# The Papers of Eugene Meyer (mss52019)

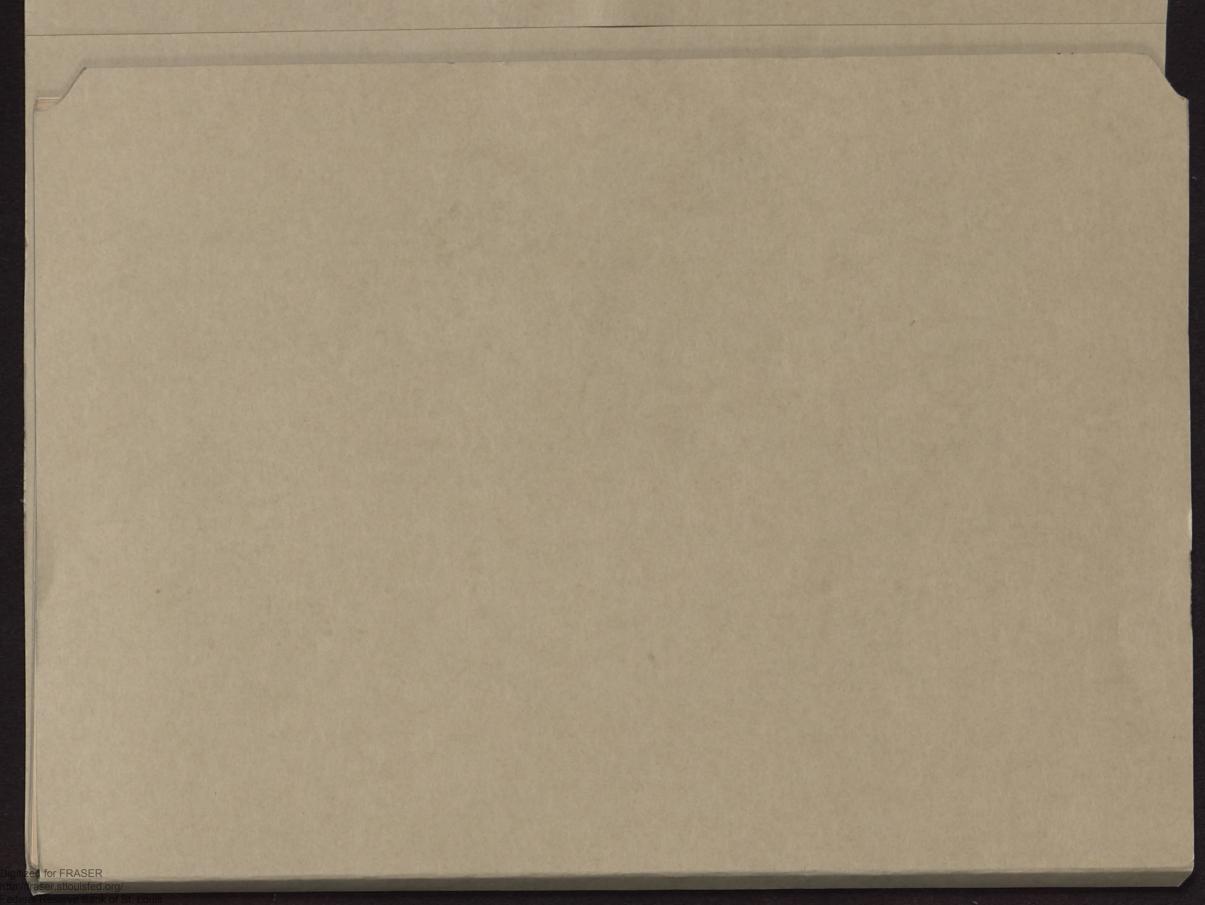
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Subject File, Federal Reserve Board, Reparations, Printed Matter, 1924-30

EUGENE MEYER

SUBJECT FILE

FERERAL RESERVE BOARD REPARATIONS - PRINTED MATTER 1924-30



SECRET

May 8th 6th Revise. (Text as handed Germans)

### PART VIII.

### REPARATION.

### SECTION I.

### General Provisions.

231. THE Allied and Associated Governments affirm and Germany accepts the responsibility of Germany and her Allies for causing all the loss and damage to which the Allied and Associated Governments and their nationals have been subjected as a consequence of the war imposed upon them by the aggression of Germany and her Allies.

232. The Allied and Associated Governments recognize that the resources of Germany are not adequate, after taking into account permanent diminutions of such resources which will result from other provisions of the present Treaty, to make complete reparation for all such loss and damage. The Allied and Associated Governments, however, require, and Germany undertakes that she will make compensation for all damage done to the civilian population of the Allied and Associated Powers and to their property during the period of the belligerency of each as an Allied and Associated Power against Germany by such aggression by land, by sea and from the air, and in general all damage as defined in Annex hereto.

In accordance with Germany's pledges, already given, as to complete restoration for Belgium, Germany undertakes, in addition to the compensation for damage elsewhere in this Chapter provided for, as a consequence of the violation of the Treaty of 1839, to make reimbursement of all sums which Belgium has borrowed from the Allied and Associated Governments up to November 11, 1918, together with interest at the rate of five (5) per cent. per annum on such sums. This amount shall be determined by the Reparation Commission and the German Government undertakes thereupon forthwith to make a special issue of bearer bonds, payable in marks gold, on May 1, 1926, or at the option of the German Government, on the 1st of May in any year up to 1926. Subject to the foregoing, the form of such bonds shall be determined by the Reparation Commission. Such bonds shall be handed over to the Reparation Commission, which has authority to take and acknowledge receipt thereof on behalf of Belgium.

233. The amount of such damage for which compensation is to be made by Germany shall be determined by an Inter-Allied Commission, to be called the Reparation Commission and constituted in the form and with the powers set forth hereunder and in Annexes 2 to 6 inclusive hereto. This Commission shall consider the claims and give to the German Government a just opportunity to be heard. The findings of the Commission as to the amount of damage defined as above shall be concluded and notified to the German Government on or before the 1st May, 1921, as representing the extent of that governments obligations. The Commission shall concurrently draw up a schedule of payments prescribing the time and manner for securing and discharging the entire obligation within a period of thirty years

from the 1st May, 1921. If, however, within the period mentioned. Germany fails to discharge her obligations, any balance remaining unpaid may, within the discretion of the Commission, be postponed for settlement in subsequent years; or may be handled otherwise in such manner as the Allied and Associated Governments, acting in accordance with the procedure laid down in this part of the present Treaty, shall determine.

234. The Reparation Committee shall after the 1st May, 1921, from time to time, consider the resources and capacity of Germany and after giving her representatives a just opportunity to be heard, shall have discretion to extend the date, and to modify the form of payments, such as are to be provided for in accordance with Article 233; but not to cancel any part, except with the specific authority of the several Governments represented upon the Commission.

235. In order to enable the Allied and Associated Powers to proceed at once to the restoration of their industrial and economic life, pending the full determination of their claims, Germany shall pay in such instalments and in such manner (whether in gold, commodities, ships, securities or otherwise) as the Reparation Commission may fix, during 1919, 1920, and the first four • months of 1921, the equivalent of 20,000,000 gold marks.

Out of this sum the expenses of the armies of occupation subsequent to the armistice of the 11th November, 1918, shall first be met.and such supplies of food and raw materials as may be judged by the Governments of the Principal Allied and Associated Powers to be essential to enable Germany to meet her obligations for reparation may also, with the approval of the said Governments, be paid for out of the above sum. The balance shall be reckoned towards liquidation of the amounts due for reparation.

Germany shall further deposit bonds as prescribed in Paragraph 12 (c) of Annex II.

236. Germany further agrees to the direct application of her economic resources to reparation as specified in Annexes III, IV, V and VI, relating respectively to merchant shipping, to physical restoration and to coal and derivitives of coal and to dyestuffs and other chemical products; provided always that the value of the property transferred and any services rendered by her under these Annexes, assessed in the manner therein prescribed, shall be credited to her towards liquidation of her obligations under the above articles.

237. The successive instalments, including the above sum paid over by Germany in satisfaction of the above claims, will be divided by the Allied and Associated Governments in proportions which have been determined upon by them in advance on a basis of general equity and of the rights of each.

For the purposes of this division the value of property transferred and services rendered under Article 243, and under Annexes III, IV, V and VI, shall be reckoned in the same manner as cash payments effected in that year.

238. In addition to the payments mentioned above Germany shall effect, in accordance with the procedure laid down by the Reparation Commission, restitution in cash of cash taken away, seized or sequestrated, and also restitution of animals, objects of every nature and securities taken away, seized or sequestrated, in

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the cases in which it proves possible to identify them in the territory belonging to Germany or her Allies.

Until this procedure is laid down, restitution will continue in accordance with the provisions of the Armistice of the 11th November, 1918, and its Renewals and the Protocols thereto.

239. Germany undertakes to make forthwith the restitution contemplated by Article 238 and to make the payments and deliveries contemplated by Articles 233, 234, 235 and 236.

240. Germany recognizes the Commission provided for by Article 233 as the same may be constituted by the Allied and Associated Governments in accordance with Annex II, and agrees irrevocably to the possession and exercise by such Commission of the power and authority given to it under the present Treaty. The German Government will supply to the Commission all the information which the Commission may require relative to the financial situation and operations and to the property, productive capacity, and stocks and current production of raw materials and manufactured articles of Germany and her nationals, and further any information relative to military operations which, in the judgment of the Commission may be necessary for the assessment of Germany's liability for reparation as defined in

Annex I.

The German Government will accord to the members of the Commission and its authorized agents the same rights and immunities as are enjoyed in Germany by duly accredited diplomatic agents of friendly Powers.

Germany further agrees to provide for the salaries and expenses of the Commission and of such staff as it may employ.

241. Germany undertakes to pass, issue, and maintain in force any legislation, orders, and decrees that may be necessary to give complete effect to these provisions.

242. The provisions of this part of the present Treaty do not apply to the property, rights and interests referred to in Sections 3 and 4 of Part X (Economic Clauses) of the present Treaty except so far as concerns any final balance in favor of Germany under Article 243 (a).

243. The following shall be reckoned as credits to Germany in respect of her reparation obligations:

(a) Any final balance in favor of Germany under Sections 3 and 4 of Part X (Economic Clauses) and Section V (Alsace-Lorraine) and of Part III (Political Clauses for Europe).

(b) Amounts due to Germany in respect of transfers under Part IX (Financial Clauses), Part XII (Ports, Water-ways and Railways), and Section IV (Saar Basin) of Part III (Political Clauses in Europe).

(c) Amounts which in the judgment of the Reparation Commission, should be credited to Germany on account of any other transfers under the present Treaty of property, rights, concessions or other interests. In no case, however, shall credit be given for property re-

stored in accordance with Article 238.

244. The transfer of the German submarine cables which do not form the subject or particular provisions of the present Treaty is regulated by Annex VII hereto.

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Compensation may be claimed from Germany under Article 232 above in respect of the total damage, under the following categories.

1. Damage to injured persons and to surviving dependents by personal injury to or death of civilians caused by acts of war, including bombardments or other attacks on land, on sea, or from the air, and all the direct consequences thereof, and of all operations of war by the two groups of belligerents wherever arising.

2. Damage caused by Germany or her Allies to civilian victims of acts of cruelty, violence or maltreatment (including injuries to life or health as a consequence of imprisonment, deportation, internment or evacuation, of exposure at sea or of being forced to labor by Germany or her Allies), wherever arising and to the dependents of such victims.

3. Damage caused by Germany or her Allies in their own territory or in occupied or invaded territory to civilian victims of all acts injurious to health or capacity to work, or to honor, as well as to the surviving dependents of such victims.

4. Damage caused by any kind of maltreatment of prisoners of war.

5. As damage caused to the peoples of the Allied and Associated Powers, all pensions and compensations in the nature ofpensions to naval and military victims of war (including members of the air forces) whether mutilated, wounded, sick or invalided, and to the dependents of such victims, the amount due to the Allied and Associated Governments being calculated for each of them as being the capitalized cost of such pensions and compensations at the date of the coming into force of the present Treaty, on the basis of the scales in force in France at such date.

6. The cost of assistance by the Governments of the Allied and Associated Powers to prisoners of war and to their families and dependents.

7. Allowances by the Governments of the Allied and Associated Powers to the families and dependents of mobilized persons or persons serving with the forces, the amount due to them for each calendar year in which hostilities occurred being calculated for each government on the basis of the average scale for such payments in force in France during that year.

8. Damage caused to civilians by being forced by Germany or her Allies to labor without just remuneration.

9. Damage in respect of all property wherever situated belonging to any of the Allied or Associated States or their nationals, with the exception of naval and military works or materials, which has been carried off, seized, injured or destroyed by the acts of Germany or her Allies on land, on sea or from the air, or damaged directly in consequence of hostilities or of any operation of the war.

10. Damage in the form of levies, fines and other similar exactions imposed by Germany or her Allies upon the civilian population.

1. The Commission referred to in Article 233 shall be called "The Reparation Commission" and is hereinafter referred to as 'the Commission."

2. Delegates to this Commission shall be nominated by the United States of America, Great Britain, France, Italy, Japan, Belgium and Serbia. Each of these Powers will appoint one Delegate and also one Assistant Delegate, who will take his place in case of illness or necessary absence, but at other times will only have the right to be present at proceedings without taking any part therein. On no occasion shall the Delegates of more than five of the above Powers have the right to take part in the proceedings of the Commission and to record their votes. The Delegates of the United States, Great Britain, France and Italy shall have this right on all occasions. The Delegate of Belgium shall have this right on all occasions other than those referred to below. The Delegate of Japan shall have this right on occasions when questions relating to damage at sea and questions arising under Article 260 of Part IX (Financial Clauses), in which Japanese interests are concerned, are under consideration. The Delegate of Serbia shall have this right when questions relating to Austria, Hungary or Bulgaria are under consideration.

3. Such of the other Allied and Associated Powers as may be interested shall have the right to appoint a delegate to be present and act as Assessor only while their respective claims and interests are under examination or discussion, but without the right to vote.

4. In case of the death, resignation or recall of any Delegate, Assistant Delegate or Assessor, a successor to him shall be nominated as soon as possible.

5. The Commission will have its principal permanent Bureau in Paris and will hold its first meeting in Paris as soon as practicable after the coming into force of the present Treaty, and thereafter will meet in such place or places and at such times as it may deem convenient and as may be necessary for the most expeditious discharge of its duties.

6. At its first meeting the Commission shall elect from among the Delegates referred to above, a Chairman and a Vice-Chairman, who shall hold office for one year and shall be eligible for re-election. If a vacancy in the Chairmanship or Vice-Chairmanship should occur during the annual period, the Commission shall proceed to a new election for the remainder of the said period.

7. The Commission is authorized to appoint all necessary officers, agents and employees who may be required for the execution of its functions, and to fix their remuneration; to constitute committees, whose members need not necessarily be members of the Commission, and to take all executive steps necessary for the purpose of discharging its duties; and to delegate authority and discretion to officers, agents and committees.

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8. All proceedings of the Commission shall be private, unless, on particular occasions, the Commission shall otherwise determine for special reasons.

9. The Commission shall be required, to hear, if the German Government so desire, within a period which it will fix from time to time, evidence and arguments on the part of Germany on any question connected with her capacity to pay.

10. The Commission shall consider the claims and give to the German Government a just opportunity to be heard, but not to take any part whatever in the decisions of the Commission. The Commission shall afford a similar opportunity to the Allies of Germany, when it shall consider that their interests are in question.

11. The Commission shall not be bound by any particular code or rules of law or by any particular rule of evidenc or of procedure, but shall be guided by justice, equity and good faith. Its decisions must follow the same principles and rules in all cases where they are applicable. It will establish rules relating to methods of proof of claims. It may act on any trustworthy modes of computation.

12. The Commission shall have all the powers conferred upon it, and shall exercise all the functions assigned to it by the present Treaty. It shall in general have wide latitude as to its control and handling of the whole reparation problem as dealt with in this part of the present Treaty and shall have authority to interpret its provisions. Subject to the provisions of the present Treaty, the Commission is constituted by the several Allied and Associated Governments referred [to] in paragraphs 2 and 3 above, as the exclusive agency of the said Governments respectively for receiving, selling, holding, and distributing the reparation payments to be made by Germany under this Part of the present Treaty. The Commission must comply with the following conditions and provisions:—

(a) Whatever part of the full amount of the proved claims is not paid in gold, or in ships, securities, and commodities or otherwise, Germany shall be required, under such conditions as the Commission may determine, to cover by way of guarantee by an equivalent issue of bonds, obligations or otherwise, in order to constitute an acknowledgment of the said part of the debt;

(b.) In periodically estimating Germany's capacity to pay, the Commission shall examine the German system of taxation, first to the erd that the sums for reparation which Germany is required to pay shall become a charge upon all her revenues prior to that for the service or discharge of any domestic loan, and secondly, so as to satisfy itself that, in general, the German scheme of taxation is fully as heavy proportionately as that of any of the Powers represented on the Commission.

(c.) In order to facilitate and continue the immediate restoration of the economic life of the Allied and Associated countries, the Commission will as provided in Article 235 take from Germany by way of security for and acknowledgment of her debt a first instalment of gold bearer bonds free of all taxes or charges of every description established or to be established by the Government of the German Empire or of the German States, or by any authority subject to them; these bonds will be delivered on account and in three portions, the mark gold being payable in conformity with Article 202 of Part IX (Financial Clauses) of the present Treaty as follows:

1. To be issued forthwith, 20,000,000,000 marks gold bearer bonds, payable not later than the 1st May, 1921, without interest. There shall be specially applied towards the amortization of these bonds the payments which Germany is pledged to make in conformity with Article 235 after deduction of the sums used for the reimbursement of expenses of the armies of occupation and for payment of foodstuffs and raw materials. Such bonds as have not been redeemed by the 1st May, 1921, shall then be exchanged for new bonds of the same type as those provided for below. (Paragraph 12 (c) 2.)

2. To be issued forthwith, further 40,000,000,000 marks gold bearer bonds, bearing interest at 21/2 per cent. per annum between 1921 and 1926, and thereafter at 5 per cent. per annum with an additional 1 per cent. for amortization beginning in 1926 on the whole amount of the issue.

3. To be delivered forthwith a covering undertaking in writing to issue when, but not until, the Commission is satisfied that Germany can meet such interest and sinking fund obligations, a further instalment of 40,000,000,000 M. gold 5 per cent. bearer bonds, the time and mode of payment of principle and interest to be determined by the Commission.

The dates for payment of interest, the manner of applying the amortization fund, and all other questions relating to the issue, management, and regulation of the bond issue shall be determined by the Commission from time to time.

Further issues by way of acknowledgment and security may be required as the Commission subsequently determines from time to time.

(d.) In the event of bonds, obligations, or other evidence of indebtedness issued by Germany by way of security for or acknowledgment of her reparation debt, being disposed of outright, not by way of pledge, to persons other than the several Governments in whose favor Germany's original reparation indebtedness was created, an amount of such reparation indebtedness shall be deemed to be extinguished corresponding to the nominal value of the bonds, etc., so disposed of outright, and the obligation of Germany in respect to bonds, shall be confined to her liabilities to the holders of the bonds, as expressed upon their face.

(e.) The damage for repairing, reconstructing and rebuilding property in the invaded and devastated districts, including reinstallation of furniture, machinery and other equipment, will be calculated according to the cost at the dates when the work is done.

(f.) Decisions of the Commission relating to the total or partial cancellation of the capital or interest of any verified debt of Germany must be accompanied by a statement of its reasons.
13. As to voting, the Commission will observe the following

13. As to voting, the Commiss rules:

When a decision of the Commission is taken, the votes of all the Delegates entitled to vote, or in the absence of any of them, of their Assistant Delegates, shall be recorded. Abstention from voting is to be treated as a vote against the proposal under discussion. Assessors have no vote.

On the following questions unanimity is necessary:

(a.) Questions involving the sovereignty of any of the Allied and Associated Powers, or the cancellation of the whole or any part of the debt or obligations of Germany.

(b.) Questions of determining the amount and conditions of bonds or other obligations to be issued by the German Government and of fixing the time and manner for selling, negotiating or distributing such bonds.

(c.) Any postponement, total or partial, beyond the end of 1930, of the payment of instalments falling due between the 1st May, 1921, and the end of 1926 inclusive.

(d.) Any postponement, total or partial, of any instalment falling due after 1926 for a period exceeding three years.

(e.) Questions of applying in any particular case a method of measuring damages different from that which has been previously applied in a similar case.

(f.) Questions of the interpretation of the provisions of this part of the present Treaty.

All other questions shall be decided by the vote of a majority.

In case of any difference of opinion among the Delegates, which cannot be solved by reference to their Governments, upon the question whether a given case is one which requires a unanimous vote for its decision or not, such difference shall be referred to the immediate arbitration of some impartial person to be agreed upon by their Governments, whose award the Allied and Associated Governments agree to accept.

14. Decisions of the Commission, in accordance with the powers conferred upon it, shall forthwith become binding and may be put into immediate execution without further proceedings.

15. The Commission will issue to each of the interested Powers, in such form as the Commission will fix:—

1. A certificate stating that it holds for the account of the said Power bonds of the issues mentioned above, the said certificate, on the demand of the Power concerned, being divisible in a number of parts not exceeding five;

2. From time to time certificates stating the goods delivered by Germany on account of her reparation debt which the Commission holds for the account of the said Power.

The said certificates shall be registered, and upon notice to the Commission, may be transferred by indorsement.

When bonds are issued for sale or negotiation, and when goods are delivered by the Commission, certificates to an equivalent value must be withdrawn.

16. Interest shall be debited to Germany as from 1st May, 1921, in respect of her debt as determined by the Commission, after allowing for sums already covered by cash payments or their equivalent, [or] by bonds issued to the Commission or covered under Article 243. The rate of interest shall be 5 per

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cent. unless the Commission shall determine at some future time that circumstances justify a variation of this rate.

The Commission, in fixing on 1st May, 1921, the total amount of the debt of Germany, may take account of interest due on sums arising out of the reparation of material damage as from 11th November, 1918, up to 1st May, 1921.

17. In case of default by Germany in the performance of any obligation under this par tof the present Treaty, the Commission will forthwith give notice of such default to each of the interested Powers and may make such recommendations as to the action to be taken in consequence of such default as it may think necessary.

18. The measures which the Allied and Associated Powers shall have the right to take, in case of volutnary default by Germany, and which Germany agrees not to regard as acts of war, may include economic and financial prohibitions and reprisals and in general such other measures as the respective Governments may determine to be necessary in the circumstances.

19. Payments required to be made in gold or its equivalent on account of the proved claims of the Allied and Associated Powers may at any time be accepted by the Commission in the form of chattels, properties, commodities, businesses, rights, concessions, within or without German territory, ships, bonds, shares, or securities of any kind, or currencies of Germany or other States, the value of such substitutes for gold being fixed at a fair and just amount by the Commission itself.

20. The Commission, in fixing or accepting payment in specified property or rights, shall have due regard for any legal or equitable interests of the Allied and Associated Powers or of neutral Powers or of their nationals therein.

21. No member of the Commission shall be responsible, except to the Government appointing him, for any action or omission as such member. No one of the Allied or Associated Governments assumes any responsibility in respect of any other Government.

22. Subject to the provisions of the present Treaty this Annex may be amended by the unanimous decision of the Governments represented from time to time upon the Commission.

23. When all the amounts due from Germany and her Allies under the present Treaty or the decisions of the Commission have been discharged and all sums received, or their equivalents, shall have been distributed to the Powers interested, the Commission shall be dissolved.

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### ANNEX III.

1. Germany recognizes the right of the Allied and Associated Powers to the replacement, ton for ton (gross tonnage) and class for class, of all merchant ships and fishing boats lost or damaged owing to the war.

Nevertheless, and in spite of the fact that the tonnage of German shipping at present in existence is much less than that lost by the Allied and Associated Powers in consequence of the German aggresion, the right thus recognized will be enforced on German ships and boats under the following conditions:

The German Government on behalf of themselves and so as to bind all other persons interested, cede to the Allied and Associated Governments the property in all the German merchant ships which are of 1,600 tons gross and upwards; in onehalf, reckoned in tonnage, of the ships which are between 1,000 tons and 1,600 tons gross; in one-quarter, reckoned in tonnage, of the steam trawlers; and in one-quarter, reckoned in tonnage, of the other fishing boats.

2. The German Government will, within two months of the coming into force of the present Treaty, deliver to the Reparation Commission all the ships and boats mentioned in paragraph 1.

3. The ships and boats mentioned in paragraph 1 include all ships and boats which (a) fly, or may be entitled to fly, the German merchant flag; or (b) are owned by any German national, company or corporation or by any company or corporation belonging to a country other than an Allied and Associated country and under control or direction of German nationals; or (c) which are now under construction (1) in Germany, (2) in other than Allied and Associated countries for the account of any German national, company, or corporation.

4. For the purpose of providing documents of title for the ships and boats to be handed over as above mentioned, the German Government will:

(a.) Deliver to the Reparation Commission in respect of each vessel a bill of sale or other document of title evidencing the transfer to the Commission of the entire property in the vessel, free from all encumbrances, charges and liens of all kinds, as the Commission may require;

(b.) Take all measures that may be indicated by the Reparation Commission for ensuring that the ships themselves shall be placed at its disposal.

5. As an additional part of reparation, Germany agrees to cause merchant ships to be built in German yards for the account of the Allied and Associated Governments as follows:--

(a.) Within three months of the coming into force of the present Treaty, the Reparation Commission will notify to the German Government the amount of tonnage to be laid down in German shipyards in each of the two years next succeeding the three months mentioned above;

(b.) Within twenty-four months of the coming into force of the present Treaty, the Reparation Commission will notify to the German Government the amount of tonnage to be laid down in each of the three years tioned above;

(c.) The amount of tonnage to be laid down in each year shall not exceed 200,000 tons, gross tonnage.

(d.) The specifications of the ships to be built, the conditions under which they are to be built and delivered, the price per ton at which they are to be accounted for by the Reparation Commission, and all other questions relating to the accounting, ordering, building and delivery of the ships, shall be determined by the Commission.

6. Germany undertakes to restore in kind and in normal condition of upkeep to the Allied and Associated Powers, within two months of the coming into force of the present Treaty, in accordance with procedure to be laid down by the Reparation Commission, any boats and other movable appliances belonging to inland navigation which since the 1st August, 1914, have by any means whatever come into her possession or into the possession of her nationals, and which can be identified.

With a view to making good the loss in inland navigation tonnage, from whatever cause arising, which has been incurred during the war by the Allied and Associated Powers, and which cannot be made good by means of the restitution prescribed above, Germany agrees to cede to the Reparation Commission a portion of the German river fleet up to the amount of the loss mentioned above, provided that such cession shall not exceed 20 per cent. of the river fleet as it existed on the 11th November, 1918.

The conditions of this cession shall be settled by the Arbitrators referred to in Article 339 of Part XII (Ports, Water-ways and Railways) who are charged with the settlement of difficulties relating to the apportionment of river tonnage resulting from the new international regime applicable to certain river systems or from the territorial changes affecting those systems.

7. Germany agrees to take any measures that may be indictated to her by the Reparation Commission for obtaining the full title to the property in all ships which have during the war been transferred, or are in process of transfer, to neutral flags, without the consent of the Allied and Associated Governments.

8. Germany waives all claims of any description against the Allied and Associated Governments and their nationals in respect of the detention, employment, loss or damage of any German ships or boats, exception being made of payments due in respect of the employment of ships in conformity with the Armistice Agreement of the 13th January, 1919, and subsequent Agreements. The handing over of ships of the German Mercantile Marine must be continued without interruption in accordance with the said agreement.

9. Germany waives all claims to vessels or cargoes sunk by or in consequence of naval action and subsequently salved, in which any of the Allied or Associated Governments or their nationals may have any interest either as owners, charterers, insurers or otherwise, notwithstanding any decree of condemnation which may have been made by a Prize Court of Germany or of her Allies.

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# ANNEX IV.

1. The Allied and Associated Powers require, and Germany undertakes, that in part satisfaction of her obligations expressed in this part of the present Treaty she will, as hereinafter provided, devote her economic resources directly to the physical restoration of the invaded areas of the Allied and Associated Powers, to the extent that these Powers may determine.

2. The Governments of the Allied and Associated Governments may file with the Reparation Commission lists showing:

(a.) Animals, machinery, equipment, tools and like articles of a commercial character, which have been seized, consumed or destroyed by Germany or destroyed in direct consequence of military operations, and which such Governments, for the purpose of meeting immediate and urgent needs, desire to have replaced by animals and articles of the same nature which are in being in German territory at the date of the coming into force of the present Treaty;

(b.) Reconstruction materials (stones, bricks, refractory bricks, tiles, wood, window-glass, steel, lime, cement, etc.), machinery, heating apparatus, furniture, and like articles of a commercial character which the said Governments desire to have produced and manufactured in Germany and delivered to them to permit of the restoration of the invaded areas:

3. The lists relating to the Articles mentioned in 2(a) above shall be filed within sixty days after the date of the coming into force of the present Treaty. The lists relating to the Articles in 2(b) above shall be filed on or before the 31st of December, 1919. The lists shall contain all such details a sare customary in commercial contracts dealing with the subject matter, including specifications, dates of delivery (but not extending over more than four years); and places of delivery, but not price or value, which shall be fixed as hereinafter provided by the Commission.

4. Immediately upon the filing of such lists with the Commission, the Commission shall consider what of the materials and animals mentioned in the lists provided for above shall be required of Germany. In reaching a decision on this matter the Commission shall take into account such domestic requirements of Germany as it deems essential for the maintenance of Germany's social and economic life, the prices and dates at which similar articles can be obtained in the Allied and Associated countries as compared with those to be fixed for German articles, and the general interest of the Allied and Associated Governments that the industrial life of Germany be not so disorganized as to affect adversely the ability of Germany to perform the other acts of reparation stipulated for. Machinery, equipment, tools and like articles of a commercial character in actual industrial use are not, however, to be demanded of Germany unless there is no free stock of such articles respectively which is not in use and is available and then not in excess of thirty per cent. of the quantity of such articles in use in any one establishment or undertaking.

The Commission shall give representatives of the German Government an opportunity and a time to be heard as to their capacity to furnish the said materials, articles, and animals. The decision of the Commission shall thereupon and at the earliest possible moment be communicated to the German Government and to the several interested Allied and Associated Governments. The German Government undertake to deliver the materials, articles and animals as specified in the said communication, and the interested Allied and Associated Governments severally agree to accept the same, provided they conform to the specification given, or are not, in the judgment of the Commission, unfit to be utilized in the work of reparation.

5. The Commission shall determine the value to be attributed to the materials, articles and animals, to be delivered in accordance with the foregoing, and the Allied or Associated Power receiving the same agrees to be charged with such value and the amount thereof shall be treated as a payment by Germany to be divided in accordance with Article 237 of this part of the present Treaty.

In cases where the right to require physical restoration as above provided is exercised, the Commission shall ensure that the amount to be credited against the reparation obligations of Germany shall be the fair value of work done or materials supplied by Germany and that the claim made by the interested Power in respect of the damage so repaired by physical restoration shall be discharged to the extent of the proportion which the damage thus repaired bears to the whole of the damage thus claimed for.

6. As an immediate advance on account of animals referred to in paragraph 2 (a) above Germany undertakes to deliver in equal monthly instalments in the three months following the coming into force of the present Treaty, the following quantities of live stock:

### I. TO THE FRENCH GOVERNMENT:

500 stallions (3 to 7 years), 30,000 fillies and mares (18 months to 7 years); type, Ardennois, Boulonais or Belgian, 2,000 bulls (18 months to 3 years), 90,000 milch cows (2 to 6 years), 1.000 rams. 100.000 sheep, 10,000 ewes.

### II. TO THE BELGIAN GOVERNMENT:

200 stallions (3 to 7 years). Large Belgian Type 5,000 mares (3 to 7 years). 5,000 fillies (18 months to 3 years). 2,000 bulls (18 months to 3 years), 50,000 milch cows )2 to 6 years), 40,000 heifers, 200 rams, 20,000 sheep, 15,000 sows.

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<sup>\*</sup> Note for Drafting Committee: these words "date of the signature" must remain unaltered.

### ANNEX V.

The animals delivered shall be of average health and condition.

To the extent that animals so delivered cannot be identified as animals taken away or seized, the value of such animals shall be credited against the reparation obligations of Germany in accordance with paragraph 5 of this Annex.

7. Without waiting for the decisions of the Commission referred to in paragraph 4 of the Annex to be taken, Germany must continue the delivery to France of the agricultural material referred to in Article III of the Renewal of the Armistice of 16 January, 1919.

1. Germany accords the following options for the delivery of coal and derivities of coal to the under-mentioned signatories of the present Treaty.

2. Germany undertakes to deliver to France seven million tons of coal per year for ten years. In addition, Germany undertakes to deliver to France annually for a period not exceeding ten years an amount of coal equal to the difference between the annual production before the war of the coal mines of the Nord and Pas de Calais, destroyed as the result of the war, and the production of the mines of the same area during the years in question; such delivery not to exceed twenty million tons in any one year of the first five years, and eight milliion tons in any one year of the succeeding five years.

It is understood that due diligence will be exercised in the restoration of the destroyed mines in the Nord and the Pas de Calais.

3. Germany undertakes to deliver to Belgium 8,000,000 tons of coal annually for ten years. 4. Germany undertakes to deliver to Italy up to the follow-

ing quantities of coal:

Talar	1010	to June	1920	R.W.D.S.			4	1/2	million	tons.	
July			1091				0		mmuu	ouro.	
	1920		1099			and a local day		1/2	million	tons.	
	1921		1022					3'-	million	tons.	
	1922		1920		anch	of the	fol-1			1	
	1923		1924	and	each	or the	101 18	31/2	million	tons.	
	low	ing five	years	5					1 11		

At least two-thirds of the actual deliveries to be land-borne. 5. Germany further undertakes to deliver annually to Luxemburg, if directed by the Reparation Commission, a quantity of coal equal to the pre-war annual consumption of German coal in Luxemburg.

6. The prices to be paid for coal delivered under these options shall be as follows:

(a.) For overland delivery, including delivery by barge, the German pithead price to German nationals, plus the freight to French, Belgian, Italian or Luxemburg frontiers, provided that the pithead price does not exceed the pithead price of British coal for export. In the case of Belgian bunker coal, the price shall not exceed the Dutch bunker price. Railroad and barge tariffs shall not be higher than lowest similar rates paid in Germany.

(b.) For sea delivery, the German export price f.o.b. the German ports, or the British export price f.o.b. British ports, whichever may be lower.

7. The Allied and Asociated Governments interested may demand the delivery, in place of coal, of metallurgical coke in the proportion of three tons of coke to four tons of coal.

8. Germany undertakes to deliver to France, and to transport to the French frontier by rail or by water the following products, during each of the three years following the coming into force of this Treaty:

> Benzol ..... Coal tar ..... Sulphate of ammonia

					.35,000	tons.
					.50,000	tons.
					. 30,000	tons.

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### ANNEX VI.

All or part of the coal tar may, be replaced at the potion of the French Government, by corresponding quantities of products of distillation, such as light, oils, heavy oils, anthracene, napthaline, or pitch.

9. The price paid for coke and for the articles referred to in the preceding paragraph shall be the same as the price paid by German nationals under the same conditions of shipment to the French frontier or to the German ports, and shall be subject to any advantages which may be accorded similar products furnished to German nationals.

10. The foregoing options shall be exercised through the intervention of the Reparation Commission, which, subject to the specific provisions hereof, shall have power to determine all questions relative to procedure and the qualities and quantities of products, the quantity of coke which may be substituted for coal, and the times and modes of delivery and payment. In giving notice to the German Government of the foregoing options the Commission shall give at least 120 days' notice of the deliveries to be made beginning with January 1, 1920, and at least 30 days' notice of deliveries to be made between the cominto force of this Treaty and the 1st January, 1920. Until Germany has received the demands referred to in this paragraph, the provision of the Protocol of 25th December, 1918 (Execution of ArticleVI of the Armistice of 11th November, 1918), remain in force. The notice to be given to the German Government of the exercise of the right of substitution accorded by paragraphs 7 and 8 shall be such as the Reparation Commission may consider sufficient. If the Commission shall determine that the full exercise of the foregoing options would interfere unduly with the industrial requirements of Germany, the Commission is authorized to postpone or to cancel deliveries, and in so doing to settle all questions of priority; but the coal to replace coal from destroyed mines shall receive priority over other deliveries.

man officed price to German retionals, plus the freid

1. Germany accords to the Reparation Commission an option to require as part of reparation the delivery by Germany of such quantities and kinds of dyestuffs and chemical drugs as the Commission may designate, not exceeding 50 per cent. of the total stock of each and every kind of dyestuff and chemical drug in Germany or under German control at the date of the coming into force of the present Treaty.

This option shall be exercised within sixty days of the receipt by the Commission of such particulars as to stocks as may be considered necessary by the Commission.

2. Germany further accords to the Reparation Commission an option to require delivery during the period from the date of the coming into force of the present Treaty until the 1st January, 1920, and during each period of six months thereafter until the 1st January, 1925, of any specified kind of dyestuff and chemical drug up to an amount not exceeding 25 per cent. of the German production of such dyestuffs and chemical drugs during the previous six months period. If in any case the production during such previous six months was, in the opinion of the Commission, less than normal, the amount required may be 25 per cent. of the normal production.

Such option shall be exercised within four weeks after the receipt of such particulars as to production, and in such form as may be considered necessary by the Commission: these particulars shall be furnished by the German Government immediately after the expiration of each six-month period.

3. For dyestuffs and chemical drugs delivered under pararagraph 1, the price shall be fixed by the Commission having regard to pre-war net export prices and to subsequent increases of cost. For dyestuffs and chemical drugs delivered under paragraph 2 of this annex the price shall be fixed by the Commission having regard to pre-war net export price and subsequent variations of cost or the lowest net selling price of similar dyestuffs and chemical drug to any other purchaser.

4. All details, including mode and times of exercising the options, and making delivery, and all other questions arising under this arrangement shall be determined by the Reparation Commission; German Government will furnish to the Commission all necessary information and other assistance which it may require.

5. The above expression "dyestuffs and chemical drugs" include all synthetic dyes and drugs and intermediate or other products used in connection with dyeing, so far as they are manufactured for sale. The present arrangement shall also apply to cinchona bark and salts of quinine.

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### SPECIAL PROVISIONS

247. Germany undertakes to furnish to the University of Louvain, within three months after a request made by it and transmitted through the intervention of the Reparation Commission, manuscripts, incunabula, prints, maps and objects of collection corresponding in number and value to such objects as have been destroyed in the burning by Germany of the Library of Louvain. All details regarding such replacement will be determined by the Reparation Commission.

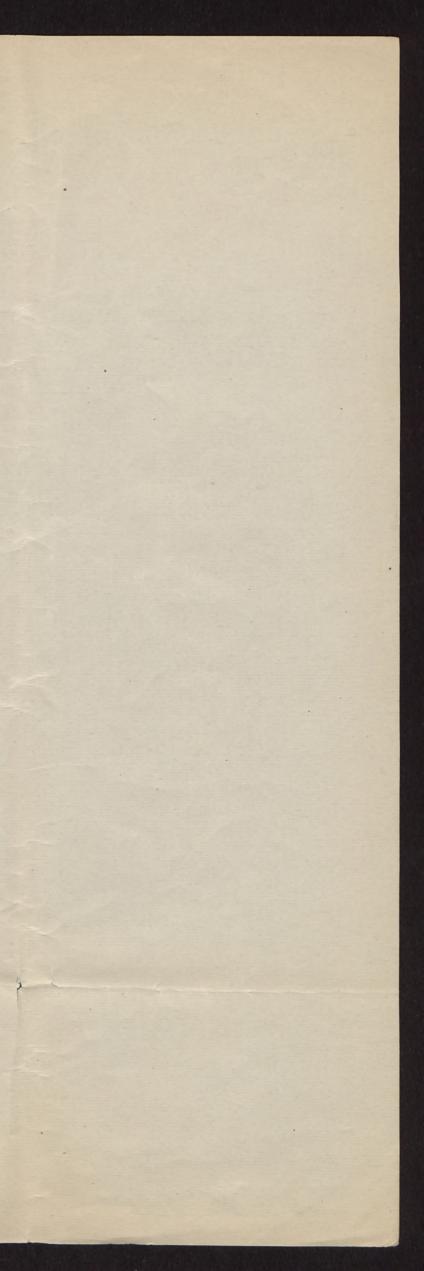
Germany undertakes to deliver to Belgium, through the Reparation Commission, within six months of the coming into force of the present Treaty, in order to enable Belgium to reconstitute her two great artistic works:

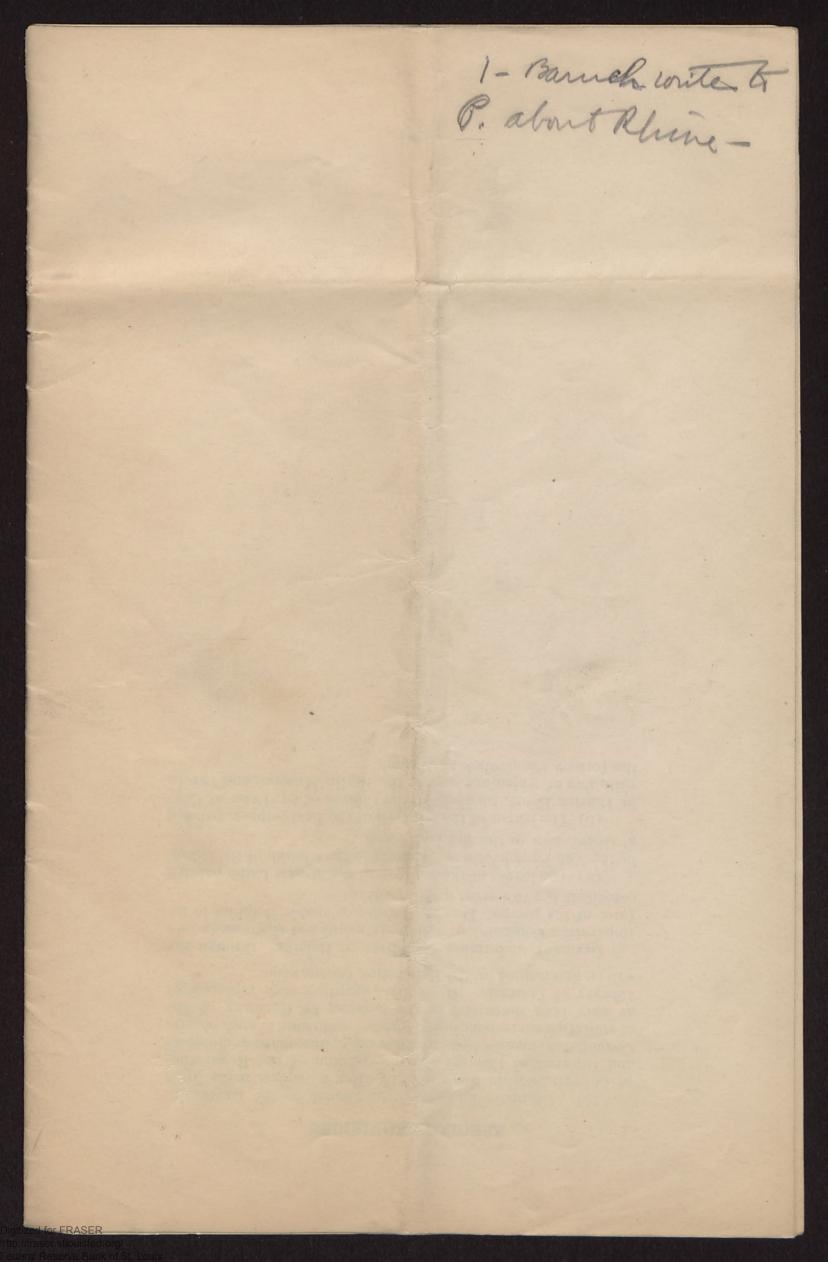
(a) The leaves of the triptych of the Mystic Lamb painted by the Van Eyck brothers, formerly in the Church of St. Bavon at Ghent, now in the Berlin Museum.

(b) The leaves of the triptych of the Last Supper, painted by Dierick Bouts, formerly in the Church of St. Peter at Louvain, two of which are now in the Berlin Museum and two in the former Pinakothek at Munich.

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# REPORT

OF

# COMMITTEES OF EXPERTS TO REPARATION COMMISSION

Complete Official English Text with Annexes



From FEDERAL RESERVE BULLETIN, May, 1924

WASHINGTON GOVERNMENT PRINTING OFFICE 1924

# **RESOLUTIONS ADOPTED BY THE REPARATION COMMISSION ON NOVEMBER 30, 1923**

In order to consider, in accordance with the provisions of article 234 of the treaty of Versailles, the resources and capacity of Germany, and after giving her representatives a just opportunity to be heard, the Reparation Commission decides to create two committees of experts belonging to the allied and associated countries. One of these committees would be entrusted with considering the means of balancing the budget and the

measures to be taken to stabilize the currency. The other would consider the means of estimating the amount of exported capital and of bringing it back to Germany.

#### MEMBERSHIP OF THE COMMITTEES

First committee

#### UNITED STATES: Charles G. Dawes, Chairman. Owen D. Young. GREAT BRITAIN: Sir Robert Molesworth Kindersley. Sir Josiah Charles Stamp. FRANCE: Jean Parmentier. Edgard Allix.

Second committee

UNITED STATES: Henry M. Robinson. GREAT BRITAIN: Reginald McKenna, Chairman. FRANCE: André Laurent-Atthalin.

ITALY: Mario Alberti. BELGIUM: Albert-Edouard Janssen.

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ITALY: Alberto Pirelli. Federico Flora. BELGIUM: Emile Francqui. Baron Maurice Houtart.

## **REPORT OF COMMITTEES OF EXPERTS TO REPARATION** COMMISSION

#### **REPORT OF THE FIRST COMMITTEE OF EXPERTS**

LETTER FROM THE CHAIRMAN TO THE REPARATION | as can be obtained will be of little value in meeting COMMISSION

APRIL 9, 1924.

Your Committee of Experts has unanimously adopted a report upon the means of balancing the budget of Germany and the measures to be taken to stabilize its currency, which I now have the honor to submit.

Deeply impressed by a sense of its responsibility to your commission and to the universal conscience, the committee bases its plan upon those principles of justice, fairness, and mutual interest, in the supremacy of which not only the creditors of Germany and Germany herself, but the world, has a vital and enduring concern.

With these principles fixed and accepted in that common good faith which is the foundation of all business and the best safeguard for universal peace, the recommendations of the committee must be considered not as inflicting penalties, but as suggesting means for assisting the economic recovery of all the European peoples, and the entry upon a new period of happiness and prosperity unmenaced by war.

Since, as a result of the war, the creditors of Germany are paying taxes to the limit of their capacity, so also must Germany pay taxes from year to year to the limit of her capacity. This is in accord with that just and underlying principle of the Treaty of Versailles, reaffirmed by Germany in her note of May 29, 1919, that the German scheme of taxation must be "fully as heavy proportionately as that of any of the powers represented on the commission." More than this limit could not be expected, and less than this would relieve Germany from the common hardship and give her an unfair advantage in the industrial competition of the future. This principle the plan embodies.

The plan has been made to include flexible adjustments which, from the very beginning, tend to produce the maximum of contributions consistent with the continued and increasing productivity of Germany. The conservative estimates of payments to be made in the wide standing have been in its hands. It has had the near future are dictated by business prudence in outlining the basis of a loan, and should not destroy per- gathered by your commission. spective as to the effects to be registered in the aggregate of eventual payments, which will annually increase. January 14, 1924, 54 meetings; the subcommittee on With normal economic conditions and productivity the stabilization of the currency, composed of Monrestored in Germany, most hopeful estimates of sieur Parmentier, Sir Robert Kindersley, Monsieur amounts eventually receivable will be found to be Francqui, and Professor Flora, assisted by Mr. H. M. justified. Without such restoration, such payments Robinson, under the chairmanship of Mr. Owen D.

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the urgent needs of creditor nations.

To insure the permanence of a new economic peace between the Allied Governments and Germany, which involves the economic readjustments presented by the plan, there are provided the counterparts of those usual economic precautions against default recognized as essential in all business relations involving expressed obligations. The existence of safeguards in no way hampers or embarrasses the carrying out of ordinary business contracts. The thorough effectiveness of these safeguards should not embarrass the normal economic functioning of Germany, and is of fundamental importance to her creditors and to Germany.

Great care has been taken in fixing conditions of supervision over Germany's internal organization so as to impose the minimum of interference consistent with proper protection. This general plan, fair and reasonable in its nature, if accepted, leads to an ultimate and lasting peace. The rejection of these proposals by the German Government means the deliberate choice of a continuance of economic demoralization, eventually involving her people in hopeless misery.

In the preparation of this report, the committee has carefully and laboriously covered the broad field of investigation. It has had the constant cooperation of able staffs of experts, gathering information, digesting it and presenting it. It conducted, on the ground, an examination of the officials of the German Government and representatives of its labor, agriculture, and industry. It received from the German Government and its representatives voluminous and satisfactory answers in response to its written inquiries. In connection with various features of its report, both for gathering information and for advice, it has called to its assistance outside experts of international reputation. The published reports and statements of economists of worldbenefit of the accumulated information heretofore

In its work, the full committee has held, since

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

Young, has held 81 meetings; and the subcommittee on the balancing of the budget, composed of Professor Allix, Baron Houtart, and Monsieur Pirelli, under the chairmanship of Sir Josiah Stamp, has held 63 meetings. They have had the assistance of Mr. Andrew McFadyean, the general secretary. Again, the time of the committee, outside of that consumed by the meetings, has been given largely to investigation and study.

In speaking of my colleagues and as bearing upon the value of this report, I feel that I should make it known to your commission and to the world, that their governments have in no case limited their complete independence of judgment and action, either before or after their appointment by you. Limited only by the powers granted by your commission, each has performed his arduous and responsible work as a free agent. These men, searching for truth and advice thereon, were answerable only to conscience. In granting this freedom, the governments have but followed your own spirit and intent in constituting the committee, but in so doing, they have paid the highest tribute which governments can bestow-complete confidence in a time of crisis in human affairs. In their vision, in their independence of thought, and above all, in their spirit of high and sincere purpose, which rises above the small things over which the small so often stumble, my colleagues have shown themselves worthy of this trust. That their work, which I now place in your hands, may assist you in the discharge of your great responsibilities, is their prayer, and the knowledge hereafter, that it has done so, will be their full reward.

CHARLES G. DAWES, Chairman.

#### SUMMARY OF PART I1

#### I. The attitude of the committee

(a) The standpoint adopted has been that of business and not politics.

(b) Political factors have been considered only in so far as they affect the practicability of the plan. (c) The recovery of debt, not the imposition of

penalties, has been sought.

(d) The payment of that debt by Germany is her necessary contribution to repairing the damage of the war.

(e) It is in the interest of all parties to carry out this plan in that good faith which is the fundamental of all business. Our plan is based upon this principle.

(f) The reconstruction of Germany is not an end in itself; it is only part of the larger problem of the reconstruction of Europe.

(g) Guaranties proposed are economic, not political.

<sup>1</sup> The summary is furnished only for the convenience of the readers. Parts I and II and the Annexes are the only authoritative statement of the plan.

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#### II. German economic unity

For success in stabilizing currency and balancing budgets, Germany needs the resources of German territory as defined by the treaty of Versailles, and free economic activity therein.

III Military aspects; contingent sanctions and guaranties

(a) Political guaranties and penalties are outside our jurisdiction.

(b) The military aspect of this problem is beyond our terms of reference.

- (c) Within the unified territory, the plan requires that, when it is in effective operation:
  - 1. If any military organization exists, it must not impede the free exercise of economic activities;
  - 2. There shall be no foreign economic control or interference other than that proposed by the plan.

(d) But adequate and productive guaranties are provided.

#### IV. The committee's task

(a) Stabilization of currency and the balancing of budgets are interdependent, though they are provisionally separable for examination.

(b) Currency stability can only be maintained if the budget is normally balanced; the budget can only be balanced if a stable and reliable currency exists.

(c) Both are needed to enable Germany to meet her internal requirements and treaty payments.

#### V. Economic future of Germany

(a) Productivity is expected from increasing population, technical skill, material resources, and eminence in industrial science.

(b) Plant capacity has been increased and improved since the war.

#### VI. Currency and a bank of issue

(a) All classes will benefit from stabilized currency, especially labor.

(b) Under present conditions rentenmark stability is only temporary.

(c) A new bank is set up or the Reichsbank reorganized.

- (d) The main characteristics of the bank will be:
  - 1. To issue notes on a basis stable in relation to gold, with an exclusive privilege;
  - 2. To serve as a bankers' bank, establishing the official rate of discount:
  - 3. To act as the Government banker, but free of Government control;
  - 4. Advances to Government to be strictly limited;
  - 5. To hold on deposit reparation payments;

Continued. 6. The capital of the bank will be 400,000,-000 gold marks;

(d) The main characteristics of the bank will be-

- 7. It will be directed by a German president and managing board, who can be assisted by a German consultative committee;
- 8. The due observance of its statutes will be further safeguarded by a general board, of which half of the members, including a commissioner, will be foreign.

#### VII. Budget and temporary reparation relief

Balancing the German budget requires:

(a) Full economic and fiscal sovereignty, subject to the supervision provided for in this report;

(b) A stable currency; (c) Temporary relief from charges on the budget

for treaty obligations: (d) Such relief not to suspend essential deliveries in kind.

### VIII. The basic principles of Germany's annual burden

(a) Treaty obligations and continuity of balanced budgets.

- 1. Balancing the budget does not entail merely provision for internal administrative expenditure.
- 2. Germany must also provide within the utmost limit of her capacity for her external treaty obligations.
- 3. The budget can be balanced without necessarily dealing with the total capital debt of Germany.
- 4. It can not be continuously balanced unless the annual charge is fixed for a considerable period, on a basis clearly prescribed in advance.

#### (b) Commensurate taxation:

- 1. Government internal debt has been practically extinguished by the depreciation of the currency.
- 2. New debt charge ought to be met commensurate with the burden of the French, English, Italian, and Belgian taxpayer.
- 3. The treaty recognizes this principle.
- 4. It is morally sound.
- 5. It is economically just in its influence on costs of production.
- 6. This principle has been applied to the full limit of practicability.
- (c) Allies' share in Germany's prosperity.
  - 1. Germany's creditors must share in the
  - improvement in Germany's prosperity. 2. This will be secured by an index of pros-
  - perity.

(d) There is an important difference between the German's capacity to pay taxes and Germany's capacity to transfer wealth abroad.

#### IX. Normal resources from which payments are made

Germany will pay treaty charges from three sources: (A) Taxes; (B) Railways; (C) Industrial debentures. (A) From her ordinary budget:

- 1924-25 budget may be balanced if it is free from peace treaty charges.
- 1925-26 budget receiving 500.000.000 gold marks from special sources, may pay that sum for reparation. Gold marks
- 1926-27\_\_\_\_\_ <sup>2</sup> 110, 000, 000 1927–28\_\_\_\_\_ <sup>2</sup> 500, 000, 000
- 1928-29\_\_\_\_\_ 1, 250, 000, 000

This is considered a normal year and a standard payment; thereafter additional payments will be made, depending on prosperity.

(B) From railways: 1. Railway bonds-

(a) Eleven milliards of first mortgage railway bonds against a capital cost of twenty-six milliards will be

created for reparations; (b) These bonds bear 5 per cent interest and 1 per

cent sinking fund per annum;

(c) In view of reorganization, interest is accepted as follows: Gold marks

1924-25	330, 000, 000
1925–26	465, 000, 000
1926-27	550, 000, 000
1927-28 and thereafter	660, 000, 000

Behind the bonds there will be created 2 milliards of preference shares to be reserved for sale to the public, and 13 milliards of common stock; three-fourths of the proceeds of the preference shares will be applied, as required, to the payment of debt and for capital expenditure of the railways. The remaining 500 millions of preference shares and all the common shares go to the German Government.

2. Transport tax-

After 1925-26, 290,000,000 gold marks per annum for reparation and balance to German Government. (C) Industrial debentures.

- 1. Five milliards of industrial debentures are provided for reparation.
- 2. The resulting charge on industry is less than that existing before the war and now wiped out by depreciation.
- 3. These bonds bear 5 per cent interest and 1 per cent sinking fund, i. e., 300,000,000 gold marks per annum.

4. Pending economic restoration, interest and sinking fund are accepted as follows: First year: Nothing.

Second year: 125,000,000 gold marks. Third year: 250,000,000 gold marks. Thereafter: 300,000,000 gold marks.

<sup>2</sup> Subject to addition or reduction in certain contingencies.

#### X. Summary of provision for treaty payments

(a) 1. Budget moratorium period.

First year: From foreign loans and part interest on railway bonds: Gold marks

Total\_\_\_\_\_ 1, 000, 000, 000 Second year: From part interest on railway bonds and on industrial debentures, budget contribution, through sale of 500,000,000 gold mark railway shares:

Gold marks Total\_\_\_\_\_ 1, 220, 000, 000

2. Transition period.

Third year: From interest on railway bonds and on industrial debentures, from transport tax, and from. budget:

### Gold marks

Total\_\_\_\_\_ 1, 200, 000, 000 subject to contingent addition or reductions of 250,000,000 gold marks.

Fourth year: From interest on railway bonds and on industrial debentures, from transport tax, and from budget.

Gold marks Total\_\_\_\_\_ 1, 750, 000, 000 subject to contingent addition or reduction of 250,-000,000 gold marks.

3. Standard year.

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Fifth year: From interest on railway bonds and on industrial debentures, from transport tax, and from budget:

#### Gold marks

Total\_\_\_\_\_ 2, 500, 000, 000 Thereafter, 2,500,000,000 plus a supplement computed on the index of prosperity. Interest on the securities, but not the proceeds of their sale, is included in these figures.

(b) The first year will begin to run from the date when the plan shall have been accepted and put into effective execution.

#### XI. Inclusive amounts and deliveries in kind

(a) The above sums cover all amounts for which Germany may be liable to the Allied and Associated Powers.

(b) Deliveries in kind are to be continued, but are paid for out of balances in the bank.

#### XII. How the annual payments are made by Germany

paid into the bank.

#### (b) These payments cover Germany's annual obligation.

XIII. How the payments are received by the creditors

(a) Germany's creditors will use these moneys in Germany or convert them into foreign currencies.

(b) Experience will show the rate and extent to which the conversion can safely take place.

(c) Danger to stability through excessive remit tances is obviated by a transfer committee.

(d) Sums not remitted accumulate, but with a limitation of amount.

#### XIV. Guaranties, in addition to railway and industrial bonds

(a) The following revenues are pledged as collateral security for budget contributions and other payments: Alcohol, tobacco, beer, sugar, customs.

(b) The yield of these revenues is estimated to be substantially in excess of required payments.

(c) The excess is returned to the German Government.

#### XV. External loan-its conditions and purpose

Foreign loan of 800,000,000 gold marks meets a double purpose.

- (a) Requirements of gold reserve of the new bank. (b) Internal payments for essential treaty purposes
- in 1924-25.

#### **XVI.** Organization

The organization consists of:

(a) A trustee for railway and industrial bonds:

(b) Three commissioners of (1) railways, (2) the bank, (3) controlled revenues:

(c) An agent for reparation payments, who will coordinate the activities of the above and will preside over the transfer committee.

#### XVII. The nature of the plan

(a) The plan is an indivisible unit.

(b) The aim of the plan is: (1) To set up machinery to provide the largest annual payments from Germany; (2) To enable maximum transfers to be made to Germany's creditors; (3) To take the question of "what Germany can pay" out of the field of speculation and put in it the field of practical demonstration: (4) To facilitate a final and comprehensive agreement (a) The amounts will be raised in gold marks and upon all the problems of reparations and connected questions, as soon as circumstances make this possible.

### TEXT OF THE REPORT

We were invited by the Reparation Commission, by | decision of November 30, 1923, to "Consider the means which states the unanimous conclusions formed as a of balancing the budget and the measures to be taken result of our studies and inquiries. to stabilize the currency" of Germany.

We have been in continuous session since January 14, 1924, in Paris, except for one fortnight spent in Berlin.

We have called in to assist us eminent technical advisers on the various questions which have been under consideration, and have been in touch with representative German opinion.

### I. THE ATTITUDE OF THE COMMITTEE

We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical and not the political aspects of the problem presented to us. We have recognized indeed that political considerations necessarily set certain limits within which a solution must be found if it is to have any chance of acceptance. To this extent, and to this extent only, we have borne them in mind.

The dominating feature of the German Budget is Germany's obligation to the Allies under the Treaty of Versailles. We have been concerned with the practical means of recovering this debt, not with the imposition of penalties and the guarantees which we propose are economic and not political. At the same time it is no ordinary debt with which we deal, for Germany suffered no appreciable devastation, and her primary moral obligation is toward those who have suffered so severely through the war.

As regards past history, it has not seemed necessary to establish the causes, nor the responsibility for those causes, which have operated to produce the present state of German finances and currency, except in so far as a recognition of their character is required for the prescription of remedies.

Finally, convinced as we are, that it is hopeless to build any constructive scheme unless this finds its own guarantee in the fact that it is to the interest of all the parties to carry it out in good faith, we put forward our plan relying upon this interest. We hope the character of our plan will itself assist in securing this guarantee, which is essential for its execution; but in the main, of course, it must be for others to take such measures as are necessary to maintain or assure it.

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II. GERMAN ECONOMIC UNITY The committee has had to consider to what extent the balancing of the budget and the stabilization of the currency could be reestablished permanently in Germany as she actually is at the present moment, with limitations as to her fiscal and economic rights over part of her area. We should say at the outset that we have been unable to find any practical means of ensuring permanent

stability in budget and currency under these conditions, and we think it unlikely that such means exist. The solution of the double problem submitted to us implies indeed the restoration of Germany's credit both externally and internally, and it has appeared to us impossible to provide for this restoration under the conditions mentioned. We have, therefore, been compelled to make the assumption that the fiscal and economic unity of the Reich will be restored and our whole report is based on this hypothesis.

If political guarantees and penalties intended to insure the execution of the plan proposed are considered desirable, they fall outside the committee's jurisdiction. Questions of military occupation are also not within our terms of reference. It is, however, our duty to point out clearly that our

forecasts are based on the assumption that economic activity will be unhampered and unaffected by any foreign organization other than the controls herein provided. Consequently, our plan is based upon the assumption that existing measures, in so far as they hamper that activity, will be withdrawn or sufficiently

We have the honor to present the following report Part I of this report states our conception of our

task, our conclusions, and the broad outline of our plan. Part II indicates the considerations which guided us to our conclusions, in particular so far as they result from certain aspects of the present financial and economic condition of Germany, which is here described. Part III consists of a series of annexes which give the technical detail of our several proposals, and should be read as a supplement to the respective portions of Part I.

# PART L-THE COMMITTEE'S CONCLUSIONS AND SCHEME

#### III. MILITARY ASPECTS-CONTINGENT SANCTIONS AND GUARANTEES

modified so soon as Germany has put into execution for their financial and economic existence and must the plan recommended, and that they will not be re- likewise be enabled to carry on the normal exchange imposed except in the case of flagrant failure to ful- of goods on which the general prosperity depends. fill the conditions accepted by common agreement. In case of such failure it is plainly for the creditor Governments, acting with the consciousness of joint trusteeship for the financial interests of themselves and of others who will have advanced money upon the lines of the plan, then to determine the nature of sanctions to be applied and the method of their rapid and effective application.

In saying this we wish to add at once that if the economic system now in operation in occupied territory is modified, we are unanimously of the opinion that a settlement of reparation must be reinforced by progressive lines; her eminence in industrial science; adequate and productive securities. We propose for all these factors enable us to be hopeful with regard this purpose a system of control which we believe will to her future production. be effective, and at the same time such as not to im-

#### IV. THE COMMITTEE'S TASK

As the terms of reference indicate, two principal problems were submitted to us for inquiry-the stabilization of German currency and the balancing assured with the help of the most modern appliances; of the German budget. It is self-evident that these harbors and canals have likewise been developed; lastly, problems are interdependent. The currency of a the industrialists have been enabled further to increase country can not remain stable unless its budget is an entirely modern plant which is now adapted in normally balanced, for if expenditure continually many industries to produce a greater output than exceeds receipts there will in time be no alternative before the war. to the printing of new notes to meet the excess; and the inflation will inevitably involve depreciation. On the other hand, the task of balancing a budget, unless the currency is relatively stable, is an impossible one, for a falling currency makes calculations both in the activity of a world where normal conditions of of receipts and expenses unreliable, and in particular causes a continual loss to the taxing authority through the necessary interval of time between assessment and collection. While, therefore, in the nature of things it is necessary that the two problems should in the first instance be studied separately-their interdependence must be consistently borne in mind, In examining each of them separately, we have assumed for the minute that the other has been solved, without ever losing sight of the fact that the stabilization of the currency and the balancing of the budget are means designed to enable Germany to satisfy her own essential requirements and to meet her Treaty commitments, the fulfillment of which is | rency problem. so vital to the reconstruction of Western Europe. It must not be forgotten that the performance of these commitments is of vital importance, not only means of the Rentenmark, stability has been attained for the countries having a claim on Germany, but also | for a few months, but on a basis which, in the absence for Germany herself. It is, indeed, clear that a of other measures, can only be temporary. Germany whose economy had again become flourishing could not long resist a financial and economic crisis in the nations surrounding her. In order that the restoration of Germany may be definitive, the other creating in Germany a unified and stable currency. nations must also return to the conditions requisite | Such a currency, the committee believes, is necessary

V. THE ECONOMIC POTENTIALITIES OF GERMANY

The task would be hopeless if the present situation of Germany accurately reflected her potential capacity; the proceeds from Germany's national production could not in that case enable her both to meet the national needs and to insure the payment of her foreign debts.

But Germany's growing and industrious population; her great technical skill; the wealth of her material resources; the development of her agriculture on

Further, ever since 1919 the country has been pede the return to financial stability (see XIV below). improving its plant and equipment; the experts specially appointed to examine the railways have shown in their report that expense has not been spared in improving the German railway system; telephone and telegraph communications have been

Germany is therefore well equipped with resources; she possesses the means for exploiting them on a large scale; when the present credit shortage has been overcome, she will be able to resume a favored position exchange are gradually being restored.

Without undue optimism, it may be anticipated that Germany's production will enable her to satisfy her own requirements and raise the amounts contemplated in this plan for reparation obligations. The restoration of her financial situation and of her currency, as well as the world's return to a sound economic position, seem to us essential but adequate conditions for obtaining this result.

#### VI. STABILITY OF THE CURRENCY-A NEW BANK OF ISSUE

We propose to deal in the first place with the cur-

The present financial and currency position in Germany is stated in Part II. It will be seen that by

The committee proposes the establishment of a new bank of issue in Germany, or, alternatively, a reorganization of the Reichsbank, as an essential agency for for the rehabilitation of Germany's finances, the Dutch, and Swiss. This general board is given broad balancing of her budget, and the restoration of her powers in such matters of bank organization and foreign credit. The principal features of the bank plan, which is printed in Annex 1, are as follows:

The bank is to have the exclusive right (with certain minor qualifications) to issue paper money in Germany for the period of its charter, 50 years. All of the many kinds of paper money now circulating in Germany (except limited note issues of certain State banks) are Decisions of the general board will require a majority to be gradually withdrawn from circulation, giving vote of 10 of the 14 members, unless both the president place to a single uniform paper currency, the bank and the commissioner are included in the majority, in notes of the new bank. These bank notes will be which case a simple majority will be sufficient. Thus, protected by a normal legal reserve of 331 per cent, cooperation by members of both groups is necessary and by other liquid assets. The reserve will be held for action. largely in the form of deposits in foreign banks.

The plan contemplates that as a permanent policy the notes of the bank shall be redeemable in gold, but an issue department, which could be under the directhe committee is of the opinion that at the time of the inception of the bank the situation will temporarily not allow of the application of the rule of convertibility. It, therefore, suggests that a currency should be created which will be kept stable in relation to gold and as soon propose it is outside the jurisdiction of the committee. as conditions permit be placed on a convertible basis.

Like the present Reichsbank, the new bank will serve as a bankers' bank, rediscounting the safest category of short-term bills, etc., and so establishing the official rate of discount. It will also handle for the other banks the giro system for the transfer of bank credits.

The bank will deal with the public, making shorttime commercial loans and discounts, effecting transfers, and receiving deposits.

It will be the depository and the fiscal agent of the German Government. It may make short-term loans to the Government, but the amount and character of are dependent upon stability. Some classes of the these loans are strictly limited, and the granting of community may have compensations in the amazing such loans is carefully safeguarded. The German Gov- overturn of fortunes which inflation brings-some ernment is to participate in the profits of the bank but benefit and others suffer. But for the working classes the bank is to be entirely free from governmental control or interference.

Treaty funds collected in Germany are all to be deposited in the new bank to the credit of a special account and are only to be withdrawn by the creditor nations under conditions and safeguards which will adequately protect the German exchange market and the interests of the creditor nations and the German economy.

gold marks, part to be subscribed in Germany and for them to buy something with their wages even four part abroad. It is to be administered by a German president and a German managing board, which can if the statutes of the bank are strictly observed there have the assistance, as in the case of the Reichsbank, can be little danger of future inflation. One of the of a consultative committee. Alongside of this German advantages to be expected is that foreign currencies managing board there is to be another board, called immobilized in Germany, which are at present economthe general board, which will consist of seven Germans | ically sterile, will be mobilized in the form of subscripand seven foreigners, one each of the following nation- tions or deposits to the bank and return to economic alities: British, French, Italian, Belgian, American, uses.

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operation as might affect the interests of the creditor nations. One of the foreign members of the general board will be known as the "commissioner." He will be responsible for seeing that there is no infringement of the provisions relative to the issuance of notes and the maintenance of the bank's reserves.

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It has been suggested in various quarters that to insure the bank's independence of the Government, tion of the commissioner and which would be responsible for the reserve and for the issue of notes, should be established abroad. Such a guarantee is political rather than technical in character, and to A study of the annex is essential to a thorough comprehension of the committee's recommendations, and it has contented itself with drawing attention here to the main features to which it attaches importance.

Still assuming for the minute that the budget problem has been successfully surmounted, we believe that our recommendations furnish a practical method. not only of stabilizing the German exchange, but of securing to German economy those credits in stable value which are essential to its reinvigoration and to the payment of reparation.

Labor also will benefit, for its interests above all instability is wholly evil; it has no compensations whatever. In this connection, we may refer to the views expressed by the representative of labor who appeared before us in Berlin: "Speaking not for the whole of the German people, but merely for the class which he represented, Herr Grassmann stated that the German working classes could not stand another period of inflation. They must appeal to the world The new bank will have a capital of 400,000.000 for a stable currency which would render it possible weeks after they had received them." It is clear that

#### VII. THE BUDGET AND TEMPORARY REPARATION RELIEF

Attention may now be directed to the other main aspect of our problem, the balancing of the budget. We propose to deal first with the general budget of the Reich, and secondly and separately with the railways, which, at present are contributing nothing to the general budget.

In addition to a stable currency and the economic unity defined above, the budget requires certain relief from immediate charges for treaty purposes, which, while securing the budgetary position, will not imply the cessation of the payments indispensable to the Allies in the form of deliveries in kind.

#### VIII. THE BASIC PRINCIPLES OF GERMANY'S AN-NUAL BURDEN

#### (a) TREATY OBLIGATIONS AND THEIR BEARING UPON THE CONTINUITY OF BALANCED BUDGETS

It will be obvious that the balancing of the budget is, like the stabilization of the currency, of little value unless it can be maintained. It is not enough to be satisfied that one or even several budgets will be balanced. It is necessary to consider under what conditions, assuming sound administration, financial as well as currency stability can be continuously insured, or rather under what conditions such stability once gained is likely to be endangered. It is inevitable, therefore, that we should look forward, not indeed in the same detail but with proper regard to the chief determining factors, to those later years during which Germany will have gradually to liquidate her external treaty obligations.

We repudiate, of course, the view that Germany's full domestic demands constitute a first charge on her resources and that what is available for her treaty obligations is merely the surplus revenue that she may be willing to realize. But at the same time, if the prior obligation for reparation that is fixed for Germany to pay, together with an irreducible minimum for her own domestic expenditure, make up in a given year a sum beyond her taxable capacity, then budget instability at once ensues and currency stability is also probably involved. In that event, an adjustment of the treaty obligations of the year is obviously the only course possible. The amount that can safely be fixed for reparation purposes tends therefore to be the difference between the maximum revenue and minimum expenditure for Germany's own needs. We shall naturally and inevitably be led to discuss later the amount of reparation payments which can be made out of budget resources and the method by which they can be effected, if the postulates of a stable currency and of a balanced budget are accepted. It would be to ignore both the plain dictates of justice, the practical conditions which must determine the acceptance or rejection of our proposals, and the context and clearly defined in the original settlement, and which is

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obvious purpose of our terms of reference, if we approached our task from any other angle.

It might, indeed, be thought that if we have thus been involved in a consideration of reparation payments, it is only of such payments as are to be made during the reconstruction period of the next few years. Our task, it may be said, is to advise as to the way to attain stabilization and a balanced budget, not as to the sums to be demanded from Germany when that aim has been achieved. But no such sharp division of periods is possible, for the following reasons:

1. The basis on which the budget is balanced at the end of the reconstruction period, and the sum it includes for reparation, must obviously determine to a large extent the sums payable in the following years. Otherwise, as we have said, an equilibrium, though once attained, might be rapidly lost. The effort would have been in vain and the same problem would again present itself.

2. More important still is the fact that the success of our proposals to attain financial stabilization depends essentially upon the return of confidence. Without this the return of German capital invested abroad, the attraction of foreign capital for the purposes mentioned in the scheme and of foreign credits for the current conduct of business, and even the proper collection of taxes, will alike be impossible.

Such confidence can not be attained unless a settlement is now made which both Germany and the outside world believe will give an assurance that for a considerable period neither its finances nor its foreign relations will be endangered by renewed disputes. Such an assurance, as we shall see, does not mean making the charge on Germany a uniform one over a period of years, nor even deciding beforehand what the charge shall be in each of these years. But it does mean settling beforehand the method by which increases shall be determined.

When we speak of the adoption of such a method for "a considerable period," we are thinking primarily of the period which lenders and investors whose money is equired as a part of our scheme will have in mind. As we shall see, our scheme needs both foreign and internal subscrptions to a bank of issue, and in particular an external loan as an essential condition of enabling and assuring reparation payments. We fully recognize both the necessity and the justice of maintaining the principle embodied in the treaty that Germany's payments should increase with what may prove to be the increase in her future capacity.

We also recognize that an estimate now made once for all might well underestimate this, and that it is both just and practicable that the Allies should share in any increased prosperity. All that we regard as essential as a condition of stabilization is that any such increased demands to correspond with increasing capacity should be determined by a method which is

capable of automatic, or at least professional, impartial, and practically indisputable application.

This requirement we have tried to meet, as will be seen, by providing that in addition to a fixed annual payment, there shall be a variable addition dependent upon a composite index figure designed to reflect Germany's increasing capacity.

It is outside the competence of the committee to establish a limit of years or of amount for the working of the index, nor is it within their competence to fix the number of annuities which Germany will h ve to pay, as this would practically mean the fixation of a new German capital debt. In any new arrangements made for a definite settlement of the various international financial obligations arising out of the war it would be easy as regards the German debt to apply our plan to those new conditions.

#### (b) COMMENSURATE TAXATION

We have done our utmost to apply the principle of commensurate taxation.

It is not open to dispute, as a simple principle of justice, and it is contemplated by the treaty, that the German people should be placed under a burden of taxation at least as heavy as that borne by the peoples of the Allied countries. No single person in Germany, whether speaking as an individual or representing any section of the nation, has failed to accept that principle when it has been squarely put to him. Any limitation upon it, if there is one, must be a limitation of practicability and general economic expediency in the interest of the Allies themselves. Obviously it is morally sound; and it would be clearly repugnant to all sense of natural justice that the taxpayers of countries with large and important regions devastated by the war should bear the burden of restoring them, while the taxpaver of Germany, on whose territory the war caused no comparable devastation, escaped with a lighter burden. The principle is, at the same time, economically just, for it is obviously unfair and in every way undesirable that the allied taxpayer should be penalized by the fact either that taxes resulting from the war weigh more heavily upon him as a consumer, or that in competition in his business he should be handicapped by greater burdens on the costs of production, including wages, than his German competitor bears.

We have borne in mind both the importance of the virtual extinction of debt in Germany and the general burden of taxation in allied countries. As we indicate more fully in Part II, there are many difficulties in theory and practice, but in spite of them we have done our utmost to secure that the proposals we make should involve a "commensurate burden" in the fairest interpretation and application of that principle which is practicable. We are satisfied that in what we propose we are not imposing a heavier burden; we are also satisfied that we have applied the principle as far as it is is practicable in the interests no less of the Allies than of Germany.

will begin to operate. The system of a variable annuity has the sanction of usage in the schedule of payments. But we venture to suggest for most careful consideration the advisability of altering the existing index, constituted by the value of exports. This index appears to us to be imperfect. We are aware that there are cogent reasons both for and against any test which may be suggested, and we do not propose to examine them in detail. We are of

(c) AN INDEX OF PROSPERITY IS NECESSARY TO ENABLE THE ALLIES TO SHARE IN THE INCREASED PROSPERITY OF GERMANY

After a short period of recovery we believe that the financial and economic situation of Germany will have returned to a normal state, after which time the index

opinion that the undoubted shortcomings of particular indices are neutralized to a large extent if a composite index is chosen, and we have a reasonable assurance that a fair measure of Germany's increasing prosperity will be obtained. Our suggestions, after considering many various alternatives for such an index, are given in Annex 2.

We take upon ourselves to recommend these suggestions, as an indication, to the attention of the Reparation Commission.

We are of opinion that at least during the period within which the loan which we propose is being amortized, the annual charge upon Germany should not be heavier than that which would result from the application of this index; nor would the committee accept any responsibility for the balancing of the budget even in later years if heavier payments than the above were called for.

We propose that an average of years (chiefly 1926, 1927, 1928, and 1929) should be taken as the base; that the percentage increase shown by each of six sets of representative statistics (railway traffic, population, foreign trade, consumption of tobacco, etc., budget expenditure, and consumption of coal) should be ascertained; and that the average of these six percentages should be taken as indicating the proportionate increase to be added to the treaty sums demanded in a given future year.

Under this system Germany will retain her incentive to develop, as she retains the major part of the advantage of any increase in prosperity. while the Allies obtain a reasonable share in this increase and avoid the risk of losing through a premature estimate of future capacity.

At the same time, the adoption of a method involving not discretionary but automatic application gives the necessary assurance from the commencement both to Germany and the world that treaty demands will not, in the period to which the settlement relates, be again the subject of negotiation and dispute.

We propose, however, one further correcting factor of quite a different character which is only a precau-

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tionary measure and may never be actually involved. an existing economic balance, before such obligations payments, consist of goods and services. Gold is only a measure of value, and over a long period of years may be an uncertain and defective one. It is only in the case of really important changes that any action is necessary and we therefore propose that a reduction or increase of the figures both as regards the standard but her earnings from abroad must be equal to the and the supplementary payments should be made automatically in correspondence with changes in the general purchasing power of gold, whenever, by the decision of an impartial authority, such changes amount to more than 10 per cent.

(d) THE DISTINCTION BETWEEN THE TAXPAYERS' "CA-PACITY TO PAY" IN GERMANY AND GERMANY'S CA-PACITY TO PAY THE ALLIES

There has been a tendency in the past to confuse two distinct though related questions; i. e., first, the amount of revenue which Germany can raise available for reparation account, and, second, the amount which can be transferred to foreign countries. The funds raised and transferred to the Allies on reparation account can the amount which we think Germany can pay in gold not, in the long run, exceed the sums which the balance marks by consideration of her budget possibilities; but of payments makes it possible to transfer, without we propose safeguards against such transfers of these currency and budget instability ensuing. But it is mark payments into foreign exchange as would dequite obvious that the amount of budget surplus stroy stabilization and thereby endanger future reparawhich can be raised by taxation is not limited by the tion. entirely distinct question of the conditions of external transfer. We propose to distinguish sharply between the two problems, and first deal with the problem of of considerations based upon estimates of the possible the maximum budget surplus and afterwards with the economic balance, this has the following advantages: problem of payment to the Allies. In the past the varying conclusions formed as to Germany's "capacity" have often depended upon which of these two methods has been chosen.

As a first method of approach the budgetary criterion has obvious advantages and attractions. Reparation must first be provided for as an item in the budget.

The budget itself is the sum of decisions taken by a single authority. It is capable of expert judgment and, within narrower limits of error, of calculation and analysis.

By comparison a country's "economic balance" defies exact calculation. The balance, even at a given moment, can only be estimated approximately, for the burden which should rest upon the German taxpayer invisible exports and imports which constitute an im- should, in justice, so obviously be commensurate with potential economic balance is much more uncertain. It nothing but the most compelling and proved necessity depends not on the decisions of a single authority, but should operate to make it lighter. It would be both on the enterprise of individual merchants and manu- speculative and unjust to attempt to forecast the posfacturers. Reparation demands themselves will increase it. The extent to which economic adaptation mine Germany's burden in advance with reference to is possible over a long period of years, under the pres- a problematic estimate of it. Experience, and ex-

The treaty prescribes Germany's obligations in terms have been in operation long enough to have their effect of gold, and for convenience we have expressed our on the economy of the country, gives a very uncertain estimate in the same terms. But both the burden on criterion. The economic balance is, therefore, by com-Germany, and the advantage to the Allies of treaty parison with the budget, incapable of close calculation, "unmanageable," and too elastic.

But the limits set by the economic balance, if impossible of exact determination, are real. For the stability of a country's currency to be permanently maintained, not only must her budget be balanced, payments she must make abroad, including not only payments for the goods she imports, but the sums paid in reparation. Nor can the balance of the budget itself be permanently maintained except on the same conditions. Loan operations may disguise the position-or postpone its practical results-but they can not alter it. If reparation can, and must, be provided by means of the inclusion of an item in the budget, i. e., by the collection of taxes in excess of internal expenditure, it can only be paid abroad by means of an economic surplus in the country's activities.

We have, it will be seen, attempted to give effect to both these sets of considerations by a method we believe to be both logical and practical. We estimate

By comparison with a system which reduced the sums considered possible on budget grounds because (a) It enables the maximum sums to be obtained and paid to the Allies' account.

(b) Any limitation upon transfers into foreign currencies will depend upon the exact economic position as it develops in fact and not upon a necessarily problematical estimate of it; and the limitation will only apply so far as it actually proves necessary.

(c) Even so far as the sums paid in reparation can not be completely transferred, they can, under certain conditions, be used by the Allies for internal investment in Germany.

Above all, we recommend our proposal for these reasons: It adjusts itself automatically to realities; the portant part of it can not be known exactly. And a that borne by the Allied taxpayer that, in our view. sibilities of the future exchange position and to detersure of external obligations, is a matter of conjecture; perience alone, can show what transfer into foreign

currencies can in practice be made. Our system provides in the meantime for a proper charge upon the German taxpayer, and a corresponding deposit in gold marks to the Allies' account; and then secures the maximum conversion of these mark deposits into exchange position at any given time renders possible. | tion, further emergency taxes, and internal loans.

IX. THE NORMAL RESOURCES FROM WHICH GERMANY SHOULD MAKE PAYMENTS

With these principles in mind, we recommend that Germany should make payment from the following sources

(a) From her ordinary budget.

(b) From railway bonds and transport tax.

(c) From industrial debentures.

We proceed to consider each of these in turn.

(a) PROVISION FROM THE BUDGET FOR TREATY PAY-MENTS; BUDGET EQUILIBRIUM

To recommend what payments Germany can make from her ordinary budget, and from what dates, is in effect to answer the first of the two specific questions put to us; i. e., how to "balance the German budget." For in our view, if the economic and fiscal unity of the Reich is restored, if a stable currency is established. and if the budget is given temporary relief from treaty payments, Germany should balance her budget from her own resources by a vigorous internal effort supported by the confidence which a general and stable settlement may be expected to give, and she should thereafter be able to maintain it in equilibrium, if the future charge for treaty payments is determined by a method which assures that it will not exceed her capacity.

In other words, we do not consider that an external loan is needed-as in the case of Austria and Hungaryto be devoted specifically to meeting ordinary deficits during a transition period. External money is indeed an essential part of our scheme, in part for the establishment of a new bank of issue; in part to prevent an interruption of deliveries in kind during the transition period; and essentially to create the confidence upon which the whole success of the scheme depends. But we do not propose that it should be confined or devoted specially to meeting deficits on ordinary expenditure even during a transition period. On the contrary, as will be seen, we think that from the beginning internal resources should meet internal ordinary expenditure, and at a very early date should suffice in addition to make substantial contributions toward the external debt.

The present budget position is described in some detail in Part II, which includes our criticisms and recommendations as to the measures we think practicable for economizing in expenditure and increasing taxation.

We confine ourselves here to our conclusions as to the provision that can be made for meeting treaty as to whether the result of the following year will be payments.

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1924-25 budget.-In the first year (1924-25) we consider that the ordinary budget may balance. Even if there is a deficit we are confident that it should not be such as to endanger the stability of the currency, and that at the worst the Government can meet it by foreign currencies which the actual capacity of the the orthodox expedients-increases of existing taxa-Even if energetic measures are taken to obviate any deficit in 1924-25, we are satisfied that neither by re-

duction of expenditure nor by an increase in receipts can Germany be expected to provide out of budget resources for any peace treaty payments to the Allies, and that any demand for their payment would imperil both the structure of the budget and the stability of the currency. How relief can be otherwise provided for the reparation creditors will be considered separately.

The fundamental importance of the effect upon the stability of the Reich budget of the finances of the States (Prussia, Bavaria, etc.) and of the communes has greatly exercised us, and we have stated our views on the system of subsidies and local expenditure in Part II.

1925-26 budget .-- On passing to the budget for 1925-26, it is obvious that the existing data are insufficient for a precise judgment on its detailed prospects. Certain general conclusions are, however, possible.

On the revenue side, the lapse of a whole year of currency stability and readjustment should of itself increase receipts. The period of recuperation will not have been long enough completely to restore the yield of the income tax, but there will at least be gold mark profits of 1924-25 on which to frame a reasonable assessment. Consumption taxes should be directly affected by returning prosperity.

On the expenditure side it may be hoped with some degree of confidence that expenditure on unemployment will exhibit a notable decrease. The expenditure on the army is capable of reduction. An automatic decrease will make itself felt in the pension charge. It is not to be expected, on the other hand, that sums thus saved on these or other heads will represent a net benefit to the budget. In particular, and this remark applies also to the budgets of the immediately succeeding years, increases in the salary charges of the Reich which can probably not be entirely off-set by decreases in personnel must be anticipated.

Some increase of expenditure must therefore be expected. On balance, however, we are of opinion that the growth in receipts should be more than sufficient to counterbalance any increase in expenditure. Whatever views may be held about the eventual outcome of the 1924-25 budget, we are clear that the second year should show a substantial improvement upon it. The result of the first year therefore affects our view actually an appreciable surplus. If it should prove

that the 1924-25 budget can not be balanced by tax- in 1925-26 and 290,000,000 gold marks in subsequent ation alone, the improvement to be expected in the following year might not be more than sufficient to secure the balance desired. If, on the other hand, no loans were necessary in 1924-25, any improvement in the following year would be net surplus and entirely available for meeting peace treaty charges.

We are clearly of the view that, if the two years are taken together, receipts should be sufficient to cover ordinary expenditure, and we do not exclude the possibility of a small surplus. On the other hand it can not In this connection, certain assumptions have necessabe stated with certainty that the inclusion of a com- rily been made. It has been considered that if for two pulsory liability for peace treaty charges will not vears the budget is relieved from peace treaty charges destroy the whole balance, and it is obviously vital that the mistake should not be made of fixing as a first payment during recovery a sum which the circumstances may not justify.

The stability of future reparation payments and German credit in general might thus be endangered.

There is another factor that must be taken into account. For the successful operation of the scheme for dealing with the railways, to which we shall refer later, it is necessary that the proceeds of the transport tax to the extent of 250,000,000 gold marks should be withdrawn for this year from the revenue side of the budget and devoted to the payment of treaty charges.

On the other hand that scheme also provides for the sale by the railway company of preference shares to the nominal value of 2,000,000,000 gold marks, onequarter of the proceeds accruing to the profit of the German budget and the balance providing for past and future capital expenditure of the railways. For the successful execution of the railway scheme we attach great importance to the sale to the public of these preference shares and we feel justified in assuming that before the end of the year 1925-26 the German Government will be in effective possession of 500,000,000 gold marks as a result of this transaction. The budget can therefore be reinforced to that extent and after making allowance for the withdrawal of 250,000,000 gold marks in respect of the transport tax there will be a balance of 250,000,000 gold marks which should be available for meeting peace treaty charges.

By the procedure we have indicated any danger of hampering future stability by a premature call upon the ordinary resources of the German budget will be obviated and there will be an additional inducement to transfer the preference shares to private ownership.

We, therefore, recommend that in the year 1925-26 Germany should be required to meet peace treaty charges out of her budget to the extent of 250,000,000 gold marks. If, contrary to our expectation, the budget fails to realize 500,000,000 gold marks from the sale of preference shares, we consider that any resultant deficit could be met by an internal loan.

The proceeds of the transport tax should thenceforth not figure in the revenue side of the budget except to the extent to which they exceed 250,000,000 gold marks

vears

We once more reserve the question of providing for further reparation payments by other means.

The budget of later years.-As we have said already, Germany's credit can not rest upon the mere establishment of budget equilibrium. It must be clear that it can be permanently maintained. It is, therefore, necessarv for us to consider what burden Germany can bear in the near future without danger to that equilibrium. and a stable currency is reestablished, Germany ought in 1926 to be making rapid strides toward complete recovery, and should in three years, by 1928, reach a normal economic condition. We have taken into account the probable yield of her several taxes and her taxable capacity as a whole and the probable changes in expenditure under these improving conditions, and after making full allowance for error we have reached definite conclusions as to the sums which can be fixed for peace treaty charges without endangering the stability of the budget. These results we have considered in relation to the maximum probable rate at which the national income can be expected to grow from its present point and the maximum proportion of that growth which can successfully be absorbed in taxation.

We draw the conclusion that, allowance being made for some inevitable growth in expenditure, the budgets for the three subsequent years can safely provide for the following maximum sums:

		Gold	mark	S
1926–27		110,	000,	00
1927-28		500,	000,	00
1928-29	1,	250,	000,	00

On the other hand, regard being had to the fact that it is difficult to estimate the recuperative power of Germany in 1926-27 and 1927-28, we would propose that these amounts should be regarded as subject to modification by a sum not exceeding 250,000,000 gold marks on the following plan: If the aggregate controlled revenues as defined in Section XIV exceed 1 milliard in 1926-27 or 1,250,000,000 in 1927-28, an addition shall be made to the above contributions equal to one-third of such excess. Conversely, if those aggregate revenues fall short of 1 milliard in 1926-27 or 1.250,000,000 in 1927-28, the total contributions shall be diminished by an amount equal to one-third of the deficiency.

We believe that at the end of the fiscal year 1928-29 the financial and economic situation of Germany will have returned to a normal state, and that in this and subsequent years the ordinary budget should support the inclusion of a sum of 1,250,000,000 gold marks. The total sums, therefore, to be provided from ordinary qudget resources would be the standard payment of of 1,250,000,000 plus the additional sum (already referred to) computed upon the index of prosperity, charges large expenditures which might properly have as from 1929-30 onward.

We have considered carefully the question of the amount to which the index should be applied and, as we are desirous that in the earlier years of her recovery German progress shall not be unduly handicapped by shortage of new capital, we think that it will be desirable to apply it to the purely budget contribution 1.250,000,000 (or one-half of the total standard payment) for the first five years of the application of the index, viz, 1929-30 to 1933-34. After that date, 1934-35, the index should apply on the full amount

of the contribution, namely, 2,500,000,000 gold marks.

### (b) RAILWAYS

We have conducted, with the assistance of two eminent railway experts, a close examination of the situation of the German railways. The subject is an important one, for the railways have been operated since the armistice at a constantly increasing loss, which has involved heavy burdens upon the German budget.

Most, if not all, railway systems have passed through a period of great difficulty since the war from causes which were largely beyond their control. It is clear, however, from a study of the report drawn up by the experts, which will be found in Annex 3, that the greatest difficulties were of the Germans' own making. The German railway administration can not but plead guilty to two serious charges. In the first place, as is proved by the reduction which it is now possible to make, they have been enormously overstaffed, even of the Allies; on the contrary, our plan demands only when all account is taken of the introduction of an a modest return on the capital cost, and so long as this eight-hour day and of peace-treaty charges justifying | return is forthcoming we do not anticipate any intertemporary disorganization. In the second place, the administration has indulged in extravagant capital expenditure for which the official excuse is that construction was largely undertaken to ward off unemployment.

It is only just to observe that the situation has now improved out of recognition, though more remains to be done. The German Government have separated the railways from the ordinary administration and assimilated them in form, so far as is possible, to a business concern. Capital construction has been slackened and fares have at any rate been raised to a point where the railways are not only self-supporting, but can provide some profit.

These measures are, however, insufficient. The capital value of the railways is estimated by the experts on a conservative basis at 26 milliards. They are unencumbered with old debts, for their prior charges | liard. The interest and sinking fund on these debenwere extinguished by the depreciation of the mark, and | tures represents less than 3 per cent of the capital cost, these prior charges absorbed half the gross profits in which is a very modest charge on the capital investthe pre-war period, which amounted to approximately | ment compared with that required in many other coun-1 milliard gold marks, in spite of the fact that it was | tries of the world.

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account.

complete break with old traditions is essential. We accept their conclusions and we recommend the conversion of the German railways into a joint stock company. It is not our intention thus to deprive Germany of the administration of her railways in favor ference in the German management of the undertaking. We would add that if, as the German Government has itself proposed, the exploitation of the railways is divided into several systems, this division should not affect detrimentally their financial unity.

outline at this point. The committee recommends that there should be paid from the German railways 11 milliard gold marks to be represented by first mortgage bonds bearing 5 per cent interest and 1 per cent sinking fund per annum. The capital cost of the German railways computed on a gold mark basis is estimated by our experts at 26 milliards. The net earnings of these railways before the war, after liberal and indeed exaggerated charges to operating and maintenance, were as high as 1 mil-

the custom to include in operating and maintenance been charged to capital account.

The railway experts are convinced, and we share their conviction, that under proper management, under unified control, and with a proper tariff policy, the railways can without difficulty earn a fair return upon their present capital value.

Nor need it be thought that this improvement in profits will be made at the expense of the German people by increasing their fares and the cost of all goods transported by rail. It can be substantially provided by the more economical administration of the railways themselves.

In saying this we have not in mind inadequate wages, but rather the elimination from operating and maintenance charges of certain elements of waste and also expenditure more properly chargeable to capital

The railway experts arrived, however, with considerable reluctance at the conclusion that it would be useless to expect anything approaching the full measure of improvement which is possible, so long as the railways remain in the control of the Government. The whole spirit of the Government's ownership in the past has been directed to running the railways primarily in the interest of German industry, and only secondarily as a revenue-producing concern, and in their opinion a

The details of our proposals will be found in Annex 4, and we will content ourselves with giving only a broad

Realizing that during the period of reorganization of the railways, full interest and sinking fund charges should not be required, we think payments on account of interest should be as follows:

	Gold marks
1924–25	. 330, 000, 000
1925-26	465,000,000
1926-27	550, 000, 000
1927-28 and thereafter	. 660, 000, 000

#### This is regarded as a normal year.

In addition to the 11 milliards of bonds, the new railway company is to have a capital of 2 milliards of preference shares and the remainder of its capital cost. namely 13 milliards, is to be represented by common stock; 11 milliards of preference shares are to be set and payable on long maturity, does not create a burden aside in the treasury of the company, for sale to private greater than that which would have existed had there persons to provide funds for the payment of existing indebtedness and future capital expenditures. The proceeds of the sale of the other 500,000,000 of preference shares and all of the common shares are to go to the German Government.

The railways are to be managed by a board of 18 directors of whom 9 will be chosen by the German Government and the private holders of preference ernments. shares, and the other 9 will be named by the trustee of the bonds, 5 of whom may be German. It is therefore contemplated that the board will have 14 German members. The chairman of the board and the general manager of the railways will be German.

It is contemplated that the railway company will be free to conduct its business in such manner as it may think proper, provided always, however, that the German Government will have such control over its tariffs and service as may be necessary to prevent discrimination and to protect the public. Such government control, however, is never to be exercised so as to impair the ability of the railway company to earn a fair and reasonable return on its capital cost.

The railway commissioner represents the interests of the bondholders. His principal duty will be, in the absence of default in interest, to receive reports, statistical and financial returns, and generally to see that the interests of the bondholders are not menaced.

#### (c) INDUSTRIAL DEBENTURES

The committee has been impressed with the fairness and desirability of requiring as a contribution to reparation payments from German industry, a sum of not less than 5 milliards of gold marks, to be represented by first-mortgage bonds bearing 5 per cent interest and 1 per cent sinking fund per annum. This amount of tem of direct taxation be adopted the committee bebonds is less than the total debt of industrial under- lieves that all classes in Germany will be called upon to takings in Germany before the war. Such indebted- make their fair and reasonable contribution to peace ness has for the most part been discharged by nominal treaty charges either through direct or indirect taxapayments in depreciated currency, or practically ex- tion. tinguished. In addition the industrial concerns have Realizing the depletion of the liquid capital supply

rency, such as the long delayed payment of taxes, by subsidies granted and advances made by the German Government, and by depreciation of emergency money which they have issued. On the other hand it is incontestably true that there have also in many instances resulted losses, through the depreciation of currency, from the sale of output at fixed prices, and in other ways.

It is unnecessary for the committee to make an estimate of the total amount of such profits and losses; it is sufficient to say that the committee is satisfied that a burden of mortgage debt of the amount of 5 milliard gold marks on the industries of Germany, fairly apportioned, bearing a moderate rate of interest, been no depreciation of currency.

In fact the fairness of such a proposal has been recognized by the German Government itself in a proposal submitted on June 7, 1923, to all the allied and associated governments.

This proposal was later confirmed by persons in high authority in the subsequent and present German Gov-

The offer referred to above was of 10 milliard gold marks, covering business, industry, banking, trade. traffic, and agriculture. The request of the committee is for 5 milliards only and it suggests the exemption of agriculture from the obligations of the mortgage.

Realizing the importance of agriculture to a nation unable to provide its entire food supply, we feel more reserved in making a recommendation as to the burdens which should fairly be put on it, though we can not close our eyes to the fact that a very large amount of agricultural indebtedness has been discharged at merely nominal figures and the owners of equity in land have realized substantial profits at the expense of their former creditors.

We desire to make it clear that the committee in asking for mortgage bonds on industries does not recommend in any sense an unfair or discriminating burden against them, and so we do recommend that equalization be properly and fairly made by the German Government for the benefit of its own budget. If, in the opinion of the German Government, a burden on other property should be imposed in order to equalize the burden of reparation payments on property other than industrial property, we recommend that it be done in favor of the German budget either by a further valorization tax or by a specific lien or otherwise. If this course be followed and a fair and accurate sys-

profited in many ways through the depreciated cur- in Germany, and that a period should be provided for

its recuperation, we recommend that the interest on the 5 milliards of debentures above referred to be waived entirely during the first year; that the interest during the second year be 21 per cent; during the third year 5 per cent; and thereafter 5 per cent plus 1 per cent sinking fund. In the event of default in the payment of interest, sinking fund, or principal on any of the said debentures, provision has been made for recovery from the German Government through the commissioner of controlled revenues.

The plan will be found in Annex 5.

#### X. SUMMARY OF PROVISION FOR TREATY PAYMENTS

We are now in a position to summarize the full provision we contemplate for treaty payments: Budget moratorium period-First year. From foreign loan and part interest (200,000,000) on Gold marks railway bonds\_\_\_\_\_ 1, 000, 000, 000 Second year. From interest on railway bonds (including 130.000.-000 balance from first year) and interest on industrial debentures and budget contribution, including sale of railway shares\_\_\_\_\_ 1, 220, 000, 000 Transition period-Third year. From interest on railway bonds and industrial debentures, from transport tax and from budget (subject to contingent addition or reduction not exceeding 250,000,000 gold marks) \_\_\_\_\_ 1, 200, 000, 000 Fourth year. From interest on railway bonds and industrial debentures, from transport tax and from budget (subject to contingent addition or reduction not exceeding 250,000,000 gold marks)\_\_\_\_\_ 1, 750, 000, 000 Standard year-Fifth year. From interest on railway bonds and industrial debentures, from transport tax and from budget\_\_\_\_\_ 2, 500, 000, 000

The first year will begin to run from the date when the plan shall have been accepted and made effective.

We must point out that the total figures indicated for each year must include the sums paid by the German budget, the railway company, or the debtors on industrial debentures, whoever may be the actual recipients of these sums, the Reparation Commission, the capitalists who purchased securities, or even the debtors themselves if they have repurchased their bonds.

from the sale of capital assets which may be effected by . up by our plan.

The committee have noted the important fact that Germany is not in a position to ascertain her liabilities out of the peace treaty as demands are made upon her from time to time during the year, which can not be calculated beforehand. It appears to us a matter of impossibility for any budget to be scientifically compiled and satisfactorily balanced under such an arrangement, and that, therefore, means should be found to bring this system to an end. The difficulty will be satisfactorily met if Germany's liabilities for any particular year are absolutely limited according to our plan and, as suggested above, made inclusive of all possible charges whether in or outside Germany, including These figures clearly do not include the proceeds the costs of the administrative controls which are set

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the creditor governments. As soon as the plan is put into execution, the Reparation Commission will be in possession of bonds for 16 milliard marks, which may be sold to the extent to which the financial markets are capable of absorbing them. Subsequently, bonds representing the transport tax and the contribution from the budget may be issued, and will enable the governments to realize the capital of their claims.

#### XI. INCLUSIVE AMOUNTS .- DELIVERIES IN KIND

THE INCLUSIVE NATURE OF THE PAYMENT

Before passing from this part of our report we desire to make it quite clear that the sums denoted above in our examination of the successive years comprise all amounts for which Germany may be liable to the allied and associated powers for the costs arising out of the war, including reparation, restitution, all costs of all armies of occupation, clearing-house operations to the extent of those balances which the Reparation Commission decide must legitimately remain a definitive charge on the German Government, commissions of control and supervision, etc. Wherever in any part of this report or its annexes we refer to treaty payments, reparation, amounts payable to the Allies. etc.. we use these terms to include all charges payable by Germany to the allied and associated powers for these war costs. They include also special payments such as those due under articles 58, 124, and 125 of the treaty of Versailles.

The funds to be deposited in the special account in the bank are to be available for the foregoing purposes, notwithstanding anything in this report which may be interpreted to the contrary, though in saying this we are not to be read as prejudicing questions of distribution or questions of priority between the various categories of charges.

We venture to emphasize the fact that from the point of view from which we are called upon to regard the question these obligations of Germany are one, and that any addition to one category of charges can only be made at the expense of another.

#### DELIVERIES IN KIND

We have given special attention to the question of deliveries in kind; in their financial effects, deliveries in kind are not really distinguishable from cash payments and they can not in the long run exceed the true surplus of German production over consumption available for export without either upsetting the exchange or rendering foreign loans necessary.

Having made this clear, we have to remember that:

1. Deliveries in kind are dealt with in the treaty.

2. They are now an inevitable part of the economic conditions of several of the Allies and can not be wholly removed without considerable dislocation.

3. If the principle is not carried too far, they may represent a stimulus to German productivity and therefore the creation of a greater export surplus.

absorbed by the prior action of private German investment abroad. In this connection, the maintenance of the system of deliveries in kind, if not carried too far, may act in a manner to keep the transfer as large as possible and to give the Allies priority.

While, therefore, we recognize the necessity for the continuance of deliveries in kind, we think that unless they can be confined to natural products of Germany, such as those specifically dealt with in the treaty (coal, coke, dyestuffs, etc.) and in the second place to exports which do not entail the previous importation into Germany of a large percentage of their value, they tend to be uneconomic in character.

In the first two years of the operation of the plan the available finance is so restricted that there will be an automatic limitation of deliveries, but in the later period the program must be carefully and periodically considered in advance by the Reparation Commission in conjunction with the committee referred to in Section XIII if exchange difficulties are to be avoided.

We refer below to the necessity of expending almost exclusively within Germany the sums available for treaty payments in 1924-25 and 1925-26. In these circumstances, the Allied Governments will doubtless consider whether it is not advisable to continue the system whereby the costs of armies of occupation were a first charge upon the proceeds of deliveries in kind and the accumulation is not further increased. In this made to the Governments which maintain the armies.

Where we have referred to payments for deliveries in kind in this report we have intended to include therein payments in Germany arising through the operation of the reparation recovery acts.

XII. How the Payments are to be Made

from interest and sinking fund on railways or industrial alternatives? debentures, the transport tax, or from the budget contribution) will be paid in gold marks or their can possibly arise, the sum payable for reparation equivalent in German currency into the bank of issue may be definitely fixed at such a figure as is certain

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This payment is the definitive act of the German Government in meeting its financial obligations under the plan. It is easier to estimate the burden that Germany's economic and fiscal resources can bear than the amount of her wealth that can be safely transferred abroad, and it is the former and not the latter that has formed the first objective of the committee.

#### XIII. HOW THE PAYMENTS ARE TO BE RECEIVED

The use and withdrawal of the moneys so deposited will be controlled by a committee, consisting of the agent for reparation payments (a coordinating official under the Reparation Commission, whose position and duties are defined later in this report) and five persons skilled in matters relating to foreign exchange and finance, representing five of the allied and associated powers. This committee will regulate the execution 4. They may help in avoiding such surplus being of the program for deliveries in kind and the payments under the reparation recovery act, in such a manner as to prevent difficulties arising with the foreign exchange.

They will also control the transfer of cash to the Allies by purchase of foreign exchange and generally so act as to secure the maximum transfers, without bringing about instability of currency. Fuller details as to their functions will be found in Annex 6. If the payments by Germany on reparation account, in the long run, exceed the sums that can be thus transferred by deliveries or by purchase of foreign currencies, they will of course begin to accumulate in the bank. Up to a certain point, in normal circumstances not exceeding two milliards, these accumulations will form part of the short money operations of the bank.

Beyond this point, the committee will find employment for such funds in bonds or loans in Germany under the conditions laid down in the annex, but, for economic and political reasons, an unlimited accumulation in this form is not contemplated. We recommend that a limit of five milliards be placed upon all funds accumulating in the hands of the reparation creditors in Germany. If this limit is reached, the contributions from the budget are to be reduced below the standards set out in our plan, so that they are not in excess of the withdrawals from the account contingency, the payments by Germany out of the budget and the transport tax would be reduced until such time as the transfers to the Allies can be increased and the accumulation be reduced below the limit named.

We do not deny that this part of our proposal will present difficulties of a novel character which can All payments for the account of reparations (whether only be solved by experience. But what are the

In order that no difficulties with exchange or stability to the credit of the "Agent for reparation payments." beyond all doubt to be within Germany's capacity to export in excess of her imports. In this case the attainment of such certainty would involve so low a figure as to be quite unacceptible to her creditors and | failure to meet the obligations now laid upon her. unwarrantably favorable to Germany.

On the other hand, the liability may be fixed without regard to that excess of exports at all, and the discharge lies future instability and disaster.

We are convinced that some kind of coordinated benefit of the Allies.

#### XIV. GUARANTEES IN ADDITION TO RAILWAY AND INDUSTRIAL BONDS

It is plainly not enough to demonstrate the feasibility of raising the sums under consideration. It is desirable, in the common interest, that means should be devised for securing that the possible surplus is actually established. The greater the extent to which payment may be rendered automatic and a matter of habit and independent of fluctuating political attitude toward reparation, the less will be the friction and the greater will be the real stability of the German budget. In the last resort the best security is the interest of the German Government and people to accept in good faith a burden which the world is satisfied to be within their capacity, and to liquidate as speedily as possible a burden which is and should be onerous.

Creditors, however, are not usually satisfied with a moral security, and experience and the present condition of Germany's finances are such as to reinforce their natural desire for tangible and productive guarantees.

These are no less vital in the interest of Germany herself, who will be relieved of a large part of her political troubles if the main source of political controversy is removed by a system which no longer makes the payment of reparation depend upon the constant maintenance or renewal of Governmental decisions. In particular, it is vital in the interests of our scheme. which depends for its success on the assured belief of the whole world in the regular observance of a settlement once made.

On the other hand, we do not hesitate to reject as undesirable, for the purpose which all have in view, would involve directly or indirectly the virtual control of 1,250,000,000 gold marks. The revenues are a involve the controlling authority in responsibility for renders possible a system of control which, while equally them.

If, as we believe, the payments which we have suggested can be made without compromising budget stability, it is in our opinion not impossible to establish of the liability left to uncontrolled events without any a system under which a combination of self-interest and possible regard to exchange difficulties. That way latent pressure will suffice to assure sound financial administration. We believe that the object can be attained if, without in any way impairing the first policy, with continuous expert administration in regard | charge which now exists in favor of reparation on all to the exchange, lies at the root of the reparation Germany's assets, certain specific revenues are assigned problem and is essential to any practicable scheme in to, and under the control of, Germany's creditors. obtaining the maximum sums from Germany for the These revenues will furnish a collateral, but not a primary, security and we suggest that they should be the taxes on customs, alcohol, tobacco, beer, and sugar. We propose for this purpose that they should pass control; that the treaty payments should first be deducted by the controlling authority for the account use for her own purposes of such balance as may remain. degree of effectiveness without involving the Allies in the onus of responsibility for any breakdown in the

directly into the hands of an impartial and effective of the Allies; and that Germany should only have the We believe that this system contains the greatest execution of the plan. We recommend that the control should be instituted forthwith in spite of the fact that the budget supports no peace treaty charge in the year 1924-25.

We make this recommendation for two reasons: Germany, by instituting this control, puts this part of the plan into execution in a definite and public manner, and in the second place early action will insure that control is in effective operation at the moment when part of the revenues is retained by Germany's creditors.

We would add that while leaving untouched the existing alcohol monopoly, we do not, in view of reports received from technical experts, propose the transformation of consumption duties into new monopolies, though we recommend certain important new regulations with regard to the sale of tobacco.

The estimate made by the German officials of these revenues for the year 1928-29, exclusive of customs, was 1.700.000.000 gold marks. The technical advisors specially consulted by the committee have estimated the yield at 2,146,000,000 gold marks.

There is every prospect, therefore, that the assigned and controlled revenues will give a large margin over save in certain extreme events, any system which the treaty charge payments, even in the standard year, of all Germany's revenue and expenditure. It would security for a payment otherwise fixed. This principle all financial troubles, and it might be a pretext for effective, is much more simple in operation, and is strengthened by the association of Germany's self-

The use of this safeguard general budgetary control should be reserved for the case of Germany's willful

#### CONTROLLED REVENUES-THEIR YIELD

#### interest. Once the treaty charges are met she is entitled to the whole balance and therefore she has the sufficient credit at the outset to meet the full amount fullest inducement to increase the yield. But she can of her charges by loans or capital assets. In our view, touch no part of the revenues in a given period until it is impossible to say that she could obtain funds, the treaty charges are fully met; so that every increase until her position is well established, adequate to disoperates in the first instance to increase the Allies' security.

We have suggested above that in the years 1926-27 and 1927-28 the amount of reparation to be paid should be dependent to some extent on the yield of of improved international political position and of these particular revenues. In order that there may stability. The question is, therefore, whether the be no misunderstanding, we desire to state clearly claims upon Germany can be so reduced by agreement that in our opinion this arrangement should be strictly among the Allied creditors as to come within this confined to the two years in question and be regarded potential credit. If they can, then obviously the as exceptional.

the revenues should normally be regarded strictly as successfully raising a loan. If not, then the loan will security, and should not be relied upon in the ordinary as reparation. In particular, if the yield of the revenues exceeds the amount to be secured, the excess | fore upon three main factors: should accrue to the German Government. Our reasons for holding these opinions are more fully stated in Part II.

#### XV. EXTERNAL LOAN-ITS CONDITIONS AND PURPOSE

An integral part of our scheme is the issue by Germany of a foreign loan of 800,000,000 gold marks; this loan is primarily essential for the successful establishment of the new bank and to ensure the stabilization of the currency. The deposit of this amount in the new bank will be an important and necessary contribution to its gold reserves and enlarge the basis of its currency issues. It will thus be enabled in the second place, without impairing its usefulness for the above, to play an important part in solving the problem created by Germany's immediate and more urgent obligations to the Allies which do not necessitate the transfer of money abroad.

We have already stated our conclusion that Germany should not be called upon in the years 1924-25 and of a first loan nor of the Reparation Commission to 1925-26 to provide for any treaty charges out of ordinary budget resources, and we have deferred to this point indication of means by which a complete suspension of payments may be avoided.

The current liabilities of Germany under the treaty other than liabilities for cash payments in foreign currencies, comprising the most essential deliveries in kind, and costs under a number of other heads, are known to be considerable. Although their precise amount is not easily determinable, they aggregate to a phasize, represent in our opinion the maximum burden large amount and if no arrangement is made for meeting or reducing them they form a formidable obstacle in the way of a complete solution.

In the year 1924-25, the extra-budgetary resources can be relied upon to provide 200,000,000 gold marks, being interest on railway bonds. The question arises whether a further sum can be provided.

We first considered whether Germany would have charge them. But it does not follow that the most pressing of the demands can not be met, for a considerable sum can certainly be raised upon the good security that the plan provides, with a clear prospect greater the reduction, the more moderate the sum to We believe it to be of the greatest importance that be raised and the greater the probability of Germany not be forthcoming, stability can not be insured, and course as the determinant of the actual sum to be paid neither this plan nor any other can come into being. The successful launching of the scheme depends there-

(a) Limitation of payments for all purposes, to 1,000,000,000 gold marks of which at least 800,000,000 must be spent in Germany for the first year, and thereafter to such sums as are available under the plan during the succeeding years;

(b) Cooperation between the Allies and Germany in securing political conditions which will incline the investors of the world favorably toward the German loan upon good security; and

(c) A loan of 800,000,000 gold marks which will serve the double purpose of assuring currency stability and financing essential deliveries in kind during the preliminary period of economic rehabilitation.

It will be seen that under the plan, among the different revenues available, ample and sufficient security could be found to form the basis of such a loan, both as to interest and sinking fund.

Obviously, the first loan should be fully secured. but it is equally true, that it is neither in the interest create a situation which would prejudice the flotation of subsequent German loans or the realization of the capital assets provided for in the plan.

The amount required for the service of this first and any subsequent loans must be deducted from the sums which in subsequent years can, in accordance with our plan, be placed at the disposal of Germany's creditors. In effect the loan is only an anticipation of the sums subsequently available which, it is necessary to emand therefore one not capable of increase.

It is not for us to offer suggestions as to the priority of claims or how the sums should be distributed. On this aspect of the matter we confine ourselves to stating that in the interest of currency stability and to aid the successful inauguration of the new bank, the proceeds of the loan should be used exclusively for

financing internal payments, such as deliveries in kind (whether direct or by the operation of the reparation recovery act), and that part of the costs of the armies of occupation which represents expenditure in Germany by or on behalf of these armies. But we do the burden on her creditors during the period of her | for reparation payments. own recovery.

In the year 1925-26, the problem is somewhat different in character. The reasons which make a foreign loan essential in the first year should have disappeared. If confidence is in process of reestablishment a large reflux of capital to Germany is to be expected. People, whose object in transferring money abroad or in hoarding foreign notes within Germany has been simply to insure against further loss, will, to a great extent, reconvert this capital into German currency. Other things being equal, the German currency and exchange situation will continue to improve, a phenomenon which has been clearly exhibited in the last 12 months in Austria.

The exchange position of Germany will, therefore, be relatively strong and her budget position relatively weak. In the few succeeding years the position will be exactly reversed; the exchange will become normal, but weaker than during the abnormal period of reconstruction, while budget resources should be enormously strengthened.

In view of these facts, we see no danger, and perhaps deliveries in kind and that part of the costs of the armies ing orders. of occupation spent in Germany by or on behalf of the armies should be financed up to 1,220,000,000 gold marks by sums raised in Germany itself.

The above sum is made up of (1) railway interest, amount of 250,000,000 gold marks; (3) interest on industrial debentures amounting to 125,000,000 gold marks; and (4) 250,000,000 gold marks from the budget provided by the sale of railway preference shares belonging to the German Government. If for any reason the whole of the above sums are not provided, the balance should be raised by a German internal loan.

#### XVI. ORGANIZATION

The committee's plan provides for a commissioner of the bank of issue, a commissioner of railways, a commissioner of controlled revenues, the last-named to have under his control a certain number of subcommissioners severally intrusted with the special revenues under consideration and, if the need arise, for a commissioner of industrial debenture.

payments.

