

STRONG PAPERS, Norman to Strong, copies of correspondence with others and confidential memos
(List created 6/2004)

1. Undated; "The Austrian Trade Balance," from Sir William Goode to M. Norman.
2. March 11, 1922; "Austrian Loans and Liens: The Present Position of Affairs," from Sir William Goode.
3. March 17, (1922?), copy of cablegram from Sir William Goode to Sir Basil Blackett.
4. March 22, 1922, copy of cablegram from Sir Basil to Sir William Goode.
5. March 22, 1922, copy of cablegram from Sir William Goode to Sir Basil Blackett.
6. March 11, 1922, "Austria's Future Loan," from Sir Willaim Goode (w/ attachments, "Austrian Import Customs Revenue", "Approximate Cost of the Customs Breanches Administration in 1921").
7. March 16, 1922, S.R. Res. 160, Joint Resolution.
8. March 30, 1922, "Memorandum Regarding American Visit: Postponement of Liens" from Sir William Goode.
9. Undated, "International Conference" re: M. Poincaré. No indication as to whom or from whom the memo was written.

The following documents were removed from this set of documents (1116.3, Folder 4) and placed with letters to which they relate in 1116.3, Folder 2. As noted below, all were originally enclosures in letters from Norman to Strong:

1. January 27 letter & enclosure to Norman from Victor Moll, Stockholm (enclosure to letter of February 6)
2. February 7 letter from Norman to president of Banque Nationale Suisse (enclosure to letter of February 20)
3. February 6th extract from letter to President Havenstein from Norman(enclosure to letter of March 6)
4. March 2nd & March 3rd letters to/ from Sir William Goode (enclosure to letter of March 6)
5. March 4 letter from Havenstein (enclosure to letter of March 9)
6. March 3rd letter from Paul M. Warburg(enclosure to letter of March 30)

Strong Papers Key for years 1922, 1927, 1928:

06/15/04

() = Document is in Papers but prior to now had not been photocopied and included in research binders

[] = At earlier date, item was listed as present but no original or copy is now in Papers

{ } = Photocopy exists but original is missing

With compliments from Sir William Goode.

City-Canton Hotel

*9, Westbourne Gardens,
London, W. 2.*

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Federal Reserve Bank of St. Louis

Referred to in Norman's letter 3/4

COPY

FROM SIR WILLIAM GOODE

The following is an analysis of the trade figures of Austria for the first nine months of 1921, compiled for me by Dr. Friedrich Hertz, one of the foremost economists in Austria.

W.G.

THE AUSTRIAN TRADE BALANCE

Economists are not so afraid of unfavourable trade balances to-day as they were in former times since experience has proved that the most wealthy countries have the greatest deficit in the trade balance. But for all countries with a depreciated currency it is still of great importance whether trade balance shows a deficit or not. Unfortunately it is very difficult to ascertain the value of imports and exports in these countries to-day because of the rapid fluctuations in the exchange. Therefore most of these countries publish only weight figures. In Austria, trade statistics for the first nine months of 1921 have just been published, giving only the weight of imports and exports. But the Ministry of Trade has made an estimate of the values on basis of pre-war prices in gold Kronen. Before the war the value of every good imported or exported was assessed by experts and these figures for 1913 have now been used for making the calculation just mentioned on basis of the weight figures for the first nine months of 1921. The results are therefore in gold Kronen (1 Krone - 1.05 Francs) and correspond to pre-war prices, which of course were much lower than present prices even if expressed in gold currency.

According to these calculations, imports amounted to 1137 million gold Kronen, and exports to 726 million, the deficit being 411 million, or about 30 per cent. of imports. This percentage is the same as that calculated for 1920 by more accurate methods and on basis of current prices. It is therefore a doubtless fact that Austria was able to cover by her exports two-thirds of the imports required. The deficit is still considerable, but it must

be

be kept in mind that Austria has a particularly great amount of invisible exports, viz. goods bought by foreigners and carried with them out of the country. Moreover, great profits result from banking, commerce, tourists' traffic, transit traffic, and from investments in other parts of former Austria-Hungary, still largely in the hands of Viennese bankers and industrials.

If we examine the single items of these trade statistics, we find that at the head of import figures were cotton and cotton goods, then following grain and flour, and in the third place, coal. As regards exports, by far the greatest amount (almost 23 per cent) fell to the share of wood and wooden ware. Then came iron goods and machinery. But if electrical machinery and rolling stock are added to the other kinds of machinery these items reach almost 18 per cent. of total exports. Therefore, Austria's greatest industry is engineering. In the second place comes exports of cotton goods, and in the third leather goods, while paper ranks in the fourth place. This is rather astounding, because paper industry is perhaps the greatest Austrian production except engineering. Before the war the output of paper factories within the frontiers of present Austria was estimated at 140 million gold Kronen a year. Therefore, exports of 26 millions are rather poor and there is still a large space for an increase of exports. The low figures of paper exports can only be explained by the policy of the Government fostering home consumption by means of bounties to the Austrian newspaper press. Moreover, also scarcity of coal and the dry summer which impaired water power have contributed to the low figure of production, hardly exceeding 50 per cent. of the normal output.

