1948-49 program. Imports from other participating countries and other non-participating countries (principally eastern Europe) would increase substantially. In terms of percentage, imports from the Western Hemisphere would decline from 41 percent of the total under the 1948-49 program to 38 percent in the 1949-50 program. A comparison of the distribution of projected imports by areas is shown in the following tabulation:

TABLE 38.—*Austrian import programs, 1948-49 and 1949-50*

| Area | Million dollars | | Percent of total | |
|-------------------|-----------------|--------------|------------------|------------|
| | 1948-49 | 1949-50 | 1948-49 | 1949-50 |
| US..... | 162.3 | 161.8 | 34 | 31 |
| OWH..... | 36.0 | 37.3 | 7 | 7 |
| NPSA..... | 17.3 | 7.0 | 3 | 1 |
| ONPC..... | 70.3 | 92.7 | 16 | 18 |
| OPC..... | 179.4 | 229.7 | 40 | 43 |
| Total..... | 471.3 | 519.3 | 100 | 100 |

3. Consumption

The program submitted by the Austrian Government for the fiscal year 1949-50 contemplated a 200 calorie increase in food consumption and limited increases in the availability of other consumer goods to the population. Under the Austrian plan, the daily basic ration to the "normal" non-self-supplier would be raised to 2,300 calories, as compared with 2,100 calories currently. This would have the effect of raising the average level of food consumption of the nonfarm population to about 2,700 calories.

The supply of raw materials to industry, according to the program, would increase substantially. This increase is based both on the planned rise in industrial production and on a rise of about 10 percent in the imports of coal and industrial materials.

4. Investment

No over-all estimates of the investment program for 1949-50 have been presented. However, about 40 percent of the machinery which it is planned to import during the 4-year period is scheduled for purchase during 1949-50. Specific plans include 20 million dollars for iron and steel equipment, 3 million dollars for nonferrous metals industry, 3 million dollars for chemical industry, 5 million dollars for textile industry, 0.7 million dollars for wood and woodworking industry, 4 million dollars for construction industries, 1.5 million dollars for mining industry, 4 million dollars for transportation, and 14 million dollars for hydroelectric development.

5. Production

The program calls for an increase of about 10 percent in the production of foodstuffs. This is expected to result from an expansion in the area under cultivation, in addition to greater utilization of fertilizers. The program calls for a rise of about 10 percent in the output of bread grains, a very substantial increase in sugar beet output, and higher production of meats, fats, and milk.

In the industrial field, the following increases in production are anticipated in the Austrian Program :

TABLE 39.—Planned production, 1948-49 and 1949-50

| | 1948-49 | 1949-50 |
|--|---------|---------|
| Coal (million tons)..... | 4.2 | 4.5 |
| Electric power (billion k. w. h.)..... | 4.8 | 5.1 |
| Crude steel (thousand tons)..... | 700.0 | 750.0 |
| Finished steel (thousand tons)..... | 430.0 | 500.0 |
| Aluminum (thousand tons)..... | 15.0 | 20.0 |
| Timber (million cubic metres)..... | 1.6 | 1.7 |
| Freight cars (units)..... | 1,500 | 2,800 |
| Trucks (units)..... | 1,200 | 2,800 |

No estimate of the over-all increase in the index of industrial production is given.

6. Exports

Under the program, as submitted by the Austrian authorities, exports would rise from 189 million dollars planned for 1948-49 to 251 million dollars in 1949-50, an increase of about 35 percent. Almost the entire increase would be in exports of "other goods," including a wide range of manufactured products. The programs for the 2 years, by commodity groups, are compared below :

TABLE 40.—*Austrian export programs, 1948-49 and 1949-50*

| | Value in million dollars | | Percent of total | |
|-----------------------------------|--------------------------|---------|------------------|---------|
| | 1948-49 ¹ | 1949-50 | 1948-49 | 1949-50 |
| Ores and metals..... | 42.3 | 46.7 | 22 | 18 |
| Equipment..... | 16.0 | 19.3 | 8 | 8 |
| Textiles, excluding clothing..... | 23.6 | 29.8 | 12 | 12 |
| Other goods..... | 107.5 | 155.1 | 53 | 62 |
| Total..... | 189.4 | 250.9 | 100 | 100 |

¹ First revised program.

There would be some shift in the distribution of exports by destination, according to the program submitted. Exports to the Western Hemisphere would rise in the same ratio as total exports and continue to represent about 9 percent of the total. Exports to other participating nations would increase about 27 million dollars under the program, or about 20 percent, but their ratio to the total would decrease somewhat. Shipments to other nonparticipants would show an increase of almost 60 percent and would rise from 21 percent of the total in the 1948-49 program to 26 percent of the total in 1949-50. This reflects some approach toward the prewar export pattern. The comparison is shown in the following tabulation:

TABLE 41.—*Austrian export programs, 1948-49 and 1949-50*

| Area | Million dollars. | | Percent of total | |
|------------|------------------|---------|------------------|---------|
| | 1948-49 | 1949-50 | 1948-49 | 1949-50 |
| USA..... | 9.3 | 11.0 | 5 | 5 |
| OWH..... | 5.2 | 10.7 | 4 | 4 |
| NPSA..... | 1.1 | 6.8 | — | 2 |
| ONPC..... | 40.2 | 64.4 | 21 | 26 |
| OPC..... | 133.3 | 158.0 | 70 | 63 |
| Total..... | 189.1 | 250.9 | 100 | 100 |

7. Balance of Payments

Under the Austrian program the net deficit on current account would be 288 million dollars, as compared with 296 million dollars in the 1948-49 program.¹ Of this total, 190 million dollars would represent the deficit with the Western Hemisphere. Trade with other participating countries would show a debit balance of 71 million dollars and trade with other nonparticipants a deficit of 27 million dollars.