In order that the machinery thus set up by our plan may function properly, both in relation to the Reparation Commission and in its German environments, assert that, if as we believe, Germany's credit will be there must be an agency between the Reparation Comgood enough to float such a loan, it is natural and mission and the various commissioners. We suggest necessary that her credit should be employed to ease that this coordinating agency devolve upon the agent The commissioners would retain all responsibility for the carrying out of the task intrusted to each, only

To facilitate the interchange of information which will develop a situation in its entirety for appropriate action a general coordinating board is also suggested in which the various commissioners or representatives named by them will participate together with the "Agent for Reparation Payments" and the trustee. The coordinating board is to have advisory powers only and is for the purpose of giving information to positive advantage, in requiring that during 1925-26 | the agent general to assist him in preparing coordinat-These suggestions are naturally far from exhausting this important subject, one of the most important of

our plan. They are laid down simply as an indication, as the drafting of the rules for such a coordination will partly carried over from the first year, amounting to devolve upon the Reparation Commission so far as 595,000,000 gold marks; (2) the transport tax to the they have power, and upon the various Governments. Rules should be laid down for the rendering of periodical reports and for the publication of such as the public interest may require. We desire, however, to record in this connection that the expense of the new machinery provided for by the plan can and should be contained within limited amounts and in any case be included in the annuities already contemplated.

subject to such coordinating policies as may prove necessary in order to avoid any duplication of effort, overlapping of functions, unnecessary friction, and generally all interference with the harmonious working of our plan.

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The plan also provides for an agent for reparation

In case of a difference of opinion between one commissioner and the "Agent General for Reparation Payments" in his capacity as coordinator, the commissioner can appeal to the Reparation Commission. The existence of this right of appeal will have a salutary effect upon the relations of the coordinating agency and the different commissioners.

Trustee .- The plan also provides for the appointment of a trustee with the following duties:

He will receive and administer the railway and industrial bonds and will be accountable to the Reparation Commission for these and all other securities.

He will insure the service (interest and amortization) of the railway and industrial bonds by means of funds remitted to him for this purpose by the agent for reparation payments.

He will fix the conditions of the amortization of the bonds and if necessary the redemption at par of all payer in Germany the plan means a direct burden or a part of the bonds not yet amortized, by means of only one-half this sum, viz, 11 milliards per of any supplementary payments which may be made year, and the transport tax, plus such additional by the German Government, the railway company or amount as may represent only a relatively small share industry.

With the authorization of the Reparation Commission and for its benefit, the trustee may sell the bonds which he holds, and may use the mortage bonds and deeds which he holds to secure new securities which beneficiary of substantial special profits and only a he may himself issue.

Both the agent and the trustee should be appointed by the Reparation Commission.

In framing the organization of control, the committee has adopted as fundamental the principle that, if the plan is to yield the best financial results, it is desirable that control should be of such a nature as not to involve the assumption of responsibility by the commissioner for German administration, though the committee recognize that this principle can not be adhered to in case default under the plan arises.

### XVII. THE NATURE OF THE PLAN

In concluding this part of our report, there are several points which we desire to emphasize.

In the first place we regard our report as an indivisible whole. It is not possible, in our opinion, to achieve any success by selecting certain of our recommendations for adoption and rejecting the others, and of living comparable to that of the Allied countries we would desire to accept no responsibility for the and their neighbors in Europe, who are likewise subresults of such a procedure nor for undue delay in | ject to heavy burdens, largely resulting from the catasgiving execution to our plan.

In the second place, as we have remarked earlier, our plan is strictly dependent upon the restoration of Germany's economic sovereignty, and it is important | It is only part of the larger problem of the reconstructo observe that the operation of the plan will be proportionately postponed if there is a delay in effecting that restoration. The various dates which we mention not, as it could not properly, attempt a solution of the in the report must be interpreted in the light of the above remark.

From the standpoint of the taxpayer in creditor amount as the index of prosperity may provide.

On the other hand from the standpoint of the taxin increased prosperity. The German taxpayer can look without anxiety upon the remainder of the payment of 21 milliards, for it represents a relatively small burden on German industry, which has been the modest return on a large capital invested in railroads which are yielding him no relief in taxation in his budget at present, such capital having been accumulated prior to the war. We are satisfied that the contributions from railway and industrial debentures will not be reflected to any substantial degree in a burden to the individual German taxpayer; as regards the railways it will only require the same kind of return as exists in similar enterprises in many countries.

Our purpose has been to set up a machinery which will secure the maximum payment which Germany can make in each year in her own currency. We do not speculate on the amount which can annually be paid in foreign currency or on Germany's capacity to make a total payment.

The committee is confident that it lies within the power of the German people to respond to the burdens imposed by the plan, without impairing a standard trophe of the war.

We have not concealed from ourselves the fact that the reconstruction of Germany is not an end in itself. tion of Europe.

We would point out finally that while our plan does whole reparation problem, it foreshadows a settlement extending in its application for a sufficient time to restore confidence, and at the same time is so framed countries the plan means in due course an annual relief as to facilitate a final and comprehensive agreement to the extent of 21 milliards, plus such additional as to all the problems of reparation and connected questions as soon as circumstances make this possible.

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### PART II

I. THE CURRENCY POSITION

currency had been stable for some two months. It would not have been pretended, however, by any authority that German currency had been stabilized. It would perhaps be juster to apply the term "unstable equilibrium" than the term "stability" to this transition period, which has fortunately continued to the present day. The elements of permanent stability, even if the repercussions of the budget situation are momentarily left out of account, were then and are tender on a gold basis but has no gold backing. The still wanting.

to request Doctor Schacht, the governor of the Reichs- the Reichsbank amounted to some 467,000,000, but bank and the currency commissioner of the Reich, 200,000,000 thereof was specifically earmarked as to give evidence before them with a view to their being fully informed of the existing currency situation. 1923.

Quantity of currency.-The total circulation, although so enormous in nominal values, was, when reduced to its gold equivalent at that date, something over 3 milliard gold marks only, whereas the pre-war circulation in Germany had amounted to 6 milliard gold marks. Prima facie, therefore, the amount of currency | their vast denominations remain the legal currency, seemed deficient rather than excessive, and not likely but prices are everywhere expressed in rentenmarks. in itself to be a cause of further depreciation. In It is therefore obviously necessary that payments proportion as the German mark dwindled in value should be made indifferently either in Reichmarks or and became less and less utilizable for the threefold in rentenmarks at a fixed relation between them. The function of standard of value, instrument of payment | Reic'sbank accordingly accepts rentenmarks at the and medium of saving, foreign currencies naturally became by force of circumstances, more and more sought after in Germany. The Germans resorted increasingly to the currencies of countries with a comparatively stable exchange, not only to invest their savings, but also to define and even settle their transactions, and the presence of such currencies in Germany increased ever more as the mark depreciated further.

In spite of this extended use of foreign currencies to be found in such a situation. The temporary equiin Germany, the shortage of purchasing power made | librium of the German exchange has been ascribed to itself increasingly felt, leading first the German Government, then the States and municipalities, and finally the great industrial and agricultural organizations and even private firms to supplement the currency shortage by new instruments of payment. These token currencies, expressed in gold or paper marks, sprang up in Germany in the summer of 1922, at a moment when the need became urgent to find new means to meet the requirements of current transac- which with the lack of credit, accompanied by what tions, the old mark on the verge of its collapse no longer answering such requirements.

At the end of 1923, we find in Germany an absolutely hetrogeneous monetary circulation, which included-besides the foreign money in circulation or is prohibited. Its existence was of no assistance in the

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The present tranquillity.-As the committee have remarked, the elements of currency stability were not various causes by different authorities: some lav stress upon psychological factors, and in particular a renewal of confidence, the exact basis of which it would be difficult to determine, but which took account of the efforts being made by the German Government to balance its budget, and of the appointment of the Committees of Experts by the Reparation Commission: others refer to a decrease in internal consumption was probably an excessive restriction in importation, reduced the demands both for the circulating medium and for foreign currencies.

hoarded (dollars, pounds, florins, gulden, Swiss francs, The conditions at the outset of our inquiry .- When French francs, Scandinavian crowns, etc.)-the old we started our investigations the value of German paper marks, dollar treasury bonds (Dollarschatsanweisungen), bonds of the gold loan (Wertbeständige Anleihe), 6 per cent Treasury bonds (6 per cent Schatzanweisugen), rentenmarks, and, lastly, a whole set of odd emergency currencies (Notgeld) expressed either in gold or in paper marks.

Backing .- The security of the rentenmarks is a mortgage on real and to some extent on personal property. The so-called gold loan is repayable in legal various forms of emergency money were for the most One of the first steps which the committee took was part based on no security at all. The gold reserve of security for the dollar loan issued by the Reich in

> Taken as a whole therefore the liquid backing of the currency is wholly inadequate for a permanent system. Interchangeability.-The rentenmark is not actually legal currency within the country nor available for any purposes of foreign trade. The old currencies with rate of 1 rentenmark for 1,000,000,000,000 paper marks. and rentenmarks are also accepted in payment of taxes at the same rate.

> Annex 7 to the present report shows in some detail the curious monetary situation in Germany at the end of January last.

Credit facilities.—The exportation of the rentenmark

maintenance of foreign trade. The reichsmark was too mended, and it omitted others which seemed to the discredited to be any longer available for the purpose of committee to be essential to any permanent settlement meeting foreign obligations. Credit was only obtain- of the problem as a whole. Moreover, an attempt to able abroad at dangerously high rates of interest.

secondary effect had produced a serious dearth of liquid | the committee to involve certain risks. capital in Germany itself. The stringency may be indicated by the fact that (according to figures furnished to us) the savings bank deposits had fallen from themselves in consultation with the authorities re-10,700,000,000 at the end of 1913 to 760 gold marks at sponsible for Germany's monetary policy that the the end of 1922; the credit accounts in the eight large bank would be so organized as to facilitate its absorp-Berlin banks amounted to 7,400,000,000 at the end of tion into a new bank of issue which might be set up in 1913 and to about 1,000,000,000 at the end of 1922. accordance with the recommendations of the com-The figures for 1923 are not yet available but can mittee. scarcely exhibit an improvement. Leaving for the moment out of account capital which in one form or another had been exported, liquid capital in monetary forms liable to depreciation had been steadily converted into fixed assets with a permanent intrinsic value. The private individual had purchased consumable commodities, while industrial enterprises had largely extended their plant and equipment. The motor was in good, perhaps in unusually good, condition, but the it has been called, unimpeachable in abstract state-

was general agreement that not inconsiderable resources were available in the shape of German balances abroad and foreign currencies in the pockets of the population in Germany itself. This latter item alone has been estimated at 1.2 milliard gold marks by the committee appointed to consider the means of estimating the amount of German exported capital. It was reasonable to suppose that a large proportion of these resources would be available if complete confidence in above all by the practical extinction of her internal the stability of German currency could be restored and debt. maintained.

As stated in Part I, the committee consider that this existing currencies, liquidate the rentenbank, and expenditure. transform the Reichsbank, and provide, against recognized banking, cover the foreign currencies necessary for the revival of Germany's languishing trade. The plan for this bank is given in Annex 1.

Psychological considerations seem imperatively to require an institution which should be so far new in its traditions of German banking.

tuation as it originally presented itself. The com- than a nation, may be capable of bearing. mittee were informed that a scheme for a gold bank was in preparation. It was expressly and admittedly limtures which the committee would not have recom- it is itself an important source of internal taxation.

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settle particular difficulties in isolation and without At the same time, the currency depreciation and its reference to other essential requirements appeared to

> The committee, therefore, without expressing any opinion on the plan as given to them in outline, assured

#### II. CONSIDERATIONS REGARDING THE MEASUREMENT OF GERMANY'S BURDEN

#### (a) COMMENSURATE TAXATION

In Part I we refer to the fact that we have taken full account of this principle. But it is necessary for us to make some further observations thereon.

The principle of the "commensurate burden," as motive power and lubrication were apparently lacking. ment, is exceedingly difficult to translate into quan-Immobile credit resources .- On the other hand, there titative measurement as a basis for practical action. While obviously sound and just, it does not easily admit of precise and arithmetical calculation. What at first sight seems to be a simple conception, on examination is found to be complex and in some respects not reducible to exact definition.

> Now the ordinary expenditure which has to be provided for in the German budget is reduced, in part by the restriction upon her military preparations but

If Germany had sustained the burden of her own debt, as the Allies have done, and not obliterated it end can best be secured by the institution under proper by inflation, she would have had to raise  $4\frac{1}{2}$  to 5 safeguards of a new bank which should absorb the milliards per annum in addition to her domestic

> This would make it both just and practicable to add a provision in her budget which should bear some correspondence to the provision made in the Allies' budgets for their war expenditure.

But the raising of any particular sum from one section of her inhabitants, to be paid back to another policy and its administration as to detach it entirely section within her borders, is a "burden" in a different from the errors of the recent past and restore the older sense from the payment of such a sum by the whole population to people abroad-different in more than The interim bank.—While coming to this conclusion the economic sense—and it is difficult to bring such a and while reducing the general plan to details, the task into direct relation with the problem of reparations. committee had to deal with an actual change in the It is a measure of what individual taxpayers, rather

In the first case the interest paid forms a part of the national income, as it is expended it provides profits ited to providing the means of carrying on foreign and a stimulus for internal trade and so increases trade. When first submitted it contained some fea- further the income of the country, and in particular

A payment in respect of a debt to foreigners has no comparable advantages to the country making it. The extinction of the German debt has after all been at the expense of her own nationals, who are her taxpayers; they have sustained as holders of German mum of subsistence" to be first deducted from such bonds, not only the burden which they have already per capita income; the amount of the minimum is not escaped as taxpayers, but that which they would have exactly determinable and it seems to vary as between borne in future years to meet the service of the internal different countries of different climates, different debt if its value had not been destroyed by depreciation. The process of extinction has indeed (except | between Spain and the United States; it may even in its incidence as between different individuals and vary between different periods in the same country. classes) had the same results both to the treasury and As a rough working assumption, such a minimum may to the German taxpayer regarded collectively with a be regarded as varying in proportion to the per capita capital levy devoted to debt extinction.

The loss incurred by individual holders of debt is exactly offset by a corresponding profit accruing to the taxpayers as a whole.

It renders both practicable and just a greater charge for other war debts than would otherwise have been possible. A large proportion of the richest taxpayers of the country have obtained the relief without themselves sustaining the cost. They are a proper source of taxation commensurate with that weighing Notwithstanding these difficulties it is possible to upon the corresponding classes in allied countries and in particular upon the industrial classes. To them as individual taxpayers a tax is a tax whether its ultimate destination is the payment of a war debt due to fellow citizens or to foreigners. And under the system we propose it may be regarded as a tax in internal currency without the complications which result from the retically at any rate, assigned to the payment of repaquestion of how sums so received can be converted ration. into foreign exchange. For this special problem we provide special safeguards. The German taxpayer should regard a payment in respect of war debt exactly | for Germany, when she is fully restored to economic as an allied taxpayer regards a similar payment. Its ultimate destination need not concern him, and is certainly no justification for him to attempt to evade it.

The facts as to the burden actually being borne by the Allies for debt service are perhaps a better approach to the actual problem. If the German burden per head for debt were as onerous as the burden for debt existing upon the inhabitants of Belgium, France, Great be arrived at from the consideration of this principle Britain, and Italy taken together, then the German by itself. Different individuals will differ in the dedebt charge would approximate to 6 milliards. But gree of importance they assign to such reasons. It in this case, again, the charge is to a considerable is perhaps unnecessary to state these aspects in detail extent in the nature of a redistribution of annual and sufficient to register our united conviction that all wealth among the members of each nation and has our recommendations and suggestions are well within little relation to the problem of a national burden in the collective sense.

In the third place, it may be said that if the German people were burdened as heavily as the members of the most heavily taxed of the allied countries are taxed be fully recognized by the German people themselves. for all purposes, excluding debt charge, we should have an expression of the commensurate burden principle in a limited and strictly defensible sense. But even revenue is not derived from profits on railways elsehere theoretical and practical difficulties prevent where, no question arises as to whether railway profits exactness.

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In the search for the "commensurate" it is not enough to compute the burden as a per capita charge, it must be related to per capita wealth or income; it is considered by many that justice requires a "minieconomic development, and different customs, e. g., as income of different countries. Furthermore, over any period of time this burden per head in the allied countries must change and what might be a valid comparison to-day in taxation in those countries may be quite different in 10 years' time. The comparison of statistics of total taxation, national and local, in each country presents many technical difficulties. Moreover, statistics of total national income and income per head are at present either very defective or wholly lacking. compute roughly what total budget charge would be borne by the German people if they were subject to taxation (central and local) on the same scale per unit of income as in Great Britain, and by deducting from the result the necessary domestic expenditure to derive an arithmetical balance which could be, theo-

Combining these various aspects, we have reached the view that the "commensurate burden" principle prosperity, would more than justify all the practical conclusions we have set down and that they are in every way morally defensible.

There are, of course, good reasons of a political, economic, and psychological character for confining the actual requirements of budget accumulation within Germany to limits well below the figure that would what can be morally justified on the principle of "commensurate burden," whatever limitations may be placed upon that principle. In this sense, therefore, the justice and moderation of our proposals ought to In the above discussion we have disregarded the question of railway profits. Inasmuch as budget are a burden (in the sense of a tax). Such profits in

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other countries form a part of the ordinary profits of increasing the yield of the controlled revenues, and private concerns accruing to individuals, and it may be said therefore that in Germany the position of the tax- | these taxes in favor of others. payer is the same, whether such profits go to individuals or to the Allies as reparation.

might go in relief of taxation burdens if they were not the yield of the controlled revenues indirectly forms applied to reparations. Moreover, it is difficult to one element. Having applied one test, it would be say that the abstraction of the profits of so important | unfair to apply a second and to choose whichever an undertaking as the railways of a country from that gives the higher result. country, instead of leaving them there to be enjoyed a "burden" in the international sense, even if it is taxation.

#### (b) EXPORT STATISTICS AS AN INDEX OF PROSPERITY

In Part I we have suggested an index of prosperity and indicated that in our opinion it was a fairer test than the existing index, namely, export statistics. The use of the latter in isolation has certain definite defects. to some of which we desire to draw attention.

1. Foreign trade only covers part of the area of total trade, and if foreign trade at a given moment only covers a small part of the area, total trade may be moving in a direction opposed to that of foreign trade.

2. Artificial conditions, such as alterations in transport charges, may affect the trade figure in the absence of any real change in the value or volume of exports.

3. The export statistics, more especially when no export duty is in force, may be subject to changes in presentation and frequently furnish material for controversy.

4. Reparation payments themselves are, and can only be, financed by an excess of exports. It follows that an increased reparation payment in one year furnishes an increased base for the following year. This process is cumulative, and the basis for the index is continuously raised, so to speak, at compound interest, even though actual prosperity may be stationary.

5. In a country with an economic life such as that of Germany invisible exports may increase more rapidly than physical exports, and there may be a growing prosperity which is not reflected in export statistics.

#### (c) MEASUREMENT BY YIELD OF PARTICULAR TAXES

We have laid some stress in Part I on the fact that certain revenues were chosen strictly as guarantees and that fluctuations in their yield were not to be regarded (save in 1926-27 and 1927-28 exceptionally) as determining the payments due by Germany. The of an experiment and the individual items in it somefollowing are the broad principles justifying this standpoint:

the German people should be themselves interested in | of a depreciation of the currency so catastrophic as prac-

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should be under no temptation to discriminate against

2. The year's liability, which under our plan include an allowance for increased prosperity, will already On the other hand, the German railway profits have been established by one test, in which, moreover,

3. The year's liability ought not to vary with the individually or collectively by the inhabitants, is not fortuitous yield of particular taxes. The character and level of these taxes should be chosen with a view not a part of the individual commensurate burden of to their suitability as security and not with a view to their appropriateness for fixing obligations.

> Unless the liability of the year is definitely fixed and unless the German Government can proceed to estimate its resources by reference to the whole and not part of the taxable field, the difficulties of forming a satisfactory budget are aggravated and German credit is affected.

> 4. Common sense requires that the reparation liability ought not to rest even indirectly upon the rate of particular taxes, or otherwise every change in rates or methods of collection, even when thoroughly justified by social or political reasons, must be scrutinized with such a degree of care and perhaps suspicion that it becomes a fruitful source of friction and dispute.

#### III. THE GERMAN BUDGET FOR 1924-25, AND THE FISCAL SYSTEM

The 1924-25 budget.-The German Government prepared and submitted to us the outline of a provisional budget for 1924-25 which estimates a small excess of receipts over the ordinary administrative charges of the country. (Annex 8.)

While the committee have spent a great deal of time upon the details of this budget, and have put many questions in writing to the Government and in oral cross-examination of the officials upon its chief features, the subject is so vast in its ultimate implications, especially having regard to the constitution of the Reich, that no finality could possibly be reached, especially in a matter which to the Germans themselves is full of difficulty and doubt. Nevertheless, we believe that the ground has been explored to a sufficient extent to justify us in feeling that even a prolonged examination could not substantially alter our conclusions. To some of the more salient points we shall make particular reference.

The conditions under which the budget estimates were made .- It should, however, be first remarked that in general the budget must necessarily be in the nature what arbitrary estimates. At the time of our investigation Germany was passing through an acute eco-1. It is desirable that the German Government and nomic crisis, the direct result and the culminating point

tically to destroy the currency and reduce the budget to all but a shadow. The habit of saving has been destroyed, and it will require time and the restoration of better than have been indicated in their estimate. But confidence to reestablish it. The existing wealth is mal- if, for this year 1924, there was a deficit (we have just distributed in an almost unparalleled degree. The cessation of depreciation, with the consequent removal of regarded) we can assert that it would not be of an the premium on export and the stabilization of prices extent to endanger the stability of the currency, or at a level which is momentarily at any rate above that force the German Government to have recourse to of the world level, has had important reactions. Fi- other than the conventionally authorized expedients nally, the state of employment and the fiscal and eco- for meeting it, such as increases of existing taxation, nomic machinery of Germany have been violently de- further emergency taxes, or small internal loans. ranged by the events of 1923; a return to normal conditions in this respect can not be effected overnight.

Assumption underlying the budget .- It should be that fiscally these two years tend to be merged into one most carefully noted that the budget is not made up period, and, as will be seen later, we have no doubt to represent the financial expectations of actual existing | that in that period ordinary budget receipts will fully conditions. As we have remarked above, the general equal ordinary budget expenditure. Special features in the fiscal system .- The Income budget as presented anticipates a credit balance, and Tax .-- We do not propose to comment in any detail the German Finance Minister appeared to be reasonon the existing taxes, but there are certain broad ably confident of his ability to live up to these estifeatures which call for notice. mates, provided three essential conditions were ful-We have been unable to escape the conclusion that filled:

1. That the bank of issue which would serve as a the wealthier classes of Germany have, in recent years basis for the grant of credits would be established. not been reached properly by the system of taxation in force, either to an extent which the taxation of the 2. That the full development of German economic working classes would justify, or to an extent compalife should not be restricted by the severance of the rable with the burden upon the wealthier classes in Ruhr and the Rhineland. other countries. 3. That Germany enjoyed complete freedom in her

It is, of course, common knowledge that, with a economic relations with other countries. continually depreciating currency, many classes of The first and second of these conditions will be fulbusiness men tend to obtain as profit a larger share filled if our recommendations are accepted, and they appear to us to be essential to budget equilibrium. As than is normal of the total produce of industry. Many regards the third, we understand that Germany's com- of their expenses are in the nature of fixed charges; mercial freedom is restored under the terms of the moreover, generally speaking, paper-mark wages have not advanced as rapidly as paper-mark prices have treaty in less than 12 months' time. We are not, however, satisfied that the budget as increased, so that the share of the business proprietor framed is not exposed to a real risk of deficit. The in the total produce of industry, altogether apart from the special profits made by him on redeeming deben-German fiscal year begins on the 1st of April and even tures or mortgages at nominal figures, has tended to be if our recommendations are accepted a certain lapse of greater than is normal.

time will be necessary before an absolutely normal

Direct taxes, such as income tax, are necessarily For this, if for no other reason, we conclude that on assessed for completed periods and during a time of based on the profits of previous years, is small relatively to the profits of the year itself. Moreover, the process of return, assessment, and appeal for such a On the expenditure side, the only item on which a tax, necessarily occupies further time and by the date when substantive liability is fixed in paper marks its real burden is far less than was originally intended. Further delay in payment of that liability intensifies this effect. It was not until the inflation movement was well advanced in Germany that any serious effort was made to combat this evil. Although the rates of

administrative situation can be reestablished. the existing basis of taxation the estimated revenue rapidly rising prices the burden of any particular year, may not be realized, even allowing for certain possible under-estimates under particular headings. saving may emerge of any great significance relatively to the possible deficit is the provision of relief for unemployed. The sum allocated to this purpose (500,-000,000 gold marks) is estimated on the assumption that the existing amount of unemployment will continue throughout the year. It appears to us that this is unduly pessimistic and any reduction in the number will both relieve the expenditure and the revenue side income tax according to the nominal scales rose to of the budget, inasmuch as the wages earned by a nearly 60 per cent on the highest incomes, statistics laborer are subject to direct, and through the medium of cases furnished to us by the German Government show that in effect, even in the year 1920, the burden of his expenditure, to indirect, taxation.

Taking one item with another, however, we can not justifiably state that the results are likely to be any seen that this possibility can not be absolutely dis-

Moreover, so many of the settlements due in the year 1924 will fall to be made in the year 1925-26,

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of actual tax (measured in gold) on the higher incomes, instead of being 50 to 60 per cent, was only half those rates upon the income of the year (measured in gold). This was undoubtedly one of the primary causes for the budgetary difficulties of Germany, and the disparity was very much greater in the later periods. It can be said with confidence that the wealthier classes have escaped with far less than their proper share of the national burden, and we have put it as a matter for the serious consideration of the German the debtor (at the expense of the impoverished creditor) Government whether they should not, facing even the has been made to that extent. If it has not yet been admitted administrative difficulties, review the assessments of recent years in the case of these particular classes of taxpayer and reassess their liability upon a gold basis.

The whole system of direct taxation went to pieces in 1923 and, for 1924, the income tax, as is easily understood, is in abeyance. The profits of industry in 1923 expressed in nominal figures of paper marks to levy a tax of 2 per cent, or 1.7 on the whole debt. have no meaning unless they can be resolved into the In the case where the debt has been paid off, the profits of the particular dates on which they were made and then reduced to a common denominator of gold values. A profit of 1,000 marks made in January, 1923. is obviously quite a different amount from 1,000 marks made in September. We can well believe the German Government finds it impossible to use the year 1923 as a basis for income-tax assessment in 1924.

They have been driven to temporary expedients of a very makeshift character, not rising to a higher normal burden than 25 per cent, with the intention of mendations under the head of taxation. rescheming and reassessing the income tax proper in 1925.

These expedients do not reassure us upon the general question as to the taxation of the wealthy classes, and, and other similar obligations. in our judgment, if they desire the Allies and their own working classes to realize their good faith in this to which we would refer is the financial relation between matter, the German Government should publish at the Reich and the States and communes. an early date their definite intentions with regard to the scales of income taxation that are to be applied during 1925-26 to the actual profits of 1924-25 for the final adjustment of the fiscal year 1924-25.

wages.

We have drawn the German Government's attention to the absence in the temporary measures of any proper provision at present for dealing with income from abroad. They were asked to furnish us with details of the comparative position of different incomes drawn from dividends in the years 1920-21, 1923-24, and 1924-25. The reply is given in Annex 9 as indicating for greater financial aid. the present position of direct taxation in Germany.

Special taxation on those who have specially profited by

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The ultimate profit or loss to industry and agriculture as a whole of the depreciation era may be difficult to calculate. There are many cases, however, of industrial and other undertakings which were not only able to make large profits but succeeded in paying off prior charges at a trifling fraction of their value when incurred.

If a mortgage or debenture of 10,000 marks has been paid off for practically nothing, a "windfall" profit to paid off, but the debt can in due course be discharged by worthless paper marks, the "windfall" is a potential one. In this last case, it has been decided by the German Government to "valorize" the debt at 15 per cent and the windfall to the creditor is to be restricted to 85 per cent. On this remarkable improvement in his position, the Government proposes Government will take the actual difference between the gold price paid and 16.7 per cent. In our view, such special taxation, if justified in principle at all, as we believe it to be, is justified at much higher rates. But certain rights of taxation are being given to the Federal States which encroach upon this area of taxation, and, for the rest, our proposals (Section IX (c) of Part I) in regard to industrial debentures cover what might otherwise have been independent recom-

Similar extraordinary profits have been made through State subventions and through the repayment in depreciated currency of bank loans, State advances,

The Reich and the States .- The third special feature

The more complete financial centralization that took place after the war in accordance with the Weimar constitution has not fundamentally changed the character of the relations between the Reich and the The 1924-25 budget estimates 1,344,000,000 gold States. Although the Reich is charged with the adminmarks as the income tax yield, of which all but 480,- istration of taxes formerly undertaken by the States, 000,000 gold marks is estimated to be assessed on it is under obligation to cede the major part of the proceeds of the income tax, for example, to them. The States discharge wholly or in part many of the functions of Government, and there is no clear principle connecting their resources with their obligations. When in difficulties, they press the Reich for larger subventions (as percentage of the yield of taxation), just as in turn the needy communes press the States

The situation has hitherto been governed by merely political or administrative opportunism rather than depreciation of currency.-Currency depreciation, on by clear financial principle. The Reich can either the scale it has occurred in Germany, has brought into | yield to the pressure for higher percentages in subexistence a new and special type of "windfall" wealth | vention or they can confer upon the States the right which is a suitable subject for taxation in an emergency. I to exploit particular fields of taxation for themselves.

unsatisfactory. It is almost impossible to ascertain tional evolution. Germany waged war as an undithe true cost of any of the single functions of government in view of its division between these three to the Allies can not be qualified or weakened by an constitutional entities, and in the absence of proper attitude of passive acquiescence in the undiminished aggregated financial statistics of the States and still rights of subordinate areas. So long as Germany has more of the communes.

The changes that have taken place completely falsify any comparison which could be established between the pre-war Reich budget and that for 1924-25.

Moreover, these relations are once more under review. During the period of rapid depreciation the resources of the States and communes, together with regular allocations from the revenues of the Reich, were inadequate to their needs. Their financial situation was similar to that of the Reich itself.

The expedient adopted by the Reich of multiplying the issue of notes was not open to the States and communes, who had necessarily to be supplied with continuously increased subsidies from the Reich, and this proceeding was one of the principal causes of the utter breakdown of the German finances.

The resultant chaos has been such that no up-to-date framed their budget on a gold basis. It is in our and expenditure of the States and communes should case deficits are disclosed. be resumed.

The importance of the question may be seen if it is realized that the Reich budget, after allowing for the considerable prosperity at the same time that the Reich budget is in serious difficulties.

We do not pretend to be in a position to make detailed recommendations; the subject is a complicated one and involves the consideration of social and potraditions.

Moreover, if our recommendations are accepted in their entirety, self-interest alone may almost confidently be relied upon to force the German Government to make provident arrangements with the States, and it has already given us an assurance that the régime of increased subsidies has come to an end and will not be revived.

It is clear, however, that in the near future the German Government must take steps to put the relations between the Reich and its component parts on a regular | to above, and also to ignore the question of the total basis which shall insure that the latter are not a con- burden. For example, to state that Germany could stant drain upon Federal resources; the existing hole stand increases in the rates on tobacco, beer, spirits, in the budget must be plugged.

remain in supine contentment with the present situa- | does not impose; or to state that Germany could bear

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expenditure. In considering the budget as drafted in 1924-25, we have felt compelled to assume that the assignment to the States amounting to 1,800,000,000 gold marks is an irreducible figure, and that if the States themselves have budgeted for the receipt of this sum the Reich will be unable to escape the liability in one form or another. This is the most probable assumption statistics are available, and the States have not yet which we can make in a matter which bristles with political difficulties, and it is supported by the estiopinion essential that at the earliest possible moment | mates submitted to us of the revenue and expenditure the preparation of complete statistics of the receipts in 1924-25 of Prussia, Saxony, and Bavaria; in each

FURTHER COMMENTS UPON PARTICULAR TAXES 1. The committee recognize that the taxation of subsidies, contains little more than one-third of the each large nation to-day is the product of many total expenditure, one-third being met by the States factors, including its historical evolution, its economic and one-third by the communes. It would be quite conditions, its political ideas, its constitutional framepossible for the communal budgets to be enjoying work, and its social psychology. What is a good system for one country may be quite unacceptable for another. Even though the same elements may exist in two systems, the importance played by those several elements in the whole may be quite different. If a similar total burden is being raised in two countries, litical factors, many of which have deep roots in historic | it is almost certain that the manner in which it is being spread over the community and the particular devices adopted to raise it will be very different.

The check by the States upon the communes is equally | tion merely because it has been the result of constituvided whole and the financial responsibility of the Reich any external obligations they must be paramount, and the resources normally to be assigned to the States and communes must be clearly defined, and care must be taken to secure that these resources are not more than adequate to legitimate needs.

> Where further assistance must be given by the Federal Treasury, the amount of such assistance should again be strictly proportioned to the necessities of each case and subordinated to continually increasing central supervision by the Federal Treasury of local

2. For these and other similar reasons we do not regard it as particularly profitable to pass the German budget in detailed review merely to suggest that each particular tax can be raised to a rate or level found in some allied country for that tax, and thus to impose upon Germany the maximum burden borne under each head in any of the creditor countries. To do this would be to lose sight of the principle we have referred etc., to the level of those in England, while ignoring \* It does not suffice, in our judgment, for the Reich to | the existence of her high turnover tax, which England

increased rates of death duties, while wholly ignoring the existence of her capital taxes, would be to destroy the balance of her system and be oblivious to the total burden thus accumulated. The committee would desire to avoid being dogmatic as to the way in which a given sum shall be raised by the German Government. Having come to the conclusion that a given burden can be borne, it is for Germany to suit her own conditions in prescribing the ways in which it shall be obtained. At the same time, diverse as the systems in the allied countries themselves are, the committee offers the following suggestions as the subject of their common agreement and as suited, in their judgment, to German conditions:

#### 1. Tobacco

suggestions, which we commend to the notice of the German Government: 3

While they believe that the institution of a tobacco monopoly would entail heavy immediate expenditure, thus causing economic disorder, the technical experts recommend that the free manufacture and sale of tobacco should only be allowed to continue if subject to the regulations of the following scheme:

1. No factory, nor wholesale or retail tobacco shop may in future be established nor may any existing establishment be enlarged without the permission of the State.

2. The introduction of tobacco substitutes in manufacture is prohibited.

3. The number of existing factories must be reduced by abolishing, with a fair indemnity, those which are really not industrial in character, while all factories which have been proved by experience to be incapable of producing goods at a fair cost price must be expropriated.

4. Products manufactured in the various factories shall still be sold with their trade-mark, while the sale price to the consumer shall be indicated on each package; each box or packet to be sealed with a band representing the State guarantees.

5. Existing manufacturers shall form a consortium according to the category of goods produced. This consortium, while collectively undertaking to supply the State with the quantities required for consumption, shall have to deliver its products at its own expense and exclusively to the State warehouses indicated. 6. The products manufactured shall be bought by the State at a price to be fixed at regular intervals.

7. Prices shall be fixed in conformity with the results obtained in one or two State factories, to be run for experimental purposes and for the control of prices.

\* These suggestions are contained in a report drawn up by M. Mayer and M. Aliprandi, which will be put at the disposal of the Reparation mission, together with a report on indirect taxes drawn up by M. Hulin and M. Mazzucchelli,

8. Importers of foreign manufactured products shall be free to continue their business on the sole condition that they sell the imported products to the State warehouses, under the same conditions of delivery as home manufacturers who deliver the goods produced in their factories.

In regard to sale organization, the technical experts make the following recommendations:

1. The State shall use the wholesale dealers' warehouses for its own purposes.

2. Retail sales must be carried out exclusively by licensed retail dealers.

3. The retail dealers must only sell State products bearing the proper guarantee band at the price fixed on the package.

4. The remuneration of retail dealers shall be fixed at regular intervals by a certain rate of commission on Eminent technical experts have made the following the sale price to the consumer, such rate not to exceed an average of 12 per cent. Bonuses within this limit of 12 per cent would encourage the most energetic retail dealers and thus develop the turnover.

5. Payment for manufactured products delivered to retail dealers shall be made to the warehouse supplying them by means of check or postal order (not in cash and without credit) minus the commission above stated.

6. A small number of State retail shops shall be instituted in order to obtain reliable estimates and to control the expenses of sale.

On the basis of this plan the technical experts make the following estimate of the profit to be obtained by the State.

the search of the second	Swiss francs
Cost of manufacture	476, 160, 000
Manufacturer's profit and additional	
general expenses (35 per cent of the	
cost of manufacture)	166, 656, 000
Expenses for the warehouse service and	
general expenses of the sale organi-	
zation (1 per cent of the gross re-	
ceipts)	20, 906, 400
Cost of delivery to retailers (12 per	,, 100
cent of the gross receipts)	230, 876, 800
dditional expenses for transport	,,
(80,000 tons Xaverage distance of	N manual A
25 kilometers × 0.25 franc)	500, 000
nnuity payment in the event of the	,
indemnification of one-fourth of the	
present manufacturers	16, 975, 000
Total expenses	
tross receipts (according to Tables	912, 074, 200
V and VI)	0 000 010 000
V and VI)	
let profit for the State	
That isgold marks	856 515 000
ercentage of net profit	56. 4
	00.4

The technical experts have the following observations to make on the above table:

1. An annuity payment is provided for, which A considerably larger sum can be realized from the German duties, while decreasing the burden falling on the German consumer. The less efficient factories will be eliminated and substitutes will be abolished; surplus 2. The cost prices of a free industry distributed profits of the intermediaries will be reduced, leaving disciplined.

would correspond to the amounts to be allowed for the indemnification of the small factories to be closed down. amongst a large number of factories are higher than them nevertheless a reasonable margin. Without those of a monopoly. Consequently the costs of introducing the monopoly reform, standard factories manufacture under a monopoly system are increased will be instituted (one or two factories to control costs by 35 per cent in order to allow the manufacturer a and few selling shops) and the sales will be strictly reasonable profit.

3. With this organization, which leaves the factories The proceeds would be paid n periodically by the and retail establishments in their present form, the 'Service of assigned revenues," either: taxes now collected by the German Government would (a) In the case of the adoption of the "assiette" no longer have to be deducted, with the sole exception suggested by the technical experts, on the basis of of the tax on wholesale dealers to the amount of 60 per cent of the gross revenue (as the technical 6 000 000 experts themselves have calculated that 40 per cent Under a system of sale, organized in conformity with represents purchase price of manufactured tobacco, this scheme the technical experts put forward the plus cost of distribution, etc., the remaining 60 per results of such a plan as under: cent represents an absolutely net profit from the duty); or,

Gross receipts (amount expended by	Gold marks	1
consumers)	1, 523, 960, 000	
Profit obtained by the State from which		1
must be deducted the taxes at	colline (o line)	1
present collected by the Reich	856, 515, 000	1
Customs, tax on turnover	6,000,000	

Net profit obtained by the State\_\_\_\_\_ 850, 515, 000

The technical experts consider that it would be preferable to entrust the sale organization to an entirely autonomous organization, the constitution of which might well be based on the example of the Swedish monopoly. On the other hand, it is their opinion that the present fiscal organization of the German Reich should be used for the supervision of the tax.

In conclusion, the technical experts believe that during the first period, which would not exceed two years, the estimate of the guaranteed net profit might be based on the assumption that each inhabitant spends only 26 Swiss francs per annum, which is the figure now obtaining in Austria. Such a figure would yield a net profit of 657,000,000 of gold marks, on the following estimate.

	DWIDS HALLOS
Gross receipts 26 $\times$ 62 millions	1, 612, 000, 000
Total expenditure 4	707, 917, 000
Net profit	904, 082, 000
or 657,000,000 gold marks.	

To recapitulate, the guaranteed revenues for the payment of reparation which Germany might obtain by the tobacco tax would be as follows:

1925–26do 657, 000, 000	
1924-25German estimate 498, 000, 000	

· Expenditure shown in the table on the previous page reduced by  $\frac{36}{3372}$ with the exception of the expropriation annuity.

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#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

2. Indirect taxes generally The rates appear to the committee to be unduly low, and, as prosperity grows, to be susceptible of increase without diminishing consumption.

It is our general opinion that this tax should at the earliest possible moment, be somewhat reduced in favor of other forms of taxation.

(b) Otherwise, on the basis of a sum in gold marks for every kilogram of tobacco taxed, according to the various chief qualities of the tobacco; this sum to be fixed by the technical experts.

#### 3. Turnover tax

#### 4. Taxes on motor transport

It is considered that the present total burden is too low and that a substantial further sum might be raised without detriment either by a tax on petrol or a supplementary duty on motor cars, or by a combination of these means.

#### 5. Death duties

The yield from these duties is extraordinarily low judged by almost any standard. It is not satisfactorily accounted for by the temporary depreciation in capital values which is due to lack of profits and trade output. Not only is the total yield low judged by any test as to capital values, but the actual rates of duty being imposed are also, in the committee's judgment, inadequate. While not unmindful of the effect of the relation between these duties and the capital tax in general, the committee thinks that the position disclosed in the following table, compiled by the German Government, indicates that there is considerable room for increased taxation under this head.

It will be observed that where the rate in Germany is nominally higher than that in other countries, it is in Germany's obligation is fixed by the standard paythose scales where the tax may be least influential ment, plus supplementary payment (and into the in its effect upon total vield.

Annual taxation on capital, in the committee's of these taxed articles will enter). judgment, tends to become a part of the income tax system and to discriminate between income derived paid into the account of the agent for reparation payfrom work and that derived from investment. In this case, therefore, taxation of capital by annual execution. payments is in a different category from ordinary succession duties.

FISCAL BURDEN CONSTITUTED BY THE DEATH DUTIES IN GERMANY, BELGIUM, GREAT BRITAIN, AND FRANCE

[Burden expressed in percentage]

	And the second			
Property left (in gold marks) 1	Ger- many	Belgium	Great Britain	France
WIFE AND THREE CHILDREN	Service and	限, 推,	Stanland,	(*** ******
20,000 200,000 2,000,000 6,000,000	2.9 5.9	2.1 2.7 3.8 4.8	3.0 5.0 15.9 22.8	3.5 6.1 11.5 14.4
BROTHER			-	
20,000 200,000 2,000,000 6,000,000		8.3 11.4 17.0 22.2	3.0 5.0 19.2 25.9	23. 3 36. 0 50. 1 56. 2
PERSON NEXT OF KIN		and a strength	an malin	
20,000 200,000 2,000,000 6,000,000	18. 2 40. 6 70. 0 70. 0	16.7 22.8 34.8 44.5	3.0 5.0 23.5 29.8	36.8 48.3 61.0 66.5

<sup>1</sup> The foreign currency has been converted into gold marks on the basis of the average rates of exchange quoted for the currency at issue on the Berlin Stock Exchange in the month of January, 1924. According to these quotations 1,000 gold marks were equivalent to—55.5 pounds sterling in round numbers, or 5,000 French frances in round numbers, or 5,550 Belgian frances in round numbers.

#### IV. PROPOSAL FOR CONTROL OF REVENUES ASSIGNED AS SECURITY

It is necessary to elaborate in rather fuller detail the recommendations which we have made in Part I of this report for the assignment of the taxes, etc., on tobacco, ascertain that all assigned revenuesalcohol, sugar, beer, and of the customs revenue as security for payment of the sums charged annually on the German budget.

As regards the year 1926-27, 1927-28, as already indicated, the assigned revenues will play a special part tailed administration except in the case and in the in our plan. They will not only serve as a guarantee manner indicated below. It would be his duty to see to creditors, but also as a means of measuring the con- at all times that the administration was reasonably tingent addition to, or deduction from, the total amount efficient and the accounting system honest and acof reparation payments laid down in the plan. If curate. But since the interests of the Allies are not the yield of these revenues falls short of 1 milliard in affected so long as the revenues are sufficient, with 1926-27 or 11/4 milliards in 1927-28, the reparation an adequate margin, to meet the annual charges, it payments will be diminished by an amount equal to would not be his duty in such circumstances to interone-third of such deficiency; on the other hand, if they | fere with the details of control. exceed those limits, there will be an additional payment equal to one-third of the excess; both deduction on the exact tariffs or the exact form of administration and addition, however, are limited to an amount of which would, in his view, secure the utmost yield, and 250,000,000 in each year.

In 1928-29, and subsequent years, the amount of computation of the latter, the increased consumption

The total yield of the controlled revenues will be ments as from the time when the plan is put into

In the first year in which there is a charge on the budget and in all subsquent years, the amounts required to meet the charge will be retained and the balance will be periodically released to the German Government.

We propose that there should be one commissioner to supervise the controlled revenues and under him a subcommissioner for each of the five controlled revenues.

In order that the Reparation Commission may be in a position to secure an officer of the greatest experience and efficiency as chief commissioner, the area of selection should be as wide as possible and not confined to the allied countries.

He should have the assistance of a consultative and advisory committee on which each of the interested allied countries would be represented.

The various German services of the assigned revenues would be obliged to deposit, through the receiving offices, immediately on receipt, the amount received under the head of the revenues in question at the nearest branch of the central bank acting as treasurer.

(A) Funds.—The separate branches should pay the sums into the central bank to an account at the disposal of the commissioner, who should afterwards provide for the periodical "reversements" to the German Government of sums in excess of the proportion of the year's peace-treaty payments accrued to date.

(B) Audit.-The commissioner would impose such methods of independent audit as he might desire to

1. Were properly obtained from the public, and

2. Flowed through the control administration.

(C) Detailed responsibility for management.-He would not be obliged to assume responsibility for de-

He would therefore not normally be obliged to insist he would not, therefore, be obliged (unless the need

with the administrative expense on staff, etc., which sugar. But all interference in the German Governthat would involve nor would he be required to have ment's tariff policy is to be avoided. such an elaborate and expensive accounting and calculating personnel as would enable him to certify that ing general principles: every mark was accurately accounted for (which is obviously a very different thing from seeing that the ought to be decided by the countries interested. These system is honest and efficient).

matically more active, more responsible, more difficult | complete control as soon as the revenues appeared to and, of necessity, more expensive. For if the revenues be insufficient, should, therefore, be laid down in were in danger of being insufficient, it would be his duty protocols signed by all the countries whose interests to take every possible measure to increase their pro- are mainly involved. ductivity. This increase in the active character of the control would be in exact proportion to the need for it. He would thus reform and direct administration in detail only if and so far as necessary.

(D) The technical control would consist, in the ordinary course, of the right:

(a) To obtain all information and examine all books. (b) To visit and inspect the factories subject to duties, and to ascertain that approved standards are maintained.

(c) To send experts to report and advise and, in case of actual necessity arising, to exercise detailed control. yield of the gage revenues. (d) To propose higher technical standards.

(e) To require prior advice of all administrative regulations.

In settling the constitution of the control body, it should be borne in mind that it may be concerned with the issue of bonds guaranteed by the said assigned revenues, if it is desired to create an international bond other than the railway one.

The German Government should be asked not to reduce the rate of the assigned revenues without the consent of the commissioner, which would not be given until the consultative committee had had an opportunity of considering the proposal and approved it by a majority; on the other hand, it is considered necessary that the German Government should be encouraged, regard being had to the rates prevailing in other countries, to effect increases in the taxation of alcohol, beer, and sugar.

The above system makes it unnecessary in relation to the problem of security, to insist on an increase in any particular tax, though we suggest to the German Government that it is to their interest, especially having regard to the rates prevailing in other countries

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arose) to assume the responsibility of detailed direction to effect increases in the taxation of alcohol, beer, and

To sum up this subject we would lay down the follow-

1. The main lines on which the control should work main lines establishing the principle of a control If the need arose, his control would become auto- developing automatically as required, and becoming

> 2. These main lines should be elaborated into detailed instructions by international experts (in practice of the nationalities of the countries interested). 3. With this safeguard, the execution of the control is intrusted to a single impartial person (with the necessary staff) so as to secure the rapid and consistent administrative decisions required for an efficient control.

4. His responsibility to the Reparation Commission should not be of a day to day order, but a periodical report should be made by him upon the condition and

5. In the event of the revenues for a given year proving insufficient, the whole system outlined in this scheme (working of the railways, a mortgage on industrial property, the control of the revenues assigned as security) will be prolonged as required for the purpose of making good the deficit.

The committee desires to express its high appreciation of the valuable and efficient cooperation received throughout its task from the general secretary. Mr. Andrew McFadyean, and to thank his assistant, Monsieur Denis, the interpreters, and all the staff for their ungrudging services.

CHARLES G. DAWES, Chairman. OWEN D. YOUNG. ROBERT M. KINDERSLEY. J. C. STAMP. J. PARMENTIER. EDGARD ALLIX. ALBERTO PIRELLI. FEDERICO FLORA. E. FRANCQUI. MAURICE HOUTART.

Paris, April 9, 1924.

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### ANNEX NO. 1 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

GERMANY

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#### I. Name and location

The bank, hereinafter designated as the "new bank," shall bear a new and suitable title, unless, in conformity with paragraph(b), Section III, below, the organization committee shall decide to use the Reichsbank for the bank. putting the present plan into operation. It shall be a private corporation, and its charter shall be for 50 years. The new bank shall have its principal office in Berlin and such branches and agencies as its managing board shall determine.

#### II. Capital

(a) The bank shall have a cash paid-up capital of 400,000,000 gold marks, which shall be in registered or bearer shares of 100 marks each. These shares shall be issued as follows:

- 1,000,000 shares to represent the assets of the Reichsbank:
- 3,000,000 shares for subscription in Germany and abroad.

(b) All shares shall be alike, and after the initial subscriptions have been accepted, no restriction shall be imposed upon their purchase and sale, other than such general restrictions of German law as shall apply to the purchase and sale of shares of other banks.

(c) Shares whether sold in Germany or abroad shall be paid for entirely in gold, and/or foreign bills, at their current gold values.

(d) Subject to the preceding provision of this section, the shares of the new bank shall be allotted and sold on such terms as to prices, times of payment, and other conditions, as are most advantageous to the bank.

#### III. Organization committee

(a) For the purpose of taking the preliminary steps for the bank's corporate organization, there shall be members of the general board, or chosen from outside created a temporary committee, to be known as "the the board. The election by the board of a nonmember organization committee." This committee shall con- as president, shall operate to vacate automatically sist of two members-the president of the Reichsbank, the seat of that German member of the general board and one person who shall have been a member of one having a term of two years or more yet to run, whose of the committees of experts acquainted with the election was obtained by the smallest share vote, discussions which resulted in the drafting of the plan unless some other member of the general board, having for the bank.

generally to interpret any ambiguities appearing in the A president, elected from outside the general board plan, provided always such interpretation shall not shall, by the fact of his election, become a member of interfere with the principles involved. It shall also the board.

PLAN FOR THE ORGANIZATION OF A BANK OF ISSUE IN | have power if it deems wise, to carry out this plan by the transformation of the Reichsbank, under suitable legislation, rather than by the organization of a new corporation. It shall frame the statutes regulating the administration of the bank. These statutes shall in particular include provisions concerning:

1. The form and character of the share certificates of

2. The formalities to be fulfilled for the transfer and pledging of the registered share certificates.

3. The cancellation of share certificates lost or destroyed.

4. The method by which the German shareholders shall elect the German members of the General Board.

5. The nature of the reports published by the bank, as well as the method and place of their publication.

6. The nature and duties of the permanent committees, of the managing board, and the officials of the bank.

7. The administrative departments to be created within the bank.

8. The date and place of the regular meetings of the managing board and of the general board.

9. The special meetings of the managing board and of the general board.

#### IV. Administration and management

The bank shall be administered by a managing board, under the chairmanship of a president, all of whom shall be of German nationality.

#### V. The president of the bank

(a) For the purpose of this memorandum only, the chairman of the managing board and of the general board is hereinafter called the president; he shall be the managing director of the bank. Subject to the limitations imposed by law, he shall perform such duties as are assigned to him by the bank's statutes.

(b) The president may be elected from among the a two years' term or more yet to run, shall resign at (b) The organization committee shall have power the time, and his resignation be accepted by the board.

### REPORTS OF COMMITTEES TO REPARATION COMMISSION

(c) The first president shall be the president of the Reichsbank; his term of office shall be six months. Subsequently, the president, who must be of German first election or appointment. In the case of the first nationality, shall be appointed by a majority vote of not less than nine members of the general board, of which majority at least six votes shall be the votes of German members; this appointment shall be countersigned by the president of the Reich.

(d) The president shall direct the managing board and shall take the chair at its meetings. In case of a chosen, the members shall decide, by lot, the term for tie vote, he shall have the casting vote. He shall which each shall serve, namely, one, two, or three appoint the officials of the bank on the recommenda- years. tion of the managing board. He shall organize the distribution of their work and duties in the bank, and this section, and to the provisions of this plan that shall exercise disciplinary powers over the officials and apply to all members of the general board, members employees, these powers being provided for in a special clause of the statutes to be approved by the general ner and under such conditions as the stockholders of board.

#### VI. Managing board

(a) The administration of the bank shall be intrusted to a managing board which shall be the administrative and executive body. This board shall be shall be determined by the organization committee as under the chairmanship of the president. It shall provided for in Section III of this plan. No plan shall adopt its decisions by majority vote and in conformity with the regulations laid down in the statutes and by law. In particular it shall direct the currency, discount, and credit policy of the bank. It shall fix the rates of interest and shall draft all regulations concerning the policy of the bank.

(b) The members of the managing board shall be appointed by the president for a period to be fixed by the organization committee, subject to the approval of the general board, whose decision in this connection shall be adopted by a majority of nine votes, at least six of which shall be given by the German members; these appointments shall be countersigned by the president of the Reich.

(c) The members of the managing board shall occupy no other remunerated post, neither shall they accept any honorary post without the previous consent of the general board.

(d) The salaries and pensions of the members of the managing board and of the president shall be fixed by the general board, the salaries and pensions of the senior staff of the bank shall be fixed by the managing board with the approval of the president, and in case of the junior staff, by the managing board alone.

(e) The managing board may, if they think fit, obtain the assistance of a consultative body composed of German members chosen from agriculture, commerce, and industry.

#### VH. General board

(a) There shall be created a general board, consisting of 14 members hereinafter called the members (h) No Government official, or other person receiving compensation from the German Government, or from of the general board. One-half of these members any foreign government shall become a member of the shall be of foreign and the other half of German general board. nationality.

FRASER

(b) Each member of the general board shall be chosen for a period of three years, except in the case of the term of office, three German members and three foreign members shall serve for a term of one year; two German members and two foreign members shall serve for a term of two years, and two German members and two foreign members shall serve for a term of three years. At the first meeting of the general board

(c) Subject to the provisions of paragraph (b) of of German nationality shall be chosen in such a man-German nationality shall decide, in accordance with German law. The manner and conditions so decided upon shall be incorporated in the statutes. The manner of selecting the first group of German members be adopted for the first selection of German members that does not meet with the approval of the president of the Reichsbank.

(d) The foreign members of the first general board shall be appointed by the organization committee. They shall be chosen with due regard to their professional qualifications and financial experience. In making the appointments, the organization committee may consult the principle foreign banks of issue and/or any other authorities in financial matters whose advice it may desire.

(e) In case of vacancy in a position of a foreign member of the general board, arising from death, resignation, or other cause, there shall be a new election of another person of the same nationality to fill the vacant place. This election shall be by the foreign members of the board who are in active membership at the time this election is held. Unanimity less one vote shall be necessary for an election. The new member shall always be chosen from among the nationals of the country of the member whose vacancy he is to fill. Before electing any foreign members of the board, the board shall consult, with reference to said election, the central bank of issue of the country whose national is to be chosen and/or any other financial authorities of that country whom it may desire to consult.

(f) The foreign members shall be chosen, one from each of the following nationalities, British, French, Italian, Belgian, American, Dutch, and Swiss.

(g) On the unanimous vote of the general board, the number of German members may be increased.

(i) Except as otherwise provided for by the bank's essary, he may make any investigations either in perstatutes, decisions of the board shall be by a majority vote of 10 members, or by a simple majority vote present at the meetings of the managing board in Berlin. if the president and the commissioner are included in the majority. Should a member not be able to attend serve of notes shall only deliver notes when authorized a meeting of the board, it will always be open to him by the commissioner so to do. to empower one of his colleagues, by registered letter or by telegram, to vote for him and on his behalf.

(j) At each of its meetings, and at least once every month, the general board shall examine the reports submitted to it by the president and the commissioner. It shall adopt decisions on all the proposals made to it by the president and the commissioner, provided that these decisions do not encroach upon the rights reserved to the president and the managing board as specified in Sections V and VI above.

(k) The metal reserve of the bank and the office for the printing of the notes shall be in Germany, but the general board may, by a three-quarters majority vote, decide that either or both be transferred abroad to a neutral country.

#### VIII. The commissioner

(a) The commissioner, who shall be a foreigner, shall be elected by a majority vote of not less than nine members of the general board, of which majority at of the general board voting in the conditions laid down least six votes shall be those of foreign members. in paragraph (i) of Section VII, accept the long-term The commissioner's term of office shall be fixed by the bonds of the Reich as collateral for loans with maturiorganization committee.

the members of the board of foreign nationality or of these names being the name of a commercial bank may be chosen from outside the board, from citizens of doing business in Germany: Provided, That loans any one of the foreign countries represented on the collaterally secured by the long-term securities of the board. The election by the board of a nonmember to the position of commissioner shall operate to vacate paid-in capital and surplus, except by the unanimous automatically, the position of the citizen of the country vote of all the members of the general board save one. of which the commissioner is a citizen. A commissioner elected from outside the board shall, by the fact of his election, become a member of the board.

(c) If, at the first election, the person chosen as commissioner should be a member whose term, as decided by lot, in accordance with paragraph (b) of Section VII of this scheme, should only be one year, debt bonds as additional security for loans previously the term of this member shall automatically be increased to two years. In this case, one of the two foreign members who have been assigned to two years' term, shall have his term reduced to one year. The decision as to which of the two foreign members shall have his term thus reduced from two years to one any German State, communes, or other German shall be made by lot.

(d) It shall be an essential duty of the commissioner to enforce the provisions of the law and the statutory bonds, debentures, or other debt of any such governregulations relative to the issue of notes and the main- mental unit, except as otherwise specifically authorized tenance of the bank's reserves which guarantee that by its constitutive law. The deposit accounts and issue. To this effect, the commissioner shall have the current accounts in the bank, of the German Reich, the right to have furnished to him all statistics and docu- German States, the German communes, or other ments which he may deem useful for the accomplish- German governmental units, shall never show a debit ment of his task, and whenever it appears to him nec- i balance.

son or through his assistants. He shall be entiled to be

(e) The office entrusted with the custody of the re-

(f) The commissioner shall be bound to the greatest secrecy in regard to all information he may obtain on the commercial operations of the bank.

#### IX. Loans, discounts, and investments

(a) The bank shall make no loans or discounts having a maturity at the time the advance is made, in excess of three months.

(b) The bank shall discount no notes or bills bearing less than three names of known solvency, except that for one name there may be substituted collateral in the form of warrants relating to bona-fide commercial transaction or to goods. Such definiton shall not be taken as including any notes issued or bills drawn in financial transactions or secured by stocks, bonds, or other investment securities but may include treasury bills of the German Government.

(c) The bank may, with the special authorization ties not exceeding three months, if the loans bear two (b) The commissioner may be elected from among responsible names, in addition to the collateral, one Reich shall never exceed the amount of the bank's net

(d) The bank shall make no loans nor advances on the security of real estate, mining property, oil property, or stock shares; nor on the security of Government obligations, except as otherwise provided for in this plan. The bank may, however, take mortgages or titles to such property, stock shares, and Government made in good faith in accordance with provisions herein made.

(e) Subject to the provisions contained in paragraph (a), the bank shall make no loans, discounts, or other advances directly or indirectly to the German Reich, governmental units, or to any foreign government or governmental units, nor shall it invest its funds in the

(f) The bank shall not accept time bills of exchange to issue or circulate paper money in Germany during the period of the bank's charter, with the exception of drawn against it. the banks of Baden, Bavaria, Saxony, and Wurtemberg, (g) The bank may not buy or sell merchandise, which shall retain their charter of issue for sums not to exceed their present legal quota. The notes of the rentenbank shall be gradually withdrawn from circula-(h) The restrictions contained in the preceding paragraph shall not operate to prevent the bank from tion under the conditions prescribed in Section XV buying such real estate, equipment, and supplies as it and the appendix hereto.

produce, real estate, or stock shares of other corporations for its own account.

needs for its own banking business, or from selling such property as may come into its possession in connection with the guarantee of statutory loans. Moreover, the bank shall not be prevented, by the above restrictions, from buying in property where it needs to do so, in order to protect itself in the collection of statutory loans previously made in good faith and not paid at maturity.

#### X. Service of the Reich's treasury

(a) The managing board is authorized to make advances from time to time to the Reich, but the amount outstanding at any one time shall never exceed 100,000,000 marks. Such advances shall, in no case, be for a longer period than three months and in no case shall the Reich be indebted to the bank at the end of the bank's financial year, which shall coincide with that of the Reich. In consideration of these facilities, the Reich and its treasury shall conduct all their domestic and foreign banking business through the medium of the bank.

(b) The managing board shall also be empowered to grant advances to the post office and the railways for and private. reasonable amounts on condition that these organizations shall intrust the bank, except in so far as the bank might modify this condition, with the whole of their treasury service; but the total amount of loans outstanding to the post office and the railways together shall not exceed 200,000,000 gold marks.

#### XI. Service of the reparation treasury

The bank will receive on deposit sums paid for reparations, it being understood that the relationship between it and the committee intrusted with reparation receipts shall be solely those of banker and customer.

This treasury service will proceed in conformity with the provisions of Annex — to the general report. The maximum amount to be held on deposit for reparation account shall at no time exceed 2 milliards of marks in conformity with Section X (a) of this Annex, except as otherwise provided therein.

#### XII. Bank notes

period of its charter.

3. Demand drafts, payable in gold or in foreign (a) The bank shall have the exclusive right of issuing currencies at current market gold values, and drawn and circulating bank notes in Germany during the on funds located abroad in solvent banks to be specified by the bank's statutes, provided that the premia above (b) The German Government may not itself issue the gold pars (or gold values, in the case of currencies any kind of paper money for circulation in Germany, not on a gold basis) charged by the bank for such during the period of the bank's charter, nor shall it drafts shall never exceed the amount necessary to cover permit any German State, commune, city, other shipping expenses, including interest for the time of governmental unit, corporation, or private individual | transit, on gold bars shipped in substantial quantities

(c) During the period of the bank's charter, the Reich shall not issue any coins for circulation in Germany (except gold coins, containing approximately their full value in gold metal) of a larger denomination than 5 marks; and shall not issue coins of 5 marks or less, in excess of 20 marks per capita of her population. All coins, other than gold coins, issued by the Government, shall be issued through the bank. They shall be received by the Government in unlimited quantity at their nominal value, in payment of all taxes and other Government dues.

(d) The bank may issue notes for circulation, against gold coin or bullion, statutory discounts as defined in Section IX, demand credits in foreign banks and foreign commercial trade bills, with maturities of three months or less, taken at their present gold values at current rate of exchange.

(e) The notes of the bank, as well as metallic currency, shall be receivable in unlimited quantities for all taxes and other Government dues in Germany. The notes shall be unlimited legal tender, unless otherwise specifically provided by contract, for all debts, public

(f) The notes of the bank shall be accepted at their nominal value for all payments made to the bank, both at the head office of the bank in Berlin and at all branches of the bank located in Germany.

(g) Notes shall be payable to bearer at the head office of the bank in Berlin on presentation. The notes shall also be payable on presentation at the other offices and branches of the bank to the extent permitted by their cash reserves and monetary requirements. Payments may be made in any of the following forms, at the option of the bank:

1. German gold coins of the present legal standard of weight and fineness at par.

2. Gold bars, in denominations of not less than 1,000 gold marks, and not more than 35,000 gold marks, at their pure gold equivalent in German gold coin of the present legal standard of weight and fineness.

from Berlin to the foreign financial center on which the draft is drawn.

The committee is of opinion, however, that, at the inception of the bank, conditions will be unfavorable for the application of the above rule of convertibility; liabilities there mentioned. in this event, this rule may therefore be temporarily modified by the affirmative vote of every member but one of each of the following groups:

- 1. The organization committee.
- 2. The managing board.
- 3. The general board.

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In case of such modification, the bank shall make all possible efforts and use all the means at its disposal in gold bars or gold coin at any office of the bank, and in order to maintain the rate of exchange of the mark or in the form of demand deposits made payable in at as near gold parity as possible. Furthermore, in gold or its equivalent at the rates at which the deposits case of modification of the above-mentioned rule of were made in banks of high standing located in foreign convertibility of notes, a return to convertibility will financial centers. be permanently established as soon as possible, by a simple majority vote of the general board and of the and gold deposits of the same character required to be managing board

for notes that have been lost or completely destroyed, above reserve is continuously for one week or more it shall replace worn or torn notes, on application, by below said 12 per cent, the bank shall pay a deficiency notes in good condition, at their nominal value; pro- tax of 4 per cent per annum on the amount by which vided that such replacement shall not be required in the reserve is less than 12 per cent and not less than 10 the case of any note unless the part of the note pre- per cent; a tax of 8 per cent per annum on the amount

signature of the president and the seal of the com- to said 8 per cent for each 1 per cent by which the missioner.

#### XIII. Reserves

at least 333 per cent of the total amount of its notes outstanding, subject to the following qualification:

In exceptional circumstances the reserve against notes may be reduced below 331 per cent, on the pro- time with maturities of less than 30 days to the amount posal of the managing board, by a decision of the gen- of not less than 30 per cent of the bank's total deposit eral board; but said decision of the general board shall liabilities. require the affirmative vote of every member of the reserve, the bank shall incur the following penalties, service of the bank's deposits. the proceeds of which it shall pay to the Reich:

Whenever the reserve against notes shall be less than 331 per cent of the notes outstanding and shall so continue for more than one week the bank shall pay the following deficiency tax upon the amount by which the said reserve is less than 331 per cent of the notes outstanding.

When the reserve is below  $33\frac{1}{3}$  per cent and not below 30 per cent, a tax of 3 per cent per annum.

When the reserve is below 30 per cent and not below 27 per cent, a tax of 5 per cent per annum.

When the reserve is below 27 per cent and not below 25 per cent, a tax of 8 per cent per annum.

per cent per annum plus 1 per cent per annum for each puted, shall exceed 12 per cent, the bank may use its

(b) No discount rate or rediscount rate shall be below 5 per cent per annum when the reserve mentioned in the preceding paragraph shall have continuously for one week or more been below 33<sup>1</sup>/<sub>3</sub> per cent of the bank-note

(c) Whenever a deficiency tax is payable, a percentage equal to at least one-third of the percentage rate of the tax payable shall be added to the bank's discount rate and rediscount rate, in addition to any increase in the said rates required to comply with the provisions of the preceding paragraph.

(d) The above-mentioned legal reserve may be kept

(e) The bank shall also hold a special reserve of gold held against its notes in circulation to the amount of (h) While the bank shall not make reimbursement 12 per cent of its deposit liabilities. Whenever the sented shall constitute more than one-half of the note. by which it is less than 10 per cent and not less than 8 (i) The notes of the bank shall bear the facsimile per cent; and a tax of 10 per cent per annum in addition percentage figure is below 8 per cent.

(f) In order to assure adequate liquidity in the assets securing the bank's deposit liabilities, the bank shall at (a) The bank shall always carry a normal reserve of all times hold in addition to its aforementioned gold reserve of 12 per cent demand deposits in Germany and abroad, checks on other banks, and statutory notes and bills of a commercial character, payable at call or on

(g) The above-mentioned reserves and the liquid board save one. In case of such a reduction in the assets above described shall be segregated for the

#### XIV. Profits

The net profits of the bank, at the end of each financial period, shall be employed as follows:

(a) Twenty per cent shall be transferred to surplus or reserve until the bank's actual net paid-up capital and surplus shall amount to 12 per cent of its average liabilities on circulating notes, on the fifteenth day of the six preceding months. If the ratio shall again fall below this 12 per cent, the above-mentioned allotment of 20 per cent of the net profits to surplus or reserve shall continue. When and so long as the ratio of the bank's net capital and surplus or reserve to its When the reserve is below 25 per cent, a tax of 8 average liabilities on circulating notes, as above com-1 per cent the per cent tax figure is below 25 per cent. discretion as to the percentage of its net profits it will

transfer to surplus or reserve provided that the per- latter shall redeem the outstanding circulating notes centage thus transferred shall never exceed 20 per cent. in its new notes, at the rate of 1,000,000,000,000

dends sufficient to pay 8 per cent per annum on the diately withdrawn from circulation and canceled. bank's shares.

as follows:

(c) The balance of the net profits shall be divided meet the same reserve requirements against the outstanding notes which it undertakes to exchange, in 1. One-half to the shareholders, in dividends or to accordance with the provisions of paragraph (a) of a special fund to be used for the maintenance of a this section, as are required to be held against bank uniform dividend policy.

2. One-half to the Government, as a franchise tax for the bank's exclusive privilege of issuing circulating bank notes.

(d) The dividends of the bank and other income derived from its capital shares owned by foreigners provided for in paragraphs (a) and (b) above. residing abroad shall be exempt from all German income taxes, present and future; provided that this exemption shall not apply to general taxes imposed in Germany upon the real property of the banks in general. The bank, however, in consideration of the percentage of profits accruing to the Government under paragraph (c) 2, shall not be subject to any corporation tax or business tax levied in Germany by the Reich, the States, or any other governmental unit.

(e) Such privileges not inconsistent with this plan, now enjoyed by the Reichsbank, as may be specified by the organization committee as desirable and advantageous to the new bank shall be given to it.

#### XV. Liquidation of the rentenbank

The rentenmarks shall gradually be withdrawn from circulation by the bank in accordance with the provisions contained in the appendix attached.

#### XVI. 'Dollar-Schatzanweisungen (treasury bills in dollars)

(a) The German Government shall abandon all its rights to the proceeds from the liquidation of the Reichsbank (unless the present plan is put into execution by means of the transformation of the Reichsbank), in return for which the latter will give the Government an undertaking to assume responsibility for the repayment of the said bills not in excess of 210,000,000 gold marks, under conditions to be settled by the Reichsbank with the holders of these bills.

(b) At the same time, in order to guarantee the good faith of this operation, that is to say, in order to guarantee the Reichsbank against any loss resulting from this operation, the German Government shall hand over to the Reichsbank gold bills for an amount equal to and falling due at the same date as the dollar bills in circulation. As soon as the liquidation of these dollar bills has been completed, the Reichsbank will return to the German Government the portion (if any) of the bills which it has received, and which has not been employed in insuring the liquidation.

#### XVII. The Reichsbank

(a) If the present plan is put into execution by means of the transformation of the Reichsbank, the | marks.

All the undertakings which the German Government will have to enter into in connection with the bank, for the execution of this plan, including the assignment for the withdrawal of the rentenmark, of funds to be received from the rentenbank's mortages, shall be embodied in a special contract between the bank and the German Government. This contract as well as the statutes of the bank shall be duly approved by the German Parliament.

The capital and the initial reserve were fixed by this decree at 3,200,000,000 rentenmarks, to be furnished half by agriculture and half by industry and commerce, including the banks. The rentenbank holds a general mortgage, expressed

in gold marks, on industrial, agricultural, and commercial property, amounting to 4 per cent of the value of this property as assessed for the Wehrbeitraggesetz.5 These mortgages bear 6 per cent interest for the benefit of the rentenbank.

notes outstanding by Section XIII of this plan.

(b) The Reichsbank, in case it is continued, shall

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(b) A sum shall be assigned to the payment of divi- marks to 1 gold mark. The old notes shall be imme-

(c) If the Reichsbank is to be liquidated, this operation will be carried out by the new bank which would be then set up, and which would have to assume responsibility for, or itself carry out, the exchanges

#### XVIII. Penalties

A penalty in the form of fine or imprisonment or both shall be provided for the punishment of any person or persons wilfully giving incorrect information, directly or indirectly, to the president, the general board, the commissioner or his assistants.

#### XIX. Measures to be taken by the German Government for the execution of the plan

#### APPENDIX TO ANNEX 1

#### THE LICUIDATION OF THE RENTENBANK

(Appendix provided for in Section XV of the plan for the bank.)

The Deutsche rentenbank was founded, and its operations regulated, by the decree of October 15, 1923.

The rentenbank is authorized to issue bank notes expressed in rentenmarks up to the amount of the capital and initial reserve (3,200,000,000 gold marks).

\* The amount of this mortgage already amounts to 3,700,000,000 gold

The rentenbank must open credits to the Reich during the two years following its foundation up to the amount of 1,200,000,000 rentenmarks, of which would assume the obligation vis a-vis the holders of 900,000,000 will bear 6 per cent interest and 300,000,000 these notes to redeem them gradually within 10 years. will bear no interest. The rentenbank is authorized To this effect the rentenbank would undertake to remit moreover to open credits to the Reichsbank and to to the bank, as fast as they came in, all sums received the private banks up to 1,200,000,000 rentenmarks, in from its debtors, whether from the property holders order to finance private economy.

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Up to the present the rentenbank has placed in circulation:

1. Seven hundred million, which have been delivered to the Reichsbank in order to provide for the credits antees which it holds, as well as by the guarantee of the to be granted by the latter to German manufacturers German Government itself. and merchants. This sum is therefore guaranteed by drafts or credits redeemable in rentenmarks. If and accruing to the Reich in virtue of its participation in when the rentenbank is liquidated, no attention need the bank would be assigned by priority to the amortizabe paid to them.

2. One milliard one hundred million rentenmarks which have been advanced to the Reich without any security but the signature of the latter, 900,000,000 of 1,100,000,000 the German Government and the rentenwhich bear 6 per cent interest per annum and 200,-000,000 bear no interest.

In so far as concerns this latter sum of 1.100.000.000 the new bank (or the Reichsbank, if it is maintained) affected by the rentenbank mortgage or from the State. up to the sum of 1,100,000,000.

This undertaking of the rentenbank vis-a-vis the bank would be covered by all the mortgages and guar-

It should, moreover, be understood that all profits tion of its debt of 1,100,000,000.

As soon as the payments by the rentenbank or by the Reich itself, as stated above, reach the figure of bank will be released from all liability vis-a-vis the bank.

### ANNEX NO. 2 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

#### SUGGESTED INDEX OF PROSPERITY

#### BASIS OF COMPARISON

1. In addition to the standard contribution referred to in paragraph 8 (c), there shall be paid for 1929-30 and following years a supplementary sum according to the growth in prosperity of Germany. This increase in prosperity for any year shall be measured by the extent to which the index, as defined below, on the statistics of the completed preceding year, exceeds the average statistics of the base years.

#### COMPONENTS OF THE INDEX

2. For the purpose of computing the index, the following statistics shall be employed:

(a) The total of German exports and imports taken together.

(b) The total of budget receipts and expenditure taken together, including those of the States of Prussia, Saxony, and Bavaria (after deducting from both sides the amount of the Peace Treaty payments included in the year).

(c) Railroad traffic as measured by the statistics of the weight carried.

(d) The total money value of the consumption of sugar, tobacco, beer, and alcohol, within Germany (measured by the prices actually paid by the consumer).

(e) Total population of Germany (computed from the last available census data, vital statistics and emigration records).

(f) The consumption of coal (and lignite reduced to coal equivalent) per capita.

#### THE INDEX BASE

3. In computing the base, the average statistics for the three years 1927, 1928, and 1929 shall be taken for (b) budget receipts and expenditure; for (e) population, and for (f) coal consumption per capita, and for the six years 1912 and 1913, 1926, 1927, 1928, and 1929 for the other categories (after appropriate adjustments for the differences in population and the altered gold values to make the three earlier years comparable with the three later years in this respect). The percentage change for each of these six groups, compared with the base, shall be separately computed and an arithmetical average of the six percentage results taken as the index.

#### PAYMENT TO WHICH THE INDEX IS APPLIED

4. The index percentage shall be applied to the amount of the standard payment, viz, 2,500,000,000, to give the supplement for the year, except that for the five years 1929-30 to 1933-34 it shall apply to 1,250,000,000, or one-half of the standard payment only.

#### MINUTE ADJUSTMENTS IGNORED

5. The supplementary payment is to be reckoned only for each completed half per cent of the index, . e., an index average of 11.35 per cent would be reckoned as 11 per cent.

#### COMPUTATION OF SUPPLEMENT

6. For the year 1929-30, the computation of the supplement shall be made after the end of that year by comparing the statistics of 1929 itself with the index base.

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

#### DEFICIENCIES

7. In the event of the index in any year producing, as the supplement, a minus quantity, the basis payment should continue to be made, but subsequent supplementary payments shall not accrue due until allowance has been made therefrom for such deficiency or "minus" payment of previous years.

#### DIFFICULTIES IN APPLICATION

8. Any disputed points upon the application of the statistics of this index shall be referred to the finance section of the League of Nations for arbitration.

The alterations under this paragraph should be made CHANGES IN THE VALUE OF GOLD by reference to such generally approved index numbers 9. The German Government and the Reparation of prices (German or non-German), singly or in com-Commission should each have the right in any future bination as the arbitration may decide.

#### ANNEX NO. 3 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

#### NOTE BY THE FIRST COMMITTEE OF EXPERTS

Of the assets and revenues of the German Reich and its constituent States subject to the application of article 248 of the peace treaty, the German railway system is undeniably the most important and also that which can be the most easily utilized for the purpose of reparation.

The German railway system comprises about 53,000 kilometers of lines, and the rolling stock will very shortly amount to-

Locomotive engines (excluding elec-	
tric and motor engines)	30, 850
Passenger vehicles	69, 253
Wagons	748, 753

A considerable portion of this rolling stock is of recent construction. Two-thirds of the whole (18,000 locomotives and 500,000 passenger vehicles and wagons) were brought into service in the last 10 years. The rolling stock at present possessed by the German railway system is very superior both in quality and quantity to that which was in use before the war.

Speaking generally, it may be said that the equipment of the German railways is modern and fully up to the level of the latest improvements in railway technique.

The capital cost of the system amounts to not less than 26 milliard gold marks.

The experts called in the services of eminent railway specialists, and requested them to make a study of the German railways; their report is attached.

#### GENERAL REPORT ON THE GERMAN RAILWAYS MADE TO THE FIRST EXPERT COMMITTEE

#### By Sir WILLIAM ACWORTH and M. LEVERVE

MARCH 26, 1924.

debt.

In our earlier reports we described the situation of 1920, and March, 1923, the capital invested was further the German railways and replied to various questions | increased to 25.86 milliard gold marks. The expendi-

vear. in case of a claim that the general purchasing power of gold as compared with 1928 has altered by not less than 10 per cent to ask for a revision on the sole and single ground of such altered gold value. The alteration to be made may apply both to the standard contribution and the supplementary payment. Failing mutual agreement, a decision should be given by an arbitral committee appointed by the League of Nations. After decision, the altered basis should stand for each succeeding year until a claim be made by either party that there has again been a change, since the year to which the alteration applied, of not less than 10 per cent.

asked by the committee, especially as to the amount of net revenue which we considered they could yield for reparation purposes. We have now, as requested by the committee, brought together in a single document the essential portions of these reports, together with our own conclusions.

We desire to thank the German Minister of Railways and his staff for the manner in which they have assisted our inquiry in Berlin with information both verbal and documentary. In the short time at our disposal it has naturally not been possible for us to push our investigations very far, but we trust that the report which we now present is adequate for the purposes of the committee, and we think its substantial accuracy may be relied on.

### CAPITAL INVESTED IN THE GERMAN RAILWAYS

In a preliminary report we stated that the capital value of the German railways might safely be taken at not less than 20 milliard gold marks. An official publication shows that the debt of the several States specifically entered as railway debt, less that portion of it applicable to the ceded territories, amounted in 1914 to 17.93 milliard gold marks. In March, 1920, at which date the railways were transferred from the ownership of the several States to that of the German Reich, the invested capital was reckoned as 25 to 28 milliard gold marks. This large increase is explained by the fact that at the date of the transfer-

(a) The value of the railways of the separate States was written up to conform to the real amount of capital that had been invested in them, much of which had never been or had ceased to be represented by railway

(b) There was added to the old capital the value of the additions made during the war. Between March.

ture for the current year and that which will still tries the situation has now completely changed, and if need to be incurred in payment for commitments al- in other countries the railways have still not regained ready entered into will put the final figure well over | financial equilibrium, experience sufficiently shows that 26 milliard gold marks.

is sometimes a very different thing from capital value. favor. On the railways of England and America the But in this case the capital value of the German rail- wages of the railway staff are, roughly, double what way system which comprises 53,000 kilometers, at they were before the war. No such advance has 500,000 gold marks per kilometer, may be taken to be taken place in Germany. On the contrary, the averfully equal to the capital invested. Now, a large part | age wage is at present, we are informed, only 75 per of the system is double tracked; the lines, stations, cent of the pre-war wage. It is proposed in the curyards, and buildings have been constructed to a high rent year to increase this percentage to 93 per cent standard, and they are very amply equipped with up- of the pre-war average. But there is no prospect of to-date rolling stock. A comparison with the capital any such increase above the pre-war standard as has cost per kilometer of the railways of other important | taken place in the two countries mentioned. And countries, taking account of all the factors on both | this for two reasons-the cost of living has not increased sides, gives good grounds for saying that the German | in Germany, as it has there, and, as German wages in figure of investment is by no means an excessive rep- other occupations have not risen, railway wages do not resentation of actual cost.

#### NET REVENUE ATTAINABLE

gold marks per annum can reasonably be expected from the full amount should be reached within a period of the German railways. This is very slightly more than three years. It should be arrived at in the manner the net revenue earned before the war; but it was then | following: earned very easily. No attempt was made to maximize net revenue, which was much more than suf- other countries, a transport tax. This tax still conficient to meet the interest on the railway debt.

for passengers. The guiding principle was, as has the finance ministry and forms therefore no portion been recently expressed in a brochure published by of the railway revenue. It is a tax on the gross receipts, Doctor Sarter, whose statement, as he is a highly and is fixed at 7 per cent on all receipts from freight placed official in the transport ministry, may be taken | traffic other than coal, and at 10 per cent to 16 per cent, as authoritative: "The State railways ought primarily to have regard to the progressive development of the | it amounts to 6 per cent of the total gross receipts. economic life of the country and to treat the attain- It is estimated to produce in the year 1924, 227,000,000 ment of net revenue as only of secondary importance."

unduly high, the staff was unnecessarily large, and naturally the proceeds of the tax will increase propormagnificent stations and enormous shunting yards tionately. It seems safe to assume that its yield will were worked at great expense. Moreover, as is shown not fall below the present figure. Moreover, as it is by the figures which we have given above, the working | levied on the gross and not on the net income, it is indeexpenses included year by year large sums for im- pendent of any variations in the cost of operation. If, provements and additions which might properly have been charged to capital.

the gross receipts of the German railways have not covered their expenses, and that recently the expendi- at their disposal. ture was several times as great as the receipts, while even now the earnings are only equal to the expend- round figures to be obtained, and it can, in our judgiture-that this estimate of ours is unduly sanguine.

most every country has gone through a similar experience. Even in the United States, where there was no able figure, and that in all other matters curtailment of currency depreciation, the net income of the railways in 1920 was almost negligible; whereas in England, lines. where currency depreciation is quite small, the receipts

this phase is only temporary. And Germany has one The above figures represent capital invested, which special circumstance of the first importance in her compare unfavorably.

Naturally we do not suggest that a milliard of net revenue is attainable at the outset. But we think a We think that a net annual revenue of one milliard substantial sum can be obtained very shortly, and that

During the war there was imposed in Germany, as in tinues to be levied. It is included in the rates charged On the one hand, the tariffs were kept low, especially to the public but is paid over by the railways direct to according to class, on passenger traffic. On the average gold marks. If in future years the traffic increases, or On the other hand, the operating expenses were | if the same volume of traffic is charged at a higher rate, as we recommend, the German railways in future are required to pay over the proceeds of this tax to the It may be thought-seeing that for some years past Reparation Commission, the commission will have from the outset a safe and important source of revenue

There remains a sum of 800,000,000 gold marks in ment, be obtained as net profit on the railways, on con-But it is to be remembered that since the war al- dition that the tariffs are fixed at a reasonable level, that the number of employees is reduced to a reasonexpenses is secured by econmical operation on business

Before the war the German railways spent 70 marks in 1921 fell short of the expenses. But in both coun- for every 100 marks which they earned. In technical

#### railway language the "operating ratio" was 70 per cent. This was an unusually high ratio, especially having regard to the fact that the railways paid no taxes. It was a good deal higher than the English ratio, much higher than the ratio in France. But in every country there has been since the war, a marked increase in the ratio, and we do not think that under post-war. conditions the German railways can be expected to operate at a ratio so low as 70 per cent. Not only have they now to bear the transport tax, but though a great rise in wages-the main cause of the rise of the operating ratio in other countries-is not to be expected in Germany, the increased cost of materials, coal, and steel particularly, seems likely to be permanent. We think, however, that an operating ratio of 80 per cent ought to be attainable. We base this opinion in the first place on our investigation of German conditions, and especially on two facts.

1. That new rolling stock has been acquired in the last few years in such large measure that the need of repairs and renewals will be exceptionally small for some years to come, and

2. That the recent very large expenditure on fitting the freight wagons with continuous brakes should result in important operating economies.

In the second place, we think our knowledge of what has happened and is happening in other comparable countries justifies us in asserting in broad terms that, given efficient and economical management, there is no apparent reason why the operating ratio should not be brought back in a short time to 80 per cent in Germany as it has already been brought back elsewhere.

In England and America, as we have said, the wages of the staff have doubled, but the tariffs are only roughly 50 per cent above the pre-war tariffs. In the result, the operating ratio has become much higher than before and stands at present at about 80 per cent. But the remaining 20 per cent, calculated on a greatly increased gross revenue, suffices to give a return of over 4 per cent on the railway capital.

Now in Germany a gross revenue of 4,000,000,000 gold marks per annum is in sight at the present moment. With a gross revenue of 4,000,000,000 gold marks per annum and an operating ratio of 80 per cent, the net revenue would be 800,000,000 gold marks. And this sum added to the 227,000,000 gold marks of the transport tax yields a total of over 1 milliard gold marks.

And the whole of this sum can be made available for reparation. The fall of the mark has wiped out the pre-war railway debt; the plan before the committee will, we understand, relieve the railways under the new management of responsibility for the debts recently incurred; and capital has been so lavishly spent in the last few years that there can be no justification for further expenditure for some years to come. In future years we assume that, under commercial management, new capital will not be spent, unless with the assurance that the resulting profits or economies will at least suffice to meet the interest.

In England the rates tribunal is required by statute to permit the railways, provided that their management is efficient and economical, to charge rates adequate to produce a net income of, roundly, 1 milliard gold marks on a capital somewhat less than that of the German railways. In America, the Interstate Commerce Commission, also acting under statutory authority, has decided that 5<sup>3</sup>/<sub>4</sub> per cent is a reasonable return on railway capital and has authorized rates regarded as sufficient to produce this return.

If the German railways are required to pay very little more than 3 per cent for reparations, they ought, under efficient and economical commercial management, to earn a substantial surplus over and above. which can be applied in relief of the general taxation of the country. At the same time, it should be understood that the profits on railways, like those of other commercial undertakings, vary from year to year. There are good times and bad times. The milliard which we have assumed as a reasonable return must be regarded as an average one year with another.

As we have already said, the full net revenue will not be attained from the outset. A period of some years will probably need to elapse, for the German traffic has been seriously affected by the occupation of the Rhine-Ruhr railways. Time will be needed after the railways have been reorganized as a united system to bring the new system

into work and to reestablish completely the old traffic. And this reorganization will mean expenditure. Further, the necessary reform of the management will take time to carry out and will not produce its full effect at once.

For all these reasons and naturally without committing ourselves to mathematical accuracy we think it reasonable to estimate that the net revenue apart from the transport tax, and after providing for building up of an adequate reserve, will increase as follows: Gold marks.

First year\_\_\_\_\_ 400, 000, 000 Third and fourth years\_\_\_\_\_ 700, 000, 000-750, 000, 000 Fifth and subsequent years\_\_\_ 800, 000, 000

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We shall revert to the matter of receipts and expenditure when we come to discuss the budget estimate for the year commencing April, 1924.

Meanwhile it may be useful to approach the subject from another point of view.

One milliard is less than 4 per cent on the railway capital of 26 milliards. If we deduct the transport tax, which certainly does not exceed in amount the taxation levied on railways in other countries, the German railways are only required to earn a fraction over 3 per cent on their capital. And, as already stated, we have no reason to think that the German railways are overcapitalized; 3 per cent can hardly be regarded as an excessive rate of interest.

#### Measures to obtain results

It is evident, in the first place, that the railways in common with every other German undertaking can only give satisfactory results if the currency is stabilized and political and social tranquillity prevails.

As for the measures to be taken to obtain the results indicated above we may repeat: The railways must be on condition that the entire German railways are either worked as a commercial enterprise-that is to say, united in one system under a single management or with the determination, on the one hand, so to fix rates as to produce all the receipts that can be obtained, and, on the other hand, to reduce the expenditure to a minimum. The management of the German railways has hitherto been far from working to this standard. We shall show later that since the war the tariffs, both for passenger and freight, have been kept too low, with the object of encouraging industry and commerce, and especially of favoring German export. The tariffs are still regarded as they were before the war, primarily as a weapon in the hands of German trade, and only secondarily as a source of railway revenue.

On the other hand, the expenditure on rolling stock and works of every kind has been extravagant since the war, and the staff employed is at the same time much too large and badly paid.

It is, therefore, indispensable to make a radical change in the policy followed by the railways hitherto. But we do not believe that any German management will have the strength necessary to fight successfully against the traditional mental attitude unless there is behind it the constant pressure of an expert control, established and maintained in the interests of the Allies, to supervise the management in the matter both of tariffs and of expenditure.

We shall deal later with the question of the control in greater detail.

Further, we regard a complete change in the organization as essential. We think that the recent establishment of a separate undertaking, with a separate budget and with a certain measure of independence, though it is a move in the right direction, does not go far enough. The undertaking, though separate, still remains a Government undertaking. In our judgment it is necessary to go further and, while leaving to more than 18,000 new locomotives and more than Germany the ownership of the railways, to intrust the management for a period of years to a commercial company, which will be German, but with a board of directors containing representatives both of the shareholders and of the creditor allied powers.

What this period of years should be, how the company should be constituted, with what powers, and with what restrictions is a matter which we underhave adequate freedom in the matter both of tariffs think that this program ought to be examined in and operation. And if we may vary the phrase of detail, and very drastically cut down. Doctor Sarter, we think that a commercially managed Still, after a certain time it will no doubt be necessary

adequate net revenue as of primary importance, while at the same time having regard to the progressive development of the economic life of the country and being careful not to kill or even impair the productive capacity of the goose that lays the golden eggs.

Moreover, as we have already said, the financial result which we have mentioned can only be attained divided in a reasonable manner into several systems working in harmony, with the same tariffs and under the same general regulations. If we had to contemplate separate systems wholly out of harmony with each other, the results obtained would certainly not correspond to our estimate of the net revenue obtainable.

Though that estimate assumes the existence of an undivided German railway system, it will of course be understood that, in making this assumption we do not express any opinion as to the course of action which the allied Governments may think it desirable to adopt or on the general question of military or economic guarantees for reparation and security.

Finally our estimate takes for granted that the railways will not be required to carry traffic for the Government or the community unless their services are paid for at a commercial rate. Hitherto the German railways have carried free for the post office not only mails but parcel traffic. The railways of Great Britain receive at the present time from the post-office payments for similar though smaller services amounting to more than 4,000,000 pounds sterling per annum. There are other instances of a similar kind, but of less importance with which it is not necessary to deal here.

#### FUTURE CAPITAL EXPENDITURE

We shall see later that the expenditure incurred since the war for new works, and especially for rolling stock has been very large. It has in our judgment gone much beyond the real needs of the railways.

For rolling stock alone there has been charged against the various budgets, a sum of more than 3 milliard gold marks, which has enabled the railways to acquire 400,000 new carriages and wagons.

We think, therefore, that, broadly speaking, the capital account can be entirely closed for some years to come without any injury to the railways. But at the same time we must not fail to call attention to the statement of the German Government that the capital expenditure to be incurred in the year 1924 will amount to over 500,000,000 gold marks, and that to stand the committee itself will deal with. We need complete the program a further expenditure of 236,only urge that the company and its management must 000,000 gold marks will be required in 1925. We

railway company ought to treat the attainment of an to incur new expenditure in enlarging stations or

building new lines. But as we have already said, a commercial administration will not embark on new capital expenditure unless it is evident that it will be directly reproductive. The cost can, therefore, be paid either directly, out of increased net revenue, or, if it is sufficiently important to justify this course, by loans charged on the increased revenue without trenching on the revenue pledged for reparations.

#### THE RAILWAY BUDGET-ORDINARY BUDGET

It seems desirable to examine the estimate for the ordinary budget for the financial year from April 1, 1924, to March 31, 1925-in German financial matters called the year 1924-which has been drawn up by the German administration.

It has been drawn upon the supposition that the Rhine-Westphalian Railways have been restored to German management. But even if and when this happens, it is probable that there will be confusion at the outset; a certain time must necessarily elapse before the normal working can be resumed and the passengers, were too high. Since March 1 the third ordinary currents of traffic restored; and further, and fourth class fares have been increased by 36 per certain exceptional expenses will have to be incurred cent, and the first-class fares have been slightly rewhich it is impossible to estimate exactly.

may be considered as representing the results to be obtained in the year 1925 rather than in the year 1924. Subject to these reservations, we will proceed to summarize and examine it.

Ordinary budget including the Rhine-Westphalian

Ordentary baayoe moraaning ne Interne	n n corpreateant	tim
Railways		rec
I. EXPENSES	mail a fint famile	ger
	Gold marks	and
alaries and wages	1, 631, 007, 000	of
Cost of material:		sha
Supplies and con- Gold marks		jus
sumable stores 545, 000, 000		tai
Maintenance of way		fre
and works 294, 480, 000		bu
Maintenance and re-		wo
newal of rolling		, "
stock and mechan-		fol
ical plant 394, 000, 000		101
Other material costs_ 140, 513, 000		
Reserves 200, 000, 000		
Interest and repay-		
ment of debt 325, 000, 000		1000
and yourse by a charge she was not a	1, 898, 993, 000	1000
Total	2 520 000 000	100
10041	5, 550, 000, 000	-
II. RECEIPTS		1
Passenger traffic	850, 000, 000	no
Freight traffic	2, 700, 000, 000	gol
Miscellaneous	130, 000, 000	wo
Total	3, 680, 000, 000	we
		ne
Surplus	150, 000, 000	pe

#### Receipts

The receipts for the budget in 1924 have been calculated by assuming a traffic somewhat greater than that in 1913, but less than that in 1921 and 1922, in which years the traffic was swelled by the activity of trade due to the fall of the mark.

The figures are as follows:

or this base estimates on the	Actual in 1913	Estimate for 1924
senger kilometers	35, 122, 000, 000	40, 000, 000, 000
h kilometers	57, 251, 000, 000	60, 000, 000, 000

The passenger receipts have been calculated on the basis of the tariffs which were in force at the time when the budget was framed. Later on, when we come to deal with tariffs, we shall point out that the third and fourth class fares were too low, and that the first-class fares which affect only a trifling number of duced. We may assume that the result will be an This budget is, therefore, somewhat theoretical, and increase in passenger receipts of 30 per cent, which will raise the budget estimate of 850,000,000 to roughly 1,100,000,000 marks.

> The freight receipts have been calculated on the basis of an average charge of 4.5 gold pfennigs per ton kilometer. The tariffs in force last February, at the time of our visit to Berlin, gave a higher average eipt per ton kilometer of 5.5 gold pfennigs. But a neral reduction of 10 per cent was made on March 1, d others are in contemplation with the special object encouraging national trade and industry. As we all explain later, these reductions do not seem to us stified under present conditions. If rates were mainined at a reasonable level, we may assume that the ight receipts would be about 10 per cent above the dget estimate of 2,700,000,000 marks; that is, they ould amount to 2,970,000,000 marks.

The receipts side of the budget would then be as lows:

		GOIG	1 mari	28
Passenger traffic	1,	100,	000,	000
Freight traffic	2,	970,	000,	000
Miscellaneous		130,	000,	000
Total	4,	200,	000,	000

#### Expenses

As for the estimate of expenses for 1924, it is to be ted that the expenditure for staff, 1,631,007,000 ld marks, represents about 54 per cent of the actual orking expenditure of 3,005,000,000 gold marks. If e exclude interest and repayment of debt and reserve, either of which are properly included in working exenses, this proportion is much the same as that on the railways of the adjacent countries. We pointed

out in previous notes that the staff was unreasonably system including the Rhine-Westphalian lines, under large. In 1919 there were 1,121,111 permanent staff normal conditions. Certainly they will not be obtained and workmen employed; at the end of 1923 the number | in the year 1924, though they should be obtained very was still very nearly one million. They must have shortly thereafter. been extraordinarily badly paid, for the percentage of the wage bill to the total expenditure was reduced in the budgets of 1922 and 1923 to 29 per cent and 20 per cent, respectively, a figure absolutely abnormal.

The expenditure for 1924 has been calculated on the basis of a staff reduced to 793,000, although on the 1st of January the number was still 936,800. A very drastic reduction is therefore, implied, and is in fact being carried through at this moment. But there will be no saving in money. Increase of wages will more than counterbalance the decrease in the number of staff, for an increase of salaries and wages amounting to 18 per cent on the average is budgeted for. A table of the variations in the average payment per employee per annum in gold marks is given below:

(a) Street Month in the data for an all of the strength of the strength of a strength of the strength of th	Year 1914	Feb- ruary 1924	Budget estimate for 1924
Permanent staff	2, 352	1, 634	1, 972
Workmen	1, 331	1, 060	1, 338
Average	1,718	1, 293	1, 595
Percentage of pre-war average	100	75	93

We feel bound to say that the increase proposed is entirely reasonable. The remuneration of the staff, especially in the upper and middle ranks, is quite inadequate, and, if good work is expected, it must be paid at its market rate.

A reserve of 200,000,000 marks has been included to provide for contingencies, a course which we can not other than approve.

The total expenses for the year 1924, including this reserve and interest and repayment of debt, to which we shall refer later, are set down in the budget as 3,530,000,000 gold marks. With the tariffs on the basis which we have taken above, the receipts will be 4,200,000,000 gold marks. This would give a surplus of 670,000,000 gold marks. This surplus would be net profit because the reserve of 200,000,000 and 325,000,000 gold marks for interest and repayment of the new debt has been included in the expenses.

Further, it is to be remembered that the transport tax represents in effect a further net profit from the railways. If we reckoned this tax at 10 per cent on the passenger receipts and at 7 per cent on the receipts from freight other than coal, we should obtain for 1924 a figure of 276,000,000 gold marks.

The total net income of the railways would then be 670+276=946,000,000 marks, which is very close to the milliard which we have suggested is attainable within a few years.

or ERASER

#### Interest and repayment of debt

The sum of 325,000,000 set down in the budget for interest and repayment of debt during the year 1924 is divided into:

	Gold marks	
Interest	99, 000, 000	
Repayment	225, 000, 000	
Cost of administration	1, 000, 000	

325, 000, 000

This debt represents liabilities recently incurred; for the old debt has practically disappeared. The total amount of the current debt is 312,000,000 marks. Particulars are given, in the reply of the Government to questions asked by the committee. There are short-term loans, overdue accounts, bills of exchange maturing, advances made by the ministry of finance or by the Reichsbank, and emergency currency issued by the railways which has to be redeemed. The interest charge for these debts is quite large. In certain cases we are told that interest is running at the rate of onetenth of 1 per cent per diem, that is 36 per cent per annum. Evidently debts of this kind should be paid off as soon as possible.

In addition to these current debts amounting to 312,000,000, it is estimated that further debt will need to be incurred as follows:

Commitments for antisendings	Gold marks
Commitments for extraordinary ex- penses up to March 31, 1924	110, 000, 000
For the expenditure of the extraordinary	
budget during the financial year 1924	387, 000, 000
For expenditure which will be necessary	
when the Rhine-Westphalian rail-	
ways are handed back	200, 000, 000
Total	697, 000, 000
Add debt already incurred	312, 000, 000

Total debt, actual and anticipated 1, 009, 000,000

As we have said, the ordinary budget for 1924 provides an amount of 225,000,000 marks for repayment of debt. But it is evident that these expenditures charged on the extraordinary budget tend to increase rapidly, and it is therefore necessary to cut down the extraordinary budget. To this question we now turn.

#### THE EXTRAORDINARY BUDGET

A budget of extraordinary expenditure has been But as we have said already, these results are appli- drawn up for the interim period from November 15, cable to the entire German railways worked as a single 1923, to March 31, 1924. It covered originally an

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

xpenditure of 220,000,000, but was subsequently educed to 170,000,000 marks, divided as follows:	ROLLING STO			
	Below is a comparison based o			
Chapter 1— Gold marks Dwellings 8, 000, 000	in Berlin, of the German railw			
Additional rolling stock 77, 000, 000	the war and in 1924. We have	Ignored	electric l	locomo-
Kunze Knorr brake         3,000,000	tives and motor cars:			
Miscellaneous 15, 000, 000	watches and an international	•	A CARE AND	Politic
Chapter II—		Steam lo- comotives	Car- riages	Wagons
Doubling of road 6, 000, 000	many colleges standard att at		Thigos	mbran
Electrification6, 000, 000	End of 1913	27,940	62,050	657, 150
Stations 32, 000, 000	January, 1924	29, 966	67,800	657, 150 723, 100
Repair shops 13, 000, 000	ADDRESS STORE OF ADDRESS PARTY	HIND BY	1120 10	A HER
Miscellaneous 10, 000, 000	Further rolling stock ordered			
Total 170, 000, 000	firms and not yet delivered an			
	tives, 1,453 carriages, 25,653 wa			
These expenses are to be covered partly by credits	stock was due by the beginning			
lready available, and partly by new credits to an	delayed owing to the occupati			
mount of 110,000,000.	not now expected to be complete			
The ministry has also furnished us with a statement	These figures show that th			
f other extraordinary expenses which in their judg-	stock handed over, either at th			
nent are still necessary for the financial year 1924.	with the territory ceded under			
We summarize them as follows:	been replaced by new. Old			
Chapter I— Gold marks	stock, which could only be replated tent during the war, has been y			
Dwellings 15, 000, 000	since 1920, and a considerable			
Additional rolling stock	rolling stock has been built.	quantin	y or au	unnona
Electric rolling stock 20, 000, 000 <sup>-</sup>	It is worth while producing a	table sh	nowing t	he loco
Kunze Knorr brake 28, 000, 000	motives written off and replace			
Miscellaneous	11 years:			
	construction of a second second		W	ritten off
New tracks         10, 000, 000           Doubling of road         13, 000, 000	1913			
Electrification 10, 000, 000	1914			- 379
Stations 94, 000, 000	1915			_ 253
Repair shops 36, 000, 000	1916			
Miscellaneous 11, 000, 000	1917			- 220
and the suffront equalities are avoid on a shift on the loss of the	1918			
Total 387, 000, 000	1919			
In addition to this expenditure of 387,000,000 marks	1920			
n 1924, it is estimated that a further sum of 236,000,000	1921 1922			1 50
vill subsequently be required merely to complete	1923			- 1,000
works already begun. This represents the final state				
f a program amounting altogether to 1,610,000,000	Total			- 7, 67
narks.	The same thing has happen	ned with	h carria	ges and
This estimated expenditure, which will have to be	wagons. We give a table sh	owing t	the new	rolling
overed by loans, has, so we are told, already been	stock acquired since 1914:			
educed to an absolute minimum. All the same, we	Aller an entrance strategies open			
hink it ought to be reexamined point by point in		Steam		Sec. Sand
order to stop or at least postpone work not absolutely	Analysis and and a second second	locomo- tives	Carriages	Wagons
necessary, except where it has been carried to such a point that it had better be completed.				
The works and the rolling stock of the German rail-	Delivered:	in and	1 100	Pin an
vays were very fully adequate before the war. Since	1914–1918 1919–1923	8,859 8,506	11, 832 12, 313 1, 453	181, 19 246, 38 25, 65
he war no money has been spared to enlarge works and	Ordered but not yet delivered	884	1, 453	25, 65
ouildings and to renew and even increase the rolling	table ist which control is and	18, 249	25, 598	453, 23
tock to an extent which will make it impossible to		-		-
ustify any new expenditure of this nature for some	The result is that 18,249 lo	comotiv	ves and	478,83
ears to come. We give below particulars as to the	carriages and wagons, two-thi			
olling stock which bear out this statement.	have been built within the l			

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accordingly the rolling stock of the German railways is much superior to that which they possessed in 1914.

Replacement of rolling stock on this colossal scale has necessarily entailed enormous expenditure. We are unable to give the actual cost, for it is spread over various budgets.

marks.

This figure does not include the cost of replacing the rolling stock handed over to the allied powers in 1919, 1920, and 1921, which was paid for by special credit found to be on a level so high in comparison with the granted by the ministry of finance, amounting when reduced to gold marks to 739,347,006.

The replacement of rolling stock written off is charged against the ordinary railway budget. Additions to rolling stock are charged against the extraordinary railway budget.

stock to an amount of 150,000,000 gold marks will be railway point of view, and that this has resulted from so charged.

ordinary budget and of 110,000,000 marks in the the quotation from Doctor Sarter which we have extraordinary budget is proposed for the year 1924.

#### KUNZE KNORR CONTINUOUS BRAKE

brake to freight trains has also implied large expend- think they can profitably be is based mainly on the iture. It was decided in 1918, while the war was still average receipts per ton-kilometer to-day as compared going on, to adopt this policy in order to release a large with the pre-war figures. We are told that these number of brakesmen and to make possible an increase figures give a misleading impression of present-day of speed of freight trains, more especially of military facts, and numerous comparisons of certain imtrains. This policy has been energetically pursued since the war; on the one hand, all the new wagons ordered have been fitted with continuous brakes, and on the other hand, the equipment of the old stock has In spite of these tables we still adhere to the opinion been pushed on.

April 1, 1925. The total expenditure will amount to | ion, and can not claim to be a considered judgment 400,000,000 marks, of which 117,000,000 still remain | based on fully ascertained statistical facts. to be paid. But it should be said that the Kunze over a period terminating only on October 1, 1926.

#### TARIFFS

impossible. Certainly the short time available has not made the task possible for us. In Germany its payment for railway services, the average rate was

altered by the abandonment for a large part of the 1923, should have been 6.72 pfennigs per ton-kilotraffic of flat mileage rates, and the substitution there- meter. But this in no more than an estimate, and we for of Stafeltarife, that is, rates under which the charge | doubt its accuracy. per mile decreases as the mileage increases. Simul-

the bulk of the traffic had hitherto passed, were withdrawn. Many of them have since been restored in a modified form. And this is only the railway side of the difficulty.

The currency question complicates the whole story. Tariff advances were at the outset made in the shape The figures which have been given to us show an of percentage increases of existing rates. Then came expenditure, up to the end of 1922 only, of 2,267,774,488 a period when an index figure was adopted with a varying multiplicator. Finally in November, 1923, the tariffs were calculated on a gold basis. The result, as we are informed, was that the freight tariffs were capacity of the traffic to bear the rates, that reductions on a large scale became absolutely necessary.

We are far from satisfied that this was or is the case. We feel convinced that further investigation would support our general conclusions that the freight rates have been, and are proposed to be reduced in a manner From November 15, 1923, to April 1, 1924, rolling and to an extent which can not be justified from the the training and mental attitude of the officials, who A further expenditure of 50,000,000 marks in the have been brought up to share the views expressed in given above.

At the same time we feel it necessary to utter a note of warning. Our conclusion that freight tariffs The application of the Kunze Knorr continuous | might be a good deal higher than the German officials portant rates and classes of rates, pre-war and postwar have been submitted to us, which would, if typical, put a different complexion on the matter. we have expressed. But the committee will appreciate The entire program is expected to be completed by that what we have said is only an expression of opin-

We have found it impossible to satisfy ourselves Knorr Company has agreed to spread the payment how high the present German freight tariffs really are. The earliest documents submitted to us stated that the freight tariffs might be assumed to be double the pre-war tariffs. The facts do not seem to us to bear Freight .-- A study of the freight tariffs of any out this statement. Before the war the freight charge country at any time involves prolonged investiga- per ton-kilometer averaged 3.36 gold pfennigs. It is tion of a vast mass of bewildering detail. To present estimated by the officials that in November, 1923, in brief outline the broad general effect is almost at the moment when the gold mark was substituted for paper marks of indefinite value as the medium of difficulty is increased by various special circumstances. double the pre-war. In other words, according to In 1921 the whole basis of the freight tariffs was the official estimate, the average rate in November,

From this date there began a process which is still taneously, most of the exceptional tariffs, under which continuing of repeated and important reduction of

rates regarded as excessive. There is statistical ground for believing that in the early part of January, 1924, the average rate was 5.89 pfennigs, an advance, that is, not of 100 per cent but of 75 per cent above the pre-war average. On January 20 a number of important reductions came into force, and the estimate | clear that, if in future years the tonnage does not based on such statistics as were available, was in the increase, while the average length of haul goes back middle of February that the then average rate was to anything approaching the pre-war figure, the effect 5.55 pfennigs, an advance on pre-war rates of 65 per on the railway revenue will be quite serious. cent. The reductions are, however, still going on, and some of them are of great importance. On March desire to make one observation. We have admitted 1 an all round reduction of 10 per cent was made on that the facts are obscure; that our investigations have a large part of the traffic.

The budget estimate of freight traffic receipts is made on the assumption that the average freight rate conclusions. It may well be that, where we have exduring the year will have been brought down to not pressed a definite opinion, time will prove the opinion more than 4.50 gold pfennigs, which is equivalent to wrong. an advance over the pre-war tariffs of only 33 per cent. No doubt this estimate errs, as was intended, on the side of caution.

Taken as a whole, we have difficulty in believing that a net revenue of one milliard gold marks per annum all particular reductions made and proposed can be available for reparation. Our forecast may well prove justified. Even assuming that in certain cases reductions have been and are desirable in the interest of direction, too pessimistic in others. But our estimate the railways, we feel convinced that reductions are being conceded which need not be made, and that at least in some cases the percentage of reduction is unnecessarily large. We have learned that exceptional tariffs involving great reductions, both for import of raw materials and for export of German produce, are being very freely introduced. The import rates for jute have been reduced by 25 per cent, for raw cotton and raw wool by 50 per cent. A reduction of the rate for miscellaneous wares exported by per cent, 14 per cent, 12 per cent, and 10 per cent on sea, amounting to 30 per cent, is on the point of coming the gross receipts from the four classes, respectively, into force, and a reduction of 30 per cent to 40 per cent | was introduced. in the rates for steel and iron exported by sea is contemplated,

There is a point in connection with the freight tariffs and freight revenues which, though the precise facts | date the fares were increased, including tax, to 19.6 are obscure, is of considerable importance. The budget estimate for 1924 assumes, apparently with good reason, that the ton-kilometers to be carried in 1924 fore, the third and fourth class fares were only increased will be roughly equal to those of 1913. But conditions have greatly changed in the interval. The number of tons carried has fallen apparently by about 20 per cent, while the distance the average ton travels has increased in corresponding ratio. The German officials first and second class fares were reduced by one-third. adduce three main causes for the increase in the But even then the first-class fare was four times the average length of haul:

1. The introduction in 1921 of Stafeltarife.

sequent on the war and the establishment of new political frontiers.

3. Diversion of traffic in consequence of the occupation of the Rhine-Ruhr territory.

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The effect of (1) will be permanent; the effect of (2)will probably diminish with time; the effect of (3) will presumably be only temporary. We can not estimate what proportion of the ascertained results has been due to these three causes respectively. But it is

Before we leave the question of freight tariffs, we not been and could not be pushed very far. We have acknowledged that we have hesitated as to certain

All this we have had in mind; it does not affect the thing which from the point of view of the committee is the really important matter, that we retain the convic-On this policy we will make two observations. tion that the German railways can and should produce erroneous on certain points, too optimistic in one is based on broader grounds than tariff details and to it we adhere.

> Passenger tariffs .- The German railways have nominally four classes of passengers, but first-class carriages are not run on local trains and fourth-class carriages are not run on express trains. The fares before the war were, respectively, at 7 pfennigs, 4.5 pfennigs, 3 pfennigs, and 2 pfennigs per kilometer. In April, 1917, the transport tax, amounting to 16

In spite of the tax, which is estimated to amount for 1924 to 85,000,000 gold marks, the railway management did not raise fares till September, 1923. At this pfennigs, 9.9 pfennigs, 3.3 pfennigs, and 2.2 pfennigs per kilometer for the four classes, respectively. Thereby the amount of the tax, while the first and second class fares were more than doubled. The result of fares so obviously out of proportion was to empty the higher classes. Accordingly in December last the third class and six times the fourth class. Naturally the first class was absolutely empty, being used by 2. Changes in the previous currents of traffic con- 7 passengers out of 10,000, while 7 passengers out of 100 traveled second class. A good deal more than half the passengers travel in the fourth class and a good deal more than one-third in the third class. Seeing that a third-class passenger could till a few

weeks ago travel 30 kilometers and a fourth-class utive officers, whether charged with engineering or passenger 45 for 1 gold mark with an ordinary traffic management, were afflicted with what it is not ticket, and that more than half the total number of too strong to describe as megalomania. They repassengers in fact travel with season tickets issued at a garded it as due to the dignity of the German Reich rate roughly one-half of the ordinary rate-could travel, that buildings should be magnificent, that railway plant that is, respectively 60 and 90 kilometers for 1 mark- should be up to a very high standard, that such and it is not surprising to find it admitted that the rates such services should be given, and so on. They had for passenger traffic have been quite insufficient to never been taught the commercial necessity of cutting cover the working expenses. At length, as from the their coat according to their cloth. 1st of March, while the first-class fares have been further reduced to a level which may possibly secure a State to company management will not of itself alter few additional first-class passengers, the third and this mental attitude. A large part of the board will fourth class fares have been increased by 36 per cent. be German; the general manager will be German; and The fares of the four classes are now 9 pfennigs, 6 his responsible officials will be the same men who have pfennigs, 4.5 pfennigs, and 3 pfennigs per kilometer inspired and carried out the railway policy of the past. and the ratio between the classes is less unreasonable We think it therefore essential that a railway commisthan hitherto.

unduly burdensome to the German public, seeing that necessary, to control in their interest the German. the German third-class fares per kilometer will still be only half the corresponding fare either in England or in the United States. But the public have so long been accustomed to be carried at noncommercial rates zation of his staff. that we think some falling off of traffic is to be expected, at least at the outset. We have accordingly estimated that a 36 per cent increase in fare will only produce a 30 per cent increase in receipts.

#### FUTURE CONTROL-THE RAILWAY COMMISSIONER

that the German Government has since the war run the railways in a manner which can not be defended. On the receipts side it has failed to raise the revenue which might have been and ought to have been raised. On the expenditure side it has spent capital not merely on restoring the pre-war situation, but on betterments of all kinds which under the existing conditions can not that he regards as necessary, and it will be for the be justified. The railways have not merely been board to approve his scheme. He must have the restored to their pre-war state of efficiency, but have | right to receive, of course, all reports, statistical and been brought up to a much higher standard, a standard which to the best of our knowledge is superior to that of any other country. We are given to understand that even inside the ministry itself this policy has been severely criticised. The excuse is that the pressure on the one hand of the great manufacturers to keep manager. He must also have the right to call for their works going and to avoid a wholesale dismissal of any further reports, returns, and statistics, as he may employees, which might lead to revolts or even revo- think necessary, in order to enable him to form an lution, was too strong to be resisted; while on the other | independent judgment. side, the poverty of the mass of the population was so great that the Government was compelled to main- as to everything that is happening or is proposed, tain railway rates at a low level. Whatever may have his first duty will be to decide whether to approve been the reason, there can be no doubt of the facts.

considerable weight, the action taken was by no means manager. He may be of opinion that things are wholly due to external pressure. The officials in the going wrong, or that a course of action inconsistent tariff section of the ministry were, as we have repeat- | with the railways being able to earn a financial return edly said, only too ready to subordinate railway is likely to be adopted. In such a case it will be his interests to nonrailway circumstances. And the exec- duty, if he fails to induce the general manager to

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Now the mere transference of the railways from sioner should be appointed by and on behalf of the We can hardly think that these new fares will be Allies to supervise and, if it should hereafter become management. We will, therefore, in concluding this report, deal with what in our opinion should be the functions of the railway commissioner and the organi-

#### THE RAILWAY COMMISSIONER

The railway commissioner must be a person who is acknowledged in the railway world as being in the first rank. It must be left for him, when appointed, to say what assistance he needs, in order to be able It is evident from the facts and figures set out above to assume responsibility for control of all branches of railway management. It will be his duty also to consider how far it is necessary to have local representatives in any or each of the districts into which the German railway system may hereafter be divided.