On the side of imports, we find big increases in all raw materials which correspond to increases in exports of manufactured goods of the same industries. However, imports of raw materials have mostly increased by larger percentages than the exports of corresponding productions, which shows that the
home

home market has taken a large part of the supplies. This is easily explained by the fact that the great masses of the people have not been able to buy industrial products for years and used their higher wages in the first half of 1921 for buying the most necessary manufactured goods. A less pardonable increase is shown by the import figures of coffee, tobacco, and similar goods, which must be considered luxuries under present circumstances. These increases are in some cases rather large. Restrictions are, however, not advisable because of possible retaliation against Austrian exports. The import of wine and other alcoholic beverages has not increased but it is so large that public opinion in Austria is up in arms against it and a great campaign is being organised under the leadership of the President Dr. Hainisch for total prohibition.

Particularly great was the increase in imports of iron and iron goods, which almost trebled, while exports show even a small decrease. The reason was that the great iron works of Austria were still hampered very much by the scarcity of coke. Since that time Mr. Stinnes has acquired the majority of shares and the iron output is gradually increasing by means of Westphalian coke, though the Austrian iron works have their own coal mines in Czecho-Slovakia. Another reason of their low output was scarcity of labour since the miners in the iron and coal mines were to a great extent Slavs who left Austria after the breakdown.

On the whole a trade deficit of 36 per cent. compares not unfavourably with many other States under present circumstances, e.g. Jugo Slavia, a much more fertile country than Austria, could cover only one-third of imports by her exports in 1920 and about one-half in 1921, according to the official statistics, while Austrian exports covered two-thirds of imports. An increase of these exports by 50 per cent. would suffice to wipe out the deficit altogether. Of course, the real increase ought to be larger, because export of manufactured goods

goods require previous imports of raw materials. But on the other hand, the above-mentioned invisible exports must be drawn into account too, and there is no doubt that some of the greatest Austrian industries could easily increase their exports by 50 and even 100 per cent. provided that the present lack of liquid capital and certain other hindrances can be overcome.

It must also be considered that the first half of 1921 was a time when Austria first seemed to recover after two years of direct plight. At last the working classes could live on their wages and the value of the Austrian currency was still much higher than later in the year. Only in the second half of the year the Mark began to go down and finally collapsed which reacted on the Austrian currencies too and sent the Krone down from one-hundredth to one-thousandth of its pre-war value. This, of course, caused new great privations to the people and it must also have strangled all imports not strictly necessary. The total effects of this tremendous fall in the currency do not appear in the above statistics which cover only the first nine months of the year.

AUSTRIAN LOANS AND LIENSThe Present Position of Affairs.

Austria received in February a loan of £2,250,000 from the British Government against the security of the Gobelin tapestries which had been specially released for such a purpose by the Reparation Commission. Of this amount £250,000 was for the repayment of a British loan given five months previously. In practice, therefore, the loan is for two million sterling. It is for one year, renewable at the option of the lender for a further twelve months, with interest at the rate of six per cent per annum. The British Government agrees that the Gobelins shall also be available as security *pari passu* for such other interim loans as Austria may obtain. (The Gobelins, if required, can be removed from Austria, but this is not likely to be requested. The valuation of the Gobelins by Allied experts is roughly about four million sterling.) The loan, which is regarded as an interim advance against the credits that Austria expects to raise when her assets are freed, is to be repaid out of the first loan that Austria receives "without conditions." The only other stipulation is that the loan be used in support of the Austrian Krone and in carrying out the Austrian Government's self-help programme, the specific expenditure to be approved by a representative of the British Treasury.

The Czecho-Slovak Government have also arranged to provide Austria with a twenty year loan of 500 million Czech Kronen, roughly the equivalent of £2,200,000. The details of this transaction are somewhat complex but, broadly speaking, it provides for the postponement of a debt of 214,000,000 Czech Kronen which Austria will owe to Czecho-Slovakia by the end of March as her accumulated unpaid share of the inter-State railway traffic clearing-house. The balance, 286,000,000 Czech Kronen, will not become available to Austria until

the Czecho-Slovak Government concludes negotiations for its own loan in London - probably April - and will be ear-marked for purchases that Austria must in any case make in Czecho-Slovakia. The Czech loan was negotiated previous to the British loan and the terms proposed were that it should have all advantages granted to an interim loan from any other Government, with specific security for the first year's interest, and, in the event of no comprehensive international loan for Austria being forthcoming by January 31, 1923, that Austria's revenue from the inter-State railway traffic should then be ear-marked as security for the Czech loan. The British Government suggested to the Czech Government that they should waive the question of these special securities and make their loan against the same security as the British, i.e. the Gobelins. When I left London on March 4 negotiations between the British and the Czech authorities as to a common security for their respective loans had not been concluded.

The French Government have also introduced a Bill to advance to Austria 55,000,000 French francs, or, roughly £1,140,000. When I left England the French Government were hopeful of getting this loan through within a month. No definite arrangements had been made as to security but it had been suggested that the loan should be made on the same lines as the British Government loan.

