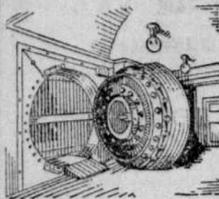


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QUALITY, NOT PRICE, IS BASIS
OF GERMAN BID FOR TRADE

Continued from First Page.

and the depreciation in their plants would be the same. But since German labor would be from 25 to 30 per cent. cheaper than that in St. Gall, the Germans would get the order.

German Work Day Shorter.

But the calculation on the cost of this lace, the Germans say, must not stop here if a comparison is to be made in the relative strength of competitors to-day or if an estimate is to be made of how much more able Germany is to-day to compete than she was before the war. It must, they say, be figured how much the Swiss wages have been increased in seven years, and how much German wages have been raised in the same period, and then there must be taken into consideration the fact that the German working day is 20 per cent. shorter than it was before the war. And every country fearing German competition because of the low German wages should, they argue, compare the wage increase at home with the German wage increase, which is from 5 to 25 per cent. in gold marks, and then make an allowance for the shortened working day in Germany.

The Swiss has another advantage, the Germans assert, in that he ties up relatively much less capital than does the German in doing business. He is able to buy a hundred gold francs' worth of cotton for about 125 paper francs, while the German for a hundred gold marks' worth requires 1,500 paper marks. This would not be an item had Germany's capital increased as rapidly as the inflation of prices, but the amount of capital invested in the textile industry in Germany probably has not doubled since the war.

The Germans say that one of the reasons why they would not be able to flood the world with low priced goods is because of this lack of capital. In the textile trade THE NEW YORK HERALD correspondent was informed that their present export trade was not due to the cheapness of their goods, but to Germany's ability to sell better wares for the money, and this fact, the Germans contend, is their main hope in the future. German stockings and knitted gloves cost in New York to-day about the same as the same kind of American merchandise, but the German goods may be more closely woven and better dyed.

Deny Cheap Substitutes.

Manufacturers here also say they are not planning to exploit cheap substitutes which were in vogue during the war. They have stopped using paper and wood fibres even for the home market, excepting in certain lines which are now regarded as staple. The demand in Germany and abroad now is for the standards of pre-war times. Operators are either doing quality work for export or are supplying staple stocks for the home

market. If orders do not come from abroad and the home market grows dull, they say they must close down to the actual home demands. Apparently the policy throughout the textile industry in this country is to maintain pre-war time standards for the export trade, and it is also followed in the kindred branch of the fur dyeing industry.

In America a skin will be treated in six days, whereas in Leipzig they still devote six weeks to it, and are proud that skins which were treated in England and France during the war are being sent to Leipzig to be treated over again. Leipzig operators predict that it will be only a short time before this policy will make Saxony again the centre of the fur dyeing industry in Europe. That is to say, representative German manufacturers in looking into the future do not evidence interest in the prospect of dumping, but speak of regaining their old time trade.

"When there is a demand for our line because it is better than any other at the same price, then we can recover," is an expression which can be heard in many quarters in Germany.

The shortage of capital, regarding which complaint is most frequently made, might be presumed to have popularized the contract manufacturing scheme, the generous use of which was promised last year, but such is not the case. A leading German manufacturer estimated that not 2 per cent. of the textile industry of this country is operating to-day with raw materials provided by foreigners who retain ownership in them and will take over the finished product and pay the Germans only their wages and profit.

Resented Doing "Piece Work."

More work of this kind was done last year, when the collapse of the mark prevented Germany buying raw materials abroad. But even then, they say, it was undertaken grudgingly in most cases. Unless the foreign capitalist was the German manufacturer's friend and the cooperation was on the footing of mutual confidence, a certain stigma is felt to be attending such a transaction.

"Foreigners came in, imagining themselves our saviors, and assuming that we were too wretched to refuse any offer whatsoever," THE NEW YORK HERALD correspondent was told. "They dictated their terms and expected us to comply meekly with them. Well, some of us did not. For my part," this operator concluded, "I shall never put a mortgage on my plant."

The contract manufacturing plan has drawn a line in the German textile industry between those concerns which will and those which will not accept wage work, and those refusing it are ranked Grade A, while those accepting it are not regarded as quite so reputable. Under certain circum-

stances this generally does not hold good. A prominent German operator who did work for an American capitalist admitted that he was satisfied and would do it again. But in his case the American took no mortgage and left the German free to buy as he chose, confining himself to supplying the money.

However, even contract manufacturing has not always proved profitable. A case was recited of a foreigner—an American—supplying cotton to a German knitting mill and taking the finished goods to America, where he counted on being able to sell them below the prevailing prices there. But the American market "broke," and the American was forced to ship his goods back to Europe again. At first he tried to dispose of them through his own staff, but his employees had no experience in the European markets. Finally he had to consign the goods to a German jobber.

In this case, as in many others, the Germans argue that a more reasonable plan would have been for the American to have advanced a credit on a share in the profits and have permitted the German business machine to function in the usual way. The Germans sense slavery in any other practice, and rather than submit to it most of them say they would abandon their factories.

The German textile industry has registered many high dividends, not a few of them as high as 50 per cent. and even more. But here again the percentage must be translated into gold values in order to give a more accurate record of the profits. No statistics have been compiled showing the earnings of the entire German textile field. It is estimated, however, that the earning has been less than 1 per cent. marks gold, on the original investment. The year just passed was one of heavy losses and quick gains, and in itself does not indicate what the condition would be if exchange were stabilized. Raw materials have risen or fallen as much as 100 per cent. in a few weeks, and this has produced a chaos in which many a profit was wiped out.