> We assume that when appointed he will produce to the board an outline of the organization and the staff financial returns, proposals for extra-routine expenditure, whether on capital or revenue account, for changes in tariffs or for the concession of exceptional rates and the like, when they are of such importance as would normally require the sanction of the general

Being in possession of full and up-to-date information or disapprove. 'If he disapproves, or even hesitates to Our own view is that, while the reasons above had approve, he will discuss the matter with the general

modify his policy, to bring the matter to the attention of the board in order that they may be in a position to take such action as they think fit. It is to be hoped | German railways failed to yield the net revenue fixed that, if the right man is appointed to the post, he will as reasonable for reparation purposes. We assume be able to work in entire harmony with the general man- that, broadly speaking, in this case the commissioner ager; and that the general manager, so far from resenting his interference, will welcome his support in putting a stop on the one hand to unnecessary expenditure, and in enforcing on the other hand the establishment and the maintenance of tariffs proper and adequate to secure for the railways as much net revenue as can reasonably be obtained without unduly hampering the trade of the country.

A second function of the commissioner will naturally be to make for the foreign members of the board agreed scale failed to be reached or even if there reports on any points which they may regard as of was serious danger that this failure would occur in serious importance. We may suggest the reasonable- the immediate future, the commissioner, as the repreness of the greatly reduced German export tariffs as sentative of the Allies, should be entitled to enter a sample of this class of question. It is clear that the into full control. Allied Nations have a right to claim that the net revenue of the German railways should not be reduced in order to give to German manufactures an unreasonable advantage in overseas markets.

### ANNEX NO. 4 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

# COMPANY

#### CONCESSION OF THE WORKING OF THE RAILWAYS

legally transferred to a company by a fixed date. | ferred shares, a return on its ordinary shares, and ade-The law will ratify the contract to be entered into quate reserves for all purposes including amortization between the German Government and the company of capital. The plan to accomplish the foregoing shall to which the concession is made. The contract will be worked out by the organization committee hereinprovide that no change can be made in the conditions after referred to. of the concession without the consent of the company and the trustee for the bondholders referred to below.

The law will further provide that the company shall have a monopoly of all railway extension in Germany.

The charter of the company will be annexed to and approved by this law. Before being submitted to the German Parliament the law will have to be approved settle the manner in which, subject always to the by the Reparation Commission.

German railway system will be transferred to the exercised. company by this law shall be as set forth below.

The company will be of German nationality.

The company shall be responsible for the working, upkeep, and normal development of the railways, including rolling stock and equipment, and will be company shall return to the German Government free entitled, subject to the provisions hereinafter contained from all charge, the whole of the railway undertaking, as to the powers of the German Government and the including all rolling stock and equipment, in thoroughly railway commissioner, to conduct its business in such good and complete working order. manner as the company may think proper.

As the consent of the German States is necessary The German Government shall have such control under the German law of 1920 for any alienation of or over the tariffs and service of the railways as may be | charge upon the German railways, the German Gov-

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

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It does not seem necessary to discuss in detail what would be the position of the commissioner if the general will take over the functions of the general manager, and that, in lieu of discussing with the general manager or recommending to the board of directors, he would be empowered to issue positive orders, whether for stopping expenditure which he considered unjustifiable or for an increase which he considered reasonable in existing tariffs. It is evident that it would be necessary to require the German Government to agree in advance that, if payment on the

> W. M. ACWORTH. G. LEVERVE.

CONCESSION OF THE WORKING OF THE RAILWAYS TO A | necessary to prevent discrimination and to protect the public, but such control shall never be exercised so as to impair the ability of the railroad company to earn a fair and reasonable return on its capital value, The working of the Germany railways shall be including adequate provision for its bonds and pre-

> The company shall as from the commencement of the concession be entitled to charge the tariffs then in force. Thereafter the company shall be entitled to vary the tariffs or any of them from time to time, subject to the provisions of articles 365 and 378 of the treaty of Versailles.

It shall be the duty of the organization committee to preceding provision, the control of the German Gov-The conditions under which the working of the ernment over the service and the tariffs shall be.

The term of the concession shall be at least of sufficient length to allow of the amortization of the bonds according to the provisions hereinafter contained. On the expiration of the concession, the

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

ernment shall make in this respect all necessary arrangements with the States concerned. These arrangements shall be ratified by the law granting the concession.

This law shall confer upon the company the right to mortgage any property belonging to the railways.

It shall also contain an undertaking that neither the Reich nor the States nor any public authority shall impose on the railway company any new direct tax, whether upon receipts either gross or net, or upon movable or immovable property or in respect of the employees of the company or otherwise howsoever.

#### THE RAILWAY COMPANY

#### ARTICLE I .- Capital of the company

The total capital which will be created, added to the first mortgage bonds for 11 milliard marks gold referred to below, will correspond to the capital cost of the German railway system (26 milliard marks gold).

Preference shares will be created to the amount of 2 milliard gold marks, bearing a fixed rate of dividend and entitled to participation in the profits of the railways, after payment of the annual payments mentioned below. This dividend and this participation, as also the terms on which the German Government may pay off or repurchase these shares, will be fixed by agreement between the German Government and the organization committee described below.

These preference shares will be sold by the company for the profit of the German Government and of the company itself, one-fourth of the sum thus obtained will be the property of the German Government and three-fourths the property of the company. The sales of shares will be made under such conditions that the German Government will receive the whole sum due to it within two years. If the German Government so requires, the proceeds of the first sale of shares may be reserved for its use.

The balance of the capital cost of the German railway system (viz, 13 milliard gold marks) will be represented by ordinary shares, to be owned by the German Government and to be kept or sold by it as · it prefers.

#### ARTICLE II.-Administration and management

directors of at least 18 members, who shall all be busi- such a nature as would normally require the sanction ness men of experience or railway experts. Half of of the general manager. these will be appointed by the German Government and half by the trustee referred to below.

appointed by the German Government.

tion of the terms of office of the directors of each menace the rights or interests of the bondholders or class.

for FRASER

Of the nine members of the board of directors appointed by the trustee, five may be German nationals.

The chairman of the board will be elected for one year by a three-fourths majority of the members of the board and will be eligible for reelection as long as he possesses the necessary qualifications.

As soon as the preference shareholders shall elect directors, the chairman shall be chosen from the directors so elected.

He will in addition to his vote as a member of the board, have a second or casting vote.

The general manager of the company shall be of German nationality.

He will not be eligible for a seat on the board. He will be appointed by a three-fourth majority vote of the board.

He may be removed by the same majority. If, however, his removal is requested by the commissioner (provided for in Article III below) on account of violation of the charter of the company or of failure to comply with the instructions of the board of directors. he may be removed by a simple majority vote of the board.

Whatever decisions may be taken with regard to the operation of the railways, it must be understood that any breaking up of the working of the system into local divisions must not in any event affect the financial and tariff unity of the undertaking.

#### ARTICLE III.-Commissioner

The railway commissioner shall be a person accepted in the railway world as being in the front rank.

He shall be appointed by a majority vote of the foreign members of the board of directors.

He shall not be a member of the board.

He will have an adequate staff of experts in railway matters and in accountancy.

The commissioner will have a general right of inspection over the whole railway system and all the railway installations and subdivisions, either in person by deputy.

He shall also be entitled to receive all reports, statistical and financial returns, proposals for extraroutine expenditure whether on "capital" or "revenue" account, for changes in tariffs or for the conces-The company will be administered by a board of sion of exceptional rates, and the like, which are of

The railway commissioner will further be entitled to call for any other reports, returns, or statistics which As soon as preference shares are issued to the public, he may consider necessary in order to enable him to the holders of these shares shall be entitled to elect form an independent opinion. All this information four members of the board in place of four members shall be furnished promptly, fully, and accurately at his request. If any measure in connection with con-The organization committee will also fix the dura- struction, operation, or tariffs tends substantially to of the Reparation Commission, as defined below, and

in particular to endanger the payment at the due dates, referred to in Article V below, he shall discuss the question with the general manager. If he can not persuade the latter to change his line of conduct, in order that it may take any measures it may deem necessary.

If the service of the bonds hereinafter mentioned is in jeopardy, the commissioner shall have regard to the provisions for the security of the bondholders herein- sell all or any of the railways and property subject after contained.

The expenses of the railway commissioner and his staff shall be an operating charge upon the receipts of the railways.

#### ARTICLE IV.-Bonds

The company shall forthwith, after its creation, issue without payment and for the purpose of reparation, to a trustee appointed by the Reparation Commission, first mortgage bonds to a nominal amount of 11 milliard gold marks carrying interest at 3 per cent per annum for the first financial year of the com- additional to the above payments with the authorizapany, at 4 per cent plus a bonus of 25,000,000 for the second, 5 per cent for the third and subsequent years, and to be amortized by a sinking fund as hereinafter provided.

Payment of these bonds shall be guaranteed by the German Government and they shall be signed both on behalf of the company and by the finance minister acting on behalf of the German Government.

These bonds shall be secured by a first registered mortgage or charge on the corpus and revenues of all immovable property used by or belonging to the company present or future, and by a first floating charge on all its fixed and movable plant, rolling stock and all installations. The company shall be authorized by the concession to create this mortgage and charge, the duration of which shall not be limited to the period of the concession.

This mortgage and this first floating charge shall be expressed to be in favor of the trustee to be appointed by the Reparation Commission, provided always that the company and the German Government shall be entitled at any time, with the consent of the trustee. to sell or dispose of any particular property used by the railway company which may be considered to be no longer needed by the latter, upon such terms as to the application of the proceeds of the sale as may be agreed upon by the trustee.

The service of the bonds shall be assured by the following payments which shall be made to the trustee from the gross receipts of the company and before the ascertainment of any net profits; that is to say:

For the first innancial year of the com-	Gold marks
pany	350, 000, 000
For the second financial year	
For the third financial year	550, 000, 000
For the fourth and subsequent financial	
-	660 000 000

If the company shall at any time make default in years\_\_\_\_\_ 660, 000, 000 meeting the service of the bonds, the trustee may in

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If in any year the German railways fail to realize receipts sufficient to allow of the payments above mentioned (it being understood that the company may draw upon whatever reserves may be available he must lay the question before the managing board, for this purpose until such reserves are exhausted), the railway commissioner shall have the right to take such action as the trustee for the bondholders may consider is necessary to protect the rights of the bondholders, including the right to operate, to lease, or to to the mortgage or charge of the bonds.

From and after the end of the fourth year from the date of the formation of the company, the bonds shall be amortized, under the conditions to be determined by the trustee with the approval of the Reparation Commission, by the application in each year of such part of the annual payments above mentioned as shall not be required for the interest on the bonds. The German Government and the company shall also be entitled at any time to pay to the trustee sums tion of the Reparation Commission which shall ascertain from the transfer committee that the transfer of these additional funds does not disturb the transfer of the annual payments. Any sums so paid shall be applied first to the discharge of any interest in arrear and next upon six months' public notice in redeeming at par all or any part of the bonds for the time being outstanding.

The Reparation Commission shall be entitled, with a view to the mobilization of the bonds, to divide the same in any manner which it may think expedient into different classes with different rights-as to priority of charge, rate of interest, repayment of capital, and otherwise-against the annual payments to be made by the company, and to issue to the public, upon such terms and generally in such manner as the commission may think proper, bonds, debentures, debenture stock, certificates of indebtedness or other securities of any nature secured upon the whole or any part of the bonds.

The company shall not be able to issue other bonds than those referred to above without the authorization of a three-fourths majority of the members of the board, of which majority two must be foreigners.

All payments of interest and capital in respect of the bonds shall be free from all German taxation, except in so far as the persons entitled thereto may be liable under German law to the payment of German direct taxation.

Subject as herein provided, the form of the said bonds and all provisions as to the enforcement and repayment thereof, including drawings and giving time for payment, shall be settled by the trustee with the approval of the Reparation Commission.

#### ARTICLE V.-Enforcement of Government guarantees

lieu of or in addition to the measures mentioned in the last preceding article present the accrued coupons or the right to purchase or repurchase the preference any bonds due for repayment to the commissioner of shares at par, plus dividend and arrears of dividend controlled revenues who shall pay them at their face | if accrued. value out of the portion of the receipts of the assigned revenues falling to the share of the German Government. The coupons and bonds so paid shall be included at their face value in the repayments made by the commissioner of controlled revenues to the German Government. The amounts so paid may only be repaid by the company to the Government after the necessary provision has been made for the current and the next coupons on the bonds and for the fixed dividend for the current year on the preference shares.

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#### ARTICLE VI.-Transportation tax

The company shall on behalf of the Government pay to the Reparation Commission the proceeds of the transportation tax as at present levied, i. e., a tax together with a fifth member of neutral nationality of 7 per cent on the gross receipts from all freight to be chosen by the four thus appointed or, in default traffic other than coal, and a tax of 10 per cent to 16 of such choice, to be appointed by the Reparation per cent, according to class, on the gross receipts from Commission. all passenger traffic. This payment shall be made during the first and each of the following years of the concession and until the conclusion of any extension, even if in the course of the concession the whole of the bonds have been paid off.

The rate of the transportation tax shall not be reduced during the whole of the concession. The proceeds of the tax may be employed by the trustee to secure the issue of a special series of bonds for 3 milliard gold mark, or thereabouts.

#### ARTICLE VII.-Financial arrangements

The bank account shall be kept at the new bank. Payments by the company herein before prescribed arise between the Reparation Commission or any shall be paid to the account of the railway commissioner. The latter shall transfer these sums to the credit of the agent for reparation payments.

#### ARTICLE VIII.-Anticipatory redemption of bonds

before the expiration of the term of the concession by special subsidy by the German Government to the of the capital and obligations of the company or of its company, the Government shall be entitled to require external or internal management, or otherwise howthat the functions of the railway commissioner hereinbefore mentioned shall come to an end and that the arbitrator who, if the German Government so desires, foreign directors shall be replaced by German directors. shall be of neutral nationality to be nominated by the In default of other arrangements the transportation tax shall continue to be paid to the Reparation Com- International Justice, and the decision of the arbitrator mission.

The German Government shall in that case also have

#### ARTICLE IX.-Organization committee

A temporary committee with the title of the "Organization committee of the German railway company" shall be constituted in order to work out, subject to the foregoing provisions, the details necessary for the creation of the German railway company and the execution of this plan. The committee shall consist of two delegates appointed by the German minister of railways, the railway specialists, Sir William Acworth and M. Leverve, who are familiar with the discussions which have led to the adoption of this scheme, or a nominee or nominees to be appointed by them jointly

This organization committee will come to an end as soon as may be after the railway company has been constituted, the railway commissioner appointed and this plan has been put into operation. The expense of the committee and of their staff shall be an operating charge upon the receipts of the German railways.

#### ARTICLE X.-Arbitration

The law to be enacted by the German Parliament shall provide that so long as the functions of the railway commissioner hereinbefore mentioned shall not have come to an end, if any dispute or difference should government represented thereon, on the one side, and the company and the German Government, or either of them, on the other side, or between the company and the German Government, as to the interpretation of any provision of the said law, or of the charter of the If all the first mortgage bonds should be redeemed company, or of this plan, or as to anything to be done under any of them respectively, whether in respect soever, the same shall be referred to the decision of an president for the time being of the Permanent Court of so appointed shall be final.

### REPORTS OF COMMITTEES TO REPARATION COMMISSION

### ANNEX NO. 5 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

#### PLAN FOR INDUSTRIAL DEBENTURES.

#### THE AMOUNT AND FORM

I. The German Government shall provide bonds or debentures of industrial concerns to a total nominal value of 5 milliards of gold marks, bearing 5 per cent interest and 1 per cent for sinking fund per annum. These bonds shall be the individual obligations of the several concerns and shall be secured as to principal, interest, and sinking fund payments by a first mortgage on the plant and property of the respective concerns making them.

The term "industrial concerns" shall include not only manufacturing concerns but navigation, mining, and any other similar concerns which the organization committee may indicate.

#### DELIVERY TO TRUSTEE

II. The mortgage bonds or debentures above provided for, with suitable coupons covering the interest payments, shall be delivered by the German Government to the trustee to be appointed by the Reparation Commission, who will hold them, collect the coupons thereon, paying the proceeds into the account of the agent for reparation payments, or dispose of them in whole or in part from time to time under the orders of the Reparation Commission. The debtor may make proposals to the trustee for their immediate or gradual redemption, and the committee recommends that the trustee be empowered to give preference to such proposals of redemption, and especially those of which the redemption would be effected by the use of foreign currencies, before offering such bonds in the open market or otherwise. In the event that no proposals of a satisfactory plan of redemption are made to the trustee by any individual maker of the bonds within six months after such bonds shall have been delivered to him by the German Government, then the trustee, in his discretion. but with due regard to the protection of the credit of the debtor, shall be free to dispose of the same in such manner and on such terms as the Reparation Commission may authorize.

#### GUARANTY BY GERMAN GOVERNMENT

III. The German Government shall guarantee the principal, interest, and sinking fund payments on such bonds: in consequence, in case of default the matured of handling them, or may waive them altogether, procoupons can be presented to the commissioner of con- vided the total sum of 5 milliards is maintained.

IV. The said bonds and mortgages until redeemed shall be exempt from taxation in Germany, unless they shall be held by German nationals, in which case they shall be taxed like other similar bonds and mortgages so held by German nationals and without discrimination.

VI. (a) The organization committee shall have all powers to work out the details of the plan in such form as may be fair alike to the German Government, to the industrial concerns and to the Reparation Commission, bearing in mind that it is the purpose and intent of the plan to insure for reparations account the payment of the 5 milliards of gold marks with interest thereon at 5 per cent per annum and a sinking fund of not less than 1 per cent thereon, which in and of itself will determine the maturity of the bonds. (b) The organization committee shall have the power to determine the form and character of the mortgages, and, in case the concerns are too small to make indi-

trolled revenues, who shall purchase them at their nominal value, by means of the funds under his control which are destined to be paid over to the German Government. The commissioner will include the coupons for their nominal value in the "reversements" to the German Government, which will have recourse against the defaulting debtor.

The German Government might, by means of subsidies, encourage the repurchase of the bonds by the mortgagors and thus free itself from its guaranty.

#### TAX-EXEMPTION PROVISION

#### TEMPORARY ORGANIZATION COMMITTEE

V. A temporary organization committee shall be formed for the purpose of taking all necessary measures within the scope of the foregoing plan and for fixing the details of organization. This committee shall include a representative of the German Government, a representative of industry, two members appointed by the Reparation Commission and a fifth member of neutral nationality to be chosen by the four thus appointed, or in default of such choice to be appointed by the Reparation Commission.

### POWERS OF THE ORGANIZATION COMMITTEE

vidual mortgage issues practical and desirable, the committee shall have the power to devise some method

### ANNEX NO. 6 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

THE TRANSFER OF REPARATION PAYMENTS FROM GER- | MAN CURRENCY INTO FOREIGN CURRENCY AND THE USE OF BALANCES NOT TRANSFERRED

TRANSFER COMMITTEE

be made by the agent for reparation payments only, unanimously and the German Government. under the direction of a committee composed of five members known as "the transfer committee."

#### COMPOSITION AND SELECTION OF MEMBERS

II. The transfer committee shall be composed of six members; the agent for reparation payments shall be in Germany, such reinvestment not to be of a tempoa member and the chairman; the other five members rary character, and such property being of classes conshall be persons qualified to deal with foreign-exchange tained in a schedule agreed to between the committee questions. They shall consist of an American member, and the German Government and modified from time a French member, an English member, an Italian member, and a Belgian member. Each of them shall be appointed by the Reparation Commission, after the member of the general board of the bank of the same nationality has been consulted.

#### COOPERATION OF THE BANK

III. The committee will be in contact with the presi- COOPERATION BY THE GERMAN GOVERNMENT AND THE dent and the commissioner of the bank.

#### POWERS OF THE COMMITTEE

IV. The committee shall have power, and it shall be its duty: (a) To apply such bank balances for payments for deliveries in kind and payments under the transfers of funds, including such steps as will aid in reparation recovery act, in accordance with the program established periodically by the Reparation Commission, after consultation with the transfer committee in relation to the necessity of making important transas to the character and amount of such deliveries.

(b) To convert these bank balances into foreign currencies from time to time and after conversion to remit them in accordance with the instructions of the Reparation Commission.

Both the foregoing powers (a) and (b) to be exercised to the extent to which, in the judgment of the committee, the foreign exchange market will permit, without threatening the stability of the German currency.

(c) To invest from time to time in bonds or other loans in Germany such amounts as the committee may deem wise. The committee shall proceed to make these investments as soon as the amount of the credits exceeds the sum which the bank will keep on deposit. On the other hand, the committee may sell the bonds which it has acquired or liquidate the loans which it has granted whenever in its opinion the sums representing investment of funds pending transfer, may be converted into foreign exchange, or the bank nor any property purchased under the provisions of can accept additional deposits.

RESTRICTION ON PURCHASE BY THE CREDITORS

V. The goods supplied by Germany to the creditor countries under paragraph IV (a) above and paid for by the bank as above provided shall be for the sole I. The plan provides that all payments for the ac- use of the countries receiving them for their internal count of reparations, however derived, are to be first requirements, including the requirements of their colomade in the form of deposits in the bank, provided for nies and dependencies. The goods so delivered shall in the plan, to the credit of "The agent for reparation not be exported from the country receiving them, payments." The withdrawals from this deposit shall except by agreement between the committee acting

VI. In addition to its powers under paragraph IV, the committee may, on the instructions of the Reparation Commission and at the request of the creditor states, by debiting their accounts, transfer marks to private individuals for the purpose of making purchases to time by similar agreement. In arriving at such agreement the German Government shall be required to have due regard to the necessity for making maximum payments to its creditors, but it shall also be entitled to have regard to maintaining its control of its own internal economy.

# BANK

VII. The German Government and the bank shall undertake to facilitate in every reasonable way within their power the work of the committee in making the control of foreign exchange. When the committee is of the opinion that the bank's discount rate is not fers, it shall inform the president of the bank.

#### ATTEMPTS TO DEFEAT TRANSFER

VIII. In the event of concerted financial maneuvers either by the Government or by any group, for the purpose of preventing such transfers, the committee may take such action as may be necessary to defeat such maneuvers; and in such circumstances it may suspend the operation of paragraph X, may accumulate the funds or employ them in the purchase of any kind of property in Germany.

#### TAX-EXEMPTION PROVISION

IX. The German Government shall not tax the deposits in the bank or goods purchased for the creditor countries pending removal, nor any securities or loans the paragraph next preceding. This exemption does

not apply to property purchased under paragraph VI, that the conditions of transfer necessitate, and the but on the other hand, there should be no tax discrimination against such property.

### PROVISIONS FOR LIMITATION OF ACCUMULATION

X. (a) When the accumulation of funds not transferable under the provisions of subdivisions (b) and (c) of paragraph IV shall have reached the sum of 5 milliard gold marks (whether represented by bank deposits or loans), the payment for treaty charges provided for shall be reduced to such an amount as will cover the transfers and payments provided for under subdivision (b) and (c) of paragraph IV without additional accumulation. Such partial suspense of Germany's obligations shall be operative only during the period

### ANNEX NO. 7 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

### NOTE ON THE CURRENCIES CIRCULATING IN GERMANY IN JANUARY, 1924 6

### CHAPTER I.-PAPER-MARK CURRENCY

### A. LEGAL TENDER

1. Reichsmarks.-Reichmarks are issued by the Reichsbank under a privilege granted to it by the banking law of March 14, 1875. In 1913 the circulation of paper marks amounted to 2.1 milliard; on January 31, 1924, it had reached the figure of 483.7 trillion (English) paper marks, representing 483.7 million gold marks at the rate of 1 gold mark=1 billion paper marks.

2. Notes of private banks.-Banks, which at the time of the promulgation of the law of March 14, 1875, had the right to issue notes, have retained this privilege. The number of these banks, which was originally 32, has decreased progressively; at the present time there are only four private banks, namely: Bayerische Banken, Sächsiche Bank, Badische Bank, Wurtembergische Notenbank.

The total circulation of notes issued by these four institutions amounted in 1913 to 140,000,000 gold lin, which would allow interest at 2 per cent less than marks. At the end of January, 1924, it represented the rate of discount of the Reichsbank. The cover about 100,000 gold marks.

3. Reichskassenscheine .- These currency notes were issued at the time of the formation of the Reichsbank (1875) in order to make it possible to place the fiduciary circulation on a sound basis by means of the withdrawal of the State notes then in circulation. The issue was originally fixed at 120,000,000 gold marks, corresponding exactly to the war treasure (in gold) deposited at Spandau. The circulation, which reached the figure of 320,000,000 in 1920, progressively decreased until August, 1923, when it still amounted to 200,000,000 gold marks. At that date the Reichskassenscheine in circulation were completely withdrawn.

In the English text of this document the English system of numeration is followed throughout.

exceeded.

countries.

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standards of payment laid down in the plan shall be resumed at any time when they can operate without the limits of accumulation herein laid down being

(b) The committee shall have power to suspend accumulation before reaching 5 milliard gold marks. if two-thirds of its members are of the opinion that such accumulation is a menace to the fiscal or economic situation in Germany or to the interests of the creditor

(c) The committee shall, by a two-third majority. have power to waive the limit accumulations under the conditions provided for in paragraph VIII.

4. Darlehenskassenscheine.-(Bonds issued by the Darlehenskassen during the war.) The issue reached its maximum figure in October, 1922 (14 milliard paper marks); these bonds ceased to figure in the statements as from August, 1923, when the circulation amounted to only 11 milliard paper marks, corresponding to less than 10,000 gold marks.

#### B. AUXILIARY INSTRUMENTS OF PAYMENT

1. Issue of secured notgeld .- The issue of notgeld (emergency currency) was regulated by the law of July 17, 1922. This currency was issued with a view to supplementing that issued by the Reich, the Reichsbank, and the private banks of issue, the total value of which in circulation was constantly decreasing as a result of the fall of the mark. The previous authorization of the minister of finance was necessary. The notgeld was to be secured by a deposit in fixed values, earmarked in favor of the Reich Minister of Finance, and corresponding to the amount placed in circulation. less the actual or estimated expenses of issue. This asset was to remain at the Reichskreditanstalt at Berfor the notgeld might also consist of three months treasury bonds; but in this case it was the Reichsbank which would issue the notgeld and accept the deposit in treasury bonds offered as guarantee.

Authorization to issue notgeld was granted to public and private organizations for a total figure which at the end of 1923 amounted to 7.6 trillion paper marks. corresponding to 7.6 million gold marks. The circulation of this notgeld amounted on December 31, 1923, to 3.4 trillion paper marks; that is, 3.4 million gold marks. An endeavor has since been made to withdraw the notgeld from circulation; a decree of January 2, 1924, prescribed the complete withdrawal in certain unoccupied territories. On January 31, 1924, the circulation amounted to 1.4 trillion paper marks, or 1.4 million gold marks.

### REPORTS OF COMMITTEES TO REPARATION COMMISSION

2. Issue of unsecured notgeld .- Numerous emergency currencies have been issued without authorization from the German Government, and without the formation of a guarantee deposit, both by public and private organizations and even by private individuals.

The amount of this notgeld issued without authorization or guarantee and in circulation at the end of January, 1924, is estimated by the German Government as follows:

NEW AND TO ADMINISTRATION OF THE PERSON	Gold marks
In unoccupied territory	27, 600, 000
In occupied territory	132, 000, 000

3. Railway notgeld .- In order to cover the working deficit, the Reich railways issued 114 trillion paper marks during 1922 and 1923. This currency was secured by a Reich deposit at the Reichsbank of 90,000,000 rentenmarks. At the end of January, 1924, 56,000,000 were still in circulation.

CHAPTER II.-INSTRUMENTS OF PAYMENT IN GOLD OR AT A FIXED VALUE

1. Rentenmark .- The rentenbank was created by the decree of October 15, 1923. The method of creation and operation is known.

The issue of notes in rentenmarks began on November 15, 1923.

According to the balance sheet of the rentenbank on January 31, 1923, the amount issued at that date was 1,374,000,000 rentenmarks.

The introduction of the rentenmark has stopped the issue of notgeld of fixed value.

2. Dollar treasury bonds (Dollarschatzanweisungen) .---The law of March 2, 1923, authorized the issue of dollar treasury bonds for a total amount of \$50,000,000 (210,000,000 gold marks). These bonds, issued in denominations of from \$5 to \$100, do not bear interest, but are redeemable in gold at 120 per cent on April 15, 1926.

These treasury bonds have been fully subscribed. They have been used in Germany as a means of payment.

3. Gold loan (Wertbeständige Anleihe) .- This loan authorized by the law of August 14, 1923, is for a total sum of 500,000,000 gold marks, which has been fully subscribed. The bonds are expressed in dollars. The small denominations of from one-tenth to \$5 do ment. The total value of these bonds amounts to not bear interest and are redeemable at 170 per cent about 50,000,000 gold marks. Attempts are being on September 2, 1935. Bonds for \$10 or more bear made to recall these small denominations by convert-6 per cent interest and are redeemable at par on the same date. These large denominations were issued first for a total sum of 164,000,000 gold marks. Subsequent issues of large denominations raised this figure to 204,000,000 gold marks.

become intolerable on account of the fall of the paper | count certificates" (Verrechnungsscheine), which still mark, and wage earners having insisted upon being serve as instruments of payment. It is the intention

preparations for the issue of the rentenmark not being sufficiently advanced) to issue small denominations of the gold loan.

These small denominations were issued up to a total amount of 296,000,000 gold marks, 4,000,000 of which were exchanged against rentenmarks in January, 1924, in accordance with the privilege granted to the holders in this respect.

As will be seen later, 10,000,000 of this gold loan have been assigned as partial security for the notgeld of a fixed value issued by the railways.

At the end of January; 1924, therefore, the circulation was as follows:

Large notes Small notes	Gold marks 194, 000, 000 292, 000, 000
Total	486, 000, 000

4. Notgeld secured by 6 per cent treasury bonds (6 per cent Schatzanweisungen) .- Since the small gold loan certificates proved insufficient for the monetary circulation, the Provinces, towns, chambers of commerce, and the larger industrial undertakings were given authority to create emergency currency on a gold mark basis, to be covered by gold loan certificates of large denominations. Owing to the scarcity of the latter, the authorities issuing notgeld were given permission to provide cover in the form of 6 per cent treasury bonds expressed in dollars and gold marks, specially created for this purpose by the decree of October 20, 1923. These bonds fall due on December 1, 1932, and are redeemable at par in German currency on a gold basis.

The total amount of notgeld thus secured (exclusive of the notgeld issued by the railways and to which we will refer later) stood at 110,000,000 gold marks on January 31, 1924.

This notgeld is to be gradually withdrawn from circulation against redemption in loan bonds or German currency. Redemption was to begin on January 15, 1924, and it is hoped that the full amount will have been called in not later than April 1, 1924.

5. Treasury bonds and interim bonds issued by the States .-- Certain States issued fixed value loans, some of the certificates for which were of such small denominations that they still serve as instruments of paying them into larger denominations.

6. Certificates issued by the banks of Hamburg and Schleswig-Holstein .- Two banks, the Hamburger Bank von 1923 A. G. and the Schleswig-Holsteinische Goldgirobank A. G. were authorized by the Reich Minister In October, 1923, the monetary situation having of Finance to deliver, in exchange for currencies, "dispaid in currency of fixed value, the Reich decided (the of the German Government to dispense with these

gold certificates as soon as a gold currency has been reinstated. The Hamburger Bank issued certificates to the amount of 25,000,000 gold marks. No particulars are available regarding the amount issued by the Schleswig-Holsteinische Goldgirobank, but the figure is inconsiderable.

7. Notgeld issued by the railways .- In order to cover their deficit, the German railways were authorized to issue, in addition to the paper mark notgeld referred to above, notgeld having stable value to the amount of 200,000,000 gold marks-10,000,000 of this issue were secured by gold loan bonds, as explained above, the remaining 190,000,000 being secured by 6 per cent treasury bonds, as already stated. The notgeld issued by the railways amounted to 131,900,000 on January 31, 1924. This emergency currency is to be withdrawn from circulation by means of a loan to be issued later by the railways.

#### TABLE OF INSTRUMENTS OF PAYMENT IN CIRCULA-TION IN GERMANY IN JANUARY, 1924

	A pproximate value in millions of gold marks <sup>7</sup>	T TANK
I. Instruments of payment expressed	or good maring	Lines
in paper marks:		1153
Reichsbank notes (as per		
return dated 31/1/24)	483.7	1.2.3
Notes of the four private		1.75
banks of issue	0.1	North
Notgeld issued by the rail-		1
ways and secured by a		
deposit of 90,000,000		1.57
rentenmarks at the		
Reichsbank	56.0	
Notgeld issued against the		III.
deposit of security in		
currencies	1.4	
Notgeld issued without		-
cover—		1000
In occupied territory_	132. 0	N
In unoccupied terri-		rend
tory	27.6	esti
Show the same state of the same -	the second	wou
Total	700. 8	whi

<sup>1</sup> Calculated on the basis of 1 gold mark=1 billion paper marks.

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II. In

De

struments of payment expressed in gold or having	Approximate value in million of gold marks
fixed value:	
Rentenmarks (as per rent-	
	1 071 0
enbank return of 31/1/24)	1, 374. 0
Dollar treasury bonds	
(Dollarschatzanweisun-	
gen, law of March 2,	
1923)	210. 0
Gold loan (Wertbeständige	
Anleihe, law of August 14,	and American patientse.
1923)	486.0
Notgeld secured by 6 per	e la la casa de
cent treasury bonds	
(6 per cent Schatzan-	
weisungen, law of Octo-	
ber 20, 1923)	110.0
Treasury bonds and in-	
terim bonds issued by	
the States	50.0
Certificates issued by the	00.0
banks of Hamburg and	of Resociation and
Schleswig-Holstein (Ver-	
rechnungsscheine)	35. 0
Notgeld issued by the rail-	55. 0
ways and secured by	
6 per cent treasury	
banda (10,000,000	
bonds (10,000,000 of	
which are secured by	0 101
gold loan)	131. 9
	0.000
Total	2, 396.
nominational currency in	renten-

enominational	currency	in	renten-			
pfennigs					158.	0
Grand	total		10 10002	3	255	7

NOTE.—This total does not include the foreign curncies at present in Germany, which, according to the imate made by the Second Committee of Experts. uld amount to 1,200,000,000 gold marks, a figure which has been confirmed by a German authoritative SOUTCE.

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### ANNEX NO. 8 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

### PROVISIONAL SURVEY OF THE BUDGET FOR 1924

I. GENERAL ADMINISTRATION OF THE REICH

A. ORDINARY BUDGET

this or goans addred in your	I	In millions of—		of the second of the second of the		In millions of-			
Revenue	Gold marks	Pounds	Dollars	Expenditure		Pounds	Dollars		
<ol> <li>Taxes on property, traffic, trade and transfer (direct taxes)</li></ol>	4,004 1,080 60	200. 2 54. 0 3. 0	1,001.0 270.0 15.0	<ol> <li>Interest on, and amortis. of debt of Em- pire</li></ol>	156 810 450 208 28 500 360 380 250 1, 800	7.8 40.5 22.5 10.4 1.4 25.0 18.0 19.0 12.5 90.0	39, 0 202, 5 52, 0 7, 0 125, 0 90, 0 95, 0 95, 0 62, 5 450, 0		
Total of ordinary revenues	5, 144	257. 2	1, 286. 0	Total of ordinary expenditure	4, 942	247.1	1, 235. 5		

#### B. EXTRAORDINARY BUDGET

1. Revenue from the mint 2. Other revenues	90 40	4.5 2.0	22, 5 10, 0	1. For war damages and removal of effects of the war	0
Total of extraordinary revenues	130	6.5	32.5	Total of extraordinary expenditure. 130 6.5 32.	5
Total of A and B	5, 274	-263.7	1, 318. 5	Total of A and B 5,072 253.6 1,268.	ō

II. EXECUTION OF THE TREATY OF VERSAILLES

		<ol> <li>Cash reparation payments (Discharge of debt due to the Reichs- bank for redemption of an exchequer bill given to Belgium.)</li> <li>Clearing office payments</li> <li>Cost of armies of occupation</li> <li>Rhineland commission</li> <li>Other interallied commissions including reparation commission</li> <li>Restitution, substitutions, and disman- tlement costs</li> <li>Home expenditure incurred by the carry-</li> </ol>	52 6 360 34 18 10	2.6 0.3 18.0 1.7 0.9 0.5	13.0 1.5 90.0 8.5 4.5 2.5
and he are added in the second of the second	a standy	ing out of the treaty of Versailles	160	8.0	40.0
all equal to planated balance with the set	ST Sharing	Total of expenditure	640	32.0	160.0

BALANCE

	5, 072 640	253.6 32.0	1, 268. 0 - 160. 0
- Revenues	 5, 712 5, 274	285, 6 263, 7	1, 428. 0 1, 318. 5
Deficit	 438	21.9	109.5

<sup>1</sup> The figures of this table can only serve as a preliminary estimate and are given with all reserve. This estimate of the revenues assumes com-plete restoration of economic unity between occupied and unoccupied territory, renewed administrative and fiscal supremacy in occupied territory on the part of the Reich and the component States, that the taxes to be levied according to the general laws of the Reich and the States are once

### ANNEX NO. 9 TO THE REPORT OF THE FIRST COMMITTEE OF EXPERTS

#### COMPARATIVE POSITION OF DIFFERENT IN- | In view of the circumstances mentioned above, any COMES DRAWN FROM DIVIDENDS IN THE estimates are attended with exceptional difficulties. YEARS 1920-21, 1923-24, AND 1924-25

QUESTION SUBMITTED TO THE GERMAN GOVERNMENT BY THE FIRST COMMITTEE OF EXPERTS

Assume four men with incomes in gold marks: 15.000, 100,000, 500,000, 1,000,000; (a) wholly from dividends of German industrial companies; (b) onehalf from German and one-half from foreign companies. What amount of income tax (or its substitutes) plus capital tax will be payable on the scales for 1920-21, 1923-24, 1924-25, respectively?

#### REPLY OF THE GERMAN GOVERNMENT

For the following reasons it is impossible to make reliable estimates of the kind desired:

1. Because the fiscal burden for 1920-21 can not be calculated owing to the influence of the depreciation of the currency.

2. Because no assessment exists for 1923 based on sliding scale rates for that year; indeed for 1923 prepayments and payments of balance were collected which were regularly calculated on a coefficient of the 1922 taxes and were therefore not entirely immune from the influence of the depreciation of the currency.

3. Because no income tax levied on a sliding scale exists so far for 1924; the prepayments for 1924 are collected more according to external standards; the actual income for 1924 will not be assessed until 1925, when it will be based upon a tariff which will be determined by law in the course of the year 1924.

Particulars concerning the form of the taxes will be found in the memorandum transmitted (see for 1920-21: receipt in 1920 and which he paid in 1921 for his English text, pages 81, 96; French text, pages 81, 97; foreign dividends. From the remaining revenue, after for 1923-24: English text, pages 83-84, 96; French deduction of the tax on revenue from capital, the taxtext, pages 84, 97). Reference should be made to payer has paid his income tax for 1920 according to the statement concerning the budget estimates of the schedule. In estimating the actual fiscal burden, wages tax and the prepayments on the income and account has been taken of the fact that the income was corporation taxes for 1924 transmitted as V (a) II 1480. of February 16, 1924.

It should further be pointed out that income from dividends to the amount mentioned existed in Germany before the war to a limited extent only and is unlikely to be found after 1922, owing to economic developments during the period of depreciation of depreciated currency. On the basis of the average the currency.

As early as 1920, there were only six taxpayers in paper marks and in 1921 to 24.9 paper marks. Germany who had an income from investments of from 3,000,000 to 10,000,000 paper marks, that is, dends in German companies in 1920 to be 50,000 gold from 200,000 to 667,000 gold marks and 66 with an marks = 750,000 paper marks. Before distributing income from investments of from 1,000,000 to 3,000,000 750,000 paper marks, a company in 1920 had to pay paper marks, that is, about 67,000 to 200,000 gold an average tax of 127,500 paper marks. The 750,000 marks. From about the middle of 1922 income from paper marks due to the person receiving dividend investments had practically disappeared.

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An attempt is made below to employ available bases for valuation as required in the questionnaire.

The estimates given in the inclosed table showing the charge on incomes from dividends of 50,000, 100,000, 500,000, and 1,000,000 gold marks fulfill the conditions set forth in the questionnaire-

(a) That the whole income is drawn from dividends of German industrial companies.

(b) That half the income is drawn from German and half from foreign industrial companies.

It was necessary, in drawing up this table, to include in the calculation of the charges on income derived from dividends of German industrial companies, the taxes which had to be paid by the German companies if they distributed dividends to the amounts in question; it must not be forgotten that this tax is deducted before the distribution of the dividends. In converting the income in gold into paper marks and the taxes in paper marks into gold marks, the rate of the dollar has been used as the basis. This was possible because the income is indicated in gold, and therefore the calculation of the tax at the dollar rate affords a basis for comparison.

In making the calculation the following assumptions have been made:

I. For 1920-21.-The dividend has been paid to the taxpayer in 1920. The tax paid by the company has first been deducted from the profits which the company made in 1919 and on which it paid the tax in 1920. A further prior charge consists of the 10 per cent tax on revenue from capital which was deducted from the German dividends of the taxpayer at the time of their obtained in the year 1920, that the corporation tax and the tax on revenue from capital were paid at the time of receiving the dividends, that is also in 1920, and that on the other hand the tax on revenue from capital in respect of foreign dividends and the income tax were not paid until 1921, and were therefore paid in a dollar rate, one gold mark was in 1920 equivalent to 15

Example 1.-Let us assume the income from diviwere, upon receipt, reduced by 10 per cent; that is, by 75,000 paper marks. In 1920, therefore, 202,500 paper marks were paid in taxes = 13,500 gold marks. From the remaining 675,000 paper marks he had to pay the sum of 356,600 paper marks in income tax = 14,321 gold marks in 1921. The total charge was therefore 27,821 gold marks.

Example 2.-Let us assume the income from dividends in German companies in 1920 to be 25,000 gold marks = 375,000 paper marks and from foreign companies 25,000 gold marks, making a total of 50,000 gold marks = 750,000 paper marks. Before distribut. ing 375,000 paper marks, German companies had, in 1920, to pay an average tax of 63,750 paper marks = 4,250 gold marks. The 375,000 paper marks in German dividends due to the recipient were, upon receipt, reduced by 10 per cent; that is, by 37,500 paper marks =2,500 gold marks.

In 1920, therefore, 6,750 gold marks were paid in taxes. In 1921 the person drawing dividends had in the first place to pay a 10 per cent tax on revenue from capital on the 375,000 paper marks; that is, 37,500 paper marks = 1.506 gold marks. Furthermore, after deduction of the tax on revenue from capital he had to pay on the remaining 675,000 paper marks an income tax of 356,600 paper marks = 14,321 gold marks. In this case the 1921 taxes thus amount to 15.827 gold marks. Including the 1920 taxes the total charge is therefore 22,577 gold marks.

II. For 1923-24.-It is assumed that the dividends for 1923 have been distributed to the shareholders. In the total prior charge the tax on fortunes has not been taken into account. Only the corporation tax which under the law of March 20, 1923, on the depreciation of currency, was paid by the company for the business year 1922, which year was taken as the basis for the distribution of dividends, has been indicated as the prior charge. On the basis of the tariff the prior charge amounted to 45 per cent. Owing, however, to the great depreciation of currency in 1923, the gold value on the date of payment was insignificant. The prior charge has been indicated therefore at only 3 per cent, since the dollar rate at the time of the payment of the tax, that is on April 25, amounted to 29,200, namely about fifteen times the average dollar rate for 1922 (1,885.78). In many cases, owing to delay in closing the balance sheet and to the consequent delay in paying the taxes the prior charge was, as a result of the rapid depreciation of currency, much less than 3 per cent. In the case of the person receiving dividends, the tax indicated is that which he had to pay as increased prepayments and payment of balance for 1923.

Since there was no proper assessment for income tax on a sliding scale for 1923, the payments of balance for 1923 have been determined according to the taxpayer's capacity to pay on the basis of his gold mark payments in 1923, and in certain cases on the basis of a lavish expenditure.

for FRASER

If, on the basis of the material at its disposal the finance office can assume that the taxpayer had a gold mark income of 50.000 or 100.000 marks, a charge of at least 25 per cent may be allowed for.

If there are really cases of still higher incomes, a charge of 35 per cent on 500,000 gold marks and of 40 per cent on 1,000,000 gold marks will be paid. The total charge therefore amounts to 28 per cent in the case of incomes of 50,000 and 100,000 gold marks derived from dividends paid by German companies; if half of the income is derived from foreign companies half of the prior charge constituted by the corporation tax does not come into consideration and the total charge therefore amounts to 261 per cent. For incomes of 500,000 gold marks the total charge represents 38 per cent or 361 per cent, for 1,000,000 gold marks 43 per cent or 411 per cent.

III. For 1924-25.-It is assumed that the dividend for 1924 is distributed to the shareholders. The prior charge indicated is the tax which the company has paid as corporation tax prepayments and payment of balance for 1923.

The example of 50,000 gold marks has been calculated as follows-1 gold mark was 449 paper marks, according to the average rates of exchange of the dollar for 1922; 50,000 gold marks therefore equal 22,450,000 paper marks.

First prepayment (under the currency depreciation law of March 20, 1923) 20 per cent = 4,490,000 paper marks, paid on May 25 (1 gold mark=12,190 paper marks) = 369 gold marks.

Second prepayment (under the law for increases of July 9-August 11, 1923), 600×10 per cent = 1,347,000,-000 paper marks, paid on August 25 (value of the gold mark = 1,120,000) = 1,203 gold marks.

Payment of balance on January 10, 1924 (under article I, section 2, of the second fiscal emergency decree), 0.60 gold mark on each 1,000 marks of the 1922 fiscal debt; the 1922 fiscal debt in respect of dividends amounted to 45 per cent of the sum of 22,450,000 paper marks indicated above; that is, to 10,102,500 paper marks. Consequently, the final payment of 0.6 per thousand in gold = 6,061 gold marks. The total prior charge, therefore, amounts to 7,633 gold marks.

In the case of the person receiving the dividend the only payments demanded are those to be paid as income-tax prepayments and as tax on fortunes in 1924. Ten per cent only is first deducted at the source from the revenue from investments as income-tax prepayment; this is, therefore, 5,000 gold marks on 50,000 gold marks. For the tax on fortunes it is assumed that the dividends paid by German companies average 1 per cent of the quoted value; even this computation must, however, be too high for a great many German companies at the present time.

In the case of foreign companies it is assumed that the dividends amount to 5 per cent of the quoted value of the share; 50,000 marks in dividends from German 5,000,000 marks.

fortunes this is valued at only half the quoted value- sum is, however, included in the inclosed table on this that is, 2,500,000 marks-since the company itself has account; for, as explained above, the calculations for to pay a tax on fortunes for which the fortune is assumed 1924-25 constitute only provisional tax payments, to be at least the total quoted value of the shares.

tunes amounts to 17,500 marks. The provisional still be assessed at the beginning of 1925, and he will charge on an income of 50,000 marks from dividends then have to make considerable postpayments, which from German companies is therefore as follows:

We the Supply the second second second	Gold marks	
Tax on corporations	7,633	190
Deduction at the source from revenue	e	
from investments	5,000	
Tax on fortunes	17, 500	

Total\_\_\_\_\_ 30, 133

If half the dividends come from a foreign company, the charge in respect of the tax on capital is as follows: Twenty-five thousand marks from German com-

panies. Quoted value 2,500,000 (1 per cent interest). half of which is counted; that is, 1,250,000 marks.

Twenty-five marks from foreign companies. Quoted value 500,000 marks (5 per cent interest) counted in full, since the company does not pay the tax on fortunes in Germany.

The quoted value used for the tax on fortunes is therefore 1,750,000 marks and the sum paid in respect of the tax 11,375 marks.

As half of the dividends come from foreign companies, the deduction at the source on half the revenue from investments in this case also provisionally does

### **REPORT OF THE SECOND COMMITTEE OF EXPERTS**

**COVERING LETTER** ing the amount of German exported capital and of bringing it back to Germany. We were convened in DEAR MR. CHAIRMAN: I have the honor to present Paris on the 21st of January, 1924, and we have held altogether 38 meetings, first in Paris, then in Berlin, and finally again in Paris. We have examined numerous witnesses and have availed ourselves of the services of trained economists, technical advisers and In laving before you the result of our labors may I expert accountants. We have also studied the published works on the subject by well-known economists, and each member of the committee has furnished

the unanimous report of the committee appointed by the Reparation Commission to inquire into the amount of German exported capital and to consider the means of bringing it back to Germany. be permitted in the name of the committee to express the hope that our work may assist in solving the problems involved in the execution of the treaty of peace. reports on particular problems. I remain, yours faithfully.

R. MCKENNA.

THE CHAIRMAN, Reparation Commission.

In our investigation of the amount of capital owned TEXT OF THE REPORT by Germans in foreign countries, we were confronted In pursuance of a decision of the Reparation by very considerable difficulties. There are many Commission of the 30th of November, 1923, we were ways by which Germans can acquire capital abroad, created a committee to consider the means of estimat- but in most cases no precise figures can be given. It

companies, therefore, represent a quoted value of not come into consideration. The finance office is, however, entitled to collect prepayments from the tax-For the shareholders' payments in respect of the tax on payer with due consideration to his requirements. No which represent prepayments on the definitive income On a total fortune of 2,500,000 marks the tax on for- tax for 1924. For the 1924 income, the taxpayer will are correspondingly higher in the case of income from foreign dividends from which no deduction at the source has been made in Germany. No sum could be included for postpayments, as the necessary regulations must first be enacted by law during the course of 1924 (in particular the rates of taxation).

	Definitiv	e charge	Charge in respect of
Income in gold marks	Corpora- tion tax, tax on rev- enue from capital, in- come tax, 1920-21	Corpora- tion tax, in- come tax, 1923-24	corporation tax and tax on fortunes; nonrecur-
00 1 00 2 000 1 000 2 000 2 000 2 0,000 1 0,000 1 0,000 2	$\begin{array}{c} 22,577\\ 57,586\\ 47,098\\ 295,707\\ 243,267\\ 593,357\\ \end{array}$	$\begin{array}{r} 14,000\\ 13,250\\ 28,000\\ 26,500\\ 190,000\\ 182,500\\ 430,000\\ 415,000\end{array}$	$\begin{array}{c} 30, 133\\ 17, 691\\ 60, 266\\ 37, 133\\ 313, 830\\ 194, 415\\ 627, 660\\ 388, 830\end{array}$

<sup>1</sup> German companies. <sup>2</sup> Half from German and half from foreign companies.

Our estimates relate to the 31st of December, 1923. Later events may, of course, have either increased or decreased the amount of German capital abroad.

is nearly always a matter of estimate, and the utmost | a German of a mark bank balance creates at the we could hope to do with any degree of certainty was to lay down limits between which the actual amount is to be found. The distance which divides these limits marks the want of precision of the material at our disposal.

inquiry through bankers and business men in those of marks. It is interesting to note that the foreign countries in which German capital is believed to be assets acquired in this way amounted to between seven deposited or invested, was rejected by us at the outset. and eight milliards of gold marks, the whole of which We have availed ourselves of all information of a in consequence of the final devaluation of the mark public or official character supplied from countries was lost by more than one million foreigners who at outside Germany, but we were of opinion that it would be neither proper nor useful to request the disclosure of specific transactions which in general would have been entered into under an implied condition of secrecy. Moreover, we felt that even though all obtainable information were freely given to us, it must be extremely defective, as much German capital in foreign countries is certain in existing circumstances to be hidden in various ways under assumed names.

The method we have adopted is altogether different. Our first step was to form an estimate of the total of shipping, railway and canal freights for foreign value of German capital abroad at the outbreak of war.

Next we considered what was the net reduction in this total at the time of the Armistice. We took into expended on the purchase of goods imported, cash payaccount on one side the balance of trade, advances by ments to the Allies, interest paid on German securities Germany to her Allies, loss by seizure and sequestra- held abroad, German tourist expenditure, etc. tion of property confirmed by the Versailles Treaty and loss through depreciation of the value of property and securities. On the other side we considered the sales of German securities, the sales of gold, the accu- dence, have been subjected by us to the most critical mulation of interest, and finally the effect on the trade scrutiny, and their reliability has been tested by our balance of the imports into Germany-from occupied territories. These imports were commodities either requisitioned without payment, or paid for, in the evidence obtained led us to discard entirely the values case of Belgium and Poland, largely by marks which of German imports and exports as stated in the official remained in the country, and, in Roumania and occupied France, as well as in Belgium and Poland, by local currencies which the German Government caused to be printed and issued for the purpose.

Finally, starting from the basis of the remaining pre-war German assets, we examined in detail the various means by which Germans can have increased capital abroad of every kind, including capital of or diminished their capital abroad during the period varying degrees of liquidity and capital invested in from the Armistice to the close of the year 1923. The reliability of our final estimate depends upon the after taking into account all credit and debit items, completeness of our examination of the different elements which make up the total of German foreign milliard gold marks and not more than 7.8 milliard acquisitions and of the various ways in which such gold marks, and we think that the middle figure of 63 acquisitions may have been expended.

The chief method by which Germans have acquired founded upon the principle that every foreign sale by be said that this currency, the total of which we esti-

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moment of sale a corresponding holding of a foreign bank balance in Germany. The periodic totals of foreign balances shown in the books of the German banks were disclosed to us, and with the assistance of expert accountants we have been able to ascertain the One method of investigation, to institute an net proceeds expressed in gold derived from the sale one time or another were buyers of mark credits.

This figure is one of the credit factors in estimating the final total.

Other principal sources of German foreign assets have been the sale of goods, securities, real estate, precious metals and mark bank notes; interest accumulations, tourist expenditure in Germany, German holdings in ceded territories in Poland, Dantzig, etc., foreign money expended by the allied armies of occupation, remittances from Germans abroad, earnings goods in transit through Germany, insurance profits, etc.

On the other hand, German foreign assets have been

On all these heads of receipt and expenditure, the German statistical records and estimates, official data, bankers, and business reports, and other similar eviexamination of witnesses and inspection of original sources of information. Our investigations and the reports, and to revalue all commodities on the basis of the then current world prices with such allowances as the special circumstances of German trade at the time may have rendered necessary.

After a close examination of all the factors which make up the total sum, we are of opinion that German participations in foreign companies and firms, and was at the end of the year 1923 not less than 5.7 milliard gold marks is the approximate total.

We draw special attention to the foreign currency foreign assets since the Armistice has been by the sale | in Germany, which, though not included in our valuaof mark balances. Our estimate of the total tion of capital held abroad, is so closely akin to a foreign sum under this head has been obtained by a procedure | asset that it must not be overlooked. It may indeed

mate at not less than 1 milliard two hundred million Inflation must be permanently stopped. If the issue

form for conversion into foreign assets. On the other hand, on a broad view of German finan- German with capital abroad will feel assured that he cial capacity, the value of the property in Germany held will suffer no loss in bringing it home: the speculator by foreigners should not be left out of account. The can no longer look for a profit from the sale of marks. annual yield from this property, whether in the form of We have already seen in the case of Austria how, rent, interest, or dividends, is at present inconsiderable and may at any time become subject to special taxation, particularly in the case of rent in respect of real estate purchased at the low prices current in recent years. We estimate, after very close study of the question, that the real estate and securities owned in any inducement to evade the law. It is indeed to be Germany by foreigners represent a value of from 1 to 11 milliard gold marks.

The committee have thought it desirable to give in an annex to this report additional information in respect of their estimates of German assets abroad in 1914 as well as of the principal credit and debit factors, both during and since the war, that have gone to make up the final total of German capital abroad.

The second part of our inquiry was to investigate the means of bringing exported capital back to Germany.

in the main the result of the usual factors. It arose siderable part of the German assets now in foreign principally from the failure of the Government to countries will return in the ordinary course of trade. bring its budget into proper relation, and, as a corrollary of such failure, from the raising of large loans and the direct issue of paper money. Secondly, it was due to the action of speculators and timid investors basis, we recognize that in the case of Germany a who sold their marks against the currency of other period of transition must necessarily ensue before countries, while the exporters of goods retained abroad stability can be obtained and confidence restored. all that was possible of the proceeds of their sales. In the particular case under inquiry, however, the flight of capital was accentuated by the attitude of imposed by existing enactments and that special the people of Germany toward payments to her war terms be offered for subscriptions to Government creditors and was marked by new and ingenious devices and schemes for evading restrictive legislation and for cloaking the real ownership of foreign balances.

The failure of the methods employed, both old and new, demonstrates the final ineffectiveness of restrictive legislation when successful evasion is so richly re- of the Reparation Commission, and to the economists, warded. Neither legal enactment nor severe penalties statisticians, and expert accountants who have aided resulted in disclosure of assets abroad or hampered us, for whose valuable assistance we are greatly the flight of capital. We feel that this would have indebted. been true whether the Government had or had not used its best endeavors to enforce the laws and regulations.

In our opinion the only way to prevent the exodus of capital from Germany and to encourage its return is to eradicate the cause of the outward movement. APRIL 9, 1924.

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gold marks, is a German holding in the most liquid of currency is strictly confined within the true limits of national requirements on a stable basis of value, the when the currency is fairly stabilized, the necessities of foreign trade tend to bring back existing foreign balances. Restrictive legislation, which in the main has proved futile in preventing the export of capital, becomes superfluous the moment there is no longer feared the laws purporting to compel the return of capital would have the reverse effect to that which might be wished.

The method of securing a currency in Germany capable of maintaining a sufficiently stable international value covers the whole question of budgetary equilibrium and the establishment of a bank of issue on a sound basis. These matters, which fall outside the scope of our inquiry, have been referred by the Reparation Commission to another committee whose conclusions we have the advantage of knowing. If effect is The so-called flight of capital in this instance was given to their recommendations, we think that a con-While we are of opinion that special legislation to prevent the export of capital or compel its return is not required when a country's finance is on a stable We suggest that during this period an amnesty should be granted for a limited time from the penalties loans made in foreign currencies. Well-conceived measures of this kind would be helpful in hastening the return of capital and the final restoration of financial equilibrium in Germany, conditions which are essential to the payment of reparation.

We desire to express our sincere thanks to the officers

REGINALD MCKENNA, Chairman. HENRY M. ROBINSON. ANDRÉ LAURENT-ATTHALIN. MARIO ALBERTI. ALBERT E. JANSSEN.

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#### ANNEX

### SUMMARY

#### I. Assets abroad in 1914.

II. Period of the war:

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- vances to her Allies:
- b. Depreciation of pre-war foreign assets; sequestration and liquidation measures; c. Profits realized by Germany in occupied
- territories;
- d. Sale of gold and German securities; e. Return from German assets abroad.
- III. Post-war period:
  - a. Surplus of imports and cash payments made by Germany under the Peace Treaty;
  - banknotes;
  - c. Sales of gold;
  - securities:
  - e. Expenditure by foreigners traveling in Germany and by Germans traveling abroad:
  - f. Expenditures by the armies of occupation;
  - g. Earnings from shipping, insurance, transit, etc.:
  - h. Income from German investments abroad and from foreign investments in Germany; remittances made by Germans residing abroad;
  - i. German private property in ceded territories:
  - j. Foreign banknotes in Germany.

#### I. Assets Abroad in 1914

The value of German assets abroad in 1914 has been estimated by different economists at sums varving between 20 and 35 milliard gold marks. Beside these unofficial estimates two estimates of an official nature, as well as a census, have been made by the German 'Government. The earlier of these two official estimates is that made in 1905 by the imperial admiralty; covered securities, was made by the German Govern- from Germany, the committee has been able to estiment during the war, in August, 1916.

assets held by German nationals in 1914, but also requested it to submit its comments on the various estimates already made by German economists.

mists, and those of neutral, allied and associated may have increased owing to the accumulation of the countries, official estimates and census, and the replies interest accruing on these assets. These several items of the German Government-have been examined are discussed elsewhere. The above figure therefore

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and compared. Taking into account all the factors of valuation, the committee has come to the conclusion that the figure of 28 milliard gold marks may be accepted as representing the value of German assets abroad at the time of the declaration of war, it being a. Surplus of imports and Germany's ad- understood that this figure of 28 milliards comprises only the assets abroad belonging to German nationals residing in Germany and not those belonging to German nationals residing abroad. In this estimate securities have been taken at their face value in gold. marks.

#### II. PERIOD OF THE WAR

#### (a) SURPLUS OF IMPORTS AND GERMANY'S ADVANCES TO HER ALLIES

The difficulty encountered by Germany in exporting her goods during the war, as well as her persistent b. Sales to foreigners of mark credits and endeavors to increase her imports by every possible means, in order to provide for the requirements of her armies, naturally produced a surplus of imports, d. Sales of German real property and German considerably in excess of the figures of the normal pre-war deficit. To this deficit in Germany's foreign trade balance must be added the sums advanced by Germany to her allies to enable them to pay for their imports, for which she received no corresponding return. The figure indicated for these two items may be considered to be reliable and amounts to an aggregate sum of 15.2 milliard gold marks, subject to the modifications referred to in paragraph (c).

#### (b) DEPRECIATION OF PRE-WAR FOREIGN ASSETS; SEQUESTRATION AND LIQUIDATION MEASURES

Various estimates of the reduction in German assets abroad during the war as a result of depreciation have been made by several economists, whose figures are generally based on an estimated total of from 20 to 25 milliard gold marks for German assets in 1914. Their estimates seem too low, if we take as a basis the figure of 28 milliards adopted by the committee for German assets abroad in 1914. This impression is moreover confirmed by information which the committee has obtained by its own investigation.

It is impossible to adopt a definite figure in determining the value of the assets seized and liquidated in the later one was supplied by the German Government | the allied and associated countries. On the basis of inin 1924 in reply to a question raised by the second formation obtained by the committee from the Govern-Committee of Experts. The census, which only ments of the allied and associated powers as well as mate at approximately 16.1 milliard gold marks the In the question put to the German Government the reduction in German assets abroad during the war, as a committee not only asked for an estimate of the foreign result of depreciation and liquidation and sequestration measures. In adopting this figure no allowance has been made for the fact that certain German assets abroad may have been utilized to cover the payment of All these documents-estimates of German econo- imports, nor for the fact that German assets abroad

represents a net reduction in German assets abroad for which Germany during the war period received no return. These assets underwent a further decrease in value during the period following hostilities, which decrease was taken into account.

Lastly, the committee is of opinion that both during and since the war, the category of assets in neutral countries has likewise undergone a reduction in value, and that in particular the greater part of such secu- for Holland, Switzerland, or Sweden, the German rities held by Germans has no longer a value equivalent to their face value, even taking into account obtained, and forced the mines to accept paper marks. the effect of the decline in the value of gold.

#### (c) PROFITS REALIZED BY GERMANY IN OCCUPIED TERRITORIES

An examination of German economic measures taken in Belgium during the war, to which the attention of the committee was called, suggested that substantial profits had accrued to Germany from the exploitation of occupied territories. Consequently, the committee has made a careful study covering not only German operations in Belgium and northern France but also those in Poland and Rumania.

No attention has been paid to the purely military aspects of these operations, such as, for instance, requisitions intended to provide for the partial subsistence of the German occupying troops. Quite apart from such matters, however, it was found that the profits realized by Germany by requisitions and by other methods in occupied territories are closely connected with the deficit of the German balance of trade. With the help of German official documents, in particular reports by the military administration drawn up during the war and German memoranda estimating the value of war damages, the committee has ascertained that the profits realized by Germany were principally obtained as follows:

Germany obtained in occupied territories considerable quantities of commodities which, through the operation of centralized importing companies specially created for this purpose, were transported to Germany for internal consumption. Most of these goods were either not paid for at all, or were paid for in paper marks which were subsequently left in the country and amounted in the case of Belgium to 6 milliard paper marks, or were purchased through the medium of issues of local paper currency. The special object of such issues, according to a statement by the German staff, was to enable Germany and her allies to receive goods from occupied territories free of charge during the whole period of hostilities.

By requisition or in exchange for paper marks or local currency Germany also obtained considerable quantities of the currency of invaded countries. Thus, in the north of France the German military authorities imposed on towns fines and levies for which payment the necessity for Germany to cover the deficit in her was required in German money, gold coin, or notes of trade balance and to meet the cash payments which the Bank of France.

REPORTS OF COMMITTEES TO REPARATION COMMISSION

mania, etc., representing imports for which no payment was made and which, in consequence, had not been allowed for in her balance of accounts. (d) SALE OF GOLD AND GERMAN SECURITIES The sale of gold and securities was the principal means whereby Germany paid for her imports during the war. The export of gold, which took place mainly during the early years of the war, reached a total amount of 1 milliard gold marks.

As regards German securities, widely diverging estimates have been made of the amounts sold. In our opinion the total figure is not far from 1 milliard gold marks.

The revenue which Germany derived from her assets abroad was very considerably diminished immediately after the declaration of war and further reductions occurred during the period of hostilities. It should, indeed, be noted that interest ceased to be paid on the assets held by Germany in countries

(e) RETURN FROM GERMAN ASSETS ABROAD

It must also be pointed out that when the German coal centrale in Belgium issued export licenses for coal authority kept for itself the foreign currency thus The committee has adopted the figure of from 5.7 to 6 milliard gold marks as corresponding to that portion of the profits derived from this exploitation of Belgium, northern France, Poland, Lithuania, Ru-

Finally, foreign assets were required by Germany, especially in Belgium and France, notably by means of sequestration of securities, coupons, and other credits, and these, like the bank notes mentioned above, served in part to pay for imports from neighboring neutral countries.

with which she was at war. Some of these assets were sold during the war and the depreciation of others became very marked toward the end.

On the other hand, the industrial securities, particularly those of neutral countries, continued to pay interest at rates frequently higher than before the war. While the committee has been unable to determine exactly the variations for each year of the war in the revenue derived from German assets abroad, it has at least been able to make an estimate which may be taken as very nearly accurate.

#### III. POSTWAR PERIOD

#### (a) SURPLUS OF IMPORTS AND CASH PAYMENTS MADE BY GERMANY UNDER THE PEACE TREATY

One of the main causes of the reduction of German assets abroad during the postwar period arose from had to be made to the Allies under the Treaty of

#### REPORTS OF COMMITTEES TO REPARATION COMMISSION

Versailles. These two items together amount to between 9 and 10 milliard gold marks.

As already stated in the report, the figures given in the official German foreign trade statistics are quite inaccurate for certain periods. This observation applies particularly to the figures originally published.

For this reason, it was necessary to revise completely the balance given for every year. Taking into account the various factors entering into the calculation, the committee is of opinion that this revision has made it possible to reach a figure more nearly equal to the subjected to an interesting check which consisted of actual excess of imports than had been the case in taking a single account of a foreigner who had engaged previous reports dealing with this question. The fixing in speculative operations on a considerable scale, and of the amount of the deficit in the trade balance is of converting the figures of the transactions to a gold true importance, since any valuation that is to be made | basis for every day on which any debit or credit entry of German assets remaining abroad largely depends was recorded. The results indicated that there was on the figure finally adopted for that deficit.

The cash payments made by Germany to the Alliesto the Reparation Commission, under the reparation recovery act, payments to the clearing office, etc .-do not give rise to dispute.

#### (b) SALE TO FOREIGNERS OF MARK CREDITS AND BANK NOTES.

Germany has acquired foreign assets in large volume since the armistice through opening credit accounts in her banks for the benefit of foreigners. These credits were paid for by the foreigners in the money or credits of other countries, and as they underwent a constant skrinkage in real value through the depreciating value of the mark, German economy profited largely from the transactions. The committee made a careful study of the values so acquired by an investigation, with the aid of expert accountants, of the mark credit balances on foreign account in the principal banks of Germany during the postwar years.

It was found that there had been during this fiveyear period more than a million individual accounts of this kind. In most cases the mark credits of these accounts had not been immediately utilized and had undergone a process of shrinkage through the depreciation of mark values that amounted to a veritable evaporation.

determine as nearly as possible the aggregate amount | to foreigners since the war in some of the principal of the shrinkages in these very numerous accounts towns of Germany, and also in districts of varying that was due to the depreciation of the value of the economic character. mark. With this end in view the leading banks in Germany were asked to transcribe from their books first part of the post-war period to market some of her the data showing the credit balances and the amounts securities abroad, but as soon as her financial position of debits in the accounts of all foreigners at the close became more uncertain most of these transactions of each month from the end of 1918 to the end of 1923. were suspended.

After the sums indicated had been converted to gold equivalents at the current rate of exchange, it of German real property and securities to foreigners was possible to draw close inferences as to the total amounted to about 11/2 milliard gold marks.

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gains accruing to German economy as a whole. The data furnished by the banks were submitted to careful checking by the expert accountants, and it was found that they had been correctly compiled.

Credits in German marks were purchased by the citizens of a great many nations, but the largest amounts were taken by the citizens of a relatively restricted group of countries.

The methods used in determining the value of the assets acquired by the German banks in this way were no tendency for this detailed method of conversion to vield results materially different from those found by the more general mass methods that it was necessary to employ in computing the figures for Germany as a whole.

When the whole inquiry, which was of considerable length, had been completed it was found that Germany had profited by the sale of mark credits by an amount of from 7 to 8 milliards of gold marks. In addition the sale of paper marks in foreign countries had resulted in profits amounting to from 600 to 700 millions of gold marks, or a total from these two sources of 7.6 to 8.7 milliards of gold marks.

#### (c) SALES OF GOLD

German official statistics record sales abroad by Germany principally in the years 1919-1921 and 1923 of gold to a total amount of 11 milliard gold marks. The accuracy of these figures is not disputed.

#### (d) SALES OF GERMAN REAL PROPERTY AND GERMAN SECURITIES

During the period characterized by the rapid depreciation of the mark, sales of real property to foreigners reached an unwonted development in Germany.

In estimating the proceeds of such sales, the committee had before it various statistics indicating in The work of the expert accountants was directed to detail the number and amount of sales of real property

As regards securities, Germany was able during the

In the aggregate the committee considers that sales

# MANY AND BY GERMANS TRAVELING ABROAD

During the five years which have elapsed since the armistice, considerable sums have been spent in Germany by large numbers of foreigners who have traveled and lived in the country. Our estimate of the expenditure by these travelers was facilitated by the official statistics kept by the largest German towns and by the special report on the subject supplied by the German Government. The committee was able to obtain a fairly exact idea of the number of foreigners who came to Germany during the period in question, the average length of their stay and the daily expenditure of each traveler.

As against this, numerous German travelers belonging mostly to the wealthier classes have stayed in foreign countries, especially in the last two or three years. Their expenditure has to be deducted from the expenditure by foreigners in Germany referred to above, and very considerably reduces the amount of the German assets realized from that source.

#### (f) EXPENDITURE BY ARMIES OF OCCUPATION

During the post-war period, a certain sum has been realized by Germany through the expenditure in foreign currency, or in marks bought with foreign currency, by the troops occupying German territory. Each of the Governments having or having had

armies of occupation in Germany has supplied the committee with a detailed estimate of the expenditure made by the officers and men or by the various army services. These estimates were checked in several ways by a series of calculations relating to each army's different methods. The results of these different

There is in Germany a large quantity of foreign calculations have been combined. bank notes (dollars, florins, Scandinavian crowns, (g) EARNINGS FROM SHIPPING, INSURANCE, TRANSIT, ETC. Swiss francs, pounds sterling, and more especially in the occupied territory, Belgian and French francs). The Earnings from shipping, insurance, commissions, exceptional plight of the German mark has influenced transit, were an important source of German income Germans in acquiring stable currencies wherever prior to 1914, but during the war such earnings in possible and on a large scale. These foreign notes great measure disappeared. In the five years 1919have remained in the country instead of finding their 1923 some of the lost ground has been regained, parway abroad again through the normal channel of trade, ticularly in the field of shipping and insurance, and as would have been the case in ordinary circumstances. the committee has taken this item into account. Various estimates of the total amount of such notes were made in Germany, particularly towards the end (h) INCOME FROM GERMAN INVESTMENTS ABROAD AND of 1923. The committee has compared the different FOREIGN INVESTMENTS IN GERMANY-REMITTANCES estimates with the information which it collected in MADE BY GERMANS RESIDING ABROAD Germany and other countries. In its opinion, the The total amount of the income produced by German value of the foreign notes existing in Germany at the assets abroad since 1919 is of course substantially | end of 1923 amounted to about 1.2 milliard gold marks.

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(c) EXPENDITURE BY FOREIGNERS TRAVELING IN GER- below that produced by German assets abroad before the war. The assets held abroad by Germany since the war represent indeed only a small and for some part unproductive fraction of her pre-war holdings. It is true, on the other hand, that the payments which Germany has had to make since 1919 in respect of German securities held by foreigners have been inconsiderable. After a careful study of the question, the committee came to the conclusion that a set-off of the two items-income from German investments abroad and income from foreign investments in Germanyresulted in a small balance in Germany's favor for the whole of the post-war period.

> The remittances sent to Germany by German nationals residing abroad and German connections and sympathizers amount to a considerable figure in Germany's favor.

#### (i) GERMAN PRIVATE PROPERTY IN CEDED TERRITORIES

Most of the valuations of German property abroad have taken little or no account of the value of German private property in the ceded territories of Silesia, Posen, Danzig, etc.

These properties are included in our own estimate in so far as, according to the definition adopted by the committee, they are owned by Germans residing in Germany. Although it is very difficult to determine with any precision the extent of these properties, the committee considered that it should not exclude from its valuation certain industrial assets, particularly those in Upper Silesia.

#### (j) FOREIGN BANK NOTES IN GERMANY

# REPORT OF COMMITTEE OF EXPERTS ON REPARATIONS

With Annexes and Concurrent Memorandum

ALSO

# SETTLEMENT OF BELGIAN MARK CLAIM

Reprinted from Federal Reserve Bulletin July, 1929



UNITED STATES GOVERNMENT PRINTING OFFICE WASHINGTON : 1929

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# **REPORT OF COMMITTEE OF EXPERTS ON REPARATIONS**

We transmit herewith to the Governments which French experts: M. Emile Moreau, M. Jean Partook part in the Geneva decision and to the Reparation mentier. Alternates: M. C. Moret, M. Edgar Allix. Commission our proposals for a complete and final German experts: Dr. Hjalmar Schacht, Dr. A. settlement of the reparation problem, including the Voegler. Alternates: Dr. C. Melchior, Herr L. Kastl. settlement of the obligations resulting from the existing Italian experts: Dr. Alberto Pirelli, M. Fulvio treaties and agreements between Germany and the Suvich. Alternates: M. Giuseppe Bianchini, M. Bruno creditor powers, and we unanimously recommend the Dolcetta. Japanese experts: Mr. Kengo Mori, Mr. Takashi following plan to the Governments concerned.

#### PART 1

#### APPOINTMENT, TERMS OF REFERENCE, AND CONSTITU-TION

This committee originated with the decision taken by the Belgian, British, French, German, Italian, and Japanese Governments to entrust to independent death of Lord Revelstoke, which took place suddenly experts the task of drawing up proposals for a complete at an early hour on Friday, April 19. By his untimely and final settlement of the reparation problem. Twelve removal from our counsels we suffered the loss of one experts were to be chosen among the nationals of countries which participated in this decision and two among tion and respect of all of us and contributed greatly the nationals of the United States of America. Each to our progress. In honor of his memory all meetings of the experts invited was empowered to appoint an alternate.

of the committee were made according to the following procedure:

The Belgian, British, French, Italian, and Japanese experts were appointed by the Reparation Commission upon the nomination of their respective Governments. The German experts were appointed by the German Government.

The experts being citizens of the United States of America were appointed by the Reparation Commission conjointly with the German Government.

The mandate of the committee of experts thus formed is set forth in the following terms of reference:

"The Belgian, British, French, German, Italian, and Japanese Governments, in pursuance of the decision reached at Geneva on September 16, 1928, whereby it was agreed to set up a committee of independent financial experts, hereby entrust to the committee the task of drawing up proposals for a complete and final settlement of the reparation problem. These proposals shall include a settlement of the obligations resulting from the existing treaties and agreements between Germany and the creditor powers. The committee shall address its report to the Governments which and to discuss matters of organization and procedure. took part in the Geneva decision and also to the Reparation Commission."

membership:

Belgian experts: M. Emile Francqui, M. Camille Gutt. Alternates: Baron Terlinden, M. H. Fabri.

Revelstoke, G. C. V. O. Alternates: Sir Charles Addis, and met frequently in the intervals between the plenary K. C. M. G.; Sir Basil Blackett, K. C. B., K. C. S. I. | sessions. 64497-29 (1)

Aoki. Alternates: Mr. Saburo Sonoda, Mr. Yasumune Matsui.

American experts: Mr. Owen D. Young, Mr. J. P. Morgan. Alternates: Mr. Thomas N. Perkins, Mr. T. W. Lamont.

We have to record our deep sense of regret at the whose unfailing tact and wisdom had gained the affecwere suspended until Tuesday, April 23. On April 20 the Reparation Commission unanimously passed a The appointments of the invited experts as members resolution "deploring the death of Lord Revelstoke and instructing the general secretary to convey an expression of sympathy to the committee of experts on the loss of their distinguished colleague."

In a separate communication the Reparation Commission advised the committee that they had

"Unanimously appointed, on the nomination of His Britannic Majesty's Government, Sir Charles Addis, K. C. M. G., to be a member of the experts' committee in succession to the late Lord Revelstoke."

On May 23 the committee were advised that the German Government had appointed Herr L. Kastl to be a member in the place of Dr. Voegler, of whose resignation the committee had learned with regret on the previous day.

#### PART 2

#### MEETINGS OF COMMITTEE

The experts met for the first time informally at the Bank of France on Saturday morning, February 9, to fix the date of the first meeting of the committee The first regular meeting of the committee was held on Monday, February 11, at 2 o'clock in the afternoon, The committee was constituted with the following in the Hotel George V. At this meeting Mr. Owen D. Young was unanimously chosen chairman

The committee has been in continuous session over a period of some seventeen weeks. Subcommittees were British experts: Sir Josiah Stamp, G. B. E.; Lord set up as required for the study of particular questions

### PART 3

#### ATTITUDE OF THE COMMITTEE

The report of the Dawes Committee opened with mutual interest and good will. the following words:

"We have approached our task as business men anxious to obtain effective results. We have been concerned with the technical, and not the political, aspects of the problem presented to us. We have recognized, indeed, that political considerations necessarily set certain limits within which a solution must be found mittee have given close consideration to the various if it is to have any chance of acceptance. To this extent, aspects of Germany's present economic position and

addressed themselves to the task of rounding off the creditors. work of their predecessors which was advisedly left incomplete. By determining the number and amount bers of the Dawes committee of 1924, whose contact of the annuities and by providing for the conversion with this aspect of the subject was obviously at that of the reparation debt from a political to a commercial time close and responsible. Further, the committee obligation, they have to the best of their ability tried includes several who have been associated with the to perform the task committed to them of devising a practical working of the plan. These members have scheme which might fairly be accepted by all parties naturally had an unusual and continuous interest in concerned.

Throughout our deliberations and in our present vears. proposals we have endeavored to reach our conclusions on economic and financial grounds. But we have agent general and trustees and commissioners upon realized, like our predecessors, that political factors the working of the Dawes plan and the reports of the necessarily set certain limits within which a solution Reichsbank itself have given comprehensive reviews of had to be found if our proposals were to secure accept- Germany's position and development. The body of ance. We had therefore to base our decisions not knowledge so available and the public interest and only on economic but also to some extent on political discussion it has stimulated have been of the greatest considerations. Many important juridical questions assistance to the committee. are also involved, and while as financial experts we are not specially qualified for going into details on them, able and lucid descriptions of the present economic their broader aspects have been always in our minds. condition of Germany and the possibilities of German Indeed, it has been clear to us that close attention development which have been made by the German to them would have made our handling of the larger experts, who were well fitted by their respective posiquestions well-nigh impossible; but the committee is tions in Germany to give, in combination, an impressive satisfied that the scheme it recommends is within its review of the subject. The considerations put forterms of reference.

marks the first occasion on which representatives of a constant and powerful influence in leading us to our all the six nations chiefly concerned (together with conclusions. American experts) have sat down together to work out on a large scale the common problems of reparations complete information as to the demands for foreign and to cooperate in exploring the various means by capital made by German economy during recent years, which Germany could be enabled to discharge her and as to the items which in their opinion counteracted obligations.

the causes leading up to the situation which its provithe proposed creation of the machinery which we dens of public debt in Germany and in other countries. recommend, to set up an institution whose direction from the start shall be cooperative and international in fore the committee as to the present state of German

banish the atmosphere of the war, to obliterate its animosities, its partisanships, its tendencious phrases, and to work together for a common end in a spirit of

#### PART 4

#### THE STUDY OF GERMANY'S ECONOMIC CONDITIONS

During the course of its deliberations the comand to this extent only, we have borne them in mind." future potentialities, because of their material rela-It is in this spirit that the present committee have | tion to her capacity to discharge obligations to foreign

The committee had among their number six memthe course of events unrolled during the past five

Furthermore, the periodical reports made by the

Moreover, they have been specially assisted by the ward by them in our numerous discussions and in The meeting of the present committee of experts answer to the questions addressed to them have been

The German experts have given the committee this: external assets of Germany, reconstitution of The Dawes report made no attempt to establish the stocks and of the machinery of the country. The productivity of capital thus invested has been dissions sought to ameliorate. In adhering to this pre- cussed by the committee, who have also considered the cedent we have attempted to go further and, through comparison between the fiscal burdens and the bur-

The German experts have also made statements becharacter, whose members shall engage themselves to industry and agriculture, the general level of wages,

the budgetary situation, the balance of payments. the financial effect of compensation to her nationals, the influence upon her trade of customs barriers abroad. and the special situation of an industrial country such as Germany which has had to reconstitute her working capital, and at the same time assume the burden of heavy international obligations.

The German experts laid stress on the question of natural resources available to Germany, whether general finance, it was clearly necessary to elaborate within her borders or not, and on Germany's capacity a system for handling the annuities in a way which so to pay as affected thereby.

These statements have been present in the consideration of the experts and in a large measure their conclusions have been influenced by them.

It is unnecessary for us to set out the various considerations of an economic character which have led look for the future, so far as they affected Germany's to our conclusions on the capacity of Germany to capacity to pay obligations in foreign currencies. It transfer. We believe that in the scale of annuities and then became known that the German group felt that the conditions recommended we have given proper regard to the potentialities of all the economic conditions and financial forces normally and naturally involved.

We believe further that in arranging for a part of the annuity to carry rights of postponement and for impartial inquiry we have provided for the possibility of meeting any abnormal or special difficulty arising idea was also put forward that if such a situation which might seriously affect Germany's capacity for arose it was desirable for it to be immediately cona time, despite all that might be done by Germany's sidered by an appropriate nonpolitical committee, acting good-will and ingenuity to meet such difficulty without in an advisory capacity to the powers concerned, and having recourse to an altogether exceptional but nevertheless very valuable expedient.

As a substitute for the present system of transfer protection with its semipolitical controls, its derogation from Germany's initiative, and its possible reactions upon credit, we are recommending a scheme of annuities appreciably smaller than the Dawes obligations and subject to new and elastic conditions, which are described at length in the succeeding chapters of the present report.

As an internal burden to be borne by annual taxation the scheme we propose is materially less; it is closely assimilated to commercial and financial obligations: it carries with it welcome freedom from interference and supervision and it is provided with adequate safeguards against any period so critical as to endanger Germany's economic life.

#### PART 5

#### COURSE OF THE PROCEEDINGS

The committee addressed themselves, at the outset, The inquiries upon these subjects were found to be to the essential task before them, namely, to determine converging upon one central point, viz, the nature of the number and amount of the annuities to be paid by Germany; but they soon found the amounts were to a the authority which should act as the chief medium for considerable extent contingent upon the machinery discharging the various functions under a new plan.

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and form of payment and, therefore, that they were not at that stage ready to reach a conclusion either as to the amount of the annuities or the number of years during which they should continue. Moreover, if Germany were to be given a definite task to perform on her own responsibility, and if the committee were to substitute for many of the features of the Dawes plan machinery of a nonpolitical character in the realm of far as it led to their commercialization would remove them from the sphere of intergovernmental relations. In the first instance, some time was occupied by the committee in hearing the statements from the German experts on German economic conditions and the outthe ability of Germany to undertake a definite annuity obligation might vary according to the other provisions comprised in the committee's recommendations, and in particular according to whether the annuity was entirely unconditional or whether some portion of it was payable under arrangements for postponement in the event of financial and exchange difficulties. The meeting unostentatiously without waiting to be constituted by the lengthy process of diplomatic action. It was quickly realized that since the amount of the burden which Germany could agree to accept was directly related to such concomitant conditions, these conditions must be first explored.

At the same time, the possibility of accepting smaller annuities than those fixed under the Dawes plan was admittedly dependent upon the certitude and ease with which the creditors could commercialize the obligations under nonpolitical conditions.

The arrangements that have been in force under the Dawes scheme for liquidating a part of the annuity by means of deliveries in kind required consideration from two points of view:

(a) The substitution for the existing methods of a more elastic machinery which, as the Dawes committee recommended, should be nonpolitical;

(b) The gradual termination of the system at the earliest moment consistent with existing relationships and with the interests of Germany, whose economic life has been during the past few years gradually adapted to them, and who would feel herself prejudiced in an economic sense by their too sudden termination.

In the exploration of the problem of substituting authority of an external, financial and nonpolitical character for the present machinery and controls of the were involved), they immediately met with the necessity for a trustee to whom the payments in foreign currencies and reichsmarks should be made by Germany and by whom the distribution to the appropriate recipients should be managed.

In the second place, the problems of mobilization and commercialization demanded a common center of line, they found that the moment had arrived when the action and authority for the purpose of coordinating discussion of figures became possible and necessary. and controlling the arrangements, and there were obvious advantages in such an authority being of a continuous or permanent character.

In the third place, the continued existence of deliveries in kind necessitated special machinery of direction and control, at any rate for a period of years.

They had already considered the desirability of an for a few years; advisory committee which could take any necessary action in connection with the declaration of a postponement on the postponable part of the annuity. A permanent central authority might include among memoranda were tabled by the chairman, by the exits functions the convening of such an advisory body, international in character and existing as a constituent German experts. A considerable time was spent in part of this central authority, to consider the situation which had brought about the necessity for a postponement, or the situation which a postponement itself created.

Again, the possibility that, either exceptionally or regularly as part of the plan, obligations would be discharged in marks within Germany, necessitated a financial authority to arrange for the disposition of this figure was accepted by the entire committee as such funds or assets in the interests of the creditors, the basis of further discussion and led to the unaniby arrangement with the Reichsbank or other German authority.

Moreover, in so far as the task of transferring the payments into foreign currencies involved, besides a restriction of imports, an extension of German export trade, we envisaged the possibility of a financial institution that should be prepared to promote the increase of world trade by financing projects, particularly in undeveloped countries, which might otherwise not be attempted through the ordinary existing channels.

These several considerations led the committee to the elaboration of a plan for a Bank for International Settlements which should, in its various functions, meet all these points. The outline of this scheme is given in part 6 and Annex I.

existence; but the committee were led inevitably to add to those reasons the auxiliary, but none the less position of present international finance.

Just as it had been difficult at the outset to table and discuss a precise program of annuities under a new system until such a system were agreed in outline. Dawes plan (viz, the administration of the agent because the amounts were themselves dependent upon general and of the various commissioners in Berlin, and that system, so at this point in the discussions it bethose functions of the Reparation Commission which came difficult for various members to form definite opinions and commit themselves on all details as they were elaborated in the new system until a clearer idea of the obligations that would be undertaken by Germany under that scheme had been obtained. Without. therefore, having resolved all points of doubt on the new system or done more than sketch it in broad out-

> At this stage the following broad principles were understood to be likely to find their way into any final settlement:

> (1) A division of the annuity into an unconditional and a postponable part:

> (2) The necessity for continuing deliveries in kind

(3) The arrangement of suitable conditions for the postponable part in times of exceptional difficulty.

In order to put the question into concrete terms, perts of the four chief creditor countries, and by the discussing these proposals without agreement being reached.

Finally the chairman prepared a new and independent plan in which these divergent views were brought closer together. The main feature of his plan was an average annuity of 2,050,600,000 reichsmarks; and, subject to certain reserves as to the matters of detail. mous recommendations now put forward. Among those reserves is the question of the settlement of the Belgian mark claim which the committee had con tinually in contemplation and the unanimous agreement upon which is to be found in Annex VI.

#### PART 6

### BANK FOR INTERNATIONAL SETTLEMENTS

(A) General reasons for the constitution of an institution with banking functions.—A general plan for a complete and final settlement of the reparation It will be seen that the essential reparation functions | problem, being primarily financial in character, involves of the bank were such as to form a solid reason for its the performance of certain banking functions at one or more points in the sequence between the initial payment of the annuities and the final distribution of the funds. material, advantages that it might have in the general A banking institution designed to meet these requirements justifies and makes logical the liquidation of all

political controls and provides, instead, machinery There is no hard and fast line between the two sets essentially commercial and financial in character, which of functions, because the first lead naturally into the carries with it all the support and at the same time all second. the responsibilities that economic engagements imply. (B) Organization of the bank .- In view of the part The process of removing the reparation problem which the bank will have to play in the general interest. from the political to the financial sphere, which was it is advisable to place the control of its management begun in the Dawes plan, will thus be carried a step in the hands of the central banks, since these are further. the organizations responsible in each market for the In general terms, the institution will take over such | convertibility of the national currencies and the control functions of the existing agencies as it may be neces- of credit.

sary to continue and will perform the whole work of external administration such as the receipt and distribution of payments and the commercialization of associate in the bank's working and in its development all those parts of the annuities which are susceptible of | the countries interested in the reparation settlement being commercialized.

The operations of the institution will be assimilated to ordinary commercial and financial practice. Its organization will be outside the field of political influences, and its powers and facilities will be sufficiently broad to enable it to deal freely and promptly with the problems involved in the settlement of Germany's obligations. The institution will be equipped with machinery which will provide an elastic element between the payments to be made by Germany and their realization. In consequence, the creditors will have further assurance that the effects of economic changes on the flow of payments will be minimized, and Germany, for her part, will have the possibility of assistance during temporarily unfavorable conditions.

It is obviously desirable, in the interest of obtaining results with the greatest efficiency, not to limit unduly the functions of the institution. The character of the annuities and the magnitude of the payments to be transferred over the exchanges provide at once the opportunity and the need for supplementing with additional facilities the existing machinery for carrying on international settlements, and within limitations of the sound use of credit, to contribute to the stability of international finance and the growth of world trade. We consider that by judicious noncompetitive financial development the bank should prove a useful instrument for opening up new fields of commerce, of supply and of demand, and will thus porations would attract if the profit, interest, or help to solve Germany's special problem, without income were derived from any other source. encroaching on the activities of existing institutions.

1. Capital .- On the formation of the bank its authorized capital will be in the equivalent of \$100,-In designing the plan for the Bank for International Settlements, which is given in outline in Annex I, we 000,000. The entire amount will be issued, but only were, therefore, mindful of the fact that these new 25 per cent of each share shall be called up, until the facilities should not supplant, but should augment and board of directors decides on a further call. The perfect existing arrangements for carrying through allocation of shares by countries is provided for in international settlements. The bank will have (a) as section 2 of Annex I. The shares will carry no voting its essential or obligatory functions those which are rights; but voting rights corresponding to the number inherent in the receipt, management, and distribution of shares first issued in each country will be exercised of the annuities, and (b) as its auxiliary or permissive by the central bank of that country in the general functions those which evolve more indirectly from the meetings attended by representatives of those banks, character of the annuities. taking the place of general meetings of shareholders.

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At the time of the bank's constitution the capital will be geographically distributed in such a way as to and all the financial markets which may subscribe to the bank's issues.

Provision is made for the utilization of the net profits of the bank, due allowance being made for the payment of cumulative dividends on the capital stock, to create suitable reserve funds. Provision is also made, in case Governments or central banks make long-term deposits with the bank, whereby they shall share proportionately in the remainder of the profits, after the requirements on account of dividends and the reserve funds have been covered.

Inasmuch as its international basis is an essential feature which distinguishes the institution from all others, it has no single fiscal allegiance and it is desirable that in its movements in the various national markets it should not be hampered or restricted by considerations of relative fiscal burdens. It is therefore recommended that the Governments of the countries concerned enter into a convention for the avoidance of double and triple taxation of the bank along the following lines:

(a) The funds and investments of the bank to be freed from national taxation at the point where they derive interest, income, and profit;

(b) All individuals and corporations receiving profit, interest, or income from the bank to be fully liable thereon to such taxation as such individuals and cor-

ministration of the institution.

assume the responsibility for raising and transferring The range between the two figures (the unconditional the annuities, and the bank takes over the work of their portion and the total annuity) is not to be taken as receipt and disbursement. evidence of doubt as to Germany's capacity of transfer As already stated, the bank is so designed as not to (or of payment); it represents rather the concession interfere with the functions performed by existing insti- that has been made to the honorable determination of tutions, but it is to create for itself supplementary func- the German experts not to make themselves unconditions in a special field of its own. To this end every tionally responsible for any obligation which they care should be exercised in the organization and ad- are not certain is within their power of performance in all circumstances. It is, however, to be emphasized In the natural course of development it is to be that the total amount of the annuity proposed, while expected that the bank will in time become an organbeing far from covering the claims set forth by the ization, not simply, or even predominantly, concerned creditors, is one which they have every reason to with the handling of reparations, but also with furnishbelieve can in fact be both paid and transferred by ing to the world of international commerce and finance Germany. The fact that part of it is postponable important facilities hitherto lacking. Especially it is obviates the danger of being above Germany's capacto be hoped that it will become an increasingly close ity to transfer in a period of difficulty, and it was the and valuable link in the cooperation of central banking recognition of this principle which was one of the factors institutions generally-a cooperation essential to the enabling the German experts to accept this scheme continuing stability of the world's credit structure. as an alternative not inconsistent with their original ideas.

### PART 7

#### THE INFLUENCE OF THE FORM OF THE ANNUITY ON THE AMOUNT

We are proposing a series of total annuities which should be paid with the regularity of the coupons of ordinary marketable bonds. But it is well recognized that to the economy of every country there may possibly come at some time or other a year of stress and difficulty. To make the economic scope of such a period the determinant of the maximum capacity in the ordinary course would be to fix a sum quite unacceptable to the creditors and an unreliable test of normal capacity to pay. It would be like fixing the standard of physical effort expected from a workman in his years of health and strength by what he is therefor of the new plan. In fixing such date, the capable of doing in his occasional weeks of illness.

While our proposals have made full allowance for all normal and long-run considerations, it is possible plan would cease on August 31, 1929, and the new plan that over exceptional and short periods the natural commence on September 1, 1929. adjustment we contemplate might be insufficient. We In case the Governments should fix a date later than have accepted the argument of the German experts September 1, 1929, it is recommended that financial that, in undertaking a responsibility of this character. adjustments shall be made so that the basis of payments identical in its nature with the solemn covenants of a provided for under the new plan shall nevertheless comdebtor on a commercial and financial basis, Germany mence as of September 1, 1929, and the basis of payis well advised to consider carefully what are the limits ments provided for under the Dawes plan should cease of the burden which are possible for her final acceptas of August 31, 1929. ance. We have therefore fully respected their scruples (2) Payments under the plan of the Dawes comas to the undertakings they are prepared unconditionmittee should continue until the end of the present ally to sign and have introduced a feature which can act scheduled year, that is to say, August 31, 1929. as a safety valve in time of difficulty, viz, a right of (3) The new plan should go into effect September 1, postponement on Germany's initiative of the transfer 1929, with the value of the 37 annuities of 1,988,800,000 (and, to a less degree, of payment) of a portion of the reichsmarks until March 31, 1966, the payments for the annuity. Dawes loan to be added.

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2. Administration .- The entire administrative con- the annuities; second, the bank will be in a position, in trol of the bank will be vested in the board of directors. | agreement with the Reichsbank, to invest in Germany The functions of a director of the bank are incompat- reichsmarks currently accruing to its account at the ible with those involving national political responsi- Reichsbank. This measure, to the extent to which it may bilities, and the statutes of the bank will make the neces- be utilized, will return to the German economy a portion sary provision in order to avoid such conflict of func- of the annuity and, through the bank's credit mechations. All the directors and candidates shall be ordi- nism, provide the foreign exchange with which to pay narily resident in Europe, or shall be in a position to the current allotments to the creditors on account of give regular attendance at meetings of the board.

seven countries to which members of the present ex- advance of the time when difficulties present themselves perts' committee belong, or his nominee, will be en- rather than afterwards, and serve to ease any strain until titled to be a director of the bank ex officio. Each of such time as the discount rate and other corrective these governors may also appoint one director, being a measures have had opportunity to exert themselves. national of his country and representative either of finance or of industry or commerce. During the period should be reserved for emergency use. The use of the of the German annuities the governor of the Bank of bank's credit by central banks within moderate limits France and the president of the Reichsbank may each and over short periods may in time become a normal appoint, if they so desire, one additional director of function scarcely different in its exercise from the use his own nationality, being a representative of industry of central-bank credit by banks and bankers. All or commerce. These 14 (or, as the case may be, 16) directors will elect not more than 9 additional directors from lists furnished by, and which may include, the gov- to make use of the facility. The second measure, that ernors of central banks in other participating countries. of investing within Germany some portion of the annu-

performance of its functions after establishment, it is Both measures are necessarily limited by the funds found that the central bank of any country or its gov- which the bank will have at its disposal and by the ernor is unable to act officially or unofficially in exer- requirement that it maintains its liquidity at all cising the functions, authorities or privileges accorded | times. to central banks under the plan, or refrains from doing so, alternative arrangements not inconsistent with the They also illustrate the flexibility which the bank's laws of that country will be made. These alternative facilities give to the handling of the disbursements to arrangements are outlined in section 12 of Annex I.

vided in accordance with the provisions contained in short-term and intermediate credit to purchasers of Annex I.

going outline of the functions and organization of the operations need not be restricted, however, to any one Bank for International Settlements, together with the fuller presentation of the bank plan in Annex I, largely speaks for itself. It remains, however, to point out certain advantages which the bank offers as against the existing reparation procedure, advantages which accrue both to Germany and to the creditor countries, because the bank, in putting the payments on a business basis, makes their receipt the more certain and facili- into effective operation, the bank should go far to tates their movement.

The new facilities introduced by the bank are in ping and reshipping of gold. addition to the provisions given elsewhere in the plan, whereby Germany is entitled to declare a postpone- influences, and business principles and practice interment of transfer. They are rather in the nature of vene to facilitate the settlement of Germany's obligaforestalling circumstances which might of themselves | tions without in any way qualifying her independent lead to a transfer postponement.

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the annuity. The application of either or both of these The governor of the central bank of each of the measures is prompt and decisive, and they operate in

It is not to be assumed that these two measures central banks, for ordinary exchange operations or for other purposes, would frequently find it advantageous If, in the process of organizing the bank or in the ity receipts, should also find its uses in normal times.

These are instances of the bank's utility to Germany. the creditors. Further instances of joint benefit may 3. Distribution of profits .-- The profits shall be di- be briefly indicated. The bank will be able to give deliveries in kind, notably for the construction of public (C) General observations on the bank .-- The fore- works on delivery in-kind account. Intermediate credit country or to the purchase of any one country's goods. On the contrary, it would be desirable to broaden such operations in the interest of world trade to the extent that the directors of the bank approve. As a stabilizing factor in the foreign exchanges its advantages are obvious; and if in due time the arrangements provided for an international settlement fund are put eliminate the costs and risks now incurred in the ship-

The bank excludes from its procedure all political and sole responsibility. The office for reparation pay-These measures of prevention are of two general sorts: ments and its associated organizations in Berlin will First, the bank may employ its power of giving be retired and the Reparation Commission's relations credit to arrange temporary assistance in transferring with Germany will be terminated. Germany will

In recommending that the system of deliveries in kind should be continued for a limited period and in decreasing amounts, we recognized, as is pointed out in part 8 (f) of this report, the necessity for maintaining a transitional period so that all shock to existing economic conditions in Germany should be avoided. Germany's power to transfer is thus maintained unimpeded by the friction of sudden changes in trade conditions.

#### PART 8

#### ANNUITIES

The committee recommends that-

(1) The Governments shall fix the exact date of termination of the Dawes plan and the substitution Governments should bear in mind that this committee's calculations were made on the basis that the Dawes

(4) Payments to be made under the Dawes plan during the five months' period preceding September 1, pa 1929, after allowing for the Dawes loan, should be pro treated as payments necessary to cover the requirements of the creditor nations during this transition period, including outpayments for the year ending March 31, 1930.

Should there remain any surplus after meeting the foregoing requirements, the question of disposing of such surplus, as well as all matters and expenses in connection with the transition from the operation of the existing arrangements to the new plan, shall be settled and adjusted between the Governments.

(5) In order that the new annuities shall coincide with the German fiscal years, the schedule of pavments to be made by Germany on and from September 1, 1929, will be as follows (in reichsmarks):

#### Seven months, Sept. 1, 1929-Mar.

31, 1930\_\_\_\_\_ 742, 800, 000 36 German fiscal years:1 Apr. 1, 1930-Mar. 31, 1931----- 1, 707, 900, 000 Apr. 1, 1931-Mar. 31, 1932\_\_\_\_\_ 1, 685, 000, 000 Apr. 1, 1932-Mar. 31, 1933\_\_\_\_\_ 1, 738, 200, 000 Apr. 1, 1933-Mar. 31, 1934\_\_\_\_\_ 1, 804, 300, 000 Apr. 1, 1934-Mar. 31, 1935\_\_\_\_\_ 1, 866, 900, 000 Apr. 1, 1935-Mar. 31, 1936\_\_\_\_\_ 1, 892, 900, 000 Apr. 1, 1940-Mar. 31, 1941\_\_\_\_\_ 2, 155, 500, 000 Apr. 1, 1941-Mar. 31, 1942\_\_\_\_\_ 2, 180, 700, 000 Apr. 1, 1944-Mar. 31, 1945\_\_\_\_\_ 2, 207, 500, 000 transfer and of payment set out in Annex IV of this plan. Apr. 1, 1945-Mar. 31, 1946\_\_\_\_\_ 2, 203, 800, 000 Apr. 1, 1947-Mar. 31, 1948\_\_\_\_\_ 2, 215, 200, 000 Apr. 1, 1948-Mar. 31, 1949\_\_\_\_\_ 2, 210, 000, 000 Apr. 1, 1949-Mar. 31, 1950\_\_\_\_\_ 2, 316, 800, 000 Apr. 1, 1950-Mar. 31, 1951\_\_\_\_\_ 2, 359, 200, 000 Apr. 1, 1951-Mar. 31, 1952\_\_\_\_\_ 2, 343, 200, 000 Apr. 1, 1953-Mar. 31, 1954---- 2, 353, 300, 000 law of August 30, 1924.1 Apr. 1, 1954-Mar. 31, 1955\_\_\_\_\_ 2, 364, 600, 000 Apr. 1, 1956-Mar. 31, 1957\_\_\_\_\_ 2, 354, 200, 000 Apr. 1, 1957-Mar. 31, 1958\_\_\_\_\_ 2, 361, 800, 000 Apr. 1, 1958-Mar. 31, 1959\_\_\_\_\_ 2, 393, 800, 000 Apr. 1, 1959-Mar. 31, 1960\_\_\_\_\_ 2, 370, 600, 000 Apr. 1, 1960-Mar. 31, 1961\_\_\_\_\_ 2, 380, 500, 000 Apr. 1, 1961-Mar. 31, 1962\_\_\_\_\_ 2, 398, 300, 000 Apr. 1, 1962-Mar. 31, 1963\_\_\_\_\_ 2, 390, 200, 000 Apr. 1, 1963-Mar. 31, 1964\_\_\_\_\_ 2, 402, 600, 000 Apr. 1, 1964-Mar. 31, 1965\_\_\_\_\_ 2, 402, 100, 000 Apr. 1, 1965-Mar. 31, 1966\_\_\_\_\_ 2, 428, 800, 000 <sup>1</sup>Constant annuity 37 years corresponding to 1,988,800,000; Dawes

loan to be added.

	the following schedule of
ayments to be made by Ger	many, subject to the special
ovisions dealing with these	e years:

	1966-67	1, 60	07. 1	700,	000
	1967-68			900,	
l	1968-69			700,	
	1969-70			000,	
	1970-71			700,	
	1971-72	1, 65	53, 9	900,	000
	1972-73	1, 66	32, 3	300,	000
	1973-74			700,	
	1974-75			100,	
	1975-76	1, 67	15, (	000,	000
	1976-77	1, 67	18, 7	700,	000
	1977-78	1, 68	35, 4	100,	000
	1978–79			500,	
	1979-80	1, 70	0, 4	100,	000
	1980-81	1, 71	1, 3	300,	000
	1981-82	1, 68	57, 6	500, 0	000
	1982-83	1, 69	1, 8	300, 0	000
	1983-84	1, 70	3, 3	300, (	000
	1984-85	1, 68	3, 5	500, 0	000
	1985-86			100, 0	
	1986-87			100, 0	
	1987-88			300, 0	

Out of the above annuities the following amounts shall Apr. 1, 1936-Mar. 31, 1937\_\_\_\_\_ 1, 939, 700, 000 be unconditional, namely, payable without any right of Apr. 1, 1937-Mar. 31, 1938\_\_\_\_\_ 1, 977, 000, 000 | postponement of any kind in foreign currencies by equal Apr. 1, 1938-Mar. 31, 1939\_\_\_\_\_ 1, 995, 300, 000 monthly installments, viz, 660,000,000 reichsmarks per Apr. 1, 1939-Mar. 31, 1940\_\_\_\_\_ 2, 042, 800, 000 annum, to include whatever amounts are required for the service of the German external loan of 1924.

The remainder of the annuity shall be payable in Apr. 1, 1942-Mar. 31, 1943\_\_\_\_\_ 2, 198, 000, 000 foreign currencies by equal monthly installments, but Apr. 1, 1943-Mar. 31, 1944\_\_\_\_\_ 2, 194, 300, 000 subject to the conditions as regards postponement of

The German Government undertakes for the purpose Apr. 1, 1946-Mar. 31, 1947\_\_\_\_\_ 2, 199, 500, 000 of the present provisions, as well as for the general purposes of the plan, that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated in section 31 of the present Reichsbank law, and that for these purposes the reichsmark shall have and shall retain a mint parity of 1/2790 Apr. 1, 1952-Mar. 31, 1953\_\_\_\_\_ 2, 346, 200, 000 kilogram of fine gold as defined in the German coinage

For the purpose of paragraph (4), above, the outpay-Apr. 1, 1955-Mar. 31, 1956\_\_\_\_\_ 2, 359, 800, 000 ments for the year ending March 31, 1930, are as follows (in reichsmarks):

France	338, 100, 000
Great Britain	366, 600, 000
Italy	
Belgium	23, 400, 000
Rumania	8, 800, 000
Serbia	5, 900, 000
Greece	5, 300, 000
Portugal	7, 200, 000
Total	863, 100, 000

<sup>1</sup>Attention is called to the letter from the president of the Reichsbank given in Annex II.

Provision is made in section 11 of Annex I whereby of the opinion that the annuities recommended by a percentage of the special reserve fund accumulated them should not be drawn wholly from the German in the bank shall be placed at Germany's disposal, if budget, but that one source of payment utilized by required, toward meeting the last 22 annuities pay- the Dawes plan, viz, the railway company, should able under the above scale.

into account the expenditures devolving upon Ger- company is recommended, not only from the point many during the period of the new plan such as were of view of security, but also as a suitable method of covered by the Dawes plan. However, we have not raising the necessary revenue. included the costs of commissions and the current expenses of occupation, as they are to continue only to the assigned revenues and, having regard to the fact until a date to be fixed by the Governments. The that these revenues are pledged as collateral security necessary arrangements for their payment should be for the service of the German external loan of 1924, made by the Governments in connection with the adoption of the new plan.

from the date of the putting into force of this plan, the trustees for the bondholders of that loan the possi-Germany's previous obligation shall be entirely bility of simplifying, as far as possible, the existing replaced by the obligation laid down in this plan, and that the payment in full of the proposed annuities in accordance with this plan should be accepted by the creditor powers as a final discharge of all the liabilities of Germany, still remaining undischarged, referred to in section 11 of part 1 of the Dawes plan, as interpreted by the decisions already given by the interpretation tri- for the payment of the annuities is the solemn underbunal set up under the London agreement of August 30, taking of the German Government, to which no further 1924. That tribunal should be retained in existence and guarantee can add anything whatsoever. any dispute that may arise between Germany on the one side and the creditor Governments, or any one creditor Governments should take steps to release all of them, or the bank, on the other side, as to the extent of these liabilities or as to any other question of may remain in their hands other than those specifically the interpretation or application of this plan should referred to above, and should recognize that their be referred to it for final decision.

In the course of their proceedings the experts of the Government replaces any securities, pledges, charges principal creditor powers have also dealt with the or controls as may now exist. question of the distribution of these annuities among the creditor powers. Their recommendations, drawn Under the German railway law of August 30, 1924, up after careful examination of the existing distribution arrangements and of other relevant considerations laid before them and with due regard to the rights and equities of the other countries 1 having a share in the Dawes annuities, are set out in Annex VII, which they consider an inseparable part of the present report.

#### COMPOSITION OF THE ANNUITIES

#### PART 8 (a)

### SOURCE AND SECURITIES

1. The annuities are to be derived from two sources: (1) The German Railway Co.

The committee, after a careful examination of the

The railway company shall be under an obligation (2) The Budget of the Reich. to pay for 37 years a direct tax comprising, if necessary, the transport tax, to an annual amount of 660,proposals put forward by the German experts, were 000,000 reichsmarks, being equal to the annual amount <sup>1</sup> Greece, Portugal, Poland, Rumania, Serbia, Japan, and the United of the nonpostponable annuity. This tax shall be imposed by German legislation, and the receipts

States of America.

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be maintained. We desire to make it clear, however, In calculating the above annuities we have taken that the retention of a contribution from the railway

We have also considered the position with regard we feel it is impossible to recommend the release thereof. Nevertheless, we are of opinion that it would be Apart from the foregoing we recommend that, as suitable for the German Government to discuss with machinery, and that the creditor Governments for their part should accept a similar arrangement. The effective security of the creditor Governments should be substantially that indicated in Annex III, section 3. Apart from these special questions, the committee desires to record its view that the basis of security

The committee accordingly recommends that the controls, special securities, pledges or charges which acceptance of the solemn undertaking of the German

2. The contribution from the German Railway Co.enacted in accordance with the Dawes plan, the German Railway Co. is subject to a mortgage for 11,000,000,000 gold marks, in favor of the trustee for the German railway bonds, and has issued to him a bond for 11,-000,000,000 gold marks. This bond bears interest at 5 per cent per annum and carries a cumulative sinking fund of 1 per cent per annum, which first became operative on September 1, 1927; interest and sinking fund being guaranteed by the Government of the Reich.

This plan contemplates the abolition of the railway bonds, together with the attendant circumstances of foreign participation in the management of the railway, and substitutes a contribution from the railway company, as set out in the following paragraphs:

increase in the prosperity of Germany, arising not only from the employment of the rapidly increasing wealth of that country, but also from the steady progress of world prosperity, and this belief found expression in the device of an index of prosperity. The plan contemplates that the amounts which Germany pays upon a fixed scale shall increase, generally speaking, year by year until 1966, reflecting in some small measure this anticipated increase in her prosperity. However, the annuities proposed are to start at a level which not only gives immediate and important relief to the German budget, to her exchange position and to her need for additional internal formation of capital, as compared with the standard Dawes annuity of 2,500,000,000 gold marks, but also provides the greatest possible assurance that the new scheme will function from the beginning without any hitch or disturbance.

#### PART 8 (c)

#### THE NONPOSTPONABLE ANNUITIES

Not the least difficult part of the task was the determination of the figure which Germany could immediately undertake as a final and unconditional obligation. The point at which difficulties might begin | that Germany's exchange and economic life may be to arise in making transfers into foreign currencies is seriously endangered by the transfer in part or in full not exactly definable in advance; but every care has been taken to be so far within this limit as to remove every possibility of the risk of error. We recognize that in fixing the figure payable by Germany in foreign currencies, without any right of postponement whatever. at 660,000,000 reichsmarks, we have taken a con- ment, or have created a situation in which Germany servative amount. But we are satisfied that it is wiser deliberately to underestimate than to run the slightest risk of weakening German credit by proposing a figure which might not command instant acceptance by well-informed public opinion.

#### PART 8 (d)

#### THE POSTPONABLE ANNUITIES

In addition to the unconditional part of the annuity we propose a postponable part, transfer of which may in certain circumstances, set out below, be postponed for a period not exceeding two years.

This postponable part of the annuity is designed to the Reichsbank, the employment of the reichsmarks meet the situation which might arise in a period of paid to its account at the Reichsbank by the German special economic difficulty and distress. There will be Government. (See sec. 6 of Annex I to this report.) other ways of meeting such a situation, and if they are The following paragraphs sketch the organization of applied our view is that recourse to this abnormal the special advisory committee of the Bank for Intermeasure will not in fact prove to be necessary. Never- national Settlements, referred to in the preceding paratheless, as an additional precaution it is valuable to graphs: Germany and provides by its very existence a safe-(1) The committee shall act in a purely consultaguard against the dangers which too rigid a framework | tive capacity. Its findings shall have no effective force might have called into existence. unless confirmed and accepted by the bank as trustee

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therefrom guaranteed by the German Government. the relief from taxation which this plan will enable the The railway company shall deposit with the Bank for German Government to bring into effect. International Settlements a certificate acknowledging its liability in respect of this obligation.

The amount payable shall be raised from the gross revenues of the company, ranking after the expenditure to 1,250,000,000 gold marks. or one-half of the total on personnel, and on the same footing with expenditure standard annuity. This contribution is a charge on material and consumable stores. It shall enjoy on the budget as a whole specifically secured by priority over any other tax now levied on the railway company, or which may be levied in the future, and shall rank prior to any other charge, by way of mortgage or Controlled Revenues. These revenues are paid by the otherwise, on the company. It shall be paid direct collecting offices directly into the account of the comby the railway company to the account of the Bank for missioner at the Reichsbank. As early as practicable International Settlements at the Reichsbank in installments as laid down in part 8.

The foregoing conditions shall be incorporated in the law governing the railway company.

committee proposed in Annex V of this report to make by him to the account of the German Government at suitable provision whereby the private and independent the Reichsbank. Under this plan the procedure to be character of the German Railway Co., including its followed will be worked out in detail by the appropriate autonomous administration in economic, financial, and organization committee proposed in Annex V, regard personnel matters, shall continue for the period of the being had so far as necessary to the arrangements which plan without interference from the German Govern- may be accepted by the trustees of the 1924 loan. ment.

3. The transport tax.--In addition to the 660,000,000 gold marks now payable directly by the railway company, the Dawes plan requires a contribution to the standard annuity of 290,000,000 gold marks out of the actual yield of the transport tax. This tax is imposed by the German Government, and the German Railway reichsmarks in the thirty-seventh year. Thereafter Company collects it for the Government. The total the contribution from the railway company ceases, the yield of the transport tax, now considerably in excess annuity falls sharply and the budget contribution of 290,000,000 gold marks, appears among the receipts covers the whole of the German liability for the reof the budget of the Reich, and the contribution of mainder of the plan. 290,000,000 appears among its expenditures. Under this plan the direct tax on the railway company comprises, if necessary, the transport tax which is other- annually, or about 0.24 of 1 per cent of the total revenues wise relieved from any special charge on account of of the budget of the Reich, which at present are just reparations.

industrial charges law enacted in accordance with the definitive settlement plan ought to be met in ordinary Dawes plan, bonds aggregating 5,000,000,000 gold marks have been issued in respect of the German the substantial reduction of the budgetary contribution industries by the Bank for German Industrial Deben- as compared with the Dawes plan makes possible an tures to the trustee for the German industrial deben- immediate resumption of the tax-reduction program tures. These bonds bear interest at 5 per cent per which has been in progress since 1924. The committee annum and carry a cumulative sinking fund of 1 per hope that such further tax reductions, coupled with a cent per annum which first became operative Septem- definitive reparation settlement, will give a strong ber 1, 1927; principal, interest, and sinking fund being stimulus to saving and thereby materially assist in the guaranteed by the Government of the Reich. The internal formation of the new capital which Germany present contribution to the annuity from the industrial still requires. debentures thus amounts to 300,000,000 gold marks.

This particular charge in no way differs from ordinary taxation, save in the complications it involves in legislation and the machinery of collection. We recommend that it be discontinued and that its

5. The charge on the budget of the Reich .--- Under the Dawes plan the contribution from the budget of the Reich in the fifth or current annuity year amounts the assignment of the revenues from customs, beer, tobacco, sugar, and alcohol to the Commissioner of in each month, out of the funds accumulated in his account, the commissioner pays into the account of the Agent General at the Reichsbank one-twelfth of the annual contribution from the budget, and thereafter in It shall be one of the duties of the organization each month the revenues are automatically transferred

As the amount contributed by the German Railway continues for 37 years at the fixed level of 660,000,000 reichsmarks a year, the charge on the budget of the Reich varies with the total amount of the annuity. In the second year it stands at the figure of 1,136,400,000 reichsmarks and rises to a maximum of 1,768,800,000

The average increase in the budgetary contribution during the first 20 years is about 24,000,000 reichsmarks under 10,000,000,000. This moderate and gradual 4. The charge on German industries.-Under the increase in the budgetary contribution under the years without recourse to additional taxation. Indeed,

#### PART 8 (b)

#### PROGRESSION

The authors of the Dawes plan believed that they disappearance be taken into account in distributing could count upon a certain, substantial and progressive

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# PART 8 (e)

#### MEASURES OF SAFEGUARD

The essence of the additional margin of safety given to a part of the annuities lies in the power to postpone transfer. We are recommending, in order to protect Germany against the possible consequence of a comparatively short period of depression, which might, for internal or external reasons, put such a severe strain on the exchanges as would make the process of transfer abroad dangerous, that the German Government should have the right, on giving 90 days' notice, to postpone transfers for a period not exceeding two years under conditions set out in Annex IV. During the period of postponement the liability of the German Government with regard to the sums affected would in the first instance be limited to payment in reichsmarks to the account at the Reichsbank of the Bank for International Settlements; under certain conditions part of this payment may also be withheld.