The Italian Government have also notified the Austrian Government that they will be prepared to lend them 70,000,000 lire, or roughly, £840,000, to be available on June 4. Up to the time of my leaving England no details as to the terms of this loan had been communicated.

The Austrian Government, in agreement with all their political Parties, have just decided that the British credit of two million sterling and such other Government interim credits as may be received shall form a fund to be used exclusively for the purchase of

gold or gold bills, not beyond two months date, in order to support the Krone. Equilibrium in the Budget is hoped to be obtained by increased revenue from alcohol and tobacco, and by decreased expenditure on State enterprises and State officials. There is also to be a voluntary internal loan for industrial requirements.

The loans from the four countries, except the 20 year Czech loan, are contemplated as being only interim credits to be repaid when Austria can herself, or through the League of Nations, negotiate for such loans from non-Governmental sources as she may require. This cannot be done definitively until the Powers that now have liens, either on account of reparation or of relief loans, on all her assets signify their willingness to postpone these liens for the suggested period of twenty years. Up to the time I left London, the United States, Roumania, and, I believe, Yugo Slavia, were the only Powers that had not given an assurance of their willingness to postpone the liens. The other Powers who have already agreed to postpone - France, Great Britain, etc., - have only done so on the condition that all other Powers having liens take the same action. I think it is safe to say that there would be no serious difficulty in arranging matters with Roumania and Yugo Slavia once it was certain that Congress would agree to postpone the American lien, which amounts to \$24,000,000.

The Governments who have agreed to postpone their liens have done so "on the understanding that the Austrian Government desire the application to Austria of the International Credits scheme, as approved by the League of Nations, and are prepared to place, as provided under Clause 7 of that scheme, the administration of the assigned assets in the hands of the Financial Committee of the League of Nations." On the strength of this and the recent Government credits and promises of credits, the Finance Committee of the League of Nations

at a meeting in London the last week of February suggested to the Austrian Government that they should now agree to the appointment by the League of a Financial Adviser to Austria. The Austrian Government, however, thought this was inopportune and the Finance Committee have dropped the proposal. The original suggestion of the League last year was that the finances of Austria should be administered by a joint Commission of six or seven, but this is now generally admitted to be unpractical; hence the suggested substitution of one Financial Adviser.

It is probable that no serious difficulties would arise either with the League or with the interested Powers if the activities of the League were restricted to nominating a Financial Adviser who, in fact, had previously been selected by the financial groups that may be expected to arrange the eventual credits for Austria. There is a tendency on the part of some of the Powers not to insist upon the understanding that the released assets must be administered by the League. I also think it has become apparent to the League that unless they can provide the money, which, so far, they have failed to do, they cannot expect to exercise any control except that which is acceptable to the actual lenders. On the other hand, it might be advantageous to the lending groups for, let us say, the Receiver of the Austrian Customs, to be an official nominated by the League. As such he could better act as Trustee for Powers who, after all, have only postponed over 20 years their claims. Internal and external political difficulties would also be likely to be minimized if the necessary element of financial control were identified with the League, of which Austria is a member, rather than being a control solely representative of foreign financiers.

March 11, 1922.

(SD) WILLIAM GOODE

COPY OF CABLEGRAM SENT BY SIR WILLIAM GOODE TO SIR BASIL BLACKETT,
TREASURY, LONDON, MARCH 17.

Morgans feel matters not sufficiently advanced to justify them in committing themselves in any way but in principle they are interested in situation and desirous of handling matter here if they can satisfy themselves that proposed loan would be safe not only as to its precise security but in connection with permanency of whole Austrian situation. In event of five million sterling loan being arranged to conform to these principles, Morgans would be most happy to participate with the British group, composition to be satisfactory to them and terms, of course, to be such as would be acceptable to both markets. Foregoing, of course, on assumption that liens will have been postponed before any such loans are arranged. Also that entire proceeds of loans would be available for constructive purposes to be agreed upon with the lenders and that redemption of recent or forthcoming advances by British and other Governments be otherwise provided for. Also that both Austria and League of Nations would agree to such supervision and control as lenders may consider essential. Morgans are cabling their London house to see Governor as to co-operating British houses. Can I assume that these assurances of Morgans' attitude now meet the case? Before any loan could be floated on market here there must be extensive propaganda to dispel existing impression that Austria is a ruined country. Before sailing on 25th I hope to make arrangements for starting this propaganda immediately liens are postponed, therefore I am particularly anxious to receive early answer to this cablegram. Would you kindly communicate foregoing, which Morgans have seen, to Governor and Franckenstein.

GOODE RITZ HOTEL

COPY OF CABLEGRAM RECEIVED BY SIR WILLIAM GOODE FROM SIR BASIL
BLACKETT, TREASURY, LONDON, AND THE GOVERNOR OF THE BANK
OF ENGLAND, MARCH 22, 1922.