Bankruptcies Are Few.

But the Germans as a rule have been prepared for the difficulties of many Americans who bought heavily at high prices and felt obliged to hold their stocks for the recovery of the market.

The scarcity of capital has brought Germany this one benefit, at least, and last year's experience taught them a lesson in taking their losses quickly and thereby keeping them small. The result has been that bankruptcies were exceptional, despite the risks the manufacturers ran. Even in the fur industry, where so many dealers

abroad have been wrecked, there has occurred only one failure in Leipzig in the last six months. The present security, however, may be foredoomed.

Textile companies, as is generally the case throughout German industry, are writing off their plant depreciation in paper marks at the gold mark's value. If a machine cost 800 marks before the war there are only 800 paper marks in reserve to replace it. I know of standard machines which cost 800 marks before the war which now cost 15,000 marks. A knitting mill, the equipment of which is entirely written off and is being carried on its books at one mark, may not be able to replace its machines for five or ten years more. But the day is coming when it must buy new ones, and unless the present policy is altered there will be only 10 or 15 per cent. of the needed outlay in reserve when the time comes around when these machines must be bought. Then the operator must either succeed in borrowing money or go to the wall.

Say Profit Is Really Capital.

"We Germans are living off our fat," I heard a leading manufacturer here say. "To-day's profits are nothing more or less than capital. When we have no profits there will be no new machinery."

I asked a Saxon operator how he defended such a policy. "Well," he countered, "most of the companies which 'earned' 50 per cent. last year were in a position to have declared a dividend of 150 per cent."

"And what became of the rest of the money?" I asked.

"Oh, there are funds which the tax collectors can't find," he replied.

This explanation, however true it may be of many companies, does not apply generally, many German business men believe. They say that if it applied everywhere and all the companies had earned 15 per cent. gold profits, then the amount of currency hoarded in Germany would have exceeded the present 20,000,000,000 marks, at which it is officially estimated.

Also, considerable sums of money in foreign currency are hidden in Germany and probably very large sums have been smuggled across the frontier and invested abroad.

But whether this surreptitious reserve of German industry is enough to cover replacements or to finance a gigantic dumping conspiracy can be truthfully answered only by a person who knows approximately what this reserve amounts to. Most German economists are not very credulous and are predicting a bitter hour of retribution when, a few years hence, Germany will have a record harvest of bankruptcies from the present reckless spending of dividends. The ma-

chine manufacturers for the textile industry are largely in the Saxony field and they are being kept fairly busy. But, instead of building machines for Germany they are working chiefly for Germany's competitors. Not only are the textile operators abroad who used German machines before the war renewing or enlarging their equipment, but many new factories are being opened, especially in France.

The question is occurring to the Germans how they are going to keep abreast of this competition a few years hence. At present the German wage curve is still rising, and there is no prospect of it breaking for a while. The Germans usually answer this question with the expression of a hope that normal conditions will return, that the Government will stop taxing reserves and that the price of machinery will fall. In other words, they give an investigator to understand that the future lies in the lap of the gods rather than in something quite tangible and over which they themselves have control.

Are Shrewd Business Men.

Textile manufacturers whom I met in Saxony impressed me as particularly astute business men, having a broad knowledge of world affairs or of general economic forces. Most of them were dignified villagers—men of standing in their respective communities—and enjoying local reputes, while they were already wearing withunction their title of *Geheimer Kommerzienrat*, or wishing for a return of a régime which would bestow such pleasant title.

Most of the German textile factories are small plants. There are 500 lace operators in Plauen alone, a city of 125,500 inhabitants. There are 500 textile mills in the city of Chemnitz and 2,000 in the Chemnitz district. Many of these manufacturers inherited their business, which was established by their father or their grandfather, and their employees are children and children's children of reliable pioneer workers. I feel sure that most of the men I met were bewildered by the present economic confusion and more frightened by the radical agitation among the employees than concerned in banding together to conquer new foreign markets which they never before held.

I found that operators whom I met had not even agreed among themselves on such a primary question as exchange. One can hear wool combers pray for a rise in Germany's exchange rate and say:

"If the rise does not come we can't buy materials and all of us will go bankrupt."

And across the town is a weaver who will say:

"If the mark doesn't fall we can't export and will all be bankrupt."

STINNES BUYS BLAST
FURNACES IN STYRIA

Pays 90,000,000 Lire to Italian Company for Control.

VIENNA, March 15.—Herr Stinnes has purchased a controlling interest in vast Styrian blast furnaces from an Italian company, according to the newspapers here, for 90,000,000 lire. He intends to promote iron production on a large scale in Styria, and has undertaken to supply coal sufficient to maintain a maximum output.

BERLIN, March 15.—Euge Stinnes plans to make Germany independent of French iron ores by securing control of the Siemens Schuckert Company of Berlin and the Trans-Alpine Corporation, an Austrian company. Under working agreements, Herr Stinnes plans, with the aid of Austrian coke, to convert German iron ore into steel. This he expects to sell in Italy, and then buy foreign coal with the proceeds under more favorable conditions than would be possible if he was operating as a German concern and meeting the difficulties of exchange rates.

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