Upon the declaration of any postponement the Bank for International Settlements shall convene the special advisory committee. At any other time when the German Government declare to the creditor Governments, and to the Bank for International Settlements that they have come to the conclusion in good faith of the postponable portion of the annuities, the committee shall also be convened.

Upon being convened the special advisory committee shall forthwith consider the circumstances and conditions which have led up to the necessity for postponeconsiders that her exchange and economic life may be seriously endangered by further transfers of the postponable portion of the annuity, and make a full investigation of Germany's position in regard to her obligations under this plan. In their report to the Governments and to the bank, having (in case of a postponement of transfer) satisfied themselves that the German authorities have used every effort in their power to fulfill their obligations, they shall indicate for consideration by the Governments and the bank what in their opinion are the measures that should be taken in regard to the application of the present plan.

It shall further be the duty of the bank during a postponement of transfer to direct, in conjunction with

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of the creditors, and if necessary by the Governments creditor powers, and that it would impose difficulties concerned.

with the unconditional annuity accepted by Germany recommend that the principles of the Dawes plan and referred to in the plan as the "unconditional with reference to deliveries in kind should continue annuity."

according to the rules of its own constitution when absorb by this means, in respect of each year, a limited notice shall be received from the German Government. and decreasing amount of the postponable portion of It shall not be required to meet at any other time.

(4) The committee shall consist of seven ordinary following table: and four coöpted members. The ordinary members shall be nominated one by each of the following: The governors of the Reichsbank, the Banque de France, the Bank of England, the Banque Nationale de Belgique, the Banca d'Italia, the Bank of Japan, a Federal reserve bank of the United States, or some other agreed American financial institution. In the last two cases such nominee being ordinarily resident in Europe or in a position to give prompt attendance on a meeting of the committee being called. These nominees of the governors of the banks shall not be officially connected with the banking institutions in question nor with the Government departments of their respective countries. After being summoned they may, if they so desire, coopt not more than four additional members with the intent that special aspects, whether in finance, exchange, industry, etc., of the particular situation in question shall be represented. During the course of the proceedings and until the report is made the coöpted members shall be equal in all other respects to the ordinary members, but they shall thereafter be discharged from office.

(5) The committee may proceed by way of hearing evidence or asking for documents as it may desire, but the president of the Reichsbank, and/or any other person nominated by the German Government, may appear before or submit to the committee the reasons for which a postponement has been declared or measures are desirable as indicated above.

The committee shall neither grant nor refuse a postponement. After making inquiry, it shall report to the Governments and the bank as indicated above.

(6) Unless otherwise arranged by consent, the expenses of the special advisory committee shall be borne by the German Government.

#### PART 8 (f)

#### DELIVERIES IN KIND

The system of deliveries in kind under the Dawes plan has come to play an important rôle in the economic life of Germany. We would not suggest the unlimited continuation of this system, which is open to many objections of a practical as well as a theoretical nature. We have felt, however, that its immediate cessation

ed for FRASER

upon the export trade of Germany which might be (2) The committee shall play no part in connection injurious to her capacity to transfer. We therefore in existence for a limited period, and that the (3) The committee shall be convened by the bank creditor nations should agree for a period of 10 years to the annuity, substantially in accordance with the

	Iterensmarks
First year	750, 000, 000
Second year	700, 000, 000
Third year	650, 000, 000
Fourth year	600, 000, 000
Fifth year	550, 000, 000
Sixth year	500, 000, 000
Seventh year	450, 000, 000
Eighth year	400, 000, 000
Ninth year	350, 000, 000
Fenth year	300, 000, 000

The foregoing table to be adapted to the actual annuities of the new plan without increasing the total.

The creditor powers, by arrangements effected among themselves, will fix the proportions in the total of each year's volume of deliveries in kind (including deliveries under reparation recovery acts or any equivalent system substituted therefor by agreement up to 23.05 per cent for Great Britain and 4.95 per cent for France of the total amount provided for each year) which each of them will receive.

The Bank for International Settlements shall manage the disbursements on deliveries-in-kind account, and in making distributions of cash to the creditor countries shall have due regard for those portions of the annuity which are restricted to payments for deliveries in kind.

The committee also recommends that new regulations be adopted by the Governments modifying the Wallenberg regulations to conform to the new plan and, so far as practicable, simplifying and liberalizing them.

The committee recommends that provision be made in the new regulations permitting the several powers to dispose of some part of their respective quotas of deliveries outside of their own territories under suitable restrictions.

The proposed repartition of the deliveries in kind among the several creditor powers is contained in Annex VII, dealing with repartition of the annuities.

#### PART 9

#### LIQUIDATION OF THE PAST

In order to arrive as rapidly as possible at a general liquidation of the financial questions raised by the war would not be in the interests of Germany nor of the | and the subsequent treaty of peace, a liquidation which

financial and economic conditions, the committee rec- national harmony and collaboration, the experts unaniommends the clearing up of these questions in a broad mously recommend to the creditor Governments that, spirit of mutual concession.

We understand that a settlement on these lines will render obsolete the accounts between the Reparation Commission and Germany relating to transactions properties and liberation bonds, held in the hands of prior to the period of the Dawes plan, together with the Reparation Commission against the so-called succesall accounts involving credits against the original sion States. This question is referred to in Annex VII. capital debt. We are strongly of the opinion that these accounts should be closed at the earliest moment.

The creditor Governments, under this plan, will be COMMERCIALIZATION AND MOBILIZATION reducing the whole body of their claims arising out of the war or under the treaty of Versailles to a con-Having recommended the creation of the Bank for siderable extent. The experts of the creditor countries International Settlements in order to provide maare aware that past transactions have given or may chinery for the removal of the reparation obligation from give rise to claims by Germany, some of which are still the political to the financial sphere, we have further conunsettled, and, while they are not able to go into the sidered what procedure is necessary in order to assimimerits of these claims, they consider that the creditor late this obligation as closely as possible to an ordinary Governments are fully entitled to expect that Germany commercial obligation ("commercialization"). should waive them in consideration of the consolidation Further, certain Governments are known to attach of the creditors' claims at a reduced figure. Any other particular importance to the possibility of raising course would be inconsistent with their intention that, money by the issue to the public of bonds representing just as the new annuities cover all the claims defined the capitalization of the unconditional portion of the in Part XI of the Dawes plan, so they should be paid annuity ("mobilization"). free of deduction in respect of any past transactions. It is, of course, not within our power to advise as The committee recognizes, however, that this is entirely to the time at which such issues can be made with a matter for the Governments to deal with. advantage or as to the terms and conditions on which

To assure the general confidence indispensable for the successful working of this plan, the committee recommends that the Governments make no further issue is to be made for cash in the general interest of use, from the date of the acceptance of this report, of all the creditor Governments, or an internal issue is to their right to seize, retain and liquidate property, rights be made in one single country by way of conversion and interests of German nationals or companies con- of government debt. It will be the province of the trolled by them in so far as not already liquid or liqui- bank itself to advise upon such matters; but we have dated or finally disposed of, and that the outstanding thought it necessary to advise a framework within questions concerning such property should be definitely cleared up within one year after the coming into force of this plan by arrangements between the Governments concerned and Germany. This recommendation naturally has no application in cases where special settlements have already been made.

The acceptance of this plan necessarily involves the dissolution of the joint liability of Germany on the one side with Austria, Hungary and Bulgaria on the other side for reparation and therefore finally abolishes every obligation, present or future, in either direction which may result between these powers from this joint liability.

The committee recommends in particular that the creditor powers should abstain from recovering the credits of Germany against her ex-allies referred to in article 261 of the treaty of Versailles, Germany for her part renouncing any net balance which might be due to her as a result of these credits.

questions arising out of the war should be settled as accrue to her. The wish has been expressed that, so

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alone can insure the definite return of Europe to normal soon as possible, in order to promote the spirit of interwithin the first year of operation of the new plan, they complete the work of the experts' committee by dealing with and disposing of the claims and debts for ceded

#### PART 10

issues should be made. The arrangements to be made would, no doubt, vary according as, for example, an which these operations may take place.

This framework is given in Annex III. It provides, first, that the annuities themselves shall be represented by a German Government certificate of indebtedness deposited with the bank, similar to those in use in ordinary commercial practice (a proper distinction being made in the coupons between the conditional and unconditional portions of the annuity). The provisions regarding security are given in the annex, and the conditions in which mobilizable bonds should be created and issued are defined.

One of the most important provisions of this scheme is that annuity moneys should be distributed by the bank in strict proportion to the rights of each partywhether Government or bondholder.

As far as, according to the conditions of the issue, reparation loans (general or conversion loans) are subject to an anticipated redemption, Germany should be entitled to redeem these loans; the part of the annuity In their unanimous desire that the remaining financial destined for the service of the redeemed loan will then

far as possible, reparation loans will not be issued without granting the debtor an appropriate right of anticipated redemption.

We recommend that Germany should also have the right to redeem all or any part of not yet mobilized annuities on a basis of 51/2 per cent discount.

#### PART 11

### THE NEW PLAN CONTRASTED WITH THE DAWES PLAN

The Dawes plan, although drawn up at a time of intense crisis, has by a test lasting over nearly five accepted the expedient of deliveries in kind, the new years justified by facts the postulates on which it was based as regards both the restoration of the public finances of Germany and her economic recovery.

It may be well to summarize briefly the points of advantage-whether to Germany or her creditorsclaimed for the new proposal, which justify a departure from a scheme that has in the past rendered signal service.

The plan drawn up by the committee to afford a definite solution of the reparation question accompanies a reduction in the existing obligations of Germany by an essential modification in their financial and political status. In so far as the creditors are relinquishing substantial advantages in the face value of payments due under the Dawes plan, they are doing so only by reason of those improvements in intrinsic and available values which arise from the practicability and certainty of commercialization and mobilization within a reasonable period and in its attendant financial and economic psychology.

specially important are the following:

1. Fixation of the period and the debt .- The Dawes plan imposes, in virtue of the index of prosperity, increasing annuities, of which the number is not fixed. annuities.

estimates, which vary very widely, of the ultimate effect of the index of prosperity can at this date be made. But in no circumstances could Germany benefit therefrom, and the disappearance of this element of uncertainty is wholly to her benefit.

3. Attainment of financial autonomy .--- Under the Dawes plan Germany can only obtain the discharge of omy or to the economy of other countries. In addiher obligations in marks by the existence of a system | tion, it will be in a position to open up to trade new of transfer protection which involves a measure of possibilities of development. The operations which it external control. This brings attendant limiting effects | is to undertake can not be disturbed or hampered withon German credit and financial independence which out irreparable damage to the credit of the countries render difficult, if not impossible, any mobilization of concerned. This assurance should make it possible to the German debt. The new plan would be abandoning limit the guarantees established under the present systhe fundamental purposes for which it was intended if tem for the protection of the rights of the creditors, it did not cancel this clause and leave to Germany the to the minimum required for the prompt and facile obligation of facing her engagements on her own un- commercialization of the mobilizable part of the trammeled responsibility.

4. Postponement safeguards .- Nevertheless, if an exceptional emergency interrupts the normal course of economic life to which the scheme is adapted, Germany can, on her own initiative, resort to certain measures of temporary relief.

The annuity is divided into two parts, of which one is subject to postponement of transfer and payment. Germany will thus be enabled, under certain circumstances, temporarily to relieve her balance of payments and will, in fact, enjoy the advantages of a form of transfer protection without its attendant limitations.

5. Deliveries .- While the Dawes plan reluctantly plan, in spite of the desire of the creditor powers to dispose freely of their shares of the annuities, recognizes the undesirability of a sudden cessation of the system at present in force. The creditors are, therefore, to take deliveries in kind for 10 years, but in decreasing amounts, beginning with 750,000,000.

6. Mobilization .- From the point of view of the creditor powers an essential feature of the new plan. which induces them to agree to reduction on their claims that leave them burdened with a considerable part of their expenditure for the damages caused by the war, is the fact that the annuity is paid in a form lending itself to mobilization.

7. Financial organization .- The organization and machinery of the Dawes plan were based on the conviction that it must find its proper guarantee in the interest of all parties to carry it out in good faith. In aiming, as it did, at the transference of the reparation payments from the political to the economic and busi-Among the modifications which are considered ness sphere, it presumed constant cooperation of debtor and creditors alike.

The new system goes further along the same road. replacing the collaboration of separate administrative and governmental organizations by common work in a The new program indicates a definite number of fixed purely financial institution, in the management of which Germany is to have an appropriate part. The present 2. Disappearance of the index of prosperity .- Only administrative organizations can not have all the elasticity necessary for banking transactions of the magnitude of the payment and transfer of the annuities; but the new bank, in close association with the banks of issue and with the banking facilities at its command, will have all the necessary means of effecting these operations without disturbance to the German econannuity.

8. Summary .- The proposed plan continues and indivisible whole. It is not possible, in our opinion, completes the work begun by the Dawes plan, which to achieve any success by selecting certain of our the position alike of Germany and of the other counrecommendations for adoption and rejecting the others, tries made it impossible to do more than indicate in and we would desire to accept no responsibility for the outline in 1924. By the final reduction and fixation results of such a procedure nor for undue delay in giving of the German debt, by the establishment of a progresexecution to our plan." sive scale of annuities, and by the facilities which the FRANCQUI. A. PIRELLI. new bank offers for lessening disturbance in the pay-GUTT. SUVICH. ment of the annuities, it sets the seal on the inclusion E. MOREAU. KENGO MORI. of the German debt in the list of international settle-J. PARMENTIER. TAKASHI AOKI. ments. If it involves appreciable reduction of payments Dr. HJALMAR SCHACHT. OWEN D. YOUNG. to the creditor countries on what might have been an-KASTL .. J. P. MORGAN. ticipated under the continued operation of the Dawes J. C. STAMP. THOMAS N. PERKINS. plan, it at the same time eliminates the uncertainties C. Addis. T. W. LAMONT. which were inherent in that plan and were equally PARIS, June 7, 1929. inimical to the interest of the debtor and to the creditors, by substituting a definite settlement under which the debtor knows the exact extent of his obligations.

#### PART 12

#### CONCLUSIONS

In section 3 of the following outline provision is made for an organization committee which will have the It has been our object to make proposals for financial duty of putting the bank project into effect. This outobligations which, with the conditions and safeguards line has been drawn up for the benefit of the organizathat accompany them, shall be within Germany's tion committee which will have power generally to capacity to pay, and we believe that we have achieved | modify its provisions or to make substitutions for any this purpose. We realize the responsibility of this or all of them, provided always that such modifications declaration, and we recognize how much depends on the or substitutions shall not be inconsistent with the future attitude toward one another of the peoples essential functions of the bank with respect to the which, by ratification of their respective Governments, experts' plan as a whole. are to become parties to this agreement.

1. Purpose, name, and location .- The bank organ-For the solution of the reparation problem is not only ized under this plan shall be known as the Bank for a German task but in the common interest of all the International Settlements. countries concerned; and it requires the cooperation The purpose of the bank is to provide additional of all parties. If their attitude should be tinged with facilities for the international movement of funds and antagonism, even with suspicion, or a desire to create to afford a ready instrument for promoting internaor continue one-sided economic discriminations, a tional financial relations. In connection with the settlement perfectly feasible with goodwill would sooner German reparation annuities it shall perform, as trustee or later encounter difficulties, so that the long, slow, for the creditor countries, the entire work of external patient task of reconstruction in Europe would be administration of this plan, shall act as the agency for definitely retarded. For without good faith and muthe receipt and distribution of funds, and shall supervise tual confidence, all agreements, all guarantees, are and assist in the commercialization and mobilization of unavailing. If, on the other hand, our proposals are certain portions of the annuities. adopted with good will by all concerned, and the rest It shall be located in a financial center hereafter to of the world has confidence in the constructive value be designated. In selecting the country of incorporaof this mutual accord, then, indeed, there can be tion due consideration shall be given to obtaining no reasonable doubt that the agreement will be capowers sufficiently broad to enable it to perform its pable of complete fulfillment, and the nations it confunctions with requisite freedom and with suitable cerns will be brought to a higher level of economic immunities from taxation. stability and of mutual understanding than ever 2. Share capital .- The authorized capital of the before.

bank may be expressed in the currency of the country Finally, we would point out, like our predecessors on of domicile, and shall amount to the round equivalent the Dawes committee, that "we regard our report as an of \$100,000,000. Upon the formation of the bank the

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#### ANNEX I

#### SUGGESTED OUTLINE FOR THE ORGANIZATION OF THE BANK FOR INTERNATIONAL SETTLEMENTS

whole authorized capital shall be issued, but only into effect a temporary committee shall be created 25 per cent of each share shall be then paid in. The which will be known as the "organization committee." board of directors of the bank shall have power to call This committee shall be appointed by the governors of for the payment of further installments; it shall also have the power to authorize an increase or a reduction in the total capital stock of the bank.

In each country in which the shares of the bank may be offered for sale, the shares shall be issued through the central bank of that country or other agency to which the central bank offers no objection. In the seven countries to which members of the present committee belong, issues or allocations of shares shall always be made in equal amounts. The central banks of these countries, or banking groups not objected to by them, shall guarantee the subscription of the whole of the first issue in the round equivalent of \$100,000,000; but they may agree with central banks or groups in other countries (particularly those interested in reparations) that | all respects an equal vote in the work of the committee an amount of the first issue not exceeding the round with the members otherwise chosen. The decisions of equivalent of \$4,000,000 for each, and not exceeding the organization committee shall be taken by a threethe round equivalent of \$44,000,000 in all, may be issued in other countries.

In the event of an increase in the authorized capital and a further issue of shares, the distribution among bank, which shall be consistent with the provisions of countries shall be decided by a two-thirds majority of the plan, and shall take such steps as may be necessary the directors of the bank on the above principles. In to insure its timely granting or enactment by appropriparticular, the percentage of the total shares issued in ate public authorities. the seven countries first mentioned above shall not fall below 55.

Apart from countries interested in reparations, only countries which have, at the time an offering of shares the bank. It shall arrange, in accordance with the prois made, a currency stabilized on a gold or gold exchange basis may participate.

The shares may be expressed in the currency of the country in which the bank is domiciled and shall state the amount of the share at the gold mint parity of the currency of the country in which they are issued; they shall be registered and continue to be resigtered, but may be freely negotiated. Transfers of the shares statutes for regulating the administration of the bank after issue shall not affect the voting power reserved to and submit them to the board of directors for considthe central banks as described below. Payments to eration. These statutes shall make provision for such the shareholders on account of dividends or at the liqui- matters as are usual in banking organization and in dation of the bank shall be made in the currency of the country of domicile.

The shares shall carry no voting rights; but voting rights corresponding to the number of shares originally issued in each country shall be exercised by the central bank of that country in the general meetings of the bank (taking the place of the general meetings of shareholders), which the representatives of the participating central banks will attend.

The shares shall be entitled to participate in the profits of the bank as indicated in the section "Distribution of Profits."

ing the preliminary steps for putting the bank project | representatives of central banks;

the central banks of the seven countries to which members of the present committee belong. The governor of each of these seven central banks shall be entitled to designate two members of the organization committee with due regard for the necessity of including in its membership persons versed in banking, the issue of bonds and the work of the present committee of experts.

If for any reason, the governor of any of these central banks shall be unable officially or unofficially to designate members of the organization committee, or refrains from doing so, the governors of the remaining central banks shall invite two fellow nationals of the governor not participating, to act as members of the committee. The members thus selected shall have in quarters vote.

As an essential part of its work, the organization committee shall proceed with drawing up a charter for the

The organization committee shall, until such time as the board of directors of the bank is appointed and takes office, proceed with the physical organization of cedure prescribed in section 2, for the subscription of the capital stock, and, in accordance with the procedure prescribed in section 4, for the appointment of the board of directors. It shall call the first meeting of the board of directors and designate the temporary chairman to preside at that meeting, pending the election of the regular chairman. It shall draw up the particular provide for the following:

(1) The qualifications for membership on the board of directors:

(2) The nature and duties of the permanent committees of the board of directors, including the executive committee:

(3) The administrative departments to be created within the bank;

(4) The time and place of the meetings of the board of directors and of the executive committee;

(5) The form to be used for the convocation of the general meeting, as well as the conditions and the 3. Organization committee .- For the purpose of tak- methods for exercising voting rights on the part of

(6) The form of trust certificates which the bank one additional director of his own nationality, being a shall issue to the creditor Governments under the plan; representative of industry or commerce. (7) Provisions with regard to liquidation of the (3) The governor of the central bank of each of the

other countries participating in the share ownership of bank. The organization committee shall cooperate with the bank, as provided in section 2 of this outline, shall the organization committees provided for in this furnish a list of four candidates of his own nationality plan. for directorships.

4. Directorate and management.-The entire administrative control of the bank shall be vested in the board of directors, whose duty it shall be to supervise and direct the operations of the bank and in general so to act as to carry out those purposes of the plan committed to the administration of the bank. In partic- shall elect not more than 9 other directors. ular, the board of directors-

(1) Shall have the right to adopt, modify, limit, or extend the statutes of the bank in such a manner as shall not be inconsistent with the provisions of the plan;

(2) Shall have the power generally to modify the provisions contained in the outline of the bank's organization or to make substitutions for any or all of them. provided always that such modifications or substitutions shall not be inconsistent with the essential functions of the bank with respect to the experts' plan as a whole and with its existing engagements;

(3) Shall appoint the chief executive officer of the bank and fix his remuneration;

(4) May appoint an executive committee and delegate such powers to it as may be provided for in the be to preside at meetings of the board of directors. At statutes of the bank;

any questions upon which information or advice is by the organization committee shall act as chairman. desired.

The functions of a director are incompatible with those involving national political responsibilities. The statutes of the bank shall make the necessary provision have a deciding vote. For decisions involving the in order to avoid such conflict of functions. All the adoption or amendment of statutes of the bank, modidirectors shall be ordinarily resident in Europe or shall fications or substitutions in the present project for the be in a position to give regular attendance at meetings of the board.

The board of directors shall be made up in the following manner:

(1) The governor (or, as the case may be, the chief executive officer) of the central bank of each of the seven countries to which members of the present committee belong, or his nominee, shall be a director of by telegram, to vote for him and on his behalf. the bank ex officio. Each of these governors shall also appoint one director, being a national of his country

commerce. In case the governor of any central bank | the procedures laid down in part 8 of the plan. shall be unable to act either officially or unofficially The chief executive officer of the bank shall select according to the provisions of this paragraph, or the officers and heads of the departments of the bank. refrains from doing so, action shall then be taken in For the latter the appointments shall be subject to the accordance with the alternative procedure given in approval of the board of directors.

section 12 of this outline. 5. Deposits.—The bank, in carrying out its functions (2) During the period of the German annuities the with respect to the facilitation of international settlegovernor of the Bank of France and the president of ments or in connection with the German annuities, the Reichsbank may each appoint, if they so desire, shall have the right to receive deposits of a nature

Two of the candidates on each list shall be representative of finance and the other two of industry or commerce. The governors in question may themselves be included in this list. From these lists the 14 or 16 directors mentioned in paragraphs 1 and 2 above

(4) From those first appointed, four groups of five directors shall be chosen by lot. Their terms respectively shall end at the close of each of the first, second, third, and fourth years from the establishment of the bank. Subject to this the term of office of the directors shall be five years, but they may be reappointed. (5) In case of vacancy in a position on the board of directors arising from death, resignation or other causes, the vacancy shall be filled in the same manner as prescribed for the original appointments. If a vacancy occurs before the expiration of a term, it shall be filled for the remainder of the term only.

The directors shall elect a chairman annually from among their own number. The chairman's duties shall the first meeting, until the chairman shall have been (5) May appoint advisory committees to deal with elected, a member of the board selected for the purpose The ordinary decisions of the board, including those involving elections, shall be made by a simple majority vote. In case of an even division the chairman shall organization of the bank, the distribution among countries of additional issues of stock in the bank, or other matters for which the statutes of the bank make appropriate provision, a two-thirds majority shall be required. Should a member not be able to attend a meeting of the board, it will always be open to him to empower one of his colleagues, by registered letter or

If decisions of the board are disputed on the ground that they are inconsistent with the provisions or intent and representative either of finance or of industry or of the plan, recourse may be had to arbitration under

The bank may realize upon any such investments, shall hold these certificates and obligations in safeat its discretion, unless at the time the investment was keeping and shall issue to the creditors its trust reagreed to by the Reichsbank some stipulation or arceipts for such certificates and obligations. Upon the rangement affecting the possible sale was made a concompletion of the payments called for under these dition of such agreement. The income from any such certificates and obligations for any one year, the investments and the proceeds of such investments, if respective creditor Governments shall give their quitsold, shall be deposited to the credit of the bank at the tance to the bank, which in turn shall give its quittance Reichsbank. Such funds may be held as deposits to the German Government, canceling and returning under the conditions set out in Annex IV of the plan any coupons representing the payments made. or be reinvested consistently with the provisions of (3) Receiving and distributing the service of the that annex. German annuities. The specifications of this function If, in the opinion of the board of directors of the bank, are given in section 8 of this outline below.

counterobligations issued against its investments in (4) Performing as regards deliveries in kind such Germany as collateral can be advantageously sold on functions as may be entrusted to it by the Governments non-German markets, their net proceeds shall be disin connection with the acceptance of the new plan. tributed to the creditor countries in such proportions (5) Dealing with the measures of safeguard provided and under the same conditions as would have applied in the plan. Upon receiving notification from the in the case of normal transfer. The accounts of the German Government, consistently with the provisions creditor powers shall be charged with the reichsmark of the plan, the bank shall convene the special advisory cost of the securities alienated or pledged in the committee whose composition, procedure and action course of any such transaction. If the board of direcare provided for in part 8 (e) of the plan. tors of the bank decides that counterobligations can (6) Acting as trustee under trust agreements. The bank shall have the power to act as trustee under any trust agreement entered into by it with the approval or

not be sold advantageously, the income and net proceeds of the investment, when finally disposed of, shall be distributed to the creditors. on the initiative of its board of directors, which has as its The foregoing power is in addition to the general purpose the issue by the bank of trust certificates or powers of the bank to make and realize upon invest- other obligations against investments in securities ments for its own account at any time, subject to the pledged as collateral therefor. This power may be provision that such investments are to be made with exercised in addition to the powers with respect to the assent of the central bank concerned. investments provided for in section 6 above.

(7) To issue its own obligations at long or short (7) Acting as trustee under special agreements. The bank shall be authorized to act as trustee under any special agreements among the creditor countries covering the repartition of the annuities or the guar-The investment powers of the bank shall never be antee of any parts of them. In particular the bank shall have power to act as trustee under the agreement specified in Annex VIII of the plan. The bank shall be authorized to pay interest on any guarantee such trust, and to arrange the terms on which the 7. Trustee functions: General provisions .- The bank deposit is to be received and the fund managed, all in accordance with the plan.

term, secured or unsecured, for the purpose of relending to any central bank, in each case upon the specific decision of the board of directors by a two-thirds vote. used in such a way as to exercise a predominant influence over business interests in any country. The board of directors shall guide the investment undertakings of the bank accordingly, and shall be entitled fund deposited with the bank in connection with any if necessary to make special regulations in this respect. shall be trustee of the creditor Governments in dealing

with the German annuities and shall have such general

(8) Acting as trustee at the request of a creditor powers of administration consistent with the plan as Government, the German Government or the central are necessary to the prompt and complete exercise of bank of any one of those countries. The bank shall its duties in that respect. The organization committee | have the right, upon the approval of the board of direcshall draw up appropriate forms of trust agreement tors, to undertake any trust functions which any between the creditor Governments and the bank. creditor Government or the German Government or The trust functions of the bank shall include the any of their respective central banks proposes that it following: shall undertake, provided such functions are generally (1) Receiving and disbursing to the paying agents | consistent with the purposes of the plan.

the service on the German external loan 1924. If (8) Trustee functions: The bank as depositary arrangements can legally be made, the bank shall also for the service of the German annuities. -The bank, act in the capacity of one of the trustees for that loan. in its capacity as trustee for the creditor Govern-(2) Receiving from Germany the various certificates ments, shall receive and distribute the funds repreand obligations provided for in the plan. The bank sented in the service of the German annuities. In

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consistent therewith. The board of directors or, as it may decide, the executive committee, shall consider applications to open deposit accounts, with authority drawal until at least one month from the time of to determine whether such applications come within the scope of the bank's functions. Deposits shall be received in only those currencies which satisfy, in the opinion of the board of directors, the practical require- deposits, the board of directors shall give due considments of the gold or gold-exchange standard.

Any classification of deposits which the board of directors may set up shall include:

(1) Deposits on annuity account .- These deposits the bank receives in its capacity as trustee for the creditor Governments. They shall be managed according to the procedure given in section 8 of this outline.

either current account deposits or investment account or (b) to deal through central banks which have agreed deposits.

have the right, subject to such terms and conditions any country in performing any authorized function, as the board of directors may set down, to accept deposits from central banks for the purpose of establishing and maintaining a fund for settling accounts among them. Such deposits may take the form of gold deliveries at the counters of the bank or of gold held for its account under earmark by any central bank participating in the fund for clearing accounts. The terms under which central banks may enter the clearing system, the rules and regulations for its operation, and the rates of exchange at which gold is not be undertaken in his market. to be accepted as deposits in the clearing fund or to be withdrawn from it, shall be determined by the board of directors of the bank.

(4) Deposits originating in the exercise of the bank's functions in connection with the German annuities and tending to facilitate such functions .- No such account shall be opened without the assent of the central bank of the country of which the prospective depositor is a national. If the governor of the central bank in question (or his nominee) is present and voting at the time the board of directors (or the executive committee) of the bank authorizes the opening of the account, his favorable vote shall be taken as giving the required assent.

(5) Deposits constituting guarantee funds as provided in Annex VIII and relative to the mobilization of the unconditional annuity .- The interest and the share in the profits which will apply to these deposits are provided directors. for in Annex VIII and in the section on profits (11) in this outline.

(6) Special deposit of the German Government.-During the first 37 years the German Government shall maintain at the bank a noninterest-bearing deposit the total of its paid-in capital and reserve funds. equivalent to 50 per cent of the average deposit remaining in the annuity trust account, as described in Reichsbank, reichsmark funds standing to the credit of section 8 of this outline. This German Government the bank, at the Reichsbank, which are not transferable deposit will not exceed 100,000,000 reichsmarks.

The bank shall have the right to pay interest on deposits, but only on deposits not susceptible of withdeposit. The rate of interest to be paid will be determined by the board of directors or, as the case may be, by the executive committee. In allowing interest on eration to the value of the services performed for the depositor and the size of the depositor's balance.

6. Loans, discounts, and investments .- The board of directors shall determine the nature of the operations to be undertaken by the bank. Such operations shall be consistent with the policies of the central banks of the countries concerned. The bank may in particular (2) Deposits from central banks.-These may be have the right (a) to deal directly with central banks. to act as its agent and correspondent, or (c) to deal (3) Deposits on clearing account.-The bank shall with banks, bankers, corporations and individuals of provided the central bank of that country does not enter objection. Whenever any proposed credit operation affecting any particular market comes up for decision, the favorable vote of the governor of the central bank concerned (or his nominee if the governor is not present), sitting as a member of the board of directors or the executive committee, shall be taken as giving the assent of his central bank. If he declines to give his assent, the proposed credit operation shall

Thus, the bank may perform such functions as the following:

(1) To buy and to sell gold coin and bullion, to earmark gold for the account of central banks. and to make advances to central banks on gold as security.

(2) To buy and to sell for its own account, either with or without its indorsement, bills of exchange and other short-term obligations of prime liquidity, including checks drawn or indorsed by central banks or in respect of which three obligees are responsible.

(3) To open and maintain deposit accounts with central banks.

(4) To rediscount for central banks bills taken from their portfolios, to make loans to them on the security of such bills, or to make advances to them against the pledge of other securities up to such amounts and for such periods as may be approved by the board of

(5) To buy and to sell for its own account intermediate or long-term securities (other than shares) of a character approved by the board of directors. Its holdings of such securities at any one time shall not exceed

(6) To invest in Germany, with the assent of the owing to a declaration of transfer postponement.

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compensation for the services performed by the bank and such out-of-pocket expenses as it incurs in administering the plan. If, in the opinion of the directors, held in the annuity trust account, giving foreign cursuch service charges or costs can not be equitably charged to the account as a whole, they shall be entitled to allocate them in such proportions as they see fit to the individual shares of any of the creditor countries.

creditors in accordance with the provisions of the plan.

deliveries in kind and payments under reparation recovery act and similar procedures continue to be made, the bank shall make available to the several creditor countries reichsmark credits, which shall be utilized subject to the applicable provisions of the plan.

(11) The bank, out of each installment paid into the annuity trust account, shall set aside and accumulate funds for the payment of service on any bonds issued and outstanding which represent commercialized and mobilized shares in the annuity. Funds required for this purpose shall be charged against the accounts of the creditor countries in proportion to their respective interests in the bonds for which service is being accumulated. At a suitable time in advance of the dates fixed for the payment of interest to the bondholders, the bank shall pay to the paying agents the amounts due in interest and shall make disposition according to the terms of the bond of funds required for purposes of amortization.

(12) Out of the sums remaining in currencies other The bank shall act as agent of any creditor Governthan reichsmarks, and after providing for any other ment in mobilizing any parts of the annuities and in charges called for under the plan, the directors of the managing the service of bonds issued in connection bank shall distribute such aggregate amounts as they with any such mobilization. The procedure for conmay determine to the creditor countries, divided accordducting the bank's share in such operations, subject ing to the propositions agreed upon among the respec- to the right of the organization committee or the board tive Governments. In withholding any sums from disof directors of the bank to make modifications, protribution and in fixing the dates at which distribution vided the general purposes of the plan are observed, is effected, the directors of the bank shall be guided on shall be as follows: the one hand by the need for prompt action in the (1) Upon the request of the creditor Governments or interests of the creditor countries and on the other by any of them, the bank shall initiate operations for the interest of the plan as a whole, including due marketing bonds if, after examination, it considers consideration to the bank by way of compensation for market conditions warrant such operations. Such its services in managing the annuity.

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operations may take place in the international markets. (13) The bank shall make distribution of cash by or may be restricted to the domestic market or markets crediting the accounts which the central banks of the of the countries concerned in the proposed mobilizaseveral creditor countries maintain with it, notifying tion, as the board of directors may decide. In dethem simultaneously that such credits are for the termining the markets where offerings are to be made, accounts of their respective Governments. The bank the bank shall make inquiries from the central banks shall notify the proper financial authorities of the concerned, and if any central bank offers explicit objeccreditor countries when such credits have been made, | tion to an offering being made in its own market, the and shall obtain receipts from them accordingly. directors shall decide accordingly.

(9) After charging against the annuity trust account the items referred to in the preceding paragraph and such other items as may be properly chargeable to the annuity as a whole, the bank shall proceed in the following manner with the distribution of the remainder of the available funds to the accounts of the several

(10) During such period of time as payments for

rencies received, but credit shall be given in the reichsmark equivalent of those currencies. The German provisions, as well as for the general purposes of the

plan, that the reichsmark shall have and shall retain its convertibility into gold or devisen as contemplated Sums paid in foreign currencies into the annuity trust account shall be calculated in terms of reichsmarks at the average of the middle rates (mittelkurs) prevailing on the Berlin bourse during the halfmonthly period preceding the date of payment.

available at all times sufficient funds in reichsmarks to

The receipt of the bank shall make note of the cur-

cover current requirements on account of payments for

(6) The bank's receipt giving credit in reichsmarks for payments made into the annuity trust account by the German Government or on its behalf shall, under ment with respect to all payments into the annuity spect to such portion of the payments made in reichsmarks as in the opinion of the bank provide current funds for deliveries in kind or services. As to the remainder, the receipt of the bank shall be in the nature of a temporary acknowledgment only.

(7) Withdrawals from the annuity trust account shall be made in accordance with provisions to be made by the organization committee. The bank shall pay no interest on funds deposited in the annuity trust account.

(8) All disbursements for reparation purposes shall be charged against the annuity trust account. A first charge against that account shall be the service currently due on the German external loan 1924. The board of directors shall be entitled also to charge against the account such sums as they deem to be fair <sup>1</sup>See the letter from the president of the Reichsbank given in Annex II.

fulfilling these functions the bank shall work in co- paragraph 14 below, and it may open other accounts operation with the central banks of the countries at the Reichsbank for use in connection therewith. concerned; the relations thus established shall be Such additional accounts shall be operated according the ordinary relationships obtaining between a bank to ordinary business principles. The bank shall have and its correspondent banks.

The procedure for conducting these operations, subject to the right of the board of directors of the deliveries in kind. (5) The bank shall give its receipt bank to make modifications, provided the general to the German Government for all sums which it purposes of the plan are observed, shall be as follows: pays or causes to be paid into the annuity trust

(1) The bank shall maintain on its books a general account in the course of carrying out its obligations deposit account to be known as the annuity trust under the plan. account.

(2) The German Government shall be responsible for the payment to the bank, in installments as provided in the plan, of all sums applicable to the service of the Government undertakes for the purpose of the present annuity. These payments shall be credited to the annuity trust account.

The organization committee shall make the necessary provision whereby the reichsmark payments to in section 31 of the present Reichsbank law, and that the account of the bank at the Reichsbank in respect for these purposes the reichsmark shall have and shall of the railway contribution shall be immediately re- retain a mint parity of 1/2790 kilogram of fine gold as leased to the German Government against equivalent | defined in the German coinage law of August 30, 1924.1 payment in foreign currencies to the annuity trust account.

(3) Subject to the operation of the clauses of the plan relating to transfer postponement, and except as the bank may request that payments be made in reichsmarks to the credit of its account at the Reichsbank described in paragraph 4 below, the German Government shall make all payments on account of the annuity in foreign currencies. Payments in foreign normal operation of the plan, constitute a complete currencies not on a gold or a gold exchange standard and sufficient discharge of the obligations of the Gershall be made only with the consent of the bank. man Government with respect to such payments. As a matter of business practice, the bank, acting in | If, however, transfer postponement should be in whole advance of the payment dates, may notify to the or partial effect, the bank's receipt giving credit in German Government or its agent the bank's prefer- reichsmarks shall constitute a complete and sufficient ences with respect to the currencies in which pay- discharge of the obligations of the German Government may be made. In case the bank's preferences are not complied with, payment shall be made to the trust account made in foreign exchange, and with rebank in the currencies of the seven countries whose nationals are members of the present experts' committee, divided as nearly as may be in proportion to their respective shares in that portion of the annuity accruing to them.

(4) All reichsmark payments for credit to the annuity trust account shall be paid into an account of the bank at the Reichsbank.

The bank shall be entitled to draw upon it in making all reichsmark payments necessary for the operation of the plan, including payments for administrative expenses incurred in Germany, payments for deliveries in kind and any other disbursements on annuity account.

The bank shall also be entitled to withdraw reichsmarks from this account or to deposit reichsmarks in it in the course of conducting operations referred to in

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(14) The bank shall have the right to buy for its own account or for other trust accounts any reichsmarks rencies in return. The foreign currencies thus acquired by the annuity trust account shall be available for distribution to the creditor countries under the conditions specified in the preceding paragraphs. The reichsmarks which the bank acquires shall be used only as the plan provides.

(15) The bank, at the close of each business year, or more frequently if requested, shall give to the financial authorities of each creditor country a full accounting showing the disposition of its share in the annuity. As soon as any country has received its full share in the annuity for any one year, its proper financial authority shall give to the bank his acknowledgment and shall enter the same upon the trust receipt provided for in paragraph 2 of section 7 of this outline. Such acknowledgment shall constitute a full and sufficient discharge to the bank with respect to the annuity covered by it.

9. Agency functions .- The bank shall be qualified, on terms to be mutually agreed upon, to act as agent and correspondent of any central bank and to appoint any central bank to act as its agent and correspondent. The services to be performed by either or both parties under such agreements shall be subject, so far as the bank's interest is concerned, to the approval of its board of directors, and may include the purchase and sale of gold, of bills of exchange and other securities. the earmarking of gold, the exchange of information and advice, and the transaction of any business consistent with the functions of the bank under the plan on the one hand and within the lawful functions of the central bank on the other.

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(2) The bank shall proceed to carry out requests from any creditor Government for the creation of bonds its share in the annuities. Each State shall be free to investment account deposits of longer maturity the ditions it can obtain.

portune for an issue of bonds, even if no request for mobilization has been received, the bank may inform the creditor Governments accordingly.

(4) If the creditor Governments so request, the bank shall arrange with issuing bankers the conditions upon which bonds are to be issued on the open markets either of one or of several countries, as the case may be. ing principles. The bank shall fix the minimum price at which such issues shall be made and it shall supervise the execution of the bank shall be applied as follows: of the loan contracts.

of more than one country, the proceeds shall be de- fund reaches an amount equal to 10 per cent of the posited with the bank, which shall then distribute the paid-in capital stock of the bank as it may stand from proceeds to the creditors according to their participa- time to time. The legal reserve fund on the liquidation tion. The handling of the service of issued bonds of the bank shall be merged with the general reserve shall be carried out as provided in the preceding sec- | fund. tion of this outline, and in Annex III.

(6) Apart from the operations described above, the bank may conduct any other operations (such, for to the payment of an annual dividend up to 6 per cent instance, as contango operations on bonds issued on the paid-in share capital. This dividend shall be against the annuities, advances on coupons, etc.) as cumulative. are involved in the supervision of transactions relating to these bonds and their service.

10. Reserve requirements.-The bank, since its deposits in part will be derived from central banks, shall bank shall have the right in any year to withhold all be administered with particular regard to maintaining or any part of this addition to the regular dividend, its liquidity. For this purpose the bank shall observe the following reserve requirements:

the bank on clearing account, whether gold in vault or | for subsequent distribution to the shareholders. gold under earmark for the bank's account in central banks, shall be reserved for exclusive use in effecting settlements among the depositaries in the account.

(2) Deposits payable on demand.-Against such deposits the bank shall hold a minimum of 40 per cent in shall be so applied until the general reserve fund equals gold or in devisen at their gold value. Devisen eligible | twice the paid-in capital; 30 per cent until it equals as reserve against demand deposits shall consist of bank | three times the paid-in capital; 20 per cent until it notes; prime bills of exchange having not more than 90 | equals four times the paid-in capital; 10 per cent until days to run, of a character which central banks ordi- it equals five times the paid-in capital; and from that narily buy for their own account; and checks payable point onward 5 per cent. on demand, drawn or indorsed by central banks or in respect of which three obligees, including a bank of known solvency, are responsible. All devisen included | is not adequate for this purpose, recourse may be had in the foregoing classifications shall be denominated in | to the legal reserve fund provided for under paragraph currencies which satisfy, in the opinion of the board 1. In case the general reserve fund, by reason of losses of directors, all the practical requirements of the gold or by reason of an increase in the paid-in capital, falls or gold exchange standard. Gold in transit, or devisen | below the amounts provided for above, after having satisfying the foregoing requirements which are in once attained them, the appropriate proportion of the process of collection, may be counted as reserve.

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(3) Deposits on investment account (time deposits).-Deposits payable in 15 days or less shall be classified as to be issued on its domestic market in connection with | demand deposits and be subject to the reserve requireconversion operations up to an amount represented in ments specified in the preceding paragraph. Against offer such bonds on its own market on whatever con- bank shall hold a minimum of 25 per cent in gold or in devisen at their gold value. Devisen eligible as re-(3) If in the opinion of the bank, the time is op- serve against investment account deposits shall meet the same requirements as those eligible as reserve against demand deposits.

> If the board of directors is of opinion that these reserve requirements should be altered, they shall have the right by a two-thirds vote to increase, diminish, or otherwise modify them consistently with sound bank-

11. Distribution of profits.-The yearly net profits

(1) Five per cent of the yearly net profits shall be (5) If bonds are issued against the annuity shares | paid to the legal reserve fund of the bank until that

(2) After making the foregoing provision for the legal reserve fund the yearly net profits shall be applied

(3) Twenty per cent of the remainder shall be paid to the shareholders until a total maximum dividend of 12 per cent is reached. The board of directors of the and to place it to the credit of a special dividend reserve fund for use in maintaining the cumulative (1) Deposits on clearing account.-All funds held by dividend provided for in the preceding paragraph or

(4) After making provision for the foregoing, onehalf of the yearly net profits then remaining shall be paid into the general reserve fund of the bank until it equals the paid-in capital. Thereafter 40 per cent

The general reserve fund shall be available for meeting any losses incurred by the bank. In case it yearly net profits shall again be applied until the posithe balance in the general reserve fund shall be divided and operating in the principal financial market of that among the shareholders.

(5) The remainder of the yearly net profits after meeting the foregoing requirements shall be paid in to special funds as follows:

(a) Seventy-five per cent to the Governments or central banks of the creditor countries or of Germany which maintain time deposits at the bank, withdrawable in not less than five years from the time of deposit, and, after four years, on not less than one year's notice. The fund shall be disbursed annually in countries whose nationals are members of the presamounts proportionate to the size of the deposits ent committee, or as many of them as are qualified to maintained by the respective Governments or central act, may invite to become members of the board of banks aforesaid. The directors of the bank shall have directors of the bank two nationals of any country the power to determine the volume of each of these deposits central bank of which is eligible under this outline to which would justify the distribution provided for.

in paying the last 22 annuities, provided the German ance of the invitation shall be qualified to act in the Government elects to make a long-term deposit with full capacity of directors of the bank as provided in the bank, withdrawable only on the terms specified this outline. Further, the directors of the bank shall under subparagraph (a) above and amounting to be authorized to appoint, in lieu of any central bank the minimum sum of 400,000,000 reichsmarks. If not exercising any or all of the functions, authorithe German Government elects to make such long- ties, or privileges which this outline provides that term deposit amounting to a sum below 400,000,000 central banks make or shall exercise, any bank or reichsmarks, the participation of the German Govern- banking house of widely recognized standing and of ment shall be reduced in proportion and the balance the same nationality. Such bank or banking house, shall be added to the 75 per cent in subparagraph (a). The fund shall carry compound interest at the maxi- to act in the place of the central bank in any or all mum current rate paid by the bank on time deposits. If the fund should exceed the amount required to pay the twenty-two last annuities, the balance shall be distributed among the creditor Governments in proportion to their outpayments during that period. In case the German Government elects not to make any such long-term deposit the fund shall be distributed as provided in subparagraph (a) above.

the hands of the Agent General for Reparation Pay- of the bank are not fully in effect when the bank ments on the winding up of his accounts shall be trans- begins operations, the board of directors shall deal ferred to the bank for credit to the annuity trust with the matter within its discretion. account, subject, of course, to the respective interests of the creditor countries therein and to any claims and of the board of directors is disputed on the ground commitments which may be outstanding at the time. that it is inconsistent with the provisions or intent of

Germany will be terminated. The bank shall take the general provisions for arbitration. over as promptly as possible such functions of the Reparation Commission with respect to Germany as are required under the provisions of the plan, and also such functions of the Agent General for Reparation Payments, the trustees and commissioners holding office under the experts' plan of 1924, or any of them, as may be required under the provisions of the plan,

DEAR MR. CHAIRMAN: I understand that certain of the creditor groups have raised the question as to the all according to the general scheme given in part 6 of the plan and Annex V. interpretation to be given to the word "reichsmarks," If in any country there is more than one bank of in which the obligations of Germany under the new issue, the term "central bank" as used in this outline plan are expressed. In my opinion the question is a

tion is restored. Upon the liquidation of the bank, shall be interpreted to mean the bank of issue situated country.

If, in the process of organizing the bank or in the performance of its functions after establishment, it is found that the central bank of any country or its governor is unable to act officially or unofficially in any or all of the capacities provided for in this outline, or refrains from so acting, alternative arrangements not inconsistent with the laws of that country shall be made. In particular, the governors of the central banks of the take part in forming the board of the bank but does not (b) Twenty-five per cent to be used to aid Germany do so. The two nationals of that country upon acceptupon appointment and acceptance, shall be entitled capacities appropriate to central banks under this outline, provided only that such action is not inconsistent with the laws of the country in question.

> The balance sheet and accounts of the bank shall be audited each year by independent auditors of recognized standing, who shall be appointed by and report to the board of directors.

In case the measures proposed in the plan with 12. General provisions.—Any balances remaining in respect to the avoidance of double and triple taxation

If any administrative act of the bank or any decision The relations of the Reparation Commission with the plan, recourse may be had to arbitration under

#### ANNEX II

#### PARIS, June 6, 1929.

purely formal one, as the reichsmark is de facto on a gold basis and has proved itself since its creation as stable a currency as any other in the world.

Nevertheless, in order that there should be no possibility of question as to the exact definition of Ger- this plan. many's liability, I am of opinion that the provisions of section 31 of the bank law of August 30, 1924, should be put into effect, and I am therefore prepared to introduce the necessary resolutions with the man- far as they may be exchanged into negotiable bonds. aging board and the general council of the Reichsbank at the latest in connection with the putting into force of the present plan by the Governments.

Believe me, dear Mr. Chairman,

Yours sincerely,

HJALMAR SCHACHT.

OWEN D. YOUNG, Esq., Chairman of the Committee of Experts, Hotel George V, Paris.

#### ANNEX III

#### MOBILIZATION

1. Form of indebtedness.—Germany's debt shall be fixed in the form of annuities. A certificate of increditor powers.

coupons representative of each annuity payable by Germany. Each annuity coupon shall be divided into two parts: The first, representative of that portion of the annuity not subject to postponement and corresponding to the portion of Germany's indebtedness which is mobilizable; the second, representative of that portion of the annuity which is subject to postponement and corresponding to the portion of Germany's indebtedness which is not mobilizable. Each part of the annuity coupon enjoys equal rights throughout, except with respect to the agreed privilege of postponement.

2. Bond issues.—Upon the request of all or of any one of the creditor Governments the bank, as trustee, if it considers such a course opportune, has the right to by the bank in accordance with the requests which it require the creation of, and the German Government receives from the creditor Governments, taking into is obligated to create, issuable bonds representing the capitalization of any part of the portion of the annuity coupons not subject to postponement.

The bank, however, is obliged under the provisions set forth in paragraph 7 (d) to accede to requests for the creation of bonds made to it by Governments which the bearer's option. are desirous of undertaking internal issues of German bonds in connection with conversion operations.

The certificates of indebtedness, the coupons attached thereto, and such bonds as shall be issued in capitalization of any parts of the annuities not subject to post- by the German Reich without any reservation, that is, ponement, shall be made out in the name of the Ger- on its own responsibility; the financial service of these man Reich and shall represent the obligation of the Reich guaranteed by its general revenues.

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3. Collateral guarantees.-(A) The railway company shall deposit with the Bank for International Settlements a certificate acknowledging its liability in respect of the obligations laid down in part 8 (a) of

(B) The Reich, furthermore, shall undertake to assign certain revenues (customs and certain taxes on consumption) for the service of the certificates and, as for the service of such bonds. This assignment will constitute a negative pledge and will be ruled by the following conditions:

(a) The assigned revenues as estimated for the budget 1929 must have a total yield of not less than 150 per cent of the highest budgetary contribution payable by Germany under this plan.

(b) The Reich will not pledge the assigned revenues for any other loan or credit, except with the consent of the bank. If the assigned revenues should be pledged. with the consent of the bank, for any other loan or credit, the charge for reparation payment will rank ahead of the charge for such other loan or credit.

(c) If at any time the total yield of the assigned revenues should fall below 150 per cent of the highest debtedness representative of these annuities shall be budgetary contribution payable by Germany under delivered by Germany to the bank as trustee of the this plan, the bank may require that additional revenues, sufficient to assure the immediate restoration of To this certificate of indebtedness shall be attached the yield to the above percentage, be assigned.

> 4. General form of the bonds .- The value of the issuable bonds may, according to circumstances, be expressed in dollars equivalent to so many pounds, reichsmarks, francs, etc., or inversely in pounds, in reichsmarks, in francs, etc., always provided that the principal of any bond issued in a particular market shall be payable only in the currency of that market at the equivalent of its gold value.

> The coupons shall be expressed in dollars, pounds, francs, etc., and shall be payable at the rate of the day on all the markets on which the bonds are quoted.

> In the event of an issue, the amount and form of bonds to be created, as well as the specification of the currency in which they shall be issued, shall be fixed account the desiderata of the issuing bankers.

> After a period of 10 years the bank, in agreement with the issuing bankers and the creditor Governments, may consider the issue of bonds, the service of which may be paid in different currencies at par at

> 5. Status of mobilizable portions of annuity coupons.-The service of interest and amortization of the mobilizable or mobilized portions of the annuity coupons shall be paid to the bank in foreign currencies mobilizable or mobilized portions of the annuities shall constitute a final, absolute, and unconditional inter-

national obligation in the ordinary financial sense of These bonds shall constitute national tranches which each Government shall be free to offer on its own the word. 6. Status of nonmobilizable portions of the annuity market on whatever conditions it can obtain. These coupons,-The payment of the nonmobilizable portion bonds shall be quoted only on their market of issue. of the annuity coupons shall be made to the bank by The service of these bonds shall, however, be effected the German Government in the same conditions as pari passu with that of the other bonds. The coupons that of the mobilized or mobilizable portion of the of these bonds shall be expressed in pounds, dollars, annuity coupons. Nevertheless-French francs, etc., and shall be payable at the rate of (1) Bonds representing the nonmobilizable portion the day on all the markets on which the mobilizable of the annuity coupons can not be created except with bonds are quoted.

the consent of the German Government.

(2) It is in respect of the nonmobilizable portion of the annuity coupons that the German Government may avail itself of the right of postponing transfer or CONDITIONS OF POSTPONEMENT OF TRANSFER AND OF payment granted elsewhere in this plan.

7. Functions of the bank.-(a) Supervision of agreements.-It shall supervise, both on behalf of the creditor Governments and the bondholders and on behalf of the debtor Governments, the strict execution of the have the right to suspend for a maximum period of agreements concluded between them on the established | two years from its due date all or part of the transfer bases.

distribute moneys in payment of the mobilized or postponable annuity as and from that date only on mobilizable portions of the annuity coupon among the whole of the bondholders and the creditor Governments in proportion to the rights of each to share in the portion of the annuity coupons not subject to postponement, without allowing a priority of any kind to any tranche or to any claim. It will distribute the moneys relating to the nonmobilizable portions of the annuity have been effected in full, in which case the transfers coupons among the creditor Governments, the transfer of these moneys taking place only after the transfer of the moneys relating to the mobilized or mobilizable portion of the annuity coupon.

(c) Issue of bonds on the markets.-The bank shall inform the creditor Governments whenever the issue of bonds representing the capitalization of some part of the mobilizable portion of the annuity coupon is practicable in its opinion.

It will be the function of the bank to fix the minimum price of issue.

Each of the creditor Governments shall be entitled, 3. Postponement of payment.-At any time when but not obliged, to issue its share of the bonds in its own country. It may come to an understanding with postponement of transfer is in effect, but not until one the bankers of another country to cede to them all or year after it has become effective, the German Governpart of this share, but these bankers shall be obliged | ment shall have the right to postpone payment for one to proceed to this issue only on the minimum conditions year of 50 per cent of any sum the transfer of which fixed by the bank. Any of these Governments may shall then be susceptible of postponement under paraalso refuse to allow its quota to be created; in that graph 1 of this annex. This percentage may be increased upon the recommendation of the advisory event the portion of the annuity corresponding to this committee provided for in part 8 (e) of this report. quota shall continue to be paid to the Governments in 4. Utilization of reichsmarks .- Any sum in reichs-

question as before. (d) Issue of conversion bonds.-Creditor Governmarks, the transfer of which is postponed, shall (save ments desiring to proceed to internal issues of German as provided for in paragraph 3 above) be deposited to bonds, in connection with operations for the conversion | the account of the Bank for International Settlements of national debt, shall have the option of asking the at the Reichsbank for eventual release of balances, not bank to create bonds representing all or part of their absorbed by deliveries in kind, against payment in quota of the mobilizable portion of the annuity coupons. foreign currencies by the German Government. At

#### ANNEX IV

# PAYMENT

1. Postponement of transfer.-The German Government by giving at least 90 days' previous notice shall of that part of the annuity described as postponable. (b) Distribution without priority.-The bank shall Transfer postponement thus declared shall affect the which transfer postponement becomes effective.

> If, during any annuity year, the German Government shall avail itself of this power, the transfers falling due during any second year can not be postponed for more than one year from their respective due dates, unless and until the transfers due during the first year shall due during such second year may be postponed two years from their respective due dates; and the transfers due during any third year can not be postponed at all until the transfers due during the first year have been effected in full.

> 2. Liability .- The liability of the German Government with regard to the annuities contemplated in this plan is not fulfilled until all sums, the transfer or payment of which may be from time to time postponed, have actually been transferred in full to the Bank for International Settlements in approved foreign currencies, or utilized for deliveries in kind.

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all times the employment, whether for investment or as indicated below, of reichsmarks so deposited shall be subject to agreement between the Reichsbank and the Bank for International Settlements. In determining the manner in which these sums shall be employed, regard shall be had to the possibilities that special programs of deliveries in kind can be arranged with the German Government:

extending the program of deliveries in kind laid down for those years;

(b) After the first 10 years, by arranging a special the German Government: program of deliveries in kind, where the interests of particular industries in Germany and of particular creditor countries which would otherwise suffer, may be met without prejudice to the general situation;

Provided, however, that any special arrangement which may be made between any creditor country and Germany, with a view to reserving to the said creditor the right to receive certain deliveries in kind in (independence of the German Railway Company). case of moratorium, shall be carried through, subject to a copy of the agreement therefor being communicated to the Bank for International Settlements.

5. Interest.-Interest at the rate of 1 per cent per annum above the prevailing Reichsbank discount rate, or at 5½ per cent, whichever is lower, shall be paid half yearly by the German Government on the daily amount of the sums the transfer or payment of which has been postponed and which have not been invested or utilized for deliveries in kind. This interest shall the execution of the new plan, viz, the Bank for Interbe treated in all respects similarly to the principal sum antional Settlements, it is necessary to provide one upon which it accrues, and the return upon that portion of the funds actually invested shall be for the this body to be the organization committee for the new account of the creditor powers.

#### ANNEX V

### ANNEX ON ORGANIZATION COMMITTEES

1. Just as the Dawes plan was put into force by the agreement of the Governments concerned laid down in Agent General, and the Reparation Commission, and the London protocol, the new plan will have to be put into force by agreement of the Governments.

Once the Governments have accepted in principle the new plan, it seems advisable that, in addition to any preparatory measures necessary for the conference of the Governments, steps should be taken for the elaboration of detailed schemes about certain technical questions.

Generally speaking, it seems advisable to have these schemes elaborated by special organization committees, terms of reference of this committee, their Belgian colwhich should be composed substantially in the same leagues can not reasonably be expected, in view of the way as the organization committees of the Dawes plan; discussions which preceded the call of the committee, that is, by the same number of representatives of the to join in the report except on the understanding that creditors as of the debtor, with a neutral chairman to an agreement for the settlement of the mark claim be called in case of disagreement. The organization will be reached by direct negotiations between the committee for the new bank would, however, be Belgian and German Governments. The experts undifferently composed.

ed for FRASER

We recommend such organization committees for the following questions:

(1) Organization committee for the new bank as provided for in Annex I of the report.

(2) Organization committee for the adaptation of the German laws set up under the Dawes plan, composed of members of the subcommittees next mentioned. with one neutral chairman. This committee should (a) During the first 10 years, by restricting or have three subcommittees, to be composed each of two creditor members nominated by the Reparation Commission and two German members nominated by

> (a) For the adaptation, in agreement with the trustees, of the system under which the securities assigned to the Dawes loan are managed and of the machinery of the assigned revenues, referred to in Annex III;

> (b) For the adaptation of the bank law (independence of the Reichsbank).

(c) For the adaptation of the German railway law

2. After the Governments have concluded a comprehensive arrangement for putting into force the new plan, it will be necessary to provide some special organization which will undertake the administrative work of setting up the organizations provided for by the new plan and of handing over to them the functions of the existing organizations.

As there is only one new organization which is going to centralize all the various functions concerning special body only for the setting up of this organization, bank referred to above, as provided for in Annex I.

The task of transferring the functions of the existing organizations to the Bank for International Settlements should be conferred upon a small special committee composed of two members of the organization committee for the Bank for International Settlements, as well as of representatives of the German Government, the equitable representation being assured to the powers represented upon the present committee.

### ANNEX VI

#### THE BELGIAN MARK CLAIM

The experts recognize that though the settlement of the so-called Belgian mark claim is not within the derstand that negotiations for the purpose are about to

open as between the two Governments and they recognize that the new plan can not become operative until PARIS, June 4, 1929. the Belgian and German Governments have come to Mr. THOMAS W. LAMONT, an internationally binding agreement on the mark Hotel Ritz, Paris. claim: and in view of the German Government's un-DEAR MR. LAMONT: Confirming my conversation of dertakings as stated in the correspondence annexed this morning with you and Mr. Perkins, I desire to fletters from Dr. Schacht of June 3 (see Annex VI (a), make clear the following: and from Herr Kastl of June 4 (see Annex VI (b)], (1) The position of the German Government as they recommend to their respective Governments stated in Dr. Schacht's letter to the chairman of June accordingly. 3, 1929, is in no way changed.

If the settlement of the marks claim takes the form (2) Dr. Ritter, of the German Foreign Office, repof an annuity, and if the Belgian and German Govern- resentative for the settlement of the mark question, ments so request, the experts are ready to recommend has again declared to us on behalf of the German Govto their Governments to offer no objection to the ernment that: annuity taking the identical form of the annuities (a) He is prepared to start negotiations immediately. covered in this report and to its being administered in He suggests that such negotiations should take place in the same way by the Bank for International Settlements. Brussels or Berlin.

#### ANNEX VI (a) JUNE 3, 1929.

### Mr. OWEN D. YOUNG,

Hotel George V, Paris.

DEAR MR. CHAIRMAN: Supplementing my talk with you of last Saturday on the Belgian mark matter, I have the honor to inform you that the German Government is prepared to proceed along the following lines:

(1) Immediately to enter into a pactum de contrahendo with the Belgian Government (either by exchange of notes or by signed protocol) whereby the two Governments will agree to enter into negotiations his Government is ready to accept an engagement to on a new basis looking to a definite settlement of the negotiate with the Belgian Government, upon a new mark controversy.

(2) To commence such negotiations promptly and mark question. to agree that these negotiations should be concluded before the new reparation plan has been put into force by the Governments.

(3) The German Government has appointed Herr has been put into force by the Governments. In the second, Dr. Kastl declares that no territorial Ministerial Direktor Ritter as its special representative to handle the above matters and he is prepared to open question will be raised in these negotiations. You are aware of the reasons because of which the discussions promptly.

The substance of the foregoing has been communicated to the Belgian Minister in Berlin, whose reply sign the report before a settlement of the mark questhe German Government now awaits.

Government in a conciliatory spirit and in an effort in the other hand standing out for reparation of the good faith to remove this impediment to the normal serious damage which Belgium has suffered. development of friendly relations between the two countries concerned.

I hope that the foregoing statements may remove any misunderstandings which exist as to the position of the German Government with respect to the Belgian porated in the report, the Belgian experts agree to sign mark matter; and in view of such misunderstandings heretofore, I would appreciate your advising the other | terminated. members of the committee of the position of the German Government as stated herein.

With assurances of my personal esteem, I am, Sincerely yours,

Dr. HJALMAR SCHACHT.

#### ANNEX VI (b)

(b) No territorial questions will be raised in these negotiations.

Sincerely yours,

#### (Signed)

KASTL.

#### ANNEX VI (c)

PARIS, June 4, 1929.

MY DEAR PRESIDENT: You have been so good as to communicate to me the letters which were sent to you by Dr. Schacht and Dr. Kastl in the name of their Government on June 3 and 4, respectively.

In the first of these letters Dr. Schacht stated that basis, in order to arrive at a definitive settlement of the

He adds that the German Government is willing to begin these negotiations rapidly and to agree that they should be terminated before the new reparation plan

Belgian delegation up to the present has refused to tion had been realized, not desiring to find itself later The foregoing proposal has been made by the German in a position which it knew to be without issue, and on

> Considering the engagement of the German Government and considering also the recommendation which the experts unanimously decided to-day to address to their respective Governments and which will be incorthe report before the mark negotiations have been

> I reserve the right to communicate to the German Government the different memoranda which have been exchanged during the course of the work of the experts

> > (Signed)

Believe me, etc.,

E. FRANCQUI.

ANNEX VII

DISTRIBUTION OF THE ANNUITIES PROPOSED BY THE EXPERTS OF THE CREDITOR COUNTRIES REPRESENTED ON THE COMMITTEE

1. We recommend that the annuities set out in part 8 of this report should be distributed among the creditor powers as follows: In millions of reichsmarks

German financial year	France	British	The las	Bel-	Ru-	Gente	G	Portu-	the lost	Po-	United	i ind
German mancial year	France	Empire	Italy	gium	mania	Serbia	Greece	gal	Japan	land	States	Total
929-30 1	418.8	53.1	42.5	70.7	12 - 12 - 12 - 12 - 12 - 12 - 12 - 12 -	72.1	121010		10.0	0.5		
.930-31	900 7	366.8	156.0	98.2	10.0	79.4	3.6	$6.0 \\ 13.2$	13.2 13.2	0.5	65.9	742.
931-32	838.4	362.0	190.8	102.6	12.0	79.3	6.7	13. 2	13.2	0.5	66.3	1, 707.
932-33	879.8	364.5	196.3	105.3	13.0	79.4	6.9	13.2	13.2	0.5	66.1 66.1	1, 685. 1, 738.
933-34	879.1	454.8	192.4	100.3	13.9	72.4	7.2	12.6	11.9	0.3	59.4	1, 138.
934-35	941.8	450.1	193.6	102.8	14.7	72.5	7.2	12.6	11.9	0.4	59.4	1, 866.
35-36	962.8	444.9	195.2	110.0	16.1	72.6	7.2	12.6	11.9	0.4	59.4	1, 892.
936-37	1,004.1	438.1	197.2	116.9	17.2	73.8	8.2	12.6	11.9	0.4	59.4	1, 939.
937-38	1,031.8	452.6	198.6	114.7	18.3	71.5	8.3	12.4	11.4	0.4	57.2	1,977
38-39	1,052.4	447.1	200.2	114.8	19.1	71.8	8.5	12.4	11.4	0.4	57.2	1, 977. 1, 995.
39-40	1,087.3	442.5	204.1	117.0	23.7	74.5	8.4	13.6	11.9	0.4	59.4	2, 042.
40-41	1, 179.9	457.1	211.5	117.1	20.1	76.1	8.4	13.6	11.9	0.4	59.4	2, 155.
41-42	1, 171. 2	456.3	223.1	123.9	20.0	83.9	8.3	14.2	13.2	0.5	66.1	2, 180
142–43 143–44	1, 191. 4	446.0	225.5	124.1	20.6	88.2	8.3	14.2	13.2	0.5	66.1	2, 198.
44-45	1, 190. 8	439.8	227.8	124.2	21.1	88.3	8.3	14.2	13.2	0.5	66.1	2, 198. 2, 194.
45-46	1,190.7	450.5	230.5	123.9	21.1	88.5	8.3	14.2	13.2	0.5	66.1	2, 207.
46-47	1 188 1	439.1 432.4	233.3 235.6	124.0 124.1	25.7	88.7	8.3	14.2	13.2	0.5	66.1	2, 203.
47-48	1,100.1	432.4 446.6	235.0	124.1 124.1	28.4 31.2	88.7	8.3	14.2	13.2	0.5	66.1	2, 199.
48-49	1 185 1	439.1	239.4	124.1	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2, 215. 2, 210.
49-50	1 248 6	439.6	239.4	124.2	31.2	88.8	8.3	14.2	13.2	0.5	66.1	2, 210.
50-51	1, 277, 9	440.5	260.1	134. 0	31.1	99.8	8.1	15.1	15.2	0.6	76.1	2, 316.
51-52	1 948 5	441.1	272.8	134.7	31.1	99.9 100.0	8.1 8.1	15.1	15.2	0.6	76.1	2, 359. 2, 343. 2, 346.
52-53	1 248 3	441.4	275.6	134.7	31.1	100.0	8.1	15.1 15.1	15.2 15.2	0.6	76.1	2, 343.
03-04	1.248.2	445.6	278.5	134.7	31.1	100.0	8.1			0.6	76.1	2, 346.
04-00	1.248 1	453.6	281.3	134.7	31.1	100.7	8.1	15.1 15.1	15.2 15.2	0.6	76.1	2, 353.
55-56	1.248 2	444.2	285.4	134.7	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2, 364. 2, 359.
56-5?	1.248.1	434.7	289.0	134.9	31.1	101.2	8.1	15.1	15.2	0.6	76.1	2, 359.
57-58	1 979 6	407.3	292.6	134.9	31.1	102.2	8.1	15.1	15.2	0.6	76.1	2, 361.
58-59	1.302.8	410.2	296.7	134.8	31.1	103.1	8.1	15.1	15.2	0.6	76.1	2, 370.
09-60	1 278 4	408.3	299.8	134.8	31.1	103.2	8.1	15.1	15.2	0.6	76.1	2, 393.
060-61	1, 278, 2	406.1	310.8	134.7	31.1	104.5	8.1	15.1	15.2	0.6	76.1	2, 380.
61-62	1, 278. 2	412.0	321.5	134.5	31.1	105.9	8,1	15.1	15.2	0.6	76.1	2, 398.
62-63	1, 278.1	400.5	324.8	134.8	31.1	105.9	8.1	15.1	15.2	0.6	76.1	2, 390.
63-64	1, 278.0	410.1	327.8	134.6	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2,402
64-65	1, 277.9	406.3	331.0	134.9	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2, 402. 2, 402.
65-66		410.6	334.0	134.5	31.1	106.0	8.1	15.1	15.2	0.6	76.1	2, 428.
Average, 1929 to 1965	1,046.5	409.0	213.7	115.'5	20.1	84.0	7.0	13.2	13.2	0.5	66.1	1, 988.
66-67	794.2	357.2	290.1	53.1	31.7	22.7	9.7	8.2	121 127	100 90	10.0	1 007
67-68	794.1	346.7	295.1	52.8	36.8	22.7	9.7	8.2			40.8	1,607.
68-69	790.9	349.4	302.3	53.0	39.8	22.7	9.7	8.2			40.8	1,606.
69-70	787.7	355.7	309.3	53.1	42.9	22.7	9.7	8.2			40.8	1, 610.
70-71	787.5	361.2	317.6	53.2	42.9	22.7 22.7	9.7	8.2			40.8	1, 643.
71-72	787.3	361.8	327.7	52.8	42.9	22.7	9.7				40.8	1, 653.
72-73	787.1	366.1	332.0	52.8	42.9	22.7	9.7				40.8	1, 662.
13-74	786.9	365.4	336.3	52.8	42.9	22.6	9.7				40.8	1, 665.
74-75	786.8	364.1	340.5	52.8	42.9	22.6	9.7	8.2			40.8	1, 668.
75-76	786.6	366.4	344.6	53.2	42.9	22.6	9.7				40.8	1, 675.
76–77	786.3	363.8	350.8	53.5	42.9	22.6	9.7	8.2			40.8	1, 678.
77–78	786.1	364.8	356.9	53.3	42.9	22.6	9.7	8.2			40.8	1, 685.
78–79 79–80	785.9	365.1	367.1	53.2	42.9	22.6	9.7	8.2			40.8	1, 695.
30-81	785.7	364.7	372.9	52.9	42.9	22.6	9.7	8.2			40.8	1, 700.
31-82	785.5	363.5	385.1	53.1	42.9	22.6	9.7	8.2			40.8	1, 711.
32-83	785.2 785.0	365.7	400.1	53.3	42.9	22.6	9.7	8.2				1, 687.
83-84	785.0	362.9	407.2	53.4	42.9	22.6	9.7	8.2				1, 691.
84-85	784.4	372.0 346.2	409.8	53.4	42.9	22.6	9.7	8.2				1, 703.
			416.5	53.0	42.9	22.6	9.7	8.2				1, 683.
85-86	784 1											
85-86	784.1	2-414.1	418.8	53.0	42.9	22.6	9.7	8.2				925.
35–86 36–87 37–88	784.1 783.9 753.3	2-414.1 2-414.1 2-372.1	418.8 425.0 382.6	53.0 53.3 50.6	42.9 42.9 42.9	22.6 22.6 22.6	9.7 9.7 9.7	8.2				925. 931. 897.

<sup>1</sup> The year 1929-30 comprises only the 7 months September, 1929, to March, 1930. <sup>2</sup> These sums correspond to the excess war-debt receipts of Great Britain over the war-debt payments during these three years.

d for FRASER

2. We recommend that out of the unconditional annuity of 660,000,000 reichsmarks the amount of 500 000,000 reichsmarks should be allocated to France, subject to the provision of a guaranty fund by the French Government 42,000,000 reichsmarks will be apportioned to Italy. So far as concerns the balance of the unconditional annuity, and the amounts by which it is increased as the requirements for the service of the Dawes loan become less and cease, Italy will have no claim until so much of the balance as may be required for an equitable apportionment shall have been allotted, by agree-

#### [Amounts in millions of reichsmarks] Serbia Portugal Rumania Greece Total ium Japan 4.5 0.75 5.0 0.75 1.10 0.40 $\begin{array}{c} 33.7\\ 31.5\\ 29.2\\ 27.0\\ 24.7\\ 22.5\\ 20.2\\ 18.0\\ 15.7\\ 13.5 \end{array}$ $\begin{array}{c} 37.5\\ 35.0\\ 32.5\\ 30.0\\ 27.5\\ 25.0\\ 22.5\\ 20.0\\ 17.5\\ 15.0\\ \end{array}$ 5.62951745 5.4.4.174063 5.62954.94.13.74002.38.3 7.72 6.1 5.0 4.9 3.3 3.0 2.8 2.4 2.2 2.2 2.0 1.6 1.4 1.2

the special vision descent of the	France	Great Britain	Italy	Belg
Per cent	54.45	23.05	10.0	00
YEAR First	408. 4 381. 2 353. 9 326. 7 299. 5 272. 3 245. 0 217. 8 190. 6 163. 3	172. 9 161. 4 149. 8 138. 3 126. 8 115. 3 103. 7 92. 2 80. 7 69. 1	75. 0 70. 0 65. 0 55. 0 50. 0 45. 0 40. 0 35. 0 30. 0	

Proceeds of reparation recovery acts already in force or of systems substituted therefor by agreement with the German Government shall be reckoned as deliveries in kind for this purpose.

4. The sums received under the Dawes plan in respect of the period April 1 to August 31, 1929, shall, after allowing for expenses in respect of administration of the Dawes plan and armies of occupation, be redistributed to the extent necessary to provide each of the creditor powers with cover for its net debt outgoings during the year ending March 31, 1930. (These outgoings are as stated in part 8 of the report). The necessary adjustments for this purpose could be made against the payments during the last seven months of that year.

5. It is suggested that the division between the creditor Governments proposed in the present annex should be accepted as a definitive settlement of all questions relating to the distribution of German payments and should not be affected by any existing arrangements or by the result of accounts relating to past transactions.

arrangements or by the result of accounts relating to past transactions. On the other hand, it is not suggested that the present plan should affect or disturb in any way any existing inter-Allied agreements relating to payments, cessions, or deliveries on the part of the powers formerly allied with Germany. It may, however, prove necessary to examine any provisions of these agreements under which receipts by the creditor powers could be accounted for as between themselves in terms of German C bonds in order that they may be given an application consistent with their original practical purpose.

application consistent with their original practical purpose. 6. The approval of the report by the experts of the principle creditor countries is made formally contingent on this distribution. The Bank for International Settlements may retain this deposit as long as it deems necessary, but shall pay interest on it at its maximum current rate for longterm deposits. This deposit, if it is agreed that it shall remain for more than five years, shall be entitled

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#### ANNEX VIII

#### GUARANTEE FUND IN RESPECT OF UNCONDITIONAL ANNUITIES

part 11 (5) of Annex I.

4. As soon as mobilization of any part of the French annuity has been effected, France will deduct from the proceeds 10 per cent thereof, or 500,000,000 reichs- above with the amount of devisen actually utilized marks, whichever is the less, and will deposit it to the under paragraph (a). credit of the trust account of the Bank for International Settlements referred to in the preceding paragraph.

5. Upon postponement of transfer of any payment due from Germany, the Bank for International Settle- annuity, transfer of which has been postponed. ments shall take the following steps:

up to the amount necessary (but not exceeding 500,- | fund its share thereof in accordance with the assignment 000,000 reichsmarks divided, if necessary, proportion- in paragraph 5 (c) above. ately) to insure to each of them receipts in devisen

(Signed concurrently with the report of the committee of experts)

1. In the annuities provided in the report, the fol-

lowing amounts are required to cover outpayments:

[In millions of reichsmarks]

Annuity Amount Annuity Amount Annuity Amount Annuity Amount

It is represented that in the event of modifications of

those obligations for outpayments, by which the

ments should undertake between themselves an

on account of war debts, after making due allowance for

arrangement on the following basis:

dealt with as follows:

ed for FRASER

REGARDING OUTPAYMENTS

to participate in the profits of the bank divisible under | equal to the amounts they would have received had the nonpostponable annuity been distributed in the same proportions as the total annuity.

(b) Debit the trust fund set up under paragraph 2

(c) Receive from each creditor, in exchange for devisen accepted under paragraph (a), an assignment in favor of the trust fund of an equivalent amount of the

6. As and when Germany effectively transfers the (a) Offer to the creditors, other than France, devisen postponed amounts, the bank will credit to the trust

#### CONCURRENT MEMORANDUM BUT NOT A PART OF THE REPORT

As regards the first 37 years: SPECIAL MEMORANDUM OF THE EXPERTS OF THE | PRINCIPAL CREDITOR POWERS AND OF GERMANY

(a) Germany shall benefit to the extent of two-thirds of the net relief available by way of a reduction in her annuity obligations thereafter.

(b) One-third of the net relief shall be retained by the creditor concerned, in addition to the amounts otherwise receivable from Germany.

(c) Nevertheless, so long as any liability of Germany persists in respect of the period after March 31, 1966. the creditor concerned will retain annually only onefourth part of the net relief, the balance being paid to the Bank for International Settlements.

(d) These payments to the Bank for International Settlements shall accumulate to assist Germany toward meeting her liabilities in respect of the period after March 31, 1966; any sums found after application of the funds provided in Annex I not to be required for this purpose (together with the accumulations thereon) shall be returned to the creditor by whom they were provided.

As regards the last 22 years:

The whole of such relief shall be applied to the reduction of Germany's liabilities.

3. We recommend that the creditor Governments creditors benefit, there should be some corresponding should agree that, if the operation of the relief to Germitigation of the German annuities. The experts of many envisaged in respect of a possible reduction of the four chief creditor countries and of Germany net outpayments is such as to change materially the therefore recommend that Germany and all the proportions in which the total annuities provided for creditor Governments having obligations for outpay- in the present plan are divided among them, they meet to consider a revision tending toward the restoration of the present proportions, but having regard to the 2. Any relief which any creditor power may effec- following conditions set out below and any other tively receive in respect of its net outward payments | relevant factors then existing:

(a) The service of any bonds mobilized by the creditor any material or financial counterconsiderations, and country, and the balance of its net outward payments after taking into account any remissions on account of | in respect of war debts remaining to be covered must war debt receipts which it may itself make, shall be | continue to be met out of the share falling to it in the annuities thereafter to be paid by Germany.

or financial counterconsiderations accepted by the nuity has, therefore, been fixed, while guarantees have creditor country in connection with the relief accorded been provided for the remainder. to it in respect of war-debts payments.

4. It was originally suggested that the amounts of the postponable annuities should be regulated by reference to the net amounts which the various creditors were themselves able to postpone in respect of inter-Allied war debts, the general conditions therein governing postponements to be applied. For various reasons, this method of calculation could not be adopted, but endeavor was made to adapt the moratorium provisions in such a way that the rights granted to Germany should not be greater than those of the

### SETTLEMENT OF BELGIAN MARK CLAIM

The Belgian mark claim, referred to in Annex VI of the report, was settled on July 13, 1929. The official statement of the Belgian Ministry Apr of Foreign Affairs outlining the settlement is as Apr Ap follows: Ap

The negotiations between Mr. Gutt and Mr. Ritter, App respective plenipotentiaries of the Belgian and German Apr Governments, were brought to a close on July 13 when Apr the following agreement was signed:

Germany engages herself to pay to Belgium the fol- Ap lowing 37 annuities with maturities as indicated below: Ap

	Belgian francs	Ap
Sept. 1, 1929 to Mar. 31, 1930	138, 769, 200	Ap
Apr. 1, 1930, to Mar. 31, 1931	184, 169, 000	Ap
Apr. 1, 1931, to Mar. 31, 1932	184, 169, 000	Ap
Apr. 1, 1932, to Mar. 31, 1933	184, 169, 000	Ap
Apr. 1, 1933, to Mar. 31, 1934	222, 716, 000	Ap
Apr. 1, 1934, to Mar. 31, 1935	222, 716, 000	Ap
Apr. 1, 1935, to Mar. 31, 1936	222, 716, 000	Ap
Apr. 1, 1936, to Mar. 31, 1937	222, 716, 000	•
Apr. 1, 1937, to Mar. 31, 1938	222, 716, 000	vid
Apr. 1, 1938, to Mar. 31, 1939	222, 716, 000	(
Apr. 1, 1939, to Mar. 31, 1940	222, 716, 000	say
Apr. 1, 1940, to Mar. 31, 1941	222, 716, 000	agr
Apr. 1, 1941, to Mar. 31, 1942	172, 176, 600	pay
Apr. 1, 1942, to Mar. 31, 1943	172, 176, 600	fixe
Apr. 1, 1943, to Mar. 31, 1944	172, 176, 600	res
Apr. 1, 1944, to Mar. 31, 1945	172, 176, 600	pa
Apr. 1, 1945, to Mar. 31, 1946	172, 176, 600	pa.

0

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(b) Due allowance shall be made for any material creditor powers. The unconditional part of the an-

PARIS, June 7, 1929.

FRANCQUI. GUTT. E. MOREAU. J. PARMENTIER. DR. HJALMAR SCHACHT. KASTL. J. C. STAMP. C. S. Addis. A. PIRELLI. SUVICH.

							Belgian francs
r.	1,	1946,	to	Mar.	31,	1947	172, 176, 600
r.	1,	1947,	to	Mar.	31,	1948	172, 176, 600
r.	1,	1948,	to	Mar.	31,	1949	172, 176, 600
or.	1,	1949,	to	Mar.	31,	1950	79, 663, 800
or.	1,	1950,	to	Mar.	31,	1951	79, 663, 800
or.	1,	1951,	to	Mar.	31,	1952	79, 663, 800
or.	1,	1952,	to	Mar.	31,	1953	79, 663, 800
or.	1,	1953,	to	Mar.	31,	1954	79, 663, 800
or.	1,	1954,	to	Mar.	31,	1955	79, 663, 800
or.	1,	1955,	to	Mar.	31,	1956	79, 663, 800
or.	1,	1956,	to	Mar.	31,	1957	79, 663, 800
or.	1,	1957,	to	Mar.	31,	1958	79, 663, 800
or.	1,	1958,	to	Mar.	31,	1959	79, 663, 800
or.	1,	1959,	to	Mar.	31,	1960	79, 663, 800
or.	1,	1960,	to	Mar.	31,	1961	79, 663, 800
or.	1,	1961,	to	Mar.	31,	1962	79, 663, 800
or.	1,	1962,	to	Mar.	31,	1963	79, 663, 800
						1964	79, 663, 800
						1965	79, 663, 800
						1966	79, 663, 800

These annuities will have the same form as those proled for in the Young plan.

Germany's engagement is unconditional; that is to , she will continue to pay the annuities fixed by the reement even should a moratorium of transfers or of vments become effective with respect to the annuities ed by the Young plan; but in this latter case she erves the right to fulfill the obligation in the form of vments in kind.

# FEDERAL RESERVE BULLETIN

**APRIL**, 1930

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ISSUED BY THE FEDERAL RESERVE BOARD AT WASHINGTON

Lower Money Rates and the Banking Situation Condition of All Banks in the United States Branch, Chain, and Group Banking Gold Holdings of Principal Countries Final Act of The Hague Conference



UNITED STATES GOVERNMENT PRINTING OFFICE WASHINGTON: 1930

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# FEDERAL RESERVE BULLETIN

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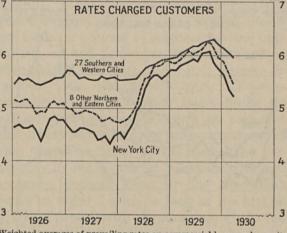
**APRIL**, 1930

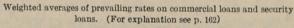
**REVIEW OF THE MONTH** early in 1928 until the third quarter of 1929, but began to decline in November. The chart Conditions in the money market eased furalso brings out the fact that this decline, like ther in March, both in the United States and the preceding advance, began in New York abroad, continuing the move-Decline in money ment that began last October. City and other cities of the North and East, and was followed somewhat later by declines At the end of March the decline of rates in the southern and western group of cities; since last December the rates charged customers have been declining in leading cities of all sections of the country. From last autumn to the middle of March average rates in PER CENT PER CENT

in open-market rates from the highest levels of last year had amounted to more than 2 per cent in New York, London, and Berlin, and there was also a marked decline in average rates charged on loans made directly to regular customers by banks in the leading cities of all sections of this country. New York rates on loans of the most liquid types, including call loans on securities and credit extended on bankers' acceptances, reached in March the lowest levels since 1924, with both acceptance rates and renewal rates on call money at one time below 3 per cent. The official discount rate at the Federal Reserve Bank of New York was reduced on March 14 from 4 to 3½ per cent, and in the following week rates at the Cleveland, Philadelphia, and San Francisco reserve banks were reduced from 41/2 to 4 per cent. Discount rates of central banks in important foreign countries also were reduced in March, the Bank of England rate being reduced from

4½ to 4 and later to 3½ per cent, and the rate at New York City declined by more than 1 per the German Reichsbank from 6 to 5½ and later cent to a level under 5¼ per cent with some to 5 per cent. commercial loans made at 41/2 per cent, while Reports covering rates charged customers on | in the other cities of the North and East the commercial and security loans by banks in Fed- rates declined by three-quarters of 1 per cent eral reserve bank and branch to a level under 5½ per cent, and in the group Rates charged to cities indicate that the average of southern and western cities by about onecustomers of these rates declined further third of 1 per cent to a level under 6 per cent. in March to the lowest levels in more than a The sequence of these movements has been in year. This is brought out by the chart, which accord with previous experience. The most covers the period since January, 1926, with sensitive rates are the rates in the open market, separate curves for banks in New York City, especially the rates on call loans, bankers' acbanks in other northern and eastern cities, ceptances, and commercial paper. At the time and banks in southern and western cities. of a turn in the course of rates these rates are Customers' rates advanced continuously from the first to register either an advance or a de-

No. 4



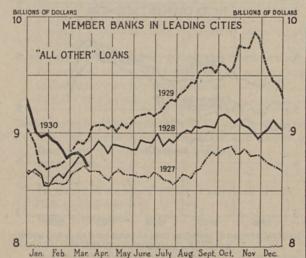


#### FEDERAL RESERVE BULLETIN

cline. Continued ease in the open market course of these loans since 1927 and brings out spreads in course of time over the other and the fact that the decline in their volume in less sensitive markets, affecting at first the February and March carried them below the rates charged by banks in the principal finan- levels of 1929 and 1928, and only slightly above cial centers to borrowers who are in position the level of 1927. to choose between banks from which to borrow or obtain funds in the open market, and the member banks has been accompanied by later spreads to other borrowers and other centers, first in the North and East and later in the South and West.

Easier conditions in the money markets of the United States in recent months have been in the demand for currency. Currency began

**Causes** of rate declines

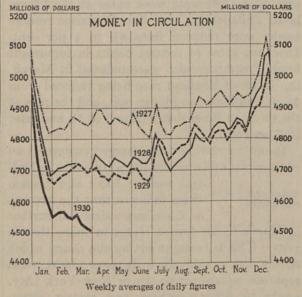


October-November break in the stock market. There has been a large decrease since that time in the demand for loans to finance transactions in securities, and the reduced volume of business activity has resulted also in a decrease in the demand for commercial loans. So-called "all other" loans of reporting member ranks, changes in which are due chiefly to changes in the commercial demand for credit. began to decline in November and continued to decline rapidly for more than four monthsnot only through December and January, when the seasonal trend is downward, but also in

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Decreased demand for commercial credit at a continuous reduction in the Decreased dedemand for reserve-bank credit. mand for reserve bank The principal factor in this credit reduction has been the decrease

caused in part by Federal re- to return from circulation in large volume this serve policy as expressed in rate vear, as in other years, immediately after the reductions and in open-market | cessation of the Christmas holiday demand, but purchases of securities and in part by a de- this year the return flow did not stop in Janucrease in the demand for funds since the arv, as it usually does. In February and March a certain amount of money usually flows out into circulation again, but this year, in consequence of inactive trade and a smaller than usual increase in pay-roll requirements of industry, the volume of money in circulation continued to decline, by about \$50,000,000, and was at the end of March less than at any other time since 1922. A chart showing the volume of money in circulation for several years past is inserted at this point.



Another factor in the decrease in the demand February and March, when it is usual for this for reserve-bank credit and consequently in the class of loans to increase. The chart shows the leasing tendency in the money market, has been APRIL, 1930

#### FEDERAL RESERVE BULLETIN

March 15 Treasury financing. The principal The return flow of currency from circulation growth of member bank credit, however, was open-market purchases by the \$540,000,000 between the end of February and reserve banks, resulted in a re- the end of March. This growth in security duction of member bank bor- loans represented an increase in loans to brokers rowings at the reserve banks to and dealers by the member banks. Brokers' week in October, and the volume of their brokers' loans placed through New York reporting banks is now lower than at any other time As has already been mentioned, the com- in nearly two years.

an inflow of gold from abroad. The movement volume of credit of these banks began to inof gold, which was outward in November and crease rapidly and at the end of March was December and small in January, was inward about \$560,000,000 larger than a month earlier. in February and March, and there was an in- This increase consisted in part of a growth of crease of \$130,000,000 in the country's gold investments, particularly at the time of the stock during the two months. and the imports of gold, together with some in loans on securities, which increased by Decline in member bank discounts the lowest level since 1917, with the exception loans by reporting member banks in New York of a few weeks in 1924 and 1925. Through- City for their own account and for out-of-town out the month of March member banks in New banks were at their low point on January 22, York City were practically out of debt at the when their total was \$1,688,000,000. Between reserve bank, for the only period of any con- that date and April 2, these loans to brokers by siderable length since 1924, and the member domestic banks increased by approximately banks in Chicago and several other important \$1,000,000,000. During the same period brokcities were also out of debt. For a few days ers' loans for account of corporations and indiat the middle of the month the credit situation viduals, as well as foreign banks, declined by was exceptionally easy, especially at New \$340,000,000, so that the total increase in York, because of a temporary accession of funds brokers' loans was \$625,000,000. The conto the market that accompanied Treasury siderable growth in brokers' loans during the financing. A slightly firmer situation de- past two or three months, which has accompaveloped thereafter, but the indebtedness of nied an advance in security prices, has therefore member banks at the reserve banks on March 26 been financed entirely by the banks, and parcontinued to be low throughout the country- | ticularly by the New York banks for their own below \$40,000,000 in the New York and Phila- account. Brokers' loans by the New York delphia reserve districts, below \$30,000,000 in banks on April 2 were, in fact, at the highest the Cleveland and Chicago districts, below figure on record, with the exception of the few \$20,000,000 at Boston, Richmond, Atlanta, days immediately following upon the stock-St. Louis, and Kansas City districts, \$8,400,000 | market break last October. Nonbanking lendin the San Francisco district, \$5,600,000 in the ers, on the other hand, have continuously with-Dallas district, and \$2,200,000 in the Minne- drawn funds from the market since the last apolis district. A chart showing member bank indebtedness by districts appears at the end of this review.

mercial demand for credit at member banks, as

Member bank credit

1

The banking system, therefore, entered

well as the demand for reserve- upon the second quarter of 1930 with a volume bank credit, has been decreas- of member-bank credit that had shown an ing since last autumn. The upward movement during the last month, total volume of loans and investments of mem- but was still at approximately the same level ber banks in leading cities declined almost as a year earlier. As compared with a year continuously from the peak on October 30 to ago, member-bank loans on securities showed the low point of February 26. Beginning with a considerable increase, while all other loans the last week in February, however, the total were much lower and investments also showed

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#### FEDERAL RESERVE BULLETIN

a substantial reduction. The volume of re- of Government securities were more than serve-bank credit early in April was at the \$300,000,000 higher. Discounts for member lowest point since the middle of 1927. The banks, on the other hand, were about \$800,000,system's holdings of acceptances were some- 000 lower than last year, and with one exception what higher than a year ago, and its holdings were at the lowest point since before the war.

FEDERAL RESERVE BANK DISCOUNTS - BY DISTRICTS MILLIONS OF DOLLARS BOSTON CHICAGO 250 200 White ST. LOUIS NEW YORK PHILADELPHIA MINNEAPOLIS marel wet when Martha CLEVELAND KANSAS CITY RICHMOND DALLAS many M ATLANTA SAN FRANCISCO 120

1929

1928

1930

APRIL, 1930

APRIL, 1930

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#### FEDERAL RESERVE BULLETIN

#### Death of Governor Harding

Governor W. P. G. Harding, of the Federal Reserve Bank of Boston, died on April 7, 1930. per cent March 25.—Netherlands Bank, from 3½ to 3 per cent; German Reichsbank, from 5½ to 5 per cent. March 29.—National Bank of Hungary, from 6½ to Governor Harding was a member of the Federal Reserve Board from its organization in 1914 to 1922, and was its governor from 1916 to 1922. per cent. April 3.—Imperial Bank of India, from 7 to 6 per Since that time he has been governor of the cent; Bank of Sweden, from 4 to 31/2 per cent; National Federal Reserve Bank of Boston. Bank of Switzerland, from 31/2 to 3 per cent.

#### Changes in Discount Rates and Bill Rates

The discount rate on all classes and maturi-Total loans and investments of all banks in ties of paper was reduced from 4 to 3½ per cent the United States-including national banks, at the Federal Reserve Bank of New York, State banks, trust companies, mutual and stock effective March 14; and from 4½ to 4 per cent savings banks, and private banks under State at the Federal Reserve Bank of Cleveland, supervision-increased by \$151,000,000, or 0.3 effective March 15; at the Federal Reserve per cent, during the year ending December 31, Bank of Philadelphia, effective March 20; and 1929, according to figures that have recently at the Federal Reserve Bank of San Francisco, become available. This increase brought the effective March 21. total loans and investments of all banks to the At the Federal Reserve Bank of New York level of \$58,417,000,000. The growth of \$151,buying rates on bills of all maturities were 000,000 reflected an increase of \$250,000,000 successively reduced during February and for member banks and a decrease of \$99,000,000 March as shown in the following table: for nonmember banks.

Date effective	1 to 15 days	16 to 45 days	46 to 120 days	121 to 180 days
In effect Feb. 1	37/8	37/8	4	41/2
Feb. 11 Feb. 24	334	33/4	37/8	41/4
Mar. 5 Mar. 6 Mar. 11 Mar. 14	358 312 314	358 31/2 338 31/4	354 358 312 338 314	4 334 35/8
Mar. 17. Mar. 19. Mar. 20.	31/8 3	31/8	31/8	33% 31/4

1 Rate of 37% on maturities of 91-120 days.

#### Changes in Foreign Central Bank Discount Rates

The following changes have been made since the first of February in the discount rates of central banks in foreign countries:

February 5.-German Reichsbank, from 61/2 to 6 per cent.

February 6.-Bank of England, from 5 to 41/2 per cent.

continued the decline which began in the mid-February 10.—Bank of Java, from 5½ to 5 per cent. February 11.—Austrian National Bank, from 7 to dle of 1928, and at \$985,000,000 at the end of the past year were 5.6 per cent smaller than on 6½ per cent. February 13.-National Bank of Hungary, from 7 to December 31, 1928. Investments of member 6½ per cent. March 3.—Bank of Italy, from 7 to 6½ per cent. March 6.—Bank of England, from 4½ to 4 per cent. banks decreased 7.1 per cent during the year, and investments of nonmember banks de-

March 7.—Danish National Bank, from 5 to 4½ per cent; Bank of Netherlands, from 4 to 3½ per cent; More detailed con

More detailed compilations of the principal Bank of Sweden, from 4½ to 4 per cent. March 8.—German Reichsbank, from 6 to 5½ per resources and liabilities of these banks, by Federal reserve districts and by States, are Cent; Bank of Danzig, from 6 to 5½ per cent. March 10.—Bank of Java, from 5 to 4½ per cent. given on pages 270–273 of this BULLETIN

103025 - 30 - 2



120

100

700

600

500

400

300

120 100

60

160

100

80

100

1925

1927

1928

1929

1930

1926

1927

March 14.—Bank of Poland, from 8 to 7 per cent. March 20.—Bank of England, from 4 to 3½ per cent.

March 21.—Bank of Norway, from 5 to 4½ per cent. March 22.—Austrian National Bank, from 6½ to 6

#### Condition of All Banks in the United States on December 31, 1929

The entire increase in bank credit, both inside and outside the Federal reserve system, occurred in loans, as shown by the accompanying table. The banks' investment holdings

1929	1928		or decrease -)	
		Amount	Per cent	
58, 417 35, 934 22, 483 41, 898 26, 150 15, 748 16, 519	58, 266 35, 684 22, 582 40, 763 25, 155 15, 607 17, 504	151 250 -99 1,135 995 141 -985	0.3 .7 4 2.8 4.0 .9 -5.6 -7.1	
	58, 417 35, 934 22, 483 41, 898 26, 150 15, 748	58, 417 58, 266 35, 934 35, 684 22, 483 22, 582 41, 808 40, 763 26, 150 25, 155 15, 748 15, 607 16, 519 17, 504 9, 784 10, 529	1929         1928         (           58, 417         58, 266         151           35, 934         35, 684         250           22, 483         22, 582        99           41, 898         40, 763         1, 135           26, 150         25, 155         995           15, 748         15, 607         141           16, 519         17, 504        985           9, 784         10, 529         -745	

ALL BANKS IN THE UNITED STATES

[Figures for end of December. Amounts in millions of dollars]

**APRIL**, 1930

#### **BRANCH, CHAIN, AND GROUP BANKING: DECEMBER, 1929**

Compilations by the board covering branch, | State banks are permitted under State law and chain, and group banking developments at the national banks under Federal law to establish end of 1929 are presented in detail for States in branch offices has not changed materially in general tables on pages 151 to 157 of this issue recent years. Within this area state-wide of the BULLETIN, indicating changes during the branch banking, which has developed most last half of the year, and also, in so far as data extensively in California, has shown considerare available, during the period following and able development also in Maryland, North preceding passage of the McFadden Act early and South Carolina, Rhode Island, and Virginia in 1927. In these tables the number of na- In several other States of the branch-banking tional, State member, and nonmember banks area-New York, Michigan, Ohio, Pennsyland banking offices in the several States vania, New Jersey, Massachusetts-in which affiliated in branch, chain, and group systems, the establishment of branches is restricted to and the number of independent unit banks of the home city of the parent bank or territory loans and investments.

Branch-banking developments during the been in evidence for several years past. last half of 1929.—On December 31, 1929, 822 of the 24,630 banks<sup>1</sup> of all classes in the country | with those for December, 1929, indicates a conwere operating 3,547 branch offices, including tinuance of branch-banking developments dur-119 banks operating 1,415 branches which were ing these six months at about the same rate of also reported as affiliated in chain or group increase as during the past three years. In this systems. Banks operating branches at the end half year the number of banks operating of 1929 included 166 national banks operating branches increased by 4 and the number of 1,027 branches; 180 State member banks oper- branch offices by 107. Only inconsiderable ating 1,299 branches; and 476 nonmember increases were, however, shown for some of the banks operating 1,221 branches. Loans and principal branch-banking States, the number investments of these banks totaled \$25,000,- of branches of the California banks increasing 000,000, of which over \$20,000,000,000 was only from 861 in June to 863 in December, and reported from States which permit branches of Michigan banks from 433 to 439. More only in the city in which the parent bank is considerable increases are reported for New located or territory contiguous thereto, and in York, Ohio, Pennsylvania, and Massachusetts. which accordingly branch banking is carried on only in local urban or home-city systems. increased by only 4 during the last half of the Nearly \$11,000,000,000, or more than half of year, 36 banks which were not operating this \$20,000,000,000, was reported from the 71 branches in June, were operating branches in banks operating 580 branches in the city of December. This addition of 36 to the number New York. A majority of these New York of branch systems was offset in large part by City banks were, however, operating only one a decrease of 25 through merger procedures, a or two branch offices each in the city. Approx- decrease of 6 as a result of suspension of operaimately \$4,000,000,000 of loans and invest- tions of the parent bank, and a decrease of 1 ments was reported from banks operating by discontinuance of branches. branches in the nine States which permit statewide branch banking. This aggregate included also is a net increase covering 163 branches nearly \$2,700,000,000 reported for the 53 established during the six months' period-82 branch systems operating 863 branches in de novo as branches, and 81 by conversion of California, and about \$1,300,000,000 from the banks into branches—and the discontinuance 8 remaining States which permit development of 56 branches, partly by merger with other of branch systems on a state-wide basis, and branches, and in the case of 7 branches following in which 151 banks (in a total of 1,567 banks) suspension of parent banks. of all classes) were operating 399 branch offices. A large majority of these banks, also, as well as the banks operating branches in California, were operating only one or two branch offices. The branch-banking area, comprised of 21

States and the District of Columbia, in which

these classes is shown, together with aggregate loans and investments. nearly contiguous thereto, a considerable development of urban or local branch systems has

Comparison of figures compiled for June

Although the number of branch systems

The increase of 107 in number of branches

The number of banks operating branches, and the number of their branches on June 30 and December 31, 1929, and for February 25, 1927, and June 30, 1924, are shown, by States, in Tables 2 and 3.

Branch banking developments since passage of McFadden Act.-Branch banking developments since February, 1927, when the McFadAPRIL, 1930

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den Act became effective, have been principally in the building up of urban branch systems. In the period of approximately two years and 10 months from February 25, 1927, to December 31, 1929, the number of home-city branches Size of branch systems.—At the end of the in the country as a whole increased from 1929 year, 18 banks were operating each more than to 2,432, or by 503, and the number of branches located outside the home city of the parent 30 branches, including six California systems, one of 287 branches, and 5 of 160, 139, 94, 56, bank from 971 to 1,115, or by 144. During and 31 branches, respectively. Three Detroit this period 120 branch systems were merged banks were operating 94, 33, and 31 branches, with other banks, 15 suspended operations, and respectively; 7 New York City banks were 28 (of which 26 operated only 1 branch and 2 operating each from 33 to 67 branches; 1 Cleveoperated 2 branches each) discontinued all branches. These decreases were more than land bank was operating 57; and 1 Buffalo bank 33 branches. These larger branch sysoffset by 206 banks which initiated branch tems represent in many cases a succession of banking during the period, giving a net inmergers of smaller branch systems or of concrease of 43 in the number of branch systems. version into branches of independent banks. Of the 2,900 branches in operation in Febru-All but 2 of these 18 banks were members of ary, 1927, 224 were discontinued or merged the Federal reserve system.

with other branches during the period, including 30 discontinued following suspension of parent banks, and 871 branches were established—511 de novo as branches and 360 by conversion of banks into branches.

In this period, also, the classification of branches operated by national and by State member banks was materially affected by nationalization of large State-bank systems in California, either directly or by merger with existing national banks. These procedures account largely for the increase in the number of branches of national banks from 390 in February, 1927, to 1,027 in December, 1929, and for the decrease in number of branches of State member banks from 1,560 to 1,299. In the same period nonmember bank branches increased from 950 to 1,221.

Principal branch banking States and cities .wide California systems with head offices in At the end of 1929 branches were in operation Los Angeles and San Francisco operating in 29 States and the District of Columbiabranches in other large cities of the State. 1,286 in the 9 States and the District of The number of branches located in places of Columbia which permit state-wide branch less than 2,500 increased by 40 in the period banking, 2,207 in the 12 States which restrict the establishment of branches to the home city from June, 1928, to December, 1929. Method of establishment of branches.of the parent bank or territory nearly con-More than two-thirds of the branches in operatiguous thereto, and 54 in 8 States in which tion in February, 1927, were offices which had the further extension of branch banking is been established de novo as branches, the reprohibited by State law. Two-thirds of the maining branches representing largely conver-3,547 branches in operation in December sions of independent banks into branches, were located in 5 States-California, New although in some instances the method of York, Michigan, Ohio, and Pennsylvaniaestablishment was not ascertained. In the and in each of 4 other States-Massachusetts, period from February, 1927, to December, 1929, New Jersey, Louisiana, and Maryland-more the number of de novo branches increased by than 100 branches were in operation. 383-from 1,996 to 2,379-and the number of Of the 2,432 home-city branches, 1,659, or branches representing conversions of banks increased by 282-from 735 to 1,017, the method

more than two-thirds, were located in 10 cities, the number of such branches in each of these cities being as follows:

New York	$     \begin{array}{r}       1 309 \\       1 201 \\       133     \end{array}   $	Cleveland	85
Detroit		Buffalo	73
Los Angeles		Boston	66
Philadelphia		Baltimore	65
San Francisco		Cincinnati	1 50
San Francisco	197	Cincinnati	1 50

It was still true in December, however, as at earlier dates, that a large majority of the banks operating branches in the country as a whole were operating only 1 or 2 branches each. Of the 822 banks operating branches, 448, or more than half, were operating only 1 branch each, 150 were operating 2, and 124 were operating 3 to 5 branches each, the proportion of small systems being not materially different from the proportion shown in February, 1927.

Rural branches.-Of the 1,115 branches located outside the home city of the parent bank, 612 were located in places of less than 2,500 population; 136 in places of 2,500 to 5,000; 86 in places of 5,000 to 10,000; and 281 in places of over 10,000. The 281 outside branches located in places of over 10,000 population represented largely branches of state-

<sup>1</sup> Exclusive of branches whose head offices were located in other cities.

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<sup>&</sup>lt;sup>1</sup> Based on abstracts of condition reports covering national and State banks for Dec. 31 or nearest available date, as shown on pp. 270-273.

of establishment in the case of 151 offices not having been ascertained.

Suspension or failure of branch systems.-During the 9-year period 1921-1929, 41 branch 2,023. For the 21 States and the District of systems operating a total of 80 branches sus- Columbia comprising the branch-banking area, pended operations, with total deposits of the decrease amounted to 506, and in this area \$49,000,000. Five of these systems were subse- the number of branch offices increased in the quently reopened, and later one of these was same period by 614, giving a relatively small again closed. Of the 41 systems, 29 were oper- increase in the total of banking offices for the ating 1 branch each, six 2 branches each, two 3, area, from 13,002 to 13,110. Outside this area two 4, one 5, and one 20 branches. Ten of these the decrease of 1,517 in the number of banks banks, operating a total of 18 branches, with was, of course, not offset by any extension of deposits of \$20,000,000, suspended operations branch systems. In the period of approxiduring 1929, one of these 10 operating 2 branches mately equal duration from February, 1927, with deposits of \$5,882,000 being later reopened. when the McFadden Act went into effect, to

ments may involve some reduction in the num- banks in the country decreased further by 2,343. ber of corporately independent banking insti- the decrease within the branch-banking area of tutions without involving a corresponding 623 being relatively as well as absolutely less reduction in the number of banking offices than the decrease of 1,720 outside this area, and serving the public; as, for example, in case a being more than offset by an increase of 647 in bank is acquired by a branch system and con- the number of branch offices. In the State of verted into a branch office, or where a branch | California the number of banks fell off in each office is established de novo as a branch in place of these periods, the decrease being more than of a bank which has closed its doors. In some offset in the first period and nearly offset in the States increase in the number of branches in second period by increase in the number of recent years has partially offset a decrease in branch offices, so that the total number of the number of corporately independent banks, banking offices increased in the first period from as may be seen from the following table summarizing changes in the number of banking offices, in and outside the branch-banking area, in the periods before and following passage of however, decreases and increases in the number the McFadden Act early in 1927.

BANKING OFFICES-INCREASE OR DECREASE (-) IN THE NUMBER OF OFFICES IN AND OUTSIDE THE BRANCH-BANKING AREA: 1924-1929

Nun			Increase or decrease (-)				
Total	al Banks Branc		Total	Banks	Branches		
31, 289 29, 873 28, 177	28, 996 1 26, 973 24, 630				607 647		
	19979		1123				
		2, 232 2, 846 3, 493	108 24	$-506 \\ -623$	614 647		
					-7		
1,213 1,316 1,300	675 1 554 437	538 762	103	-121	224 101		
1,050 1,140	718 1 739	332 401			69		
1, 182	743	439	42	4	38		
1,482 1,669	1, 120 1 1, 152	362 517	187	32	155 205		
	Total 31, 289 29, 873 28, 177 13, 002 13, 110 13, 134 18, 287 16, 763 15, 043 1, 213 1, 316 1, 300 1, 050 1, 140 1, 182 1, 482	office           Total         Banks           31, 289         28, 996           29, 873         126, 973           28, 177         24, 630           13, 002         10, 770           13, 101         10, 264           13, 134         9, 641           18, 287         18, 226           16, 763         16, 709           15, 043         14, 989           1, 213         675           1, 316         1554           1, 300         437           1, 050         718           1, 482         743           1, 482         1, 120           1, 669         1, 152	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{tabular}{ c c c c c c c c c c c c c c c c c c c$	$\begin{array}{ c c c c c c c c c c c c c c c c c c c$		

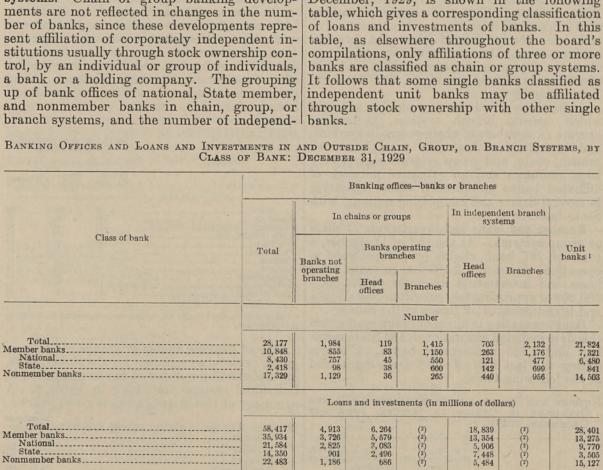
1 Mar. 23, 1927.

ed for FRASER

The number of banks of all classes in the country as a whole decreased in the period from June, 1924, to the end of February, 1927, by Banking offices.—Branch-banking develop- the end of December, 1929, the number of 1.213 to 1.316 and fell off slightly in the second period to 1,300 at the end of December, 1929. In other States of the branch-banking area, of banks and of branches have been in varying proportions, and no close correspondence has been in evidence. In New York, for example, where the increase in number of branch offices since the passage of the McFadden Act has been double the increase shown for California, the number of banks has remained nearly constant, and this is true also of Michigan, the third State in number of branches in operation at the end of December, 1929. In Pennsylvania the number of banks decreased over the whole period from June, 1924, to December, 1929, by 84, and the number of branches increased by 87; in Ohio the number of banks fell off by 92, and the number of branches increased by 65; in New Jersey the number. both of banks and of branches increased by 89 and 82, respectively; in Massachusetts the number of banks increased by 2 and the number of branches by 63; and in Maryland the number of banks fell off by 20 and the number of branches increased by 36. The number of banking offices at the end of December, 1929, is given, by States, in Table 4. On this date approximately one-eighth of the total banking

offices in the country as a whole were branch

offices.



<sup>1</sup> Banks operating no branch offices, and not affiliated with any chain or group system.

Of the 28,177 banking offices in operation at | considerable in extent is composed largely of tana, chain or group banking has shown very Area of chain and group banking .- While considerable developments. There were in fact

the end of December, 21,824, or approximately States which have prohibited the establishment three-fourths, were unit banks having no of branch banking offices-as, for example, in branches and operating independently of chain or group systems; 2,103 were banks operating Illinois, Oklahoma, and Texas. Developments in chains or groups; 1,415 were branches of of this character have, however, by no means chain or group system banks, and 703 were been restricted to these States. In certain head offices and 2,132 were branch offices of other States, particularly in several which have branch systems operating independently of restricted the development of branch banking chain or group-system affiliations. Unit banks to the building up of home-city or local branch unaffiliated with chain or group systems and systems, as in Michigan and New York, as well operating no branch offices reported approxi- as in California, which permits state-wide branch mately one-half of the loans and investments of banking, and in Florida, Georgia, and Monall banks in the country. chain and group banking developments have relatively few States in which no affiliation of not been generally restricted by provisions in banking institutions in chain or group systems State banking codes, the area within which was reported in December, 1929. The area these developments have been relatively more within which such affiliations have been re-

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Unit banks and chain, group, and branch ent unit banks of these classes at the end of systems.—Chain or group banking develop- December, 1929, is shown in the following ments are not reflected in changes in the num- table, which gives a corresponding classification ber of banks, since these developments repre- of loans and investments of banks. In this sent affiliation of corporately independent in-stitutions usually through stock ownership con-compilations, only affiliations of three or more trol, by an individual or group of individuals, banks are classified as chain or group systems. a bank or a holding company. The grouping It follows that some single banks classified as up of bank offices of national, State member, independent unit banks may be affiliated and nonmember banks in chain, group, or through stock ownership with other single

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14.51.27	Banking off	ices—banks	or branches		
In c	hains or grou	ups	In independ syst	lent branch ems	
anks not			Head	avaluna 287 ba	Unit banks 1
perating tranches	Head offices	Branches	offices	Branches	
in the	Des Children Satza du	Number			in hand
$1,984\\855\\757\\98\\1,129$	119 83 45 38 36	$1,415 \\ 1,150 \\ 550 \\ 600 \\ 265$	703 263 121 142 440	2,1321,176477699956	21, 824 7, 321 6, 480 841 14, 503
Loan	s and invest	ments (in m	illions of dol	lars)	Samiget
4, 913 3, 726 2, 825 901 1, 186	6, 264 5, 579 3, 083 2, 496 686	(2) (2) (2) (2) (2)	18, 839 13, 354 5, 906 7, 448 5, 484	(2) (2) (2) (2) (2) (2) (2)	28, 401 13, 275 9, 770 3, 505 15, 127

<sup>2</sup> Included in figures for head offices.

latively predominant, however, comprises the and to a relatively small number of systems-Central, Middle Western, Northwestern, and one system increasing in this period from 20 Western States. This chain or group banking to 92 banks, and one from 12 to 78 banks, area is in general relatively much more extensive while one system not in existence in June was and less clearly defined than the branch-banking area. Data for banks in and not in June and December are given, by States, in chain or group systems, operating and not Table 7, and for the nine States showing the operating branches, are given, by States, in more considerable increases, changes during Tables 5 and 6.

As has been noted above, a number of banks | lowing table: which operate branch systems, themselves operate as members of chain or group systems, and in individual instances these combined branch, chain, and group systems control very large resources and an extensive network of affiliated banks and branch offices operating in several States and comprising national with State banks.

Number and loans and investments of chain or group systems.-At the end of December, a total of 287 bank chains or groups were in operation, embracing 2,103 banks, with total loans and investments in excess of \$11,000,-000,000 or approximately one-fifth of total loans and investments of all banks in the country.

Banks operating in chain or group systems on this date included 802 national, 136 State member, and 1,165 nonmember banks. Changes during the last half of 1929 are summarized in the following table:

NUMBER AND LOANS AND INVESTMENTS OF BANKS OPERATING IN CHAINS OR GROUPS: JUNE AND DECEMBER, 1929

Class of bank and date	Number	of banks	Loans and inve ments (millions dollars)				
Class of Dank and date	Total	Members of chains or groups	Total, all banks	Members of chains or groups <sup>1</sup>			
All banks: December June	24, 630 25, 110	2, 103 1, 821	58, 417 58, 474	11, 177 8, 300			
Member banks: December June	8, 522 8, 707	938 756	35, 934 35, 711	9, 305 6, 668			
National— December June	7, 403 7, 530	802 645	21, 584 21, 457	5, 908 4, 159			
State— December June	1, 119 1, 177	136 111	14, 350 14, 254	3, 397 2, 509			
Nonmember banks: December June	16, 108 16, 403	1, 165 1, 065	22, 483 22, 763	1, 872 1, 632			

<sup>1</sup> Based largely on condition figures published in July.