We learn with pleasure from your cable that J.P. Morgan & Company are in principle desirous of handling an Austrian loan after postponement of liens shall have been duly arranged.

As we are not committed in any way to any parties in London, we suggest that Messrs. J.P. Morgan & Co. should make their own arrangements for such co-operation as they may desire, but while we will, therefore, take no action in this connection, we have reason to believe that other emissaries than yourself are interesting themselves, apparently on behalf of Austrian Government in the question of raising a loan.

We must leave it to you to judge whether assurances you have received from J.P. Morgan & Co. will satisfy requirements of your principals in Vienna, and as to the question of propaganda.

Copy of your cable and of this reply are being given Franckenstein.

ANNEX C

COPY OF CABLEGRAM SENT BY SIR WILLIAM GOODE TO SIR BASIL BLACKETT,
TREASURY, LONDON, MARCH 22nd, 1922.

Thanks for telegram. Lamont and Anderson, with whom
I have discussed matter, arrive Paris middle of April and will be
glad to continue conversations there and later in London. I am
advising Austrian Government to await their arrival. I sail
Cedric 25th. Kindly communicate to Governor and Franckenstein.

GOODE RITZ HOTEL.

AUSTRIA'S FUTURE LOAN

On the assumption that all the Powers having liens on Austrian assets will, in the near future, agree to postponement, discussions have been taking place in Vienna and elsewhere as to the loan or loans to be raised on the security of these assets.

The majority of the soundest financial authorities in London and Vienna appear to favour a relatively modest public loan, not to exceed five million sterling, to be raised through British and American issuing houses, possibly with the co-operation of other European groups. The revenue from the Austrian Customs would be the security for interest and amortisation. No difficulty would be experienced in arranging for a receivership, on behalf of the lenders, of the Customs revenue or for such other reasonable supervision of Austria's finances as the lenders might consider vital to their interests, though in this connection the co-operation of the League of Nations would probably be necessary and useful. The value of the Customs receipts would, under normal conditions, justify the issue of a larger loan than is suggested, but such well-informed authorities as the Governor of the Bank of England and Mr. Keynes strongly urge that the first loan should not exceed five million sterling. It has therefore been suggested that a further issue might later be made against the same security as and when, in the judgment of Trustees, the Customs receipts cover, say by four times, the additional interest and amortisation, with option to Austria to redeem the first loan within, say, two years. (There are those who believe, notably Dr. Rosenberg, of the Anglo-Austrian Bank and recently Financial Adviser to the Austrian Government, that 10 million sterling will be sufficient to put

Austria on her feet.)

At a later date, that is to say, when it has become possible to judge the effects of Austria's present internal policy and of the loans, it is proposed to found a new Bank of Issue. It is reasonable to suppose that the groups undertaking the issue of the first Austrian loan might obtain, if they desired, the first opportunity to take part in this Bank, which should be lucrative.

In the League of Nations' proposals last year it was suggested that a Bank of Issue for stabilising the currency, with a capital of 100 million French francs and the exclusive privilege of issuing notes in Austria for 25 years, should be the first step in financial reconstruction. Since then, however, I think it has generally come to be admitted that it would be inadvisable to constitute the new Bank of Issue at the outset. It was also proposed by the League of Nations that foreign credits should be obtained not merely against the security of the Customs, but also against the Tobacco Monopoly, the State forests, with the additional security of a first mortgage against all private real estate in Austria representing 4 per cent of its pre-war value. This plan naturally envisaged a loan much larger than five million sterling. London bankers, however, are, so far as I have been able to ascertain, almost unanimous in the belief that Austria's first issue should be made against one specific security and that the temptation to raise a larger loan against a conglomeration of assets should be resisted in favour of a modest loan against a form of security with which international bankers and publics are familiar.

This question of a small as opposed to a large loan raises the important point of repayment of the present and promised interim loans from Governments. Great Britain has just given a credit of two million sterling on the understanding that it shall be paid back in one, or at the most, two years. The French and Italian Government credits, if they materialise, are likely to be

on similar lines. The natural inclination of Governments is to urge the flotation of a large Austrian loan out of which the present advances could be repaid, or, failing that, a loan of such proportions as would enable the lending ~~and~~ Governments to underwrite an amount equal to their interim advances and still leave Austria with enough working capital. I feel sure, however, that this plan would not be to the eventual advantage of the lending Governments and I think they can be brought to agree to and support a first issue of, say, five million sterling against the Austrian Customs, without insisting that any part of it shall be available for the repayment of the interim Government advances. Repayment to the Governments can, I hope, be arranged subsequently by a funding process or, as Austrian credit gradually becomes established, by loans which would not affect the security of the first issue.

Customs Receipts.

I attach details of the Austrian Customs receipts for 1920, 1921, and January of this year. The constant fluctuations in exchange, and particularly the headlong decline of the Krone in the latter part of 1921, make general conclusions and analysis extremely difficult. It will be seen that in the past the Austrian Government, instead of collecting their Customs duties on a gold basis have fixed constantly rising multiples at which paper Kronen have been accepted for Customs gold duties. These multiples were arbitrary and by no means corresponded with gold parity. For instance, in January of this year duties were payable in paper Kronen at the rate of 300 times the existing gold tariff, whereas the actual parity was 1270 times. I should mention, however, that since last November the duties on luxury articles have been charged at full gold basis.