¹ During 1948-49 ECA aid plus drawing rights on other participants amounted to 280.5 million dollars and most of the remainder was to be financed by an Export-Import Bank loan and War Assets Administration credit.

TABLE 42.—*Austrian program submission, 1949-50—Balance of payments, all currencies*

[Million dollars]

| | USA | OWH | NPSA | ONPC | OPC | Total |
|---------------------------------|--------|-------|------|-------|-------|--------|
| Imports..... | 161.8 | 37.3 | 7.0 | 92.7 | 220.5 | 519.3 |
| Exports..... | 11.0 | 10.7 | 6.8 | 64.4 | 158.0 | 250.9 |
| Merchandise balance..... | -150.8 | -26.6 | -.2 | -28.3 | -62.5 | -268.4 |
| Not invisibles..... | -8.6 | -3.8 | -.5 | +1.1 | -8.5 | -20.2 |
| Balance on current account..... | -159.4 | -30.4 | -.7 | -27.2 | -71.0 | 288.6 |

8. Critique and Recommendations

The second annual program, as presented by the Austrian Government, reflects the difficulties confronting Austria in its efforts to restore its economy to a self-supporting basis while, at the same time, providing essential food and other consumer goods for its population. It indicates the need for promptly grappling with the basic problems which have been described in the preceding chapters.

It is recognized that the present food consumption standard in Austria remains below prewar and that the availability of other consumer goods to the population is relatively much lower. Nevertheless, it would appear that any improvement in the level of food consumption, such as that contemplated by the Austrian Government, ought to await considerable further progress toward the goal of a self-supporting economy.

As stated earlier, it is essential that Austria make a strong effort to finance a larger part of her essential investment program from her own financial resources. It is clear that this cannot be accomplished from counterpart funds alone. The coming fiscal year should therefore see a strong effort to channel substantial private Austrian funds into the investment program by appropriate fiscal measures. This necessarily would result in retarding general improvement in the level of personal consumption.

Under the circumstances, it is believed that some reduction in the proposed import program is warranted, principally with regard to food. At the same time, calculations indicate that there also should be some reduction in the import requirements for coal. The export program submitted by the Austrian Government represents, as has been stated, an increase of about one-third over 1948-49. This reflects progress along the road toward a self-supporting economy.

On this basis the net dollar deficit on current account would amount to 197.0 million dollars, which would require ECA assistance since Austria has no other source of dollar financing. In addition, Austria should receive drawing rights from other participants somewhat lower than in 1948-49. The following tables show the balance of payments

in the Austrian forecast for 1949-50 and ECA estimates for the same period:

TABLE 43.—*Illustrative balance of payments for 1949-50*

[Austrian estimate, in millions of dollars]

| | Dollar account | | | Non-dollar account | Grand total |
|--|----------------|-------|--------|--------------------|-------------|
| | United States | Other | Total | | |
| 1. Imports..... | 161.8 | 59.2 | 221.0 | 298.3 | 519.3 |
| 2. Exports..... | 11.0 | 5.7 | 16.7 | 234.2 | 250.9 |
| 3. Merchandise balance..... | -150.8 | -53.5 | -204.3 | -64.1 | -208.4 |
| 4. Invisibles (net)..... | -7.0 | -4.1 | -11.1 | -7.5 | -18.6 |
| 5. Current account balance..... | -157.8 | -57.6 | -215.4 | -71.6 | -287.0 |
| 6. Settlements..... | | | | | |
| 7. Capital transactions..... | | | | | |
| (a) Non-ECA financing..... | | | | | |
| (b) Repayments..... | -1.6 | | -1.6 | | |
| (c) Other..... | | | | | |
| 8. Net position..... | -159.4 | -57.6 | -217.0 | | |
| 9. Estimated requirements for United States aid..... | | | 217.0 | | |

TABLE 44.—*Illustrative balance of payments for 1949-50*

[ECA estimate, in millions of dollars]

| | Dollar account | | | Nondollar account | Grand total |
|--|----------------|-------|--------|-------------------|-------------|
| | United States | Other | Total | | |
| 1. Imports..... | 155.2 | 46.5 | 201.7 | 269.6 | 471.3 |
| 2. Exports..... | 11.0 | 10.7 | 21.7 | 229.2 | 250.9 |
| 3. Merchandise balance..... | -144.2 | -35.8 | -180.0 | -40.4 | -220.4 |
| 4. Invisibles (net)..... | -6.4 | -3.2 | -9.6 | -0.3 | -9.9 |
| 5. Current account balance..... | -150.6 | -39.0 | -189.6 | -40.7 | -230.3 |
| 6. Settlements ¹ | | -6.5 | -6.5 | | |
| 7. Capital transactions..... | | | | | |
| (a) Non-ECA financing..... | +1.0 | | +1.0 | | |
| (b) Repayments..... | -1.6 | | -1.6 | | |
| (c) Other..... | | | | | |
| 8. Net Position..... | -151.2 | -45.5 | -196.7 | | |
| 9. Established requirements for United States aid..... | | | 197.0 | | |
| 10. Uncovered deficit..... | | | | | |

¹ Gold and dollar movements under terms of existing financial and commercial agreements with OPC and NPC.



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