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number of banks affiliated in chain or group California, 1 of 287 and 1 of 160 branch offices, systems was confined largely to nine States, and 1 branch system of 34 branches located in

the last half year are summarized in the fol-

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and the second second second	Number of banks operating is chains or groups							
State	Decem- ber, 1929	June, 1929	Increase					
Total Minnesota Michigan North Dakota New York Washington Arkansas	$135 \\ 114 \\ 102 \\ 75 \\ 72$	${ \begin{smallmatrix} 1,821\\ 261\\ 86\\ 100\\ 81\\ 59\\ 55 \end{smallmatrix} }$	282 47 49 14 21 16 17					
Montana. Massachusetts Kentucky Other States	45 45 16	32 33 4 1, 110	13 12 12 81					

<sup>1</sup> May include some banks not known to be operating in chains or groups in June.

Size of banking chains or groups .- Chain or group systems as reported for December, 1929, are classified by number of banks comprised in individual systems for States in Table 8. A summary of this classification is given below:

Number of banks in chain or group system:	systems
3 banks	
4 banks	56
5 banks	39
6 to 9 banks	86
10 to 19 banks	
20 or more banks	10
the second of the second se	

Total\_\_\_\_\_ 287

Of the larger chain or group systems in operation on December 31, a very considerable number comprised one or more banks operating branches, and while in a majority of instances the banking offices of these systems, including head offices of banks with their branches, were located in the same State as the offices of the controlling agencies, in some instances banks and branches of a single system were located in several States. One Minneapolis system controlled banks located in 8 States and in 4 Federal reserve districts, and 1 group system with head office in New York City, with aggregate loans and investments in excess of \$1,400,000,-Increase during the last half of 1929 in the 000 comprised two extensive branch systems in

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largest aggregate of loans and investments comprised 5 banks with 179 branch offices located in three States-New York, California, and Pennsylvania. One Detroit system, the third largest in aggregate loans and investments, controlled 21 banks with 213 branches all located in the State of Michigan, as were also the branches of banks comprised in two other systems with headquarters in Detroit. Detail of loans and investments and number of banks and branches is given in an accompanying table for chain and group systems with loans and investments in excess of \$50,000,000.

CHAINS OR GROUPS WITH LOANS AND INVESTMENTS IN EXCESS OF \$50,000,000: 1929

Ra	nk by loans and in-	Loans and in-	Nu	mber	of bankin 19		Dec. 31,
v ti	estments and loca- on of controlling gency and of bank-	vest- ments, in thou-		100	Bank	S	inter Lates
	ig offices controlled	sands of dollars: 1929 1	To- tal	To- tal	Not op- erating branches	Operat- ing branches	Branche
1	New York City:	ar-10-1	10	111	3 90:33	bla B	VIDES
	Total	1, 418, 361	500	18	14*	4	48
	New York	278, 482	35	1		1	3
0	California	1, 139, 879	465	17	14	3	44
4.	New York City: Total	815, 684	184	5	1	4	17
	New York	550, 911	81	3	î	2	7
	California	225, 072	95	1		1	9
	Pennsylvania.	39, 701	8	î		1	100
3.	Detroit:	705, 032	234	21	9	12	21
4.	Michigan Boston:	105, 052	204	21	9	12	21
	Massachusetts	568, 312	51	20	13	7.	3
5.	Chicago: Illinois	512, 669	7	7	7		-
6.	Pittsburgh:		1				
-	Pennsylvania	458, 901	6	6	6		
7.	Buffalo: New York	425, 436	65	19	13	6	4
8.	Detroit:	120, 100	00	10	10	0	
	Michigan	403, 996	109	35	25	10	7
9.	Minneapolis:	220 754	05	00	01		
	Total	339, 754 208, 180	95 49	92 46	91 45	1	10000
	Minnesota Montana	15, 116	7	7	10 7	-	1
	North Dakota_	14, 875	9	9	9		
	South Dakota.	22, 213	10	10	10		
	Nebraska	35, 358	8	8	8		
	Iowa	24, 338	4	4	4		
	Wisconsin	24, 338 8, 973	7	7	7		
~	Washington	10, 701	1	1	1		
0.	Minneapolis:	339, 267	81	78	77	1	
	Total Minnesota	252, 785	39	36	35	1	1000
	Montana	53, 496	13	13	13	-	2.4.1.4.2
	North Dakota.	14, 378	15	15	15		
	South Dakota_	9,727	11	11	11		
	Michigan	8,881	3	3	3		
11.	New York City:	200 700	74	0		0	7
12.	New York Chicago:	328, 789	74	3	1	2	
	Illinois	270, 719	14	14	14		
13.	Boston:	104 040	10	0			1
14	Massachusetts Chicago:	194, 642	18	6	5	1	1
	Illinois	171, 453	5	5	5		
15.	Milwaukee:	168, 466	22	18	17	1	1
16.	Wisconsin Pittsburgh:	108, 400	24	18	11	1	1 1 2
	Pennsylvania	167, 180	8	7	6	1	1
17.	Providence: Rhode Island	153, 331	17	3	2	1	1

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New York City. The system having the second largest aggregate of losps and investments com-Excess of \$50,000,000: 1929—Continued

De		Loans and in-	Nu	mber	of bankin 19		Dec. 31,
ve ti	ak by loans and in- estments and loca- on of controlling gency and of bank-	vest- ments, in thou-	110	1.20	Bank	8	
	g offices controlled	sands of dollars: 1929 1	To- tal	To- tal	Not op- erating branches	Operat- ing branches	Branches
18	San Francisco:		10	000		Kolle P	and the second
10.	Total	146; 138	18	17	16	1	1
	California	145,066	17	16	15	1	1
10	Washington	1,072	1	1	1		
19.	Buffalo: New York	199 477	21	- 3	2	• 1	18
20	Chicago:	132, 477	41	0	-	-	10
	Illinois	132, 329	3	3	3		
21.	Nashville:	2000					
	Total	131, 308	86	66	61	5	20
	Tennessee	97,028	31 55	11 55	6 55	5	20
22	Arkansas Syracuse:	34, 280	55	00	00		
	New York	115, 559	27	14	13	1	13
23.	Atlanta:						ALL Y LOUGH
~ .	Georgia	104,954	17	7	6	1	10
24.	Louisville:	07 400	17	-	AND DOG	4	12
	Total Kentucky	97, 429 72, 341	17 10	53	1	2	12
	Ohio	25, 088	17	2	1	2	5
25.	Jersey City:	,				a subject	The second se
	New Jersey	94, 382	13	3	2	1	10
26.	Kansas City:		5	5	5	1.102	1- 1- 3- 3- 17
97	Missouri Seattle:	82,025	0	5	5		
	Washington	78, 298	9	7	6	1	2
28.	Tulsa:	A CONTRACT OF		1231	121 123	-226.23	35 7 1 M.S.
	Total	77, 753	21	21	21		
	Oklahoma	76, 181	19	19	19		
	Kansas Texas	915 657	1	1	1		
29.	Savannah:	001	-	1			
	Total	67,683	17	7	5	2	10
	Georgia	59,951	14	5	4	1	9
20	South Carolina	7,732	3	2	1	1	1
30.	Detroit: Michigan	61,701	42	13	11	2	29
31.	Columbus:	01, 101	120	1 10		-	
	Ohio	61, 302	17	4	3	1	13
32.	Augusta:	1	1.3.1		-		
-	Maine	59, 576	26	9	7	2	17
33.	Boston: Massachusetts	55, 785	15	8	5	3	7
34	St. Paul:	00,100	10	0	0	0	1
	Total	52,932	71	71	71		
	Minnesota	32, 919	30	30	30		
	Montana	1,893	1	1	1		
	North Dakota_	15,233	32	32	32		
	Wisconsin	2, 887	0	0	0		

Types of banking chains or groups.-Three types of chain or group systems have been reported, which may be characterized with reference to the controlling agency, as follows:

- (1) Instances where control is exercised by a holding corporation, which has usually been formed by interests connected with one or more of the principal banks belonging to the system.
- (2) Instances where control is exercised by the principal bank of the system, either through direct ownership of stock by the bank, or through ownership by the stockholders or direc-tors of the bank.

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(3) Instances of ownership of controlling or substantial interest in a number of banks by an individual, family, or group of individuals.

are classified with reference to these types of no laws specifically regulating the development control in Table 8. Recent developments have of chain or group systems. As has been noted, been conspicuously of the first and second however, developments of this character have types noted, and these developments, commonly been more or less affected by provisions in utilizing holding companies as controlling State laws relating to branch banking, and the agencies, have been distinguished in some dis- grouping of States with reference to their cussions as "group systems," the designation of branch banking regulations has accordingly "chain system" being reserved for organiza-tions of the third type. These classifications by types of control are, however, very general, State-wide branch banking is permitted in since the actual method and agency of control 9 States; the establishment of branches in the varies from system to system and may in the home city of the parent bank or in territory case of any given system be modified from time nearly contiguous thereto is permitted in 10 to time.

chains or groups .- On the basis of the best States have enacted no legislation expressly information available, which is admittedly un- either permitting or prohibiting establishment satisfactory for earlier years, it appears that a of branches. In Kentucky, however, which is total of 226 banks, with deposits of \$102,- included as one of these 7 States, the establish-000,000, reported as belonging to 50 different ment of additional offices or agencies is perbank chains or groups suspended operations mitted under court decisions, and 28 such during the 9-year period 1921-1929. Of these offices were in operation in December; and in banks 61, with deposits of \$35,000,000, were Michigan, another of these 7 States, the State subsequently reopened.

details by States for chain, group, and branch | which there were 439 in operation at the end of banking developments, the States have been 1929. The grouping of States with reference grouped with reference to provisions in State to branch banking provisions in State banking

laws affecting the ownership of bank stock by holding corporations, so as to show in which States the growth of chain or group systems may be retarded under such provisions. A Chain or group systems in the several States majority of the States have, in fact, adopted

been made to group States with reference to

States; the establishment of any branches Suspension or failure of banks operating in whatever is prohibited in 22 States; and 7 banking department has raised no objection to Classification of States.-In the tables giving the establishment of home-city branches, of laws permitting, restricting, or prohibiting the codes is shown on page 258 of this issue of the establishment of branches. No attempt has BULLETIN.

			1		1
Class of bank or branch	Dec. 31, 1929	June 30, 1929	June 30, 1928	Feb. 25, 1927	June 30, 1924
Number of banks:					00.000
Total Operating branches	24, 630 822	25, 115 818	25, 950 835	<sup>1</sup> 26, 973 779	28, 996 714
National banks	166	164	169	145	108
State bank members.	180	190	186	189	191
Nonmember com-	10-	000		0.07	007
mercial banks Mutual savings	407	398	415	387	387
banks	65	62	58	50	28
Private banks	4	4	7	8	(2)
Number operating branches—					
Only in home city	517	518	526	476	391
Only outside home					
city	257	252	262	261	283
Both in and outside home city	48	48	47	42	40
Number of parent banks in cities with popula-					
tion of	351	359	372	353	284
50,000 to 100,000	81	84	81	65	1
25,000 to 50,000	75	70	66	61	} 108
Less than 25,000 Not classified	315	305	316	300	28
Number operating-					
1 branch	448	443	469	446	37
2 branches 3–5 branches	150     124	153 130	150 126	127 124	129
6-10 branches	41	37	35	35	17
11-30 branches	41	38	41	35	1 11
Over 30 branches	18	17	14	12	\$ 33
Number of branches:				1	
Total	3, 547	3,440	3, 230	2,900	2, 29
Of national banks Of State bank mem-	1,027	993	941	390	24
bers	1, 299	1, 298	1, 220	1, 560	1, 13
Of nonmember com- mercial banks	1, 115	1,046	973	863	90
Of mutual savings				-	(2)
Of private banks	99 7	96 7	86 10	76	
In home city	2,432	2,362	2,214	1,929	1, 50
Outside home city	2, 432 1, 115	1,078	2, 214 1, 016	971	78
Outside branches in				1	12.45
places with population				100	10.2
of— Less than 2,500	612	591	572	12.2	
2,500 to 5,000	136	133	128		
5,000 to 10,000	86	. 84	79		
10,000 or over	281	270	237		
Number established-	0.000	0.000	0.000	1.000	
De novo as branches.	2, 379	2, 329	2, 214	1,996	
By conversion of banks	1,017	958	853	735	
Not reported	151	153	163	169	

March, 1927. Not separately tabulated; included with "State bank nonmembers." Mutual savings and private banks.

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Number of banks operat- Number of branches Class of bank or Dec. June Feb. June Dec. June Feb. June State 822 818 779 714 3,547 3,440 2,900 2,293 Total\_\_\_\_\_ National\_\_\_\_\_ State member\_\_\_\_\_ State nonmember\_\_\_ Mutual savings\_ Private ..... STATE-WIDE BRANCH BANKING PER-MITTED 216 215 226 237 1, 286 1, 265 1, 120 835 Total\_\_ Arizona..... California..... 20 538 18 19 88 66 21 20 Delaware\_\_\_\_\_ Dist. of Columbia.\_\_\_\_ Maryland\_\_\_\_\_ North Carolina\_\_\_\_\_ Rhode Island\_\_\_\_\_ South Carolina. Vermont 45 Virginia BRANCHES RESTRICTED AS TO LOCA-TION 581 578 526 447 2,207 2,121 1,726 1,397 Total .... 21 214 34 23 61 63 11 14 77 51 67 21 39  $\begin{array}{c} 39\\ 13\\ 106\\ 54\\ 133\\ 401\\ 25\\ 21\\ 517\\ 231\\ 131\\ 55\\ \end{array}$ 16 10  $\begin{array}{r}
16\\9\\42\\24\\86\\61\\11\\53\\106\\58\\81\\31\end{array}$ Jeorgia\_.  $26 \\ 108 \\ 61 \\ 154 \\ 433$ Kentucky..... Louisiana.....  $\begin{array}{c} 28\\ 106\\ 63\\ 161\\ 439\\ 25\\ 103\\ 722\\ 268\\ 185\\ 68 \end{array}$  $\begin{array}{r}
 10 \\
 42 \\
 24 \\
 88 \\
 62 \\
 11 \\
 55 \\
 106 \\
 55 \\
 80 \\
 32 \\
 \end{array}$ 41 24 79 68 Maine Massachusetts Michigan Mississippi New Jersey New York 08 11 14 106 53 82 22 25 103 682 259 169 67 Pennsylvania. ESTABLISHMENT OF BRANCHES PRO-HIBITED BY LAW<sup>2</sup> 30 54 54 61 25 25 27 54 Total. Alabama 52 Arkansas..... Florida\_\_\_\_\_ diana\_ Nebraska\_\_\_\_\_ Oregon..... Washington. Wisconsin . . .

TABLE 2.- NUMBER OF BANKS OPERATING BRANCHES AND NUMBER OF BRANCHES IN OPERATION, BY STATES, FOR SPECIFIED DATES

<sup>1</sup> Not separately tabulated. <sup>3</sup> Branches reported were established prior to prohibitory legislation. Other States which have prohibited establishment of branches in which no branches were in operation include Colorado, Connecticut, Idaho, Illinois, Iowa, Kansas, Missouri, Montana, Nevada, New Mexico, Texas, Utah, West Virginia. States which have enacted no legislation respecting branch banking in which, also, no branches were in operation include: New Hampshire, North Dakota, Oklahoma, South Dakota, and Wyoming.

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TABLE 3.-NUMBER OF BANKS OPERATING BRANCHES AND NUMBER OF BRANCHES IN OPERATION, BY CLASS OF BANK, BY STATES: DECEMBER 31, 1929

	Numbe	r of banks	operating	branches			Number o	of branches		
States	The second se	-	(inverte)		C. Con	0	perated by	_	Loca	tion 1
	Total	National	State member	Non- member	Total	National banks	State bank members	Non- member banks	In home city	Outside home office city
Total	822	166	180	476	3, 547	1, 027	1, 299	1, 221	2, 432	1, 115
The second second		Series.	STATE	-WIDE B	RANCH	BANKIN	G PERM	ITTED		
Total	216	37	23	156	1, 286	526	189	571	475	811
Arizona California Delaware District of Columbia Maryland North Carolina Rhode Island	7 53 7 12 30 39 11	12 6 3 3 2	2 5 2 2 3 4	5 36 5 6 25 33 5	22 863 13 24 124 77 35	480 12 8 4 2	12 105 2 24 7 26	$     \begin{array}{r}       10 \\       278 \\       11 \\       12 \\       92 \\       66 \\       7     \end{array} $	318 3 24 68 11 16	22 545 10 56 66 19
South Carolina Vermont Virginia	11 7 39	3	2	6 7 28	57 10 61		2 	47 10 38	27	49 10 34
Contraction of Charles are be	Ne la se	1 TE	BRAN	ICHES R	ESTRICT	TED AS I	O LOCA	TION		
Total	581	121	151	309	2, 207	484	1,099	624	1, 930	277
Georgia Kentucky Louisiana Massachusetts Michigan Mississippi. New Jersey New York Ohio Pennsylvania Tennessee	$16 \\ 10 \\ 42 \\ 24 \\ 88 \\ 62 \\ 11 \\ 55 \\ 106 \\ 55 \\ 80 \\ 32$	4 4 1 17 11 18 32 8 16 9	3 2 6 1 1 6 30 19 37 20 17	9 4 35 23 55 21 10 18 37 27 47 23	$\begin{array}{c} 39\\ 28\\ 106\\ 63\\ 161\\ 439\\ 25\\ 103\\ 722\\ 268\\ 185\\ 68\\ \end{array}$	21 10 8 72 1 33 189 19 43 25	4 14 35 3 27 309 463 167 38	$14 \\ 4 \\ 63 \\ 60 \\ 71 \\ 58 \\ 24 \\ 31 \\ 70 \\ 82 \\ 104 \\ 43$	$\begin{array}{c} 16\\ 25\\ 49\\ 6\\ 142\\ 436\\ 1\\ 93\\ 721\\ 235\\ 176\\ 30\\ \end{array}$	$\begin{array}{c} 23\\ 3\\ 57\\ 57\\ 19\\ 24\\ 10\\ 1\\ 33\\ 9\\ 38\end{array}$
	1.52.00	EST.	ABLISHN	MENT OF	BRANC	HES PRO	DHIBITE	D BY LA	W 3	1
Total	25	8	6	11	54	17	11	26	27	27
Alabama. Arkansas. Indiana . Minnesota	524221 36	1 2 2 1 1 1	1 1 	4 2 2 	19 3 9 6 2 1 5 9	2 6 2 1 2 4	1 5 2 3	18 3 2 	8 6 2 3 8	19 3 1 

<sup>1</sup> Of the 2,432 branches located in head-office cities, 687 were operated by national banks, 1,163 by State bank members, and 582 by nonmember banks. Of the 1,115 branches located outside head-office cities, 340 were operated by national banks, 136 by State bank members, and 639 by nonmember banks.
 <sup>2</sup> Branches reported were established prior to prohibitory legislation. See note 2 attached to Table 2.

		B	Banks in chains or groups Banks not in chains or groups						ups		Total
State	Number of banks	Total	Number	Operating	branches		Number	Operating branche		Total number of	number of bank- ing offices
Second Second Second		number	operating no branches	Number	Number of branches	Total number	operating no branches	Number	Number of branches	branches	(branches plus banks)
Total	24, 630	2, 103	1, 984	119	1, 415	22, 527	21, 824	703	2, 132	3, 547	28, 17
			ST	ATE-WID	E BRAN	CH BAN	KING PE	RMITTE	D		a state
Total	2,045	64	54	10	562	1, 981	1, 775	206	724	1, 286	3, 33
Arizona California Delaware District of Columbia	46 437 47	6 49 3	6 41 3	8	547	$\begin{array}{r} 40\\388\\44\end{array}$	33 343 37	7 45 7	22 316	22 863	6 1, 30
District of Columbia Maryland	41 230					41	29	12	13 24	13 24	6
North Carolina	416					230 416	200 377	30 39	124	124	6 35 49
Rhode Island South Carolina	$\begin{array}{c} 33\\217\end{array}$	32	2	1	14 1	$30 \\ 215$	20	10	77 21	77 35 57	6 27
Vermont Virginia	$\begin{array}{c}104\\474\end{array}$	ī	î			103 474	205 96 435	10 7 39	56 10 61	10	11
State of the state			В	RANCHE	S RESTI		AS TO LO			61	53
Total	7, 596	509	405	104	836	7, 087	6, 610	477	-	0.007	
Georgia	405	22	20	2	19	383	369	14	1, 371	2, 207	9, 80
Kentucky Louisiana	$\begin{array}{c} 572\\225\end{array}$	16 10	13	3 2 5	13 9	556 215	549	7	15	28	44 60
Maine Massachusetts	133	12	87	5	21	1215	175 102	40 19	97 42	106 63	33 19
Michigan	450 743	45 135	32 109	13 26	53 353	$405 \\ 608$	330	75	108	161	61
Mississippi	308	$21 \\ 60$	20	1	2	287	572 277	36 10	86 23 76	439 25	1, 18 33
New Jersey New York	568 1,127	- 102	47 84	13 18	27 271	508 1,025	466	42		103	67
Ohio	1,015	6	3	3	18	1,025	937 957	42 88 52 73	451 250	722 268	1,84
Pennsylvania Tennessee	1, 566 484	48 32	41 21	7 11	13 37	1, 518 452	1, 445 431	73	172	185	1, 28 1, 75 55
- Contraction of		1	and the second s				TOL	21	31	68	
			ES	CABLISH	MENT O	and and	CHES PR			68	
Total	13, 364	1, 238	ES7	CABLISH	MENT O	and and					
Alabama	350		1, 233	1		F BRAN	CHES PR 12, 106	OHIBITH	2D 37	54	13, 41
Alabama	350 415	22 72	1, 233 22 72	1		F BRAN 12, 126 328 343	CHES PR 12, 106 323 341	OHIBITI	ED		13, 413
Alabama Arkansas Colorado Connecticut	350 415 274 237	22 72 16 8	1, 233 22 72 16 8	1		F BRAN 12, 126 328 343 258 229	CHES PR 12, 106 323	OHIBITH	SD 37 19	54	13, 41 36 41 27
Alabama Arkansas Colorado Connecticut Florida	$350 \\ 415 \\ 274 \\ 237 \\ 235$	$22 \\ 72 \\ 16 \\ 8 \\ 40 \\ 41$	1,233 22 72 16 8 40	1		F BRAN 12, 126 328 343 258 229 195	CHES PR 12,106 323 341 258 229 195	OHIBITH	SD 37 19	54	13, 41 36 41 27 23 23
Alabama. Arkansas. Colorado. Connecticut. Florida	$\begin{array}{r} 350 \\ 415 \\ 274 \\ 237 \\ 235 \\ 137 \\ 1,765 \end{array}$	$22 \\ 72 \\ 16 \\ 8 \\ 40 \\ 41$	1, 233 22 72 16 8 40 41 84	5	17	F BRAN 12, 126 328 343 258 229	CHES PR 12, 106 323 341 258 229 195 96	OHIBITH	SD 37 19	54	13, 41 36 41 27 23 23 13
Alabama. Arkansas Colorado. Connecticut. Florida. Idabo. Illinojs. Illinojs.	$\begin{array}{r} 350 \\ 415 \\ 274 \\ 237 \\ 235 \\ 137 \\ 1,765 \\ 969 \end{array}$	$22 \\ 72 \\ 16 \\ 8 \\ 40 \\ 41$	1,233 22 72 16 8 40 41 84 16	1		F BRAN 12, 126 328 343 258 229 195 96 1, 681 962	CHES PR 12,106 323 341 258 229 195 96 1,681 949	OHIBITH	SD 37 19	54	13, 41 36 41 27 23 23 13 1, 76 97
Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho. Illinojs. Indiana. Iowa. Kansas.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ \end{array}$	$22 \\ 72 \\ 16 \\ 8 \\ 40 \\ 41$	$ \begin{array}{r}     1,233 \\     22 \\     72 \\     16 \\     8 \\     40 \\     41 \\     84 \\     16 \\     87 \\     88 \\     88 \\   \end{array} $	5	17 	F BRAN 12, 126 328 343 343 258 229 195 96 1, 681	CHES PR 12, 106 323 341 258 229 195 96 1, 681 949 1, 170	OHIBITH 20 5 2	SD 37 19 3	54 19 3	13, 41 36 41 27 23 23 13 1, 76 97
A labama. Arkansas Colorado. Connecticut. Florida. Idaho Illinojs. Indiana. Iowa. Kansas. Minnesota.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,046\\ \end{array}$	22 72 16 8 40 41 84 17 87 88 308	$ \begin{array}{r}     1,233 \\     22 \\     72 \\     16 \\     8 \\     40 \\     41 \\     41 \\     84 \\     16 \\     87 \\     88 \\     306 \\   \end{array} $	5	17	F BRAN 12, 126 328 343 258 229 195 96 1, 681 062 1, 170 981 738	CHES PR 12, 106 323 341 258 229 195 96 1, 681 949 9, 1, 170 981 738	OHIBITH 20 5 2	SD 37 19 3	54 19 3	13, 41 366 41 27 233 13 1, 76 1, 05 1, 06 1, 05
Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho. Illinojs. Indiana. Iowa. Kansas. Minnesota. Missouri. Montana.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,046\\ 1,277\\ 195 \end{array}$	22 72 16 8 40 41 84 17 87 87 88 308 36 45	$\begin{array}{r} 1,233\\ 22\\72\\16\\8\\40\\41\\84\\16\\87\\88\\306\\36\\45\end{array}$	5	17 	F BRAN 12, 126 328 343 258 343 259 96 1, 681 952 1, 170 981	CHES PR 12,106 12,106 323 341 258 229 195 96 1,681 1,681 949 1,170 981	OHIBITH 20 5 2	SD 37 19 3	54 19 3 	13, 41 36 41 27 23 13 1, 76 97 1, 25 1, 06 1, 07
Alabama Arkansas Colorado Connecticut Florida Idaho Illinois Indiana Iowa Kansas Minnesota Minnesota Missouri Mortana Nebraska	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,257\\ 1,069\\ 1,246\\ 1,277\\ 195\\ 804 \end{array}$	22 72 16 8 40 41 84 84 85 308 308 36 45 73	$\begin{array}{c c} 1,233\\ \hline 22\\ 72\\ 16\\ 8\\ 40\\ 41\\ 84\\ 16\\ 6\\ 87\\ 88\\ 306\\ 36\\ 45\\ 73\end{array}$	5	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 170 981 738 1, 241 150 731	CHES PR 12,106 323 341 258 229 195 96 1,681 949 1,170 981 783 1,241 150 729	OHIBITH 20 5 2	SD 37 19 3	54 19 3 	13, 41 366 411 277 233 13 1, 766 977 1, 255 1, 069 1, 05 1, 277 19 800
Alabama Arkansas Colorado Connecticut Florida Idabo Illinojs Indiana Iowa Kansas Minnesota Misnesota Missouri Nontana Nebraska Nevada New Mexico.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,247\\ 1,069\\ 1,247\\ 1,046\\ 1,277\\ 195\\ 804\\ 35\\ 56\end{array}$	22 16 8 40 41 84 17 87 88 308 36 45 73 13 9	$\begin{array}{r} 1,233\\ \hline 22\\72\\16\\8\\40\\41\\84\\86\\306\\36\\45\\73\\13\\9\end{array}$	5	17 	F BRAN 12, 126 328 343 258 228 96 1, 681 052 0, 552 1, 170 981 738 1, 241 150 0731 22 47	CHES PR 12,106 323 341 258 229 195 96 1,681 949 91,170 981 738 1,241 150 729 222 47	OHIBITH 20 5 2	SD 37 19 3	54 19 3 	13, 41 366 411 27 233 13 1, 76 97 1, 25 1, 06 1, 05 1, 27 19 800
Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho Illinojs. Indiana. Iowa. Kansas. Minnesota. Missouri. Montana. Nebraska. Nevada Newada Oregon.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,257\\ 1,069\\ 1,046\\ 1,277\\ 195\\ 804\\ 35\\ 56\\ 234\end{array}$	$\begin{array}{c} 22\\ 72\\ 16\\ 8\\ 40\\ 41\\ 84\\ 17\\ 87\\ 88\\ 308\\ 36\\ 45\\ 73\\ 13\\ 9\\ 36\end{array}$	$\begin{array}{c c} 1,233\\ \hline 22\\ 72\\ 16\\ 8\\ 40\\ 41\\ 84\\ 16\\ 88\\ 306\\ 45\\ 73\\ 13\\ 9\\ 36\\ \end{array}$	5	17 	F BRAN 12,126 328 343 258 229 195 96 1,681 738 1,241 150 731 122 47 198	CHES PR 12, 106 12, 106 12, 106 12, 106 12, 106 14, 681 949 1, 170 981 738 1, 241 150 729 22 47 197	OHIBITH 20 5 2	SD 37 19 3	54 19 3 	13, 41 366 411 277 233 13 1, 767 1, 055 1, 067 1, 07 1, 05 1, 07 1, 05 3, 0 3 3 5 233 233 13 14 17 19 19 19 19 19 19 19 19 19 19
Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho Illinojs. Indiana. Iowa. Kansas. Minnesota. Missouri. Montana. Nebraska. Nevada. Nevada. Nevada. New Mexico. Oregon. Texas. Utah.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,277\\ 195\\ 804\\ 35\\ 56\\ 234\\ 1,308\\ 104 \end{array}$	$\begin{array}{c} 22\\ 16\\ 8\\ 40\\ 41\\ 17\\ 88\\ 308\\ 36\\ 45\\ 73\\ 13\\ 9\\ 9\\ 36\\ 84\\ 26\\ \end{array}$	$\begin{array}{r} 1,233\\ \hline 22\\72\\16\\8\\40\\41\\84\\86\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36$	5	17 	F BRAN 12, 126 328 343 258 228 96 1, 681 052 0, 552 1, 170 981 738 1, 241 150 0731 22 47	CHES PR 12,106 323 341 258 229 195 96 1,681 949 91,170 981 738 1,241 150 729 222 47	OHIBITH 20 5 2 3 3 2 2	2D	<u> </u>	$\begin{array}{c} 13,41\\ 366\\ 411\\ 27\\ 23\\ 13\\ 1,76\\ 97\\ 1,25\\ 1,06\\ 1,05\\ 1,05\\ 1,07\\ 3\\ 3\\ 5\\ 23\\ 1,30\\ 1$
Alabama. Arkansas. Colorado. Connecticut. Florida. Ilabo. Ilinojs. Indiana. Iowa. Kansas. Minnesota. Missouri. Montana. Nebraska. Nevada. Nevada. Nevada. Nevada. Nevada. Nevas. Utah. Washington.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,257\\ 1,069\\ 1,257\\ 804\\ 355\\ 56\\ 804\\ 35\\ 1,308\\ 104\\ 340\\ \end{array}$	$\begin{array}{c} 22\\ 22\\ 16\\ 8\\ 40\\ 41\\ 84\\ 17\\ 87\\ 88\\ 308\\ 36\\ 45\\ 73\\ 3\\ 13\\ 9\\ 36\\ 84\\ \end{array}$	$\begin{array}{c c} 1,233\\ \hline 22\\ 72\\ 16\\ 8\\ 40\\ 41\\ 84\\ 16\\ 88\\ 306\\ 45\\ 73\\ 13\\ 9\\ 36\\ \end{array}$	5	17 	F BRAN 12, 126 328 343 258 229 96 96 1, 681 952 1, 70 981 738 1, 241 150 731 222 47 1988 1, 224 47 18 26 26 29 29 29 29 20 29 20 20 20 20 20 20 20 20 20 20	CHES PR 12,106 12,106 12,106 12,106 12,106 12,106 14,681 949 1,170 941 738 1,241 150 729 22 47 197 1,224 78 263	OHIBITH 20 5 2 3 3 2 2	2D	<u> </u>	13, 41 360 411 27, 233 13 1, 766 1, 05 1, 07 1, 05 1, 07 1, 05 1, 07 1, 05 1, 07 1, 05 1, 07 1, 05 1, 0
A labama. Arkansas Colorado. Connecticut. Florida. Idabo. Illinois. Indiana. Iowa. Kansas.	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,277\\ 195\\ 804\\ 35\\ 56\\ 234\\ 1,308\\ 104 \end{array}$	$\begin{array}{c} 22\\ 16\\ 8\\ 40\\ 41\\ 17\\ 88\\ 308\\ 36\\ 45\\ 73\\ 13\\ 9\\ 9\\ 36\\ 84\\ 26\\ \end{array}$	$\begin{array}{r} 1,233\\ \hline 22\\72\\16\\8\\40\\41\\84\\86\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36\\36$	1	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 70 981 738 1, 241 150 731 22 47 198 1, 224 7	CHES PR 12,106 323 341 258 229 195 96 1,681 949 949 1,170 981 788 1,241 150 729 222 47 197 1,224 78	OHIBITH 20 5 2	2D 37 19 3  4  2 1	<u>54</u> 19 3 	
Alabama Arkansas Colorado Connecticut Florida Ildaho Illinois Indiana Iowa Kansas Minnesota Missouri Montana Nebraska Nevada Nevada Nevada Nevada New Mexico Oregon Texas Utah Washington	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,257\\ 1,069\\ 1,277\\ 195\\ 804\\ 35\\ 56\\ 234\\ 1,308\\ 1,308\\ 104\\ 340\\ 297\end{array}$	222 16 8 40 41 17 88 308 36 45 73 13 9 36 84 84 26 75 58	$ \begin{array}{r}     1,233 \\     22 \\     72 \\     16 \\     8 \\     40 \\     41 \\     84 \\     16 \\     87 \\     88 \\     306 \\     36 \\     45 \\     45 \\     73 \\     13 \\     9 \\     36 \\     84 \\     46 \\     73 \\     13 \\     13 \\     9 \\     36 \\     84 \\     74 \\     \overline{57} \end{array} $	5 	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 170 981 738 1, 241 731 198 1, 224 74 198 1, 224 798 1, 224 798 1, 224 798 1, 226 297 902	CHES PR 12,106 323 341 258 229 195 96 1,681 949 91,170 981 738 1,241 150 729 222 47 197 1,224 78 203 297	OHIBITH 20 5 2	SD 37 19 3 4 4 2 1 3 5	54 19 3 	13, 41 366 411 27 233 13 1, 76 97 1, 25 1, 06 1, 05 1, 05 1, 05 1, 05 1, 05 1, 05 1, 05 1, 05 1, 05 1, 06 1, 05 1, 07 1, 25 1,
Alabama Arkansas Colorado Connecticut Florida Idabo Indiana Iudiana Iuwa Kansas Minnesota Minnesota Minnesota Montana Nebraska Nebraska Nebraska Nebraska Nevada Nebraska Utah Pexas Utah	$\begin{array}{r} 350\\ 415\\ 274\\ 237\\ 235\\ 137\\ 1,765\\ 969\\ 1,257\\ 1,069\\ 1,257\\ 1,069\\ 1,277\\ 195\\ 804\\ 35\\ 56\\ 234\\ 1,308\\ 1,308\\ 104\\ 340\\ 297\end{array}$	222 16 8 40 41 17 88 308 36 45 73 13 9 36 84 84 26 75 58	$ \begin{array}{r}     1,233 \\     22 \\     72 \\     16 \\     8 \\     40 \\     41 \\     84 \\     16 \\     87 \\     88 \\     306 \\     36 \\     45 \\     45 \\     73 \\     13 \\     9 \\     36 \\     84 \\     46 \\     73 \\     13 \\     13 \\     9 \\     36 \\     84 \\     74 \\     \overline{57} \end{array} $	5 	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 170 981 738 1, 241 731 198 1, 224 74 198 1, 224 798 1, 224 798 1, 224 798 1, 226 297 902	CHES PR 12,106 323 341 258 229 195 966 1,681 949 9,177 1,729 222 47 150 729 222 47 197 1,224 738 263 297 897	OHIBITH 20 5 2	SD 37 19 3 4 4 2 1 3 5	54 19 3 	$\begin{array}{c} 13, 41\\ 366\\ 411\\ 27\\ 233\\ 13\\ 1, 76\\ 97\\ 1, 25\\ 1, 06\\ 1, 05\\ 1, 05\\ 1, 02\\ 33\\ 3\\ 5\\ 233\\ 1, 30\\ 1, 30\\ 34\\ 34\\ 29\\ 96\\ 96\\ \end{array}$
Alabama Arkansas Colorado Connecticut Florida Idaho	350 415 274 237 235 137 1,765 969 1,257 1,069 1,257 1,069 1,046 1,277 195 804 35 56 234 1,308 40 35 56 234 1,308 104 340 297 960	222 72 16 8 40 41 84 17 87 88 308 36 45 73 13 9 9 36 84 45 73 13 36 84 26 75 58 NO	1,233 22 72 16 8 40 41 84 85 85 45 45 45 45 45 45 45 45 45 4	5 	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 700 731 1, 221 47 198 1, 224 7, 198 1, 224 7, 205 297 902 W REGA	CHES PR 12,106 323 341 258 229 195 96 1,681 949 1,170 981 788 1,241 150 729 222 47 197 1,224 78 203 297 897 ARDING	OHIBITH 20 5 2	SD 37 19 3 4 4 2 1 3 5	54 19 3 	13, 41 366 411 27 23 13 1, 76 97 1, 25 1, 06 1, 05 1, 05 1, 05 1, 05 1, 05 1, 05 1, 06 1, 05 23 1, 30 1, 30
Alabama         Arkansas         Colorado         Connecticut         Florida         Idaho         Illinojs         Indiana         Iowa         Kansas         Minnesota         Missouri         Montana         Nebraska         Nevada         Oregon         Texas         Utah         West Virginia         Wisconsin         Total         New Hampshire         North Dakota	350 415 274 237 235 337 1,765 969 1,257 1,069 1,046 1,277 1,05 804 35 56 6 234 1,308 104 340 297 960 1,625 123 412	222 72 16 8 40 41 84 17 87 88 308 36 45 73 13 9 9 36 84 84 26 84 25 58 NO 292 292	1,233 22 72 16 8 40 41 84 16 87 88 806 366 366 366 366 366 366 367 73 13 9 366 366 366 366 366 366 366	5 	17 	F BRAN 12, 126 328 343 258 229 195 962 1, 681 962 1, 170 981 738 1, 241 1, 222 47 78 265 297 902 .W REGA 1, 333 123 298	CHES PR 12, 106 323 341 255 96 1, 681 97 981 738 1, 241 738 1, 241 738 1, 241 738 209 22 47 47 197 1, 224 78 209 22 47 47 197 1, 224 105 305 96 96 981 788 209 22 47 47 1, 224 105 788 209 22 27 27 27 27 27 27 27 27 27	OHIBITH 20 5 2	SD 37 19 3 4 4 2 1 3 5	54 19 3 	13, 41 366 411 27 23 13 1, 766 97 97 1, 255 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 265 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 265 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 27 1, 27 1, 265 1, 27 1, 27 1, 27 1, 265 1, 27 1, 27 1, 265 1, 27 1, 2
Alabama Arkansas Colorado Connecticut Florida Idaho	350 415 274 237 235 137 1,765 969 1,257 1,069 1,257 1,069 1,046 1,277 195 804 35 56 234 1,308 40 35 56 234 1,308 104 340 297 960	222 72 16 8 40 41 84 17 87 88 308 36 45 73 13 9 9 36 84 45 73 13 36 84 26 75 58 NO	1,233 22 72 16 8 40 41 84 85 85 45 45 45 45 45 45 45 45 45 4	5 	17 	F BRAN 12, 126 328 343 258 229 195 96 1, 681 952 1, 70 981 738 1, 241 150 731 22 47 198 1, 224 731 198 1, 224 1, 226 297 902 W REGA	CHES PR 12,106 323 341 258 229 195 96 1,681 949 1,170 981 738 1,241 150 729 222 47 197 1,224 197 1,224 197 1,224 397 207 207 207 209 209 209 209 209 209 209 209	OHIBITH 20 5 2	SD 37 19 3 4 4 2 1 3 5	54 19 3 	13, 411 366 411 27, 233 133 1, 76 977 1, 255 1, 066 1, 055 1, 067 1, 07 1, 27 23, 3, 5 23, 23, 1, 300 10 34, 29

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# TABLE 4.—BANKS IN CHAINS OR GROUPS, OPERATING AND NOT OPERATING BRANCH OFFICES, NUMBER OF BRANCHES, AND TOTAL OF BANKING OFFICES (BANKS PLUS BRANCHES), BY STATES: DECEMBER 31, 1929

APRIL, 1930

# TABLE 5.—LOANS AND INVESTMENTS OF BANKS IN AND NOT IN CHAIN OF GROUP SYSTEMS, OPERATING AND NOT OPERATING BRANCHES, BY STATES: DECEMBER 31, 1929 ITs millions of dollard

[In mill	ions of dollars	s]				
	Banks	in chains or	groups	Banks n	ot in chains o	or groups
All banks	Total	Operating no branches	Operating branches	Total	Operating no branches	Operating branches
58, 417	11, 177	4, 913	6, 264	47, 240	28, 401	18, 839
	STATE-V	VIDE BRAD	NCH BANI	KING PER	MITTED	
6, 623	1,709	213	1, 496	4, 914	2, 326	2, 588
81 3, 420 167 245 837	18 1, 528 1	18 178 1	1,350	63 1,892 166 245 837	38 553 60 98 521	25 1, 339 106 147 316
370 533 169 250	153 8 1	11 4 1	142 4	370 380 161 249	219 147 108 222	151 233 53 27 191
				551	360	191
	BRANC	CHES REST	RICTED A	S TO LOC	ATION	
36, 642	5, 986	1, 624	4, 362	30, 656	14, 500	16, 156
334 554 429 433	166 124 33 70	37 17 21	87 16 49	430 396 363	360 165 282	32 70 231 81
2, 021 212 2, 388	1,262 15 396	302 12 160	960 3 236	759 197 1, 992	534 170 1, 163	1,043 225 27 829
17, 222 2, 691 5, 703 430	2, 011 86 803 149	220 32 668 23	1,785 54 135 126	2, 605 4, 900 281	1, 226 3, 093 211	10, 362 1, 379 1, 807 70
-	ESTABLI	SHMENT	OF BRANC	HES PRO	HIBITED	
14, 130	3, 252	2, 846	406	10, 878	10, 785	93
282 198 262	32 50	32 50 30		250 148 232	237 146 232	13 2
1, 336 258 81	37 134 37	37 134 37		1, 299 124 44	1, 299 124 44	
863 782 404	41 90 46	19 90 46	22	822 692 358	796 692 358	26
1, 199 144	158 81	402 158 81 62	181	1, 041 63	318 1,041 63 289	
38 41 260	20 3 82	20 3 82		18 38 . 178	18 38 177 032	
$     \begin{array}{r}       162 \\       460 \\       345     \end{array} $	50 188	50 120	68	112 272 345	$     \begin{array}{c}       112 \\       269 \\       345     \end{array} $	3
		1	1		1	40
	11	0			11	
311				311	311	
112 401 137 58	58 103 47 22	58 103 47 22		54 298 90 36	54 298 90 36	
	All banks 58, 417 6, 623 81 3, 420 167 250 551 36, 642 334 551 36, 642 334 4, 225 2, 021 2, 388 17, 222 2, 388 17, 222 1, 336 250 14, 130 282 1, 336 258 11, 326 250 1, 336 14, 130 282 1, 336 258 17, 222 1, 336 259 1, 336 259 1, 336 259 1, 336 259 1, 336 259 1, 336 14, 130 282 1, 336 259 1, 336 259 1, 336 1, 336 1, 369 1, 369 1, 369 1, 369 1, 369 1, 119 1, 109 1, 019 1, 011 1, 011 1, 015 1, 015 1, 015 1,	Banks           All banks         Total           58,417         11,177           STATE-V           6,623         1,709           81         18           3,420         1,528           167         1           837         11,177           STATE-V         6,623           1,709         81           3,420         1,528           167         1           837         11,262           837         11,263           837         11,262           837         11,262           837         11,262           933         163           169         8           351         1.1           36,642         5,986           334         166           554         124           429         33           433         701           2,021         1,262           2,031         2,031           2,031         2,031           2,031         3,252           322         32           163         37           283         37 <tr< td=""><td>All banks         Total         Operating no branches           58,417         11,177         4,913           STATE-WIDE BRAD         6,623         1,709         213           6,623         1,709         213         18           3,81         18         18         18           3,420         1,528         178           245             370         133         11           166         8         4           250         1         1           36,642         5,986         1,624           334         166         35           429         33         17           423         70         21           4225         871         91           2,021         1,262         302           2,288         396         160           17,222         2,011         226           2,691         86         32           5,703         803         668           430         149         23           ESTABLISHMENT         14,130         3,252         2,846           282         32         32</td><td>All banks         Banks in chains or groups           All banks         Total         Operating no branches         Operating branches         Operating branches           58,417         11,177         4,913         6,264           STATE-WIDE BRANCH BANK         6,623         1,709         213         1,496           6,623         1,709         213         1,496         1,496           3,420         1,528         178         1,350           167         1         1        </td><td>Banks in chains or groups         Banks in           All banks         Total         Operating obranches branches         Total           55,417         11,177         4,913         6,264         47,240           STATE-WIDE BRANCH BANKING PER           6,623         1,709         213         1,496         4,914           3,420         1,523         178         1,350         1,892           167         1         1         213         1,496         4,914           3,420         1,523         178         1,350         1,892           167         1         1         4         245           533         153         11         142         300           250         1         1         4         249           551         1         1         4         360           250         1         1         4         30,656           36,642         5,986         1,624         4,362         30,656           364         123         71         6         366           364         123         71         16         36           4232         701         296         1</td><td>Banks in chains or groups         Banks not in chains of sources           All banks         Total         Operating no branches         Operating branches         Total         Operating no branches           55,417         11,177         4,913         6,224         47,240         28,401           STATE-WIDE BRANCH BANKING PERMITTED           6,623         1,709         213         1,446         4,914         2,226           3,230         1,525         178         1,350         1,862         583           1,673         1         124         350         1,626         606           243         1,525         178         1,350         1,892         226           3,343         11         142         350         147         236         246           2501         1         1         142         350         147         236         246           36,642         5,966         1,624         4,362         30,656         14,500         364         366         165         377         377         366         165         377         377         374         364         2317         16         366         165         165         165&lt;</td></tr<>	All banks         Total         Operating no branches           58,417         11,177         4,913           STATE-WIDE BRAD         6,623         1,709         213           6,623         1,709         213         18           3,81         18         18         18           3,420         1,528         178           245             370         133         11           166         8         4           250         1         1           36,642         5,986         1,624           334         166         35           429         33         17           423         70         21           4225         871         91           2,021         1,262         302           2,288         396         160           17,222         2,011         226           2,691         86         32           5,703         803         668           430         149         23           ESTABLISHMENT         14,130         3,252         2,846           282         32         32	All banks         Banks in chains or groups           All banks         Total         Operating no branches         Operating branches         Operating branches           58,417         11,177         4,913         6,264           STATE-WIDE BRANCH BANK         6,623         1,709         213         1,496           6,623         1,709         213         1,496         1,496           3,420         1,528         178         1,350           167         1         1	Banks in chains or groups         Banks in           All banks         Total         Operating obranches branches         Total           55,417         11,177         4,913         6,264         47,240           STATE-WIDE BRANCH BANKING PER           6,623         1,709         213         1,496         4,914           3,420         1,523         178         1,350         1,892           167         1         1         213         1,496         4,914           3,420         1,523         178         1,350         1,892           167         1         1         4         245           533         153         11         142         300           250         1         1         4         249           551         1         1         4         360           250         1         1         4         30,656           36,642         5,986         1,624         4,362         30,656           364         123         71         6         366           364         123         71         16         36           4232         701         296         1	Banks in chains or groups         Banks not in chains of sources           All banks         Total         Operating no branches         Operating branches         Total         Operating no branches           55,417         11,177         4,913         6,224         47,240         28,401           STATE-WIDE BRANCH BANKING PERMITTED           6,623         1,709         213         1,446         4,914         2,226           3,230         1,525         178         1,350         1,862         583           1,673         1         124         350         1,626         606           243         1,525         178         1,350         1,892         226           3,343         11         142         350         147         236         246           2501         1         1         142         350         147         236         246           36,642         5,966         1,624         4,362         30,656         14,500         364         366         165         377         377         366         165         377         377         374         364         2317         16         366         165         165         165<

APRIL, 1930 \_\_\_\_

TABLE 6.—NUMBER AND LOANS AND INVESTMENTS OF MEMBER BANKS IN AND NOT IN CHAIN OR GROUP SYS-TEMS, OPERATING AND NOT OPERATING BRANCHES, BY STATES: DECEMBER 31, 1929

					[Amoun	nts in mill	ions of do	llars]						
-starte water at	2 21	1	Numb	er of men	ber bar	nks		14.38	Loans	and inve	stments o	f memb	er banks	-
State		Inc	hains or g	roups	Not in	n chains of	groups		Inc	hains or gr	roups	Not i	n chains o	r groups
	Total	Total	Operat- ing no branches	Operat- ing branches	Total	Operat- ing no branches	Operat- ing branches	Total	Total	Operat- ing no branches	Operat- ing branches	Total	Operat- ing no branches	ing
Total	8, 522	938	855	83	7, 584	7, 321	263	35, 934	9, 305	3, 726	5, 579	26, 629	13, 275	13, 3
				ST	TATE-	WIDE B	RANCH	BANK	ING P	ERMITT	TED			
Total	710	35	30	5	675	620	55	4, 106	1,336	176	1, 160	2,770	1, 106	1,6
Arizona California	$\begin{array}{c}17\\217\\20\end{array}$	1 30	1 26	4	16 187 20	14 174 18	$\begin{array}{c}2\\13\\2\end{array}$	42 2,474 80	6 1, 177	6 159	1,018	36 1,297 80	21 350 33	9
Delaware District of Columbia	12 85				12 85 72	6 80	2 6 5	127 322				127 322	45 158	- 1
Maryland North Carolina Rhode Island	72 14 55	2	1	1	72 12 54	66 7 49	65	174 328 98	149	73	142	174 179	117 25	1
South Carolina Vermont	46 172	1	1		45 172	45 161	5 	70 391	31	1		95 69 391	53 69 235	
Virginia				BR	ANCH	ES RES	TRICTE	D AS '	TO LO	CATION	1		1	
Total	3, 315	277	204	73	3, 038	2, 839	199	22, 707	5, 219	1,207	4,012	17, 488	5, 859	11,6
Georgia Kentucky	115 145	14 12	11 9	33	101 133	97 130	43	245 328	164 118	29 31	135 87	81 210	69 148	
Louisiana Maine Massachusetts	42 55	65	5 5 24	1	36 50	30 49 120	6 1	283 145	30 15	17 15	13	253 130	87 127	
Michigan	177 273 38	34 53 2	24 32 2	10 21	143 220 36	200 35	23 20 1	1, 691 1, 460 77	835 1,074 8	71 143 8	764 931	856 386 69	381 224 68	
Mississippi New Jersey New York	364 666	40 70	32 55	8 15	324 596	295 542	29	1, 525 11, 005	207	98 170	109 1,692	1,318 9,143	709 1,207	7,
Ohio Pennsylvania	388 948	5 25	2 21	34	383 923	358 894	25 29	1,958 3,705	84 717	30 589	54 128	1,874 2,988	711 2,005	1,
Tennessee	104	11	6	5	93	89 ISHMEN	4	285	105	6 POHIPI	99	180	123	
Total	3, 895	483	478	5	3, 412	3,403	9	8, 544	2, 557	2, 150	407	5, 987	5,926	1
Alabama	119	13	13		106	105		211	31	31		180	180	(1)
Arkansas Colorado	94 123	17 11	17 11		77 112	77 112		125 218	33 23	33 23		92 195	92 195	
Connecticut Florida	67 61	4 19	4 19		63 42	63 42		306 164	4 120	4 120		302 44	802 44	
Idaho Illinois	60 544	15 29	15 29		45 515	45 515		54 2, 575	26 919	26 919		28	28	
Indiana Iowa	234 291	4 34	3 34	1	230 257	229 257	. 1	436 350	27 69	5 69	22	409 281	397 281	
Kansas Minnesota	252 276	25 134	25 132	2	$227 \\ 142$	227 142		203 535	26 469	26 288	181	177 66	177 66	
Missouri Montana	187 88	14 21	14 21		173 67	173 67		856 113	137 69	137 69		719 44	719	
Nebraska Nevada	160 10	22	22 3		138 7	136	2	190 18	46 8	46 8		144	136	
New Mexico	29	5	5		24	24		30	2	2		28	28	
Oregon Texas	120 689	23 28 10	23 28		97 661	96 661	1	214 861	74 92	74 92		140 769	139 769	
Utah Washington	42 146	10 31	10 30	1	32 115	32 114	1	86 317	32 169	32 100	69	54 148	54 146	
West Virginia Wisconsin	131 172	21	20	1	131 151	131 148	3	202 480	181	46	135	202 299	202 261	
1			NO	PROVIS	SION I	N STAT	ELAW	REGAL	RDING	BRANC	H BAN	KING		
Total	602	143	143		459	459		578	193	193		385	385	
New Hampshire	57 122				57 78	57 78		73 71				73 27	73 27	
North Dakota Oklahoma	294	55	55		239	239		331	97	97 37		234	234	

<sup>1</sup> Less than \$500,000.

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# FEDERAL RESERVE BULLETIN

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### TABLE 7.—NATIONAL, STATE MEMBER, AND NONMEMBER BANKS IN CHAIN OR GROUP SYSTEMS—NUMBER AND LOANS AND INVESTMENTS, BY STATES: JUNE AND DECEMBER, 1929 [Amounts in millions of dollars]

						ints in .		5 01 (1011)	1							
	e biral	Nun	nber of l	banks in	n chains	and gr	oups	-	Los	ans and	investn	nents of	banks i	in chain	s or grc	ups1
State	То	otal	Nat	ional	State 1	nember	Nonm	ember	То	otal	Nat	ional	State 1	nember	Nonm	ember
Strate Large	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June	Dec.	June
Total	2, 103	1, 821	802	645	136	111	1, 165	1, 065	11, 177	8, 300	5,908	4, 159	3, 397	2, 509	1, 872	1, 632
the second s		17			STAT	E-WID	E BRA	NCH	BANK	ING P	ERMIT	TTED				
Total	64	65	33	33	2	4	29	28	1,709	1,656	969	864	367	368	371	423
Arizona California Delaware	6 49 3	6 51 3	1 29	1 30	1	3	5 19 3	5 18 3	18 1, 528 1	18 1,476 1	6 952	6 848	225	226	$     \begin{array}{r}       12 \\       350 \\       1     \end{array} $	12 402 1
District of Columbia																
North Carolina Rhode Island South Carolina Vermont.	3 2 1	3 2	1 1 1	1	1	1	1	1	153 8 1	153 8	7 3 1	73	142	142	4 4	4 4
Virginia																
			BRANCHES RESTRICTED AS TO LOCATION           387         193         143         84         62         232         182         5, 986         4, 027         2, 604         1, 581         2, 617         1, 876         770													
Total	509	387	193	143	84	62	232	182	5, 986	4,027	2,604	1, 581	2, 617	1,876	770	573
Georgia Kentucky	22 16	20 4	9 10	84	52	4	8 4	8	166 124	157 8 33	144 78 30	143 8 30	21 40	14	2 7	1
Louisiana Maine Massachusetts	10 12 45	10 5 33	6 5 27		7	6	4 7 11	438	33 70 871	33 53 530	$     \begin{array}{c}       30 \\       15 \\       762     \end{array} $	30 10 281			3 55 36	3 43 25
Michigan Mississippi	135 21	86 21	27 28 2	9 2	25	12	82 19	65 19	1,262 15	428 15	366 8	21 8	708	348	188 8	25 59 8
New Jersey New York Ohio		56 81	26 52 2	25 45	14 18 3	14 16	$     \begin{array}{c}       20 \\       32 \\       1     \end{array} $	17 20	396 2, 011 86	358 1, 571	97 624 31	98 576	$109 \\ 1,238 \\ 54$	76 861	190 149 2	184 134
Pennsylvania Tennessee	48 32	48 23	2 15 11	15 8	10	10	23 21	23 15	803 149	782 92	344 105	344 62	374	352	86 - 44	86 30
			1	1	ESTAB	LISHN	IENT	OF B	RANC	HES P	ROHII	BITED				
Total	1, 238	1, 101	438	361	45	40	755	700	3, 254	2, 416	2, 145	1, 552	411	262	696	599
Alabama Arkansas	22 72	19 55	13 15	10 10	2	2	9 55	9 43	32 50	7 41	31 22	7			1 17	1.14
Colorado Connecticut Florida	16 8 40	16 	11 4 19	11			5 4 21	5 	30 37	30	23	23			7 33	7
Idaho Illinois	40 41 84	41 79	11 20	11 19	4 9	4 8	21 26 55	29 26 52	$     \begin{array}{r}       134 \\       37 \\       1, 212     \end{array} $	129 37 996	120 17 729	94 17 663	.9 190	9 61	14     11     293	35 11 271
Indiana Iowa	17 87	10 83	3 33 24	2 31	1	8 1 1	13 53	7 51	41 90	30 73	4 68	4 51	22	22 1	14 21	3 21
Kansas Minnesota Missouri	88 308 36	85 261 34	132 9	22 103 9	1 2 5	1 2 5		62 156 20	46 584 158	44 269 157	24 467 26	22 194 26	1 2 111	$     \begin{array}{c}       1 \\             2 \\             111         \end{array}     $	20 115 20	20 74 20
Montana Nebraska	45 73	32 68	16 22	8 18	5	3	24 51	21 50	81 62	45 27	41 46	13 14	29	23	12 16	9 13
Nevada New Mexico Oregon	13 9 36	16 8 33	3 5 18	4 5 16	5	5	$     \begin{array}{c}       10 \\       4 \\       13     \end{array} $	$     \begin{array}{c}       12 \\       3 \\       12     \end{array} $	20 3 82	23 3 82	8 2 71	9 2 69	3	3	12 1 8	14 1 10
Texas Utah	84 26	79 27	25 6	21 6	34	34	56 16	55 17	104 50	89 50	78 29	62 29	14 3	14 3	12 18	12 18
Washington West Virginia Wisconsin	75 	59 	28	22	3		44	36	189 212	79 205	154	63 175	15	1	20	15
			1						1	1		1			01	
	-		1							1	BRA	1	1	1		
Total New Hampshire	292	268	138	108	5	5	149	155	230	201	192	162	2	2	35	36
North Dakota Oklahoma South Dakota W yoming	114 85 61 32	100 82 54 32	44 54 31 9	30 45 24 9	1 3 1	1 3 1	70 30 27 22	70 36 27 22	58 103 47 22	44 96 39 22	44 97 36 15	30 89 28 15	2	2	14 6 9 6	14 7 9 6
						1					10	10			0	0

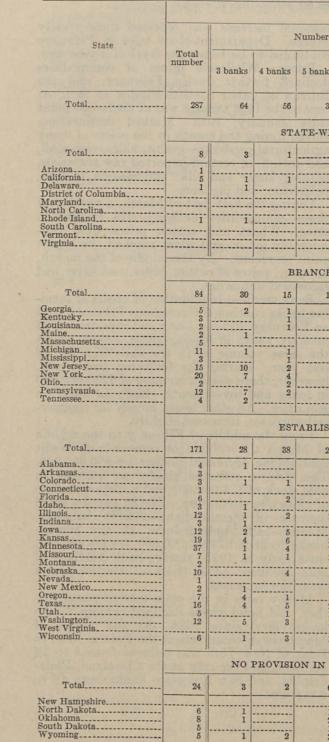
<sup>1</sup> Based largely on figures taken from the Bankers Directory for June, 1929.

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TABLE 8.—Size of Chain or Group Systems and Character of Controlling Agency, by States: December 31, 1929

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<sup>1</sup> Maximum number of banks in any single chain or group system.

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	,						
	Bank c	hains or gr	oups	Ser al	MARINE.	Sec. al	
er co	mprising-	angel	Distance in the	al solar	Co	ontrolled b	y—
lks	6 to 9 banks	10 to 19 banks	20 or more	Maxi- mum size <sup>1</sup>	Holding com- panies	Banks	Individ- uals
39	86	32	10	92	53	44	190
VID	E BRAN	CH BAN	KING PI	ERMITT	ED	ine tion.	Prod
	3	1	1019	17	3	1	4
	1 2	1		6 17	3		121
				3			1
				3		1	
10	17	1	AS TO L	1	1		Discoloring
		8	4	66	25	29	30
1	2 1 1			9 6 9	2	1 2	
1	1 3 1 2 3			20	1 3 3	1	1
3	1	31	2	35 10	3		8
1 3	2			9	1	10	4
1	2			19 4	12 1	2	1 8 2 4 6 1 4 1
	2	1	1	7 66	1	73	4
SH	MENT O	F BRAN	CHES PI	ROHIBIT	ED	w wild	for py
23	57	20	5	92	24	14	133
1	1	1		10 11	1	2	1
	1 1 4 1 5 2 1			8			1 3 3
	4			8 7 8	1	15	
2	15	1 2		10 16	1	121 22.23	20
	2	4		16 . 7 17	1	3 1	1
372	6	4		17 7 92			12
2	6 18 3 2 3	4	3	9	31		2 9 1 12 19 34 6 6 2 10
1	23	2 1		8 10			2
1		1		12 5	1		1
	1	1			5		2
2 1 1	1 4 2 1		1	$     \begin{array}{r}       10 \\       12 \\       25 \\       22     \end{array} $	5 1 1	1 1	1 2 14 3 5
	1	1	1		7		5
1		1		18	1		5
I ST		1. S	RDING		I BANKI	NG	Send Pic-
6	9	3	1	21	1		23
1	2	2 1		14			6
1212	2 3 4	1	1	14 21 7 5	1		6 7 5 5
2				5			5

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# NATIONAL SUMMARY OF BUSINESS CONDITIONS

### [Compiled March 21 and released for publication March 24]

Industrial production increased in February, seasonal increase was reported during early while the number of workers employed in fac- March. Department-store sales in February tories was about the same as in January. continued to be below the level of a year ago. Wholesale commodity prices continued to decline. Credit extended by member banks declined further during February, and the was further reduced in February, but increased Bureau of Labor Statistics index at 92.1 per in the first two weeks of March. Money rates cent of the 1926 average was at the lowest point continued to decline.

tion increased about 2 per cent according to agricultural products—grains, hides, raw wool, the board's index, which is adjusted to allow and cotton; in certain imported raw materials, for seasonal variations. This increase reflected notably sugar and silk; and also in textiles, chiefly a substantial gain in the output of iron | petroleum, and pig iron. and steel. Automobile production was in During the first part of March, a number of larger volume than during January but was 30 these commodities declined still further in per cent smaller than the large output of a price. Wheat and cotton prices were conyear ago. Cotton and wool consumption by siderably lower, and silver reached the lowest mills was substantially lower in February, and point on record. By the middle of the month, production of bituminous coal and copper also however, prices of cotton, hides, and silver had decreased.

In the first two weeks of March the output | Bank credit.-Liquidation of credit at memof steel mills declined in comparison with ber banks continued throughout February, and February, contrary to the usual seasonal move- on February 26 total loans and investments of

February was about the same as in the preced- last year. During the following two weeks, ing month, according to the F. W. Dodge however, there was an increase of \$230,000,000 Corporation. Residential building continued in loans and investments, chiefly in loans on at an exceptionally low level, while contracts securities. All other loans, largely for commerfor public works and utilities were large in cial purposes, increased slightly, comparison with the corresponding month in From the middle of February to the middle other recent years. Awards in the first two of March the volume of reserve-bank credit weeks of March were larger than in the first outstanding decreased further by \$90,000,000. half of February.

ployment, which had reached a low point in of money in circulation, offset in part by some January, showed little change in February, increase in member-bank reserve balances. when an increase usually occurs. Factory pay Member-bank indebtedness at the reserve rolls increased during the month, but by a smaller amount than is usual at this season. since early in 1925; reserve-bank holdings of In the steel, automobile, agricultural imple- bills declined, while those of United States ment, and tobacco industries, employment in- securities increased. creased during the 4-week period, while further decreases occurred in the cotton and wool ther, and bond yields declined rapidly to the textile, lumber, automobile tire, electrical ma- lowest level since 1928. At the middle of chinery, and machine-tool industries.

average daily basis were slightly larger than per cent, and the rate at the Cleveland, Philain January, but smaller than in the correspond- delphia, and San Francisco banks from 41/2 to ing month of any other recent year. Slight 4 per cent.

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since January, 1922. Marked declines oc-Production.-In February industrial produc- curred during the month in the prices of many

recovered somewhat.

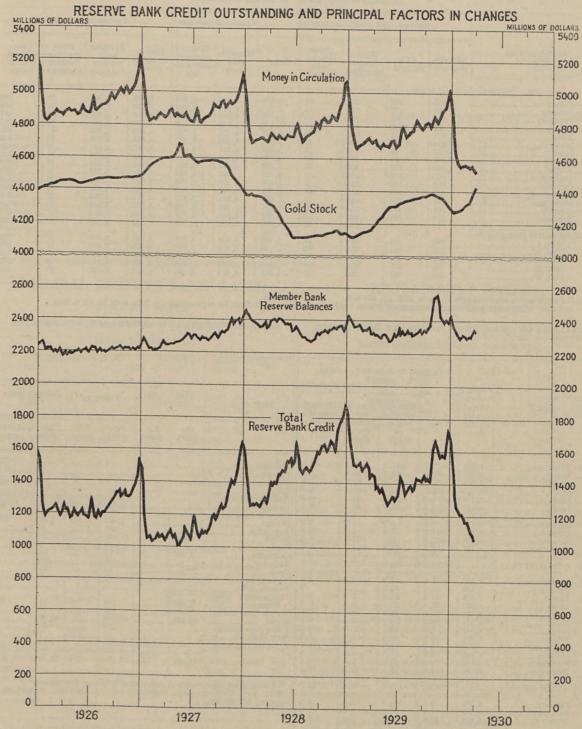
ment. Bituminous coal output also was smaller. member banks in leading cities were in about The volume of building contracts awarded in | the same volume as in the early summer of

alf of February. Employment.—The volume of factory em-gold stock of \$75,000,000 and a further decline banks declined to \$267,000,000, the lowest level

Money rates in the open market eased fur-March the discount rate at the Federal Reserve Distribution.-Freight car-loadings on an Bank of New York was reduced from 4 to 31/2



# FEDERAL RESERVE BANK CREDIT



Based on weekly averages of daily figures; latest figures are for week ending March 29

# FEDERAL RESERVE BULLETIN

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#### FEDERAL RESERVE BULLETIN

#### RESERVE BANK CREDIT OUTSTANDING AND FACTORS IN CHANGES

[Averages of daily figures. In millions of dollars]

	1	Reserve ba	ink credit o	utstandin	g	Factors of	decrease 1	and the	Factors of	increase 1	
Month or week	Bills dis- counted	Bills bought	United States securities	Other reserve bank credit <sup>2</sup>	Total	Monetary gold stock	Treasury currency outstand- ing	Money in circu- lation	Member bank reserve balances	Non- member clearing balances	Unex- pended capital funds
28—December	1,013	483	263	65	1,824	4, 142	1,790	5,008	2, 367	29	355
29—January February March	859	473	229	52	1, 613	4, 115	1, 789	4,748	2,387	31	351
February	889 969	385	184	44	1, 502	4, 143	1, 784	4, 686	2,357	29	357
April	1,004	265 156	197 165	50 52	1,481	4,166 4,226	1, 791 1, 785	4,709 4,679	2, 337 2, 308	31 35	361 366
May	956	145	153	49	1, 303	4, 292	1, 787	4, 684	2, 296	30 32	370
May June	978	99	179	61	1, 317	4, 311	1, 779	4, 687	2, 314	30	376
July August September October	1,096	75	147	62	1,380	4, 335	1,790	4,764	2,334	31	376
August	1,043	124	155	54	1, 376	4, 351	1, 781	4, 777	2,322	27	382
September	969	229	165	64	1, 427	4, 368	1, 766	4, 811	2, 335	28	387
November	885 953	337 296	154 315	74 67	1,450	4, 381	1,785	4, 810	2, 386	28 33	392
December	803	290	446	74	1, 631 1, 643	4,374 4,324	1,789 1,797	4,845 4,943	2, 521 2, 395	33 27	39/ 399
30-January	501	314	485	57	1, 357	4, 283	1, 784	4, 652	2, 349	29	394
30—January February March	378	285	480	38	1, 181	4, 319	1,781	4, 556	2,305	+27	r 393
March	274	246	540	35	1,095	4,395	1,797	4, 533	2,330	27	397
Week ending (Saturday)-				Contraction of the						and the second	
Mar. 1 Mar. 8	360	289	482	34	1,165	4,344	1,765	4, 548	2,307	25	394
Mar. 15	329 267	261 238	494 554	42 36	1,126 1,095	4,364	1, 797	4, 564	2,303	27	393
Mar. 22	207	238	004 593	30	1,095	4,388 4,407	1, 810 1, 805	4, 535 4, 517	2, 337 2, 348	28 28	393 397
Mar. 29	230	261	528	34	1,078	4, 419	1, 786	4, 505	2, 326	20 27	400

<sup>1</sup> For explanation see BULLETIN for July, 1929, pp. 432–438. <sup>2</sup> Includes "other securities," amounts due from foreign banks, and reserve bank float; for explanation see BULLETIN for July, 1929. .

#### ANALYSIS OF CHANGES IN MONETARY GOLD STOCK

[End of month basis. In millions of dollars]

[In thousands of dollars]

GOLD MOVEMENTS TO AND FROM UNITED STATES

APRIL, 1930

Present parts	Gold	Incre	ase or deci	rease (-)	during	-
Month	stock at end of month	Total	Through net gold import or export	Through ear- marking opera- tions	Through domestic produc- tion, etc. <sup>1</sup>	
1928—February. April. March. June. July. August. September. October. December.	$\begin{array}{r} 4,266\\ 4,160\\ 4,109\\ 4,113\\ 4,123\\ 4,125\\ 4,142\\ 4,128\\ \end{array}$	$\begin{array}{c} -11.2\\ -57.6\\ -38.7\\ -105.7\\ -51.0\\ 3.4\\ 10.3\\ 2.1\\ 17.3\\ -14.0\\ 0\end{array}$	$\begin{array}{c} -11.1\\ -94.9\\ -91.2\\ -81.7\\ -79.9\\ -63.9\\ 0.7\\ 0.5\\ 13.3\\ 6.7\\ 0.6\\ 0.7\\ \end{array}$	$\begin{array}{r} 2.9\\ 35.8\\ 45.7\\ -26.5\\ 30.1\\ 60.9\\ 5.9\\ -1.2\\ 1.2\\ -25.0\end{array}$	$\begin{array}{c} -3.0 \\ 1.5 \\ 6.8 \\ 2.5 \\ -1.2 \\ 6.4 \\ 3.7 \\ 2.8 \\ 2.8 \\ 4.3 \end{array}$	- IHOHNOOMAH
Total (12 mos.)	4, 141	13.2 -237.9	23.3	<u>-15.7</u> 119.6	5.6	OOH
1929—January February March June July August September October November December	4, 188 4, 260 4, 301 4, 324 4, 341 4, 360	$\begin{array}{r} -14.4\\ 26.4\\ 34.4\\ 72.4\\ 40.6\\ 23.4\\ 16.3\\ 18.9\\ 12.1\\ 14.4\\ -19.8\\ -82.3\end{array}$	$\begin{array}{r} 47.2\\ 25.5\\ 24.8\\ 23.1\\ 23.6\\ 30.2\\ 34.7\\ 18.4\\ 17.6\\ 17.5\\ -23.2\\ -64.4\end{array}$	$\begin{array}{r} -65.0 \\ \hline 7.5 \\ 48.6 \\ 16.1 \\ -7.5 \\ -22.0 \\ -1.0 \\ -6.6 \\ -4.5 \\ 1.0 \\ -22.0 \end{array}$	$\begin{array}{r} 3.4\\ .9\\ 2.1\\ 0.7\\ 0.9\\ 0.7\\ 3.6\\ 1.5\\ 1.1\\ 1.4\\ 2.4\\ 4.1\end{array}$	HVHO IJHNA
Total (12 mos.)		142.4	175.1	-55.4	22.7	
1930—January February March P	4, 293 4, 355 4, 421	8.8 61.9 66.8	4.0 60.0 47.5	2.5 0.0 13.0	2.3 1.9 6.3	in

Last year		19	30		19	029
From or to—		h (pre- nary)	Febr	uary		y-Feb- ary
	Im- ports	Ex- ports	Im- ports	Ex- ports	Im- ports	Ex- ports
England France Germany Italy				10	2 20 23	8, 497 136
Netherlands Canada Central America Mexico Argentina Brazil			2, 629 184 1, 491 297 11, 823	10 178	5, 787 513 2, 479 297 17, 253	46
Chile. Colombia. Ecuador Peru. Venezuela	1,007		11, 323 17 71 144 80 37		45 1, 285 257 448 85	
British India China and Hong Kong Dutch East Indies Japan Philippine Islands	4, 584		119 123 40, 906 220	9	841 241 40, 906 467	22
New Zealand All other countries	1 622	1 391	220 17 2,039		39 2, 120	40
Total	<sup>2</sup> 47, 895	391	60, 198	207	73, 106	9, 155

Includes all movements of unreported origin or destination. At New York—imports, \$6,956,000; exports, \$391,000. Elsewhere— ports, \$40,939,000.

APRIL, 1930

terre derives her and give the ball			test je	Rep	orting m	ember ba	anks in l	leading ci	ties			
Marth an data	То	tal 1			Marr V	ark City	C	ther lead	ling citi	es	outside	er banks leading ies 1
Month or date			10	otal	New 1	ork City	Т	otal	Chi	cago		Aunon
	1929	1930	1929	1930	1929	1930	1929	1930	1929	1930	1929	1930
January February March	891 893 978 991	462 371 247	663 659 740 725	247 174 81	190 131 166 162	39 21 1	473 528 574 563	208 153 80	$71 \\ 96 \\ 121 \\ 46$	71	228 234 238 266	215 197 166
May June July August	951 972 1, 100 1, 013 974		661 670 801 717 706		$     \begin{array}{r}       145 \\       165 \\       319 \\       196 \\       166     \end{array} $		516 505 482 521 540		36 64 47 32 18		290 302 299 296 268	
September	974 885 944 755		634 655 490		74 60 80		540 595 410		38 28 37		208 251 289 265	

<sup>1</sup> Includes (in small amounts) discounts by Federal reserve banks for nonmembers: (1) bills discounted for intermediate credit banks and (2) notes secured by adjusted service certificates discounted for nonmember banks.

# FEDERAL RESERVE BANK RATES

# -----

DISCOUNT R	ATES				RAIL	N NI G	Ew 10	AL C			
[Rates on all classes and matur	rities of elig	tible paper	]	and other	Preva	iling rate	e on-		age rate	Averag	
Federal reserve bank	Rate in effect on Apr. 1	Date estab- lished	Previous rate		Prime	Prime		Call	loans 1	U.S. Treas-	
Boston New York	4 4 4½	Mar. 20 Mar. 15 Feb. 7	432 4 432 432 5	Month or week	com- merical paper, 4 to 6 months	bank- ers' accept- ances, 90 days	Time loans, 90 days <sup>2</sup>	New	Re- newal	ury notes and certifi- cates, 3 to 6 months	Treas- ury bonds <sup>3</sup>
Atlanta Chicago	4	Feb. 8	5 4½	1929		-1/ -1/	-24.0	0.00	0.10	11.00	0.70
St. Louis			5	March		51/4-51/2		9.80	9.10 8.89	44.60	3.76
Minneapolis		Feb. 15	414	April			8½-9 8½-9	9.40	8. 89	4.80	3. 67
Kansas City Dallas			472	May June			8 -814		7.70	4 4. 80	3. 71
San Francisco	472	Mar. 21	412	July			8 -8:4	9.41	9.23	4. 55	3.68
Ball Flatteisco		Mai. 21	472	August			834-9	8.15	8.23	4.70	3.72
				September			834-9	8.62	8.50	4 4. 58	3.70
BUYING RATES ON A	COPPTA	NCES		October			7 -9	6.10	6.43	4.37	3.67
BUILING RATES ON A	COLI IA	TOES		November				5, 40	5.44	3.47	3.45
(Buying rates at the Federal Res	erve Bank	of New Y	ork]	December		33/4-4	434-5	4.88	4.83	* 3. 03	3.46
				December		0/4 1	1/1 0	1.00	1.00	0.00	0.10
Maturity	Rate in effect on Apr. 1	Date estab- lished	Previous rate <sup>1</sup>	1930 January February	41/2-5	37⁄8-4 33⁄4-37⁄8		4.31 4.28	4.64 4.32	3. 39 3. 36	3. 51 3. 50
Store and store and the	ALL STREET			March	33/4-43/4	21/2-33/4	33/4-43/4	3.56	3.69	42.95	3.40
1-15 days		Mar. 19	31/8	Week ending-							
16-30 days		do	31/8	Mar. 1	1	and the second second second	41/2-43/1		4.40	3.06	3.49
31-45 days		do	31/8	Mar. 8			41/4-43/4		4.00	3.01	3.44
46-60 days		Mar. 20	31/8	Mar. 15			4 -41/2		3.90	4 3.06	3.38
61-90 days		do	31/8	Mar. 22		21/2-31/8		2.97	3.00	2.94	. 3.37
91-120 days		do	31/8	Mar. 29	3%4-4	21/2-23/4	4	3.78	3.80	2.83	3.40
121-180 days	31/4	do	33%	the subscription of the su	Contraction of the local division of the loc	Contraction of the second			10000		

DISCOUNT R	ATES				KAIL	N NI G	EW IO	AL C	111		
[Rates on all classes and matur	rities of elig	gible paper	]	and and	Preva	iling rate	e on—		nge rate	Average	
Federal reserve bank	Rate in effect on Apr. 1	Date estab- lished	Previous rate		Prime	Prime		Call	loans 1	U.S. Treas-	-
Boston. New York. Philadelphia. Cleveland. Richmond.	4	Mar. 20 Mar. 15	41/2 4 41/2 41/2 5	Month or week	com- merical paper, 4 to 6 months	bank- ers' accept- ances, 90 days	Time loans, 90 days <sup>2</sup>	New	Re- newal	ury notes and certifi- cates, 3 to 6 months	Treas- ury bonds <sup>3</sup>
Atlanta. Chicago	4 4½	Feb. 8 Feb. 11	5 4½ 5 5	1929 March April		51/4-51/2	734-8 81⁄2-9	9.80 9.46	9.10 8.89	4 4. 60 4. 80	3.76 3.67
Kansas City Dallas San Francisco	4	Feb. 15 Feb. 8 Mar. 21	432 5 432	May June July	6 6	5½ 5½	81/2-9	8.79 7.83 9.41	8.91 7.70 9.23	5.09 4 4.80 4.55	3.67 3.71 3.68
BUYING RATES ON A [Buying rates at the Federal Res			ork]	August September October November December	6]4 6]4 5]4-6]4	53/8 53/8		8.15 8.62 6.10 5.40 4.88	8. 23 8. 50 6. 43 5. 44 4. 83	4.70 4.58 4.37 3.47 * 3.03	3. 72 3. 70 3. 67 3. 45 3. 46
Maturity	Rate in effect on Apr. 1	Date estab- lished	Previous rate <sup>1</sup>	1930 January February	41/2-5	37/8-4 33/4-37/8		4.31 4.28	4.64	3. 39 3. 36	3.51 3.50
1-15 days		Mar. 19	3½ 3½	March Week ending- Mar. 1		1	334-434 412-434		3. 69 4. 40	42.95	3.40 3.49
31-45 days 46-60 days	3	do Mar. 20	31/8 31/8	Mar. 8 Mar. 15	41/2-43/4 41/2	338-334 338-338	41/4-43/4 4 -41/2	3.84 3.56	4.00 3.90	3.01 4 3.06	3.44
61-90 days 91-120 days 121-180 days	3	do do	31/8 31/8 33/8	Mar. 22 Mar. 29		21/2-31/8 21/2-23/4		2.97 3.78	3.00 3.80	2.94 2.83	3.37 3.40
	5/4	-	-/0				-				

<sup>1</sup> For explanation of this figure, which is derived from preceding col-umns, see BULLETIN for December, 1928, p. 831. \*Preliminary.

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### MEMBER BANK BORROWINGS AT FEDERAL RESERVE BANKS

[Monthly averages of weekly figures. In millions of dollars]

# **OPEN-MARKET RATES**

RATES IN NEW YORK CITY

<sup>1</sup> Stock exchange call loans; new and renewal rates. <sup>2</sup> For all changes made during the month of March, see p. 143. Norg.—Rates on prime bankers' acceptances. Higher rates may be charged for other classes of bills. <sup>1</sup> Stock exchange 90-day time loans: <sup>3</sup> 3 Issues—334, 4, and 444 per cent; yields calculated on basis of last redemption dates—1955, 1954, and 1952. <sup>4</sup> Change of issues on which yield is computed.

APRIL, 1930

# PREVAILING RATES CHARGED CUSTOMERS BY BANKS IN PRINCIPAL CITIES

WEIGHTED AVERAGES

Month		New Yo	ork City		8 othe	er northe	ern and e ties	eastern	27 sout	thern and	d wester	n cities
And a second sec	1927	1928	1929	1930	1927	1928	1929	1930	1927	1928	1929	1930
January February March April May June July August September October November December	$\begin{array}{c} 4.\ 66\\ 4.\ 56\\ 4.\ 63\\ 4.\ 63\\ 4.\ 60\\ 4.\ 56\\ 4.\ 41\\ 4.\ 44\\ 4.\ 49\\ 4.\ 35\\ 4.\ 50\\ \end{array}$	$\begin{array}{r} 4.56\\ 4.44\\ 4.59\\ 4.72\\ 4.97\\ 5.09\\ 5.38\\ 5.56\\ 5.63\\ 5.63\\ 5.56\\ 5.63\\ 5.63\\ 5.63\end{array}$	$\begin{array}{c} 5.\ 74\\ 5.\ 73\\ 5.\ 81\\ 5.\ 85\\ 5.\ 88\\ 5.\ 93\\ 5.\ 88\\ 6.\ 05\\ 6.\ 06\\ 6.\ 08\\ 5.\ 86\\ 5.\ 74\end{array}$	5. 64 5. 35 5. 22	$\begin{array}{r} 4.99\\ 4.98\\ 4.98\\ 4.88\\ 4.90\\ 4.95\\ 4.93\\ 4.90\\ 4.87\\ 4.77\\ 4.79\\ 4.82\\ 4.76\end{array}$	$\begin{array}{r} 4.\ 73\\ 4.\ 76\\ 4.\ 81\\ 4.\ 91\\ 5.\ 04\\ 5.\ 36\\ 5.\ 57\\ 5.\ 59\\ 5.\ 80\\ 5.\ 82\\ 5.\ 91\\ \end{array}$	$\begin{array}{c} 5.87\\ 5.86\\ 5.91\\ 6.00\\ 6.09\\ 6.02\\ 6.08\\ 6.11\\ 6.24\\ 6.25\\ 6.12\\ 5.94 \end{array}$	5. 88 5. 66 5. 47	$\begin{array}{c} 5.\ 72\\ 5.\ 71\\ 5.\ 65\\ 5.\ 57\\ 5.\ 59\\ 5.\ 54\\ 5.\ 52\\ 5.\ 53\\ 5.\ 61\\ 5.\ 56\\ 5.\ 56\\ 5.\ 60\end{array}$	$\begin{array}{c} 5.53\\ 5.53\\ 5.54\\ 5.56\\ 5.56\\ 5.77\\ 5.80\\ 5.82\\ 5.82\\ 5.90\\ 5.91\end{array}$	$\begin{array}{c} 5.94\\ 5.96\\ 6.04\\ 6.07\\ 6.10\\ 6.16\\ 6.17\\ 6.22\\ 6.27\\ 6.29\\ 6.29\\ 6.20\\ \end{array}$	6. 12 6. 04 5. 98

Nore.—Figures relate to rates charged by reporting banks to their own customers as distinguished from open-market rates (which are given on preceding page). All averages are based on rates reported for three types of customer loans—commercial loans, and demand and time loans on securities. The method of computing the averages takes into account (a) the relative importance of each of these three types of loans and (b) the relative importance of each reporting bank, as measured by total loans. In the two group averages the average rate for each city included is weighted according to the importance of that city in the group, as measured by the loans of all banks.

### PREVAILING QUOTATIONS

$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
$\begin{array}{cccccccccccccccccccccccccccccccccccc$	$\begin{array}{cccccccccccccccccccccccccccccccccccc$
1/2 3/4	$\begin{array}{cccccccccccccccccccccccccccccccccccc$

Note.—Rates shown are those at which the bulk of the loans of each class were made by representative banks during week ending 15th of month. Rates from about 200 banks with loans exceeding \$8,000,000; reporting banks are usually the larger banks in their respective cities.

APRIL, 1930

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[In millions of do			data ar			weekly	figures]	REPORTED							
		Loans a	nd inves	stments		Due	Bor- rowing			Total			n New banks	banks	n privat , broker
Month or date	Total	Total	Loans On se- curities	All	Total invest- ments	to	at	End of mont	-			pa	ust con inies	n- foreig agen	i bankin cies, etc
Total: 1929—Feb	22, 263	16, 260	7, 522	8, 737	6,004	2, 918 2, 861	659	January February		6, 735 6, 679	1930 3, 985 4, 168	1929 5, 664 5, 619	1930 3, 30 3, 55	38 1.07	
Mar Apr May June July Aug Sept Oct Nov	22, 388 22, 113 22, 231 22, 479 22, 465 22, 646 23, 124 23, 663	16, 491 16, 464 16, 277 16, 480 16, 950 16, 969 17, 197 17, 706 18, 041	7,580 7,392 7,218 7,332 7,716 7,578 7,654 8,098	8,911 9,073 9,059 9,149 9,234 9,390 9,543 9,608 9,792	5,836 5,751 5,529 5,496 5,449 5,418	2,709	725 661 670 801 717 706 634	A pril. May June July August September October November		6, 804 14 6, 775 6, 665 7, 071 7, 474 7, 882 8, 549 6, 109 4, 017	4,656	5,713 5,580 5,482 5,797 6,154 6,492 7,077 5,313 3,432	4,0		
Dec 1930—Jan Feb	23, 012 22, 368 22, 083	17,444 16,821 16,542	8, 249 7, 968 7, 794 7, 671	9,476 9,027 8,871		2, 886 2, 828 2, 818	490 247	December		3, 990		3, 370		62	
Feb. 26 Mar. 5 Mar. 12 Mar. 19 Mar. 26	22,003 22,101 22,232 22,514 22,563	16, 428 16, 547 16, 704 16, 847	7, 641 7, 737 7, 883 8, 054	8, 786 8, 810 8, 821 8, 793	5, 528 5, 667	2, 790 2, 910 2, 827 2, 933	96 51	<sup>1</sup> Call loans, \$4 MADE BY R 'In millions of d	REPOR	RTING 1	MEMI	BER B.	ANKS	IN N. Y	
New York City: 1929—Feb Mar	7, 190	16, 885 5, 306 5, 424	8, 184 2, 820 2, 823	8, 702 2, 486		2, 922 949	131			1		Fo	r bank	S	1
Apr May June July Aug	7, 297 7, 182 7, 281	5, 437 5, 344 5, 468 5, 804 5, 688	2,729 2,653 2,749 3,045	2,486 2,601 2,708 2,691 2,719 2,758	1.692	916 874 817 796 935	$     \begin{array}{r}       162 \\       145 \\       165 \\       319     \end{array} $	Month or da	ate	Total	То	Lai	In New York City <sup>1</sup>	Outside New York City 2	For
Sept Oct Nov 1930—Jan Feb	7, 407 7, 507 7, 837 8, 349 8, 001 7, 664 7, 493	5, 803 6, 108 6, 380 6, 021 5, 705 5, 584	2, 845 2, 892 3, 191 3, 340 3, 112 2, 945 2, 909	2,843 2,911 2,916 3,040 2,909 2,760 2,675	1,720 1,704 1,729 1,969 1,981 1,959 1,909	827 887 1, 023 1, 132 980 931 902	80 39	1929—January_ February_ March A pril May June		5, 555 5, 679 5, 477 5, 491 5, 383	2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2, 2	974 899 800 583 526 443	1, 173 1, 082 1, 071 934 861 895	1,801 1,817 1,729 1,649 1,665 1,548	2,
Feb. 26 Mar. 5 Mar. 12 Mar. 19 Mar. 26 Other leading cities:	7, 412 7, 499 7, 595 7, 747 7, 756	5, 499 5, 582 5, 700 5, 787 5, 810	2, 890 2, 953 3, 065 3, 160 3, 280	2, 609 2, 629 2, 635 2, 627 2, 530	1, 914 1, 917 1, 895 1, 960 1, 946	904 943 897 982 983	1 2 1 	July August September October November December 1930—January February		6,498 4,023 3,391	2, 2, 2, 1, 1, 1,	849 778 898 896 869 601 706	1, 198 993 1, 048 1, 257 1, 090 888 844	1,651 1,786 1,850 1,639 779 713 862	2,9 3,9 3,9 3,6 3,6 2,1 1,6
	15,092 14,931 14,950 14,983	10,954 11,067 11,027 10,933 11,012 11,146 11,281	4,703 4,756 4,663 4,565 4,582 4,670 4,734	6,251 6,310 6,364 6,368 6,430 6,476 6,547	4, 119 4, 109 4, 065 3, 998 3, 938 3, 837 3, 776 3, 745	1,969 1,945 1,835 1,728 1,736 1,803 1,777	528 574 563 516 505 482 521	1930—Feb. 26 Mar. 5 Mar. 12 Mar. 19 Mar. 26		3, 489 3, 583 3, 720 3, 841	1,	913 933 038 225 437 542	942 953 1,006 1,146 1,266 1,424	971 980 1,032 1,079 1,171 1,118	1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1, 1
Sept Oct Nov Dec 1930—Jan Feb	15, 139 15, 288 15, 314 15, 011 14, 705	11, 394 11, 598 11, 661 11, 424 11, 115 10, 958	4,762 4,906 4,909 4,856 4,849 4,762	6,632 6,692 6,752 6,568 6,267 6,196	3, 745 3, 690 3, 654 3, 587 3, 589 3, 632	1,830 1,893 1,875 1,906 1,897 1,916	540 561 594 410 208 152	<sup>1</sup> Weekly repor <sup>2</sup> Member and banks only); incl <sup>3</sup> Call loans, \$3	nonme ludes u ,087,000	nknown 0,000; tin	nks ou amoun ne loan	tside N t for cu s, \$371, 1	lew Yo stomer 000, 000	ork City s of these	banks
Feb. 26 Mar. 5 Mar. 12 Mar. 19	$14,591 \\ 14,603 \\ 14,637 \\ 14,767 \\ 14,767 \\ 14,907 \\ 1$	$10,929 \\ 10,966 \\ 11,004 \\ 11,059 \\ 11,050 \\ 11,059 \\ 11,050 \\ 1$	4, 751 4, 784 4, 818 4, 894	6, 176 6, 181 6, 186 6, 165	3, 662 3, 637 3, 634 3, 707	1, 886 1, 966 1, 930 1, 951	$     \begin{array}{r}       115 \\       126 \\       96 \\       51     \end{array} $	ACCEPTA		[In mill	ions of	dollars		AL PA	PER
Mar. 26 Chicago: 1929—Feb	14, 807 2, 096	11,075 1,641	4, 904 911	6, 171 731	3, 732 455	1, 938 323	47 96	End of month	Bank	ers' accej stand		s out-	Com	standin	per out
Mar Apr June July Aug Sept Oct Dec 1930-Jan	2,096 2,130 2,045 2,015 2,015 2,033 2,015 2,064 2,054 2,119 2,106 2,037 1,957	$\begin{array}{c} 1, 676\\ 1, 606\\ 1, 596\\ 1, 616\\ 1, 601\\ 1, 659\\ 1, 663\\ 1, 733\\ 1, 712\\ 1, 639\\ 1, 552\\ \end{array}$	950 905 897 910 906 943 933 998 998 990 954 917	726 701 698 706 695 716 730 735 722 685 635	454 440 419 417 414 405 391 386 395 398 406	342 320 307 314 310 309 313 309 303 310 306	121 46 36 64 47 32 18 38 28 38 28 37 7	January February March April May June July August	1927 774 785 809 811 775 751 741 782	1,041 1,026 978	1929 1, 279 1, 228 1, 205 1, 111 1, 107 1, 113 1, 127 1, 201	1930 1, 693 1, 624	1927 551 577 606 599 582 579 589 569 591	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	07 4 11 4 87 51 04 74 85
Feb. 26. Mar. 5. Mar. 12. Mar. 19. Mar. 26.	1, 928 1, 942 1, 970 1, 974 1, 984 1, 981	1, 534 1, 546 1, 564 1, 575 1, 591 1, 587	922 935 942 956 979 973	611 611 623 619 612 614	394 396 406 399 393 393	311 314 330 327 341	7 1 1 1	September October November December	864 975 1,029 1,081	1,004 1,123 1,200	1, 272 1, 541 1, 658		591 600 611 603 555	$\begin{array}{c c} 430 & 2 \\ 427 & 2 \\ 421 & 3 \end{array}$	67 65 85 16 34

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# FEDERAL RESERVE BULLETIN

Figures for acceptances as compiled by American Acceptance Council; for commercial paper as reported by about 25 dealers.

#### APRIL, 1930

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# FEDERAL RESERVE BULLEFIN

# SECURITY PRICES, SECURITY ISSUES, AND BUILDING CONTRACTS

SECURITY PRICES [Index numbers of Standard Statistics Co.]

Month or date	Com	mon stocl	ks (1926=	100)	
(Thursday)	404 stocks combined	337 in- dustrials	33 rails	34 public utilities	Bonds, 60 issues
1928—December 1929—January February March June July July September October November December December Bebruary February March March	$\begin{array}{c} 171.\ 4\\ 185.\ 2\\ 186.\ 5\\ 189.\ 1\\ 186.\ 6\\ 187.\ 8\\ 190.\ 7\\ 207.\ 2\\ 218.\ 1\\ 225.\ 3\\ 201.\ 7\\ 151.\ 1\\ 153.\ 8\\ 156.\ 3\\ 165.\ 5\\ 172.\ 4\\ 169.\ 2\\ \end{array}$	$\begin{array}{c} 178.4\\ 192.5\\ 192.8\\ 192.6\\ 193.4\\ 192.6\\ 191.0\\ 202.7\\ 210.3\\ 216.1\\ 194.4\\ 144.8\\ 146.9\\ 144.8\\ 146.9\\ 144.8\\ 155.9\\ 163.0\\ 159.4\\ \end{array}$	$\begin{array}{c} 134.9\\ 141.8\\ 141.6\\ 140.4\\ 138.3\\ 138.3\\ 138.7\\ 144.8\\ 160.0\\ 165.4\\ 168.1\\ 157.0\\ 135.1\\ 136.5\\ 142.5\\ 142.5\\ 142.2\\ 142.4\end{array}$	$\begin{array}{c} 173.4\\192.7\\202.4\\203.7\\201.4\\212.3\\233.0\\272.8\\304.3\\321.0\\276.6\\194.4\\200.9\\208.7\\230.5\\241.6\\236.5\end{array}$	97. 2 97. 0 96. 3 95. 8 95. 3 95. 3 95. 3 95. 2 95. 0 94. 8 95. 1 95. 7 96. 5 96. 4 97. 8 96. 9
Mar. 13 Mar. 20 Mar. 27	169.8 173.8 176.6	160.9 164.4 167.2	140. 8 144. 8 144. 7	$237.3 \\ 243.3 \\ 249.1$	97.6 98.4 98.2

	Febr	uary,	Ja	anuary-	Februar	у
Class of issue	19	30	19	930	19	29
E 16 70 761	Gov- ern- ment	Cor- po- rate	Gov- ern- ment	Cor- porate rate	Gov- ern- ment	Cor- po- rate
Total	42.8	45.4	65.1	93.8	45.2	38.8
New issue Europe Canada and Newfound-	11.8	45.4 29.3	20.1	93.8 34.3	38.6 23.6	36.8 18.4
land Latin America United States insular	10.3 1.5	16.1	13.1 5.5	19.6	1.5 12.0	9.4 2.2
possessions Miscellaneous Refunding issues	31.0		1.5	40.0	1.5	6.5 .4 2.0
Total Government and corporate	88.	2		3.9	84.	

FOREIGN CAPITAL ISSUES

#### DOMESTIC CAPITAL ISSUES

[In millions of dollars. Source: Commercial and Financial Chronicle]

	Febr	uary.	Ja	anuary-	Februar	ry
Class of issue	19		19	30	19	29
	New	Re- fund- ing	New	Re- fund- ing	New	Re- fund- ing
Total	465.5	28.8	1, 182. 1	85.6	1, 703. 6	265.9
Corporate issues Bonds and notes—	387.4	27.7	998.5	82.8	1, 565. 5	262.9
Long-term Short-term	224.2 14.1	21.3 5.5		65.5 16.4		134.2
Stocks Farm-loan issues	149.1	.9	275.9 2.0		30. 2 1, 133. 0	4.7 124.0
Municipal issues Total new and re-	76.1	1.1	181.6	2.8	138.1	3.0
funding	494	.3	1, 26	7.7	1,96	9.4

# BUILDING CONTRACTS AWARDED, BY TYPES OF BUILDING

[Value of contracts in millions of dollars]

Month	Total	Resi- den- tial	Indus- trial	Com- mer- cial	Public works and public utilities	Educa- tional	All other
1929—January February March April July July August September October November December 1930—January February	410.0 361.3 484.8 642.1 587.8 545.9 652.4 488.9 445.4 445.6 391.0 316.4 <b>324.0</b> 317.1	$\begin{array}{c} 138.1\\ 129.5\\ 197.2\\ 256.8\\ 192.0\\ 189.8\\ 199.9\\ 146.1\\ 118.4\\ 137.7\\ 113.5\\ 114.0\\ 66.6\\ 74.8 \end{array}$	$\begin{array}{c} 63.1\\ 56.1\\ 55.8\\ 68.2\\ 80.8\\ 70.0\\ 66.6\\ 75.3\\ 52.6\\ 60.9\\ 39.7\\ 67.4\\ 38.3\\ 33.5\end{array}$	100. 4 68. 3 75. 6 78. 0 86. 5 80. 9 91. 3 72. 0 76. 9 67. 7 101. 8 33. 4 54. 1 72. 9	66.5 57.6 71.5 152.1 139.4 120.8 194.5 119.3 117.2 85.1 72.4 51.8 <b>112.1</b> 85.8	17.7 22.6 37.5 29.9 38.2 43.4 48.0 32.3 29.8 36.9 25.7 19.8 19.0 21.2	24. 1 27. 3 47. 2 57. 1 50. 9 40. 9 52. 0 43. 9 50. 4 57. 3 38. 0 29. 9 34. 0 28. 8

Figures for building contracts awarded are for 37 States east of the Rocky Mountains, as reported by the F. W. Dodge Corporation.

PRODUCTION,	EMPLOYMEN
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		In	dustrial	producti	on*				Fac-	Fac-	F	reight-car	r loading	(S*	Compri	nodi ces†
Year and month	T	otal	Manu	factures	Mir	nerals		ing con- awarded	tory em- ploy- ment	tory pay rolls	To.	otal	and m less-th	llaneous idse. in ian-car- l lots	All com-	Fai
	Unad- justed	Ad- justed	Unad- justed	Ad- justed	Unad- justed	Ad- justed	Unad- justed	Ad- justed	Unad- justed	Unad- justed	Unad- justed	Ad- justed	Unad- justed	Ad- justed	modi- ties	uc
1919 1920 1921 1922 1923 1924 1925 1926 1927 1927 1928 1929	83 87 67 85 101 95 104 108 106 111 118		84 87 67 87 101 94 105 108 106 111 119		77 89 70 74 105 96 99 108 107 106 115		64 63 57 81 84 95 122 130 128 135 117		107 108 82 90 104 96 100 101 99 97 100	98 118 77 81 103 96 101 104 102 102 102	84 91 79 86 100 98 103 107 103 103 106		84 78 88 97 98 105 108 107 108 110		139 154 98 97 101 98 104 100 95 98 97	
1926 January February April May June July September October December	$105 \\ 108 \\ 109 \\ 108 \\ 107 \\ 106 \\ 103 \\ 109 \\ 113 \\ 114 \\ 110 \\ 101$	$\begin{array}{c} 106\\ 106\\ 107\\ 107\\ 106\\ 108\\ 107\\ 110\\ 112\\ 111\\ 108\\ 106\\ \end{array}$	108 111 111 108 106 102 108 112 112 108 99	109 108 108 107 106 108 107 111 112 110 106 103	90 92 98 96 102 109 110 115 118 124 123 113	92 95 104 107 104 106 107 109 110 114 118 119	$111 \\ 106 \\ 146 \\ 139 \\ 134 \\ 133 \\ 126 \\ 148 \\ 137 \\ 126 \\ 119 \\ 131 \\$	$143 \\ 145 \\ 129 \\ 120 \\ 123 \\ 121 \\ 124 \\ 133 \\ 134 \\ 122 \\ 130 \\ 142 $	$\begin{array}{c} 101\\ 102\\ 103\\ 102\\ 101\\ 101\\ 101\\ 101\\ 103\\ 103\\ 101\\ 100\\ \end{array}$	$101 \\ 106 \\ 107 \\ 105 \\ 104 \\ 104 \\ 99 \\ 104 \\ 105 \\ 108 \\ 105 \\ 104 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 105 \\ 104 \\ 104 \\ 105 \\ 104 \\ 105 \\ 104 \\ 105 \\ 104 \\ 105 \\ 104 \\ 105 \\ 104 \\ 105 \\$	94 96 99 98 106 110 111 113 122 123 113 98	$102 \\ 104 \\ 104 \\ 107 \\ 107 \\ 109 \\ 108 \\ 108 \\ 109 \\ 109 \\ 109 \\ 109 \\ 107 $	93 98 103 105 110 111 111 112 121 122 112 96	107 107 106 106 109 109 108 107 109 110 110 108 107	104 102 100 100 101 101 101 100 99 100 99 98 98	
1927 January February March Juiry June July August September October December	106 110 113 110 112 107 102 105 106 105 101 96	106 108 111 109 111 108 106 107 105 102 99 100	$\begin{array}{c} 104\\ 110\\ 113\\ 112\\ 113\\ 107\\ 102\\ 104\\ 106\\ 104\\ 101\\ 95\\ \end{array}$	105 107 109 109 111 109 107 107 105 105 102 99 99	112 113 111 96 108 108 103 111 111 112 105 97	$116 \\ 117 \\ 118 \\ 107 \\ 109 \\ 105 \\ 99 \\ 106 \\ 104 \\ 105 \\ 101 \\ 103 \\ 103 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 103 \\ 101 \\ 101 \\ 103 \\ 101 \\ 101 \\ 103 \\ 101 \\$	94 96 151 147 135 154 130 135 127 137 114 116	$120\\131\\134\\127\\122\\141\\128\\121\\125\\133\\125\\126$	98 100 100 99 99 98 99 101 99 97 95	99 105 106 105 . 104 102 99 102 102 102 103 98 99	97 100 102 100 105 106 104 109 116 114 101 88	105 109 108 108 106 104 101 104 104 101 97 95	94 99 107 109 110 110 110 112 120 118 107 90	108 109 109 110 108 108 108 108 108 108 108 103 100	97 96 95 94 94 94 95 97 97 97	
1928 January March April May June June June June June December December	105 112 112 110 108 105 111 116 118 115 108	106 109 110 109 109 109 109 110 112 114 115 113 115	$106 \\ 114 \\ 115 \\ 113 \\ 111 \\ 108 \\ 106 \\ 110 \\ 116 \\ 117 \\ 115 \\ 109 \\ 109 \\ 100 $	106 110 111 109 111 113 116 115 113 115	r 100 r 99 r 98 94 104 r 104 r 104 r 103 r 111 115 122 117 106	103 r 103 103 r 105 r 101 r 101 105 107 r 114 113 112	$104 \\ 113 \\ 144 \\ 157 \\ 163 \\ 158 \\ 142 \\ 126 \\ 143 \\ 145 \\ 115 \\ 105 $	$133 \\ 153 \\ 128 \\ 135 \\ 148 \\ 145 \\ 139 \\ 113 \\ 140 \\ 141 \\ 126 \\ 116 \\ 116 \\ 116 \\ 116 \\ 116 \\ 116 \\ 116 \\ 116 \\ 110 $	94 96 97 96 96 96 96 98 100 100 99 98	96 101 103 100 101 101 98 103 104 107 104 104	92 94 97 96 104 103 105 109 119 119 119 108 95	$100 \\ 102 \\ 102 \\ 104 \\ 105 \\ 102 \\ 102 \\ 104 \\ 106 \\ 106 \\ 104 \\ 103$	93 97 105 107 111 109 112 114 123 123 123 111 97	106 106 107 108 110 107 109 109 111 111 111 107 108	96 96 96 97 99 98 98 98 98 99 100 98 97 97	
1929 January March April June June June June September October December	116 120 121 123 125 125 125 125 119 121 123 120 108 95	117 117 118 122 123 123 127 124 123 122 117 106 99	116 120 125 127 127 126 119 121 122 118 107 92	117 116 120 123 125 129 126 124 122 117 105 96	113 116 101 104 116 116 118 121 127 127 114 110	<pre>* 118 120 107 115 116 * 113 114 114 118 * 110 116</pre>	$100 \\ 88 \\ 118 \\ 156 \\ 143 \\ 133 \\ 159 \\ 119 \\ 108 \\ 109 \\ 95 \\ 77$	128 119 104 135 130 122 156 107 106 105 105 105 85	97 100 101 102 102 101 101 102 103 102 98 95	101 108 111 111 109 105 109 111 110 102 99	95 99 98 102 110 109 111 114 121 118 102 90	104 107 103 111 111 108 108 109 108 109 108 104 99 97	95 99 109 113 115 114 115 114 115 118 126 123 107 90	109 109 111 114 114 112 112 113 113 113 111 103 100	97 97 98 97 96 96 98 98 98 98 98 98 98 94 94	
1930 January February	103 108	103 106	102 109	102 105	107 104	112 108	79 77	101 104	93 93	94 97	89 92	97 99	89 96	102 105	93 92	1

Average per working-day, except for annual indexes.
 Wholesale price index of Bureau of Labor Statistics; 1926=100.



# NT, CAR LOADINGS, AND PRICES

[Index numbers; 1923-1925 average=100. The terms "adjusted" and "unadjusted" refer to adjustment for seasonal variations]

Preliminary.
r Revised.

APRIL, 1930

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# INDUSTRIAL PRODUCTION, BY INDUSTRIES

[Index numbers of the Federal Reserve Board. Adjusted for seasonal variations. 1923-1925 average=100]

Industry						19	29						19	)30
and the second second	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Manufactures		Sec. 1	32.1						-		1 2.50		-	
IRON AND STEEL	117	126	132	135	145	155	151	143	139	124	100	90	99	118
Pig iron Steel ingots	114	114 128	116 134	117 137	126 147	127	131	128	121	118	107	95	94	101
	116			1000		158	153	144	141	124	99	90	99	120
Cotton consumption	118	113 115	116 117	120 119	121 125	121 122	118 119	120 119	116 115	118 117	108 104	<b>96</b> 90	103 102	91 94
Wool	99	97	97	101	102	101	95	101	98	101	89	77	78	7
Consumption Machinery activity 1	105 93	101 93	100 92	106 96	109	107	109	114	106	109	94	80	85	8
Carpet and rug loom activity 1	89	91	92	90	92 98	· 93	85 83	86 90	89 90	91 96	82 88	74 75	72 69	7.7
Silk	135	132	144	149	138	. 149	146	150	148	148	144	140	141	14
Deliveries Loom activity 1	144	$135 \\ 126$	152 128	$     159 \\     129 $	$     142 \\     130   $	159 128	$155 \\ 127$	$     161 \\     130   $	158 128	158	153	148	145	14
FOOD PRODUCTS	103	101	96	102	97	96	96	99		130	128	124	133	13
Slaughtering and meat packing	98	97	88	99	92	90	94	93	98 101	96 97	96 95	<b>95</b> 91	<b>96</b> 89	99
Hogs	102	104	86	100	94	90	96	94	106	104	101	96	89	9
Cattle Calves	90 95	87 87	90 97	93 101	86 91	87 83	88 90	88 85	91 99	86 88	82 88	81 91	88 96	89
Sheep	109	106	105	119	125	117	124	126	126	125	125	113	116	13
Flour Sugar meltings	$100 \\ 129$	104 108	104	107	112	109	100	103	99	91	92	r 94	92	9
	123		111	111	90	102	94	112	84	99	106	110	127	9
Wood pulp and paper		123 116	125 119	<b>124</b> 119	127 122	128 120	124 120	125 119	129 120	126 120	122 118	118	122	
Newsprint	94	90	92	93	93	92	91	95	94	94	92	113 93	117 95	9
Book paper		125 114	132	135	134	133	138	134	143	145	139	139	140	
Fine paper Wrapping paper	112	104	118 102	118 103	119 109	$     120 \\     107 $	122 101	118 101	119 101	119 96	120 97	116 95	116 93	
Paper board	134	135	139	135	143	136	131	129	125	128	129	107	126	13
Wood pulp, mechanical Wood pulp, chemical	101 114	103 114	96 114	91 115	92 120	100	103	101	100	91	85	91	96	
Paper boxes	141	150	157	115	120	118 180	117     152	120 169	120 178	118 156	113 144	116     125	115 147	1
Newsprint consumption	136	137	138	132	137	142	131	135	148	139	133	134	131	
TRANSPORTATION EQUIPMENT:														10000
Automobiles Locomotives	150 15	148 17	159     28	153	148	162	142	143	133	113	81	49	102	10
Shipbuilding	48	21	49	$53 \\ 62$	55 93	$\frac{46}{129}$	59 155	55 175	49 101	57 75	45 69	32 97	39 169	4
LEATHER AND PRODUCTS	95	98	99	97	101	113	114	116	116	113	105	93	95	9
Tanning	88	89	89	94	92	106	105	103	105	108	103	98	93	9
Sole leather 1 Upper leather—	94	92	85	89	84	97	86	93	94	94	- 95	93	99	10
Cattle	73	67	73	76	78	74	75	80	87	97	88	82	76	6
Calf and kip	67	73	86	93	96	. 104	111	108	102	99	88	70	68	7
Goat and kid Boots and shoes	117 100	$     120 \\     104   $	112 105	123     100	116	153	158	136	144	147	145	151	129	12
CEMENT AND GLASS:	100	104	100	100	106	117	120	125	123	117	108	90	97	9
Cement	126	115	99	110	111	116	118	122	118	113	109	109	108	11
Glass, plate	141	140	148	144	146	154	164	168	174	172	149	117	- 124	12
NONFERROUS METALS 2	124	123	129	137	137	126	127	122	126	121	119	114	105	10
Copper (smelter) Tin (deliveries) 1	132 137	132 134	140	147	145	130	133	126	127	125	126	122	110	10
FUELS, MANUFACTURED:	101	104	128	143	145	137	123	121	131	126	113	106	99	9
Petroleum refining	159	160	160	165	168	170	171	176	173	178	171	100	100	10
Gasoline 1	186	187	187	194	196	199	205	209	208	215	171 209	166 201	163 199	16
Kerosene Fuel oil 1	93 134	97	94	93	103	110	95	108	95	103	93	90	89	9
Lubricating oil 1	134	138 116	136 123	$\begin{array}{c}141\\125\end{array}$	140     126	140     126	138 123	142 131	$     141 \\     123   $	142 121	136 110	132	121	12
Coke (by-product)	137	139	142	145	149	151	151	151	148	146	139	115 131	120 132	12 13
RUBBER TIRES AND TUBES	148	152	152	161	158	162	141	119	116	114	94	80	P 107	P 10
Tires, pneumatic Inner tubes	153	157	157	166	163	167	146	123	120	117	97	82	» 109	P 10
	113	116	118	126	121	125	105	87	90	87	74	70	P 85	<b>P</b> 8
COBACCO PRODUCTS Cigars	131 86	129 95	126 93	142 109	142 101	139 100	131 97	<b>133</b> 99	136	135	130	133	131	13
Cigarettes	167	159	153	173	178	173	160	163	100 168	99 168	96 160	83 173	84 167	9 16
COAL: Minerals											100	110	101	10
Bituminous	r 104	r 110	r 90	r 102	r 104	r 102	r 102	r 98	r 103	= 100	- 00	- 102	00	
Anthracite	110	110	77	95	86	76	72	81	103	r 102 116	r 98 92	r 103 121	99 r 106	10
Petroleum, crude ron ore shipments	137	137	133	132	134	135	143	145	- 140	140	131	132	132	13
Dopper (mined)	129	136	135		$     143 \\     139   $	$\frac{126}{124}$	119     122	121 119	$     121 \\     125   $	107     123	98 118			
Sinc	100	106	112	116	120	122	125	119	125	123	118	116 102	101 103	9.9
lead	111	r 100	112	125	122	112	114	107	119	115	114	105	92	10
	94	91	93	103	93	94	88	91	89	94	114	87	88	P

<sup>1</sup> Without seasonal adjustment. <sup>2</sup> Includes also lead and zinc. See "Minerals." \* Preliminary. \* Revised. NOTE.—The combined index of industrial production is computed from figures for 58 statistical series, 50 of manufactures, and 8 of minerals, most of which are shown in this table. Adjustments have been made in the different industries for the varying number of working days in each month and for customary seasonal variations, and the individual products and industries have been weighted in accordance with their relative importance. The sources of data and methods of construction were described in the BULLETIN for February and March, 1927.