The Austrian Government were determined, when I left Vienna three weeks ago, to collect all duties on a gold parity basis.

If one applies this calculation to the gross Customs revenue shown

for the months January of this year, which was rather below the monthly average of 1921, seven million gold Kronen would result. Assuming that the revenue of January was maintained throughout the other eleven months of 1922, there would be an annual revenue roughly equivalent to \$16,800,000. However, when the Customs are raised to a gold parity basis it will doubtless be necessary, in certain cases, such as fundamental industries, to reduce the tariff and also to make allowance for a decrease in general imports. Assuming that the gross receipts decreased by one half, which is improbable, there would still remain a revenue of \$8,400,000, less administration expenses calculated at 6.1 per cent, to cover the service and sinking fund of a loan not exceeding, say, \$24,000,000.

Austrian Trade Balance.

The latest Trade figures available give the imports and exports for the first nine months of 1921 but by weight only. The Austrian Ministry of Trade, however, has made an approximate estimate of values on a basis of pre-war prices in gold Kronen. From this it would appear that the imports for these nine months amounted to 1137 million gold Kronen (roughly \$227,000,000), and exports to 726 million gold Kronen (roughly \$145,000,000), the deficit being 411 million gold Kronen (roughly \$82,000,000), or about 36 of the imports. Yguo Slavia could only cover one-third of her imports by exports in 1920 and only about one-half in 1921, whereas Austria, under much less favourable conditions, has now been able to cover two-thirds of her imports by her visible exports. It should also be remembered that in these estimates one of the most important factors of Austria's existence, namely, her invisible trade, is not included. I shall be glad to provide, if desired, an analysis of these trade figures which has just been drawn up for me by Dr. Friedrich Hertz, one of Austria's foremost

Food Subsidies.

Government food subsidies in Austria have been reduced to practically nil and will be totally abolished by the end of April. Food supplies, which hitherto have been responsible for about half of the Budget deficit, will from then on be provided through private enterprise.

Krone Circulation.

At the beginning of March of this year the total Kronen circulation amounted approximately to 260 milliards, or the equivalent at the then rate of exchange (6,200 Kronen to the dollar) of about \$42,000,000. Quantitatively, this amount of currency at this external value is insufficient for a country with Austria's population and trade. A rise in the value of the Krone would, of course, remedy the quantitative deficiency, but as most authorities estimate the internal purchasing value of the Krone now to be in the neighbourhood of 5000 Kronen to the dollar, as opposed to an external value of 6,200, there is not much margin for an immediate rise in value. Sudden improvement beyond the internal purchasing value would create new economic difficulties and is generally agreed to be unwise. The general assumption is that the present British and Czech Government credits and other possible Government credits, in conjunction with the Austrian Government's endeavour to balance the Budget by increased taxation and internal loan, will automatically keep the Krone somewhere in the neighbourhood of 5000 to the dollar, that is to say, that the internal and external purchasing power will gradually be approximated. When the consequent readjustment in industrial and economic conditions, particularly as regards prices, has passed the critical stage and when the permanent foreign credits have been arranged, stabilisation can be effected by the agency of

a new Bank of Issue.

Labour Conditions.

There is, comparatively speaking, no unemployment in Austria. With a population of six and a half million there were only 19,320 unemployed at the end of December. This number, however, had risen to over 28,000 at the end of January and will probably continue to increase for a time as the lessening of the gap between the internal and external value of the Krone deprives the exporter of his fictitious advantage. Austria labour, however, has exhibited an eminently reasonable spirit. Quite recently the paper trade union agreed to a marked reduction in an agreed scale of wages although the index numbers proved that the cost of living was still rising. I do not anticipate any serious labour disturbances, although until conditions readjust themselves, the Austrian employers, particularly the Austrian exporter, will find it hard to make both ends meet. It must be remembered that the pound, for instance, went as high as 44,000 Kronen in January and by the end of February had fallen to between 25,000 and 27,000.

Water Power.

It is possible that a powerful foreign group may be formed in the near future as a holding Company for the existing Austrian water power concerns and for the exploitation of the hitherto undeveloped water power, which amounts to 90 per cent of the total capacity. The introduction of foreign capital on the scale which is being considered would, naturally, have important bearing not only upon the general financial position of Austria, but upon her economic future. With her water power even partially developed Austria's third most important import, coal, would eventually become infinitesimal, and her principal industries would derive corresponding independence.

March 11, 1922.