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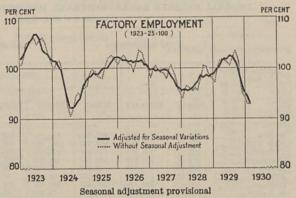
**APRIL**, 1930

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# FACTORY EMPLOYMENT AND PAY ROLLS

INDEXES OF FACTORY EMPLOYMENT AND PAY ROLLS

25.12	Fac	ctory en	nploym	ent	Fa	actory 1	pay rolls	3	1		
Month	1927	1928	1929	1930	1927	1928	1929	1930	100	4	A
January February April June June July September October November	$\begin{array}{c} 98.1\\ 99.7\\ 100.4\\ 99.8\\ 99.1\\ 99.0\\ 99.0\\ 99.2\\ 100.6\\ 99.3\\ 96.9\\ 95.5\end{array}$	$\begin{array}{c} 94.2\\ 95.7\\ 96.6\\ 96.0\\ 95.7\\ 96.2\\ 95.7\\ 98.3\\ 100.3\\ 100.2\\ 98.8\\ 98.1 \end{array}$	$\begin{array}{c} 97.\ 4\\ 99.\ 7\\ 101.\ 3\\ 101.\ 8\\ 101.\ 6\\ 101.\ 2\\ 100.\ 7\\ 102.\ 0\\ 103.\ 4\\ 102.\ 1\\ 98.\ 2\\ 94.\ 8\end{array}$	r 92. 9 92. 9	$\begin{array}{c} 98.6\\ 104.8\\ 106.3\\ 105.0\\ 104.3\\ 102.5\\ 98.6\\ 102.2\\ 101.9\\ 102.5\\ 98.5\\ 99.4 \end{array}$	$101.1 \\ 102.5$	r 100.7 r 108.0 r 110.8 r 111.3 r 111.2 109.2 104.8 109.4 110.5 110.0 102.0 98.7	94. 2 97. 4	90	$\bigvee$	Ad
Annual index.		97.2	100.4		102.0	101. 8	107.2		1923	1924	1925 easonal a



FACTORI	L FUILFOI	WIEIGIGI. II	ADEALS	DI	GROUIS	
					1 1	

					Paper	Lum-		ortation	Leather	Ce-		Chen	nicals	Dubbar	To-
Month	Iron and steel	Ma- chinery	Textiles	Food prod- ucts	and print- ing	ber and prod- ucts	Group	Auto- mobiles	and prod-	ment, clay, and glass	Nonfer- rous metals	Group	Petro- leum refining	Rubber prod- ucts	bacco prod- ucts
1928—October November December 1929—January February March June June July August September December	96. 9 97. 7 97. 1 97. 1 98. 3 99. 3 99. 3 99. 7 100. 7 100. 7 100. 7 101. 0 99. 8 101. 0 99. 8 101. 0 99. 2	$\begin{array}{c} 102.8\\ 103.8\\ 105.2\\ 106.7\\ 110.4\\ 113.8\\ 116.7\\ 119.1\\ 120.8\\ 121.5\\ 119.4\\ 119.5\\ 119.4\\ 119.5\\ 118.7\\ 118.7\\ 115.0\\ 112.1\\ \end{array}$	95.7 96.2 97.0 95.9 98.0 101.1 99.3 97.3 96.3 91.5 94.2 98.4 99.8 97.1 94.3	102. 6 101. 9 102. 0 98. 6 98. 8 97. 6 96. 2 97. 3 99. 8 99. 7 102. 4 104. 2 101. 6 100. 5	$\begin{array}{c} 102.\ 4\\ 103.\ 7\\ 103.\ 6\\ 102.\ 5\\ 103.\ 4\\ 103.\ 1\\ 102.\ 5\\ 102.\ 8\\ 103.\ 2\\ 103.\ 6\\ 104.\ 1\\ 106.\ 0\\ 106.\ 1\\ 106.\ 7\\ 106.\ 9 \end{array}$	90, 6 90, 5 88, 2 85, 5 85, 8 85, 8 85, 8 85, 8 85, 8 85, 2 90, 0 90, 5 92, 2 91, 8 90, 1 86, 7 81, 6	94. 4 90. 2 89. 9 94. 0 99. 0 90. 0 100. 5 101. 7 101. 5 97. 6 96. 4 95. 5 94. 8 90. 2 82. 9 81. 3	119.8 109.1 107.7 118.3 129.5 131.1 131.4 130.0 120.6 117.8 115.0 113.1 101.3 83.7 79.6	94. 6 89. 3 88. 6 91. 9 94. 1 92. 7 90. 3 89. 4 94. 6 90. 3 89. 4 94. 6 99. 5 99. 3 94. 4 90. 0	$\begin{array}{c} 94.\ 1\\ 91.\ 8\\ 89.\ 5\\ 84.\ 5\\ 84.\ 5\\ 86.\ 8\\ 90.\ 5\\ 93.\ 8\\ 91.\ 6\\ 93.\ 8\\ 93.\ 6\\ 91.\ 9\\ 88.\ 9\\ 82.\ 3\\ \end{array}$	$\begin{array}{c} 100.\ 0\\ 102.\ 2\\ 102.\ 4\\ 102.\ 4\\ 106.\ 1\\ 107.\ 9\\ 107.\ 7\\ 105.\ 3\\ 102.\ 9\\ 90.\ 8\\ 98.\ 6\\ 98.\ 6\\ 98.\ 6\\ 98.\ 6\\ 89.\ 9\end{array}$	107. 4 107. 3 107. 8 107. 6 110. 9 115. 5 119. 0 110. 3 107. 9 111. 2 114. 5 116. 1 113. 8 111. 8	104. 3 104. 0 104. 0 104. 7 109. 2 111. 9 114. 4 116. 4 126. 0 121. 9 124. 0 124. 0 123. 7 120. 9	$\begin{array}{c} 113.\ 2\\ 109.\ 8\\ 109.\ 6\\ 112.\ 2\\ 112.\ 3\\ 113.\ 3\\ 114.\ 3\\ 115.\$	99. 1 98. 9 95. 7 84. 1 92. 0 91. 3 90. 3 91. 4 90. 5 93. 0 93. 7 95. 7 95. 0 96. 1 89. 2
1930—January February		109.9 109.3	92. 8 92. 9	97.4 96.7	105.1 104.0	76.8 75.0	83. 2 83. 9	85.7 89.7	91. 4 92. 4	74.7	85.9 84.6	110.6 110.2	120.8 120.9	89.7 87.9	84.2 88.9

### FACTORY PAY ROLLS: INDEXES BY GROUPS

13 13 12 -	Iron			Food	Paper	Lum- ber		ortation	Leather	Ce- ment,	Nonfer-	Chen	nicals	Rubber	To- bacco
Month	and steel	Ma- chinery	Textiles	prod- ucts	and print- ing	and prod- ucts	Group	Auto- mobiles	and prod- ucts	clay, and glass	rous metals	Group	Petro- leum refining	prod- ucts	prod- ucts
1928—October November December	105. 1 105. 1 103. 3	111.3 110.3 114.0	101. 0 96. 7 100. 3	106.0 104.9 106.3	111.5 111.7 113.7	95.8 94.4 90.8	104.7 96.1 95.8	134.1 114.5 112.4	95.9 80.1 86.0	94.1 90.7 88.4	116.6 118.5 120.5	$109.2 \\ 108.2 \\ 108.1$	107.8 107.1 107.2	120. 4 112. 4 114. 1	95.2 94.1 94.3
1929—January February March June July August September October November December	$\begin{array}{c} 101.\ 3\\ 107.\ 2\\ 108.\ 5\\ 110.\ 5\\ 111.\ 6\\ 109.\ 9\\ 103.\ 5\\ 109.\ 3\\ 108.\ 9\\ 107.\ 9\\ 100.\ 0\\ 93.\ 5 \end{array}$	$\begin{array}{c} 112.\ 3\\ 120.\ 7\\ 126.\ 5\\ 129.\ 5\\ 131.\ 9\\ 131.\ 6\\ 128.\ 2\\ 127.\ 5\\ 127.\ 9\\ 129.\ 0\\ 121.\ 6\\ 119.\ 9\end{array}$	97. 0 103. 6 108. 8 103. 2 99. 3 97. 8 90. 4 97. 4 103. 0 104. 8 96. 2 93. 8	$\begin{array}{c} 102, 2\\ 102, 5\\ 101, 2\\ 100, 4\\ 103, 1\\ 105, 6\\ 105, 6\\ 105, 0\\ 108, 1\\ 108, 8\\ 105, 5\\ 105, 5\\ 105, 5\end{array}$	$\begin{array}{c} 111.4\\ 113.0\\ 114.9\\ 113.3\\ 114.3\\ 113.6\\ 111.4\\ 112.8\\ 116.3\\ 117.8\\ 117.2\\ 118.2\\ \end{array}$	83. 4 86. 5 88. 4 90. 9 92. 8 92. 2 93. 5 94. 7 96. 6 96. 8 89. 2 82 7	93. 6 111. 4 113. 9 117. 0 116. 0 107. 9 97. 1 106. 8 103. 3 99. 8 89. 4 85. 6	$\begin{array}{c} 114.5\\ 147.4\\ 148.2\\ 152.0\\ 147.1\\ 130.9\\ 110.2\\ 128.0\\ 120.3\\ 108.0\\ 84.3\\ 72.9 \end{array}$	$\begin{array}{c} 90.\ 2\\ 94.\ 5\\ 91.\ 4\\ 87.\ 9\\ 88.\ 1\\ 89.\ 8\\ 97.\ 8\\ 105.\ 0\\ 104.\ 3\\ 100.\ 0\\ 83.\ 9\\ 84.\ 1\end{array}$	$\begin{array}{c} 79.\ 0\\ 81.\ 0\\ 84.\ 8\\ 89.\ 3\\ 91.\ 8\\ 92.\ 5\\ 86.\ 1\\ 91.\ 3\\ 90.\ 6\\ 86.\ 4\\ 80.\ 2\end{array}$	$\begin{array}{c} 117.\ 4\\ 124.\ 1\\ 127.\ 6\\ 127.\ 0\\ 123.\ 1\\ 117.\ 0\\ 112.\ 6\\ 113.\ 2\\ 112.\ 1\\ 112.\ 5\\ 99.\ 6\\ 96.\ 1 \end{array}$	$\begin{array}{c} 106.\ 3\\ 111.\ 3\\ 113.\ 6\\ 117.\ 8\\ 113.\ 1\\ 111.\ 2\\ 111.\ 2\\ 113.\ 0\\ 116.\ 0\\ 118.\ 2\\ 115.\ 6\\ 114.\ 0\\ \end{array}$	$\begin{array}{c} 105.3\\ 110.2\\ 112.1\\ 117.1\\ 118.9\\ 120.0\\ 123.3\\ 125.1\\ 129.3\\ 129.4\\ 126.3\\ 124.8 \end{array}$	r 111.7 r 123.3 r 123.6 r 124.4 r 125.7 120.6 115.1 110.9 104.9 100.9 85.9 85.0	76.3 82.3 84.4 86.1 86.1 88.5 87.9 90.6 93.4 94.2 94.3 88.8
1930—January February	90.5 98.1	113.8 115.2	92. 2 94. 1	102.5 101.6	114.9 114.9	72.8 72.6	80. 9 89. 8	74.0 92.7	85.4 86.2	67.3 70.2	91.5 91.7	109.3 110.0	121.1 125.0	88.9 92.1	77.0 80.0

" Revised.

Note.—These tables contain index numbers of factory employment and factory pay rolls for certain months, together with group indexes for important industrial components. The nature and sources of basic data and the method of construction were described and the indexes for the period January, 1919, to November, 1929, were published in the BULLETIN for November, 1929, pp. 706-716.

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#### FEDERAL RESERVE BULLETIN

APRIL, 1930

BUILDING CONTRACTS AWARDED

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#### FEDERAL RESESVE BULLETIN

### BANKING AND BUSINESS CONDITIONS IN FEDERAL RESERVE DISTRICTS FEDERAL RESERVE BANKS-RESERVES, DEPOSITS, NOTE CIRCULATION, AND RESERVE PERCENTAGES [Averages of daily figures. Amounts in thousands of dollars]

		al cash reser	rves	г	otal deposit	ts		al reserve n circulation		Reser	ntages	
Federal reserve bank	19	30	1929	19	30	1929	19	30	1929	19	30	1929
	March	February	March	March	February	March	March	February	March	March	Febru- ary	March
Boston	263, 083 912, 761 222, 371 307, 581 109, 661 158, 366 540, 311 120, 963 84, 011 138, 079 64, 744 280, 149	266, 297 910, 040 209, 986 279, 819 112, 175 152, 758 509, 129 118, 981 88, 455 144, 430 63, 780 305, 465	195, 614 988, 224 166, 846 288, 854 92, 568 145, 672 401, 433 74, 733 86, 448 109, 994 71, 766 226, 434	145, 896 962, 762 136, 457 188, 058 65, 920 65, 922 342, 821 78, 786 52, 740 89, 295 63, 972 180, 450	148, 337 952, 221 135, 035 68, 320 66, 538 336, 187 80, 656 51, 758 88, 879 65, 327 182, 468	$\begin{array}{c} 145, 498\\ 944, 547\\ 134, 903\\ 188, 152\\ 69, 457\\ 68, 910\\ 349, 767\\ 81, 826\\ 54, 102\\ 92, 973\\ 70, 894\\ 183, 646\end{array}$	$\begin{array}{c} 162,250\\ 205,347\\ 146,422\\ 180,335\\ 76,299\\ 131,943\\ 296,363\\ 82,262\\ 59,843\\ 79,044\\ 37,440\\ 158,404 \end{array}$	$\begin{array}{c} 162,582\\ 246,391\\ 146,724\\ 177,865\\ 80,969\\ 132,116\\ 297,460\\ 85,766\\ 61,393\\ 80,489\\ 41,261\\ 164,793 \end{array}$	$\begin{array}{c} 130,408\\ 306,296\\ 142,828\\ 207,272\\ 73,574\\ 137,915\\ 283,388\\ 59,603\\ 63,473\\ 67,021\\ 38,588\\ 159,393\end{array}$	$\begin{array}{r} 85.4\\78.1\\78.6\\83.5\\77.1\\80.0\\84.5\\75.1\\74.6\\82.0\\63.8\\82.7\end{array}$	85.6 75.9 74.5 76.9 75.1 76.9 80.3 71.5 78.2 85.3 59.8 88.0	$\begin{array}{c} 70. \ 9\\ 79. \ 0\\ 60. \ 1\\ 73. \ 0\\ 64. \ 7\\ 70. \ 4\\ 63. \ 4\\ 52. \ 8\\ 73. \ 5\\ 68. \ 7\\ 65. \ 6\\ 66. \ 0 \end{array}$
Total	3, 202, 080	3, 161, 315	2, 848, 586	2, 373, 079	2, 361, 760	2, 384, 675	1, 615, 952	1, 677, 809	1, 669, 759	80.3	78.3	70.3

<sup>1</sup> Includes "F. R. notes of other F. R. banks" as follows: Latest month \$22,792,000; month ago, \$24,282,000; year ago, \$15,512,000.

ALL MEMBER BANKS—DEPOSITS SUBJECT TO RESERVE, RESERVES HELD, AND INDEBTEDNESS AT FEDERAL RESERVE BANKS [Averages of daily figures. In millions of dollars]

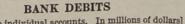
		Laver	ages of daily	ingures. 1	n millions o	i donarsj	al interior		and the second second		
	Net deman	nd deposits	Time d	leposits		Reserv	res held	-	Indebtedness at Foreral reserve banks		
Federal reserve district					То	tal	Exc	Cess	crarreserve banks		
	December, 1929	January, 1930	December, 1929	January, 1930	December, 1929	January, 1930	December, 1929	January, 1930	December, 1929	January, 1930	
Boston	$\begin{array}{c} 7,355\\ 1,158\\ 1,493\\ 569\\ 550\\ 2,582\\ 705\\ 447\\ 856\\ 664 \end{array}$	$\begin{array}{c} 1, 394\\ 7, 080\\ 1, 144\\ 1, 144\\ 7, 569\\ 571\\ 2, 535\\ 699\\ 427\\ 850\\ 659\\ 1, 312\end{array}$	$\begin{array}{r} 943\\ 3,182\\ 1,057\\ 1,612\\ 557\\ 428\\ 2,079\\ 519\\ 448\\ 357\\ 220\\ 1,663\end{array}$	$\begin{array}{r} 951\\ 3,241\\ 1,080\\ 1,623\\ 562\\ 434\\ 42,053\\ 536\\ 442\\ 354\\ 225\\ 1,756\end{array}$	$\begin{array}{c} 150.1\\999.6\\133.4\\180.1\\65.3\\62.6\\342.7\\79.3\\53.3\\89.0\\64.4\\175.1\end{array}$	$149.9 \\9956.5 \\133.8 \\182.2 \\64.5 \\337.0 \\79.3 \\51.3 \\88.7 \\63.0 \\176.7 \\$	$\begin{array}{c} 1.9\\ 23.1\\ 1.1\\ 1-1.7\\ .8\\ 2.3\\ 6.0\\ 1.5\\ 2.8\\ 6.6\\ 2.9\\ 4.0\\ \end{array}$	$1.9 \\ 14.0 \\ 1.8 \\ 2.0 \\ 1.4 \\ 2.4 \\ 6.8 \\ 1.6 \\ 2.8 \\ 3.8 \\ 2.1 \\ 3.9$	40. 4 188. 3 80. 2 98. 4 42. 3 41. 1 133. 0 30. 9 17. 3 46. 0 19. 1 64. 3	23. 110. 52. 72. 31. 31. 31. 87. 17. 7. 7. 27. 13. 21.	
Total	19, 105	18, 713	13, 065	13, 257	2, 394. 9	2, 349. 1	48.3	44.5	801.3	497.	

<sup>1</sup> Deficiency in reserves.

zed for FRASER

# DISCOUNTS OF FEDERAL RESERVE BANKS

[Averages of daily figures. In	n millions	of dollars]	
	19	030	1929
Federal reserve bank	March	February	March
Boston New York	21.1	23.2 70.5	58.6 231.5
Philadelphia Cleveland	36.7 31.1	50. 5 53. 3	101.6 76.0
Richmond Atlanta Chicago	21.6	22. 2 25. 3 63. 0	43.4 51.7 210.6
St. Louis Minneapolis Kansas City	14.0 2.4	16.7 3.0 23.0	48.1 15.6 31.8
Dallas San Francisco		11.9 15.1	14.8 85.0
Total	973 5	377 B	9 890



	Number	February,	January,	February,
	of centers	1930	1930	1929
New York City	1	31, 117	34, 732	46, 289
Outside New York City	140	21, 534	25, 723	24, 515
Federal reserve district: Boston New York Philadelphia Cleveland Atlanta. Chicago St. Louis Minneapolis. Kansas City Dallas. San Francisco.	7 10 13 7 15 21 5 9 15 10	$\begin{array}{c} 2,329\\ 31,940\\ 2,233\\ 2,325\\ 654\\ 1,009\\ 5,489\\ 1,050\\ 664\\ 1,022\\ 646\\ 3,090 \end{array}$	$\begin{array}{c} 3,050\\ 35,662\\ 2,609\\ 2,827\\ 780\\ 1,211\\ 6,563\\ 1,281\\ 751\\ 1,409\\ 741\\ 3,569\end{array}$	$\begin{array}{c} 2,674\\ 47,146\\ 2,536\\ 2,740\\ 692\\ 1,115\\ 6,155\\ 6,555\\ 6,556\\ 1,212\\ 656\\ 1,260\\ 1,265\\ 3,578\end{array}$
Total	141	52, 651	60, 455	70, 804

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X

[Value of contracts in thousands of dollars]								[Value of permits in thousands of dollars]							
1929	0.0	141	31-3	19	)30	1	1929	PRENCIPAL	10		um-	19	30		1929
Federal reser	ve dist	rict	F	ebruary	Januar	y Fe	bruary	Federal reserve d	istrict		ties	February	Janua	ry Fe	bruary
Boston	ets)	racts av	varded	17, 961 90, 312 17, 743 35, 992 28, 707 19, 526 37, 983 24, 510 4, 980 18, 071 21, 267 317, 053 are for X. Dodd	16, 6 79, 4 50, 9 34, 8 27, 4 21, 4 39, 9 13, 11 3, 8 14, 9; 21, 4 323, 9 37 State 76 Corno	52 14 51 33 33 33 56 14 14 58 52 22 32 75	25, 325 76, 064 32, 369 36, 360 34, 252 22, 363 69, 845 23, 372 4, 757 12, 874 23, 665 361, 274 t of the	Boston		14 222 14 12 15 15 15 19 5 9 14 9 20 168	4.076 30,231 4,241 9,639 6,011 3,179 15,729 2,670 1,083 6,501 1,083 6,501 4,614 14,144	4, 4 34, 6 3, 9 8, 0 9, 3 3, 1' 14, 1' 1, 2 8 3, 0' 4, 1' 20, 1: 107, 10	49 13 98 53 53 53 57 77 74 02 02 08 11 179 32 58	$\begin{array}{c} 11,031\\113,382\\8,672\\12,586\\9,437\\6,537\\19,801\\4,426\\1,494\\4,805\\5,565\\21,385\\219,240\\\end{array}$	
INDEX OF	DEP	ARTI	MENT		DRE S					y averag		-1925=100	0]	roci	Lini .
			iout sea ljustme					Federal reserve	Num-		ljustm		adjustment		
Federal reserve district	Num- ber of stores	19	30	1929	193	30	1929	district	ber of stores	19	30	1929	193	30	1929
		Feb.	Jan.	Feb.	Feb.	Jan.	Feb.	and the state of t		Feb.	Jan.	Feb.	Feb.	Jan.	Feb.
Boston New York Philadelphia Cleveland Richmond Atlanta Chicago St. Louis Minneapolis Kansas City <sup>1</sup>	36 60 57 55 28 41 97 19 19 19	77 89 73 77 81 83 88 83 83 73 75	104 99 80 78 85 76 90 72 70 74	76 90 75 83 78 87 95 85 68 76	103 114 90 98 107 103 113 102 99	110 110 92 93 102 93 , 112 88 88 82	114         93           2         93           3         105           2         105           3         108           2         123           3         106	Boston New York Philadelphia Cleveland Atlanta Chicago St. Louis Minneapolis Kansas City 1 Dallas	79 19 15 21 21	87 101 79 86 91 90 105 82 67 113 77	85 96 71 80 86 82 7 100 79 64 102 . 72	99 85 91 94 98 106 86 75 124 79	93 108 83 90 96 92 110 88 70 80	93 104 77 94 98 98 7113 91 72 83	
Dallas San Francisco	22 36	85 90	80 104	85 91	107 117	93 117	118	San Francisco Total	32 414	104 93	100		109 98	108 r 99	103
Total	497	83	83 89 85 106 102 110				Dan Mar. Billion	1	1		1	1000	all in	1	

		averag	30 1923	1000-10	101			anitimation L			out sea		With seasonal			
		Without seasonal adjustment adjustment Federal reserve					Federal reserve	Num-	ad	ljustme	nt	adjustment				
Federal reserve district	Num- ber of stores	19	30	1929	19	30	1929	district	ber of stores			1929	1930		1929	
	stores	Feb.	Jan.	Feb.	Feb.	Jan.	Feb.	Malling rear		Feb.	Jan.	Feb.	Feb. Jan. F		Feb.	
Boston New York Philadelphia Cleveland Richmond Atlanta Chicago	36 60 57 55 28 41 97	77 89 73 77 81 83 88	104 99 80 78 85 76 70	76 90 75 83 78 87 95	103 114 90 98 107 103 113	110 110 92 93 102 .93 , 112	102 114 93 105 105 108 123	Boston New York Philadelphia Cleveland Richmond Atlanta Chicago St. Louis	34 42 45 49 28 29 79 19	87 101 79 86 91 90 105 82	85 96 71 80 86 82 r 100 79	91 99 85 91 94 98 106 86	93 108 83 90 96 92 110 88	93 104 77 94 98 89 7113 91	97 106 90 96 99 100 110 92	
St. Louis Minneapolis Kansas City 1 Dallas	19 19 27 22	83 73 75 85	72 70 74 80	85 68 76 85	102 99 107	88 82 93	106 92 107	Minneapolis Kansas City <sup>1</sup> Dallas San Francisco	15 21 21 32	67 113 77 104	64 102 · 72 100	75 124 79 98	70 80 109	72 83 108	78 82 103	
San Francisco Total	36 497	90 83	104 89	91 85	117 106	117 102	118	Total	414	93	88	95	98	r 99	100	

#### <sup>1</sup> Monthly average 1925=100. · Revised.

**COMMERCIAL FAILURES 1** 

 Amou	nto in	the	acon de	of dol	longl
 AIIIOU	nts m	L L L L L L L L L L L L L L L L L L L	usands	OI GO	lars

Imou	mis m	inousan	us of ut	marsj						1			
di la vilan pa	(initiana)	Numbe	r	Liabilities			Federal reserve	All banks		Member banks <sup>2</sup>		Nonmember banks	
Federal reserve district	1930		1929	1930		1929	district	Num- ber	De- posits <sup>3</sup>	Num- ber	De- posits <sup>3</sup>	Num- ber	De- posits 3
Gentley, Estandiard	Feb.	Jan.	Feb.	Feb.	Jan.	Feb.	Boston		,				
Boston New York Philadelphia Cleveland Richmond Atlanta Chicago St. Louis	283 563 123 168 145 93 376 102	251 588 177 197 184 124 428 170	232 378 98 166 128 107 297 120	6, 124 13, 466 3, 757 3, 023 2, 418 1, 844 8, 845 6, 030	3,999 16,603 6,887 6,101 4,510 2,587 7,966 3,054	4, 151 9, 256 2, 590 2, 891 1, 942 1, 711 3, 708 1, 762	New York Philadelphia Cleveland. Richmond. Atlanta. Chicago St. Louis Minneapolis Kansas City Dallas.	1 11 14 23 12 6 5 11	1,071 5,181 2,534 8,285 2,867 888 765 11,037	1 3 3 1 3 7	1, 584 797 969 558 404 10, 223	1 10 11 20 11 3 5 4	1, 071 3, 597 1, 737 7, 316 2, 309 484 765 814
Minneapolis Kansas City Dallas San Francisco	48 115 42 204	60 163 67 350	47 121 40 231	522 1, 231 1, 359 2, 706	999 3, 983 740 3, 756	1, 362 1, 505 552 2, 605	San Francisco Total	2 85	579 33, 207	1	259 14, 794	66	320
Total	2,262	2,759	1,965	51.326	61, 185	34.036	<sup>1</sup> Banks closed to order of supervisory						ilties by

<sup>1</sup>Figures reporten by R. G. Dun Co.

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#### BANK SUSPENSIONS 1 IN FEBRUARY, 1930 [Amounts in thousands of dollars]

<sup>3</sup> Includes 18 national banks with deposits of \$14,744,000 and 1 State member bank with deposits of \$50,000. <sup>3</sup> Subject to revision.

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APRIL, 1930

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**APRIL**, 1930

### FEDERAL RESERVE BULLETIN

# COLD HOLDINGS OF CENTRAL BANKS AND COVEDNMENTS 1012 102

# GOLD HOLDINGS OF PRINCIPAL COUNTRIES AT THE END OF 1929

FOREIGN BANKING AND BUSINESS CONDITIONS

represented amounted at the end of 1929 to bring out turning points. \$10,291,000,000, an increase of \$280,000,000 during the year. This figure is to be compared CHANGES IN GOLD HOLDINGS OF CENTRAL BANKS with an estimated output from the gold mines in 1929 of about \$405,000,000, an absorption of gold by India in nonmonetary uses of nearly \$70,000,000, an annual industrial consumption of new gold in the United States of between \$30,000,000 and \$40,000,000, and an unknown volume of new gold consumed industrially in the other countries of the world. Making reasonable allowance for industrial consumption elsewhere than in the United States, it is apparent that central gold holdings were built up in 1929 not only from the new output of the mines but from other sources as well.3 This additional gold came partly, as in the previous year, from the return of gold from "circulation" in France, Russia, and the United States; but also from the Canadian and, to a yet greater extent, the Australian commercial banks which were feeling the pressure of world financial and agricultural conditions. Gold held by the Australian commercial banks is now subject to requisition by the Commonwealth Bank.

transit over the year-end 1928-29.

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The annual table showing from 1913 to date | The more important changes in central gold the central gold holdings of all countries for holdings during 1929 are shown in the table which satisfactory figures are available is pre- below. The year for the United States was sented herewith.1 A large number of revisions characterized by a steady gain in gold stock have been made in the table this year.<sup>2</sup> The fig-ures for total gold holdings have been affected \$100,000,000 in November and December. also by inclusion in the table for the first time Since the figures in the table, however, refer of Albania, Ecuador, Guatemala, and Mexico. | only to the last date of each year, they show Total gold holdings of the 44 countries now net changes for the year as a whole and do not

AND GOVERNMENTS

[In millions of dollars]

Country	Holdin end of	Change		
Country	1928	1929	1929	
ountries in which holdings increased: France	$\begin{array}{c} 1,253\\ 3,746\\ 92\\ 126\\ 103\\ 70\\ 266\\ 49\\ 175\\ 1,465\\ \end{array}$	1,6333,90014716311579273551801,483	+380 +154 +55 +38 +12 +9 +7 +6 +5 +18	
Total increases			+684	
ountries in which holdings decreased: Argentina Germany England Canada Australia Java Hungary 11 other countries showing decrease		434 544 711 78 89 56 28 314	-173 -106 -39 -36 -20 -12 -7 -10	
Total decreases			-404	

<sup>1</sup> For a discussion of the items considered as "central gold holdings" <sup>3</sup> Ever the FEDERAL RESERVE BULLETIN for April, 1929, p. 282. <sup>3</sup> Every figure was reworked in terms of thousands of local currency converted into dollars at par carried to four deeimal points, and this the FEDERAL RESERVE BULLETIN. In addition several more substantial improvements were made in the figures for the earlier years of the period in new cases figures not strictly as of the year-end were replaced by year-end figures. From certain other figures small amounts of silver were eliminated. In connection with yet other figures the handling of tems reported as gold abroad was changed. In view of the large number of revisions, most of them of small importance, it has been decided not to encumber the table with the usual notes calling attention to those figures reported as gold abroad was changed. In view of the large number of table is to be regarded as a new table throughout. <sup>400</sup> Y the Commercial banks (other than the Bank table is to be regarded as a new table throughout. <sup>400</sup> I the Nation) to \$11,000,000. A small amount of gold (at least \$30,000,000) were in transit at the vear-end, and gregate holdings of the country of destination. As a result, the Federal Reserve Bard's monthy figures of enertal gold holdings are than and and and and the with the withdrawal of gold coin in the United States for Christmas circulation, but in December, 1929, followed by an unusually large increase in January, 1920, (See p. 250). Decem-ber is always affected by the evilation, but in December, 1929, central holdings that states for Christmas circulation, but in December, 1929, central hold states for Christmas circulation, but in December, 1929, central hold states for Christmas circulation, but in December, 1929, central hold states for Christmas circulation, but in December, 1929, central hold states for Christmas circulation, but in December, 1929, central hold states for Christmas cinculation, but in December, 1929, central hold states for Chr

GO	DLD H	OLD	INGS						D GC		NME	NTS,	1913-	-1929	
End of year	Total	Unit	ted Al- bani				Austria Hun- gary	Bel- gium	Brazil	Bul- garia	Canada	Chile	ombio 0	slo- akia	k Ecua-
1913 1914 1915 1916 1917 1918	4, 932, 44 5, 419, 86 6, 226, 89 6, 618, 40 7, 126, 34 6, 783, 36	5         1, 290,           17         1, 206,           18         1, 706,           14         2, 202,           10         2, 523,           11         2, 657,	487	256, 1 241, 5 238, 9 265, 5 288, 0 304, 4	20 28 02	9 2 4 1 0 3 	251, 421 213, 757 138, 758 58, 759 53, 717 53, 072	48, 062 50, 963 50, 720 50, 720 50, 720 50, 720	44,805 24,588 24,588	$   \begin{array}{c}     10, 615 \\     11, 773 \\     13, 124   \end{array} $	126, 545 131, 558 139, 823	1, 330 1, 330 1, 330 9, 039 23, 413		19, 60 24, 50 29, 83 42, 84 46, 61 52, 10	66 13 14 19
1919 1920 1921 1922 1923 1924		64 3, 505, 99 3, 833, 66 4, 090,	551		95 121.08	$\begin{array}{c} 16\\ 19\\ 19\\ 77\\ 19\\ 88\\ 1,313\\ 10\\ 1,560 \end{array}$	45,111 111 116 19	51, 417 51, 438 51, 451 51, 901 - 52, 204	32,784 42,619 46,152 48,669	7, 137 7, 155 7, 335 7, 415 7, 629 7, 792	95,073 3 146,588 3	24, 384 32, 893 34, 025	4	27 60, 80 053 60, 99 545 61 19	$ \begin{array}{c}                                     $
1925 1926 1927 1928 1929	8, 925, 92 9, 191, 21 9, 546, 36 10, 010, 17 10, 290, 63	22 3, 985, 19 4, 083, 33 3, 977, 78 3, 746, 38 3, 900,	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	34 105, 12 90 108, 43	0   23, 743	 	- 52, 856 - 86, 214 - 99, 878 - 125, 576 - 163, 351	54, 305 56, 329 100, 746 148, 555 150, 395	7, 981 8, 464 9, 198 9, 529 9, 997	156, 768 158, 105 151, 978 113, 948 77, 626	34, 025 10, 303 7, 439 7, 363 7, 695	14, 599 27 17, 901 27 19, 962 29 24, 271 34 21, 774 37	, 213 56, 08 , 032 56, 00 , 737 48, 78 , 237 46, 29 , 249 46, 20	07
	Egypt	England	Estonia	Fin- land	France	Ger- many	Greece	Guate- mala	Hun- gary	India	Italy	Japar	n Java	Latvia	Lithu- ania
1913 1914 1915 1916 1917 1918	6, 673 19, 367 35, 264 29, 318 19, 075 16, 357	170, 245 428, 223 389, 203 402, 971 422, 592 523, 689		6, 948 8, 236 8, 230 8, 232 8, 227 8, 227 8, 234	678, 858 802, 583 967, 950 652, 886 639, 682 664, 009	278, 687 498, 508 582, 443 600, 377 573, 249 538, 861	4, 825 7, 086 10, 939 11, 378 11, 907 10, 246			123, 921 80, 068 67, 881 78, 127 90, 118 64, 231	223,400	4 64,00 8 68,18 0 113,41 1 229,98	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	18 53 52 17	
1919 1920 1921 1922 1923 1924		583, 211 762, 911 763, 719 751, 597 754, 400 757, 033	94	8, 227 8, 227 8, 227		259, 519 260, 028 237, 102 239, 354 111, 247 180, 939	10, 744 10, 765 10, 770 5, 944 7, 182 7, 533		6, 872	128, 819 116, 249 118, 341 118, 341 108, 609 108, 609	200, 098 204, 372 210, 739 217, 284 215, 699 218, 382		71 69, 1 75 88, 2 22 58, 7	$\begin{array}{c} 34 \\ 14 \\ 28 \\ 2, 12 \\ 06 \\ 2, 51 \\ 69 \\ 3, 18 \\ 26 \\ 4, 55 \end{array}$	1, 519 1, 645 3, 078
1925 1926 1927 1928 1929		703, 482 735, 421 741, 698 749, 767 710, 645	1, 318 1, 353 1, 377 1, 710 1, 717	8, 357 8, 250 7, 979 7, 672 7, 608	710, 968 711, 106 954, 000 1, 253, 500 1, 633, 402			2, 535 1, 955 1, 977 2, 341	10, 365 29, 526 34, 432 35, 169 28, 465	108, 609 108, 609 119, 097 123, 988 128, 076	218, 823 220, 733 239, 177 265, 735 273, 001	5 575, 76 2 561, 81 7 541, 87 2 540, 87 1 542, 47			3       3, 229         3       3, 136         3       320         4       3, 427         5       3, 508
	Mexico	Nether- lands	New Zealand	Nor- way	Peru	Poland	Portu- gal	Ru- mania	Russia	South Africa	Spain	Swede	n Switze	r- Uru- guay	Yugo- slavia
1913 1914 1915 1916 1917 1918		$\begin{array}{c} 60,899\\ 83,664\\ 172,531\\ 236,216\\ 280,690\\ 277,155\end{array}$	$\begin{array}{c} 25,325\\ 30,250\\ 33,827\\ 37,414\\ 39,161\\ 39,506 \end{array}$	$\begin{array}{c} 11,892\\ 10,290\\ 13,837\\ 33,027\\ 31,193\\ 32,691 \end{array}$	· · · · · · · · · · · · · · · · · · ·		8, 140 8, 662 9, 195 9, 247 9, 261 9, 263	$\begin{array}{c} 29,240\\ 29,733\\ 42,647\\ 95,201\\ 34,531\\ 34,466\end{array}$	872, 367 891, 542 830, 572 758, 962 666, 523 ( <sup>2</sup> )	$\begin{array}{c} 34,377\\ 30,693\\ 32,056\\ 27,048\\ 30,036\\ 33,340 \end{array}$	92, 627 110, 611 167, 375 241, 423 379, 614 430, 070	27, 372 29, 088 33, 385 49, 183 65, 514 76, 532	2         32, 80           3         45, 92           5         48, 27           3         66, 58           4         69, 02           2         80, 04	$\begin{array}{cccccccccccccccccccccccccccccccccccc$	11, 194 11, 034 12, 381 12, 321 12, 310 12, 306
1919 1920 1921 1922 1923 1924		256, 204 255, 729 243, 600 233, 879 233, 876 202, 854	38, 260 37, 263 37, 394 38, 367 38, 290 37, 579	39, 590 39, 472 39, 474 39, 474 39, 472 39, 457	19, 933 20, 872 19, 753	1, 644 2, 954 5, 931 9, 769 13, 099 19, 949	9, 265 9, 267 9, 267 9, 267 9, 267 9, 267 9, 267	34, 467 34, 794 34, 794 42, 050 46, 364 47, 822	(2) (2) (2) 2,609 45,043 73,047	35, 540 50, 441 49, 361 51, 692 52, 500 53, 098	472, 064 474, 228 484, 984 487, 278 487, 841 489, 294	75, 351 75, 516 73, 631 73, 428 72, 853 63, 508	99, 77 104, 78 106, 05 103, 28 103, 66 97, 64	9         56, 756           0         57, 307           8         56, 813           3         56, 812           9         56, 812           2         56, 809	12, 233 12, 386 14, 318 12, 355 13, 286 13, 965
1925 1926 1927 1928 1929	16, 683 4, 689 5, 900 6, 238 6, 722	178, 080 166, 231 160, 796 174, 692 179, 881	37, 667 38, 007 38, 280 34, 873 31, 978	39, 456 39, 457 39, 458 39, 362 39, 302	19, 164 20, 084 19, 437 19, 938 18, 668	25, 793 26, 677 58, 041 69, 685 78, 598	9, 267 9, 267 9, 267 9, 267 9, 267 9, 267	48, 537 49, 588 50, 805 49, 324 55, 112	93, 858 84, 605 97, 043 91, 887 147, 021	43, 594 36, 703 40, 032 39, 273 36, 474	489, 630 493, 489 502, 484 493, 903 495, 227	61, 647 60, 162 61, 685 63, 223 65, 569	90, 140 91, 050 99, 783 102, 874 114, 833	$\begin{array}{c cccc} 56,815\\ 56,823\\ 59,319 \end{array}$	$14,657 \\ 16,620 \\ 17,133 \\ 17,566 \\ 18,426$

#### <sup>1</sup> Austrian account only.

NOTE.—Figures are for central banks only, except in the following countries: United States—Treasury and Federal reserve banks; Argentina—Government conversion fund and Bank of the Nation; Australia— Prior to 1920, Treasury note reserve; subsequently, Commonwealth Bank note reserve; Brazil—Prior to 1923, guaranty of currency fund; subsequently, Bank of Brazil and Government stabilization fund; Canada— 1923, guaranty of currency fund; subsequently, Bank of Brazil and Government stabilization fund; Canada— Government reserve against Dominion notes and savings-bank deposits, and gold deposits of chartered banks in the central reserve; Chile—Prior to 1926, Government conversion fund; subsequently, Central Bank of Chile; Czechoslovakia—Prior to 1926, banking office of Minister of Finance; subsequently, Czechoslovak Na-tional Bank; England—Bank of England and, prior to 1925, Government reserve against currency notes; India— Currency and gold standard reserves of Government; Italy—Prior to July, 1926, three banks of issue; sub-sequently, Bank of Italy; Japan—Domestic holdings of Bank of Japan and Government; New Zealand—Six banks of issue; South Africa—Prior to 1921, gold at home of note-issuing joint stock banks; subsequently, South African Reserve Bank South African Reserve Bank.

<sup>2</sup> Figures not available.

**APRIL**, 1930

3. Agreement with Bulgaria.

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4. Agreement with Hungary.

5. Agreement with Czechoslovakia.

6. Convention with Switzerland.

7. Arrangement relating to the concurrent

memorandum accompanying the experts' plan. 8. Arrangement between the creditor powers (Germany).

9. Arrangement between the creditor powers (Austria, Hungary, Bulgaria-Liberation debt).

10. Arrangements as to the financial mobilization of the German annuities.

11. Letters exchanged concerning the German-American agreement.

12. Letters exchanged concerning the tariffs of the German Railway Company.

13. Transitory provisions.

14. Letters of the German and Belgian Governments on the subject of the agreement on the German marks in Belgium.

The president announces further that in connection with The Hague conference the following agreements have been signed by Germany concerning the waiver of claims, the liquidation of German property rights and interests, the operations of the clearing offices, and German marks in Belgium:

The representatives of Germany, Belgium, France, Great Britain, Italy, and Japan, meet-With Belgium: Agreements of July 13, 1929, ing at Geneva on September 16, 1928, expressed With Great Britain: Agreement of Decem- their determination to make a complete and final settlement of the question of reparations With France: Agreement of December 31. and, with a view to attaining this object, provided for the constitution of a committee of With Italy: Agreement of January 20, 1930. financial experts.

ber 28, 1929.

and January 16, 1930. 1929.

With Poland: Agreement of October 31. 1929 (deposited together in the archives of the their report was made on June 7, 1929. Apconference).

With Canada: Agreement of January 14, 1930.

The duly authorized representatives of the Government of the German Reich, the Govern-With the Commonwealth of Australia: ment of His Majesty the King of the Belgians, the Government of the United Kingdom of With New Zealand: Agreement of January Great Britain and Northern Ireland, the Gov-The present act will remain deposited in the ernment of Canada, the Government of the of South Africa, the Government of India, the Government of the French Republic, the Government of the Greek Republic, the Government of His Majesty the King of Italy, the Govern-Done at The Hague in a single copy the 20th ment of His Majesty the Emperor of Japan, the Government of the Republic of Poland, the The president of the conference, Henri Government of the Republic of Portugal, the Jaspar; the secretary general, M. P. A. Government of His Majesty the King of Hankey; the secretary of the German Rumania, the Government of the Czechodelegation, Doctor Boltze; the secretary slovak Republic and the Government of His of the Austrian delegation, Doctor Hans; Majesty the King of Yugoslavia have reached

Agreement of January 17, 1930. 17, 1930. archives of the Belgian Government, which will Commonwealth of Australia, the Government deliver an authentic copy to each of the Govern- of New Zealand, the Government of the Union ments which have taken part in The Hague conference and also to the powers signatory of the treaties of peace of Versailles, St. Germain, Neuilly, and Trianon. January, 1930.

the secretary of the Belgian delegation, the following agreement:

Following the report of the committee of | concerned also the Governments of Greece, experts on reparations on June 7, 1929<sup>1</sup> a Portugal, Poland, Rumania, Czechoslovakia, meeting of delegates of the various countries and Yugoslavia as well as the Governments of concerned was held at The Hague (August 6 Canada, the Commonwealth of Australia, New to 31, 1929). As a result of this first meeting Zealand, the Union of South Africa, and India, at The Hague a protocol<sup>2</sup> was adopted in invited these Governments to take part in the which the report of the experts was approved | negotiations and agreements affecting them. in principle, various questions connected with In consequence the delegates of the Governits application were settled, and the necessary ments above mentioned, accompanied by the organization committees were established. The representative of the Government of the United

organization committees having submitted States of America in the capacity of observer their reports, the conference resumed its and with specifically limited powers, met in sessions at The Hague on January 3, 1930. conference at The Hague under the chairman-This second meeting, which lasted until Janu-ary 20, 1930, resulted in a general settlement Prime Minister of Belgium, and as the result of reparation and other financial claims arising of meetings held from August 6 to 31, 1929, the

(1) Letters of August 30, 1929, relating to

(2) Agreement dated August 30, 1929, as to up and signed at the second Hague meeting the Franco-German and Belgo-German Commissions of Conciliation established by the Treaties of Locarno.

(3) Protocol of August 31, 1929, with its annexes concerning the approval in principle of the above-mentioned report of the experts, the settlement of various questions connected with its application, and the establishment of various committees intended to prepare the putting into force of that report.

These committees and also the organization committees for which that report provided have submitted the result of their labors to the chairman.

Moreover, as it appeared necessary to secure at the same time a general settlement of the pecuniary liabilities resulting from the treaties of St. Germain, Neuilly, and Trianon, of Austria, Bulgaria, and Hungary, these powers were invited to take part in the negotiations and to send their representatives to The Hague.

These were the circumstances in which the conference resumed its sittings and the representatives of the Governments above mentioned met at The Hague on January 3, 1930

In consequence of the decision which was taken to establish at Basel the seat of the Bank for International Settlements, representatives of the Swiss Government were invited to take part for this purpose in the labors of the conference.

As a result of meetings held from January The Governments above mentioned, taking 3 to 20, 1930, the following instruments were

1. Agreement with Germany.

2. Agreement with Austria.

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FINAL ACT OF THE HAGUE CONFERENCE

out of the war, although the settlement with following instruments were drawn up: Hungary was not in all respects final, but was rather the definitive basis for a more detailed | the evacuation of the Rhineland. agreement to follow. The instruments drawn are presented in full below. They become effective only upon ratification by the Governments concerned in accordance with the stipulations contained in the various agreements.

### FINAL ACT OF THE HAGUE CONFERENCE

The representatives of Germany, Belgium, France, Great Britain, Italy, and Japan, meeting at Geneva on September 16, 1928, being inspired by the desire which was common to all their Governments to reach a speedy settlement of the questions arising out of the war, declared to this end their agreement on the following points:

(1) The opening of official negotiations relating to the request put forward by the Chancellor of the Reich on the subject of the early evacuation of the Rhineland.

(2) The necessity for a complete and final settlement of the question of reparations and of the constitution for this purpose of a committee of financial experts nominated by the six Governments.

(3) The acceptance of the principle of the constitution of a committee of verification and conciliation, the composition, mode of operation, object and duration of this committee to form the subject of negotiations between the Governments.

The committee of financial experts met at Paris and made its report on June 7, 1929.

the view that the conclusions of this report drawn up:

### FEDERAL RESERVE BULLETIN

G. de Grunne; the secretary of the Bulgarian delegation, Doctor Poulieff; the secretary of the French delegation, de Felcourt; the secretary of the British delegation, Rupert B. Howorth: the secretary of the Canadian delegation, J. Reid Hyde; the secretary of the Aus-tralian delegation, Jas. R. Collins; the secretary of the New Zealand delegation, E. Toms; the secretary of the Greek delegation, G. Coustas; the secretary of the Hungarian delegation, L. Gajzago: the secretary of the Italian delegation, Buti; the secretary of the Japanese delegation, H. Kobayashi; the secretary of the Polish delegation, J. Lipski; the secretary of the Portuguese delegation. Antonio Potier; the secretary of the Rumanian delegation, Savel Radulesco; the secretary of the Czechoslovakian delegation, Arnost Heidrich; the secretary of the Yugoslav delegation, Vl. Martinac.

### AGREEMENT

With this object the experts met at Paris and proval in principle was given to this report by The Hague protocol of August 31, 1929.

See FEDERAL RESERVE BULLETIN for July, pp. 465-495.
 See FEDERAL RESERVE BULLETIN for December, pp. 792-796.

### ARTICLE I

with this present agreement and the protocol of execution: August 31, 1929 (all of which are hereinafter described as the new plan), is definitely accepted as a complete and final settlement, so far as not already been settled by special agreements. Germany is concerned, of the financial questions resulting from the war. By their accept- ment of payments made under paragraph 11 of ance the signatory powers undertake the obliga- the annex to article 296 of the treaty of tions and acquire the rights resulting for them, Versailles. respectively, from the new plan.

The German Government gives the creditor powers the solemn undertaking to pay the annuities for which the new plan provides in accordance with the stipulations contained presented or might present for its own account therein.

### ARTICLE II

As from the date when the new plan is put into execution as provided in the final clause of this present agreement, Germany's previous obligation is entirely replaced, except in respect of the German external loan, 1924, by the obligation laid down in the new plan. The payment in full of the annuities there mentioned, in so far as the same are due to the creditor powers, is accepted by those powers as a final discharge of all the liabilities of Germany still remaining undischarged, referred to in Section XI of Part I of the Dawes plan as interpreted by the decisions of the interpretation tribunal set up under the London agreement of August 30, 1924.

#### ARTICLE III

that the accounts between the Reparation Commission and Germany relating to transactions prior to the period of the Dawes plan, together with all accounts involving credits to take, as from the date of the acceptance of the Germany, either now or in the future, against experts' report of June 7, 1929, to make no the original capital debt are henceforth obsolete further use of their right to seize, retain, and and without practical effect and declare them liquidate the property, rights, and interests of closed in their present condition.

experts' report of June 7, 1929, on the under- dated or finally disposed of, including the rights standing that the following declaration is to of the signatory creditor powers under article be considered as a full compliance with the 306, paragraphs (5), (6), and (7) of the treaty requirements of that paragraph as to a waiver, of Versailles. Germany declares that she waives every claim as defined by the following list, whether for a regulated by special agreements between the payment or for property, which she may have German Government and each of the Governaddressed or might hereafter address to the ments concerned. Reparation Commission or to any creditor (c) The signatory Governments will use power signatory of the present agreement for every effort to clear up definitely all outstandany transaction prior in date to the signature ing questions relating to the execution of this

of this agreement, connected with the World War, the armistice conventions, the treaty of The experts' plan of June 7, 1929, together Versailles, or any agreements made for their

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(1) Claims relating to property or pecuniary rights of prisoners of war in so far as they have

(2) Claims seeking to obtain the reimburse-

(3) Claims relating to loans issued by the former German colonies.

(4) Any claims, whether for a payment or for property, which the German Government has other than State claims notified, under the clearing procedure provided for under articles 296 and 72 of the treaty of Versailles, by the creditor to the debtor office.

(b) By way of reciprocity the creditor powers accept in conformity with the recommendation of paragraph 96 of the experts' report of June 7, 1929, the payment in full of the annuities fixed thereby as a final discharge of all the liabilities of Germany still remaining undischarged and waive every claim additional to those annuities, either for a payment or for property, which has been addressed or might be addressed to Germany for any past transaction falling under the same heads of claim as those appearing under (1) to (4) above.

(c) The provisions of the present article do not affect the execution of agreements later in date than January 10, 1920, for the abandonment of the liquidation of German private A. The signatory Governments recognize property, rights, or interests or the restitution either of those properties, rights, or interests or the proceeds of their liquidation.

C. (a) The creditor Governments under-German nationals or companies controlled by B. (a) In execution of paragraph 143 of the them, in so far as not already liquid or liqui-

(b) The execution of this undertaking will be

undertaking within one year after the coming into force of the new plan.

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The contracting parties recognize the neces-(d) This undertaking has no application in cases where special settlements have already sity, with a view to putting into force the new plan, of the constitution of the Bank for International Settlements. They recognize the corporate existence of the bank to take been made. D. All or some of the questions mentioned in the present article as to the waiver of claims and the cessation of liquidation are governed, effect as soon as it is constituted in accordance with the statutes annexed to the law incoras between the German Government on the one hand and the following Governments respecporating the bank which is the subject of the tively on the other hand, by the agreements convention concluded with the Government of

concluded on the following dates, that is to say: the Swiss Confederation. Belgium, July 13, 1929, and January 16, 1930; Great Britain, December 28, 1929; Canada, ARTICLE VII January 14, 1930; Commonwealth of Australia, The Government of the Reich will deliver January 17, 1930; New Zealand, January 17, to the Bank for International Settlements, as 1930; France, December 31, 1929; Italy, trustee for the creditor powers, the debt January 20, 1930; Poland, October 31, 1929. certificate referred to in Annex III.

### ARTICLE IV

From and after the date on which the new plan comes into force, the Office for Reparation Payments and the organizations in Berlin connected therewith shall be abolished and the relations with Germany of the Reparation Commission shall come to an end.

Under the régime of the new plan only those With a view to facilitating the successful working of the new plan the German Government declares spontaneously that it is firmly the conclusion in good faith that Germany's exchange and economic life may be seriously the postponable portion of the annuities. It Under the régime of the new plan the powers remains understood that Germany alone has authority to decide whether occasion has arisen for declaring a postponement as pro-

of the functions of these organizations the maintenance of which is necessitated by the new plan will continue in existence; these determined to make every possible effort to functions will be transferred to the Bank for avoid a declaration of postponement and not International Settlements by the "small special to have recourse thereto until it has come to committee"; the Bank for International Settlements will exercise them within the conditions and limits of the new plan in conformity with endangered by the transfer in part or in full of the provisions of its statutes. of the creditor powers in relation to Germany will be determined in accordance with the provided by the new plan. visions of the plan.

In regard hereto the representatives of the Belgian, British, French, Italian and Japanese Governments, and the representatives of the German Government have made the declara-

The German Government undertakes to take the measures necessary for the enactment tions contained in Annex I. of the special laws required for the application The other measures necessary in view of the change from the present system to that of the of the new plan; that is to say (a) the law for new plan are those provided for in Annex II the amendment of the bank law of August 30, 1924, in accordance with Annex V; (b) the law for the amendment of the law of the Deutsche ARTICLE V Reichsbahngesellschaft, in accordance with The annuities mentioned in the present Annex VI.

agreement include the amounts required for These laws may only be amended in the the service of the German external loan, 1924. conditions and in accordance with the pro-These annuities do not include the amounts cedure laid down by Annexes VA and VIA. which the experts' plan of June 7, 1929, assigns The German Government further underto the United States of America. takes to apply the provisions contained in

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#### ARTICLE VI

Further, the German Government guarantees that the German Railway Company (Deutsche Reichsbahngesellschaft) will deliver to the Bank for International Settlements the certificate mentioned in Annex IV.

### ARTICLE VIII

### ARTICLE IX

APRIL, 1930

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Annexes VII and XI relating to the assignment or in consequence of the termination of the of the proceeds of certain taxes by way of Dawes plan, diminishes or varies the nature collateral security for the service of the several | and extent of its prior obligations and engageparts of the German annuities.

#### ARTICLE X

respective territories the measures necessary of the German external loan, 1924, and declare, for securing that the funds and investments of in so far as they are concerned, that all the the bank, resulting from the payments by priorities, securities, and rights hitherto granted Germany, shall be freed from all national or said loan remain unimpaired including those local fiscal charges.

The bank, its property and assets, and also the deposits of other funds intrusted to it, on the deposits of other funds intrusted to it, on the territory of, or dependent on the adminis-tration of the partice shall be intrusted to it, on ments of the German Reich and of the other tration of, the parties shall be immune from signatory powers recognize that the specific any disabilities and from any restrictive meas- first prior charge for the benefit of the said ures such as censorship, requisition, seizure, or loan continues to attach to all payments hereconfiscation, in time of peace or war, reprisals, after to be made by Germany for reparation or prohibition, or restriction of export of gold or other treaty costs, including not only the noncurrency and other similar interferences, restrictions, or prohibitions.

### ARTICLE XI

The Governments of the creditor powers have settled the text of a trust agreement, appearing in Annex VIII, for the receipt, management, and division of the German annuities.

The Bank for International Settlements upon its establishment will be invited to give its adhesion to the agreement, and the Governments referred to will appoint delegates with confirms the provisions for the security of the the powers necessary to sign.

The German Government declares that it has been informed of the text of the agreement.

### ARTICLE XII

The system of deliveries in kind will be governed by the provisions contained in Annex IX hereto and in the second Annex to the Protocol of August 31, 1929.

Great Britain entitled "The German reparation specially mentioned in Article XIII and in (recovery) act, 1921," and the levy on German imports into France have been settled by agreements between the German Government on the one hand and the British and French Governments, respectively, on the other; the text of these agreements is set out in Annex X.

#### ARTICLE XIII

priorities, securities and rights hitherto created of Annexes I, VA, VIA, and IX be submitted for the benefit of the German external loan, for final decision to an arbitration tribunal of 1924, and declares that nothing in the new plan five members appointed for five years, of whom

ments assumed under the general bond securing said loan, all of which are preserved in their integrity. The Governments of the other signatory powers similarly confirm and recog-The contracting parties will take in their nize the absolute prior position of the service under the London protocol dated August 30. 1924. In particular, but without limiting the postponable portion of the German annuities to be paid into the annuity trust account but also the postponable portion of the German annuities to be paid into the annuity trust account; and the said powers accordingly agree that the amounts currently required for the service of said loan shall be paid out of said annuities to, or upon the order of, the trustees of said loan in priority to any other disbursements made therefrom. The Government of the German Reich further accepts and German external loan, 1924, which are contained in Annex XI, of which the English text is alone authentic.

### ARTICLE XIV

The creditor powers recognize that their acceptance of the solemn undertaking of the German Government replaces all controls. special securities, pledges, or charges existing The methods of administering the law of at the present time, with the exception of those Annexes VI, VII, and XI.

### ARTICLE XV

1. Any dispute, whether between the Governments signatory to the present agreement or between one or more of those Governments and the Bank for International Settlements. as to the interpretation or application of the The German Government confirms all th new plan shall, subject to the special provisions

nationals of States which were neutral during parties. the late war; the two other shall be respectively, of the powers which are creditors of Germany.

date when the new plan takes effect this tri- chosen as a single arbitrator. bunal shall consist of the five members who at present constitute the arbitration tribunal may be made in the submission—provisions bunal shall consist of the five members who at established by the agreement of London of which may not in any event affect the right August 30, 1924.

2. Vacancies on the tribunal, whether they result from the expiration of the five yearly be governed by the rules laid down in Annex periods or occur during the course of any such XII period, shall be filled, in the case of a member The same rules, subject to the same reserva-tion, shall also apply to any proceedings before who is a national of one of the powers which are creditors of Germany, by the French this tribunal for which the annexes to the Government, which will first reach an under- present agreement provide. standing for this purpose with the Belgian, 7. In the absence of an understanding on the British, Italian, and Japanese Governments; terms of submission, any party may seize the in the case of the member of German nation- tribunal directly by a proceeding ex parte, and ality, by the German Government; and in the the tribunal may decide, even in default of apcases of the three other members by the six pearance, any question of which it is thus Governments previously mentioned acting in seized. agreement, or in default of their agreement, 8. The tribunal, or the single arbitrator, by the president for the time being of the may decide the question of their own jurisdic-Permanent Court of International Justice. tion, provided always that, if the dispute is

3. In any case in which either Germany or one between Governments and a question of the bank is plaintiff or defendant, if the chair- jurisdiction is raised, it shall, at the request of man of the tribunal considers, at the request of either party, be referred to the Permanent one or more of the creditor Governments parties | Court of International Justice. to the proceedings, that the said Government or 9. The present provisions shall be duly ac-Governments are principally concerned, he will cepted by the bank for the settlement of any invite the said Government or Governments to dispute which may arise between it and one appoint-and in the case of more Governments or more of the signatory Governments as to than one by agreement-a member, who will the interpretation or application of its statutes take the place on the tribunal of the member or the new plan. appointed by the French Government.

In any case in which, on the occasion of a FINAL CLAUSE dispute between two or more creditor Governments, there is no national of one or more of M. Henri Jaspar, Prime Minister of Belgium, those Governments among the members of the as chairman of The Hague Conference of 1930, tribunal, that Government or those Govern- will deliver to each of the signatory Governments shall have the right to appoint each a ments a certified copy of the present agreement member who will sit on that occasion. If the (which expression here, and in all places where chairman considers that some of the said the context admits, includes the annexes hereto) Governments have a common interest in the immediately after signature. The French and dispute, he will invite them to appoint a single | English texts are both, in the absence of special member. Whenever, as a result of this pro- provision to the contrary, authentic, provided vision, the tribunal is composed of an even that, for the certificates mentioned in Article number of members, the chairman shall have a VII and the German laws mentioned in Article casting vote. IX of the present agreement the German text, 4. Before and without prejudice to a final and for the provisions of Annex XI the English

decision, the chairman of the tribunal, or, if he text, alone will be authentic. is not available in any case, any other member appointed by him, shall be entitled, on the the deposit of ratifications shall be made at request of any party who makes the application, Paris with the French Government.

one, who will be the chairman, shall be a citizen to make any interlocutory order with a view to of the United States of America; two shall be preventing any violation of the rights of the

5. In any proceedings before the tribunal a national of Germany and a national of one the parties shall always be at liberty to agree to submit the point at issue to the chairman For the first period of five years from the or any one of the members of the tribunal

> of intervention of a third party-the procedure before the tribunal or a single arbitrator shall

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FEDERAL RESERVE BULLETIN

The powers of which the seat of government is outside Europe will be entitled merely to inform the French Government through their diplomatic representatives at Paris that their ratification has been given; in that case they must transmit the instrument of ratification as soon as possible.

The new plan will come into force and will be considered as having been put into execution on the date on which the Reparation Commission and the chairman of the Kriegslastenkommission have agreed in reporting-

(1) The ratification of the present agreement by Germany and the enactment of the German laws in accordance with the relative annexes

(2) The ratification of the present agreement by four of the following powers; that is to say, An Belgium, Great Britain, France, Italy, and Japan.

(3) The constitution of the Bank for International Settlements and the acceptance by the bank of the undertakings by it for which the  $\begin{bmatrix} A \\ A \end{bmatrix}$ present agreement provides, and also its receipt of the certificate of the German Government An and the certificate of the German Railway Company as provided in Annexes III and IV.

The report of the Reparation Commission shall require a unanimous vote of the members A of the commission as constituted for the purposes of the treaty of Versailles when a question concerning Germany is under consideration, the Japanese delegate nevertheless taking part in the discussion and giving his vote.

The report of the Reparation Commission and the chairman of the Kriegslastenkommission will be notified to all the powers signatory of the present agreement.

Provided always that the substitution of the obligations and annuities of the new plan for A those of the experts' plan of April 9, 1924, shall date from September 1, 1929, regard being had to the provisions of The Hague Protocol of August 31, 1929, and of Annex II to the present agreement.

The present agreement will come into force for each Government other than the four of those mentioned above by name who first ratify, on the date of notification or deposit of ratification.

Provided always that any such ratification shall have the same effect as if it had taken place before the report of the Reparation Commission and the chairman of the Kriegslastenkommission.

The French Government will transmit to all the signatory Governments a certified copy of the proces-verbaux of the deposit.

d for FRASER

Done in a single copy at The Hague, the 20th

qui, Philip Snowden, Peter Larkin, Granville Ryrie, E. Toms, Philip Snowden, Philip Snowden, Henri Chéron, Loucheur, N. Politis, J. G. Politis, A. Mosconi, A. Pirelli, Suvich, M. Adatci, K. Hirota, J. Mrozowski, R. Ulrich, Tomaz Fernandes, G. G. Mironesco, N. Titulesco, J. Lugosiano, Al. Zeuceano, Dr. Eduard Beneš, Stefan Osusky, Dr. V. Marinkovitch, Const. Fotitch.

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#### ANNEX I

Exchange of declarations between the Belgian, British, French, Italian, and Japanese Governments on the one hand and the German Government on the other

The representatives of the Belgian, British. French, Italian, and Japanese Governments make the following declaration:

The new plan rests on the principle that the whether the German Government had comcomplete and final settlement of the reparation mitted acts revealing its determination to question is of common interest to all the coun- destroy the new plan. tries which this question concerns and that the Germany should forthwith declare that, in the plan requires the collaboration of all these counevent of an affirmative decision by the court, tries. Without mutual good will and confi- she acknowledges that it is legitimate that, in dence the object of the plan would not be order to insure the fulfillment of the obligations attained. of the debtor power resulting from the new It is in this sense that the creditor Govern- plan, the creditor power or powers should ments have, in The Hague agreement of Jan- resume their full liberty of action.

uary, 1930, accepted the solemn undertaking The creditor Governments are convinced that of the German Government to pay the annui- such a hypothetical situation will never in fact ties fixed in accordance with the provisions of arise and they feel assured that the German the new plan as the guaranty for the fulfillment Government shares this conviction. But they of the German Government's obligations. The consider that they are bound in lovalty and by creditor Governments are convinced that, even their duty to their respective countries to make if the execution of the new plan should give the above declaration in case this hypothetical rise to differences of opinion or difficulties, the situation should arise. procedures provided for by the plan itself would The representatives of the German Government, on their side, make the following be sufficient to resolve them. It is for this reason that The Hague agreedeclaration:

ment of January, 1930, provides that, under the régime of the new plan, the powers of the above declaration of the creditor Governments creditor powers shall be determined by the provisions of the plan.

There remains, however, a hypothesis outside the scope of the agreements signed to-day. The creditor Governments are forced to con- plan would be sufficient to resolve them. sider it without thereby wishing to cast doubt on the intentions of the German Government. | ingly that under the régime of the new plan the They regard it as indispensable to take account powers of the creditor powers will be deterof the possibility that in the future a German mined in accordance with the provisions of Government, in violation of the solemn obliga- the plan. tion contained in The Hague agreement of January, 1930, might commit itself to actions plan.

It is the duty of the creditor Governments to declare to the German Government that if such Nevertheless, if one or more of the creditor powers refer to the Permanent Court of Interveal its determination to destroy the new plan, the German Government, in agreement with However, even on this extreme hypothesis, the creditor Governments, accepts the proposal that the Permanent Court should decide the question, and declares that it acknowledges that it is legitimate, in the event of an affirma-

a case arose, imperiling the foundations of their common work, a new situation would be created national Justice the question whether acts in regard to which the creditor Governments originating with the German Government remust, from the outset, formulate all the reservations to which they are rightfully entitled. the creditor Governments, in the interests of general peace, are prepared, before taking any action, to appeal to an international jurisdiction of incontestable authority to establish and tive decision by the court, that, in order to appreciate the facts. The creditor power or insure the fulfilment of the financial obligapowers which might regard themselves as con- tions of the debtor power resulting from the cerned, would therefore submit to the Perma- new plan, the creditor power or powers should nent Court of International Justice the question resume their full liberty of action.

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The German Government takes note of the whereby, even if the execution of the new plan should give rise to differences of opinion or difficulties in regard to the fulfillment of the new plan, the procedures provided for in the

The German Government takes note accord-

As regards the second part of the declaration and the hypothesis formulated in this revealing its determination to destroy the new declaration, the German Government regrets that such an eventuality, which for its part it regards as impossible, should be contemplated.

**APRIL**, 1930

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# ANNEX III

# Debt certificate of the German Reich

The German Government, by this present certificate, undertakes a solemn engagement subject to the stipulations of the new plan as defined by Article I of the Agreement of The Hague of January 1930, to pay to the Bank for International Settlements as trustee for the creditor powers, and not to any other agent nor by way of direct payment to any one of its creditors, and in conformity with the following provisions, the annuities set out in the following table plus the sums required for the service of the German external loan, 1924, as provided in the general bond dated October 10, 1924. The annuities set out in the table shall be paid by equal monthly working day next following.

A 14 444	reichsmarks
Sept. 1, 1929-Mar. 31, 1930	676. 9
Apr. 1, 1930-Mar. 31, 1931	_ 1641. 6
ADT. 1. 1931-Mar 31 1039	1010 0
AUI. 1. 1900-War 31 1934	1744 0
Apr. 1, 1904–Mar. 31, 1935	1807 5
AUC. 1. 1940-War 31 1937	1000 0
Apr. 1, 1997-Mar. 51, 1938	1010 0
AUL. 1. 1900-War. 51 1939	1090 1
ADF. 1. 1959-War 31 1940	1000 4
Apr. 1, 1942–Mar. 31, 1943	9191 0
101. 1, 1040-War, 51, 1944	9190 0
Apr. 1, 1945–Mar. 31, 1946	2137.7
Apr. 1, 1945–Mar. 31, 1946 Apr. 1, 1946–Mar. 31, 1947 Apr. 1, 1947–Mar. 31, 1947	2133. 4
Apr. 1, 1950–Mar. 31, 1951 Apr. 1, 1951–Mar. 31, 1951 Apr. 1, 1951–Mar. 31, 1952	2283.1
Apr. 1, 1951–Mar. 31, 1952	2267.1
	9970 1
Apr. 1, 1900-War. 01, 1904	9977 9
4101, 1, 1000-Mar. 01, 1900	0000 7
Apr. 1 1997-Mar. 91, 1998	9905 7
Apr. 1, 1998-Mar. 31, 1959	9917 7
Apr. 1, 1900-Mar. 51, 1961	9204 A
Apr. 1, 1901–Mar. 51, 1962	9299 9
Apr. 1, 1902–Mar. 51, 1903	9214 1
AUL. 1. 1903-WHL 31 1964 .	0000 -
ADr. 1. 1964-Mar. 31 1965	0000 0
	9959 7
Apr. 1, 1900-Mar. 51, 1907	1566 0
ADT. 1, 1907-Mar. 31, 1968	1566 1
Apr. 1, 1969–Mar. 31, 1970	1589.2

The French, German, and English texts of the present annex are equally authoritative.

CURTIUS. WIRTH. SCHMIDT. MOLDENHAUER. HENRI JASPAR. PAUL HYMANS. E. FRANCOUI. PHILIP SNOWDEN. HENRI CHÉRON. LOUCHEUR. A. Mosconi. A. PIRELLI. SUVICH. ADATCI. K, HIROTA.

### ANNEX II

### Measures of transition

1. The transfer to the Bank for International Settlements of the documents belonging to the Reparation Commission and the organizations of the Dawes plan, will take place in so far Hague protocol is to be deemed due by only as may be deemed by the small special committee referred to in Annex V of the experts' report of June 7, 1929 (sec. 166) to be strictly necessary for the exercise of the functions of the Bank for International Settlements.

2. (i) Germany's previous obligation, except in respect of the German external loan 1924, being entirely replaced by the obligation laid down in the new plan, the German A, B, and many as follows: C bonds, the bonds of the Deutsche Reichsbahngesellschaft the German industrial bonds aud the bonds of the Bank für Deutsche Industrie Obligationen are finally cancelled and shall be destroyed

(ii) The claims of Germany against Austria, Hungary, and Bulgaria referred to in article will be settled when the principal sum due to 261 of the treaty of Versailles and the debts of Germany is reimbursed in accordance with Germany referred to in articles 213 of the the complete settlement of accounts to be treaty of St. Germain, 196 of the treaty of approved by the small special committee. Trianon and 145 of the treaty of Neuilly are (vi) This settlement of accounts is without finally cancelled and the securities and docu- prejudice to the right of the German Governments relating thereto shall be destroyed

destruction of the instruments above mentioned in paragraph (iii) above by the Reparation will be settled by the small special committee. Commission and the organizations of the

into force the accounts of the transitional covered by the Dawes annuities The amount period referred to in Annex III, Article I (1) of these economies, if any will be notified and and (2) to The Hague protocol of August 31. paid to the German Government as soon as 1929 will be closed. Sums in fact paid by the Reparation Commission is in a position to Germany during that period in excess of the do so.

amounts due by her during the same period. whether under the fifth annuity of the Dawes plan or under the new plan, and the provisions of Section II of Annex III and Section I of Annex IV of The Hague protocol, will be reimbursed to Germany.

(ii) For the whole of the period during which the agent general for reparation payments has had such a surplus at his disposal, interest will be credited to Germany in so far as the agent general has received interest by the investment in reichsmarks of the sums at his disposal up to the amount of that surplus; interest will be debited to Germany in so far as, and for the period during which, the payments made by her have been less than those which she would have made if the new plan had been put into force on September 1, 1929, regard being had to the sums referred to in the two following paragraphs: this interest will be calculated at a rate equal to that of the average interest produced by the total surplus to be reimbursed to Germany

(iii) The sum of 6,000,000 reichsmarks referred to in section 2 of Annex III to The Germany on the day on which the agent general for reparation payments received from Germany payments in excess of the amounts due under the new plan sufficient to cover that sum.

(iv) The sum of 30,000,000 reichsmarks referred to in section 1 of Annex IV to The Hague protocol is to be deemed due by Ger-

5.000.000 reichsmarks on September 20, 1929. 5.000.000 reichsmarks on October 20, 1929. 5,000,000 reichsmarks on November 20, 1929. 5.000.000 reichsmarks on December 20, 1929.

the balance (10,000,000 reichsmarks) on December 31, 1929.

(v) The balance of the above interest account

ment to recover any savings made on the (iii) The measures to be taken for the amount of 6,000,000 reichsmarks referred to 3. (i) As soon as the new plan has been put Dawes plan whose expenses have hitherto been

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FEDERAL RESERVE BULLETIN

	N	fillions of
	re	ichsmarks
	Apr. 1, 1970-Mar. 31, 1971	1602 0
1	Apr. 1, 1971–Mar. 31, 1972	1613. 1
	Apr 1 1079 Mar 91 1079	
	Apr 1 1079 Mar 01 1054	1621. 5
		1624.9
1		1627.6
1	Apr. 1, 1975–Mar. 31, 1976	1634.2
1	Apr. 1, 1976–Mar. 31, 1977	1637.9
I	Apr. 1, 1977–Mar. 31, 1978	1644.6
I	Apr. 1, 1978–Mar. 31, 1979	1654. 7
1	Apr 1 1070 Mar 01 1000	
I	App 1 1000 Mar 01 1001	1659.6
I	Apr. 1, 1980-Mar. 31, 1981	1670.5
l	Apr. 1, 1981–Mar. 31, 1982	1687.6
I	Apr. 1, 1982–Mar. 31, 1983	1691.8
ł	Apr. 1, 1983–Mar. 31, 1984	1703.3
I	Apr. 1, 1984–Mar. 31, 1985	1683. 5
I	Apr. 1, 1985-Mar. 31, 1986	925. 1
	Apr. 1, 1986–Mar. 31, 1987	
I	Apr. 1 1987-Mar. 21 1000	931.4
1	Apr. 1, 1987–Mar. 31, 1988	897.8

The service of the German external loan, 1924, shall constitute a part of the annuities payable during the respective annuity years installments on the 15th of each month, and if until said loan is fully redeemed, and the the 15th is not a working day then on the amount required for the service of the loan in each annuity year as determined by the trustees of said loan shall be added to the amounts specified in the foregoing table in determining the aggregate sum of each annuity payable thereunder. The annual amounts payable for the service of the loan shall be treated as payments on account of the nonpostponable portion of the respective annuities and shall be transferred when received to the credit of the trustees for the German external loan, 1924.

### II

1. Except for any period in which the transfer of the postponable portion of the annuity is suspended, the monthly payments of the Reich must be made in currencies other than the reichsmark.

2. Provided always that with a view to the execution of the programs relating to deliveries in kind and of the arrangements under the reparation recovery acts, and with a view to meeting any administrative expenses incurred in Germany, the Bank for International Settlements may request that a corresponding part of these payments may be made in reichsmarks.

3. The bank may notify to the German Government and the Reichsbank simultaneously one month at least in advance of the payment dates the bank's preferences with respect to the currencies in which payment is to be made. In case these preferences are not complied with, the Government of the Reich may make payment of such parts of the German annuities as do not relate to the service of the German external loan, 1924, in the currencies

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of the creditor countries whose nationals were required for the service of the German external members of the committee of experts of 1929, loan, 1924; each coupon is divided into two divided as nearly as possible in proportion to their respective shares, it being, however, understood that payments in currencies other able; part B, the postponable portion of each than the reichsmark which are not on a gold or annuity. Each part of the annuity coupon gold exchange standard shall be made only with enjoys absolutely equal rights throughout the consent of the bank.

4. The Bank for International Settlements ponement hereinafter provided for. shall give its receipt to the German Govern- 2. The bank shall distribute moneys in ment for all sums which it pays or causes to be payment of the mobilized or mobilizable por-paid under this certificate. The receipt shall tions of the annuity coupon among the whole of make note of the currencies received, but credit the bondholders and the creditor Governments shall be given to the German Government in in proportion to the rights of each to share in the reichsmark equivalent of these currencies. the portion of the annuity coupons not subject

marks for payments made to the Bank for of any kind to any tranche or to any claim. It International Settlements by the German Gov- will distribute the moneys relating to the ernment or on its behalf for the execution of the nonmobilizable portions of the annuity coupons new plan, shall during the normal operation of amongst the creditor Governments, the transfer the new plan constitute a complete and suffi- of these moneys taking place only after the cient discharge of the obligations of the German | transfer of the moneys relating to the mobilized Government with respect to such payments.

Should, however, transfer postponement be in whole or partial effect, the bank's receipt giving credit in reichsmarks shall constitute a complete and sufficient discharge of the obligations of the German Government with respect to all payments into the annuity trust account made in foreign exchange and with respect to such portions of the payments made in reichsmarks as in the opinion of the bank provide current funds for deliveries in kind or services. As to the remainder, the receipt of the bank shall be in the nature of a temporary acknowledgment only.

5. The German Government undertakes that the reichsmark shall have and retain its convertibility into gold or devisen as contemplated in section 31 of the Reichsbank law of August 30, 1924, and that in all circumstances for the general purposes of the new plan the reichsmark shall have and shall retain a mint parity of 1/2790 kilogram of fine gold as defined in the German coinage law of August 30, 1924.

Sums paid in currencies other than reichsmarks into the annuity trust account shall be calculated in terms of reichsmarks subject to the provisions of the last preceding paragraph at the average of the mean rates (Mittelkurs) prevailing on the Berlin Bourse during the 15 days preceding the date of payment.

#### III

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representing each the whole of one annuity according to the issue conditions, the part of payable, after deduction of the amounts the annuity destined for the service of the loan

except with regard to the possibility of post-

The bank's receipt giving credit in reichs- to postponement, without allowing a priority or mobilizable portion of the annuity coupon.

#### IV

1. The service of interest and amortization of the mobilizable or mobilized portions of the annuity coupons shall be paid to the bank in currencies other than the reichsmark by the German Reich without any reservation, i. e., on its own responsibility. The financial service of these mobilizable or mobilized portions of the annuities shall constitute a final and unconditional international obligation in the ordinary financial sense of the word.

2. Furthermore, upon the request of the Bank for International Settlements, acting as trustee of the creditor powers, if and in so far as the bank considers such a course opportune, Germany undertakes to substitute for part A of the coupons issuable bonds bearing its name, representing, on the same conditions as this certificate and the said coupons, an obligation of the Reich. The amount and form of these bonds and the specifications of the currency in which they shall be issued shall be fixed by the bank.

3. If any one or more of the creditor States should intend to utilize internal issues of German bonds in connection with operations for the conversion of national debt, such bonds shall be quoted only on their market of issue.

4. If and in so far as Germany shall redeem reparation loans (general or conversion loans) 1. To this certificate are attached coupons which can be redeemed before their due date

6. Any sum in reichsmarks the transfer of 5. Germany shall have the right to redeem against payments in foreign currencies by the liveries in kind, of reichsmarks so deposited shall be subject to agreement between the Reichsbank and the Bank for International 1. The payment of the nonmobilizable por- Settlements.

so redeemed will accrue to Germany. It is understood that the bank will, as far as possible, which is postponed shall be deposited to the make every effort to secure that loans will not account of the Bank for International Settlebe issued without granting to Germany an ments at the Reichsbank for eventual release of appropriate right of anticipated redemption. balances not absorbed by deliveries in kind, all or any part of the not yet mobilized annui- German Government. At all times the emties (parts A and B of the coupons) on a basis ployment, whether for investment or for deof 5½ per cent discount.

7. In settling the way in which these sums tion of the annuity coupons shall be made to are to be employed account shall be taken of the Bank for International Settlements by the German Government in the same conditions as | the possibility of establishing special programs that of the mobilized or mobilizable portion of | in conformity with the procedure, provision for which is made in Appendix I to Annex II to The the annuity coupons. 2. Nevertheless (a) bonds representing the Hague protocol of August 31, 1929.

8. Interest at the rate of 1 per cent per annonmobilizable portion of the annuity coupons cannot be created except with the consent of num above the prevailing Reichsbank discount the German Government; (b) it is in respect of the nonmobilizable portion of the annuity cou-pons that the German Government may avail ment on the daily amount of the sums the itself of the right of postponing transfer or pay- transfer or payment of which has been postponed and which have not been invested or ment on the following conditions. 3. The German Government, by giving at least 90 days' previous notice, shall have the utilized for deliveries in kind. This interest shall be treated in all respects similarly to the right to suspend for a maximum period of two principal sum upon which it accrues, and the return upon that portion of the funds actually years from its due date all or part of the transinvested shall be for the account of the creditor fer of the postponable part of the annuity.

Transfer postponement thus declared shall powers.

9. At the end of any period in respect of affect the postponable annuity as and from that date on which transfer postponement which a total or partial postponement of transfer or payment has been declared for any becomes effective. 4. If, during any annuity year, the German monthly instalment, the instalment or part thereof the transfer or payment of which has Government shall avail itself of this power, the transfers falling due during any second been so postponed shall become immediately year can not be postponed for more than one payable to the Bank for International Settleyear from their respective due dates, unless ments in foreign currencies, with the exception and until the transfers due during the first of any amounts of which the creditor powers year shall have been effected in full, in which have already had the benefit in some other case the transfers due during such second year form in pursuance of the new plan. This clause modifies in no way the functions of the may be postponed two years from their respective due dates; and the transfers due during special advisory committee provided for in the any third year can not be postponed at all new plan. 10. In the event of any declaration of postuntil the transfers due during the first year ponement made by Germany or at any other

have been effected in full. time when the German Government declares 5. At any time when postponement of transto the creditor Governments and to the Bank fer is in effect but not until one year after it has become effective, the German Government | for International Settlements, that it has come shall have the right to postpone payment for | to the conclusion in good faith that Germany's one year of 50 per cent of any sum the transfer exchange and economic life may be seriously of which shall then be susceptible of postpone- endangered by the transfer in part or in full ment under the conditions stated above. This of the postponable portion of the annuities, percentage may be increased upon the recom- the Bank for International Settlements shall mendation of the advisory committee provided convene the special advisory committee menfor in part 8 (e) of the report of the experts of | tioned in chapter 8 (e) of the experts' plan of June 7, 1929. 1929.

#### FEDERAL RESERVE BULLETIN

The special advisory committee shall forthwith consider the situation in all its aspects, end of the second month from the date of the as provided in the plan, and shall indicate for first deposit. consideration by the Governments and the At the end of the third month, and therebank what, in their opinion, are the measures after at intervals of three months, the deposit that should be taken in regard to the appli- shall be adjusted on the basis of the average cation of the plan. In application of article of the daily balances referred to above during 124 of the report of the experts of June 7, 1929, the three months ending two working days any recommendation of the committee affect- before the date of each such adjustment. The ing the rights of the creditor Governments intervals referred to in this paragraph may be shall not bind the creditor Governments unless changed by agreement between the Governit is accepted and confirmed by the creditor ments concerned with the concurrence of the Governments who participated in the decision Bank for International Settlements. of September 16, 1928, to set up the committee of experts. Similarly, any recommendation affecting the rights of the German Government shall not bind the German Government unless it is accepted and confirmed by that for payment of the annuities and its complete Government.

#### VI

the period up to March 31, 1966, to maintain relative annex of the Agreement of The Hague at the Bank for International Settlements a of January, 1930, the proceeds of the customs, non-interest bearing deposit equivalent to 50 tobacco, beer, and alcohol (monopoly adminisper cent of the average deposit remaining in the tration) duties to the service of the present annuity trust account, but not exceeding certificate, including the service of any bonds 100,000,000 reichsmarks.

The bank shall to this end certify to the new plan. German Government and to the creditor Governments every month the average of the bal- 660,000,000 reichsmarks payable by the German ance at the close of each working day left by railway company are also assigned as a colthe creditor Governments on deposit without lateral guarantee to the service of the annuities. interest during that month, in respect of the The amounts of the obligation of the German sums arising from the German payments under | Railway Company will be paid in accordance the Dawes plan or under the new plan up to with the certificate of debt of that company the time when they are drawn out by the on the first day of each month, and if the full creditor Governments.

Government to the bank 15 days after the amounts so paid by the German Railway Computting into execution of the new plan, the pany will be transferred, immediately on their amount of the deposit being calculated on the receipt, to the German Government. average of the daily balances above mentioned left with the agent general for reparation payments or the bank during the month ending two working days prior to the date of deposit, in relation to the annuities for which this cerexcluding sums returnable to the German Government under Annex III of The Hague protocol of August 31, 1929.

The deposit shall be maintained at the amount so calculated during one month. At the end of this period the deposit will be adjusted by a further deposit or by the withdrawal of part of the existing deposit, on the liveries in kind. basis of the average of the daily balances referred to above during the month ending two working days before the date of the adjustment.

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A similar adjustment will take place at the

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#### VII

As a collateral guarantee the German Government, without prejudice to its general liability freedom to make these payments out of its general revenues and without prejudice to the securities for the German external loan, 1924, The German Government undertakes during assigns, in pursuance of the provisions of the which may be issued in accordance with the

The proceeds of the annual direct tax of amount of the previous monthly payment due The first deposit will be paid by the German by the German Government has been paid, the

### VIII

The obligation of the German Government tificate provides shall not be deemed to have been fulfilled until all sums, the transfer or payment of which may from time to time have been suspended, have been either in fact completely transferred to the Bank for International Settlements in the shape of approved currency other than the reichsmark or employed for de-

IX

At the end of each annuity period, when the Bank for International Settlements has re**APRIL**, 1930

19-, to the ----, 19-

The relative provisions

German Government.

Berlin, the ——, 1930. Reichsschuldenverwal-

reichs-

ceived from the German Government the on April 1, 1966. Payments on the due dates amounts due under this present certificate, the must be effected before 9 o'clock in the morning. The tax is to be paid in accordance with bank will return to the Government the coupon corresponding to the payments of that annuity | the conditions, privileges, and guarantees fixed period. The certificate itself will be delivered by the railway law of -—, and, in particular, in conformity with the following when all the coupons have been paid. provisions:

X The tax shall be paid out of the operating receipts of the company with recourse, if neces-The foregoing provisions shall not be deemed sary, to all reserves. It shall rank after the to affect the provisions of the new plan, which expenditure on personnel and on the same footare not dealt with in this certificate. ing with expenditure on material and consumable stores. It shall enjoy priority over any Annuity coupon (not including the service of the other tax now levied on the railway company, German external loan, 1924) or which may be levied in the future, and shall rank prior to any other charge, by way of PART B PART A mortgage or otherwise, on the company. The German Reich will

marks.

The German Reich will pay to the creditor powers pay to the creditor powers at the Bank for Interna- at the Bank for International Settlements on ac- tional Settlements on account of the nonpostpon- count of the postponable able part of the annuity part of the annuity for for the period from the the period from the \_\_\_\_\_, 19\_\_\_, to the \_\_\_\_\_, 19\_\_\_, to the \_\_\_\_\_, 19\_\_\_, to the \_\_\_\_\_, 19\_\_\_, the sum of 612,000,- the sum of \_\_\_\_\_ 000 reichsmarks.

The relative provisions of the certificate apply to of the certificate apply to the present coupon. the present coupon.

A note of the payment A note of the payment of each instalment will be of each instalment will be endorsed on the present endorsed on the present coupon. When the full coupon. When the full amount of the above sum amount of the above sum has been paid this coupon has been paid this coupon will be returned to the will be returned to the German Government. -, 1930.

Berlin, the -Reichsschuldenverwal-

(Administration of the tung. (Administration of the debt of the Reich).

# ANNEX IV

# Certificate of the Deutsche Reichsbahngesellschaft

By the present certificate, the undersigned confirm that the German Railway Company has to pay, as contribution to the annuity for reparation purposes to be paid by the Reich, a Reich tax amounting to 660,000,000 reichsmarks per annum.

This tax will fall due in equal monthly in- bankdirektorium), which consists of a president stallments of 55,000,000 reichsmarks after the as chairman and the required number of memend of each month on the first day of the fol-lowing month, and—where the first day hap-direct the currency, discount, and credit policy pens to be a Sunday or holiday-on the follow- of the bank. The president and the members must be ing working day. It shall be paid direct into the account of the Bank for International Set- German nationals. The resolutions of the managing board are tlements at the Reichsbank. The payments begin to fall due on October 1, 1929, and end passed by simple majority; in the case of an

#### FEDERAL RESERVE BULLETIN

In conformity with paragraph 1 of article 5 -, the undertaking asof the law of sumed by the company to pay the reparation tax for the year 1965 and until March 31, 1966, will be transferred to the organization to be created to administer the railways of the Reich in conformity with article 92 of the Reich constitution, the above provisions being applied mutatis mutandis.

#### ANNEX V

Provisions to be inserted or maintained in the German bank law

#### ARTICLE 1

Remains unchanged.

#### ARTICLE 2

Remains unchanged.

#### ARTICLE 3

Remains unchanged (in connection with article 5 of the coinage law, 1924).

#### ARTICLE 6

The bank shall be administered by the managing board of the Reichsbank (Reichs-

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equality of votes, the president has a casting requires confirmation by the president of the vote.

The president shall be elected by the general council after the latter has heard the managing board of the Reichsbank. Such election requires a majority of 7 votes and the confirmation of the president of the Reich, who signs the deed of appointment. By the delivery of the deed the president elected is duly appointed. The members of the managing board shall

be appointed by the president after approval by the general council. The same majority is required for such approval as for the election of the president. The appointment requires confirmation by the president of the Reich. The members are duly appointed by delivery of the deed of appointment. The appointment shall be for a term of 12 years, subject always to the condition that, on attaining the age of 65 years, a member shall cease to hold office.

The term of the first-appointed members of the managing board shall be as follows: With the exception of the president they shall be divided into three groups, of which the two first must be equal in number and the third group may be equal in number or less, but in any case shall be as near as possible in number to the first group. The first group shall contain the members youngest in years, and the third group the oldest, the second group con-taining the remaining members. The members of the first group shall be elected for 12 years, the members of the second group shall be elected for eight years, and the members of the third group shall be elected for four years. The same age limit of 65 years shall apply in every case.

The term of office of the president is four years. The president and the members are eligible for reelection.

The election of a new candidate shall not take place unless the candidate is approved by the managing board. The approval shall be considered as refused if two-thirds of the members have voted against the new candidate.

On important grounds the president or a member of the managing board can be dismissed at any time without prejudice to their contractual rights. Dismissal of the president on important grounds can be voted by the general council with the same majority as provided for in paragraph 4 above, and in the case of a member of the managing board it can be voted likewise by the general council elected as members of the general council: with the same majority, but not without the (a) Officials in the immediate service of the president's consent. The dismissal of the presi-German Reich or of any German State, unless

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Reich.

ARTICLE 9 (first paragraph)

Remains unchanged.

#### ARTICLE 10

# Remains unchanged.

#### ARTICLE 12

In every year a report as to administration shall be presented to the general meeting. The general meeting shall decide as to the balance sheet and as to the distribution of profits in accordance with this law.

The general meeting shall also determine the "Satzung" and any changes in the "Satzung" on the proposal of the managing board and with the consent of the general council. The "Satzung" and any changes therein shall be published by the managing board in the 'Reichsanzeiger."

### ARTICLE 14

A general council of the Reichsbank shall be constituted consisting of 10 members. These

#### ARTICLE 15

The president of the Reichsbank managing board shall be one of the members and also chairman of the general council.

The term of office of a member of the general council with the exception of the president shall be three years.

#### ARTICLE 16

The members of the general council, with the exception of the president, shall be elected by means of cooption by those members of the general council who are in office at the time, subject to confirmation on the part of such of the shareholders as are German nationals. Before the election the chairman of the general council or his deputy shall consult the Government of the Reich concerning the election.

#### ARTICLE 17

The following classes of persons shall not be

dent or of a member of the managing board | they are in a permanent state of retirement.

(b) Persons who receive any payment from the German Reich Government or from the government of any German State. Remuneration for earlier services does not count as payment.

#### ARTICLE 18

Decisions of the general council shall require a simple majority; if the votes are equally divided the chairman shall have a casting vote. This provision shall not apply to the election of the president, nor to the assent to be given to the appointment of the members of the managing board.

At each of its meetings, and at least once in three months, the general council shall examine the reports submitted to it by the president. It shall decide on all proposals made to it by the president, provided that such decisions do not encroach upon the rights of administration of the bank reserved to the managing board.

#### ARTICLE 21

Add at end as new paragraph: "All functions confided to and obligations imposed on central banks in general or any one such central bank specially by the new plan (Hague Agreement, January, 1930) will be performed in Germany by the Reichsbank. All functions confided to and obligations imposed on presidents of central banks in general or any one such president specially by the new plan will be performed in Germany by the president of the Reichsbank."

#### ARTICLE 22

Remains unchanged.

### ARTICLE 25

The Reichsbank is under obligation to accept or make payment for the Reich at the request of the Government authorities by any of its establishments appropriate for that purpose and also to effect transfers without the transmission of cash between the various financial establishments of the Reich.

Without prejudice to the rule contained in the fourth paragraph of this section the bank shall be authorized to give credit to the Reich for purposes of administration; but in each case for a term not exceeding three months and only up to the maximum amount of 100,000,000 Procedure for the modification of certain proreichsmarks. On July 15 of each year the Reich must not be indebted to the bank in any wav.

Paragraphs 3 to 6 remain unchanged.

#### FEDERAL RESERVE BULLETIN

### ARTICLE 27

The preparation and completion, the issue, the withdrawal, and the destruction of bank notes shall be effected under the control of the president of the "Rechnungshof of the German Reich" as commissioner.

The checking of the issue of notes shall be effected by numerically ascertaining the available note cover as prescribed by law. The examination shall take place on those days for which the bank, according to article 36, paragraph 1, regularly publishes its returns. The reports as to such examination must be submitted to the general council at each of its meetings. No examination or discussion concerning the credit, discount, and currency policy of the bank shall take place in connection with the checking.

Statements as to the cover of notes and as to the notes in circulation must be given to the commissioner daily.

Paragraphs 4 and 5 remain unchanged.

ARTICLE 28

Remains unchanged.

ARTICLE 29

Remains unchanged.

ARTICLE 31

Remains unchanged.

#### ARTICLE 38, PARAGRAPH 4

While the note issue privilege is in force, the Reichsbank may only go into liquidation with the consent of the Government of the Reich. Thereafter the Reichsbank shall, before going into liquidation, give notice to the government in good time.

ARTICLE 45

Remains unchanged.

#### ARTICLE 46

Remains unchanged. \*

#### ANNEX VA

visions of the German bank law

Any proposal which may affect the provisions of Annex V must be submitted by the

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German Government to the board of directors of the Bank for International Settlements.

The board may object to any such proposal, new plan, by referring the question within a annuities payable by the Reich, a tax of the period of two months, in the absence of an Reich to an amount of 660,000,000 reichsmarks agreement being reached, to an arbitrator per annum (reparation tax). The reparation chosen by common consent, or, in default tax shall fall due, in equal monthly installof such consent, to the tribunal provided for ments of 55,000,000 reichsmarks, upon exin the present agreement. The decision of the piration of each month on the first day of arbitrator or tribunal shall be final and will each subsequent month, and where the first bind the Reich, the Bank for International day is a Sunday or holiday, upon the first Settlements and the States signatory to the working day following; the tax shall be paid present agreement.

### ANNEX VI

Amendments to be made in the law concerning and in the statutes of the Deutsche Reichsbahn gesellschaft

### A.-German railway law

#### SECTION 1.—Incorporation of the company

law to operate the railways of the Reich.

of the Reich on behalf of the Reich in conform- the future, and shall rank prior to any other ity with the provisions of the present law and charge, by way of mortgage or otherwise, on the regulations annexed thereto. (Annex I.)

SECTION 2.—Conduct of the undertaking

No change.

### SECTION 3.—Capital

shall be 15,000,000,000 reichsmarks, divided the presence of a representative of the company. into 2.000,000,000 reichsmarks of preference shares (tranche A) and 13,000,000,000 reichsmarks of ordinary shares subject to the special Government of the Reich. As soon as the provisions laid down in section 26 of the stat- Bank for International Settlements notifies utes as regards the preference shares.

required for the improvement, perfecting and Government shall authorize the company to extension of the plant and rolling-stock of the devote to the payment of the arrears of repararailways of the Reich and for other extraordi- tion tax the proceeds of the transport tax nary expenditure, the company is entitled to collected for the account of the Reich, in so increase its capital by the issue of further prefer- far as such a tax exists. If these resources ence shares (tranche B), the total nominal prove insufficient the Reich shall meet the amount of such shares not to exceed the sum of deficit within one month of receiving notice 2,000,000,000 reichsmarks for each period of 10 from the bank, either by placing the sums years dating from the first issue of such prefer- required for the payment at the disposal of ence shares. The increase of the capital is the company or by making a direct payment conditional upon the assent of the Government into the account of the Bank for International of the Reich.

(3) formerly (2). No change.

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SECTION 4.—Reparation tax

(1) The company shall pay, as a contribution on the ground that it is incompatible with the of the Deutsche Reichsbahn to the reparation direct into the account of the Bank for International Settlements at the Reichsbank; the first payment shall fall due on October 1, 1929, and the last payment on April 1, 1966, subject to the provision of section 5 of the present law. The payments shall be made before 9 a. m. on the days fixed for the same.

(2) The reparation tax shall be paid out of the operating receipts of the company with recourse, if necessary, to all reserves. It shall rank after the expenditure on personnel and on the same footing with expenditure on ma-(1) A company is incorporated by the present terial and consumable stores. It shall enjoy priority over any other tax now levied on the (2) The company shall operate the railways railway company, or which may be levied in the company.

(3) The company shall deposit with the Bank for International Settlements a certificate acknowledging its liabilities under paragraphs (1) and (2) above. The reparation bonds created in virtue of section 4 of the law of August 30, 1924, and handed over to the (1) The original share capital of the company trustee shall be cancelled and destroyed in

(4) The payment of the reparation tax by the company shall be guaranteed by the the Government that a payment due has not (2) For the purpose of obtaining the funds been effected either in whole or in part, the Settlements at the Reichsbank. Apart from the above provision, the transport tax shall of reparations.

(5) The sums paid by the Government to cover a deficit in the reparation tax and the proceeds of the transport tax devoted by the company to the same purpose in virtue of paragraph (4) above shall be repaid to the Reich in conformity with the provisions of section 25, paragraph (3), No. 3 of the company's statutes.

Reich provided for in the agreement of ----- relating to the redemption of reparaof tion annuities remains unaffected.

#### SECTION 5.—Concessions—Transfer of rights and obligations

(1) The Reich shall concede to the company the exclusive right to operate the railways of the Reich under the conditions set forth in this law and in the company's statutes. The conincluding the payment falling due on January Reich. 2, 1965, have been discharged and all the preference shares have been redeemed. The liability of the company to the payment of the reparation tax in 1965 and up to March 31, 1966 shall then be transferred, subject to the operation of the railways of the Reich in accord- stock. ance with article 92 of the constitution.

(2) In the event of the company's liability to pay the reparation tax direct into the ac-(1) The company shall assume responsibility count of the Bank for International Settle- for the safe operation of the railways of the ments at the Reichsbank terminating before Reich and for such adequate maintenance, re-December 31, 1964, the concession shall be newal, and development at its own expense of shortened accordingly and will terminate forth- the undertaking, with all its accessories, as will with, provided that the preference shares have meet the requirements of traffic and the proall been redeemed by that date. On the other gress in railway technique. hand, if at December 31, 1964, the whole of (2) Subject to these principles and other the reparation tax payments due up to that legal prescriptions and within the limits of the date have not been made, or if the whole of the control reserved to the Reich (see sec. 31 and preference shares have not been redeemed, the following) the company shall be entitled to concession shall be prolonged under the same operate the railways on its own responsibility.

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be exempt from all special charges in respect conditions until such time as the payment of the tax and the redemption of the preference shares have been completed. (3) to (7). No change.

# SECTION 6.—Railway property of the Reich

(1) No change.

(2) The company shall be entitled to dispose (6) The company is entitled, with the assent of property belonging to the railways of the of the Bank for International Settlements and Reich where, in the opinion of the company, subject to the terms agreed on with the bank, such disposal is not inconsistent with reasonto discharge the reparation tax in whole or in able operating needs. Nevertheless, before part by a capital payment. The Government disposing of any property the value of which of the Reich may require the company to exer- exceeds 250,000 reichmarks, the company shall cise this right of discharge provided that the be required, subject to the provisions of section Reich places the necessary funds at the com-pany's disposal. Any capital payment shall Where no other method of utilization has been extinguish the liability of the company under agreed upon with the Government of the Reich paragraphs (1) and (2) in a corresponding the proceeds of sales shall be utilized for the degree. The right of the Government of the improvement, completion or extension of plant and rolling stock.

#### SECTION 7.—Limited liability of railway property for debts of the Reich

No change.

#### SECTION 8.—Loans and credits

(1) The company shall have the right to raise loans on its own account, provided that cession shall terminate on December 31, 1964, their currency does not extend beyond January provided that at the said date all the repara- 1, 1965, and for the purpose of such loans to tion tax payments payable up to that date, mortgage the property of the railways of the

(2) to (4). No change.

(5) For the purpose of guaranteeing loans (pars. 1 and 2) by mortgages the company shall be entitled to grant a collective mortgage (Reichsbahnhypothek) on all land sites formcontinued application of the provisions of sec- ing part of the property of the railways, totion 4, to the undertaking intrusted with the gether with all accessories, including rolling

# SECTION 9.—Operation

### SECTION 10.—Monopoly

No change.

# SECTION 11.—Classification of railways

The government of the German State concerned and the company shall be entitled to be heard on the question as to whether a railway is to be considered as of general interest; the final decision rests with the minister of the Reich responsible for the control of the railways.

### SECTION 12.-Transfer of rights under the concession

In special cases where it appears advantageous in the operation of the undertaking the company may, with the assent of the Government of the Reich, transfer the concession of individual parts of the system to third parties, provided that the company's ability to pay the reparation tax and the security of the same are not diminished thereby.

SECTION 13.—Services to or by departments of th Governments

No change.

SECTION 14.—Exemption from taxation

No change.

### SECTION 15 (new).—Contributions toward the administrative expenditure of the communes

In discharge of claims to a contribution toward administrative expenditure put forward to the creation of the company. The company by communes in which a relatively large pro- shall be entitled to use a seal displaying the portion of railway staff is domiciled, the com- German eagle. pany shall pay annually to the Government of the Reich the fixed sum of 5,000,000 reichs- SECTION 18.-Representation of the company marks agreed on with the Government, which will lay down the principles of distribution among the communes concerned. Should circumstances alter in the future, the amount payable by the company shall be fixed by a new agreement between the Government and the company.

SECTION 15 (former).—Transport tax

#### Omitted.

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#### SECTION 16.—Other laws; their application to the company

ileged position in virtue of the provisions of the present law or of the company's statutes. The laws and decrees relating to private railways alone, in particular to their concession, operation or supervision, shall not be applicable to the company.

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(2) formerly (1). No change.(3) formerly (2). No change.

(4) The company shall be entitled to claim for itself and its personnel the benefit of the provision which exists in favor of the departments or undertakings of the Reich and their personnel in the matter of the Versicherungs-, Wirtschafts-, Arbeits-, Fürsorge-, and Wohnungsrecht (insurance, economic, labor, pensions, and housing legislation). The right to such benefit will be acquired by a declaration to the Government of the Reich. Where a special decree is required to establish the company's privileged position under the laws concerned, such decree shall be issued by the minister of the Reich responsible for the control of the railways. The powers exercised by the supreme authority of the Reich (Oberste Reichsbehörden) in these matters shall, unless otherwise stipulated in the laws, be exercised by the director general. (5) and (6). No change.

SECTION 17.—Company officials not State officials

The authorities of the company shall not be authorities or official organs of the Reich. They have, however, the same standing under public law and the duties connected therewith as the Deutsche Reichsbahn undertaking prior

#### No change.

SECTION 19.—Legal position of the personnel

(1) The company shall draw up staff regulations (Personalordnung) in conformity with and subject to the following provisions. The regulations shall define the rights, conditions of service, and salaries of the railway officials (Beamten) on lines similar to those governing the provisions in respect of officials of the Reich. Where the company believes that the special circumstances of the railway necessitate a deviation in its own regulations from the (1) The company shall be subject to general provisions applicable to officials of the Reich, legislation, in so far as it does not enjoy a priv- the company shall inform and discuss its intenA PRIL. 1930

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no agreement can be reached, the final decision workers. shall rest with the railway court. (Sec. 44.) Until the railway court takes a decision, the change. existing regulations shall remain in force.

#### Transitional provision

The regulations governing the rights, conditions of service and salaries of railway officials on October 1, 1929, shall be considered as having been issued in agreement with the Government of the Reich.

(2) The staff regulations may contain provisions in respect of the rights and conditions of The staff regulations to be drawn up by the service of employees and workers, where such company shall in particular determine the rights and conditions of service are not the following matters, subject always to the prosubject of agreements based on recognized visions of this law: general principle (wage agreements, working (a) The conditions of appointment and proagreements, individual contracts). motion of officials.

#### Transitional provision

Matters regulated on October 1, 1929 and allowances to surviving dependants. under sections 3 to 32 of the staff regulations (d) Hours of work (hours on and off duty) of or entrusted to the director general for settleofficials. ment in virtue of the staff regulations shall be (e) Conditions of employment and appointconsidered to be matters which may be decided ment of candidates entitled to civil employby the staff regulations, save in so far as otherment. wise provided under section 19, paragraph 3.

(3) Save in so far as otherwise provided in SECTION 23.—Duties of officials (Beamten) the present law or in the company's statutes, the general laws and ordinances governing (1) No change. labor, pensions, and insurance shall apply to (2) In case of breach of duty the railway the officials, employees, and workers of the official shall be subject to the same disciplinary company. In particular, legislation on the procedure, with the necessary changes, as is working hours of employees and workers shall provided for at the time in question in the case apply to the employees and workers of the of officials of the Reich. In any such case, the company. In those branches of the service, director general or his authorized representahowever, in which the special conditions of the tives shall possess the powers of the supreme railway system or the collaboration of officials, authority of the Reich (Oberste Reichsbeemployees, and workers calls for a uniform hörden). regulation of working hours, the company may (3) No change. secure such uniformity by applying the service regulations for officials to the working hours of SECTION 24.—Retirement on retaining pay employees and workers. Those branches of the service in which the service regulations The company can place its officials temporarily on the retired list with retaining pay. for officials may be given general application are enumerated under section A of Annex II The principles governing temporary retirement to the present law; under section B are and the legal means of redress of officials enumerated those branches of the service in against such a measure shall be laid down in which such general application is not permis- the staff regulations. The provisions of the sible. In the case of branches of the service staff regulations in force on October 1, 1929, not included under either A or B, the regula- relating to temporary retirement, legal means tion of working hours by general agreement, of redress, and the participation of representa-in particular by wage agreement, shall take tives of the officials in the decisions on legal into consideration the principle established in means of redress, can not be amended without sentence 3 in respect of the application of the | the assent of the Government of the Reich.

tions with the Government of the Reich. If working hours of officials to employees and (4) and (5), formerly (3) and (4) No

SECTION 20.—Protection of existing rights

No change.

SECTION 21.—Local employment of staff

No change.

# SECTION 22.—Staff regulations

(b) Their classification.

(c) Salaries, retaining pay, and all other allowances to officials, as also the pension scale

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No change.

### SECTION 26.—Reservations as to salaries

(1) In fixing the pay and permanent allowances of railway officials other than superior ments of traffic and of the German economy, officials (leitende Beamten) the company shall subject, at the same time, to the observance act in conformity with the provisions of of the special rights and duties arising in section 19.

(2) formerly (3). This provision shall not affect the right of the company to grant company's statutes. bonuses on general principles for service in particularly responsible posts or under particu- the Reich, together with all their works, rolling larly difficult circumstances, as well as for ex- stock, plant, and material, are maintained and ceptional services rendered, provided that operated in a manner consistent with safety the total of such bonuses does not exceed 4 and public convenience. per cent of the total expenditure on the pay of officials. The principles in question shall be established and published after consultation with the officials' council or with the representative organization taking its place in shop, it is sufficient if six months' notice is virtue of subsequent legislation.

(3) formerly (4). The company shall be free to fix the emoluments of superior officials. These officials will be designated by the board ular the right to approve the extension or of management. Should their number exceed restriction of electric traction or changes in the one-half per mille of the total permanent staff. the assent of the Government of the Reich remain solely responsible for the technical must be obtained.

SECTION 27.—Unity of the undertaking

No change.

SECTION 28.—Domicile of the company

No change.

### SECTION 29.—Accountancy

No change.

#### SECTION 30.—Balance sheet, profit and loss account

(1) No change.

(2) The Government shall have the right to examine the company's balance sheet and profit and loss account at any time, to inspect unnecessary expense is thereby to be caused to all such books of account concerning the bal- the company. ance sheet and profit and loss account as are kept at the head office of the company, and to the control of the railways is entitled to inspect call for all necessary information, provided all plant and service departments throughout that no unnecessary expenditure is thereby en- the entire system, or to cause the same to be tailed on the company.

(3) No change.

### SECTION 31.—Government supervision

The Government reserves over the company the rights following:

(1) The right to insure that the railways of the Reich are administered in conformity with the laws and in accordance with the requirerespect of the management of the company out of the provisions of the present law and the

(2) The right to insure that the railways of

(3) The right to approve-

(a) The permanent closing for traffic of a line or of an important station. Where the company intends to close down a large workgiven to the Government of the Reich.

(b) The general fundamental renewal or alteration of technical installations, in particsystem of safety appliances; the company shall details of construction.

(4) The right to approve the foundation or acquisition of other undertakings or participation in other undertakings.

(5) Such participation in fixing tariffs as is specified in section 33.

(6) Such participation in fixing passenger train services as is specified in section 35.

(7) The right to approve the abolition of any of the existing classes in passenger traffic.

(8) The right to supervise the maintenance of emergency services.

SECTION 32.—Government's right to information

(1) The Government may require the company to furnish all information of a financial nature, together with all information required in the exercise of its right of supervision. No

(2) The minister of the Reich responsible for inspected by his officials. He is entitled, together with those of his officials intrusted

free of charge on the company's system.

(3) The Government of the Reich is entitled to send one representative to the meetings of the board of management in accordance with section 16 of the company's statutes.

(4) The company shall inform the minister (2) Where new works or the modification of the Reich responsible for the control of the of existing railway works come within the administrative sphere of the police of a par-(5) Officials intrusted with the supervision ticular German State, the company shall conworks or modifications come within the administrative sphere of authorities of the Reich, SECTION 33.—Tariffs which have taken over duties of the police of the State in question, such authorities of the (1) No change. Reich shall also be heard. Where the hearing (2) No change. leads to differences between the company and (3) The approval of the Government shall the State or Reich authorities concerned, the be held to have been given if the company has plans shall be finally decided upon by the Government of the Reich. The plans for new lines of the company shall always be decided within twenty days of an application by the upon by the Government of the Reich. In both cases the company shall submit the plans, together with the memoranda, where such have been drawn up by the authorities con-cerned, to the minister of the Reich responsible for the control of the railways. The fixation of the plan comprises the final decision in together or in part, the company may appeal respect of all matters affected by the drafting to the railway court. (Sec. 44.) In this of the plan.

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railways of all important measures of a general nature. of the railways shall be bound to secrecy in sult the authorities of the State in question matters of a confidential nature concerning the before definitely fixing its plans. Where new company. not received a reply from the minister of the Reich responsible for the control of the railways company for approval. The definite decision of the Government on any tariff proposal submitted by the company shall always be given with the least possible delay. Where no definite decision is pronounced within six months, or where approval is withheld alevent the existing tariffs shall remain in force (3) to (5) No change. until the railway court has made its award.

(4) No change.

(5) The Government of the Reich may, in addition, call for such tariff changes as it considers necessary. In the event of differences between the Government and the company the decision rests with the railway court (sec. 44).

#### SECTION 34.—Protection of the reparation tax and of interest and sinking fund

The rights of supervision and control of the When, at any point where a railway crosses operation and tariffs of the company reserved public road, the growth of traffic or any other to the Government by the present law shall be change of circumstances renders necessary an exercised in such a way as to secure the payalteration either of the railway, or of the pubments in respect of the reparation tax, the lic road, or of both railway and road, the costs interest and sinking fund for the bonds, the shall be borne by the company if the alteration preference dividend, and the provision of funds is required exclusively to meet the needs of the for the redemption of the preference shares. railway service; they shall be borne by the road authority if the alteration is required SECTION 35.—Time tables exclusively to meet the needs of road traffic; No change. in every case the other party shall bear a

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with railway matters of the Reich, to travel SECTION 36.-Negotiations with foreign Governments

No change.

#### SECTION 37.—New works

(1) No change.

# SECTION 38.—Compulsory taking of lands

(1) and (2) No change.

(3) The expropriation or restriction of ownership of parts of the property of the railway and of land sites owned by the company shall require the previous assent of the Government of the Reich.

### SECTION 39.—Respective rights of road and rail

share of the costs proportionate to the financial advantages accruing to it as a result of the alterations undertaken. The costs shall be divided equitably between the two parties, if the alteration is required to meet the needs of the provisions of this law and of the comof both parties. In case of disagreement as pany's statutes, or in respect of measures under to the division of the costs, the question shall be decided without appeal by the Minister of matters, shall be referred to a special tribunal the Reich responsible for the control of the railways, except in cases where such decision has to be given by an administrative tribunal.

### SECTION 40.—Transfer of duties incumbent upon the transport administration

ment with the company, intrust individual said court of administration. In disputes on departments or officials of the company, in tariff matters two further members will be particular the directorates (Reichsbahndirek- added, the one being appointed on the proposal tionen), with the supervision on behalf of the of the Government and the other on the pro-Reich of railways not operated by the company (art. 95 of the constitution) and with other the president of the court of administration. (art. 95 of the constitution) and with other duties of transport administration. Such duties Until the court of administration is established, are to be fulfilled in accordance with the instruc- the railway court shall have its seat at the tions of the Government and for the account of Supreme Court of the Reich (Reichsgericht) the same. Railway officials intrusted with such and shall comprise three permanent members duties are to be specially sworn in for these and two members appointed afresh in each functions.

SECTION 41.—Expiration of the concession

the company shall hand back to the Govern- shall be appointed as chairman and another as ment in good condition and free of all cost the vice chairman by the president of the Staatsundertaking and everything attached thereto, together with an adequate supply of stocks and stores and all subsidiary works and undertakings, subject to such agreements as may have been concluded between the company and the Government under section 8, together with all holdings in other undertakings. On such retransfer the Reich shall be held to take over to 26, section 28, paragraph 1; section 29, all the rights and obligations connected with paragraph 1 and paragraph 2, sentence 1, and the company's operation.

(2) No change.

SECTION 42.—Liquidation

No change.

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#### SECTION 43.—Staatsvertrag

(1) No change.

Differences as to the interpretation or application of the provisions of paragraph 1 so far as they are applicable to the company, shall be determined exclusively by the railway court (sec. 44). In any such proceedings the States shall be represented by the Reich.

SECTION 44.—Railway court

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(1) Disputes between the Government and the company in respect of the interpretation the law or the statutes, in particular tariff (railway court).

(2) The railway court will be constituted at the court of administration of the Reich (Reichsverwaltungsgericht) as soon as the latter is established. The railway court shall comprise the chairman and two members of a chamber of the court of administration ap-The Government of the Reich may, in agree- pointed once for all by the president of the case. The permanent members, together with two replacing members, shall be appointed by the president of the Staatsgerichtshof and shall be judges with special experience in matters of (1) As from the expiration of its concession public law. One of the permanent members gerichtshof. Of the two members to be appointed afresh in each separate case the one shall be appointed on the proposal of the Government and the other on the proposal of the company by the president of the Staats-gerichtshof. The provisions of section 19, sentences 2 and 3; sections 20 to 22, sections 24 section 30 of the law relating to the Staatsgerichtshof (Reichsgesetzblatt 1921, p. 905) apply mutatis mutandis. The detailed provisions governing procedure shall be fixed by regulations to be issued by the president of the court of administration, or until the constitution of this court, by the president of the Staatsgerichtshof, and published in the Reichsgesetzblatt. The said regulations shall insure the pronouncement of a decision by the railway court with the minimum of delay.

(3) and (4) omitted.

SECTION 45.—Arbitrator

Omitted.

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SECTION 46.—Gold mark

Omitted.

SECTION 47.—Temporary provisions

Omitted.

ANNEX I TO THE GERMAN RAILWAY LAW

B. Regulations of the German Railway Company

SECTION 1.—Name of the company

(1) No change.

Reichsbahngesellschaft law of August 30, 1924, of the Government of the Reich is required. as amended by the law of ----- and by these regulations which form an integral part shall be in Berlin.

(3) The company's financial year shall begin on January 1 and shall end on December 31 of each year.

#### SECTION 2.—Objects of the undertaking

#### No change.

### SECTION 3.—Original capital

(1) The company's original capital shall consist of 15,000,000,000 reichsmarks divided into 2,000,000,000 reichsmarks of preference shares (Group A) and 13,000,000,000 reichsmarks of ordinary shares. The provisions of section 26 in regard to the preference shares of Group A, Series I to V, remain unchanged.

(2) Further preference shares (Group B) to increase its capital may be issued by the company in conformity with the provisions of section 3, paragraph 2, of the law in virtue of a decision by the board of management.

### SECTION 4.—Preference shares

(1) The preference shares shall be issued as payable to bearer and be transferable by delivery. They will carry with them a right to the repayment of capital on or before the termination of the concession and the right to a preferential dividend. Should the preferential dividend not be fully paid in any year it shall be paid out of the profits of subsequent years. If a dividend is paid on the ordinary shares an additional dividend shall be paid on

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the preference shares of Group A in accordance with the provisions of section 25 below.

(2) No change.

(3) Any series of preference shares may be redeemed at any time in whole or in part, subject to the special provisions of section 26 in regard to the preference shares of Group A. Series I to V.

(4) No change.

(5) No change.

(6) The preference shares shall be redeemed, subject to the special provisions in section 26 for the preference shares of Group A, Series I to V, at rates to be determined by the company at the time of issue. Where the rate is fixed Its legal status is fixed by the Deutsche at more than 10 per cent above par, the assent

(7) Subject to the above provisions, the Government may call upon the company to of the law. The head offices of the company exercise its right of anticipatory redemption. provided that the Reich places the necessary funds at the disposal of the company.

#### SECTION 5.—Division of proceeds from the sale of preference shares

(1) One-fourth of the total proceeds from the issue of the preference shares of Group A shall be the property of the Reich and threefourths the property of the company. Notwithstanding, the proceeds from individual issues may by agreement between the Government and the company be divided differently, provided that the total shall be divided as set forth above.

(2) During the first two years after the commencement of the concession the company shall sell preference shares to the nominal value of 500,000,000 reichsmarks. The Government may claim that the whole of the proceeds of this sale shall be assigned to it.

#### SECTION 6.—Ordinary shares

No change.

SECTION 7.—Form and wording of the certificates

No change.

SECTION 8.—Reparation bonds

Omitted.

SECTION 9.—Other bonds

Omitted.

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SECTION 10.—Organization of the company

No change

# SECTION 11 -Board of management

(1) The board of management shall consist of 18 members, who must be of German nationality.

(2) formerly (2) and (3) The members of the board shall be appointed by the Government of the Reich. If preference shares of tion. The election requires confirmation by Group A have been issued, 4 of the 18 seats on the president of the Reich. When the holders the board shall be assigned to the holders of of preference shares of Group A are reprepreference shares in such a manner that for sented by three members on the board, the each 500,000,000 reichsmarks of shares issued, president shall be chosen from among their one representative of such shares shall be number. entitled to a seat on the board.

(3) formerly (4) No change.(4) formerly (5) No change.

#### SECTION 12.—Qualifications of the members of the board

No change.

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### SECTION 13.—Replacement of members of the board

(1) As from December 31, 1930, six members of the board shall retire each year; subsequently each member shall remain in office for three years. A retiring member shall be eligible for reelection. The appointment of new members or reappointment of retiring members must take place before the beginning of the following financial year.

# Transitional provision

The term of office of the present members of the board of management shall expire:

On December 31, 1930, in the case of members due in any event to retire on that date under the provisions hitherto in force.

On December 31, 1931, in the case of members due to retire on December 31, 1932, under the provisions hitherto in force.

On December 31, 1932, in the case of members due to retire on December 31, 1934, under the provisions hitherto in force.

Their successors will be appointed for three SECTION 16.—Meetings of the board of manageyears.

In deviation from this provision, the four foreign members retire upon the coming into force of the present law. Their successors will at least every two months. It shall hold an be appointed at the same date by the Govern- extraordinary meeting whenever at least six ment of the Reich for the remainder only of members, or the president, or the Government the term of office of the foreign members, of the Reich, shall so require in writing.

which term of office in conformity with the above regulation ends on December 31 of the years 1930, 1931, or 1932. (2) and (3) No change.

# SECTION 14.—President of the board of management

(1) The board of management shall elect a president each year at the beginning of the financial year. He shall be eligible for reelec-

(2) The board shall each year elect one or two vice presidents, who shall be eligible for reelection.

SECTION 15.—Functions of the board of management

(1) The board of management shall control the management of the company and shall decide on all questions of importance or of principle, or of general application, and more especially on such questions and matters as are set out below:

The appointment of the director general and of the superior officers on the recommendation of the director general;

The budget proposals;

The balance sheet and the profit and loss account:

The distribution of profits;

The application of the liquid resources of the company;

The authority to take up loans and credits at the charge of the company, and to give mortgage security for the same;

The approval of any expenditure on capital account beyond such limit as may be fixed by the board;

The approval of the general regulations governing the legal status and conditions of service and of pay of the employees, including the general regulation of salaries and wages. (2) and (3). No change.

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(1) The board shall hold ordinary meetings

(2) and (3). No change. (4) Decisions shall be taken by a simple majority of members voting. The president shall have a casting vote.

(5) The Government of the Reich may appoint one permanent representative, who is entitled to take part without vote in the meetings of the board of management and of its committees. If he is prevented from attending, his permanent deputy may take part in the meetings. The representative of the Reich and his deputy shall be appointed at the beginning of each financial year.

#### SECTION 17.—Permanent committee

(1) The board of management may delegate its power, so far as it thinks fit, to a permanent the members shall be chosen from the representatives of the preference shareholders of Group A, if they so require. (2) and (3). No change.

#### SECTION 18.—Remuneration of members of the board

#### No change.

#### SECTION 19.—Directorate (Vorstand) of the company

(1) and (2). No change.

(3) The director general shall be appointed for a period of three years by the board of management, which shall first confer with the Government of the Reich; he shall be eligible for re-appointment. The directors shall be appointed by the board on the recommendation of the director general.

(4) No change.

(5) The board may at any time remove the director general. The removal of the director general shall not affect the rights to salary and allowances which he may possess under his contract of appointment.

(6) Where the Government of the Reich is of opinion that the director general has violated the company's statutes, it may require the board of management to take a decision on the discharge of the director general.

SECTION 20.—Functions of the directorate

No change.

SECTION 21.—Railway commissioner

Omitted.

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SECTION 22.—Functions of the commissioner Omitted.

SECTION 23.—Staff and expenses of the commissioner's office

Omitted.

SECTION 24.—Exceptional powers of the commissioner

Omitted.

# SECTION 25.—Financial management of the company

(1) At the close of each financial year the company shall draw up a balance sheet and profit and loss account.

(2) The net operating income, after paying committee consisting of six members. One of the reparation tax and covering the operating payments out of operating receipts in accordance with the provisions of section 4 of the law, shall be applied as follows:

1. In the first place provision shall be made for the service of interest on the bonds and loans of the company and for the sums requiring to be written off.

2. As cover for any operating deficit of the company and as security for the prompt payment of the reparation tax and the prompt settlement of the interest and amortization payments on the bonds and loans of the company, a reserve (adjustments reserve) shall then be established. Two per cent of the gross receipts from the operation of the railways shall be paid into this reserve fund each year, until it amounts to the maximum total of 450,000,000 reichsmarks.

When the adjustments reserve has reached the before-mentioned maximum amount, a further reserve (dividend reserve) shall immediately be formed as security for the payment of the preference dividend on the preference shares. One per cent of the gross receipts from the operation of the railways shall be carried to this fund, until it amounts to the maximum total of 50,000,000 reichsmarks. Appropriations from the net operating income to the adjustments and dividend reserves may not, however, in any one financial year together exceed 2 per cent of the gross operation receipts. The provision of section 4, paragraph 2, sen-tence 1 of the law applies to the dividend reserve as well as to all other reserves.

If sums have to be withdrawn from the reserves after the maximum amounts have been reached, the annual appropriations for their replenishment shall immediately be resumed in conformity with the above provisions.

(3) The net profits remaining after the foregoing payments out of the operating income have been made shall be employed as in the following order:

1. Arrears of dividend on the preference shares of Group A, if any, shall first be paid in full. The current dividend on the said shares shall then be paid

2. Arrears of dividend on the preference shares of Group B, if any, shall first be paid in full. The current dividend on the said shares shall then be paid.

3. Any sums which the Government of the Reich may have paid under section 4, paragraph 4, of the law with a view to guaranteeing the reparation tax shall be refunded to it.

4. The board, acting in agreement with the Government of the Reich, shall decide on the employment of the remainder of the net profits in accordance with the following principles:

In the first place at least 25 per cent of the remainder, not including the balance brought forward from the previous year, shall be carried to the dividend reserve up to an amount not exceeding 100,000,000 reichsmarks. If the sums have to be withdrawn from the dividend reserve after the maximum limit has been reached, appropriations for its replenishment shall be resumed in conformity with the above provisions.

Special reserves may also be established. A special preference share redemption reserve shall be established as from the year 1935 and may be established at an earlier date. No reserve shall be established for the redemption of the ordinary shares.

If the board decides to distribute any remaining profits, they shall be applied: As to one-third as a supplementary dividend for the preference shares of Group A, and as to two-

thirds as a dividend on the ordinary shares. *Provided, however*, That if preference shares of Group A are not outstanding to the full amount of 2,000,000,000 reichsmarks, such a portion of the remaining profits as would have belonged to those preference shares which are not outstanding shall belong to the ordinary shares.

(4) From the reserve constituted under section 25, paragraph 2, point 3, of the company's statutes appended to the railway law of August 30, 1924, 450,000,000 reichsmarks shall be carried to the adjustments reserve. Any balance then remaining shall be transferred to the dividend reserve.

#### SECTION 26.—Special provisions for series I to V of preference shares, Group A

For the preference shares of Group A, Series

I to V, the following provisions apply: 1. The preference shares are expressed in gold marks. Preference and supplementary dividends, together with the redemption amount of the preference shares, are payable in gold marks or their equivalent in reichsmarks. One gold mark within the meaning of the present provision shall be equal in value to  $\frac{1}{2790}$  kilogram of fine gold. This value shall be calculated on the price for gold in London officially notified on the third working day before the acceptance of the balance sheet by the board of management, and on the mean rate for telegraphic transfers on London officially quoted on that day on the Berlin Bourse. In cases where on the third working day before the acceptance of the balance sheet no official price for gold is published, the calculation shall be based on the last London price for gold officially notified before that day. If the price per kilogram of fine gold works out at not more then 2,820 and not less than 2,760 reichsmarks, 1 reichsmark in legal tender shall be paid for each gold mark owed.

In respect of the dividend on each preference share of Series IV and V of Group A, an installment in reichsmarks will be paid on January 2 of each year, in conformity with the terms of issue.

Upon the redemption of preference shares which have been called in, gold marks will be converted into reichsmarks in the manner provided for the dividend payments, the calculation being based on the quotations of the third working day before redemption.

2. The preference shares may not be redeemed in whole or in part until the commencement of the sixteenth year from the date of issue. Notwithstanding, if the liability of the company to pay the reparation tax lapses at an earlier date, the company shall be at liberty to redeem the preference shares from the date on which the said liability lapses.

3. The redemption rate of the preference shares, together with current dividends and dividend arrears, shall be determined as follows: Upon redemption before the expiration of the twenty-fifth year from the transfer of the concession to the company, the redemption rate shall be 20 per cent above par, upon redemption from the twenty-sixth to the thirty-fifth year,

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inclusive, it shall be 10 per cent above par. After the thirty-fifth year redemption will take place at par.

4. The preference shares carry a claim to repayment of the capital by December 31, 1964, at the latest.

ANNEX II TO THE GERMAN RAILWAY LAW

(A) Under section 19, paragraph (3) of the law, the company may apply the working hours of officials to employees and workers ir the following branches of the service:

I.—Permanent way inspection service

1. Gatekeepers (men and women).

2. Flagmen.

3. Other staff engaged in permanent way inspection.

II.-Service of block signalmen on the open line

#### III.—Station service

1. Administrative staff (including heads of departments).

2. Accountants and clerks.

3. Circulation of trains and inspection service within the meaning of section 9 of the Fahrdienstvorshriften (train service regulations).

4. Transmission of telegraph and telephone messages.

5. Points in signal cabins or operated by hand. 6.

Shunting. Ticket collectors (including officials supplying information to the public).

8. Watchmen and messengers.

9. Other station services, where the staff in question is partly employed in other branches indicated under A.

### IV.—Cash and dispatch service (unless otherwise provided under B, Section VI)

1. Administrative staff (including heads of departments).

2. Accountants, clerks, and cashiers.

3. Ticket offices (including inquiry offices).

4. Dispatch of luggage and express goods.

5. Dispatch of goods by fast or slow train and of livestock.

6. Reception, delivery and loading of luggage and goods.

7. Railway cars service and service for the dispatch of trains.

8. Watchmen and messengers.

9. Other staff employed in the cash and dispatch service.

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### V.-Staff accompanying passenger and goods trains

#### VI.—*Traction service*

1. Inspection staff.

2. Accountants and clerks.

3. Staff of locomotives and self-propelling vehicles.

VII.-Shipping in inland and coastal waters, not including chain tugs on the Main

1. Deck staff.

2. Engine-room staff.

3. Dock staff.

4. Other staff.

#### VIII.—Office staff of the central administration, the Reichsbahn directorates, and the inspection departments

(B) The company is not authorized to apply the working hours of officials to employees and workers in the following branches:

I. Upkeep of permanent way and telegraph lines, storehouses for super-structure materials, station and other buildings, stone quarries, ballast works, gravel pits, timber impregnation works, horticulture, forestry, and agriculture.

II. Reichsbahn repair shops and exploitations run in connection therewith, such as power stations, gas works, and laboratories. III. Telegraph workshops.

IV. Laundries.V. Workshops of the railway depots.

VI. Staff employed exclusively as warehouse workers on warehouse platforms or in transhipping sheds where more than 25 of such workers are usually employed.

#### ANNEX VIA

Procedure to be followed in the event of any subsequent modification of the railway law and regulations

For the duration of the concession of the company, the Reich may-in conformity with the procedure outlined hereafter-introduce into the railway law and regulations modifications which may appear justified by changed circum-stances, or the real utility of which has been revealed by past experience, provided that such modifications respect the provisions relating to the reparation payments and the pledges provided therefor and the independent character of the company with its autonomous administration.

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The proposed modifications to the law shall be discussed in a permanent committee of four members, which shall decide whether the said Assignment by way of collateral guarantee of cermodifications conform to the provisions of paragraph 1 or not. When a decision of the committee (whether affirmative or negative) is

mous decision, existing conditions will be main- the customs, of the tobacco taxes, the beer tax, tained. The question may, however, be sub- and the tax on spirits (administration of the mitted for decision to the tribunal, for which monopoly) for the service of the certificate provision is made in The Hague agreement of representing the annuities payable by Ger-January, 1930, with Germany, at the request | many, including the service of any bonds which of any member of the committee.

arbitrator, in the person of the chairman or one dice to its general responsibility for the payof the members of the Court of Interpretation ment of the annuities and its entire discretion and Arbitration, upon the unanimous desire to effect these payments out of general reveof the committee.

period of two months from the date on which the sums necessary to cover the annuities as the four members of the committee are notified elsewhere determined. The assignment conof the proposed modifications.

The members of the permanent committee following conditions: must be experts, competent on the questions treated in the railway law. They are to be ap- the assigned revenues for any other loan or pointed for five years from the coming into force of the new railway law. Two members International Settlements. If any such charge will be nominated by the Government of the is created on the assigned revenues with the Reich and two by the Governments of the other | consent of the bank, the charge for the annuipowers which issued the invitations to The ties payable by Germany will rank ahead of Hague conference. Should a member of the any such other charge. committee be prevented from attending in any 3. If at any time the total yield of the particular case, the Government of which he assigned revenues should fall below 150 per is a national will appoint a deputy for this cent of the highest budgetary contribution payparticular case.

members of the committee of the proposed sufficient to assure the immediate restoration modifications. The German members are to of the yield to the above percentage be assigned come to an agreement with the other members and the German Government will forthwith as to the date and place of meeting of the com- comply with that requirement accordingly. mittee. The expenses of the committee will be 4. Should the German Government change borne by the Government of the Reich.

the Reich may modify independently, after by the new system will be assigned in substituhearing the board of management, articles 11, tion for the original tax. 20, 21, 25, 28, 35, 36, 37, 38 and 40 of the law, 5. The provisions of this annex shall take which deal with matters that are of minor im- effect in substitution for the provisions of the portance from the point of view of the agree- protocol concerning the contributions to be ment. Such modifications, however, shall not made by the German Government and the entail fresh charges for the company; further- institution of control over the revenues from more, they must respect the provisions con- the customs and from the taxes on spirits, beer, cerning reparation payments and the pledges tobacco, and sugar, which is Annex I to the provided therefor and the independent char- agreement between the Reparation Commission acter of the company with its autonomous and the German Government for the carrying administration.

# ANNEX VII

# tain revenues of the Reich

1. The German Government assigns, subject taken unanimously such decision shall be final. to the charge in favor of the trustees for the Should the committee not arrive at a unani- German external loan, 1924, the proceeds of may be issued under the provisions of the new The decision may also be intrusted to a single plan. To this end, the Reich, without prejunues, will secure out of the receipts from the The committee will take its decision within a above revenues by way of collateral guarantee stitutes a negative pledge and is ruled by the

2. The Reich will not create any charge on

able by Germany under the new plan, the The Government of the Reich will notify the bank may require that additional revenues

the system of collecting any of the assigned In deviation from the preceding provisions, revenues, then the receipts secured to the Reich

out of the report of the first committee of

experts, London, August 9, 1924, and that of debt, with coupons attached, issued and protocol shall cease to have effect accordingly. delivered by the German Government pursuant to the terms of the plan, the receipt of which the trustee acknowledges and a copy of which is attached hereto as Exhibit A; ANNEX VIII

### Form of trust agreement

(c) To hold in safe-keeping as trustee, until the same shall be duly discharged, the certificate Entered into this —— day of —— 1930, issued and delivered by the German Railway between the Governments of ------ et cetera Company in acknowledgment of its liability. (hereinafter called the creditor Governments). pursuant to the terms of the plan, the receipt of the one part, and the Bank for International of which the trustee acknowledges and a copy Settlements (hereinafter called trustee), of the of which is attached hereto as Exhibit B; second part,

(d) Commencing — -, 1930, to receive in Witnesseth: trust each month from the German Reich for Whereas the creditor Governments in conthe account of the creditor Governments signatory hereto and for the account of the trustees of the German external loan, 1924, all payments thereafter to be made by Germany under the plan and the above-mentioned certificate of debt representing the service of the said loan or the payment of the sums attributable to the said creditor Governments on account of the nonpostponable annuities and the postponable annuities as defined and specified in the plan. Whereas the Bank for International Settle-A certified schedule stating the monthly and annual share during the whole period of the annuities of each creditor Government signatory hereto in the nonpostponable and post-Therefore, it is agreed between the parties ponable portions and in the total of the German annuity is attached hereto as Exhibit C.

nection with the carrying out of the new plan as defined in The Hague agreement of January, 1930 (hereinafter called the plan) desire jointly to appoint the Bank for International Settlements their joint and sole trustee to receive, manage, and distribute the annuities payable by Germany, and to perform other functions with respect thereto, all as provided by the plan; and, within the limits of the statutes of the bank. ments has taken note of the provisions of the plan and is prepared to accept the appointment as such trustee;

hereto that the description, the conditions and the limitations of the functions of the trustee with respect thereto and of the relations, obligations, and rights of the parties are those set forth as follows:

Except during a period when the transfer of the postponable annuity is suspended, as pro-ARTICLE I vided for in Article XI below, the trustee will The creditor Governments jointly appoint accept only currencies other than reichsmarks the Bank for International Settlements their in payment of the monthly installments of the joint and sole trustees for the purposes herein annuities payable by Germany, subject always defined. The bank accepts the appointment to the proviso that the trustee may accept and agrees to carry out the trust on the condi- reichsmarks, in each month of a given annuity tions herein stated. year, for an amount equal to one-twelfth of the total of any current annual program for payments under delivery in kind and reparation ARTICLE II recovery act procedures for the year in question. The trustee is empowered and agrees-In arranging for the receipt of currencies (a) To receive any balances transferred by other than reichsmarks the trustee, after having the agent general for reparation payments on been notified of the requirements of the creditor the winding up of his accounts, subject to the Governments, will inform the German Govrights of the different creditor Governments in ernment and, at the same time, the Reichsthe distribution of such balances and to any bank, at least one month in advance of the due claims and commitments thereon which may dates for payment, of its preferences relative be outstanding at the time of transfer, all of to the currencies which it desires to have paid which, as shown by the records of the agent into its account. If these preferences are not general for reparation payments, will be re- complied with, the trustee is authorized to ported to the trustee when the transfer is made; accept payment from Germany entirely in the (b) To hold in safe-keeping, as trustee, until currencies of the creditor countries whose na-

the same shall be duly discharged, the certificate | tionals were members of the committee of ex-

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### FEDERAL RESERVE BULLETIN

#### ARTICLE III

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to the respective shares of these countries, it the sums paid by Germany on account of the being understood that payments in currencies annuities shall be managed by the trustee other than reichsmarks which are not based and shall be employed and distributed each upon the gold or gold exchange standard will month upon receipt as follows, on the under-

Government for all sums which it pays or normally incumbent upon a banker for the causes to be paid both on account of the post- execution of a trust agreement, and in no case ponable and on account of the nonpostponable shall the trustee permit the accounts or credits annuity. These receipts will show the curren- of any creditor Government to be overdrawn. cies received as well as the equivalent value in reichsmarks, with which the German Govern- monthly for the service of the German external ment will be credited.

trustee has received from the German Govern- conformity with the terms of the general bond ment the sums due for that year, in accordance securing it, on the understanding that this with the plan, the trustee shall surrender to the appropriation shall have priority over all German Government the coupon of the certi- others. This service constitutes a first charge, ficate of the German Government which corre- expressly provided for as such, on the German sponds to the payments of the year in question. annuities, whether nonpostponable or post-

The trustee takes note of the undertaking ponable. given by the German Government that the reichsmark shall have and shall retain its con- Government in the nonpostponable annuity vertibility in gold or foreign exchange as pro- shall be forthwith allocated in the books of the vided in section 31 of the law of August 30, trustee to that Government within the annuity 1924, and that, in all circumstances, for the trust account in currencies other than reichsgeneral purposes of the plan, the reichsmark marks. If one of the Governments has mobishall have and shall retain a mint parity of lized a part of the nonpostponable annuity 1/2790 kilogram of fine gold, as defined in the allotted to it, there shall be retained every German coinage law of August 30, 1924.

marks into the annuity trust account shall be sums required for the service of the obligations calculated in reichsmarks, subject to the pro- issued and outstanding, in conformity with visions of the above undertaking, at the average | the conditions of the contracts made on the of the mean rates (Mittelkurs) prevailing on occasion of such issues; these sums, deducted the Berlin Bourse during the period of 15 days from the share of each of the Governments preceding the date of payment.

Railway Company to the account of the trustee the loan thus issued and shall remain there at the Reichsbank under the terms of the above- until the moment when payments have to be mentioned certificate of liability delivered by made for the interest service and amortization that company, for an amount of 55,000,000 of the obligations, in accordance with the terms reichsmarks on the first day of each month in of the respective loan agreements. respect of the previous month, shall, until the (c) One-twelfth of the share due to each due discharge of the certificate be placed each | Government for settling the quota of deliveries month at the disposal of the German Govern- in kind allotted to it in a given year shall be ment by the trustee as soon as they have been forthwith allocated in the books of the trustee received, provided that the installment of the to that Government within the annuity trust annuity payable by the German Government account in reichsmarks, if no other provision on the 15th day of the preceding month has has been made by the Governments concerned, been duly received.

#### ARTICLE IV

of the agent general for reparations or paid be forthwith allocated in the books of the on account of the German annuities shall be trustee to that Government within the annuity

ed for FRASER

perts and as nearly as may be in proportion received into an annuity trust account. All only be made with the consent of the trustee. standing that the obligations of the trustee The trustee will give receipts to the German in regard to the said sums shall be only those

(a) In the first place, the sums required loan, 1924, shall be transferred to the account At the end of each annuity year, when the or order of the trustees of the said loan, in

(b) One-twelfth of the share of each creditor month, out of the share due to that Govern-The sums paid in currencies other than reichs- ment in virtue of the present paragraph, the concerned in the issues, shall be transferred The sums in reichsmarks paid by the German each month to a trustee account relating to

including Germany, for the settlement of this quota.

(d) One-twelfth of the sum due to each Government in each annuity, after the alloca-All the sums transferred from the account tions provided in paragraphs (b) and (c), shall trust account in currencies other than reichsmarks.

The trustee is authorized and agrees in (e) In application of article 88 of the annexes connection with delivery in kind, reparation to the experts' report of June 7, 1929 (hereinrecovery act, and other similar systems to after called the "experts' report"), the sums pay in reichsmarks up to the amount of the allocated as provided in the preceding paramonthly reichsmark balances available to the graphs will remain without interest in the respective creditor Governments on cheques, national subdivisions of the annuity trust account up to the equivalent of the following drafts, or orders duly executed by the authorized representative of any such creditor Govminimum amounts: ernment. The creditor Governments respectively agree to keep the trustee advised of the identity and authority of such representatives and to supply it with their specimen signatures.

	Reichsmarks
France	68, 037, 500
Great Britain	26, 587, 500
Italy	13, 887, 500
Belgium	7, 512, 500
Rumania	1, 312, 500
Yugoslavia	
Greece	
Portugal	
Japan	862, 500
Poland	25,000

Payment by the trustee in compliance with the documents referred to in the preceding article shall constitute full discharge to the trustee for the reichsmark payments made. 125, 000, 000 Payments in currencies other than reichmarks All sums standing in the national subdivisions made or transferred out of the annuity trust account upon the order of a creditor Governmade. In addition, as soon as possible after (f) Subject to the foregoing and in accordance the close of each annuity year when the respec-

of the annuity trust account in excess of the above minimum noninterest-bearing deposits, ment or effected under the authorizations may be freely withdrawn from the said account contained in Article IV above, shall constitute by the creditor Governments, in accordance a full discharge to the trustee for the payments with the following paragraph: with the provisions of the plan, the trustee is tive creditor Governments shall have received authorized and agrees to transfer at such dates the annual account and auditor's report referred as may be indicated any sum allocated to any to in Article XVII hereof, the competent Government within the annuity trust account authority of each creditor Government shall to any interest-bearing account in the Bank for give the trustee a final global quittance and International Settlements or to any other bank | release for the actual payments made, during or banker, or otherwise to dispose of it as the the annuity year in question, to or upon the interested creditor Government may direct; order of the creditor Government concerned. but in no case will the trustee permit the ac- as disclosed by the said accounts. counts or credits of any creditor Government to ARTICLE IX be overdrawn.

ARTICLE V The trustee declares that it has taken note that the German Government undertakes dur-The trustee shall not be bound to pay any ing the period up to March 31, 1966, to maininterest on balances in the annuity trust tain at the bank a noninterest-bearing deposit account. equivalent to 50 per cent of the average deposit remaining in the annuity trust account, but ARTICLE VI not exceeding 100,000,000 reichsmarks.

Any exchange profit or loss arising from The bank shall to this end certify to the transactions carried out by the trustee for German Government and to the creditor account of creditor Governments in connection Governments every month the average of the with the management of the German annuities | balances at the close of each working day left shall, unless otherwise settled, be credited or by the creditor Governments on deposit withcharged quarterly by the trustee to the accounts out interest during that month, in respect of of the Governments concerned, in proportion | the sums arising from the German payments to their respective shares in the principal under the Dawes plan or under the present moneys involved, subject to the provisions of plan up to the time when they are drawn out Article IV. by the creditor Governments.

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### FEDERAL RESERVE BULLETIN

# ARTICLE VII

#### ARTICLE VIII

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FEDERAL RESERVE BULLETIN

The first deposit will be paid by the German Government to the bank 15 days after the coming into force of the new plan, the amount of the deposit being calculated on the average Government in conformity with the plan of the daily balances above mentioned left notification of suspension of transfer of the with the agent general or the bank during the whole or part of the postponable annuity the month ending two working days prior to the trustee shall inform the creditor Governments date of deposit, excluding sums returnable to accordingly. the German Government under Annex III of The Hague protocol of August 31, 1929, or any supplementary arrangement. The deposit shall be maintained at the amount so calculated each month the sums necessary for assuring during one month. At the end of this period the service of the external loan of 1924 in acthe deposit will be adjusted by a further deposit or by the withdrawal of part of the existing deposit on the basis of the average of the daily balances referred to above during the month ending two working days before the date of the provisions of paragraph (b) of Article IV of this adjustment. A similar adjustment will take place at the end of the second month from the ment in respect of the nonpostponable annuity: date of the first deposit. At the end of the third month, and thereafter at intervals of in any year, of transfer or of payment of the three months, the deposit shall be adjusted on postponable annuities, the trustee shall disthe basis of the average of the daily balances tribute the part of the postponable annuities referred to above during the three months actually paid and transferred in that year in ending two working days before the date of such a manner as to insure, so far as may be each such adjustment. The intervals referred possible, that the receipts of the several creditor to in this paragraph may be changed by agreement between the Governments concerned with actually transferred by Germany (whether on the concurrence of the trustee.

conditions set out in this article.

### ARTICLE X

of the provisions of the plan with respect to receive less than the allocations due to them, the functions assigned to the Bank for Inter- respectively, out of those annuities; national Settlements in connection with any declaration of the German Government requir- annuities paid and transferred by Germany be ing the convening of the special advisory com- insufficient to provide in full to each of the mittee, and the trustee agrees and the creditor creditor Governments its due share of the Governments confirm that the trustee shall total German payments transferred, having carry out the functions assigned to it in that regard to the allocations out of the uncondi-

article 124 of the experts' report, any recom- with the provisions of paragraph 202 of the mendation of the advisory committee affecting annexes to the experts' report withdraw from the rights of the creditor Governments shall not the guarantee fund, to be constituted by the bind those Governments unless it is accepted French Government, the sums necessary to and confirmed by the creditor Governments make up the deficiency to each of the creditor which participated in the decision of September | Governments concerned. The sums so with-16, 1928, to set up the committee of experts; drawn from the guarantee fund shall be repaid and that similarly any recommendation affect- to that fund in accordance with the plan at ing the rights of the German Government shall the end of the period of postponement. not bind that Government unless it is accepted and confirmed by that Government.

#### ARTICLE XI

Immediately on receiving from the German

(a) As soon as this suspension becomes effective:

(1) The trustee shall continue to transfer cordance with paragraph (a) of Article IV of this contract;

(2) The trustee shall continue to credit or transfer each month in accordance with the contract the sums paid by the German Govern-

(3) In the event of a partial postponement, Governments out of the aggregate payments account of the unconditional or of the post-The trustee will accept this deposit under the ponable annuities) shall be proportionate to their respective shares in the total annuities due by Germany under the plan in respect of that year, provided always that the creditor Governments entitled to an allocation out of The trustee declares that it has taken note the unconditional annuities shall in no case

(4) Should the amount of the postponable respect and in the manner described in the plan. tional annuity referred to in the previous The trustee takes note that, in application of paragraph, the trustee shall, in accordance

(b) During the course of a partial or total postponement of transfer the trustee may

accept from Germany payments in reichs-If, after examination, and in cases other than marks in respect of the amounts of which that dealt with in the second part of paratransfer has been postponed and of which graph (b) below, the trustee considers such an payment has not been postponed under the operation inopportune, it shall indicate to the plan. The trustee is authorized to give to the Governments concerned the reasons for this German Government receipts for such pay- opinion. ments which will be in the nature of temporary (b) If one or more of the Governments conacknowledgments. These acknowledgments cerned intend themselves to proceed in their will be converted into final receipts pro tanto own markets with an issue, the trustee shall fix on the transfer of the amounts postponed, or the mimimum conditions of issue at the time on the utilization of the reischsmarks accepted of the operation. by the trustee under this paragraph for pay- If, however, such an operation is intended in ments in respect of deliveries in kind or in connection with internal conversion operations, respect of reparation recovery acts and similar the Government concerned will be free to offer procedures under the special programs referred the bonds on its own market on whatever conditions it may be able to obtain, without to in Annex IV of the experts' report. (c) Any sums accepted in reichsmarks by its being necessary for the trustee to consider the trustee under paragraph (b) above will whether the creation of the bonds is opportune, be distributed in the form of credits in the and on the understanding that the bonds will trustee's books in such a way as to complete only be quoted on the market of issue.

the credits due to each creditor Government for (c) If one or more of the Governments conthe year in question under the plan, and the cerned propose an international issue on other guarantee fund in so far as it has been drawn markets than their own respective markets, upon. These reichsmarks will be administered the trustee shall at their request, if it considers by the trustee in the manner provided in the on examination that conditions on these markets plan.

individual account of the creditor Govern- may be made. ments, as their interests require, for their In the case of such issues, the various Governto the French Government.

### ARTICLE XII

No issue of an international character may, The creditor Governments and the trustee however, be made in the market of any of the agree that the trustee shall have exclusive countries the Government of which has signed authority to act as agent of the creditor this trust agreement, without the approval of Governments, or any one of them, so far as that Government both as regards the amount concerns the operations relating to the mobili- of the issue and as regards the conditions on zation of the German annuities, and that in which it shall be authorized. the discharge of the functions and in the use (d) If it is decided to proceed with an issue of the authority intrusted to it as agent in this and if one or more of the creditor Governments matter, the trustee will be guided by the pro- so request, the trustee shall arrange, in agreevisions of the plan which govern mobilization. ment with those Governments and with the In particular the trustee will abide by the issuing bankers, the detailed conditions on following provisions: which the bonds shall be issued.

(e) The trustee shall apply to the German (a) When it appears to the trustee practically possible to proceed with an issue of bonds repre- Government, as provided in the plan, for the senting the capitalization of a part of the an- creation of issuable bonds. nuity, the trustee will inform the creditor Gov-(f) The trustee declares its willingness to act ernments. The possibility of proceeding with as trustee or representative of the bondholders, such an operation shall also be considered by or as agent for all issues of bonds made in the trustee whenever so required by one or pursuance of the provisions of the plan relative more of the creditor Governments. to mobilization, to the extent provided in the

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permit such an operation, take steps to proceed (d) The parties to this contract agree that with this issue, and determine, after making all investments of such reichsmark funds sure that the central banks concerned have no effected by the trustee shall be made for the objection, the markets on which such offers

advantage and at their risk. In particular ments having a share not yet mobilized in the the proceeds of investment of reichsmarks nonpostponable portion of the annuity shall credited to the gurarantee fund will be assigned be given the right to participate in proportion to the following figures: France 500, Great Britain 84, Italy 42, Japan 6.6, Yugoslavia 6, Portugal 2.4.

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loan contract to be concluded between the declares that it takes note of the arrangements trustee and the Governments concerned on the regarding deliveries in kind and reparation reoccasion of an issue of such obligations.

received by the trustee both for the creation agrees to observe the same as far as lies within of bonds and for their issue shall be determined its province and powers as a bank as set forth between the trustee and the Governments in the statutes. concerned with regard to the importance of the functions which may be attributed to it on the occasion of each operation.

#### ARTICLE XIII

account the deposits which the French Government has undertaken to make, in the circumstances contemplated in the plan, up to an amount of 500,000,000 reichsmarks, in currencies other than reichsmarks based upon the gold or gold exchange standard.

funds in such a way that the sums deposited reichsmarks, based upon the gold or gold period of transfer postponement.

and (d), the trustee will pay interest to the French Government, at the maximum current than reichsmarks.

ment shall be entitled to participate in the each creditor Government a copy of its annual profits of the bank in respect of this deposit general report as soon as published. on the terms laid down in article 53 (e) (1) of its statutes. It shall be restored to the French Government in the circumstances contemplated in the plan.

# ARTICLE XIV

the long-term deposit, up to 400,000,000 reichsmarks, provided for in the plan, the trustee German Government on their behalf, in respect agrees to receive and administer this deposit of the remuneration provided in article 84 of and to take the consequent measures for allo- the annexes to the experts' report. cation and utilization of its profits according to the provision of article 53 (e) of the statutes of favor of the trustee in accordance with the plan, the bank.

#### ARTICLE XV

In addition to making disbursements and keeping accounts in connection with deliveries force failing any new arrangement; such new in kind, reparation recovery acts, and other arrangement may be made at the end of the similar systems as above provided, the trustee first or of any one of the first five financial

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covery acts contained in the relevant annexes (g) The expenses and commissions to be to The Hague agreement of January, 1930, and

#### ARTICLE XVI

The trustee is authorized and agrees with respect to the assigned revenues of the Reich to exercise the discretions referred to in sec-The trustee will credit to a special trust tion 3 of Annex III of the experts' report.

#### ARTICLE XVII

The trustee shall furnish to each creditor Government at the close of each month an account showing all the receipts and payments The trustee undertakes to administer these of the trustee during that period in respect of the annuity received from Germany. The shall be available in currencies other than trustee shall also furnish to each creditor Government as soon as may be after March 31, in exchange standard, in order to equalize the the year 1931, and every succeeding year, a short payments to the other creditors during a copy of the account as approved by the auditors of the Bank for International Settlements Subject to the provisions of Article XI (c) of all its operations in respect of the whole of the German annuities, including the service of the German external loan, 1924, since the close rate paid for long-term deposits, on the amount of the last preceding yearly account or, in the standing in this account in currencies other case of the first account, since the commencement of the operations of the bank, and of any If it is agreed that this deposit shall remain for more than five years, the French Govern-such accounts. The bank shall also furnish to

### ARTICLE XVIII

From the date of coming into force of the present contract until its completion, the creditor Governments, in addition to maintaining the deposits referred to in Article IV (e), agree If the German Government elects to make to pay to the trustee a commission of 1 per mille on the actual payments received from the

This payment will form a prior charge in on the sums received by it on behalf of the creditor Governments within the annuity trust account.

The provisions of this article will remain in

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years, at the request of one of the signatory powers or of the trustee.

#### ARTICLE XIX

The trustee is authorized and agrees to notify forthwith to the creditor Government any difficulty which may arise between it and the German Government relative to the interpretation or the application of the plan.

### ARTICLE XX

The creditor Governments and the trustee 1. Deliveries in kind within the meaning of agree that, if any dispute shall arise between the present regulations are commodities and them or any of them with regard to the meaning services produced by the German economic system and supplied to a power which is a or application of the provisions of this trust agreement, the dispute shall be referred for creditor of Germany, the payment in respect final decision to the tribunal provided for by of such commodities and services being effected The Hague agreement of January, 1930, unless wholly or in part by means of funds reserved the parties to the dispute shall elect to refer for this purpose in execution of the experts' the same to the president of the tribunal or a plan of June 7, 1929, according to the distrimember thereof selected as sole arbitrator. bution of these funds as shown in the appended table. (Annex I.)

#### ARTICLE XXI

2. The commodities and services which may form the subject matter of a contract for de-The present contract shall come into force between the trustee and the creditor Govern- liveries in kind are, subject to the provisions ments whose representatives have signed it of the present regulations, all commodities which are of German origin or manufactured in as soon as the plan has been put into application Germany and all services of a commercial naand this contract has been signed on behalf of ture performed by the German economic systhe trustee and of four of the following powers: Belgium, France, Great Britain, Italy and tem, such as transport by land in Germany; transport by river, sea, or air under the Ger-Japan. man flag; plans for public works and prepara-The French text is alone authentic. tion of schemes for works to be executed outside Germany; sales of German licenses or ANNEX IX patents to be utilized outside Germany; insurance contracts underwritten by German com-Regulations for deliveries in kind panies.

#### SUMMARY

#### Text of the regulations for deliveries in kind

ARTICLE	I.—Definition of the commodities and
	services which may be supplied as
	deliveries in kind.
ARTICLE	IIUtilization of the quota allotted to
	each of the creditor powers for
	deliveries in kind.
ARTICLE	IIIGeneral provisions concerning the
multon	execution of contracts for deliveries
	in kind.
ARTICLE	IV.—Organization.
	V.—Preparation and revision of lists.
ARTICLE	vreparation and revision of fists.
ARTICLE	VI.—Direct payments.
ARTICLE	VII.—Approval of contracts.
ARTICLE	VIII.—Payments.
ARTICLE	IXProhibition concerning reexportation.
ARTICLE	X.—Infractions and frauds.
	XI.—Arbitration.
ARTICLE	
ARTICLE	XII.—Temporary provisions.
ARTICLE	XIII.—Revision of the regulations.
ARTICLE	XIV.—Authenticity of texts.
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#### ANNEXES TO THE REGULATIONS

ANNEX ITable showing the distribution of deliver-
ies in kind among the creditor powers.
ANNEX II.—List of excluded commodities (list A).
ANNEX III.—List of rationed commodities (list B) (to
be drawn up at a later date if neces-
sarv.)
ANNEX IV.—List of commodities which can only be
partially paid for out of the funds for
deliveries in kind (list C).

ARTICLE I.-Definition of the commodities and services which may be supplied as deliveries in kind

3. The commodities shown on list A (Annex II) are described as "excluded" commodities and can only be paid for as a delivery in kind in the case mentioned in paragraph 45 hereafter. 4. The commodities which may be eventually included in list B (Annex III) are described as 'rationed" commodities and can only be supplied as a delivery in kind within the limit of the ration existing at the time when the contract for such commodities is made and subject to the provisions of paragraphs 69 and 70 hereafter.

5. The commodities shown in list C (Annex IV) can only be supplied as deliveries in kind on condition that the buyer pays a part of their value direct to the seller according to the conditions laid down in Article VI of the present regulations and subject to the provisions of paragraphs 69 and 70 hereafter.

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3,000 reichsmarks can be approved as a con- the three months following the period of three tract for deliveries in kind unless it is a rider months in which the sums available have been to a contract previously approved.

# each of the creditor powers for deliveries in credits blocked at that time. kind

7. Each creditor power is responsible for the utilization of its quota for deliveries in kind.

paragraphs 8 and 14 hereafter, each power is amounts shall be advanced by the power in required to obtain approval for contracts pro- question. These advances may be drawn from viding for payments of which the total is any funds belonging to the power which the sufficient in any given year to absorb the quota latter may select. The sums in question will of that power for deliveries in kind.

not exceeding 40 per cent, of its quota for a in which the advances were made. The refund given year, to the following year. The part will be effected out of the credits available thus carried forward will not be counted as part for deliveries in kind, so that the total amount of the credit for the following year for purposes of such credits allotted to the power in the of calculating the part of the quota for that attached table (Annex I) shall not be increased. year which may be carried forward.

vided for deliveries in kind shall be passed before August 31, 1939, but these contracts shall not provide for any payment to be effected after that date.

date as a result of a cancellation of contracts | commercial contracts under ordinary commerthe creditor Government concerned and the be taken any measure which would result in German Government for new contracts for deliveries being unobtainable under ordinary deliveries in kind.

No delivery shall be made and no payment March 31, 1940.

occur in the execution of certain contracts, each present regulations its quota of the credits set creditor power may, upon its own responsi- aside for deliveries in kind as defined in the bility, and on the understanding that payments | appended table (Annex I) it may submit the for which provision has already been made question to the arbitral tribunal for which proshall not be thereby delayed, submit contracts vision is made in article 15 of The Hague Agreefor approval which involve payments in excess ment of January, 1930. of the credits allotted to that power for deliveries in kind within a given month.

be calculated as follows:

accounts of a power as a result of delay in the to be placed at the free disposal of the said execution of contracts approved for that power, an amount not exceeding 30 per cent may, if the power so requests, be added to the credits in kind shall thereby be reduced by an equivaavailable to it for deliveries in kind during the lent amount. following three months. The amount of these | 15. If on its own responsibility the Governadditional credits may never exceed that of ment making the complaint so requests, the

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6. No contract the value of which is less than power in question for deliveries in kind during so increased.

At the end of each month the position shall ARTICLE II.-Utilization of the quota allotted to be adjusted on the basis of the amount of

11. If, owing to the adoption of the foregoing procedure, the payments to be made to suppliers of deliveries in kind for the account of a creditor power exceed the sums available to In principle and subject to the provisions of that power for this purpose, the necessary be refunded to the power during the three 8. Each power may carry forward a part, months following the period of three months

### 9. Contracts covering the total credits pro- ARTICLE III.—General provisions concerning the execution of contracts for deliveries in kind

12. The German Government undertakes to facilitate as far as possible the conclusion, Any credits which may be available at that within the scope of the present regulations, of shall be utilized subject to agreement between | cial conditions by not taking or permitting to commercial conditions.

13. If a creditor Government considers that effected in respect of deliveries in kind after the German Government has not fulfilled this undertaking, and that owing to this fact it has 10. In view of the delays which normally been unable to absorb in accordance with the

14. If the tribunal considers the complaint to be wholly or partially founded it will fix the The authorized amount of such excess shall sum which the Government making the complaint has been unable for this reason to utilize Of the credits which are blocked in the for deliveries in kind, and will cause such sum

the credits still remaining available to the tribunal may, in accordance with paragraph 4

uary, 1930, by an interlocutory order cause a which it is entrusted. part or the whole of the sum which the Government has stated that it has been unable to utilize for deliveries in kind, to be placed at the disposal of the said Government.

delivering its award, fix the conditions under creditor power concerned in execution of a which the payment is to be reckoned against decision of the arbitrator in virtue of Article the sums to be paid under the award, or the conditions under which deliveries in kind shall be taken to make good the sum paid.

#### ARTICLE IV.—Organization

17. The management of deliveries in kind committee, the object of which would be to includes two separate parts, namely, the nform generally the bank of the progress of approval of contracts and the handling of the deliveries in kind. funds reserved for deliveries in kind. The This committee may, if it thinks fit, convoke creditor Governments concerned and the Gerthose agents of the Governments who do not man Government remain responsible for the form part of the committee. approval of contracts and entrust the management of the funds reserved for deliveries in kind ARTICLE V.—Preparation and revision of lists to the Bank for International Settlements.

25. The coefficients of list C represent the 18. A contract is approved if there is agreement with regard to it between the creditor proportion in terms of value which the raw Government concerned and the German Gov- materials of foreign origin included in a commodity bear to the sale price of the commodity, ernment. 19. Each creditor Government concerned in delivery taken at the factory or warehouse of

the seller. deliveries in kind and the German Government The coefficients are based on a detailed costshall appoint an agent, whose duty it shall be to deal with all matters concerning deliveries | ing of the sale price of the article. 26. The same methods of determining the in kind and to fulfill all functions devolving coefficients shall be applied whenever list C is upon him under the present regulations. Each agent shall remain responsible to his revised.

Government for the strict application of the provisions of these regulations.

The agents of the German, Belgian, British, described above is equal to or more than 25 per French, Italian, Japanese, and Yugoslav Govcent 27. Exceptions, however, which are admitted ernments shall assemble whenever a Governregularly in accordance with Article VII herement concerned in deliveries in kind considers after, may be taken into consideration when the a meeting to be necessary. The meeting shall be called by the agent of the Government which list is drawn up. 28. Lists A and C (Annexes II and IV) may proposes it.

principle during the second fortnight in May,

29. If one of the Governments concerned in order to review the general situation as shown by the statistical documents supplied wishes that such revision should be made, its agent shall inform the agents of the other by the Bank for International Settlements. 20. The agent of the German Government Governments to this effect before February 1 will be in permanent residence at Paris, where of the year fixed for revision, and shall suggest the agents will meet in all the cases for which a date for the consideration of its request. He provision is made in the present regulations. will inform them of the modifications which he The agents of the creditor powers are under proposes to make. 30. Upon receipt of this request each agent no obligation to have a fixed place of residence.

21. The Bank for International Settlements shall announce whether he intends to propose can incur no responsibility except with regard other modifications.

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of article 15 of The Hague Agreement of Jan- to the duties arising from the mandate with

22. The Bank for International Settlements will effect the payments to be made in virtue of duly approved contracts which are transmitted to it by the agent of the German 16. In such a case the tribunal shall, when Government or are sent by the agent of the VII hereafter.

23. The bank will keep all accounts and statistics, and will exercise all supervision in respect of these payments.

24. The bank is also at liberty, in accordance with paragraph 28 of Annex I to the experts' plan of June 7, 1929, to appoint an advisory

List C shall include after each revision commodities the coefficient of which determined as

The same agents shall meet every year, in be revised every two years, the first revision taking effect as from April 1, 1932.

The revision committee, consisting of the in one of its colonies, dependencies, or man-German, Belgian, British, French, Italian, dated territories, or vice versa. Japanese, and Yugoslav agents, will meet in Paris.

agree, they shall fix the lists for the period of or wholly by means of German resources, shall two years from April 1, next following.

32. In case of disagreement the question exceeds 1,000 reichsmarks. shall be submitted to the arbitrator whose functions are defined in paragraph 108 hereafter.

trator shall draw up the lists for the period of of which have been finished wholly or mainly two years as from April 1 next following.

33. The same procedure shall apply, if necessary, to the fixing of the rations of list B. Germany, either wholly or partly by means of (Annex III.) If the German Government de- German resources, exceeds 1,000 reichsmarks, it sires that such rations shall be fixed, its agent | shall be subject to a direct payment of 50 per shall submit a request to this effect to the agents | cent of such cost, subject to the following limiof the creditor Powers at least two months tations: before the date on which these programs come into force.

#### ARTICLE VI.—Direct payments

34. The payments to be made by the purchaser direct to the seller without any entry marks. being made to an account for deliveries in kind are governed by the rules set forth hereafter.

which appears in list C, the purchaser shall pay payment to be made by the purchaser to the direct to the seller that part of the price which | seller. corresponds to the coefficient fixed for this commodity in accordance with paragraph 25 the employment of German personnel outside of the present regulations and subject to the Germany, which is governed by the provisions provisions of Article VII.

36. If a contract makes the seller responsible for the transport of the commodity, and if the object provides for the delivery as part of such transport is not carried out entirely by German | object of (a) commodities contained in list C, means a direct payment shall be due whenever (b) equipment of a specialized type not currently the cost of the transport exceeds 400 reichsmarks.

non-German means exceeds 400 reichsmarks, commodities shall not give rise to a direct paythe purchaser shall pay the entire cost direct to ment unless their total value, delivered either the seller, unless there is a special agreement by or to the seller at his factory or warehouse, between the agent of the creditor Government exceeds 10 per cent of the total value of the concerned and the agent of the German contract. Government.

side Germany of commodities ordered as a placed with a single supplier, is executed by him delivery in kind shall not give rise to any direct acting alone or with the assistance of subconpayment.

sea, or air may of itself form the subject matter | (machinery, factory plant, ship, etc.). of a contract for deliveries in kind whenever it is effected between a German port and a port paragraph exceeds 10 per cent of the total price situated in the territory of a creditor power or of the contract, payment shall be made by the

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40. If a contract stipulates that the seller shall be responsible for erection outside Ger-31. If the agents present at the meeting many, such erection, whether carried out partly not give rise to a direct payment unless its value

41. Erection within the meaning of the present regulations does not comprise foundations and masonry, but covers the installation After hearing the parties concerned the arbi- and assembling of machines and plant the parts at the factory.

42. If the cost of erection carried out outside

(a) Ten per cent of the value of the order for contracts of an amount less than 200,000 reichsmarks.

(b) Ten per cent of the first installment of 200.000 reichsmarks and 5 per cent of the balance for contracts exceeding 200,000 reichs-

43. If the total value of erection outside Germany exceeds these limits, the entire 35. In respect of any commodity delivered amount of the excess shall be added to the direct

44. The foregoing provisions do not apply to of paragraphs 47 and 48 hereafter.

45. If a contract for the supply of a composite manufactured in Germany, (c) commodities mentioned in footnote 3 of list A, provided that 37. If the cost of transport carried out by they are finished products, the delivery of these

A composite object within the meaning of the 38. Transport by German means in or out- present regulations is one for which the order is tractors, and makes him responsible for the 39. Transport under German flag by river, working or output of the object supplied

46. If the value defined in the preceding

purchaser direct to the seller in respect of the commodities contained in list C, according to the rules applicable to such commodities under paragraph 35 of the present regulations, and ing paragraph.

47. If a contract provides for the employ-53. Every contract shall contain a clause ment of German personnel outside Germany, indicating that it is to be paid for out of the 40 per cent of the total wages and salaries of funds reserved for deliveries in kind. such personnel shall be paid by the purchaser 54. By a contract within the meaning of the direct to the seller. present regulations is understood-

48. If, however, the food of the personnel (a) A document signed by the seller and the thus employed comes from Germany, or if the personnel is provided with living accommoda- buyer. tion in Germany while the work is being carried (b) A firm offer, with or without specifica-out, or if special arrangements for housing and tion, accepted without reserve by the buyer by feeding are made locally by the purchaser and letter or by telegram. (c) A firm order accepted without reserve by the seller, the percentage shall be reduced by the seller by letter or by telegram. agreement between the agent of the creditor 55. In the first place the contracts must be power concerned and the German agent. Failaccepted by the creditor power concerned, ing such agreement, the arbitrator for whom which shall ascertain at the outset that they provision is made in paragraph 108 hereafter are in conformity with the regulations and that shall decide. sufficient funds stand to its credit to meet the 49. If the commodity ordered under a conpayments for which the contract provides when

tract is the subject of a mortgage, a lien or any other charge in favor of a non-German they fall due. 56. Two copies of the contracts will then be creditor, and if it is to be delivered free of any transmitted to the agent of the German such charge the payments required to pay off any such charge shall be made by the purchaser Government, either by registered letter or delivered direct against a receipt given by an direct to the seller. 50. No direct payment shall be made if the authorized person.

57. Within three clear working days of recontract makes the seller responsible forceiving the contract the agent of the German (a) The customary inspection and supervision of commodities or of the manufacture Government shall inform the agent which has of commodities in Germany by persons em- transmitted the contract whether he accepts it ployed by the buyer or by inspectors belonging with or without reservation or whether he proto recognized inspection agencies, provided that poses its rejection. 58. If he has no objection to the contract he these agencies, which need not necessarily be will inform the Bank for International Settle-German, are established in Germany. ments, to which he will send a copy of the (b) The transshipment or handling of com-

contract. modities by non-German means or labor.

59. If the agent of the German Government (c) The sums required to cover temporary considers that the contract should be modified advances for customs dues or similar nonor rejected, or if he regards the details which it German charges. (d) The costs of guaranty deposits in non- contains to be insufficient, he will return it, accompanied by his observations and reasons, German currency. 51. A direct payment shall be made in re- to the agent from whom it was received.

60. If the agent of the creditor Government spect of any contract for insurance which is not accessory to a delivery or to work to be executed does not concur in the view of the German as a delivery in kind, but which forms of itself | agent, he shall bring the question before the a contract for such delivery. The amount of arbitrator for whom provision is made in parathis payment will be fixed for each individual graph 108 hereafter. After calling for the case by direct agreement between the agent of observations of the agent of the creditor power the creditor power concerned and the German concerned and the German agent, the arbitrator shall give a final decision within a maximum agent.

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### ARTICLE VII.—Approval of contracts

52. No payment shall be made by means of the funds reserved for deliveries in kind, unless for the entire value of the commodities men- in execution of a commercial contract previtioned under headings (b) and (c) of the preced- ously approved by agreement between the creditor Government concerned and the German Government.

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of eight clear working days from the date on release the credits reserved but not yet utilized which the question was referred to him.

may apply direct to the German seller for be informed accordingly. further information or to have any changes made in the contract which he may consider may be admitted by agreement between the to be necessary. It shall be his duty, however, agent of the creditor Government concerned to inform the agent of the creditor power, in and the agent of the German Government order that the agent may take the necessary provided that they do not exceedaction with regard to the purchaser.

the manner described, it shall be resumed with allowed for the year in question. the same formalities and the same time limits as from the day on which the agent of the cent of the payments of this kind which should creditor power sends to the German agent the have been effected under the contract in quesnecessary information or the agreement of the tion had the regulations been strictly applied. parties concerning the changes required to be made in the contract.

agent and the agent of the creditor power Italian, Japanese, and Yugoslav agents, at concerned. The latter may then send the least three agree to the exception proposed. contract direct to the Bank for International 71. In the case, however, of an exception to Settlements, and shall be responsible for the clause concerning reexportation, which in informing the German agent to this effect.

definite scheme of payments, the German 72. In transmitting to the Bank for Interagent will draw up a schedule in agreement national Settlements a contract in respect of with the agent or authorized department of which exceptions have been admitted in applithe creditor Government, in order that the cation of paragraphs 69, 70, and 71 above, the Bank for International Settlements may set agent of the German Government shall attach aside the sums required for paying for the to the contract a note stating the nature of the contract.

65. The Bank for International Settlements have given their consent. will keep accounts for each creditor country, showing the dates and amounts of the pay- an arbitral decision in accordance with paraments for which the approved contracts pro- | graph 63, the agent who transmits the contract vide and indicating how much of the quota will attach to it a copy of the arbitral decision. remains available for new contracts.

on the 1st and 15th of each month to the agent | paragraph 23 will be sent by the bank each of the creditor power concerned and to the month to the agents of all the Governments German agent.

proval the creditor Government concerned which it has received during the preceeding shall have definitely agreed with the purchaser | month, those for an amount exceeding 5,000,000 the terms on which he can obtain payments out reichsmarks and riders thereto being shown of the funds reserved for deliveries in kind.

tract, the buyer does not fulfill these conditions graph 72. he shall continue to bear the entire responsibility for the contract, as far as the seller is concerned, under ordinary commercial conditions, even if the contract stipulates that it shall only be executed as a delivery in kind.

Settlements shall, if the creditor power con- ments an account to which shall be credited all cerned so requests on its own responsibility, sums to be reserved by that Government for

for payment for the contract.

61. The agent of the German Government | The agent of the German Government shall

69. Exceptions to the present regulations

(a) In the case of any rations which may 62. Whenever the procedure is suspended in eventually be fixed, 20 per cent of the ration

(b) In the case of direct payments, 30 per

70. If the conditions of a contract entail other exceptions to which the German agent 63. When an appeal is made to the arbitrator agrees, the contract shall only be approved the award shall be notified to the German provided that, of the Belgian, British, French,

principle remains forbidden, the unanimous 64. When a contract does not provide a agreement of these six agents shall be required.

exception granted and indicating which agents

In the case of contracts approved in virtue of

73. The statistics which the Bank for Inter-Abstracts of these accounts will be supplied national Settlements will keep in execution of and will show (1) according to countries and 66. Before submitting a contract for ap- categories the total amount of the contracts separately; (2) the information transmitted to 67. If, in the course of execution of a con- it with contracts in accordance with para-

# ARTICLE VIII.—Payments

# (A) Payments for deliveries in kind.

74. For each creditor Government there shall 68. In this case the Bank for International be opened at the Bank for International Settledeliveries in kind according to the approved days at most from the date of issue. They schedule. All payments made in respect of shall only be issued if the contract for which approved contracts shall be debited to this they are required makes provision to this account. effect.

They shall be drawn by the creditor Govern-75. The credit balance at the end of each month shall be added to the credits opened ment on the Bank for International Settleduring the following month. The sum avail- ments. They shall not be accepted. They shall be issued to the order of the able to the creditor power for deliveries in kind during that month shall be the total of these buyer, who shall indorse them and transmit them direct to the seller. two amounts.

They shall bear the words: "Payable at the 76. At the beginning of each month the agent of the creditor Government concerned Reichsbank in Berlin.' and the agent of the German Government shall 86. If a creditor Government which has issued a time draft does not possess credits

be informed of the state of the account. 77. Subject to the reserves provided by the sufficient to meet the payment when it falls present regulations the sums paid to this due, it shall place the necessary funds at the account can only be employed for the payment disposal of the Bank for International Settlements two days before the due date. of contracts for deliveries in kind.

78. For the purpose of paying for duly ap-A creditor Government which advances a sum in this manner shall be reimbursed out of proved contracts for deliveries in kind each creditor power may dispose freely of the credit the first credits which are thereafter placed at balance lying in his account, by any method of its disposal for deliveries in kind. 87. The issuing authority and the agent of payment which is current in international commerce, and particularly by means of checks, the German Government will receive daily orders to transfer, and time drafts. advice and periodical statements of the pay-The payments will be made by the Reichs- ments effected.

88. The rules to be applied to the payments bank in Berlin. 79. The creditor powers will transmit to the made in application of the preceding paragraphs will be determined jointly by representa-Bank for International Settlements the names and signatures of the officials who are authortives of the German, Belgian, British, French, Italian, Japanese, and Yugoslav Governments ized to issue orders to pay. 80. In principle, orders to pay shall be made and the Bank for International Settlements, out in reichsmarks. When a contract stipu- particularly in so far as concerns the requisite

lates that payment is to be made in a non- measures for safeguarding these payments. German currency, the order to pay shall be 89. When a seller has to make a payment to made out in this currency, but must bear the a buyer in executing or winding up a contract inscription "payable in reichsmarks." In this the buyer shall inform his Government and recase the conversion into reichsmarks shall be quest the seller to make the payment into the made at the time of payment, at the official account for deliveries in kind opened for this average rate of the Berlin Bourse as quoted for Government. 90. This provision shall not apply to any the day preceding that of payment.

81. If a contract provides for an agreed rate payments of less than 10,000 reichsmarks and tract which the seller may be liable to make to contract is consequently regarded by the con-83. Checks shall be issued by the creditor tracting parties as terminated. In such a

of conversion, the conversion into reichsmarks of less than 20 per cent of the value of the conshall be made at this rate. 82. All orders to pay must indicate the approval number of the contract in respect of the contract provides has been made and the which they are issued. Government made out in the name of the seller | case the payments shall be made by the seller and passed to the buyer for transmission to the direct to the purchaser.

seller. They can not be cashed over the counter, but must be passed through a bank account.

91. When the case arises the provisions of 84. Orders to transfer shall bear the names Article VI of the present regulations concernof the buyer and seller, as well as that of the ing the direct payment of a part of the value of certain commodities or services shall be apbank responsible for collection. 85. Time drafts shall be made payable not plied to a contract either-

less than 30 days and not more than 90 (a) By the terms of the contract itself, or

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### (B) Direct payments.

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of the contract, such decision being regarded as signed by the buyer is included in or attached conditional within the meaning of Article VII. | to the contract:

In the first case the dates and amounts of the sums to be paid direct shall be stipulated modifies which form the subject of the present contract. in the contract.

In the second case the dates and amounts of the sums to be paid direct shall be fixed by the decision of approval in such a manner that the If I fail to perform any of these undertakings I conin the same proportions as the payments made on account of deliveries in kind.

In both cases the purchaser shall make the direct payments to the seller in accordance with the rules of ordinary commerce.

92. The foregoing provisions shall not preclude the Bank for International Settlements in power. agreement with the creditor power concerned from meeting all the payments for which a contract provides when they fall due. In this case the direct payments shall be made under higher educational institutes of the creditor power the conditions and in the currencies stipulated abroad. in the contract, but it shall be debited to the creditor power in an account other than that relating to deliveries in kind.

### ARTICLE IX.—Prohibition concerning reexportation

as possible, to prevent the commodities which ment, with the undertaking for five years not it receives from Germany as deliveries in kind to reexport the commodities or, if it sells them, from being reexported during five years.

tation within the meaning of the present regulations:

is utilized abroad by a firm of the creditor it shall be submitted to the jurisdiction for power during a short period not exceeding one which paragraph 107 hereafter provides. year, with an obligation for the return of the plant to the territory of the creditor power.

(b) If commodities are exported to the colonies, dependencies, or mandated territories of the creditor power.<sup>1</sup>

sulates, or higher educational institutes of the sary in order that contracts may be executed creditor power abroad.

porated in another article the value of a com- such penalties as they may consider appromodity does not represent more than 60 per priate in respect of their nationals. cent of the value of the article sold abroad, such value being estimated for delivery at the fron- shall not incur any responsibility by reason of tier or f. o. b. at a port of the creditor power.

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(b) By the decision concerning the approval commodities unless the following declaration

I undertake for five years not to reexport the com-

In the event of my selling all or part of these commodities, I undertake to require my purchaser to take upon himself all the obligations which I have assumed, and to cause the same undertakings to be given by his

sent to be deprived of the possibility of having new contracts concluded by me paid for by means of the funds which are reserved for deliveries in kind. Commodities shall not be considered to be reexported:

(a) In cases of plant for public works which is utilized abroad by a firm of the creditor power during a short period not exceeding one year, with obligation for the return of the plant to the territory of the creditor

(b) If commodities are exported to the colonies, dependencies, or mandated territories of the creditor

(c) If they are intended for embassies, consulates, or

(d) If after transformation or being incorporated in another article the value of the commodity does not represent more than 60 per cent of the value of the article sold abroad, such value being estimated for delivery at the frontier or f. o. b. at a port of the creditor power.

96. If the contract is concluded by the creditor Government itself, the latter will 93. Each creditor power undertakes, as far transmit it to the agent of the German Governto require of the buyer an undertaking in the 94. It shall not be considered to be reexpor- form prescribed by paragraph 95 above.

97. If a dispute arises between a creditor Government and the German Government as (a) In cases of plant for public works which to whether there has been reexportation or not,

# ARTICLE X.—Infractions and frauds

98. It shall be the duty of the Governments concerned to take such steps within their (c) If they are intended for embassies, con- respective territories as they may deem necesin accordance with the present regulations, and, (d) If after transformation or being incor- in cases of fraud or willful infraction, to apply

99. The Bank for International Settlements any fraud or irregularity committed during 95. The creditor power shall not submit for the execution of a contract. But it shall approval any contract for the delivery of inform the agent of the creditor Government <sup>1</sup> If mandated territories are allowed the benefit of deliveries in kind this shall, as in the past, be without prejudice to the legal status of the mandate. concerned and the German agent of any fact

100. The agents of the creditor Government | tribunal for which article 15 of The Hague agreeand the agent of the German Government will ment of January, 1930, provides. The same procedure shall apply to any disinform one another of the investigation which their respective Governments cause to be under- pute which may arise concerning the applicataken in order to ascertain whether there has tion of the provisions of Article III or in the been fraud or infraction of the present regula- case mentioned in paragraph 97 of the present tions in connection with a contract and they regulations. 108. All other disputes which may arise from shall inform one another of the result of such the application of the present regulations shall investigations.

one another full facilities for the purpose of tionality who is resident in Paris, and who is carrying out the investigations which any of of high commercial or industrial standing. them may decide to make. For this purpose the agents of the various countries will ex- years by unanimous agreement between the change such information as they possess and is German, Belgian, British, French, Italian, likely to facilitate their respective tasks.

to be guilty of fraud or of willful infraction of the present regulations, its agent will so inform the agents of the other Governments.

109. Any contract which has been approved 103. Pursuant to such notification no con- by the date at which the present regulations tract to which one of the parties is a person come into force shall continue to be executed whose name has thus been notified shall be under the procedure of the Wallenberg Regulaapproved during a period of two years from the tions with the sole exception that payment by check shall take the place of payment by means date of the notification. 104. A Government which has applied for of sight drafts, and that the organizations for one of its nationals to be excluded may, before which the present regulations provide shall be the end of the period of two years mentioned substituted for those previously in existence.

above, request that its national be removed from the list of excluded persons.

tract has been made, the buyer or seller is found of a person appears, either as purchaser or seller, guilty by his Government of fraud or willful in respect of whom the penalties for which infraction of the present regulations, and if his Article XII of the Wallenberg Regulations name is notified in accordance with paragraph provides have been applied. 102, no further payment shall be made out of the funds for deliveries in kind in respect of the contract which shall be liquidated direct between buyer and seller.

If the sums paid up to that time exceed the deliveries in kind be submitted to revision. value of the commodities or services due to be Such revision shall take effect as from April 1 delivered under the contract, the Governments of the year in question. Revision may first take place in 1931 and concerned shall do their utmost to obtain repayment of the excess to the account for de- thereafter at intervals of two years. liveries in kind of the creditor power. 112. The Government which proposes the

106. In order that the provisions of the preceding paragraph may be applied, the agent of concerned in deliveries in kind of its intention, the power which has declared its national to be before January 1 of the year in which revision excluded shall inform the Bank for Interna- may be made. It will state the points regarding tional Settlements of the measures taken in this | which it suggests that modifications should be introduced into the regulations and the date which respect. it proposes for the examination of its request. ARTICLE XI.—Arbitration

113. The request shall be considered by a 107. Any dispute which may arise between committee consisting of the agents or reprea creditor power and the German Government sentatives of the German, Belgian, British, concerning the interpretation of the present French, Italian, Japanese, and Yugoslav Govregulations shall be submitted to the arbitral ernments.

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101. The Governments undertake to afford be submitted to an arbitrator of neutral na-

This arbitrator shall be appointed for two Japanese, and Yugoslav Governments, or fail-102. If a creditor Government or the Ger- ing unanimity, by the president of the arbitral man Government considers one of its nationals | tribunal mentioned in the preceding paragraph.

#### ARTICLE XII.—Temporary provisions

110. During a period of two years from the date when the verdict of guilt is pronounced no 105. If before the last payment under a con- contract shall be approved in which the name

# ARTICLE XIII.—Revision of the regulations

111. The present regulations may at the request of one of the powers interested in A PRIL. 1930

114. No modification may be made in the being equally authentic for purposes of interpresent regulations except by unanimous agree- pretation. It is understood that, in the event ment between the members of the committee of an appeal to arbitration on the interpretaconstituted in accordance with the preceding | tion and pending the decision of the arbitral tribunal, the interpretation considered by the paragraph. creditor power concerned to be the most

ARTICLE XIV.—Authenticity of texts

115. These regulations are drawn up in in kind shall be taken to be correct. French, English, and German, the three texts

ANNEX I TO ANNEX IX.-Table showing the distribution of deliveries in kind among the creditor powers

(Replacing the table of sec. 190 of Annex VII to the experts' plan and that of the annex to Appendix 2 to The Hague protocol of Aug. 31, 1929)

#### [In thousands of reichsmarks]

The second second second second second	L estrera	Fran	20	The loss						in the sea	
	Deliverie	act (	Recovery act (4.95 per cent)			eat B cover;	y act Ital;			Belgium	Japan
Transition régime (Sept. 1, 1929-Mar. 31, 1930) Year of deliveries in kind (Apr. 1, 1930-Mar. 31, 1931) Second year (1931-32). Third year (1932-33). Fourth year (1933-34). Fifth year (1934-35). Sixth year (1935-36). Seventh year (1936-37). Eighth year (1937-38). Ninth year (1938-39). Tenth year (1938-39).	305, 540 306, 180 304, 500 274, 773 225, 977 196, 314	0.4         36, 6           0.0         32, 8           0.6         30, 2           3.3         29, 6           3.4         27, 2           7.9         23, 1           4.9         20, 1           4.6         17, 2           4.4         15, 3	07.0 09.6 60.0 19.4 93.7 226.6 82.1 45.1 185.4 135.6 10.5	293, 80 400, 70 338, 40 334, 20 302, 00 249, 16 216, 86 184, 66 152, 46 49, 98	00 00 00 00 00 00 00 00 00 00 00 00 00	83, 7	64.00 38.70 18.85 70.60 82.50	37, 0 52, 1 52, 15	500 500 500 500 500 500 500 500 500 500	$\begin{array}{c} 24,500,00\\ 33,750,00\\ 31,500,00\\ 29,250,00\\ 27,000,00\\ 24,750,00\\ 20,837,50\\ 17,756,25\\ 14,67,50\\ 11,593,75\\ 637,50\end{array}$	$\begin{array}{c} 2,550\\ 5,625\\ 5,250\\ 4,875\\ 4,500\\ 4,125\\ 3,750\\ 3,375\\ 3,000\\ 1,825\\ 500\end{array}$
Total		0.0 259,8	875.0	2, 858, 62	25 1,	210, 1	25.00	525,	000	236, 250. 00	39, 375
Construction of the second	Jugoslavia	Portugal	Ru	mania 1	Gree	908		l deliv- ries	Rec	covery act	Total
Transition régime (Sept. 1, 1929-Mar. 31, 1930) Year of deliveries in kind (Apr. 1, 1930-Mar. 31, 1931. Second year (1931-32) Third year (1932-33). Fourth year (1933-34) Fifth year (1934-35). Sixth year (1936-37). Eighth year (1936-37). Eighth year (1937-38). Ninth year (1937-38). Tenth year (Apr. 1, 1939-Aug. 31, 1939).	35,000 32,500 30,000 27,500 23,300 19,400 16,600 13,200	$\begin{array}{c} 4, 600\\ 6, 544\\ 4, 800\\ 4, 500\\ 4, 400\\ 4, 402\\ 4, 122\\ 3, 322\\ 2, 744\\ 2, 15\\ 1, 577\\ 60\end{array}$	8	9,000 6,950 7,150 6,600 6,050 5,500 4,950 4,400 3,850 3,300	2 2 2 2 2 2 2 2 2 1 1	5,000 2,800 2,600 2,400 2,200 2,000 1,800 1,600 1,400 1,200	512 444 439 431 396 337 298 261 223	943.00 0.013.40 0.340.00 0.555.60 0.908.30 0.023.40 0.15.60 0.605.60 0.603.15 0.603.15 0.605.516.00	2 2 1 1 1 1 1 1 1	67, 543, 00 (227, 573, 60 (19, 498, 70 (70, 938, 25 (67, 964, 30) (54, 009, 10 (31, 130, 80) (16, 214, 80) (01, 735, 50 (86, 746, 85) (26, 645, 10)	$\begin{array}{r} 434, 486, 00\\739, 587, 00\\663, 838, 70\\610, 493, 85\\599, 872, 60\\550, 032, 50\\468, 324, 20\\415, 052, 95\\363, 341, 10\\309, 810, 00\\95, 161, 10\end{array}$
Total		39, 37	5	57, 750	21	l, 000	3, 780	0, 000. 00	1,4	470, 000. 00	5, 250, 000. 00

<sup>1</sup> If the Rumanian Government and the German firms subsequently agree that the quota fixed in respect of a given period shall be exceeded, a corresponding reduction shall be applied by agreement between the German and Rumanian Governments to the other annuities. The distri-bution in respect of the other powers shall, however, not be changed.

### ANNEX II TO ANNEX IX

List A

Commodities which may not be supplied as deliveries in kind<sup>2</sup>

Group I.—(a) All commodities of foreign origin which have not undergone any transformation in German territory.

<sup>2</sup> The numbers in parentheses are those of the German statistical list of

commodities. <sup>3</sup> This prohibition does not apply to foodstuffs for consumption by German workmen employed within the territory of a creditor power in execution of a contract for deliveries in kind.

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(b) Foodstuffs manufactured from imported raw materials.3

(c) Gold, platinum, and silver articles.<sup>4</sup>

favorable to the proper execution of deliveries

Group II.-Industrial products the export of which is prohibited at the time of the conclusion of the contract.<sup>5</sup>

Group III.—Miscellaneous products:

(a) Scrap iron and scrap steel (843).

(b) Animal skins and hides (153 to 155), bone (156f).

<sup>4</sup> This prohibition applies only to articles of gold, platinum, or silver which do not form part of a composite object. (See Art. VI, par. 45.)
 <sup>8</sup> It is understood that no prohibition can be applied to the exportation of coal, coke, briquettes or lignite as a delivery in kind.

(673a).

(d) Yarn waste, cotton waste, etc., and all waste from weaving and other waste employed in the manufacture of paper (543b)

(e) Natural phosphates of lime (227d). Now, therefore, it is agreed between the Government of the United Kingdom of Great (f) Minerals (237 a to s). Britain and Northern Ireland and the Govern-(g) Radium, radium salts, preparations from ment of the German Reich to substitute for the radium (Ex. 266, Ex. 317 G, Ex. 388). (h) Wood in the log of all varieties, with the terms of the above agreement the following provisions:

nis

act,

exception of pit props.

# Commodities which can only be partially paid for out of the funds for deliveries in kind

This list is similar to the old list C under the Wallenberg Regulations, to which has been added the following modifications:

1928, remains in force. Paragraph 4 bears the following additions:

Per	cent
Pit props	55
Telegraph poles, clean	60
Railway sleepers, hard or soft wood,	
clean	60
(b) Item 470 a and b to be modified as	00
follows:	
470 a, b, and 28 c to f—flax and hemp	
in the raw, steeped, bleached,	
dyed, crushed, scutched free from	
glutinous fiber, cleaned—	
	95
(c) Items 890 a and 909 are modified as	50
follows:	
890 a—Wires (lacing, covering, etc.)	
made of common metal, with the	
exception of aluminum, or alloy of	
these metals, covered with a cas-	
ing or winding, or yarn or braid-	
ing, or other methods of covering	
by materials for electro-technical	
purposes	35
909—Cables for the transmission of	
electric current, with the exception	
of those in aluminum, with pro-	
tective metal wrappings in the	
form of casing made of strips,	
wire, webbing, or similar mate-	
rials—	~ ~
Low-tension cables	35
High-tension cables	40
(d) Add:	~ ~
Bronze propellers	35
(e) The following items:	
ex 156 f. bones, etc.,	
ex 237 h, Braunstein (oxide of mangane	ese),
ex 869 Magnesium (metal),	
re to be deleted.	
ANNEX X	
	100
Agreement for amending the method of	admi
tering the German reparation (reco	vern)
	00191

1921 Whereas it is desired to adapt the provisions of the agreement between Great Britain and Germany for amending the method of adminis- this period.

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(c) Paper clippings, waste paper, etc. tering the German reparation (recovery) act, 1921, signed on April 3, 1925, to the provisions of the experts' plan of June 7, 1929, as adopted by the final protocol of The Hague Conference (hereinafter referred to as the new plan),

The German Government undertakes to pay each month on the same dates as the other payments forming the postponable annuity to the Bank for International Settlements for the account of His Britannic Majesty's Govern-(a) With regard to timber, the agreement of July 3, ment the sterling equivalent of the reichsmark sums available under the new plan for transfer by means of the reparation (recovery) act to His Britannic Majesty's Government, provided always that the amounts so paid shall not exceed 26 per cent of the sterling value of the German goods imported into Great Britain during the preceding month but one.

So long as no postponement of transfers is in force the amount of reichsmarks available each year for transfer under this agreement shall be the amounts specified in the annex to this agreement, representing 23.05 per cent <sup>6</sup> of the total annual amounts of deliveries in kind (including deliveries under reparation recovery acts) provided in the new plan for each of the 10 years up to August 31, 1939. In the event of any postponement of transfer the sum available shall be calculated in accordance with Article III of this agreement.

Reichsmarks for this purpose shall be reichsmarks as provided for in the new plan. The sterling equivalent shall be calculated at the average of the mean rates (Mittelkurs) prevailing on the Berlin Bourse during the halfmonthly period preceding each payment.

The British Government undertakes in return to cause to be placed at the disposal of the German Government, out of the share of the British Government in the annuities provided for in the new plan and available for deliveries in kind, the amount of reichsmarks of which the sterling equivalent has been paid by the German Government.

# II

The German Government shall arrange for the collection by the Reichsbank or otherwise

<sup>6</sup> As regards the period from Sept. 1, 1929, to Mar. 31, 1932, the above-mentioned percentage has been applied to the sum total of deliveries in kind (including reparation recovery act payments) to be effected during

from the German exporters of the sterling amounts referred to in Article I above. The H British Government agrees that, having regard to the undertaking of the German Government given in that article, the special reserve fund provided for in article 6 of the agreement of April 3, 1925, shall be dispensed with, and the amount in that fund shall be placed at the free disposal of the German Government immediately on the coming into force of this agreement.

# III

The British Government shall at all times during the period of the new plan have the right to a reparation (recovery) act levy pari passu with any deliveries in kind, including those furnished under a moratorium-that is to say, that of the total amount transferred in any year in deliveries in kind (including the quotas under the reparation recovery acts) the siring fully to maintain the first charge by way quota under the British reparation (recovery) act will amount to 23.05 per cent.

IV

amends the method of administering the repa- German Government from the spirits monopoly ration (recovery) act, that payments made and also on such other taxes, if any, as may under this agreement shall be regarded as hereafter be assigned by the German Governdeliveries in kind for the purposes of the ment for the purpose of assuring the German deliveries in kind system, and that its provi- budgetary contributions to the annuities, has sions are without prejudice to any rights en- proposed the following system for keeping joyed by the British Government with regard effective said first charge on said revenues from to that act under the new plan. So long, and after the termination of the Dawes plan however, as this agreement continues in force, and in substitution for the system of remitting the relations between Germany and Great and administering said revenues which has been Britain with regard to the reparation (recov- in effect under the said plan, and the trustees

The present agreement shall become operative simultaneously with the coming into force of the new plan. A certified copy thereof the committee of experts of June 7, 1929, shall shall be transmitted by the parties to the be duly carried into effect: Bank for International Settlements, so that the bank may take note of its provisions for all purposes under the new plan.

Done at Berlin the 2d day of January, 1930.

### RUMBOLD. CURTIUS.

ANNEX	
Reichsmarks amounts, the sterling equival payable by the German Government und this agreement	
	Reichsmarks
Period Sept. 1, 1929, to Mar. 31, 1930_	46, 036, 000
Year to Mar. 31, 1931	190, 964, 000
Year to Mar. 31, 1932	186, 638, 700
Year to Mar. 31, 1933	140, 718, 850
Year to Mar. 31, 1934	138, 270, 600
Year to Mar. 31, 1935	126, 782, 500
Year to Mar. 31, 1936	107, 948, 700
Year to Mar. 31, 1937	95, 669, 700
Year to Mar. 31, 1938	83, 750, 100
Year to Mar. 31, 1939	71, 411, 250
Period Apr. 1 to Aug. 31, 1939	21, 934, 600
- on our reprise to the of 1000	21, 001, 000

APRIL 1930

Total\_\_\_\_\_ 1, 210, 125, 000

# ANNEX XI

Securities for the German external loan, 1924

The Government of the German Reich, deof collateral security for the German external loan of 1924, created by article 5 of the general bond dated October 10, 1924, upon the gross revenues of the German Government from the customs and from the taxes on tobacco, beer, It is understood that this agreement merely and sugar and from the net revenue of the ery) act shall be governed exclusively thereby. of the German external loan of 1924 have consented to the application of the following system, provided it be incorporated as an annex to the agreement of The Hague of January, 1930, and be duly ratified by the Government of the German Reich and provided the plan of

### System

### ARTICLE I

The tax collecting offices of the German Reich will continue to remit the total proceeds APRIL, 1930

of the five revenues which collaterally secure | marks to cover the current monthly loan service the German external loan, 1924-namely, the installment, and there shall be similarly regross revenues of the German Reich from the leased for the remainder of the month the customs and from the taxes on tobacco, beer, balance of said reichsmark sums, such conand sugar, and the net revenue from the spirits | tinuing system of monthly retention and release monopoly-but they will remit the total pro- to be repeated month after month during the life ceeds of these five revenues directly to the of the loan, subject, of course, to revocation or account of the trustees of said loan at the modification by the trustees, as provided below Reichsbank. In the event that the German in Article IV; Government, in compliance with the terms of (b) On the 15th of each month, if and when paragraph 132 of the annexes of the experts' the foreign currency installment then due has plan of June 7, 1929, shall assign any additional been paid, the reichsmark sum previously revenues to assure a total yield of not less than | blocked as cover therefor shall be released from 150 per cent of the highest budgetary contribu- the account of the trustees and placed at the tion provided for by that plan, then the pro- disposition of the German Government; ceeds of such additional revenues shall also be (c) If prior to the 15th of any month the remitted by the collecting offices directly to German Government choose to anticipate the said account of the trustees at the Reichsbank. foreign currency payment payable on the 15th,

# ARTICLE II

The account of the trustees at the Reichsbank may be in the name of the trustees of the Ger- German Government. man external loan, 1924, or, at their election, in the name of the Bank for International Settlements for the account of the trustees of the German external loan, 1924.

### ARTICLE III

trustees shall be subject to their disposition, at holders granted by the general bond. their discretion, for the purpose of assuring the regular service of the loan, but the trustees will, at the time of opening their account at the Reichsbank, issue a revocable standing order to the Reichsbank to the following general effect:

(a) As soon as, on or after the 1st of each month, a sufficient number of reichsmarks has been received in the account of the trustees to agrees to consult with the trustees for the purpose of adopting, in agreement with them, any cover the amount of foreign currency required measures necessary to effect the transition from for the monthly installment of the service of the past system of remitting the revenues to the the interest on and the redemption of the loan new system of remitting the revenues in order (including in such sum all charges, commisthat the service of the loan may be fully prosions, or other payments to be made by the German Government in connection with said tected during any period of transition. loan) which is payable pursuant to the terms of the general bond on the next succeeding 15th of ANNEX XII each said month, the Reichsbank shall be Arbitration. Rules of procedure authorized thereupon to release to the German Government, or its order, all reichsmark sums, 1. The proceedings in any arbitration shall being the remainder of the monthly proceeds, be governed by the dispositions of Chapter III of the revenues thereafter entering into the of The Hague Convention of 1907 for the Pacific trustees' account until the 1st day of the next | Settlement of International Disputes, except in month immediately succeeding, when there so far as the same are modified by the following shall again be similarly retained in the account provisions or by those of the agreement of The of the trustees a sufficient number of reichs- Hague of January, 1930:

# FEDERAL RESERVE BULLETIN

then as soon as such payment is made to the trustees the reichsmarks blocked as cover therefor will be released from the account of the trustees and placed at the disposition of the

#### ARTICLE IV

This standing order of the trustees to the Reichsbank may be revoked or modified at the discretion of the trustees at any time, whenever necessary in their opinion for the purpose The funds received into the account of the of safeguarding fully the rights of the bond-

#### ARTICLE V

The foregoing system of receiving, remitting, and releasing the revenues shall come into effect as soon as possible after the legal termination of the Dawes plan, and, if practicable, coinci-dentally therewith. The German Government

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In particular, article 85 of The Hague Con- to the party which has delivered it, and shall vention shall apply to these proceedings, and inform the tribunal of the date of receipt. each party shall pay its own expenses and an equal share of those of the tribunal.

2. The tribunal shall sit at The Hague or ing in which they are referred to. such other place as may be fixed by the tribunal.

The date of sitting shall be determined by the chairman and at least 14 days' previous decision of the chairman or of the tribunal. notice shall be given to the parties.

3. Each party shall appoint a representative.

shall be conducted through these representatives

The tribunal shall appoint a secretary to whom communications shall be addressed.

4. The procedure shall consist of two stages-

Written cases or pleadings; and
 Oral debates.

The oral discussion shall be public. 5. The party which is in the position of plaintiff shall deliver its case within six weeks from the date of the special agreement or a date to be fixed by the chairman or by the tribunal, and the other party shall present its counter-case within six weeks from the date on which it receives the case of the first party.

If any dispute shall arise as to which party is in the position of plaintiff in any particular case, the matter shall be decided summarily by the president of the tribunal or any member thereof appointed for this purpose by the president.

6. Cases shall contain-

(1) A statement of the facts on which the claim is based

(2) A statement of law.

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(3) A statement of conclusions.

(4) A list of the documents in support; these documents shall be attached to the case.

Counter-cases shall contain-

(1) The affirmation or contestation of the facts stated in the case.

(2) A statement of additional facts, if any.

(3) A statement of law.

(4) Conclusions based on the facts stated; these (5) A list of the documents in support; these docu-

ments shall be attached to the countercase 7. The parties shall also respectively have

three weeks after the receipt of the last preced- tion than those supplied by the parties it will ing pleading.

All cases shall be printed, six copies at least | tional information. to be delivered to the opposing party and twelve at least to the tribunal. Each party | 16. No oral explanation will be received from either party unless the other party is present shall acknowledge the receipt of any document | or has been duly summoned.

Certified copies of any documents on which reliance is placed shall be annexed to the plead-

8. The periods above fixed may be extended either by the agreement of the parties or by a

9. The written proceedings may be in English, French or (where Germany is a party) in Ger-Any communication between the parties and man. It shall, however, be open to any the tribunal or between the parties themselves member of the tribunal to require that any pleading or other document (including any translation) delivered in one of those three languages should be translated into another and, if necessary, duly certified.

10. Not more than two advocates may appear on behalf of each party for each separate question submitted to arbitration.

11. The advocates may address the tribunal in their own language, subject to the right of any member of the tribunal or an opposing party to require a translation into English or French.

12. Shorthand minutes shall be taken on behalf of the tribunal of all oral arguments, and transcripts shall be supplied with all possible despatch to the members of the tribunal and to the parties. The secretary of the tribunal shall be responsible for the execution of this clause and for the preparation of the necessary minutes.

13. For all the purposes of the arbitration up to the commencement of the oral proceedings, the president or any two members of the tribunal appointed by him shall be qualified to take in the name and on behalf of the tribunal any decisions which the tribunal is authorized to take.

14. No party may, without the consent of the other party, make use in the course of the discussion of any document which has not been previously communicated to the other party.

15. Any member of the tribunal may put to the parties during the discussion any questions which he thinks proper. The tribunal may at any time before reaching a decision conclusions may include counterclaims, in so far as the latter come within the jurisdiction of the tribunal. may at any time before reaching a decision employ any means of information which it considers necessary, and may ask for any supplementary notes, memoirs or documents which it thinks desirable. Should, however, the right to deliver a reply and rejoinder within the tribunal resort to other means of informaallow them to submit arguments on the addi-

16. No oral explanation will be received from

17. Any request or communication addressed thereto shall be finally discharged by the to the tribunal by one of the parties will be payments, deliveries and cessions made by communicated at the same time to the other. Austria up to the date of the coming into force 18. The secretary of the tribunal shall notify of this agreement, subject to the provisions of all proceedings instituted before the tribunal Article IV below. In consequence, the first to all parties to The Hague agreement of charge on all the assets and revenues of Austria created by article 197 of the treaty of St. January, 1930. 19. When any signatory power or the Bank Germain in favor of the cost of reparation for International Settlements consider that it and all other costs arising under the said has an interest of a legal nature which may be treaty or any other treaties or agreements affected by the decision in a case, it may sub- supplementary thereto or under the armistice mit a request to the tribunal to be permitted ceases to be operative.

to intervene as a third party.

In the absence of an agreement between the parties, the chairman or any members of the tribunal appointed by him for that purpose shall fix the time within which the party intervening is to deliver his case.

Subject to any contrary decision of the tribunal, the foregoing rules and the provisions as to arbitration of the agreement of The Hague of January, 1930, and in particular those relating to the appointment of an additional member in certain cases, shall apply to a party intervening in the same manner as to the original parties.

### AGREEMENT

### AUSTRIA

The duly authorized representatives, of the and the said powers or between the nationals Government of the Republic of Austria, the of the said powers and Austria are hereby re-Government of His Majesty the King of the ciprocally waived. Belgians, the Government of the United Kingdom of Great Britain and Northern Ire-ARTICLE IV land, the Government of Canada, the Government of the Commonwealth of Australia, the Any arrangements already signed by Austria Government of New Zealand, the Government on the one part and any other power signatory of the Union of South Africa, the Government to this agreement on the other part in pursuance of India, the Government of the French Re- of the treaty of St. Germain or any treaties or public, the Government of the Greek Republic, agreements supplementary thereto, and any the Government of His Majesty the King of Italy, the Government of His Majesty the Emperor of Japan, the Government of the Republic of Poland, the Government of the ARTICLE V Republic of Portugal, the Government of His The creditor powers signatory to this agree-Majesty the King of Rumania, the Government undertake as from the date of coming rights, and interests belonging at the date of the

ment of the Czechoslovak Republic and the Government of His Majesty the King of into force of this agreement to cease to apply Yugoslavia have reached the following agree- their right to retain and liquidate the property, ment: coming into force of the treaty of St. Germain ARTICLE I to nationals of the former Austrian Empire or The financial obligations of Austria arising companies controlled by them, in so far as such under any provision of the armistice of No- property, rights and interests are not already vember 3, 1918, and the treaty of St. Germain | liquid or liquidated or have not yet been defiand any treaties or agreements supplementary | nitely disposed of.

#### FEDERAL RESERVE BULLETIN

### ARTICLE II

All relations between the Reparation Commission and Austria shall be terminated as from the date of the coming into force of the present agreement. The accounts of the Reparation Commission with Austria will be considered as finally closed at the date when this agreement comes into force.

# ARTICLE III

Subject to the provisions of Article IV of this agreement, all outstanding claims and counterclaims arising under the treaty of St. Germain or under the armistice or in consequence of war measures between Austria on the one part and the other powers signatory to this agreement on the other part or between Austrian nationals

ARTICLE VI

The claims of Austria against Germany referred to in article 213 of the treaty of St. Germain and any claims of Germany against Austria referred to in article 261 of the treaty of Versailles have been canceled by The Hague the governments of the following Powers, agreement of January, 1930, concluded with that is to say, Belgium, Great Britain, France, Germany. Austria takes note of and accepts this cancellation.

Equally any claim of Austria against Hungary or Bulgaria referred to in the said article 213 of the treaty of St. Germain and any claim of Hungary or Bulgaria against Austria, respectively, referred to in article 196 of the treaty of Trianon and article 145 of the treaty of Neuilly are canceled; any securities and documents relating to these claims shall be destroyed.

#### ARTICLE VII

Nothing in this agreement shall affect the arrangements made in connection with the guaranteed Austrian loan of 1923, in connection with Austrian relief bonds and in connection with the obligations arising under article 203 of the treaty of St. Germain.

The further execution of this article and its annex in so far as the duties of the Reparation Commission are concerned will in due course form the subject of an arrangement between the parties interested.

### ARTICLE VIII

Any dispute between the contracting parties as to the interpretation or application of the present agreement shall be submitted for final decision to the tribunal referred to in The Hague agreement with Germany of January, 1930, in accordance with the procedure established in that agreement. Provided always that on the occasion of any such dispute the place of the member of the tribunal appointed by Germany will be taken by a member appointed by Austria.

### FINAL CLAUSE

and English texts are both authentic, shall be of India, the Government of the Kingdom of ratified.

Paris as soon as possible.

is outside Europe will be entitled to inform the the Emperor of Japan, the Government of the French Government through their diplomatic Republic of Poland, the Government of the representative at Paris that their ratification Republic of Portugal, the Government of His

ed for FRASER

mit the instrument of ratification as soon as possible.

The first procès-verbal of the deposit of ratifications will be drawn up as soon as the agreement has been ratified by Austria on the one hand and, on the other hand, by four of Italy and Japan and three of the governments of the following Powers, that is to say, Greece, Poland, Portugal, Rumania, Czechoslovakia and Yugoslavia.

The present agreement will come into force between the contracting parties who have thus ratified, from and after the date of the first procès-verbal.

Save as above provided the agreement will come into force for each signatory Government at the date of its notification of the deposit of its ratification.

The French Government will transmit to all the signatory Governments a certified copy of the proces-verbaux of the deposit of ratifications.

Done at The Hague in a single copy the 20th January, 1930.

Schober, Juch, Henri Jaspar, Paul Hymans, E. Francqui, Philip Snowden, Peter Larkin, Granville Ryrie, E. Toms, Philip Snowden, Philip Snowden, Henri Chéron, Loucheur, N. Politis, J. G. •Politis, A. Mosconi, A. Pirelli, Suvich, Adatci, K. Hirota, J. Mrozowski, R. Ulrich, Tomaz Fernandes, G. G. Mironesco, Al. Zeuceano, Dr. Eduard Beneš, Stefan Osusky, Dr. V. Marinkovitch, Const. Fotitch.

# AGREEMENT

#### BULGARIA

THE duly authorized representatives of the Government of His Majesty the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland, the Government of Canada, the Government of the Commonwealth of Australia, the Government of New Zealand, the Government The present agreement, of which the French of the Union of South Africa, the Government Bulgaria, the Government of the French The deposit of ratifications shall be made at Republic, the Government of the Greek Republic, the Government of His Majesty the The powers of which the seat of government | King of Italy, the Government of His Majesty has been given; in that case they must trans- Majesty the King of Rumania, the Government:

waive their claim to payment of the outstand- necessary for this purpose. ing balance in respect of armies of occupation;

(4) The National Bank of Bulgaria shall (2) The creditor powers accept in full and retain its present functions and obligations in complete satisfaction of the total amount of regard to the payment of reparations arising Tranche A of the Bulgarian reparation debt out of the regulations of July 7, 1923, regarding which remains unpaid at this date the annuities the application of the protocol of March 21, expressed in gold francs fixed in the following 1923, and shall comply with those regulations schedule of payments, the gold franc as defined in regard to the collection of the proceeds from by article 146 of the Treaty of Neuilly. the securities, the constitution in national currency of the annuity funds and their conversion Number of annuities in gold francs into foreign currencies.

Apr. 1, 1930\_\_\_\_\_ 5 millions. Apr. 1, 1930, to Mar. 31,

(5) The rights and powers conferred on the Reparation Commission and on the Interallied 

1966\_\_\_\_\_ 16 annuities of 12,515,238. Consequently, the relations between the The first payment provided for April 1, 1930, Reparation Commission and the Interallied Commission in Bulgaria, of the one part, and representatives of the Bulgarian Government, (3) The annuities fixed in article 2 shall con- of four representatives of the Reparation Com-

shall be made in full at that date. Subsequent annuities shall be payable in two equal half- the Bulgarian Government, of the other part, yearly installments on September 30 and shall terminate as soon as possible. The con-March 31 of each year, the first installment ditions and the date of this transfer shall be falling due on September 30, 1930, and the determined by a committee consisting of two last on March 31, 1966. stitute an unconditional obligation and the mission, or of the Interallied Commission in parties signatory to the present agreement Bulgaria (one of whom shall be the common waive their right to demand the application of delegate on the Reparation Commission or a article 122 of the treaty of Neuilly. Bulgaria representative appointed by him), and, if posmay, however, if the need arises request the sible, of two representatives of the Bank for application of the system of postponement of International Settlements. transfer instituted by the Reparation Commis-(6) Further, and in addition to the payments sion's decision of July 23, 1926, pursuant to fixed by article 2, the Bulgarian Government the financial scheme approved on June 10, shall remain responsible for all its obligations 1926, by the council of the League of Nations. to the nationals of the creditor powers whose These annuites shall enjoy the benefit of the rights as now existing are in no way affected

same special securities as are assigned to the annuities of the schedule of payments of The creditor Governments who have not March 21, 1923, by virtue of the protocols of yet adhered to the contract of April 14, 1923, March 21, 1923, and September 24, 1928. relating to a moratorium granted to the Bul-They shall be represented by a debt certificate, garian Government by the French and Belgian with coupons attached, which shall be handed creditors, to the rider of October 10, 1923, to over by the Bulgarian Government to the the said contract and to the agreement of April Bank for International Settlements acting as 14, 1923, relating to the issue of Bulgarian 61/2 trustee for the creditor powers. per cent State bonds, 1923, may adhere thereto The first charge established by article 132 of up to June 30, 1930, and the Bulgarian Govern-

the treaty of Neuilly upon all the assets and ment undertakes to accept such adhesions and revenues of Bulgaria for the cost of reparation to give full effect thereto. and other costs referred to in that article shall (7) As from the date of the coming into force cease to have effect. But if the product of the of the present agreement, the creditor Govern-

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ment of the Czechoslovak Republic and the special securities falls below 150 per cent of the Government of His Majesty the King of sums necessary for the service of the annuity, Yugoslavia have reached the following agree- the Bulgarian Government undertakes at the request of the Bank for International Settle-(1) The creditor powers waive their right to ments, to assign to reparations additional se-Tranche B of the Bulgarian reparation debt curities which shall be considered acceptable by as defined by the protocol of March 21, 1923. the said bank and shall at least restore the Furthermore, Great Britain, France, and Italy said percentage, and to promulgate any laws APRIL, 1930

ments waive their right to retain and liquidate Bank of Bulgaria on May 30, 1923. The the property, rights, and interests of Bulgarian creditor Governments which have not yet nationals, in so far as such property is not yet adhered to the said contract may adhere thereto liquid or liquidated or has not been disposed of up to June 30, 1930. finally. Nevertheless, Bulgarian property subment of 110,000,000 lei to be made to Rumania the appointment of some other trustee to be in two equal installments, the first of which shall substituted so far as necessary for the bank, will the second within a year. This agreement tuted under article 5. forms an integral part of the present agreement.

six months of the coming into force of the of the present agreement shall be submitted for present agreement the arrangements necessary final decision to the tribunal referred to in The to ensure the regular service of the quota of Hague agreement with Germany of January, the Ottoman debt for which she is liable 1930, in accordance with the procedure estaband to meet without delay the obligations lished in that agreement. Provided always devolving upon her as a result of the said that on the occasion of any such dispute the arrangements.

been the subject of a previous special agreement member appointed by the Bulgarian Governor of a convention concluded in pursuance of the ment. treaty of Neuilly and also of claims arising under article 141 of that treaty, all claims of the Bul-garian Government against the creditor powers rian nationals against the creditor powers based | ratified. on the provisions of the treaty of Neuilly are completely canceled by the present agreement. Paris as soon as possible.

(10) No private claims of nationals of the creditor powers, which under the treaty of is outside Europe will be entitled to inform the Neuilly should be settled either by the interven- Government of the French Republic through tion of the clearing office or by the mixed their diplomatic representative at Paris that arbitral tribunals and which have not been their ratification has been given; in that case regularly laid before those bodies before the they must transmit the instrument of ratificacoming into force of the present agreement, tion as soon as possible. shall be received by them.

referred to in article 145 of the treaty of ment has been ratified by Bulgaria, on the one Neuilly and any claims of Germany against hand, and, on the other hand, four of the follow-Bulgaria referred to in article 261 of the treaty | ing Governments; that is to say, Belgium, Great of Versailles have been canceled by the agree- Britain, France, Italy, and Japan, and three of ment with Germany of even date concluded at the following Governments; that is to say,

Equally any claim of Bulgaria against Austria or Hungary referred to in the said article 145 of between the contracting parties who have thus the treaty of Neuilly and any claim of Austria ratified, from and after the date of the first or Hungary against Bulgaria respectively re- procès-verbal. ferred to in article 213 of the treaty of St. Germain and article 196 of the treaty of Trianon | come into force for each signatory Government are canceled; any securities or documents re- at the date of notification or of the deposit of its lating to these claims shall be destroyed.

(12) Nothing in the present agreement shall modify the rights which the Société des Porteurs the signatory Governments a certified copy of de Créances Civiles en Bulgarie derives from the procès-verbaux of the deposit of ratificathe contract entered into with the National tions.

(13) Should the Bank for International ject to liquidation in Rumania has formed the Settlements not accept the whole of the funcsubject of an agreement on the basis of a pay- tions attributed to it by the present agreement, be payable three months after ratification, and form part of the task of the committee consti-

(14) Any dispute between the contracting (8) Bulgaria undertakes to conclude within parties as to the interpretation or application place of the member of the tribunal appointed (9) With the exception of claims which have by the German Government will be taken by a

## FINAL CLAUSE

The present agreement, of which the French or their nationals and also all claims of Bulga- and English texts are both authentic, shall be

The deposit of ratifications shall be made at

The powers of which the seat of government

A first procès-verbal of the deposit of rati-(11) The claims of Bulgaria against Germany fications will be drawn up as soon as the agree-The Hague conference. Bulgaria takes note of and accepts this cancellation. Greece, Poland, Portugal, Rumania, Czecho-slovakia, and Yugoslavia.

The present agreement will come into force,

Save as above provided the agreement will ratification.

The French Government will transmit to all

Done at The Hague in a single copy the 20th | at The Hague with a view to arriving at a final and complete settlement of the question of the January, 1930. Henri Jaspar, Paul Hymans, E. Francqui, reparation due by Hungary and that of various Philip Snowden, Peter Larkin, Granville special claims and to insure the settlement of disputes of a financial nature which have arisen Ryrie, E. Toms, Philip Snowden, Philip Snowden, A. D. Bouroff, Vl. Molloff, between Hungary or Hungarian nationals, of the Henri Chéron, Loucheur, N. Politis, one part, and certain powers, of the other part.

J. G. Politis, A. Mosconi, A. Pirelli, The appended and duly initialed texts set forth and define the bases of the agreements Suvich, Adatci, K. Hirota, J. Mrozowski, R. Ulrich, Tomez Fernandes, G. G. which now and henceforth constitute an Mironesco, N. Titulesco, J. Lugosiano, undertaking on the part of the signatory Al. Zeuceano, Dr. Eduard Beneš, Stefan Governments. Osusky, Dr. V. Maripkovitch. Const. It is on these bases that the final texts will

have to be drafted. A committee which will Fotitch comprise a representative of each of the sig-DECLARATION BY THE CREDITOR GOVERNMENTS natory powers is intrusted with the drafting ATTACHED TO THE AGREEMENT WITH BULof these texts. This committee shall sit in Paris as from February 5, 1930. GARIA

The creditor Governments have taken note of drafted by it shall be definitive. the Bulgarian Government's request to benefit In the event of any difficulty in drawing up by a remission of a portion of its debt in the these texts, the parties state that they will accept the unanimous decision of France, Great event of the creditor Governments themselves obtaining remission of the interallied debts. Britain, and Italy. They state their readiness collectively, if necessary, to consider favorably the possibility of ANNEX I allowing Bulgaria to have the benefit of advantages proportional to those which the special GENERAL AGREEMENT BETWEEN THE CRED-ITOR POWERS AND HUNGARY memorandum of the experts of the principal creditor powers and Germany concerning outpayments, appended to the experts' report of A certain number of claims on the basis June 7, 1929, grants to Germany, without, howof Article 250 of the Treaty of Trianon have ever, any power having its share in Bulgarian been submitted by Hungarian nationals against annuities reduced by more than 50 per cent as a the three Governments of Rumania, Czechoresult of this possible reconsideration. slovakia, and Yugoslavia arising out of the application of the agrarian reform legislation CONFERENCE OF THE HAGUE, 1930 in those countries.

Legal proceedings are at present pending The Bulgarian Government hereby underbefore the mixed arbitral tribunals provided take to pay a sum of  $\pounds 8,000$  toward the expenses of the liquidation of the Interallied for in the treaty. Although the three Governments interested Commission, in addition to all monthly pay-ments for which it is liable apart from this are prepared to conclude the present agreement in a spirit of conciliation with a view to, undertaking.

### A. D. BOUROFF. VL. MOLLOFF.

JANUARY 20, 1930.

#### **REVISED TEXT**

# AGREEMENT RELATING TO HUNGARIAN OB-LIGATIONS UNDER THE TREATY

The Governments of Belgium, France, Great action or any claim. In response to the appeal of friendly powers Britain, Canada, the Commonwealth of Australia. New Zealand, South Africa, India, Greece, not interested in these disputes, the three Hungary, Italy, Japan, Poland, Portugal, Governments have desired to display their Rumania, Czechoslovakia, and Yugoslavia met | spirit of conciliation and their desire for peace.

## FEDERAL RESERVE BULLETIN

If the committee is unanimous the texts

terminating as far as possible the existing disputes with the Hungarian Government, they declare formally that this fact can not constitute in any way a recognition by them of the justice of the said claims.

On the contrary, they intend to enter an express reservation as to their point of view and the present agreement can not in any way be considered as justification for any fresh

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states that from the legal point of view it then be made amongst the beneficiaries, the maintains the position which it previously total of which shall not exceed the total of the adopted in regard to these questions and it agrarian fund. This distribution shall be wishes it to be recognized that it accepts the effected on the basis of regulations to be present agreement in the same desire for drawn up by the managing committee of the conciliation and peace.

### ARTICLE I

The responsibility in connection with all lawsuits now proceeding, and which may be begun in regard to agrarian legislation, including the reform to be carried out in Yugoslavia which has not yet formed the subject of a final law, shall henceforth be borne by a common fund hereinafter called the "agrarian claimants against the agrarian fund. fund" in so far as this fund is available.

# ARTICLE II

The agrarian fund shall have legal personality and shall be financially autonomous. subject to the condition set forth in the special agreement concerning this fund.

#### ARTICLE III

The fund shall entirely take the place of agrarian fund. the present defendants in agrarian lawsuits already brought before the mixed arbitral tribunals or which may arise from an act of seizure or disposal prior to the present agreement.

# ARTICLE IV

Suits brought against Rumania, Czechoslovakia or Yugoslavia shall ipso facto be considered as having been brought against the agrarian fund.

#### ARTICLE V

Judgments shall be given in favor or against the agrarian fund and shall be executed by its means.

# ARTICLE VI

As stated above the agrarian fund shall be indicated in the preceding article. solely and entirely responsible in so far as this fund is available for the payment of compensation allotted by the mixed arbitral tribunals in the lawsuits referred to above and future.

# ARTICLE VII

fund until the total amount of the judgments | referred to in the present agreement and relat-

For its part the Hungarian Government has been notified. A final distribution shall fund.

# ARTICLE VIII

The mixed arbitral tribunals shall not be competent to pronounce on differences of principle between the parties of the nature of those set forth in the preamble to the present agreement. They shall pronounce solely on the basis of the present agreement by granting, where the occasion arises, compensation to the

# ARTICLE IX

The mixed arbitral tribunal shall inquire whether the claimant is a qualified Hungarian national and whether his property has been expropriated by virtue of agrarian legislation and, if so, they shall pronounce on the amount of the compensation to be allotted unless a friendly agreement is arrived at with the

#### ARTICLE X

For the purposes of the execution of the present agreement, each of the mixed arbitral tribunals shall be completed by the appointment of two extra members, selected by the Permanent Court of International Justice from the nationals of countries which were neutral during the late war and who possess the qualities necessary to act as arbitrators.

### ARTICLE XI

In the relations between Rumania, Czecholovakia, and Yugoslavia or their nationals, of the one part, and Hungary or her nationals, of the other part, the mixed arbitral tribunal shall henceforth in all cases be composed as

# ARTICLE XII

Rumania, Czechoslovakia and Yugoslavia, Rumania, Czechoslovakia, and Yugoslavia of the one part, and Hungary, of the other shall be free of any responsibility present or part, agree to recognize the Permanent Court of International Justice as the court of appeal from all judgments on questions of competence or of substance henceforth given by the mixed No payment shall be made by the agrarian arbitral tribunals in all suits other than those

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ing to agrarian matters, without there being

It is understood that if Czechoslovakia does any need for any special terms of reference. not liberate 200,000 jugars out of the properties which have been expropriated or which have ARTICLE XIII been declared inalienable, the above-mentioned reduction shall not be made in so far as Czecho-The mixed arbitral tribunals shall cease to slovakia is concerned. In brief, for this counfunction for a period of six months as from the try, the reduction will only be made in respect date of the present agreement. of the quantities of properties liberated of upward of 200,000 jugars.

# ANNEX II

# CREATION AND WORKING OF AGRARIAN FUND

There shall be paid into the fund all the By an agreement signed to-day with the Hungarian Government, provision has been made for a fund, called "The agrarian fund." sums, in the form of securities or otherwise, which according to the local law are payable subsequently and would be paid to the expro-The object of the present convention is to priated owners if the latter put forward claims. define the conditions of the constitution and If on the other hand an owner abandons all operation of this fund.

claims in return for this payment he shall be assimilated for the purpose of calculating the ARTICLE I fund to an owner of a property which has been returned in so far as the property is one the liberation of which is such that no reduction in The capital of this fund has been fixed at 240,000,000 gold crowns. The figure of 240,000,000 gold crowns has pursuance of article 2 is involved.

been fixed on the basis of the figures indicated in the Hungarian delegation's memorandum presented to The Hague conference (second commission-non-German reparations). At

The final amount of the capital of the fund shall be fixed (taking into account the abovethat time, Hungary presented a total of claims mentioned reduction) in order to assure the amounting to 310,000,000 gold crowns, which service of the interest and sinking fund of the has been reduced to 240,000,000 gold crowns. bonds which it will create to an amount equal The basic figures taken in the said memo-randum as the average value of the cadastral dispose of annuities and of the proceeds of the jugar in each country, must therefore be securities received by it as described in Articles reduced in the proportion of 310 to 240. II and III above in respect of the expropriated For all the properties regarded as expropri-

properties. The calculations have been made on the basis ated in the Hungarian memorandum above mentioned and restored to the owners as from of interest at the rate of 4 per cent from 1933 the present date in Czechoslovakia and from the to 1966, the sinking fund of the securities being beginning in Yugoslavia, the amount of the fund must be reduced pro tanto by the appli-cation to these jugars of the reduced basic price resulting from the above-mentioned calculation. Nevertheless, corrections may be made ARTICLE V in the application of the rule by the commission for administering the fund so as to take into account the quality of the properties. The annuities available to the fund are the following:

### ARTICLE II

Account must similarly be taken of the sums special claims. already paid according to the local laws to the 2. From 1931 to 1943 the annuities paid by expropriated owners who have accepted this Hungary in respect of reparations representing payment whether made in the form of money the shares of France, Great Britain, Italy, Poror of securities; these sums shall be considered | tugal, Japan, and Belgium. as having been paid into the fund and the lia-3. Annuities paid by Great Britain, Italy, bilities toward this fund shall be reduced and France, of which the maximum amounts are pro tanto. fixed below:

# FEDERAL RESERVE BULLEFIN

### ARTICLE III

# ARTICLE IV

1. As from 1944, 6,100,000 gold crowns paid by Czechoslovakia, Yugoslavia, and Rumania by means of the sums received in respect of the

1931 and 1932: Nil.

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1933 to 1943: 3,600,000 gold crowns.

per cent by Italy, and 20 per cent by Great Permanent Court of International Justice. Britain.

1944 to 1966: 2,280,000 gold crowns.

payable in the same proportions.

These latter annuities shall be reduced, if necessary in order to take account of the dimi- The Hague Conference, M. Jaspar, after connution of the final amount of the capital of the fund.

The sums resulting from the reduction above mentioned will be paid to fund B (referred to in the agreement of to-day's date) by the abovenamed powers when the managing committee considers, in agreement with these powers, that it is possible, and then only if it is necessary.

### ARTICLE VI

Managing committee.-The fund shall be administered under the control of a committee consisting of four members, of whom one shall be named by the Hungarian Government and three by the financial committee of the League of Nations or any other organization chosen by reached on questions raised concerning agrarian the three powers-France, Great Britain, and reform. Italy.

### ARTICLE VII

appoint a financial committee intrusted with application of articles 63, 191, and 250 of the the task of inquiring into the detailed arrange- treaty of Trianon. France, Great Britain, and ments to be made in order to secure to the Italy in the interests of peace and friendship greatest extent and under the best conditions have agreed to intervene, with a view to settling possible the mobilization or discount of the these differences, in the following manner: bonds issued by the fund. In particular, the committee shall endeavor to give these bonds of which shall be 100,000,000 gold crowns. such a form as will enable the holders to obtain This fund can be constituted on an autonomous advances.

The members of this committee shall be chosen from the nationals of countries having an important financial market, including Hungary

The committee shall use every endeavor to secure that these detailed arrangements shall 3,000,000 gold crowns per annum. be included in the final text of the agreements as they will be submitted for ratification to the the whole to be paid off in 1966, or 7,400,000 Hungarian Parliament.

When, in the view of the managing committee, cash resources available permit, the com- 3,000,000 gold crowns necessary shall be paid mittee may make lump sum payments in cash under the following conditions: in return for the cancellation of bonds.

### ARTICLE VIII

tion and application of the present agreement, | set forth hereunder.

the question shall be submitted to an arbitrator selected by the managing committee unaniof which 40 per cent will be paid by France, 40 | mously, or, failing that, by the president of the

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# ARTICLE IX

An organization committee consisting of four members shall be appointed by the president of sultation with the Governments of France. Great Britain, Italy, and Hungary

This organization committee shall have the task of drawing up the detailed regulations for the constitution and the operation of the fund referred to in the present agreement.

# ANNEX III

# AGREEMENT BETWEEN FRANCE, GREAT BRIT-AIN, ITALY, RUMANIA, CZECHOSLOVAKIA, AND YUGOSLAVIA CONCERNING THE CON-"FUND B"

By an agreement of even date with the Hungarian Government a settlement has been

Nevertheless there remain outstanding between certain Hungarian nationals and the Governments of Rumania, Czechoslovakia, and The committee referred to in article 6 shall Yugoslavia important difference concerning the

I. A fund shall be created the nominal capital basis with legal personality.

II. The fund shall not be made up of capital payments but by means of the annuities as set forth below and calculated on the following basis:

(1) As from January 1, 1931, at 3 per cent or

(2) As from January 1, 1943, at 5 per cent, gold crowns.

For the first 13 years from 1931 to 1943 the

20 per cent, or 600,000 gold crowns, by Great Britain.

40 per cent, or 1,200,000 gold crowns, by France. 40 per cent, or 1,200,000 gold crowns, by Italy.

In the case of differences as to the interpreta- to the extent of the requirements of the fund as

These sums shall be paid in two equal install- tions drawn up by the organization committee ments on June 30 and December 31 of each referred to in Article XIII. year.

IV. During each of the 23 years from 1944 to working expenses. 1966 the maximum payments to be made to the XII. In the event of any difference of opinion fund shall amount to 7,400,000 gold crowns per as to the interpretation or application of the annum. They shall be charged against the present agreement the question shall be sub-13,500,000 gold crowns which Hungary has mitted to an arbitrator to be chosen by the undertaken to pay as from 1944 during 23 years unanimous decision of the managing commitin respect of the special claims. tee or, failing such decision, by the president V. The fund may issue bonds or proceed to of the Permanent Court of International any credit or discounting operations on the Justice.

basis of the above payments.

XIII. An organizing committee of six mem-VI. The totals of the final judgments pro- bers shall be appointed by the Governments of nounced against the Governments of Rumania, France, Great Britain, Italy, Rumania, Czecho-Czechslovakia, and Yugoslavia shall be debited slovakia, and Yugoslavia. to this fund. For this purpose the amount This organizing committee shall be intrusted actually paid by each State during each period with the drafting of detailed regulations, the of 6 months shall be notified to the fund. constitution, and the working of the present Payment to each of the 3 States interested fund. shall be made proportionately to the total sums with which each shall have been credited AGREEMENT BETWEEN THE HUNGARIAN GOV-ERNMENT AND THE CREDITOR GOVERNat periods and in accordance with procedure agreed between them and with the managing MENTS committee of the fund. The fund shall in no 1. For the complete and final settlement of case be under an obligation to pay more than the charges incumbent on her by virtue of the the total of its assets derived from the annual treaty of Trianon, of the armistice of November receipts specified above. It may meet its 3, 1918, and of all supplementary arrangements obligations with bonds at the rates of interest Hungary undertakes (without prejudice to the and with the conditions for redemption set payments specified in the decision of the forth above. Reparation Commission No. 2797, dated Feb-VII. Recourse shall only be had to the pay- ruary 21, 1924) to make on account of the ment provided for in the above article as need special claims which are based on the said shall arise. In consequence the payments for which the three powers (Great Britain, France, the years 1944 to 1966 inclusive, the payment

and Italy) are responsible shall not be ex- of a constant annuity of 13,500,000 gold crowns. ceeded.

2. The present agreement affects in no way VIII. Any saving realized on the receipts of the obligations concerning pre-war public debts the fund shall be employed to redeem the sums which are chargeable to Hungary by virtue of paid to the fund by Great Britain, France and the treaty of Trianon nor her obligations under Italy, proportionately to the contributions of all other agreements or arrangements concluded each of these powers. up to the coming into force of the present IX. In addition to the resources referred to agreement.

above the fund may be supplied (and in conse-3. The payments due up to January 1, 1944, quence its capital increased) by the surplus shall be subject to the conditions laid down in available from the special fund called "Agrarian the texts actually in force, and particularly in fund" created by the agreement of even date the decision No. 2797 of the Reparation Comwith Hungary. mission. However, they shall be paid to the X. The fund shall be administered by a man- Bank for International Settlements for the aging committee consisting of six members ap- account of the creditor States.

without any rights of suspension whatsoever. The managing committee shall elect its They shall be made in gold or in currency equivalent to gold in equal half-yearly periods The organization and the working of the on January 1 and July 1 of each year, the first

pointed, respectively, by the Governments of 4. The payments due after 1944 constitute France, Great Britain, Italy, Rumania, Czecho- an unconditional obligation; that is to say, slovakia, and Yugoslavia. chairman. fund shall form the subject of special regula- payment falling due on January 1, 1944. Like

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# FEDERAL RESERVE BULLETIN

XI. The fund shall meet the whole of its

the preceding payments they shall be made to the Bank for International Settlements for the account of the creditor States.

5. Hungary undertakes to reserve from its state revenues an annual sum at least equal to 150 per cent of the annuities laid down in article 1 and it is understood that if an annuity is not paid on the date due Hungary shall immediately on receipt of a simple claim from the creditors (representing at least onehalf of the annuity in question) constitute the said annual sum as security.

6. Subject to the application of the provisions of the preceding article the right of first charge established by article 180 of the treaty of Trianon on all property and assets of Hungary for the settlement of reparation and other charges contained in the said article shall cease to have effect as from the date of the entry into force of the present agreement.