(SD) WILLIAM GOODE

AUSTRIAN IMPORT CUSTOMS REVENUE

	Actual Receipts in Paper Kronen (in millions)	Equivalent if duties on gold parity basis (in millions)	Rate fixed by Ministerial Order at which paper Kronen are accepted for Customs gold duties.
1920			
January	75	12.5	X 6 (since 26.9.19)
February	63	10.5	
March	82.1	13.7	
April	76.3	12.7	
May	86.7	13.2	X 20 (since 28.5.20-
June	98.9	4.9	
July	117	5.8	
August	121.8	4.8	X 25 (since 5.8.20)
September	145	5.7	
October	240.6	9	X 33 1/3 (since 26.10.20)
November	199.3	5.8	
December	322	8	X 40 (since 1.12.20)
	<hr/> 1627.7 <hr/>	<hr/> 106.6 <hr/>	
1921			
January	465	9.3	X 50 (since 1.1.21)
February	449	8.9	
March	654	9.3	X 70 (since 1.1.21)
April	784	9.8	X 80 (since 15.4.21)
May	756	7	X 100 (130) (since 1.5.21) ^x
June	714	6.9	
July	908	9.2	
August	907	7.3	X 120 (150) (since 26.8.21) ^x
September	1161	7.3	X 160 (200) (since 23.9.21) ^x
October	1578	7.9	
November	1713	7.3	X 300 (since 27.11.21) ^{xx}
December	2135	6.3	
	<hr/> 12224 <hr/>	<hr/> 96.5 <hr/>	
1922			
January	2434	7	X 300 ^{xx}

Since February, 1922, the rate has been increased to 500
In January, 1922, the actual gold parity was 1270 times the
paper Krone.

The figures of the second column do not always represent the
quotient of column 1 by column 3. In the second column certain
reductions are made as not all goods are charged with the full
multiple of the third column.

^x Higher multiple for luxuries.
^{xx} Luxuries paying full legal multiple after
exchange rate.

APPROXIMATE COST OF THE CUSTOMS BRANCHES ADMINISTRATION IN 1921.

	Total for the year 1921	of which Nov. and Dec. 1921 accounted for
	Kr.	Kr.
Expenditure on staff	445,000,000	190,000,000
" " material	62,000,000	30,000,000
	<hr/>	<hr/>
	507,000,000	220,000,000

APPROXIMATE COST OF THE CUSTOMS CENTRAL ADMINISTRATION IN 1921

Expenditure on staff	194,000,000	82,000,000
" " material	42,000,000	20,000,000
	<hr/>	<hr/>
	236,000,000	102,000,000

APPROXIMATE COST OF THE CUSTOMS ADMINISTRATION IN 1921

743,000,000 322,000,000

S. R. RES. 160

IN THE HOUSE OF REPRESENTATIVES.

March 16, 1922.

Referred to the Committee on Ways and Means.

J O I N T R E S O L U T I O N

Authorizing the extension, for a period of not to exceed twenty-five years, of the time for the payment of the principal and interest of the debt incurred by Austria for the purchase of flour from the United States Grain Corporation, and for other purposes.

Whereas the economic structure of Austria is approaching collapse and great numbers of the people of Austria are, in consequence, in imminent danger of starvation and threatened by diseases growing out of extreme privation and starvation; and

Whereas this Government wishes to cooperate in relieving Austria from the immediate burden created by her outstanding debts:

Therefore be it

- 1 Resolved by the Senate and House of Representatives
- 2 of the United States of America in Congress assembled,
- 3 That the Secretary of the Treasury is hereby authorized to
- 4 extend, for a period not to exceed twenty-five years, the
- 5 time of payment of the principal and interest of the debt

1 incurred by Austria for the purchase of flour from the United
2 States Grain Corporation, and to release Austrian assets
3 pledged for the payment of such loan, in whole or in part,
4 as may in the judgment of the Secretary of the Treasury be
5 necessary for the accomplishment of the purposes of this
6 resolution: Provided, however, That substantially all the
7 other creditor nations, to wit: Czechoslovakia, Denmark,
8 France, Great Britain, Greece, Holland, Italy, Norway,
9 Rumania, Sweden, Switzerland, and Yugoslavia, shall take
10 action with regard to their respective claims against Austria
11 similar to that herein set forth. The Secretary of the
12 Treasury shall be authorized to decide when this proviso has
13 been substantially complied with.

Passed the Senate March 9 (calendar day, March 15), 1922.

Attest: GEORGE A. SANDERSON

Secretary

By H. M. ROSE,

Assistant Secretary.

FROM SIR WILLIAM GOODE

MEMORANDUM REGARDING AMERICAN VISIT.

Postponement of Liens.

Lodge Resolution.

The Lodge Resolution, as passed by the Senate (for text see Annex A) authorizes the Secretary of the Treasury to extend for a period not to exceed 25 years the time of payment of the principal and interest of the Austrian debt of \$24,055,708.92 providing he satisfies himself that "substantially all" those other creditor nations mentioned in the Resolution have "substantially" taken action similar to that outlined in the Lodge Resolution.

The Resolution does not waive interest. The interest accrues.

The Resolution includes no undertaking to postpone a possible claim by the United States for reparation. I discussed this point both at the State Department and at the Treasury and came to the conclusion that it had no practical or other importance as, if the existing priorities are retained, no payments on account of reparation can be made to any country until the 20 years postponement of relief loans has expired.

Procedure.

Departmental views in Washington as to what procedure should be taken after the Lodge Resolution had been passed both by the Senate and the House, were indefinite. The Treasury seemed somewhat inclined to think that the United States could not move until Austria had given an assurance that all the other Powers had substantially agreed upon unconditional postponement for 20 years. I pointed out that in any event these assurances must first be given to the Reparation Commission who alone are entitled to release Austrian assets. After conversations with various officials in the State Department, all of whom showed the kindest anxiety to expedite matters, I advised Mr. Prochnik, the Austrian Chargé d'Affaires at Washington, to write to the Secretary of State as soon as the Lodge Resolution had passed the House and request

early action by the Secretary of the Treasury. I also advised Mr. Prochnik to submit a list of those Powers that had already agreed to postpone and to communicate the conditions of such postponement, namely, the London agreement of March 17, 1921, between the Governments of Great Britain, France, Italy and Japan. This agreement preserves the priority of relief over reparation - a condition precedent to any release by America. I further suggested to Mr. Prochnik to include in his note a request that the United States Government inform the Reparation Commission of such action as it proposed to take and also that the Austrian Government be informed as to any exchange or alteration of Bonds as might appear necessary to the United States Treasury. The United States Treasury seem inclined to think the "B" Relief Bonds must be changed. If that view is correct, all countries holding "B" Austrian Bonds will also be entitled to exchange them.

A resolution by the Reparation Commission recording the consent of all the Powers represented on that body and of those neutrals who previously appointed the Commission as their Trustee for relief loans, would seem to be all that is necessary to postponement and release, except in the case of the United States. As they are only unofficially represented on the Commission and as they also have a Treaty of Peace directly concluded with Austria, it will probably be necessary for the United States to exchange with the Austrian Government separate assurances as to postponement, in addition to unofficial participation in release of assets by the Reparation Commission.

Before I left Washington, the British Chargé d'Affaires and the Austrian Chargé d'Affaires had, at my suggestion, telegraphed to their respective Governments asking for the latest definite information of such assurances as had been officially received from the various countries regarding postponement of Austrian liens. The British Chargé d'Affaires very kindly communicated the result of his enquiries to Mr. Prochnik's complaint in Washington that it had been impossible to obtain the attitude of some of the

Governments towards postponement. Statements repeatedly published, apparently on the authority of League of Nations officials, had been found to be consistently untrue. At the time I left Washington, the State Department appeared to be doubtful as to the ultimate consent of Yugo Slavia and Roumania and to be in some perplexity as to whether the Italian and Greek agreements were unconditional.

Trusteeship.

I asked, both at the State Department and at the Treasury, what the wishes of the United States were likely to be regarding a joint or other Trusteeship for the suspended lien interest and the new loans. I was told that no opinion whatever could be expressed until the question was raised in more practical form. While no definite objection was expressed in Departmental circles to a Trustee being nominated by the League of Nations, it was pointed out that it was quite impossible at the moment to say whether or not the United States would be agreeable to such a proposal. It was suggested by a Senator who is in close touch with the Administration and by several others that the possibility of any difference in views as to Trusteeship might be obviated if the Trustee were appointed by the Reparation Commission, in consultation with the new lenders, and not by the League of Nations. It was emphasised that, in any event, Austria's assets at the end of 20 years would legally revert to the Reparation Commission and that a Trustee nominated by the League of Nations would, de facto, only be Trustee on behalf of the Reparation Commission. I recommend the suggestion for careful consideration.

It was, of course, recognised that the United States could, if it so desired, appoint its own Trustee for its own suspended interest, for instance, the American Minister in Vienna, but it was generally felt that a multiplication of Trustees would be unfortunate, particularly if new loans were to be partly subscribed by the American public. The proposal to float such loans in the United States had the complete approval of the Washington Administration.

THE NEW LOAN

Morgan's Attitude.

Discussions regarding the new loan are epitomized by my cablegrams of March 17th and March 22nd (Annexes B and C). There is no doubt in Morgan's mind as to their ability to seal half of a five million sterling loan for Austria in the United States if they think it wise to do so. It was new and actually startling to them that Austria was in a position to make an appeal to the public except ad misericordiam. Morgans, if they pursue the project, will desire to satisfy themselves by investigation on the spot as to Austria's ability eventually to become self-supporting.

Morgans did not feel that matters were sufficiently far advanced to discuss details as to the term or interest and sinking fund of the loan. As regards the Trusteeship, Anderson, of Morgans, offhand expressed the view that the appointment by the League of Nations of a Trustee who would also be the nominee of the lenders would be acceptable. But the point was not gone into closely. Mr. Lamont was of the opinion that nothing more could be done until he arrived in Paris on April 15. I agreed. Rumours that the Austrian Government were conducting other negotiations in London, of which I had not been notified, made it impossible for me to take any other course. If those rumours are confirmed Morgans, quite properly, will have nothing more to do with any Austrian loan.

Need of Propaganda.

Both in New York and Washington I was advised by old friends unconnected with and even opposed to Morgans that it was of the greatest importance to secure Morgan's influence for Austria's first attempt to establish credit in America. There Austria is regarded as a hopeless derelict. Practically the only news that appears in American newspapers about Austria refers to American relief work or to the hopeless condition of the country. The report of the Finance Committee, on the strength of which the Senate unanimously approved the Lodge Resolution, was

based on a plea to avert starvation in Austria which was described as being worse than ever. To correct such impressions sufficiently to raise a loan, the biggest financial guns must obviously be brought into action. As a co-operating force I have arranged with friends - editors of leading newspapers and those who influence publicity - for the truth to be told to the American public as to Austria's self-help programme and the steps she is taking to put her financial house in order. I have also asked the managers of Mr. Hoover's American Relief Administration to make as much as possible of the fact that American Relief in Austria ceases on June 1st of this year. This will visualise to the American public, perhaps better than anything else, that Austria is no longer to be regarded as a destitute country.

Relations with Other Bankers.

In my interviews with various bankers other than Morgans, for instance with Mr. Kahn and ^{the} other partners of Kuhn, Loeb & Company, I said that the conversations I had had in New York, although resulting in nothing definite, had gone sufficiently far to preclude me from discussing, at any rate for the present, the question of an Austrian loan. My position with the Guaranty Trust Company was slightly different, as the question of a loan had unofficially been discussed with their representatives in Europe, but always on the understanding that they worked hand in glove with Morgans. The Guaranty Trust Company will, I think, desire to associate themselves with Morgans in the event of the latter firm issuing a loan.

Governor Strong's Views.

Governor Benjamin Strong, of the Federal Reserve Bank, to whom I gave copies of the memoranda handed to Morgans (Annexes D and E) and to whom I also showed the various cables received and sent, expressed his approval of American participation in an Austrian loan. As regards the question of Trusteeship, he took the view that there should be

- 1) A place for an American banker in the Trusteeship in the event of the Trusteeship not being dependent on or involved with the League of Nations,

or

- 2) If the Trusteeship were in the hands of the League of Nations, that the American bankers interested should have a voice in the approval of the appointment.

As regards the proposed Austrian Bank of Issue, Governor Strong was of the opinion that before the loan under discussion was arranged, a scheme of control for such a Bank, having reasonable autonomy, should be agreed between the Austrian Government and the lenders. He shared the view that the Bank of Issue should only be established as and when those concerned were agreed, but laid stress upon the desirability of the plans for it being arranged in advance, particularly with a view to divorce the Government, so far as possible, from the issue of currency.

Governor Strong also suggested the desirability of an understanding at an early stage between the lenders of the new loan and the British, Czech, or other Governments who might have made interim advances to Austria, as to the priorities of their respective loans. His view was that if Austria, at a later date, issued loans to pay off existing interim Government credits, such loans should be either wholly Government or wholly private loans and that in any event the arrangements for the repayment of these interim Government advances should be clearly defined before an American house issued an Austrian loan.

Governor Strong, I think, considered my Austrian proposal as an example of the practical way in which to enlist the co-operation of the United States in re-establishing economic equilibrium in Europe. On these lines American bankers were quite willing to act, but he pointed out that if American co-operation were really desired, it was more likely to be obtained if American bankers were approached simultaneously instead of after committment had definitely been made with some issuing house in Europe.

S.S. "CEDRIC"

(SD) WILLIAM GOODE

March 30, 1922.

INTERNATIONAL CONFERENCE.

M. Poincare's idea is apparently to propose an arbitrary reduction of the reparation liability on condition that

- (a) the French share of reparation is increased by the recognition of a priority for material damages.
- (b) interallied debts are written down or written off,
- (c) material security is given by Germany and close allied control established over German finances.

Gossip credits him with being prepared for a reduction to 40 milliards gold marks provided Great Britain will forgo her share of reparation altogether and cancel the inter-allied debts owing to her.

The objections to this policy are -

- (a) The arbitrary fixation of the German liability at any figure which the French would be willing to accept would not now advance a settlement.

Germany would default in respect of the reduced obligation at a very early date and Great Britain would be then committed to coercive action with as little prospect as ever of such action producing financial results of any value.

- (b) We should have sacrificed our share of whatever it may prove possible to extract from Germany and abandoned our claims in respect of inter-allied debts for no advantage whatever.

- (c) We should waste a good deal of time in wrangling with Germany over securities which if we obtained them would prove useless and obtaining controls which would not work in practice and for the financial unproductiveness of which the Allies themselves would be responsible.

Until the mark has been stabilised, budget equilibrium established and German internal credit restored, it is no good trying to fix a reparation total.

Until we know how much can be recovered from Germany it would be premature to decide how it is to be divided.

Until

Until we know how much France will recover it is impossible to say what concessions are required in regard to inter-allied debts.

It is suggested that either the Reparation Commission or the Allied Governments should appoint a Committee of Bankers to formulate a plan for stabilizing the mark indicating clearly the concessions on the part of Germany's reparation creditors which are necessary to its success, and that the proposed conference should not be held until this report has been received and considered.