7. The Hungarian Government shall transmit to the Bank for International Settlements in its capacity of trustee for the creditor powers certificates representing the annuities specified under 1, which certificates in their text should carry out the provisions of articles 3 and 5.

8. The creditor powers signatory to the present agreement undertake, as from the date of its application, to cease to exercise their right of retention and liquidation of property, rights, and interests which, at the date of entry into force of the treaty of Trianon, belong to nationals of the former Kingdom of Hungary or to organizations controlled by them, in so far as the said property, rights, and interests are not already liquid or liquidated or in so far as they have not already been finally disposed of.

9. The creditor powers signatory to the present agreement undertake to abstain from collecting those claims of Hungary on its former allies which may have been transferred to the said powers by article 196 of the treaty of Trianon and Hungary renounces in so far as it is concerned any net balance which may be due to her by reason of these claims. The said powers further undertake to refrain from recovering the claims which the former allies of Hungary possessed on her and which were transferred to the said powers by articles 261 of the treaty of Versailles, 13 of the treaty of St. Germain, and 145 of the treaty of Neuilly; in consequence the said claims lapse entirely.

10. The relations between the Reparation Commission and Hungary shall be terminated as soon as possible.

The rights and powers conferred on the Rep-

as necessary to the Bank for International Settlements. The procedure and date for this transfer shall be laid down by a committee formed of two representatives of the Hungarian Government, by four representatives of the Reparation Commission, to include the common delegate on the Reparation Commission. or a representative nominated by him, and by a representative of the Bank for International Settlements.

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Should the Bank for International Settlements not accept in its entirety the mandate with which it is entrusted by the present agreement, it shall be the duty of the committee formed as mentioned above to formulate the amendments necessary to obtain its complete adoption and failing that to choose a trustee as far as this may concern the bank.

11. It is understood that, subject to the approval of the Council of the League of Nations, the committee of control for Hungary shall cease to exercise its functions immediately on the entry into force of the present agreement.

12. Any differences between the contracting parties concerning the interpretation and the application of the present agreement shall be submitted for final decision to the tribunal provided for in the agreement of The Hague of January, 1930, with Germany in accordance with the procedure laid down in that agreement. Nevertheless, when such differences arise, the member nominated by Germany shall be replaced by a member nominated by Hungary.

13. Subject to the above payments being duly made, the governments of the creditor powers, on the one hand, and the Hungarian Government, on the other hand, reciprocally renounce, each for its own part, all claims arising out of the treaty of Trianon or the

armistice or all supplementary arrangements. The present agreement, the French and English texts of which are authentic, shall be ratified.

The deposit of ratifications shall be made at Paris as soon as possible.

The powers, of which the seat of government is outside Europe, will be entitled to inform the French Government through their diplomatic representative in Paris that their ratification has been given; in that case they must transmit the instrument of ratification as soon

as possible. The first procès-verbal of the deposit of ratifications will be drawn up as soon as the agreement has been ratified by Hungary on the one hand, and, on the other hand, by four of the aration Commission shall be transferred as far | Governments of the following powers-that is

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to say, Belgium, Great Britain, France, Italy, and Japan—and two of the Governments of the following powers—that is to say, Greece, Poland, Portugal, Rumania, Czechoslovakia, and Yugoslavia.

The present agreement shall come into force between the contracting parties who have thus ratified from and after the date of the first procès-verbal.

Save as above provided the agreement will come into force for each signatory Government at the date of its notification or the deposit of its ratification.

The French Government shall transmit to each of the signatory Governments a certified copy of the procès-verbal of the deposit of ratifications.

#### AGREEMENT WITH CZECHOSLOVAKIA

The duly authorized representatives of the Government of His Majesty the King of the Belgians, the Government of the United Kingdom of Great Britain and Northern Ireland. the Government of Canada. the Government of the Commonwealth of Australia, the Government of New Zealand, the Government of the Union of South Africa, the Government of India, the Government of the French Republic, the Government of the Greek Republic, the Government of His Majesty the King of Italy, the Government of His Majesty the Emperor of Japan, the Government of the Republic of Poland, the Government of the Republic of Portugal, the Government of His Majesty the King of Rumania, the Government of the Czechoslovak Republic, and the Government of His Majesty the King of Yugoslavia have reached the following agreement:

### ARTICLE 1

In complete and final settlement of her debt arising out of the agreement of September 10, 1919, to the other powers having a credit on reparation account in virtue of the treaties of Versailles, St. Germain, Trianon, and Neuilly, Czechoslovakia shall pay 37 annuities of 10,000,000 gold marks, the due dates of which are fixed for the first complete annuity at March 15, 1930, and, for the balance, payable in half-yearly installments, at July 1 and January 1 of each year, the final installment being payable on January 1, 1966.

#### ARTICLE 2

The installments shall be paid by the Czechoslovak Government to the Bank for Interna-103025-30-7

tional Settlements, for the account of the creditor Governments, in pounds sterling, at the average rate of exchange for the three days preceding the date of payment.

The bank shall transfer the sums encashed to the account of each of the creditor Governments, in accordance with the rules for distribution fixed by the arrangement between the creditor powers (Austria, Hungary, Bulgaria, liberation debt) concluded at The Hague conference, 1930, and with any special arrangement between two or more of these Governments concerning their respective shares, as fixed by the said agreement which shall have been notified to the bank by the creditor Governments concerned.

### ARTICLE 3

The present agreement constitutes as between the Czechoslovak Government, of the one part, and the other signatory Governments, of the other part, a final settlement of all the obligations of Czechoslovakia which may result from the treaties of Versailles, St. Germain, Trianon, and Neuilly, from the agreement of September 10, 1919, and from all arrangements supplementary to the said treaties and agreements.

The present agreement, of which the French and English texts are both authentic, shall be ratified.

The deposit of ratifications shall be made at Paris as soon as possible.

The powers of which the seat of government is outside Europe will be entitled to inform the French Government through their diplomatic representative at Paris that their ratification has been given; in that case they must transmit the instrument of ratification as soon as possible.

The French Government will transmit to all the signatory Governments a certified copy of the proces-verbaux of the deposit of ratifications.

Done at The Hague in a single copy the 20th January, 1930.

Henri Jaspar, Paul Hymans, E. Francqui, Philip Snowden, Peter Larkin, Granville Ryrie, E. Toms, Philip Snowden, Philip Snowden, Henri Chéron, Loucheur, N. Politis, J. G. Politis, A. Mosconi, A. Pirelli, Suvich, Adatci, K. Hirota, J. Mrozowski, R. Ulrich, Tomaz Fernandes, G. G. Mironesco, Al. Zeuceano, Dr. Eduard Beneš, Stefan Osusky, Dr. V. Marinkovitch, Const. Fotitch.

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FEDERAL RESERVE BULLETIN

#### CONVENTION RESPECTING THE BANK FOR ment will notify the other signatory Govern-INTERNATIONAL SETTLEMENTS

The duly authorized representatives of the during the bank's existence. Governments of Germany, of Belgium, of France, of the United Kingdom of Great Brit- Constituent charter of the Bank for International ain and Northern Ireland, of Italy, and of Japan of the one part

And the duly authorized representatives of the Government of the Swiss Confederation of the other part

Assembled at The Hague conference in the month of January, 1930, have agreed on the following:

# ARTICLE 1

Switzerland undertakes to grant to the Bank for International Settlements, without delay, the following constituent charter having force of law; not to abrogate this charter, not to amend or add to it, and not to sanction amendments to the statutes of the bank referred to in paragraph 4 of the charter otherwise than in agreement with the other signatory Governments.

# ARTICLE 2

and any one of the other signatory Govern-ments relating to the interpretation or appli-Britain, Italy, and Japan whereby the said cation of the present convention shall be submitted to the arbitral tribunal provided for by The Hague agreement of January, 1930. The Swiss Government may appoint a member who shall sit on the occasion of such disputes, the to sanction amendments to the statutes of the president having a casting vote. In having recourse to this tribunal the parties may always agree between themselves to submit their dis- powers; pute to the president or to one of the members of the tribunal chosen to act as sole arbiter.

#### ARTICLE 3

The present convention is entered into for a statutes which are hereby sanctioned. period of 15 years. It is entered into on the part of Switzerland under reserve of ratifica- other than those enumerated in paragraph 4 tion and shall be put into force as soon as it hereof may be made and shall be put into force shall have been ratified by the Government of as provided in article 59 of the said statutes and the Swiss Confederation.

Paris. Upon the entry into force of the con- amended except subject to the following convention, the Swiss Government will initiate the ditions: The amendment must be adopted by a necessary constitutional procedure in order that two-thirds majority of the board, approved by the assent of the Swiss people may be obtained a majority of the general meeting and sancfor the maintenance in force during the whole tioned by a law supplementing the present of the bank's existence of the provisions of the charter. present convention. As soon as these measures have become fully effective the Swiss Govern- which may be made thereto in accordance with

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ments and these provisions shall become valid

# Settlements

Whereas the powers signatory to The Hague agreement of January, 1930, have adopted a plan which contemplates the founding by the central banks of Belgium, France, Germany, Great Britain, Italy, and Japan and by a financial institution of the United States of America of an international bank to be called the Bank for International Settlements;

And whereas the said central banks and a banking group including Messrs. J. P. Morgan & Co. of New York, the First National Bank of New York, N. Y., and the First National Bank of Chicago, Chicago, have undertaken to found the said back of the said back of the said found the said bank and have guaranteed or arranged for the guaranty of the subscription of its authorized capital amounting to 500,000-, 000 Swiss francs equal to 145,161,290.32 grams, fine gold, divided into 200,000 shares:

And whereas the Swiss Federal Government Any dispute between the Swiss Government has entered into a treaty with the Govern-Federal Government has agreed to grant the present constituent charter of the Bank for International Settlements and not to repeal, amend, or supplement the said charter and not bank referred to in paragraph 4 of the present charter except in agreement with the said

1. The Bank for International Settlements (hereinafter called the bank) is hereby incorporated.

2. Its constitution, operations, and activities are defined and governed by the annexed

3. Amendment of articles of the said statutes not otherwise.

The instrument of ratification shall be de-posited with the Ministry of Foreign Affairs at 59, and 60 of the said statutes shall not be

5. The said statutes and any amendments

paragraphs 3 or 4 hereof, respectively, shall be | from any measure such as expropriation, requivalid and operative notwithstanding any in- sition, seizure, confiscation, prohibition or reconsistency therewith in the provisions of any striction of gold or currency export or import, present or future Swiss law. and any other similar measures.

6. The bank shall be exempt and immune 11. Any dispute between the Swiss Governfrom all taxation included in the following ment and the bank as to the interpretation or categories: application of the present charter shall be re-(a) Stamp, registration, and other duties on ferred to the arbitral tribunal provided for by all deeds or other documents relating to the The Hague agreement of January, 1930.

incorporation or liquidation of the bank.

(b) Stamp and registration duties on any first issue of its shares by the bank to a cen- president having a casting vote. tral bank, financial institution, banking group, In having recourse to the said tribunal the or underwriter at or before the time of incorparties may nevertheless agree to submit their poration or in pursuance of articles 7 or 9 of the dispute to the president or to a member of the statutes. tribunal chosen to act as sole arbiter.

(c) All taxes on the bank's capital, reserves, or profits, whether distributed or not, and whether assessed on the profits of the bank before distribution or imposed at the time of distribution under the form of a coupon tax payable or deductible by the bank. This provision is without prejudice to the State's right to tax the residents of Switzerland other than the bank as it thinks fit.

(d) All taxes upon any agreements which the STATUTES OF THE BANK FOR INTERNATIONAL bank may make in connection with the issue of loans for mobilizing the German annuities and upon the bonds of such loans issued on a foreign market.

(e) All taxes on the remunerations and salaries paid by the bank to members of its administration or its employees of non-Swiss nationality.

7. All funds deposited with the bank by any by shares. Government in pursuance of the plan adopted ARTICLE 2 by The Hague agreement of January, 1930. shall be exempt and immune from taxation The registered office of the bank shall be whether by way of deduction by the bank on situated at Basel, Switzerland. behalf of the authority imposing the same or otherwise.

8. The foregoing exemptions and immunities shall apply to present and future taxation by whatsoever name it may be described, and cooperation of central banks and to provide whether imposed by the confederation, or by additional facilities for international financial the cantonal, communal, or other public authorities.

9. Moreover, without prejudice to the ex- intrusted to it under agreements with the paremptions specified above, there may not be ties concerned. levied on the bank, its operation or its per-ARTICLE 4 sonnel any taxation other than that of a general character and to which other banking As long as the new plan as defined in The establishments established at Basel or in Hague agreement of January, 1930 (hereinafter Switzerland, their operations and their per- referred to as the plan), is in force, the banksonnel, are not subjected de facto and de jure. (1) Shall can 10. The bank, its property and assets and it in the plan; (1) Shall carry out the functions assigned to

all deposits and other funds entrusted to it shall (2) Shall conduct its affairs with a view to facilitating the execution of the plan; and

The Swiss Government shall appoint a member to sit on the occasion of such dispute, the

Done at The Hague, January 20, 1930.

Curtius, Henri Jaspar, Paul Hymans, E. Francqui, Henri, Chéron, Loucheur, Philip Snowden, A. Mosconi, A. Pirelli,

Suvich, M. Adatci, K. Hirota, G. Bachmann, W. Burckhardt, Dr. R. Miescher. J. E. R.

ANNEX

# SETTLEMENTS

CHAPTER I.-Name, seat, and objects

### ARTICLE 1

There is constituted under the name of the Bank for International Settlements (hereinafter referred to as the bank) a company limited

#### ARTICLE 3

The objects of the bank are: To promote the operations; and to act as trustee or agent in regard to international financial settlements

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in the administration and operations of the of the board, satisfy the practical requirements bank; all within the limits of the powers granted of the gold or gold exchange standard and that by these statutes.

During the said period the bank, as trustee shall not exceed 8,000 shares. or agent for the Governments concerned, shall receive, administer, and distribute the annui- tioned in article 6 shall, in accordance with ties paid by Germany under the plan; shall their several guaranties, subscribe or arrange supervise and assist in the commercialization for the subscription in equal proportions of any and mobilization of certain portions of the part of the authorized capital which at the end aforesaid annuities; and shall perform such of two years remains unsubscribed. services in connection with the payment of German reparations and the international settlements connected therewith as may be agreed upon by the bank with the Governments concerned.

# CHAPTER II.—Capital

# ARTICLE 5

The authorized capital of the bank shall be 500,000,000 Swiss gold francs, equivalent to 145,161,290.32 grams fine gold.

It shall be divided into 200,000 shares of equal gold nominal value.

The nominal value of each share shall also be expressed on the face of each share in terms both of Swiss francs and of the currency of the country in which it is issued, converted at the gold mint parity.

### ARTICLE 6

The subscription of the total authorized capital having been guaranteed in equal parts by the Banque Nationale de Belgique, the Bank of England, the Banque de France, the Reichsbank, the Banca d'Italia, Messrs. X acting in place of the Bank of Japan, and Messrs. Y, New York, the bank may begin business as soon as a minimum of 112,000 shares has been subscribed.

## ARTICLE 7

ration the board of directors of the bank (here- board. The central banks of Belgium, Enginafter referred to as the board) shall arrange for the subscription of any unissued portion of United States of America, or some other finanthe authorized capital.

the central bank or other banks of countries be entitled to subscribe or arrange for the which have not participated in the original sub- subscription in equal proportions of at least 55 scription. The selection of countries in which per cent of such additional shares. such shares shall be offered for subscription and the amount to be subscribed in each shall be banks of these seven countries shall be subdetermined by the board by a two-thirds ma- scribed in any other country unless it is interjority, provided that offers of shares shall only ested in reparations or at the time of issue its be made in countries interested in reparations currency, in the opinion of the board, satisfies

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(3) Shall observe the provisions of the plan or in countries whose currencies, in the opinion the amount issued in any one of these countries

(3) The seven banking institutions men-

### ARTICLE 8

(1) Twenty-five per cent only of the value of each share shall be paid up at the time of subscription. The balance may be called up at a later date or dates at the discretion of the board. Three months' notice shall be given of any such calls.

(2) If a shareholder fails to pay any call on a share on the day appointed for payment thereof the board may, after giving reasonable notice to such shareholder, forfeit the share in respect of which the call remains unpaid. A forfeited share may be sold on such terms and in such manner as the board may think fit, and the board may execute a transfer in favor of the person or corporation to whom the share is sold. The proceeds of sale may be received by the bank, which will pay to the defaulting shareholder any part of the net proceeds over and above the amount of the call due and unpaid.

### ARTICLE 9

(1) The capital of the bank may be increased or reduced on the proposal of the board acting by a two-thirds majority and adopted by a twothirds majority of the general meeting.

(2) In the event of an increase in the authorized capital of the bank and of a further issue of shares, the distribution among countries shall (1) During the two years following incorpo- be decided by a two-thirds majority of the cial institution of the last-named country (2) This unissued portion may be offered to acceptable to the foregoing central banks, shall

(3) No part of the amount not taken by the

the practical requirements of the gold or gold exchange standard.

#### ARTICLE 10

In extending invitations to subscribe for capital in accordance with article 7, paragraph 2, or with article 9, consideration shall be given by the board to the desirability of associating with the bank the largest possible number of central banks.

### ARTICLE 11

No shares shall be issued below par.

### ARTICLE 12

The liability of shareholders is limited to the nominal value of their shares.

### ARTICLE 13

The shares shall be registered and transferable in the books of the bank.

The bank shall be entitled, without assigning any reason, to decline to accept any person or The registration of the name of a holder of corporation as the transferee of a share. It shares in the books of the bank establishes the shall not transfer shares without the prior title to ownership of the shares so registered. consent of the central bank, or the institution acting in lieu of a central bank, by or through CHAPTER III.—Powers of the bank whom the shares in question were issued.

## ARTICLE 14

The shares shall carry equal rights to participate in the profits of the bank and in any distri-

Before any financial operation is carried out bution of assets under articles 53, 54, and 55 of by or on behalf of the bank on a given market the statutes. or in a given currency the board shall afford ARTICLE 15 to the central bank or central banks directly The ownership of shares of the bank carries concerned an opportunity to dissent. In the no right of voting or representation at the event of disapproval being expressed within general meeting. The right of representation such reasonable time as the board shall specify, and of voting, in proportion to the number of the proposed operation shall not take place. shares subscribed in each country, may be A central bank may make its concurrence subexercised by the central bank of that country ject to conditions and may limit its assent to a or by its nominee. Should the central bank of specific operation, or enter into a general arany country not desire to exercise these rights rangement permitting the bank to carry on its they may be exercised by a financial institution operations within such limits as to time, charof widely recognized standing and of the same acter, and amount as may be specified. This nationality, appointed by the board, and not article shall not be read as requiring the assent objected to by the central bank of the country of any central bank to the withdrawal from its in question. In cases where there is no central market of funds to the introduction of which no bank, these rights may be exercised, if the board objection had been raised by it, in the absence thinks fit, by an appropriate financial institu- of stipulations to the contrary by the central tion of the country in question appointed by the bank concerned at the time the original operaboard. tion was carried out.

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#### ARTICLE 16

Any subscribing institution or banking group may issue or cause to be issued to the public the shares for which it has subscribed.

### ARTICLE 17

Any subscribing institution or banking group may issue to the public certificates against shares of the bank owned by it. The form, details, and terms of issue of such certificates shall be determined by the bank issuing them, in agreement with the board.

# ARTICLE 18

The receipt or ownership of shares of the bank or of certificates issued in accordance with article 17 implies acceptance of the statutes of the bank and a statement to that effect shall be embodied in the text of such shares and certificates.

## ARTICLE 19

#### ARTICLE 20

The operations of the bank shall be in conformity with the monetary policy of the central banks of the countries concerned.

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Any governor of a central bank or his alternate or any other director specially authorized by the central bank of the country of which he is a national to act on its behalf in this matter shall, if he is present at the meeting of the board and does not vote against any such proposed operation, be deemed to have given the valid assent of the central bank in question.

If the representative of the central bank in question is absent or if a central bank is not directly represented on the board, steps shall be taken to afford the central bank or banks concerned an opportunity to express dissent.

## ARTICLE 21

The operations of the bank for its own account shall only be carried out in currencies which in the opinion of the board satisfy the practical requirements of the gold or gold exchange standard.

### ARTICLE 22

The board shall determine the nature of the operations to be undertaken by the bank. The bank may in particular: (a) Buy and sell gold coin or bullion for its

own account or for account of central banks.

(b) Hold gold for its own account under earmark in central banks.

(c) Accept the custody of gold for account of central banks.

banks against gold, bills of exchange, and other that country does not object. short-term obligations of prime liquidity or other approved securities.

(e) Discount, rediscount, purchase, or sell with or without its indorsement bills of exchange, checks, and other short-term obligations of prime liquidity, including Treasury bills and other such Government short-term securities as are currently marketable.

(f) Buy and sell exchange for its own account or for account of central banks.

than shares for its own account or for account may think advisable within the limits of the of central banks.

(h) Discount for central banks bills taken from their portfolio and rediscount with central banks bills taken from its own portfolio.

(i) Open and maintain current or deposit accounts with central banks.

(j) Accept-

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(i) Deposits from central banks on current or deposit account.

(j) Accept-Continued.

(ii) Deposits in connection with trustee agreements that may be made between the bank and Governments in connection with international settlements.

(iii) Such other deposits as in the opinion of the board come within the scope of the bank's functions.

The bank may also:

(k) Act as agent or correspondent of any central bank.

(1) Arrange with any central bank for the latter to act as its agent or correspondent. If a central bank is unable or unwilling to act in this capacity, the bank may make other arrangements, provided that the central bank concerned does not object. If in such circumstances it should be deemed advisable that the bank should establish its own agency, the sanction of a two-thirds majority of the board will be required.

(m) Enter into agreements to act as trustee or agent in connection with international settlements, provided that such agreements shall not encroach on the obligations of the bank toward third parties, and carry out the various operations laid down therein.

#### ARTICLE 23

Any of the operations which the bank is authorized to carry out with central banks under the preceding article may be carried out with banks, bankers, corporations, or individuals of (d) Make advances to or borrow from central any country, provided that the central bank of

#### ARTICLE 24

The bank may enter into special agreements with central banks to facilitate the settlement of international transactions between them.

For this purpose it may arrange with central banks to have gold earmarked for their account and transferable on their order, to open accounts through which central banks can transfer their assets from one currency to another, (g) Buy and sell negotiable securities other and to take such other measures as the board powers granted by these statutes. The principles and rules governing such accounts shall be fixed by the board.

#### ARTICLE 25

The bank may not-

(a) Issue notes payable at sight to bearer.

"Accept" bills of exchange.

Make advances to Governments.

Governments.

(e) Acquire a predominant interest in any During the continuance of the liability of Germany to pay reparation annuities, two business concern. (f) Except so far as is necessary for the con- persons of French and German nationality, duct of its own business, remain the owner of respectively, representative of industry or commerce, appointed by the governors of the Bank of France and of the Reichsbank, ressuch real property as may come into the posses- pectively, if they so desire.

real property for any longer period than is required in order to realize to proper advantage sion of the bank in satisfaction of claims due to it.

## ARTICLE 26

The bank shall be administered with particuto make an appointment under subclause (2), lar regard to maintaining its liquidity, and for the governors of the other institutions referred this purpose shall retain assets appropriate to to or a majority of them may invite to become the maturity and character of its liabilities. Its members of the board two nationals of the short-term liquid assets may include bank notes, country of the governor in question, not obchecks payable at sight drawn on first-class jected to by the central bank of that country. banks, claims in course of collection, deposits Directors appointed as aforesaid, other than at sight or at short notice in first-class banks, ex officio directors or their substitute nomiand prime bills of exchange of not more than nees, shall hold office for three years but shall 90 days' usance, of a kind usually accepted for be eligible for reappointment. rediscount by central banks.

The proportion of the bank's assets held in any given currency shall be determined by the

The governor of the central bank of every board with due regard to the liabilities of the country, other than those mentioned in subbank. clause (1), in which capital has been subscribed CHAPTER IV.—Management at the time of incorporation, shall be entitled to submit a list of four candidates of his own ARTICLE 27 nationality for directorship, which may include his own name. Two of the candidates on each The administration of the bank shall be list shall be representative of finance and the vested in the board. other two of industry or commerce. From these lists the board may elect, by a two-ARTICLE 28 thirds majority, not more than nine persons.

The directors so elected shall be divided by The board shall be composed as follows: (1) The governors for the time being of the lot into three groups, as nearly as may be central banks of Belgium, France, Germany, equal in number, of which one group shall Great Britain, Italy, Japan, and the United retire at the end of the first, one at the end of States of America (hereinafter referred to as the second, and one at the end of the third ex officio directors), or if any of the said gover- financial year of the bank. The retiring nors are unwilling or unable to hold office, their directors shall be eligible for reelection. At the first meeting of directors in the second and succeeding financial years the board may

The tenure of office of a substitute nominee elect by a two-thirds majority not more than subscribed shall be entitled to submit a list (2) Seven persons representative of finance, of four persons to be included in the panel. industry, or commerce, appointed once each Directors so elected shall hold office for three

respective nominees (hereinafter referred to as substitute nominees). shall be within the discretion of the governor three directors from a panel of candidates by whom he is appointed, but shall terminate composed of lists of persons with similar qualiin any case when that governor vacates office. fications to those specified in connection with Any ex officio director may appoint one per-son as his alternate who shall be entitled to central banks of every country, other than attend and exercise the powers of a director at those mentioned in subclause (1), in which meetings of the board if the governor himself is capital has at the date of such meeting been unable to be present. by the governors of the central banks men- years, but shall be eligible for reelection.

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#### FEDERAL RESERVE BULLETIN

(d) Open current accounts in the name of tioned in subclause (1), and being of the same nationality as the governor who appoints him.

> If for any reason the governor of any of the seven institutions above mentioned is unable or unwilling to serve as director, or to appoint a substitute nominee under subclause (1), or

> (3) Not more than nine persons to be elected by the following procedure:

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If in any of the countries referred to in the preceding paragraph there is no central bank, the board by a two-thirds majority may nominate an appropriate financial institution candidates for election.

#### ARTICLE 29

In the event of a vacancy occuring on the board for any reason other than the termination of a period of office in accordance with the preceding article, the vacancy shall be filled in accordance with the procedure by which the member to be replaced was selected. In the case of directors other than ex officio directors, the new director shall hold office for the unexpired period only of his predecessor's term of office. He shall, however, be eligible for reelection at the expiration of that term.

## ARTICLE 30

Directors must be ordinarily resident in Europe or in a position to attend regularly at meetings of the board.

### ARTICLE 31

as a director who is a member or an official that it defines the powers of each person to of a Government or a member of a legislative whom it delegates this right. body, unless he is the governor of a central bank.

### ARTICLE 32

Meetings of the board shall be held not less than 10 times a year. At least four of these shall be held at the registered office of the bank.

#### ARTICLE 33

A member of the board who is not present in person at a meeting of directors may give a proxy to any other member authorizing him to vote at that meeting on his behalf.

### ARTICLE 34

Unless otherwise provided by the statutes, of the bank. decisions of the board shall be taken by a simple majority of those present or represented by be eligible for reelection. proxy. In the case of an equality of votes, the chairman shall have a second or casting vote.

The board shall not be competent to act the administration of the bank. unless a quorum of directors is present. This quorum shall be laid down in a regulation the judgment of the board, might interfere with adopted by a two-thirds majority of the board. his duties as president.

ed for FRASER

# ARTICLE 35

The members of the board may receive, in addition to out-of-pocket expenses, a fee for to exercise the right of submitting a list of attendance at meetings and/or a remuneration. the amounts of which will be fixed by the board, subject to the approval of the general meeting.

## ARTICLE 36

The proceedings of the board shall be summarized in minutes which shall be signed by the chairman.

Copies of or extracts from these minutes for the purpose of production in a court of justice must be certified by the general manager of the bank.

A record of decisions taken at each meeting shall be sent within eight days of the meeting to every member.

### ARTICLE 37

The board shall represent the bank in its dealings with third parties and shall have the exclusive right of entering into engagements on behalf of the bank. It may, however, delegate this right to a member or members of the board No person shall be appointed or hold office or of the permanent staff of the bank, provided

#### ARTICLE 38

The bank shall be legally committed vis-à-vis third parties by the signature of the president or by two signatures either of members of the board or of members of the staff who have been duly authorized by the board to sign on its behalf.

### ARTICLE 39

The board shall elect from among its members a chairman and one or more vice chairmen. one of whom shall preside at meetings of the board in the absence of the chairman.

The chairman of the board shall be president

He shall hold office for three years and shall

Subject to the authority of the board, the president will carry out the policy and control

He shall not hold any other office which, in

At the meeting of the board at which the election of a chairman is to take place the chair shall be taken by the oldest member of the board present.

ARTICLE 40

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### ARTICLE 41

A general manager shall be appointed by the board on the proposal of the president. He will be responsible to the president for the operations of the bank and will be the chief of its operating staff.

The heads of departments, and any other meeting shall be held upon such date as the officers of similar rank, shall be appointed by board may decide. the board on recommendations made by the The meeting shall take place at the registered president after consultation with the general office of the bank. manager. Voting by proxy will be permitted in such

by the general manager with the approval of advance by regulation. the president.

# ARTICLE 42

The departmental organization of the bank (a) To approve the annual report, the balshall be determined by the board. ance sheet upon the report of the auditors, and the profit and loss account, and any proposed ARTICLE 43 changes in the remuneration, fees, or allowances of the members of the board:

The board may, if it thinks fit, appoint from (b) To make appropriations to reserve and to among its members an executive committee to special funds, and to consider the declaration of assist the president in the administration of the a dividend and its amount; bank.

(c) To elect the auditors for the ensuing year The president shall be a member and ex and to fix their remuneration; and officio chairman of this committee.

## ARTICLE 44

The board may appoint advisory committees chosen wholly or partly from persons not concerned in the bank's management.

### ARTICLE 45

As long as the plan is in force, the board shall convene the special advisory committee referred to in the plan, upon receipt of the notice therein provided for.

### CHAPTER V.—General meeting

# ARTICLE 46

General meetings of the bank may be attended by nominees of the central banks or other financial institutions referred to in article 15.

Voting rights shall be in proportion to the The bank shall publish an annual report, and number of shares subscribed in the country of at least once a month a statement of account each institution represented at the meeting. in such form as the board may prescribe. 103025-30-8

### FEDERAL RESERVE BULLETIN

The chair shall be taken at general meetings by the chairman of the board or in his absence by a vice chairman.

At least three weeks' notice of general meetings shall be given to those entitled to be represented.

Subject to the provisions of these statutes. the general meeting shall decide upon its own procedure.

# ARTICLE 47

Within three months after the end of each financial year of the bank, an annual general

The remainder of the staff shall be appointed manner as the board may have provided in

### ARTICLE 48

The annual general meeting shall be invited-

(d) To discharge the board from all personal responsibility in respect of the past financial year.

# ARTICLE 49

Extraordinary general meetings shall be summoned to decide upon any proposals of the board:

(a) To amend the statutes.

(b) To increase or decrease the capital of the bank.

(c) To liquidate the bank.

### CHAPTER VI.—Accounts and profits

#### ARTICLE 50

The financial year of the bank will begin on April 1 and end on March 31. The first financial period will end on March 31, 1931.

### ARTICLE 51

and loss account and balance sheet of the bank four times the paid-up capital; 10 per cent until for each financial year in time for submission | it equals five times the paid-up capital; and to the annual general meeting.

# ARTICLE 52

The accounts and balance sheet shall be audited by independent auditors. The auditors shall have full power to examine all books and accounts of the bank and to require full information as to all its transactions. The auditors shall report to the board and to the general meeting and shall state in their report:

(a) Whether or not they have obtained all the information and explanations they have required; and

(b) Whether, in their opinion, the balance sheet dealt with in the report is properly drawn up so as to exhibit a true and correct view of the state of the bank's affairs according to the best of their information and the explanations given to them, and as shown by the books of the bank.

#### ARTICLE 53

applied as follows:

proportion of 5 per cent as may be required for distribution provided for. the purpose, shall be paid to a reserve fund called the legal reserve fund until that fund reaches an amount equal in value to 10 per cent long-term deposit with the bank withdrawable of the amount of the paid-up capital of the bank only on the terms specified under subclause (i) for the time being.

applied in or toward the payment of a dividend shall go into a special fund, to be used to aid of 6 per cent per annum on the amount of the Germany in paying the last 22 annuities propaid-up capital of the bank. This dividend vided for in the plan. shall be cumulative.

profits 20 per cent shall be paid to the share- below 400,000,000 reichsmarks the participaholders until a maximum further dividend of tion of the German Government shall be 6 per cent (which shall be noncumulative) is reduced in proportion, and the balance shall reached, provided that the board may in any be added to the 75 per cent referred to in year withhold all or any part of this additional subclause (i) above. payment and place it to the credit of a special dividend reserve fund for use in maintaining make any such long-term deposit, the said 25 the cumulative 6 per cent dividend provided per cent shall be distributed as provided in for in the preceding paragraph or for subse- subclause (i) above. quent distribution to the shareholders.

one-half of the yearly net profits then remaining annual basis, at the maximum current rate paid shall be paid into the general reserve fund of the by the bank on time deposits. bank until it equals the paid-up capital. Therecapital; 30 per cent until it equals three times Governments as provided for in the plan.

ed for FRASER

The board shall cause to be prepared a profit the paid-up capital; 20 per cent until it equals from that point onward, 5 per cent.

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In case the general reserve fund, by reason of losses or by reason of an increase in the paid-up capital, falls below the amounts provided for above after having once attained them, the appropriate proportion of the yearly net profits shall again be applied until the position is restored.

(e) As long as the plan is in force any remainder of the net profits after meeting the foregoing requirements shall be disposed of as follows:

(i) As to 75 per cent to such of the Governments or central banks of Germany and the countries entitled to share in the annuities payable under the plan, as have maintained time deposits at the bank subject to withdrawal in not less than five years from the time of deposit or after four years on not less than one year's notice. This sum shall be distributed annually in proportion to the size of the deposits maintained by the respective Gov-The yearly net profits of the bank shall be ernments or central banks in question. The board shall have the power to determine the (a) Five per cent of such net profits, or such minimum deposit which would justify the

(ii) As to 25 per cent as follows: If the German Government elects to make a above and amounting to the minimum sum of (b) Thereafter such net profits shall be 400,000,000 reichsmarks, the said 25 per cent

If the German Government elects to make (c) As to the residue (if any) of such net such long-term deposit amounting to a sum

If the German Government elects not to

The special fund referred to above shall (d) After making provision for the foregoing, carry compound interest, reckoned on an

If the special fund should exceed the amount after 40 per cent shall be so applied until the required to pay the last 22 annuities, the general reserve fund equals twice the paid-up balance shall be distributed among the creditor APRIL, 1930

FEDERAL RESERVE BULLETIN

(f) At the expiration of the period referred president or a member of the tribunal as sole to in the first paragraph of subclause (e) the arbitrator. disposal of the remainder of the net profits ARTICLE 57 referred to in subclause (e) shall be determined In all cases not covered by the preceding by the general meeting on the proposal of the board.

# ARTICLE 54

# RESERVE FUNDS

The general reserve fund shall be available for meeting any losses incurred by the bank. In case it is not adequate for this purpose, recourse may be had to the legal reserve fund

(1) Central bank means the bank in any country to which has been intrusted the duty provided for in article 53 (a). of regulating the volume of currency and credit These reserve funds, in the event of liquida- in that country; or where a banking system has tion, and after the discharge of the liabilities of been so intrusted, the bank forming part of the bank and the costs of liquidation shall be such system which is situated and operating in divided among the shareholders. the principal financial market of that country.

# CHAPTER VII.—General provisions

#### ARTICLE 55

The bank may not be liquidated except by a three-fourths majority of the general meeting. given in person or by proxy) of the whole It shall not in any case be liquidated before it directorate. has discharged all the obligations which it has assumed under the plan.

#### ARTICLE 56

bank, on the one side, and any central bank, a majority of the general meeting shall come financial institution, or other bank referred to into force, provided that such amendments are in the present statutes, on the other side, or not inconsistent with the provisions of the between the bank and its shareholders, with re- | articles enumerated in article 60. gard to the interpretation or application of the statutes of the bank, the same shall be referred for final decision to the tribunal provided for by The Hague agreement of January, 1930.

Articles 2, 3, 4, 9, 15, 20, 25, 28, 46, 53, 56, 59, (2) In the absence of agreement as to the and 60 can not be amended except subject to the terms of submission either party to a dispute following conditions: The amendment must be under this article may refer the same to the adopted by a two-thirds majority of the board, tribunal, which shall have power to decide all approved by a majority of the general meeting questions (including the question of its own and sanctioned by a law supplementing the jurisdiction) even in default of appearance by charter of the bank. the other party. J. E. R.

(3) Before giving a final decision and without prejudice to the questions at issue, the presi-ARRANGEMENT RELATING TO THE CONCUR-RENT MEMORANDUM ACCOMPANYING THE EXPERTS' PLAN OF JUNE 7, 1929 dent of the tribunal, or, if he is unable to act in any case, a member of the tribunal to be designated by him forthwith, may, on the request The duly authorized representatives of the of the first party applying therefor, order any Governments of Belgium, France, Great Britappropriate provisional measures in order to ain and Northern Ireland, Greece, Italy, Porsafeguard the respective rights of the parties. tugal Rumania, and Jugoslavia have agreed

(4) The provisions of this article shall not with the German Government as follows: prejudice the right of the parties to a dispute (1) The creditor powers undertake that Gerto refer the same by common consent to the many shall on the conditions contained in the

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article, or by some other provision for arbitration, the bank may proceed or be proceeded against in any court of competent jurisdiction.

# ARTICLE 58

# For the purposes of these statutes:

(2) The governor of a central bank means the person who, subject to the control of his board or other competent authority, has the direction of the policy and administration of the bank. (3) A two-thirds majority of the board means not less than two-thirds of the votes (whether

## ARTICLE 59

Amendments of any articles of these statutes other than those enumerated in article 60 may be proposed by a two-thirds majority of the (1) If any dispute shall arise between the board to the general meeting, and if adopted by

# ARTICLE 60

APRIL, 1930

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annex hereto (which is a reproduction of the concurrent memorandum attached to the report | 1930 of the experts' committee of June 7, 1929) have the benefit of any relief which any one or more of those powers may receive in respect of its net outward payments on account of war debts. The war debts referred to in this clause are those dealt with by the following agreements:

# Interallied debts which have been taken into consideration in calculating the annuities according to the Young plan

(1) To the United States of America: Great Britain-Agreement of June 18, 1923.

France-Agreement of April 29, 1926. Italy-Agreement of November 14, 1925. Belgium-Agreement of August 18, 1925.

- Rumania-Agreement of December 4, payments: 1925.
- Greece-Agreement of January 18, 1928. To Great Britain:
- France-Agreement of July 12, 1926. Italy-Agreement of January 27, 1926. Rumania-Agreement of October 19, 1925.
- Yugoslavia-Agreement of August 9. 1927.
- Portugal-Agreement of December 31, 1926.
- Greece-Agreement of April 9. 1927. To France: (3)

Rumania-Agreement of January 17. 1930.

- Yugoslavia-Agreement of January 20, 1930 (dealing with the war debt).
- Greece-Agreement of January 20, 1930 (provisions relating to the prearmistice debt-tranche A).

(2) Any dispute between the contracting parties as to the interpretation or application of this agreement shall be submitted for final decision to the tribunal established by the agreement with Germany concluded at The Hague in January, 1930.

(3) This arrangement, of which the English and French texts are equally authentic, shall cations of those obligations for outpayments, be ratified, and shall go into force for each by which the creditors benefit, there should be Government after ratification by it, at the some corresponding mitigation of the German same time as the agreement with Germany for annuities. The experts of the four chief the complete and final settlement of the creditor countries and of Germany therefore question of reparations concluded on this same recommend that Germany and all the creditor day at The Hague goes into force.

ed for ERASER

Done at The Hague this 20th day of January,

Curtius, Wirth, Schmidt, Moldenhauer, Henri Jaspar, Paul Hymans, E. Francqui, Henri Chéron, Loucheur, Philip Snowden, N. Politis, J. G. Politis, A. Mosconi, A. Pirelli, Suvich, G. G. Mironesco, J. Lugosiano, Al. Zeuceano, Dr. V. Marinkovitch, Const. Fotitch.

### ANNEX

Concurrent memorandum but not a part of the report

Special memorandum of the experts of the principal creditor powers and of Germany regarding outpayments

(Signed concurrently with the report of the committee of experts)

1. In the annuities provided in the report the Yugoslavia-Agreement of May 3, 1926. following amounts are required to cover out-

,	paymonos.	
	Equivalent in millions of	Equivalent in millions of
•	reichsmarks	reichsmarks
	2 965. 1	31 1, 515. 4
	3 942.3	32 1, 525. 4
	4 995. 4	33 1, 543. 2
	5 1, 136. 4	34 1, 535. 0
,	6 1, 199. 0	35 1, 547. 4
	7 1, 224. 9	36 1, 546. 8
	8 1, 271. 8	37 1, 573. 7
1	9 1, 334.0	38 1, 566. 9
	10 1, 352. 5	39 1, 566. 1
	11 1, 375. 0	40 1, 575. 9
	12 1, 487. 6	41 1, 589. 2
	13 1, 437. 9	42 1, 602. 9
	14 1, 455. 1	43 1, 613. 1
	15 1, 451. 5	44 1, 621. 5
	16 1, 464. 7	45 1, 624. 9
	17 1, 460. 9	46 1, 627. 6
	18 1, 456. 5	47 1, 634. 2
	19 1, 472. 3	48 1, 637. 9
	20 1, 467. 1	49 1, 644. 6
	21 1, 461. 6	50 1, 654. 7
	22 1, 503. 9	51 1, 659. 6
	23 1, 487. 9	52 1, 670. 5
	24 1, 491. 0	53 1, 687. 6
	25 1, 498. 1	54 1, 691. 8
1	26 1, 509. 4	55 1, 703. 3
	27 1, 504. 5	56 1, 683. 5
	28 1, 499. 1	57 925. 1
	29 1, 506. 7	58 931. 4
	30 1, 538. 6	59 897.8

It is represented that in the event of modifi-Governments having obligations for outpayments should undertake between themselves an

4. It was originally suggested that the arrangement on the following basis: amounts of the postponable annuities should be 2. Any relief which any creditor power may regulated by reference to the net amounts which effectively receive, in respect of its net outward the various creditors were themselves able to payments on account of war debts; after mak- postpone in respect of interallied war debts, the ing due allowance for any material or financial general conditions therein governing postponecounterconsiderations, and after taking into ments to be applied. For various reasons, this account any remissions on account of war debt method of calculation could not be adopted, receipts which it may itself make, shall be dealt but endeavor was made to adapt the morawith as follows: torium provisions in such a way that the rights As regards the first 37 years: granted to Germany should not be greater (a) Germany shall benefit to the extent of than those of the creditor powers. The untwo-thirds of the net relief available by way of conditional part of the annuity has therefore a reduction in her annuity obligations there- been fixed, while guarantees have been provided after. for the remainder.

(b) One-third of the net relief shall be retained by the creditor concerned, in addition to the amounts otherwise receivable from Germany.

(c) Nevertheless, so long as any liability of Germany persists in respect of the period after March 31, 1966, the creditor concerned will retain annually only one-fourth part of the net relief, the balance being paid to the Bank for International Settlements.

(d) These payments to the Bank for International Settlements shall accumulate to assist The duly authorized representatives of the Government of His Majesty the King of the Belgians, the Government of the United King-Union of South Africa, the Government of As regards the last 22 years: The whole of such relief shall be applied to the the Government of the French Republic, the Government of the Greek Republic, the Government of His Majesty the King of Italy, 3. We recommend that the creditor Govern- the Government of His Majesty the Emperor

Germany toward meeting her liabilities in respect of the period after March 31, 1966; any sums found after application of the funds pro- dom of Great Britain and Northern Ireland, vided in Annex I not to be required for this the Government of Canada, the Government of purpose (together with the accumulations the Commonwealth of Australia, the Governthereon) shall be returned to the creditor by ment of New Zealand, the Government of the whom they were provided. reduction of Germany's liabilities. ments should agree that, if the operation of the relief to Germany envisaged in respect of a Poland, the Government of the Republic of possible reduction of net outpayments is such Portugal, the Government of His Majesty the as to change materially the proportions in which King of Rumania, the Government of the the total annuities provided for in the present Czechoslovak Republic and the Government of plan are divided amongst them, they meet to | His Majesty the King of Yugoslavia, have conconsider a revision tending toward the restora- cluded the following arrangement: tion of the present proportions; but having re-1. The signatory powers accept the division

gard to the following conditions set out below of the German payments resulting from the and any other relevant factors then existing: new plan as a final settlement of all questions (a) The service of any bonds mobilized by relating to the distribution of payments, transthe creditor country, and the balance of its net fers, cessions, and deliveries already made by outward payments in respect of war debts re- Germany in execution of the treaty of Versailles, maining to be covered must continue to be met | the armistice conventions, and any suppleout of the share falling to it in the annuities mentary agreements, subject only to the prothereafter to be paid by Germany. visions set out in articles 3 and 4 of this (b) Due allowance shall be made for any ma- arrangement.

terial or financial counterconsiderations ac-This division among the signatory powers cepted by the creditor country in connection shall not be affected by any existing arrangewith the relief accorded to it in respect of war ments between them nor by the result of debts payments. accounts relating to past transactions.

# FEDERAL RESERVE BULLETIN

Francqui, Gutt, E. Moreau, J. Parmentier, Dr. Hjalmar Schacht, Kastl, J. C. Stamp, C. S. Addis, A. Pirelli, Suvich.

PARIS, June 7, 1929.

# ARRANGEMENT BETWEEN THE CREDITOR POWERS

# GERMANY

2. In consequence, all accounts between the signatory powers or between any one of them | the annexes to the experts' report, a sum of and the Reparation Commission, relating to 118,100,000 reichsmarks will be handed over questions dealt with in article 1, and regarding to Great Britain, Italy, and Greece out of the the period prior to the application of the receipts in respect of the last five months of the experts' plan of June 7, 1929 (including accounts Dawes plan. relating to the shares of the German pre-war public debt), have henceforth no purpose or effect and will be closed in their existing state, subject only to the provisions set out in articles 3 and 4 of this arrangement.

3. Nevertheless-

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(a) The shares of the Bagdad Railway Co. at present held by the Reparation Commission will be allotted in three equal portions to France, Great Britain, and Italy, without giving rise to any adjustment of accounts between the creditor powers.

(b) The method of distribution of the cables ceded by Germany under the treaty of Versailles will be settled by the creditor powers concerned.

of 1929 to be met by the creditor powers will be by the Free City of Danzig, and by the Danzig finally divided among them in accordance with Harbour and Waterways Board, are regarded the percentages provided by the Spa agreement as constituting a final settlement of their and the complementary agreements.

the sections of the Inter-Allied Rhineland High by Germany and of their shares in the German Commission out of the fifth Dawes annuity pre-war public debt. shall be used toward meeting the expenses of 6. The excess of the fund dealt with in parathe said sections after August 31, 1929, includ- graph 113 of the annexes to the experts' report ing costs of liquidation. The balance of these of June 7, 1929 (penultimate sentence), will be expenses up to the following maxima: Belgium | divided among the creditor Governments in 250,000 reichsmarks, France 750,000 reichs- accordance with the arrangements to be conmarks, Great Britain 364,000 reichsmarks, shall cluded between them when the time comes. be defraved from the fund provided for by Annex IV to the protocol of August 31, 1929.

mission and of the organizations provided for to Great Britain during each of the 36 financial by the Dawes plan after August 31, 1929, are years commencing April, 1930, the annuities not completely covered by the sums of 6,000,000 provided for in their respective war debt reichsmarks provided for by Annex III to The funding agreements by equal monthly install-Hague protocol of August 31, 1929, any excess ments on the 15th of each month, instead of in shall be met out of savings realized by the Repa- half-yearly installments on September 15 and ration Commission and by the said organiza- March 15 of each year. tions, respectively, on the sums allocated for

of the Reparation Commission, the distribution similarly modified. of which is not provided for by the above paragraphs, will be settled by the Governments of Annex I of The Hague protocol of August 31, of Belgium, France, Great Britain, Italy, and 1929, shall be paid in two equal installments Japan. Any receipts in respect of these claims on July 1 and January 1 in each year, from or assets will be distributed in accordance with July 1, 1930, to January 1, 1966. For the the rules of distribution laid down by the current year, in the absence of any different agreement of January 14, 1925.

zed for FRASER

4. For the application of paragraph 192 of

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This payment will be divided as follows:

	Reichsmarks
Great Britain	102, 000, 000
Italy	14, 800, 000
Greece	1, 300, 000

It will be charged on the excesses of the various powers in the following amounts:

	Reichsmarks
France	89, 380, 446
Belgium	12, 014, 283
Japan	2, 527, 350
Yugoslavia	13, 021, 695
Portugal	134, 661
Rumania	912, 920
Poland	108, 645

5. The payments made to the Reparation (c) The expenses of the experts' committee | Commission by the Government of Denmark, respective obligations toward the Reparation (d) Any savings realized on the sums paid to Commission in respect of state property ceded

7. In order to give effect to Article VI of Annex I of the protocol of August 31, 1929, the (e) If the expenses of the Reparation Com- French and Italian Governments agree to pay

The dates of the release of the Italian gold such expenses out of the fifth Dawes annuity. deposit provided for in article 7 of the Anglo-(f) All questions relating to claims or assets Italian war debt funding agreement will be

8. The annuities provided by articles 3 and 4 arrangement, the whole amount shall be paid on March 15, 1930, with interest at 5½ per cent from October 1, 1929.

**APRIL**, 1930

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9. The service of the annuity of 19,800,000 A complete and final discharge of their reichsmarks, payment of which to Great Britain liabilities is granted to the powers signatory was guaranteed by France and Belgium under of the present agreement which are debtors Article III of Annex I of The Hague protocol of in respect of the properties ceded in virtue August 31, 1929, will be met as to 16,650,000 reichsmarks by France and as to 3,150,000 reichsmarks by Belgium. ber 8, 1919.

10. This arrangement, of which the English Provided always that no one of the said and French texts are equally authentic, shall be powers shall derive any benefit under this ratified, and shall go into force for each Governarticle unless and until it shall have ratified ment after ratification by it, at the same time the agreements with Germany, Austria, Bulas the agreement with Germany for the comgaria, and Czechoslovakia concluded at The plete and final settlement of the question of Hague in January, 1930. reparations concluded on this same day at The Hague goes into force.

Done at The Hague this 20th day of January, 1930.

Henri Jaspar, Paul Hymans, E. Francqui, J. Mrozowski, R. Ulrich, Tomaz Fernandes, G. G. Mironesco, N. Titulesco, J. Lugosiano, Al. Zeuceano, Dr. Eduard Beneš, Stefan Osusky, Dr. V. Marinkovitch, Const. Fotitch.

# AGREEMENT

# Arrangement between the creditor powers (Austria, Hungary, Bulgaria-Liberation debt)

The duly authorized representatives of the gary on account of reparation up to 1943 Government of His Majesty the King of the shall be distributed as follows: Belgians, the Government of the United King-Greece 76.73 per cent on the Bulgarian dom of Great Britain and Northern Ireland, payments and on the Hungarian payments. the Government of Canada, the Government Rumania 13 per cent on the Bulgarian payof the Commonwealth of Australia, the Governments and on the Hungarian payments. ment of New Zealand, the Government of the Czechoslovakia 1 per cent on the Bulgarian Union of South Africa, the Government of and Hungarian payments. India, the Government of the French Republic, Yugoslavia 5 per cent on the Bulgarian paythe Government of the Greek Republic, the ments and 2 per cent on the Hungarian pay-Government of His Majesty the King of Italy, the Government of His Majesty the Emperor of Japan, the Government of the Republic of ments The balance both of the Bulgarian and of the Hungarian payments being distributed Poland, the Government of the Republic of between the other creditor powers propor-Portugal, the Government of His Majesty the tionately to the percentages of article 2 of the King of Rumania, the Government of the Spa agreement of July 16, 1920, and subsequent Czechoslovak Republic and the Government greements. of His Majesty the King of Yugoslavia, have ARTICLE IV concluded the following arrangement as to the State properties ceded by Austria, Hungary, Greece shall receive and Bulgaria, the liberation debts and the (a) The liquid assets realized by the Reparadistribution of non-German reparations. tion Commission in pursuance of the treaty of

### FEDERAL RESERVE BULLETIN

# ARTICLE I

### ARTICLE II

The annuity of 10,000,000 gold marks payable under the agreement of even date by Philip Snowden, Peter Larkin, Granville | Czechoslovakia to the other creditor Govern-Ryrie, E. Toms, Philip Snowden, Philip ments shall be distributed among the creditor Snowden, Henri Chéron, Loucheur, N. Politis, J. G. Politis, A. Mosconi, A. Pirelli, Suvich, Adatci, K. Hirota,

	Gold marks
France	3, 187, 854
Great Britain	1, 384, 519
Italy	3, 146, 632
Belgium	418, 816
Japan	
Portugal	51, 920
Greece	1, 758, 339

# ARTICLE III

Subject to the provisions of Articles IV and the payments made by Bulgaria and Hun-

**APRIL**, 1930

Neuilly and not distributed at the present time.

(b) The payment of 5,000,000 gold francs to be made by Bulgaria on April 1, 1930.

# ARTICLE V

sums to be paid by Hungary up to and includ- of the new plan is in the fact that the annuity ing June 30, 1930, under the schedule of pay- is paid in a manner lending itself to mobilizaments at present in force less a sum to be re- tion in accordance with the provisions laid tained by the Reparation Commission for its down in this respect; and, on the other hand, administrative expenses.

### ARTICLE VI

The distribution fixed by the preceding articles is final and inclusive.

#### ARTICLE VII

settlement as between the signatory Govern- the issue on the international markets of ments of all their claims in respect of the state one or more tranches of reparation bonds of a properties ceded in virtue of the treaties of St. total amount of \$300,000,000. They propose Germain, Trianon, and Neuilly, of the libera- to make this issue before October 1, 1930. tion debts and of all payments and deliveries made to the said Governments in virtue of the will not issue any external long-term loan treaties of St. Germain, Trianon, and Neuilly and the arrangements supplementary thereto.

ratified.

Paris as soon as possible.

is outside Europe will be entitled to inform the also the Reichspost and the German Railway French Government through their diplomatic | Co. representative at Paris that their ratification has been given; in that case they must transmit | tion of the German Government lapses in the the instrument of ratification as soon as possible.

The French Government will transmit to all the signatory Governments a certified copy amount mentioned above; of the procès-verbaux of the deposit of ratifications.

20, 1930.

Philip Snowden, Henri Chéron, Lou-cheur, N. Politis, J. G. Politis, A. 4. The sum of \$300 cheur, N. Politis, J. G. Politis, A. Mosconi, A. Pirelli, Suvich, Adatci, K. Hirota, J. Mrozowski, R. Ulrich, du cheven de canon particul proceeds, and not the nominal value, of the bonds issued. Tomaz Fernandes, G. G. Mironesco,

### ARRANGEMENT AS TO THE FINANCIAL MOBI-LIZATION OF THE GERMAN ANNUITIES

The duly authorized representatives of the signatory Governments taking into consideration, on the one hand, article 165 of the experts' report, which states that from the point of Yugoslavia shall dispose of the whole of the view of the creditor powers, an essential aspect article 161 of the same report which recognizes the necessity to reestablish the financial autonomy of Germany; Have agreed, in a spirit of collaboration,

upon the following:

1. Certain creditor Governments state their The present agreement constitutes a final intention to proceed, as soon as possible, with

2. The German Government declares that it before October 1, 1930, or, if the issue referred to in the preceding paragraph has not taken The present agreement, of which the French and English texts are both authentic, shall be year from the date of the delivery to the Bank for International Settlements of the debt Deposit of ratifications shall be made at certificate of the Reich, on the understanding that this undertaking shall not extend beyond The powers of which the seat of government | March 31, 1931. This declaration concerns

> 3. Moreover, the above-mentioned declarafollowing cases:

> (a) Immediately upon the effective accomplishment of mobilization operations for the

(b) Two months after the Bank for International Settlements has notified, in accordance Done at The Hague in a single copy January | with the provisions of article 143 of the annexes to the plan, that it appears to be practicable Henri Jaspar, Paul Hymans, E. Francqui, to proceed with the issue of the amount sug-Philip Snowden, Peter Larkin, Gran-gested above or of an issue completing the ville Ryrie, E. Toms, Philip Snowden, amount if owing to the creditor powers this

5. The Reich notifies that by virtue of an N. Titulesco, J. Lugosiano, Al. Zeuceano, act dated October 26, 1929, it had contracted Dr. Eduard Beneš, Stefan Osusky, Dr. with the Svenska Tändsticke Aktiebolaget of V. Marinkovitch, Constantin Fotitch, Stockholm and with the N. V. Financieele Mij.

\$125,000,000.

It is understood that the above declarations do not apply to this loan.

The German Government undertakes, however, that the obligations of the Reich which are to be created by virtue of this act shall not be offered for public subscription until after June 30, 1933.

The German Government undertakes, in agreement with the Svenska Tändsticke Aktiebolaget of Stockholm and with the N. V. Financieele Mij. Kreuger and Toll of Amsterdam (whose adhesion is dealt with in a letter which shall be annexed to the present document), that the service of this loan shall never give rise to any discrimination to the prejudice of the service of the unconditional annuities.

# II

6. The German Government reserves to itself the right to participate in the mobilization issue of an amount of \$300,000,000 specified in paragraph 1 above. This participation will take place on the original terms.

7. These operations will be carried out С. Готітсн. through the Bank for International Settlements. The proceeds and the service of the EXCHANGE OF NOTES CONCERNING THE GERMAN-AMERICAN AGREEMENT loan shall be divided between the reparation creditors who have a share in the unconditional part of the annuities and the German Govern-(Addressed to His Excellency M. Henri Jaspar, Presiment in the proportion of two-thirds for the dent of The Hague Conference) former and one-third for the latter.

8. The charges for such loans shall be covered MR. PRESIDENT: In the name of my Governin the above proportions by a deduction from ment I have the honor to make the following reparation payments and by a payment by the communication: Reich to the Bank for International Settlements. In the case of each of these loans, the The German Government will not exercise in relation sums provided by this deduction and this payto any one of the creditor powers the rights of postponement which it possesses under the agreements already signed or initialed without exercising at the ment shall be merged by the Bank for International Settlements in an account exclusively same time any similar rights which it may possess in and solely reserved for the service of this loan. relation to all the other powers whose claims are in-9. The contracts for loans of the type mencluded in the annuities, as set out in the experts' report of June 7, 1929. Moreover in the future the German tioned above shall contain a clause for antic-Government will not, in connection with postponeipated redemption after a period not longer ment, give any special advantage to any one of those than 10 years. owers

Nothing contained herein above shall be construed 10. If the German Government declares its as impairing in any way Germany's rights and obligawish to make use of the option referred to tions under the agreements already signed or initialed. above, and if it proves impossible to secure the I beg you to accept, Mr. President, the exsuggested collaboration in the form described above, the Governments concerned declare that | pression of my highest consideration. they are nevertheless firmly resolved to attain (Signed) CURTIUS.

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d for ERASER

#### FEDERAL RESERVE BULLETIN

Kreuger and Toll of Amsterdam for a loan of this collaboration by seeking practical solutions to achieve this result. The German and French texts of the present

arrangement are equally valid.

For the German Government: MOLDENHAUER.

For the British Government: PHILIP SNOWDEN.

For the French Government: HENRI CHÉRON. LOUCHEUR.

For the Italian Government: SUVICH.

For the Japanese Government: M. ADATCI. K. HIROTA.

For the Portuguese Government: R. ULRICH. TOMAZ FERNANDES.

For the Yugoslav Government: DR. V. MARINKOVITCH.

THE HAGUE, January 20, 1930.

(Addressed to M. Curtius, the Minister of Foreign Affairs of the German Reich)

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### THE HAGUE, January 20, 1930.

YOUR EXCELLENCY: I have the honor to acknowledge receipt of your letter dated to-day by which, in the name of your Government, you made to me the following communication:

The German Government will not exercise in relation to any one of the creditor powers the rights of postponement which it possesses under the agreements already signed or initialed without exercising at the management the provisions of the railway already signed or initialed without exercising at the same time any similar rights which it may possess in relation to all the other powers whose claims are in-and of fixing its tariffs in such a way that the cluded in the annuities, as set out in the experts' report of June 7, 1929. Moreover in the future the German Government will not, in connection with postponement, give any special advantage to any one of those

powers. Nothing contained herein above shall be construed as impairing in any way Germany's rights and obligations under the agreements already signed or initialed.

I beg you to accept, Your Excellency, the impression of my highest consideration.

HENRI JASPAR. (Signed) LETTERS EXCHANGED CONCERNING THE TAR-

# IFFS OF THE GERMAN RAILWAY COMPANY

THE HAGUE, January 20, 1930.

MR. PRESIDENT: I have the honor to inform you that the German delegation accepts the formula drawn up by the railway experts specifying that the German Railway Co. will be under the obligation, while observing in its management the provisions of the railway law and statutes, of regulating its expenditure and of fixing its tariffs in such a way that the payments in respect of the reparation tax, of interest and of redemption of the loans of the | the Governments represented at the conference company, of the preference share dividend, as of The Hague have agreed upon the following well as of the redemption of the shares, will be provisions: secured.

that this obligation already results from the provisions of the draft of the law, as the experts | be instructed to make available to the treasury have observed. The German Government is, of the Reich by way of loan, during the period however, ready to confirm this interpretation from the signature of the agreement of The by inserting an explanation to that effect in the Hague on German reparations of January, explanation of the objects of the draft law.

ance of my highest consideration.

(Signed) CURTIUS.

# To the PRESIDENT OF THE CONFERENCE.

# THE HAGUE, January 20, 1930.

APRIL, 1930

YOUR EXCELLENCY: I have the honor to acknowledge receipt of your letter of January 20, 1930, by which you were so good as to inform me that the German delegation accepts the formula drawn up by the railway experts specifying that the German Railway Co. will be under the obligation, while observing in its payments in respect of the reparation tax, of interest and of redemption of the loans of the company, of the preference share dividend, as well as of the redemption of these shares, will be secured.

I note also that the German Government is of the opinion that this obligation already results from the provisions of the draft of the law, as the experts have observed. The German Government is, however, ready to confirm this interpretation by inserting an explanation to that effect in the explanation of the objects of the draft law.

I beg you to accept, Your Excellency, the assurance of my highest consideration.

HENRI JASPAR, (Signed) President of the Conference.

To His Excellency M. CURTIUS, German Minister for Foreign Affairs.

# TRANSITORY PROVISIONS

The president of the conference reports that

The German Government is of the opinion By way of supplement to Annex III to the protocol of The Hague dated August 31, 1929, the agent general for reparation payments shall 1930, to the ratification of the said agreement I beg you to accept, Mr. President, the assur- by the German Government, the difference between the payments under the Dawes plan and the amounts provided in the new plan.

From the date of the ratification by Germany | name of the German and Belgian Governments, of the agreement concluded at The Hague in | an agreement was signed at Brussels on July January, 1930, on the subject of German 13, 1929, to settle this question, and that after reparations to the putting into execution of the ratification this agreement will enter into force new plan as provided in the fifth paragraph of at the same time as the new plan. This the final clause of the said agreement, the declaration is made in agreement with the German Government shall be entitled to pay to Belgian Government. I beg you to accept, Mr. President, the exthe agent general for reparation payments only pression of my highest consideration. the annuities due under the new plan.

If it should be impossible to put the new plan into execution, the present agreement shall become null and void and the amounts withheld through its application shall be paid to the creditor Governments within four months.

### HENRI JASPAR. M. P. A. HANKEY.

### JANUARY 20, 1930.

# LETTERS ADDRESSED TO THE PRESIDENT OF THE CONFERENCE BY THE BELGIAN AND GERMAN PLENIPOTENTIARIES CONCERN-ING THE AGREEMENT BETWEEN THEIR RE-SPECTIVE GOVERNMENTS RESPECTING THE GERMAN MARKS IN BELGIUM

# THE HAGUE, January 16, 1930.

Mr. PRESIDENT: In Annex VI of the exat the same time as the new plan. This perts' report of June 7, 1929, the experts declaration is made in agreement with the expressed the opinion that the new plan could German Government. not enter into force before the German and I beg you to accept, Mr. President, the assur-Belgian Governments had concluded an agreeance of my highest consideration. ment, binding in international law, regarding (Signed) HYMANS. the so-called marks question.

With regard to this question, I have the honor to inform Your Excellency that, in the

**APRIL**, 1930

### FEDERAL RESERVE BULLETIN

#### (Signed) CURTIUS.

# THE HAGUE, January 16, 1930.

Mr. PRESIDENT: In Annex VI of the experts' report of June 7, 1929, the experts expressed the opinion that the new plan could not enter into force before the Belgian and German Governments had concluded an agreement binding in international law regarding the so-called marks question.

With regard to this question, I have the honor to inform Your Excellency that, in the name of the Belgian and German Governments, an agreement was signed at Brussels on July 13, 1929, to settle this question, and that after ratification this agreement will enter into force

M. JASPAR, Prime Minister, President of The Hague Conference.

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ed for FRASER

APRIL, 1930

# FINANCIAL STATISTICS FOR FOREIGN COUNTRIES

# GOLD HOLDINGS OF CENTRAL BANKS AND GOVERNMENTS

[In millions of dollars. Figures for end of month or latest available preceding date; see BULLETIN for June, 1929, p. 396]

Month	Total (44 coun- tries) <sup>1</sup>	United States <sup>1</sup>	Ar- gen- tina <sup>3</sup>	Aus- tra- lia	Bel- gium	Bra- zil <sup>4</sup>	Can- ada <sup>s</sup>	Eng- land	France	Ger- many	In- dia <sup>6</sup>	Italy	Ja- pan <sup>7</sup>	Neth- er- lands	Rus- sia	Spain	Swit- zer- land	28 other coun- tries
1929—January_ February March April June July Septembe October Novembe December 1930—January February March	10,092           10,049           10,121           10,134           10,151           10,233           r10,262           10,293           r10,293           r10,293           r10,293           r10,293           r10,293           r10,293           r10,293           r10,293           r	3,746 3,776 3,814 3,889 3,931 3,956 3,974 3,995 4,003 4,003 4,003 3,900 3,921 3,988 <b>*</b> 4,059	605 603 585 569 564 527 513 507 497 476 452 434 442 ≠448	109 109 110 106 108 111 113 114 109 97 89 88 124	$\begin{array}{c} 126\\ 126\\ 126\\ 134\\ 134\\ 139\\ 141\\ 141\\ 142\\ 143\\ 151\\ 163\\ 164\\ 164\\ 164\\ \end{array}$	149 150 150 151 151 151 151 151 151 151 151	79 78 78 78 78 76 76 77 77 77 78 78 78 78 78	744 736 748 762 795 780 694 670 648 643 659 711 732 740 759	1, 333 1, 334 1, 340 1, 403 1, 435 1, 435 1, 436 1, 526 1, 545 1, 570 1, 600 1, 683 1, 680 > 1, 668	650 659 451 420 455 512 520 527 531 531 534 544 544 547 582 \$\$55	128 128 128 128 128 128 128 128 128 128	2666 2666 2700 270 2711 2711 2712 2712 2722 2723 2733 2733	541 542 542 542 542 542 541 541 541 541 542 542 542 542 542 542 542	175 175 170 174 176 176 181 178 178 178 180 180 180 177 176	92 92 92 93 93 103 119 132 142 142 147 147 150 156	494 494 494 494 494 495 495 495 495 495	93 93 95 96 96 98 98 98 103 105 115 108 108	712 713 718 708 709 707 700 704 704 709 708 <b>&gt;</b> 708 <b>&gt;</b> 708 <b>&gt;</b> 708 <b>&gt;</b> 708 <b>&gt;</b> 708 <b>&gt;</b> 709 708

Revised 2 months ago to include figures for Albania, Ecuador, Guatemala, and Mexico; see BULLETIN for February (p. 73).
Preliminary, based on latest available figures.
All countries for which satisfactory figures are available; see p. 256 of this BULLETIN, where separate figures are given by years back to 1913. The 16 countries here shown separately include all those which have held gold in recent years to the amount of \$90,000,000 or more.
Treasury and Federal reserve banks.
Government conversion fund and Bank of the Nation.
Bank of Brazil and stabilization fund.
Includes gold held by Government against Dominion notes and savings bank deposits, and such gold as is held by chartered banks in the central reserve.
Currency and gold standard reserves.
Domestic holdings of Bank of Japan and the Japanese Government

#### **GOLD MOVEMENTS** In thousands of dollars

and the second s		and the second	-		lin	thousands	or uona	19]				The second	and the second second	10000
-	Ur	nited Sta	tes	Germany			Great Britain			Netherlands			South Africa	India
Month	Im- ports	Ex- ports	Net	Im- ports	Ex- ports	Net	Im- ports	Ex- ports	Net	Im- ports	Ex- ports	Net	Net	Net
1929—January February March April June July August September October November December 1930—January February	48, 577 26, 913 26, 470 24, 687 24, 098 30, 762 35, 525 19, 271 18, 781 21, 321 7, 123 8, 121 12, 908 60, 198	1, 378 1, 425 1, 635 1, 594 467 550 807 881 1, 205 3, 805 30, 284 72, 547 8, 948 207	$\begin{array}{r} 23,093\\ 23,630\\ 30,212\\ 34,718\\ 18,390\\ 17,576\\ 17,516\\ -23,166\\ -64,426\end{array}$	$\begin{array}{c} 1,250\\ 1,338\\ 1,701\\ 1,768\\ 1,946\\ 7,493\\ 48,728\\ 27,728\\ 9,939\\ 4,624\\ 5,093\\ 11,096\\ 11,096\\ 5,052\\ 38,252\end{array}$	577 764 804 223, 247 781 681 716 879 851 1, 002 919 806 629 687	1, 1656, 81248, 01226, 8499, 088	$\begin{array}{c} 11,844\\ 12,347\\ 25,734\\ 16,144\\ 28,284\\ 21,085\\ 22,578\\ 17,226\\ 18,301\\ 28,591\\ 36,249\\ 65,343\\ 41,702\\ 38,961\\ \end{array}$	21, 383 7, 746 3, 714 4, 652 40, 001 100, 479 59, 278	$\begin{array}{r} 17, 987\\ 12, 430\\ 23, 632\\ -18, 917\\ -77, 901\\ -42, 052\\ -22, 982\\ 1, 796\\ 8, 405\\ 48, 903\\ 25, 600 \end{array}$	$504 \\ 181 \\ 133 \\ 165 \\ 4, 338 \\ 190 \\ 129 \\ 103 \\ 116 \\ 177 \\ 103 \\ 116 \\ 177 \\ 297 \\ 248 \\ 80 \\ 80 \\ 100$	$\begin{array}{r} 14\\ 6\\ 14, 320\\ 2\\ 23\\ 17\\ 8\\ 2, 522\\ 17\\ 12\\ 15\\ 17\\ 3, 224\\ 1, 026\end{array}$	$\begin{array}{r} 175 \\ -14, 187 \\ 163 \\ 4, 315 \\ 173 \\ 121 \\ -2, 419 \\ r  99 \\ 166 \\ 92 \\ 280 \\ -2, 975 \end{array}$	$\begin{array}{r} -16,607\\ -17,848\\ -21,542\\ -15,871\\ -17,975\\ -22,625\\ -14,816\\ -20,981\\ -15,375\\ -15,812\\ -20,922\\ -18,220\\ -17,808\\ -20,786\\ -20,786\end{array}$	4, 73 7, 700 13, 06 6, 58 6, 07 3, 59 4, 16 2, 77 3, 39 3, 14 4, 40 4, 60 5, 29

#### MOVEMENTS TO AND FROM GREAT BRITAIN [In thousands of dollars

MOVEMENTS TO AND FROM BRITISH INDIA [In thousands of dollars]

Salar and all all all all all all all all all al	$\begin{array}{c c c c c c c c c c c c c c c c c c c $				A DECEMBER OF A	[III chi	Jusanus	or domar	51				
Saurira Alexand	19	30		1	929	029			19		19	1928	
From or to-	February						From or to-	Dec	ember	January- December		Calendar year	
						Ex- ports		Im- ports	Ex- ports	Im- ports	Ex- ports	Im- ports	Ex- ports
Switzerland United States South America British India Australia	2 19,466 	32, 919 39 3 217	7 19,466 12,627	36, 400 226 8 623 49 1, 201	3,203 14,382 4 23,090 39,129 24,603	162, 527 92, 991 2, 006 359 10, 781 61, 293 10, 320	England United States Aden and dependen- cies British Oceania Bahrein Islands Ceylon China. Mesopotamia	682 93 23 2,296 3 135 8 410		10, 461 22 1, 045 1, 287 7, 701 119 4, 151 188 2, 613		11, 071 4, 086 910 870 5, 067 285 720 153 1, 543	6
Egypt Rhodesia Transvaal West Africa All other countries	17, 825 378	284	36, 197 748		4, 641 184, 954 4, 216	3, 786 	Straits Settlements Egypt Natal All other countries	1 215 738	2	2, 013 19 6, 867 29, 595 206	28	1, 343 200 6, 714 44, 387	48
Total	38, 961	34,074	80, 662	50, 176	303, 725	377, 505	Total	4, 605	2	64, 275	48	76,007	99

	Ac	RIL,	1930	)
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# [Figures are for the last report date of month]

121 Halt 1	193	30	19	929	NON-DA LANGE	1930		19	29
and the second second	Febru- ary	Janu- ary	Decem- ber	Febru- ary	and the state of the	Febru- ary	Janu- ary	Decem- ber	Febru- ary
Bank of England (millions of pounds sterling): Gold coin and bullion Notes issued Banking department Gold and silver coin Bank notes. Government securities	411.3 .7 64.5	150. 1 410. 1 .3 62. 1 54. 3	145.8 405.8 .2 26.3 67.1	150.9 410.9 .4 58.6 43.0	National Bank of Belgium (millions of belgas): Gold	808	1, 177 542 816 322 2, 768 138	1, 175 578 816 338 2, 685 249	90 49 73 34 2, 43 11
Other securities. Discounts and advances. Public deposits. Bankers' deposits. Other deposits. Reserve ratio 1 (per cent) Bank notes in circulation 3	$     \begin{array}{r}       12.9 \\       4.7 \\       12.0 \\       50.7     \end{array} $	$ \begin{array}{r} 14.0\\5.5\\14.6\\67.5\\36.0\\52.9\\348.0\end{array} $	17.722.38.871.035.822.9379.6	$15.6 \\ 8.4 \\ 14.0 \\ 57.0 \\ 36.7 \\ 54.7 \\ 352.3$	Bank of Brazil (millions of milreis): Gold Currency Loans and discounts Securities Note circulation Deposits		407 680 246 1,478 128 592 1,830	407 690 305 1,440 128 592 1,679	40 64 33 1, 11 14 59 1, 40
Bank of France (millions of francs): Gold. Sight balances abroad. Foreign bills. Loans and discounts. Negotiable bonds. Note circulation. Public deposits. Other deposits.	$\begin{array}{r} 42,855\\ 6,956\\ 18,738\\ 7,987\\ 5,453\\ 71,116\end{array}$	42, 921 6, 984 18, 732 8, 517 5, 453 70, 339 10, 172 7, 512	41, 668 7, 249 18, 693 11, 146 5, 612 68, 571 11, 737 7, 850	34, 038 11, 539 18, 406 7, 502 5, 930 62, 506 12, 300 7, 175	National Bank of Bulgaria (millions of leva): Gold	1,400 352 724 1,292 3,340 3,148	1, 395 506 875 1, 227 3, 340 3, 260 1, 886	1, 389 912 1, 307 1, 402 3, 505 3, 609 2, 231	1, 33 1, 93 3, 00 1, 33 3, 68 3, 89 3, 21
German Reichsbank (millions of reichsmarks): Gold abroad	2, 294 150 384 2, 288 469	2, 147 150 397 2, 222 357 4, 653	2, 133 150 404 3, 099 755 5, 044	2,643 86 90 2,186 526 4,553	Central Bank of Chile (millions of pessos): Gold at home Deposits abroad Loans and discounts Note circulation Deposits Bank of the Republic of Colombia	121 353 158	63 501 103 344 181	63 403 91 346 146	4
Rentenmarks in circulation Bank of Italy (millions of lire): Gold at home. Credits and balances abroad Loans and discounts. Total note circulation	4,614	392 5, 189 4, 911 4, 713 16, 329	410 5, 190 5, 151 6, 121 16, 774	5,059 5,517 5,205 16,197	(thousands of pesos): Gold at home Gold abroad Loans and discounts Note circulation Deposits Czechoslovak National Bank (mil-	9,477	34, 246	22, 371 15, 377 18, 135 39, 074 6, 865	25, 2 34, 1 10, 4 51, 3 10, 7
Public deposits Other deposits Bank of Japan (millions of yen): Gold Advances and discounts Government bonds	1,663 3 965 3 755 8 144	300 1, 560 1, 066 732 179	300 1, 685 1, 065 793 187	300 2, 340 1, 061 798 172	lions of Czechoslovak crowns): Gold Foreign balances and currency Loans and advances Assets of banking office in liqui- dation Note circulation	292 354 6,838	1, 262 2, 039 364 - 355 6, 923	2,270 1,011 362 8,230	1, 1 1, 8 1 7, 0
Notes issued Total deposits Commonwealth Bank of Australia (thousands of pounds sterling): Issue department Gold coin and bullion Securities	<sup>3</sup> 1, 277 <sup>3</sup> 733 25, 379	1, 347 822 18, 148 17, 263	1, 633 638 18, 264 20, 967	1, 231 919 22, 481 22, 741	Deposits Danish National Bank (millions of kroner): Gold Loans and discounts Note circulation Deposits	172	407 172 106 78 347 35	91 97 367	
Banking department— Coin, bullion, and eash Money at short call in Lon- don Loans and discounts Securities Deposits Bank notes in circulation	1, 345 4, 351	1,411	1, 223 8, 423 19, 160 10, 503 36, 626	1,436	Bank of Danzig (thousands of Dan- zig guiden): Balances with Bank of England Foreign bills, etc. Loans and discounts. Note circulation Deposits.	14, 502 13, 328 20, 155 36, 045 1, 696	13, 969 13, 883	16, 660 12, 433 22, 427 37, 797	18, 2
Austrian National Bank (millions of schillings): Gold Foreign exchange of the reserve Other foreign exchange Domestic bills	315	169 204 312 238	169 238 334	169 209 361 164	Bank of Estonia (thousands of krones): Gold Net foreign exchange Loans and discounts Note circulation Deposits	6,450 18,134 28,262	6, 437 19, 478 27, 819 32, 260	6,408 20,782 27,573 34,042	6, 22, 31, 35,
Government debt Note circulation Deposits	109 974	238 109 981 53	109 1,094 64	104 116 977 45	Government Bankers Other	5, 112	8, 733 6, 187 2, 102	5, 718	16, 3 1, 8 3, 1

Ratio of gold and notes in banking department to deposit liabilities.
 Notes issued, less amounts held in panking department and in currency note account.
 Figures are for Mar. 1, 1930.

19	29		19	928	3	2
		ary- mber	Calend	lar year		
	Im-	Ex-	Im-	Ex-		

# FEDERAL RESERVE BULLETIN

# CONDITION OF CENTRAL BANKS

**APRIL**, 1930

**APRIL**, 1930

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FEDERAL RESERVE BULLETIN

Jan. Feb. Mar. Apr. 1

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 $125 \\ 144 \\ 525 \\ 780$ 

1,163

15 170 881

1,016

1,178

Argentina (millions of gold pesos): Bank of the Nation Gold\_\_\_\_\_\_ Other cash\_\_\_\_\_\_ Loans and discounts\_\_\_\_\_\_

Gold\_\_\_\_\_ Other cash\_\_\_\_\_ Loans and discounts\_\_\_\_\_

England (millions of pounds) Cash in vault and at banks...... Money at call and short notice..... Discounts.... Investments....

Germany<sup>1</sup> (millions of reichsmarks): Bills and treasury notes\_\_\_\_\_ Due from other banks\_\_\_\_\_\_ Miscellaneous loans\_\_\_\_\_\_ Deposits\_\_\_\_\_\_ Acceptances\_\_\_\_\_

Italy (millions of lire):

Cash\_\_\_\_\_ Bills discounted\_\_\_\_

Norway (millions of kroner):

Sweden (millions of kronor):

 Cash
 1, 105
 4, 105

 Bills discounted
 8, 938
 8, 628

 Due from correspondents
 5, 001
 5, 407

 Due to correspondents
 13, 523
 13, 701

 Deposits
 3, 044
 3, 044

Deposits\_\_\_\_\_

Deposits\_\_\_\_\_ Other banks in Buenos Aires

# **CONDITION OF CENTRAL BANKS**—Continued

#### [Figures are for the last report date of month]

	19	30	19	929		1930		1929		
	Febru- ary	Janu- ary	Decem- ber	Febru- ary		Febru- ary	Janu- ary	Decem- ber	Febru- ary	
Bank of Finland (millions of Fin- nish marks): Gold Balances abroad and foreign credits Foreign bills Domestic bills Note circulation Demand liabilities		301 705 15 1,147 1,259 308	302 670 21 1,213 1,361 237	303 698 14 1, 360 1, 523 376	Bank of Poland (millions of zlotys): Gold at home Gold abroad Foreign exchange of the reserve Other foreign exchange Loans and discounts Note circulation Current account of the treasury Other current accounts	521 180 360 100 739 1, 282 290 166	521 180 372 101 756 1, 247 300 154	521 180 419 108 781 1, 340 271 196	426 195 544 154 745 1,249 387 206	
Bank of Greece (millions of drach- mas): Gold Net foreign exchange in reserve Total foreign exchange Loans and discounts Government obligations Note circulation Other sight liabilities	340 3, 513 4, 842	644 2, 689 3, 830 377 3, 596 4, 907 2, 081	640 2, 474 4, 135 325 3, 596 5, 193 1, 529	560 3, 446 4, 605 127 3, 790 5, 465 2, 136	Bank of Portugal (millions of escu- dos): Gold Balances abroad Bills Note circulation Deposits National Bank of Rumania (millions	9 275 359 1,906 77	9 313 361 1,972 108	9 332 354 2,001 98	9 329 280 1, 880 72	
Vational Bank of Hungary (mil- lions of pengös): Gold. Foreign bills, etc Loans and discounts Advances to treasury Other assets. Note circulation. Deposits. Miscellaneous liabilities	163 25 227 83 93	163 18 293 88 97 476 63 94	163 39 329 88 68 501 98 60	204 43 314 92 114 451 216 75	of lei): Gold at home	3, 610 22 9, 661 5, 197 19, 518	5, 280 3, 919 5, 063 39 9, 529 5, 469 19, 767 9, 097	5, 266 3, 919 6, 745 44 9, 718 5, 631 21, 150 9, 389	4 5,011 4 3,264 (4) (4) 5 12,104 4,000 20,074 4,385	
Sank of Java (millions of florins): Gold Foreign bills Loans and discounts Note circulation Deposits	139	140 31 95 279 37	140 23 112 289 38	169 37 86 300 50	Loans and discounts Deposits Issue department— Gold Other precious metals Foreign exchange Note circulation		28, 567 3, 414 6, 687	473, 734 268, 790 28, 570 3, 461 7, 077 153, 697	356, 212 206, 375 17, 885 4, 340 9, 219 108, 365	
ank of Latvia (millions of lats): Gold Foreign exchange reserve Bills Loans Note circulation Government deposits Other deposits	24 45 94 54 49 84 82	24 43 94 54 48 87 79	24 46 95 56 49 92 74	24 71 82 47 44 102 75	South African Reserve Bank (thou- sands of pounds sterling): Gold Foreign bills Note circulation Deposits Government Bankers.	7,680	7, 914 6, 027 3, 081 9, 156 1, 740 5, 178	7, 495 6, 567 3, 167 9, 173 1, 839 4, 755	7, 757 7, 064 933 8, 083 2, 038 4, 964	
Bank of Lithuania (millions of litas): Gold Foreign currency Loans and discounts Note circulation Deposits Vetherlands Bank (millions of	35 85 84 99 96	35 82 84 96 96	35 76 86 95 96	34 38 82 85 67	Others	250 3 2, 467 3 714 3 185	386 2, 567 711 86 2, 062 4, 399 1, 017	626 2,566 705 103 2,209 4,433 924	263 2, 559 713 93 1, 696 4, 294 1, 029	
florins): Gold Foreign bills Loans and discounts Note circulation Deposits	437 201 130 782 23	440 217 141 787 34	448 220 182 851 33	435 167 172 776 32	Bank of Sweden (millions of kronor): Gold Foreign bills, etc Loans and discounts Note circulation Deposits	244 234 298 534 166	244 237 296 521 183	245 266 411 569 272	235 199 331 499 186	
Bank of Norway (millions of kroner): Gold Foreign balances and bills Domestic credits Note circulation Foreign deposits Total deposits	147 27 233 297 2 68	147 30 233 298 3 71	147 59 240 318 2 88	147 36 266 301 2 91	Swiss National Bank (millions of francs): Gold Foreign balances and bills Loans and discounts Note circulation Demand deposits	561 344 120 893 129	560 378 135 890 188	595 353 224 999 200	482 181 241 843 77	
Reserve Bank of Peru (thousands of libras): Gold Gold against demand deposits Foreign exchange reserve Bills Note circulation Deposits		3, 861 555 673 2, 659 6, 102 1, 110	3, 836 580 677 3, 177 6, 523 1, 160	4, 266 150 815 1, 574 6, 021 300	National Bank of the Kingdom of Yugoslavia (millions of dinars): Gold	96 291 1, 377 2, 999 5, 560 1, 409	96 276 1,434 2,999 5,586 1,372	95 268 1, 518 2, 999 5, 818 1, 411	91 185 1, 614 2, 966 5, 159 750	

 Japan (millions of yen):
 260
 344
 260
 263

 Cash on hand.
 260
 344
 263
 263

 Total loans.
 2,079
 2,071
 2,097
 2,065

 Total deposits
 2,102
 2,108
 2,140
 2,109

<sup>1</sup> Not including gold held abroad. <sup>3</sup> Figures given are not entirely comparable for dates shown. The difference arises from (1) a merger in October, 1929 of 2 included banks—the Deutsche Bank and the Disconto-Gesellschaft—which incidentally involves inclusion for the first time of figures for 4 small affiliates of the latter, and (2) inclusion, beginning August, 1929, of an additional bank—the Berliner Handelsgesellschaft. <sup>3</sup> Figures not available.

<sup>3</sup> Figures are for Mar. 1. <sup>4</sup> Converted into the terms of the leu adopted Feb. 7, 1929. <sup>5</sup> Foreign exchange not reported separately.

ed for FRASER

# CONDITION OF COMMERCIAL BANKS

[Figures are for the last report date of month except for London clearing banks, which are daily averages]

								and the second second
19	29	-		- Standa	1		193	30
June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
61 594 1,566 525 187 2,559 59 210	62 577 1, 572 470 170 2, 578 59 196	61 584 1,585 462 190 2,551 60 199	61 594 1, 639 487 197 2, 654 60 201	62 521 1,715 487 185 2,679 60 212		61 507 1,653 448 175 2,605 60 204	61 449 1, 641 431 156 2, 485 63 173	60 428 1,628 423 159 2,455 63 169
						1		
78 125 569 777	67 129 561 761	65 126 572 761	59 126 574 750	41 128 588 743	30 120 601 739	30 85 620 733	7 124 584 731	
193 150 216 244 978 1,770	190 143 234 242 985 1,778	188 144 225 242 980 1,759	191 149 222 242 971 1,754	189 151 227 241 971 1,765	186 145 231 235 970 1,751	201 144 227 236 971 1,773	192 142 243 233 970 1,767	182 128 218 229 973 1,714
2, 365 1, 228 6, 956 9, 908 475	2, 365 1, 189 7, 098 9, 989 463	2,705 1,376 7,983 11,282 509	2, 807 1, 411 8, 123 11, 588 509	2, 851 1, 434 8, 107 11, 658 496	2, 885 1, 230 8, 267 11, 645 487	(3) (3) (3) (3) (3) (3)	(3) (3) (3) (3) (3) (3)	3,148 1,160 8,561 12,035 525
1, 138 8, 390 5, 437 13, 505 3, 061								
1, 767 143 64 1, 955	1, 774 138 66 1, 952	1, 775 145 62 1, 969	$1,775 \\ 160 \\ 63 \\ 1,990$	1, 781 146 60 1, 974	1,777 138 58 1,964	1, 789 142 71 1, 961	1, 787 128 74 1, 941	
4, 130 259 112 3, 462	A DOLLARS		1.20	4, 258 350 146 3, 561 176	4, 257 297 115 3, 521 167	4, 169 294 111 3, 481 251	4, 275 297 125 3, 600 156	4, 324 265 120 3, 621 154
289 2, 126 2, 097	1.000			329 2, 039 2, 072	344 2, 059 2, 096	319 2, 160 2, 089	276 2, 148 2, 072	238 2, 157 2, 063
	June 61 594 1, 566 525 187 2, 559 210 78 125 569 777 13 184 873 1, 015 193 16 216 246 246 246 246 978 1, 770 20, 664 978 1, 770 20, 664 997 33, 226 6, 956 9, 906 5, 437 1, 3505 3, 061 1, 767 1, 3505 3, 061 1, 767 1, 253 3, 061 1, 767 1, 253 3, 061 1, 767 1, 253 1, 005 3, 061 1, 787 1, 255 3, 061 1, 787 1, 255 1, 255 3, 061 1, 767 78 1, 255 1, 253 3, 061 1, 767 78 1, 255 1, 253 3, 061 1, 767 78 1, 255 1, 25	$\begin{array}{c ccccc} 61 & 62 \\ 577 \\ 1,566 & 1,572 \\ 525 & 1,577 \\ 170 \\ 2,559 & 2,578 \\ 59 & 2,578 \\ 210 & 196 \\ \hline \end{array}$	$\begin{array}{c c c c c c c c c c c c c c c c c c c $	June         July         Aug.         Sept. $61$ $62$ $61$ $61$ $61$ $594$ $577$ $584$ $594$ $1,566$ $1,572$ $1,585$ $1,639$ $187$ $170$ $190$ $197$ $2,559$ $2,578$ $2,551$ $2,654$ $599$ $591$ $625$ $125$ $2100$ $196$ $199$ $201$ $788$ $67$ $655$ $59$ $559$ $561$ $572$ $574$ $7777$ $761$ $761$ $760$ $13$ $12$ $12$ $126$ $873$ $833$ $884$ $8933$ $1,015$ $1,007$ $1,011$ $1,015$ $133$ $190$ $188$ $191$ $150$ $143$ $144$ $149$ $216$ $234$ $225$ $2222$ $242$ $242$ $242$ $242$ <tr< td=""><td>June         July         Aug.         Sept.         Oct.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>1, 566</math> <math>1, 572</math> <math>1, 585</math> <math>1, 639</math> <math>1, 715</math> <math>2, 559</math> <math>2, 578</math> <math>2, 551</math> <math>2, 654</math> <math>2, 679</math> <math>210</math> <math>196</math> <math>199</math> <math>201</math> <math>212</math> <math>78</math> <math>67</math> <math>65</math> <math>59</math> <math>41</math> <math>125</math> <math>129</math> <math>126</math> <math>126</math> <math>128</math> <math>569</math> <math>561</math> <math>572</math> <math>574</math> <math>588</math> <math>777</math> <math>761</math> <math>761</math> <math>766</math> <math>154</math> <math>873</math> <math>883</math> <math>884</math> <math>833</math> <math>884</math> <math>13</math> <math>12</math> <math>12</math> <math>12</math> <math>12</math> <math>13</math> <math>142</math> <math>142</math> <math>140</math> <math>1, 001</math> <math>133</math> <math>142</math> <math>122</math> <math>123</math> <math>134</math> <math>144</math> <math>149</math> <math>150</math> <math>143</math> <math>144</math> <math>149</math> <math>106</math> <math>1</math></td><td>June         July         Aug.         Sept.         Oct.         Nov.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>62</math> <math>61</math> <math>554</math> <math>577</math> <math>5584</math> <math>594</math> <math>591</math> <math>552</math> <math>1,566</math> <math>1,572</math> <math>1,585</math> <math>1,639</math> <math>1,715</math> <math>1,684</math> <math>2,559</math> <math>2,578</math> <math>2,551</math> <math>2,654</math> <math>2,679</math> <math>2,636</math> <math>210</math> <math>196</math> <math>199</math> <math>201</math> <math>212</math> <math>234</math> <math>78</math> <math>67</math> <math>65</math> <math>59</math> <math>41</math> <math>30</math> <math>125</math> <math>129</math> <math>126</math> <math>128</math> <math>120</math> <math>561</math> <math>572</math> <math>574</math> <math>588</math> <math>601</math> <math>777</math> <math>761</math> <math>761</math> <math>766</math> <math>156</math> <math>154</math> <math>155</math> <math>13</math> <math>12</math> <math>12</math> <math>13</math> <math>12</math> <math>12</math> <math>13</math> <math>1,007</math> <math>1,011</math> <math>1,015</math> <math>1,002</math> <math>990</math> <math>13</math> <math>190</math> <math>188</math> <math>191</math> <math>185</math> <!--</td--><td>June         July         Aug.         Sept.         Oct.         Nov.         Dec.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>554</math> <math>577</math> <math>584</math> <math>594</math> <math>591</math> <math>552</math> <math>507</math> <math>2559</math> <math>2,578</math> <math>2,551</math> <math>2,654</math> <math>2,679</math> <math>2,636</math> <math>2,605</math> <math>210</math> <math>196</math> <math>199</math> <math>201</math> <math>212</math> <math>234</math> <math>204</math> <math>78</math> <math>67</math> <math>65</math> <math>59</math> <math>41</math> <math>30</math> <math>30</math> <math>125</math> <math>129</math> <math>126</math> <math>128</math> <math>120</math> <math>851</math> <math>733</math> <math>777</math> <math>761</math> <math>761</math> <math>750</math> <math>743</math> <math>739</math> <math>733</math> <math>13</math> <math>12</math> <math>12</math> <math>13</math> <math>12</math> <math>11</math> <math>180</math> <math>186</math> <math>201</math> <math>180</math> <math>184</math> <math>149</math> <math>150</math> <math>143</math> <math>144</math> <math>149</math> <math>151</math> <math>1971</math> <math>970</math> <math>971</math> <math>970</math> <math>971</math><!--</td--><td>June         July         Ang.         Sept.         Oct.         Nov.         Dec.         Jan.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math></td></td></td></tr<>	June         July         Aug.         Sept.         Oct. $61$ $62$ $61$ $61$ $62$ $61$ $61$ $62$ $1, 566$ $1, 572$ $1, 585$ $1, 639$ $1, 715$ $2, 559$ $2, 578$ $2, 551$ $2, 654$ $2, 679$ $210$ $196$ $199$ $201$ $212$ $78$ $67$ $65$ $59$ $41$ $125$ $129$ $126$ $126$ $128$ $569$ $561$ $572$ $574$ $588$ $777$ $761$ $761$ $766$ $154$ $873$ $883$ $884$ $833$ $884$ $13$ $12$ $12$ $12$ $12$ $13$ $142$ $142$ $140$ $1, 001$ $133$ $142$ $122$ $123$ $134$ $144$ $149$ $150$ $143$ $144$ $149$ $106$ $1$	June         July         Aug.         Sept.         Oct.         Nov. $61$ $62$ $61$ $61$ $62$ $61$ $62$ $61$ $554$ $577$ $5584$ $594$ $591$ $552$ $1,566$ $1,572$ $1,585$ $1,639$ $1,715$ $1,684$ $2,559$ $2,578$ $2,551$ $2,654$ $2,679$ $2,636$ $210$ $196$ $199$ $201$ $212$ $234$ $78$ $67$ $65$ $59$ $41$ $30$ $125$ $129$ $126$ $128$ $120$ $561$ $572$ $574$ $588$ $601$ $777$ $761$ $761$ $766$ $156$ $154$ $155$ $13$ $12$ $12$ $13$ $12$ $12$ $13$ $1,007$ $1,011$ $1,015$ $1,002$ $990$ $13$ $190$ $188$ $191$ $185$ </td <td>June         July         Aug.         Sept.         Oct.         Nov.         Dec.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>554</math> <math>577</math> <math>584</math> <math>594</math> <math>591</math> <math>552</math> <math>507</math> <math>2559</math> <math>2,578</math> <math>2,551</math> <math>2,654</math> <math>2,679</math> <math>2,636</math> <math>2,605</math> <math>210</math> <math>196</math> <math>199</math> <math>201</math> <math>212</math> <math>234</math> <math>204</math> <math>78</math> <math>67</math> <math>65</math> <math>59</math> <math>41</math> <math>30</math> <math>30</math> <math>125</math> <math>129</math> <math>126</math> <math>128</math> <math>120</math> <math>851</math> <math>733</math> <math>777</math> <math>761</math> <math>761</math> <math>750</math> <math>743</math> <math>739</math> <math>733</math> <math>13</math> <math>12</math> <math>12</math> <math>13</math> <math>12</math> <math>11</math> <math>180</math> <math>186</math> <math>201</math> <math>180</math> <math>184</math> <math>149</math> <math>150</math> <math>143</math> <math>144</math> <math>149</math> <math>151</math> <math>1971</math> <math>970</math> <math>971</math> <math>970</math> <math>971</math><!--</td--><td>June         July         Ang.         Sept.         Oct.         Nov.         Dec.         Jan.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math></td></td>	June         July         Aug.         Sept.         Oct.         Nov.         Dec. $61$ $62$ $61$ $61$ $62$ $61$ $61$ $62$ $61$ $61$ $554$ $577$ $584$ $594$ $591$ $552$ $507$ $2559$ $2,578$ $2,551$ $2,654$ $2,679$ $2,636$ $2,605$ $210$ $196$ $199$ $201$ $212$ $234$ $204$ $78$ $67$ $65$ $59$ $41$ $30$ $30$ $125$ $129$ $126$ $128$ $120$ $851$ $733$ $777$ $761$ $761$ $750$ $743$ $739$ $733$ $13$ $12$ $12$ $13$ $12$ $11$ $180$ $186$ $201$ $180$ $184$ $149$ $150$ $143$ $144$ $149$ $151$ $1971$ $970$ $971$ $970$ $971$ </td <td>June         July         Ang.         Sept.         Oct.         Nov.         Dec.         Jan.           <math>61</math> <math>62</math> <math>61</math> <math>61</math> <math>62</math> <math>61</math> <math>61</math></td>	June         July         Ang.         Sept.         Oct.         Nov.         Dec.         Jan. $61$ $62$ $61$ $61$ $62$ $61$

Nore.-Banks included are as follows: Canada-chartered banks; Argentina-Buenos Aires banks; England-9 London clearing banks; France-4 commercial banks; Germany-6 Berlin banks; Italy-4 private banks; Denmark, Norway, and Sweden-joint-stock banks; Japan-Tokyo banks.

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APRIL, 1930

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FEDERAL RESERVE BULLETIN

# FOREIGN EXCHANGE RATES

### [Monthly averages of daily quotations.<sup>1</sup> In cents per unit of foreign currency]

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- 1000		Par		1930				Par		1930	
Country	Monetary unit	of ex- change	January	February	March	Country	Monetary unit	of ex- change	January	February	March
EUROPE	all and the			1	1	SOUTH AMERICA		-			anala's
Austria	Schilling		14.0597	14.0605	14.0705	Argentina	Peso	96.48	91. 3355	86. 5311	85.635
Belgium Bulgaria	Belga		13.9377 .7213	13.9271 .7212	13.9373 .7216	Bolivia <sup>2</sup>	Boliviano	36.50 11.96	36.0000 11.0857	36.0000 11.1533	36.0383 11.5012
zechoslovakia	Crown		2. 9583	2. 9590	2.9622	Chile	Peso	12.17	12. 0556	12,0319	12. 0518
Denmark	Krone	26.80	26.7517	26.7532	26.7693	Colombia <sup>2</sup>	do	97.33	96.3900	96.3900	96.3900
	-					Ecuador 2	Sucre	20.00	20.0000	20.0000	20.000
England	Pound Markka	486.65	486.8823	486.1785	486.3085 2.5166	Peru <sup>2</sup>		486.65 103.42	400.0000 92.9796	400.0000 88.9679	400.000
Finland	Franc	2.52	2.5160 3.9291	3. 9155	3. 9132	Uruguay Venezuela <sup>2</sup>	Bolivar	103.42	92.9796	19, 2500	89.013 19.240
Germany			23. 8821	23. 8711	23. 8573	vonozuera	Durvar	10.00	10.2000	10.2000	10. 210
Freece	Drachma	1.30	1.2976	1. 2962	1.2960	ASIA		1. 8-		1-6181 84	
Hungary	Pengo	17.49	17.4912	17.4769	17.4738						
tela	Lira	5, 26	5, 2331	5. 2346	5. 2375	China 4	Mexican dollar.		35.6106 49.6186	34.3963 47.9616	33.810 47.113
Italy Netherlands	Florin		5. 2331 40. 2279	40, 1028	5. 2375 40. 1066	China 4	Shanghai tael Yuan dollar	45.45	49.0180	34. 2746	47.113
Norway	Krone	26.80	26. 7347	26. 7212	26. 7589	Hong Kong 4	Dollar	32.24	39. 9497	38. 2350	37.223
Poland	Zloty	11.22	11. 1973	11. 1935	11.2027	India	Rupee	36.50	36.3102	36. 2071	36.113
Portugal	Escudo	108.05	4. 4969	4. 4957	4.4930	Japan	Yen		49.0905	49.1295	49.329
Rumania	Leu	. 60	. 5962	. 5950	. 5953	Java <sup>2</sup> Straits Settle-	Florin	40.20 56.78	40. 1769 56. 0259	40.0791 56.0006	40.136
Russia <sup>2</sup>				3 515. 0000	3515.0000	ments.	Singapore dol- lar.	00.10	00.0209	00.0000	00.099
Spain	Peseta		13. 1044	12. 6955	12. 3131	Turkey	Turkish pound.	439.65	5 46. 8929	\$ 46.7776	7 47. 303
Sweden	Krona	26.80	26.8460	26. 8262	26.8563				1.000		
Switzerland	Franc		19.3486	19.2938	19.3453	AFRICA		1000	1 Contraction	-	
Yugoslavia	Dinar	19.30	1.7658	1.7604	1.7637	Egypt	Egyptian pound	104 21	\$ 500 9380	6 500 6147	7.400 200
NORTH AMERICA		1				Egypt	Egyptian pound	101.01	* 000.2000	- 000.0147	. 100. 200
Canada	Dollar	100.00	98.8932	99.2408	99.7637	The second se		1	- I - Inter	States - States	Sauk .
Cuba			99.9247	100.0313	99.9596	ala ista		ant -			and the second
Mexico	do	49.85	47.4393	47.4758	47.4921			10000		The second second	

<sup>1</sup> Based on noon buying rates for cable transfers in New York.
<sup>2</sup> A verages based on daily quotations of closing rates as published by New York Journal of Commerce.
<sup>3</sup> Chervonetz quotations nominal.
<sup>4</sup> Silver currency. The figure given for parity represents gold value of unit in March, 1930, computed by multiplying silver content of unit by New York average price of silver for March, 1930, which was \$0.41959 per fine ounce. On the same basis, parity in March, 1929, for the Chinese-Mexican dollar was 44.52 cents; for the Shanghai tael, 61.37 cents; for the Yuan dollar, 43.54 cents; and for the Hong Kong dollar, 44.19 cents.
<sup>4</sup> November, 1929.
<sup>5</sup> January, 1930. *Back figures.*—See BULLETIN for January, 1930, 1929, and 1928.

# DISCOUNT RATES OF CENTRAL BANKS

[Rate prevailing April 1, 1930, with date of latest change]

Country	Rate	In effect since—	Country	Rate	In effect since—	Country	Rate	In effect since—	Country	Rate	In effect since—
Austria Belgium Bulgaria Chile Cile Colombia Zeechoslovakia_ Danzig Denmark Ecuador	6 31/2 10 .6 9 5 51/2 41/2 9	Mar. 22, 1930 Jan. 1, 1930 July 2, 1929 Oct. 22, 1928 Nov. 20, 1929 Mar. 8, 1937 Mar. 8, 1930 Mar. 7, 1930 Jan. 10, 1930	England Estonia Finland France Germany Greece Hungary India Italy	3 5 9 6	Oct. 3, 1929 Nov. 16, 1928 Jan. 30, 1930 Mar. 25, 1930 Nov. 30, 1928 Mar. 29, 1930 Oct. 31, 1929	Japan Java Latvia Lithuania Netherlands Norway Peru Poland		Oct. 10, 1927 Mar. 10, 1930 Apr. 1, 1928 Feb. 1, 1925 Mar. 25, 1930 Mar. 21, 1930 Nov. 23, 1929 Mar. 14, 1930	Portugal Rumania Russia South Africa Spain Sweden Switzerland. Yugoslavia	8 6 5 <sup>1</sup> /2 4 3 <sup>1</sup> /2	Mar. 7, 1930

Changes.—Austria—Mar. 22, from 6½ to 6 per cent; Danzig—Mar. 8, from 6 to 5½ per cent; Denmark—Mar. 7 from 5 to 4½ per cent; England— Mar. 6, from 4½ to 4 per cent and Mar. 20 from 4 to 3½ per cent; Germany—Mar. 8, from 6 to 5½ per cent and Mar. 25, from 5½ to 5 per cent; Hungary—Mar. 29, from 6½ to 6 per cent; Italy—Mar. 3, from 7 to 6½ per cent; Java—Mar. 10, from 5 to 4½ per cent; Natherlands—Mar. 7, from 4 to 3½ per cent and Mar. 25, from 3½ to 3 per cent; Norway—Mar. 21, from 5 to 4½ per cent; Poland—Mar. 14, from 8 to 7 per cent; Sweden—Mar. 7, from 4½ to 4 per cent.

# MONEY RATES IN FOREIGN COUNTRIES

Month         Bankers' accept: mones, 3         Treasury money         Dayto-day money         Bankers' money         First money         Money for discount rate         Day to-day money         Private money         Money for discount rate         Private for discount         Money for discount         Private for discount         Money for discount <t< th=""><th></th><th>1. 2</th><th></th><th>England</th><th>(London)</th><th>12 1 18V</th><th>Ge</th><th>ermany (Berl</th><th>lin)</th><th>Netherland</th><th colspan="2">Switzer- land</th></t<>		1. 2		England	(London)	12 1 18V	Ge	ermany (Berl	lin)	Netherland	Switzer- land	
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$		Month	accept- ances, 3	bills, 3		allowance	discount			Private discount	Money for	Private discount
$ \begin{array}{c ccccccccccccccccccccccccccccccccccc$	929-	February March April May	5. 05 5. 33 5. 21 5. 21	4.96 5.30 5.18 5.21	4.33 4.51 4.43 4.67	214-314 314 314 314 314	5.80 6.31 6.63 7.49	7.07 7.30 7.57 9.65	6.33 6.97 6.85 9.32	4. 39 4. 64 5. 36 5. 37	4.78 5.05 5.81 5.88	3. 22 3. 31 3. 32 3. 45 3. 34 3. 34 3. 26
February         3.82         3.72         3.76         3-2½         5.53         6.72         6.01         \$2.77         \$2.81         2.           Month         Belgium (Brussels)         France (Paris)         Italy (Millan)         Austria (Vienna)         Hungary         Sweden (Stock- holm)         Japan (Tokyo)           20-Jannary		August September October November	5. 47 5. 59 6. 13 5. 35	5.48 5.63 6.19 5.30	4.35 4.39 5.45 5.15	$ \begin{array}{r} 3\frac{3}{2} \\ 3\frac{3}{2} \\ 4\frac{1}{2} \\ 4\frac{1}{2} \\ 4 \\ -3\frac{1}{2} \end{array} $	7.18 7.18 7.28 6.89	9.43 9.48 9.06 8.29	7.42 7.86 8.06 7.79	5.06 5.36 5.15 4.26	4.68 5.32 4.52 4.17	3. 19 3. 33 3. 30 3. 30 3. 30 3. 31 3. 14
Month         Beigum (Brussels)         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Money for 1 month         Prime commer- month         Day-to-day money         Loans up to 3 months         Discounted bills         Call money overnigh           029-January         3.94         3.50         5.83         6916 - 6946         714-8546         794 - 8546         014-814         412-612         5.84-6.21         1.46-5.           029-January         3.94         3.50         5.83         6916 - 6946         714-8546         794 - 8546         614-814         412-6126         5.84-6.21         1.46-5.           March	930-				3.62 3.76		6.33 5.53					2. 97 2. 71
Private discount rate         Private discount rate         Private discount rate         Private discount rate         Private discount rate         Money for 1 month         Prime commer- cial paper         Day-to-day money         Loans up to 3 months         Discounted bills         Call money bills           229-January         3.94         3.50         5.83         63/a - 63/a         73/a - 85/a         73/a - 85/a         63/a - 85/a         201-4.         63/a - 85/a         201-4.         63/a - 85/a         201-4.         63/a - 85/a         201-4.         201-4. <td< td=""><td></td><td></td><td></td><td></td><td></td><td>Austria</td><td>(Vienna)</td><td>Hur</td><td>ngary</td><td>(Stock-</td><td>Japan (</td><td>(Tokyo)</td></td<>						Austria	(Vienna)	Hur	ngary	(Stock-	Japan (	(Tokyo)
$ \begin{array}{c c c c c c c c c c c c c c c c c c c $		Month	discount	discount	discount	discount	for 1	commer-		to 3		
$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	29-	February March April May	3.94 3.94 3.94 3.94 3.94	3.39 3.37 3.44 3.49	6.00 6.31 6.75 6.83	6316 -6518 634 -638 6516 -734 738 -734	714-814 714-814 736-834 8 -9	798 -814 798 -814 814 -9 858 -914	614-814 612-814 7 -9 7 -9	412-612 412-612 412-612 412-612 412-612	5.66-5.84 5.66-5.84 5.48-5.66 5.48-5.66	$\begin{array}{c} 1.\ 46-5.\ 8\\ 2.\ 01-4.\ 0\\ 2.\ 19-4.\ 0\\ 3.\ 47-4.\ 0\\ 2.\ 56-4.\ 0\\ 2.\ 56-4.\ 0\end{array}$
030-January         3.40         3.38         7.00         6½         -7¼         756-876         7½-10         6½-7¾         4½-6         5.48         1.64-4.           February         3.42         2.91         6.95         6¼6         6¼         7         -8         7½-10         6½-7¾         4¼2-6         5.48         1.64-4.		August September October November	4.93 4.94 4.94 4.62	3.50 3.50 3.50 3.50 3.50	6.85 7.01 7.18 7.00	714 -77/16 738. 8 -81/8 734 -81/4	81/4-9 81/4-91/4 9 -10 83/4-10	834-1034 834-1034 9 -1034 832 -934	7 -8 634-8 714-8 612-734	412-612 512-7 512-7 512-7 512-7	5.48 5.48 5.48 5.48 5.48	$\begin{array}{c} 2.74-4.0\\ 2.56-4.0\\ 1.64-4.0\\ 2.92-4.0\\ 2.74-4.0\\ 2.19-5.8\end{array}$
	30-	-January February	3.40 3.42					71/2-10	61/2-732	41/2-6 41/2-6	5.48	1. 64-4. 0

Preliminary.

NOTE .- For sources used, methods of quotation, and back figures, see BULLETIN for November, 1926, April, 1927, July, 1929, and November, 1929.

# PRICE MOVEMENTS IN PRINCIPAL COUNTRIES WHOLESALE PRICES

ALL COMMODITIES

Base of index and country						19	29						1930	
(See note)	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
Base: 1926=100			FAT LAN	101.20		T villen	C - Carrie	1103 - 11-1	CORD & PA	100 m			1111	
United States	97	97	98	97	96	96	98	98	98	96	94	94	93	92
Base: 1927=100						0.5			~		0.5			
Poland Base: 1926=100	98	99	99	98	95	95	96	95	94	93	95	92	88	83
Canada	*94	96	96	94	92	93	96	98	97	97	96	96	96	94
Finland	100	100	100	99	98	98	97	97	96	96	95	95	94	93
Base: 1914=100														
Australia	157	156	157	158	156	158	159	160	163	161	158	154	151	147
Austria	128	130	133	134	135	134	132	132	128	127	125	123	125	123
Belgium	867	865	869	862	851	848	858	850	846	838	834	823	808	791
Czechoslovakia	139	139	141	141	137	134	135	134	132	131	130	128	126	124
India	145	144	143	140	139	138	142	143	143	140	137	134	131	120
Switzerland	143	143	142	140	139	139	143	143	142	142	140	139	136	133
Base: 1913=100	110	110	112	110	100	100	110	110	112	112	110	108	100	100
China	160	162	164	161	162	163	163	165	167	168	165	165	170	175
Denmark	151	159	154	150	148	146	149	150	150	149	147	146	143	140
Dutch East Indies	149	149	150	148	150	149	149	148	148	147	146	¢144	110	110
Egypt	125	122	123	120	114	108	109	112	113	115	112	110	109	106
England	138	138	140	139	136	136	137	136	136	136	134	133	131	128
France	657	660	654	648	643	629	624	598	608	607	603	596	578	569
Germany	139	139	140	137	136	135	138	138	138	137	136	134	132	129
	139	139	136	137	123	122	119	114						128
Hungary				455		r 446			109	111	107	107	106	
taly	461	463	461		452		440	437	437	436	431	425	417	408
Netherlands	146	146	147	144	142	141	141	142	141	140	137	135	131	126
Norway	149	150	150	148	146	147	149	148	148	147	146	146	144	143
Peru	186	185	189	185	186	186	187	187	186	186	184	182	181	181
Russia	177	177	178	179	180	181	180	180	181	182	181	182	182	
Spain	171	173	174	174	171	170	169	170	171	172	171	172		
weden	144	145	144	141	140	139	140	141	140	138	135	134	131	128
Base: 1910=100	and the second								1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	1.14				
South Africa	135			131			129			128			121	
Base: 1909-1913=100	The second second					1000								
New Zealand	155	154	155	154	155	155	156	156	157	156	155	154		
Base: 1900=100	100	104	100	101	100	100	100	100	107	100	100	101		
apan	228	226	226	225	223	222	220	218	218	216	211	205	201	199
ab	220	220	220	220	220	222	220	210	210 ]	210		200 1	201 )	100

ANNUAL INDEXES

Base of index and country	1913	1914	1925	1926	1927	1928	1929
Base: 1926=100							
United States	70	68	104	100	95	98	97
Base: 1927=100 Poland			106	89	100	101	96
Base: 1926=100	-						
Canada Finland	64	66	103 104	100 100	98 101	96 102	95 98
Base: 1914=100 (see note)				-			
Australia			159 136	161 123	159 133	157 *130	158 *130
Belgium		1	558	744	847	843	851
Czechoslovakia				139	143	143	135
India			159	148	148	145	141
Switzerland			162	144	142	145	141
Base: 1913=100 China	2	C. C.	159	164	170	161	164
Denmark	100		210	163	153	153	150
Dutch East Indies	100		166	159	154	149	148
Egypt		100	152	132	121	120	115
England France	100 100	100	159	148 695	141 642	140 645	137 627
Germany	100		142	134	138	140	137
Hungary	100						121
taly	100		596	602	495	462	446
Netherlands	100	109	155	145	148	149	142
Norway Peru	100	104	$251 \\ 202$	196 203	160 203	155 192	148 186
Spain	100	101	188	181	172	167	171
Sweden	100		161	149	146	148	140
Base: 1910=100							1
South Africa	113	109	144	139	140	135	131
Base: 1909-1913=100	1	-	1 440				
New Zealand	106	110	170	162	154	156	155
Base: 1900=100							
apan	132	126	267	237	225	226	220

\*New series.

NOTE The foregoing table, first published in this form a month ago, contains for the countries listed the same index numbers that have heretofore appeared in the BULLETIN, but with more precise information regard-ing base periods. In the case of three countries for which the index was formerly shown on a 1913 base, the old series may be continued by dividing the index numbers given by the following yearly averages for 1913: Japan, 132.3; New Zealand, 105.5; South Africa, 112.5. In the case of one other country, Czechoslovakia, the index now appears in revised form (gold basis).

Note

APRIL, 1930

112.5. In the case of one other country, Czechoslovakia, the index now appears in revised form (gold basis). All of these index numbers, with a few exceptions, are published currently in the Monthly Bulletin of Statistics of the League of Nations (Geneva) and the Monthly Bulletin of the International Institute of Statistics (The Hague). For France and Poland, for which the figures published by the League and the Institute belong to a different index, see the following sources: *France*—Bulletin de la Statistique Générale; *Poland*—Polish Business Conditions, published by the Polish Institute of Economic Research. The base periods shown in the table relate to calen-dar years, the average for the year (or period of years)

The base periods shown in the table relate to calen-dar years, the average for the year (or period of years) representing 100. In certain cases, however, the base period more exactly described is a selected month or selected series of months, as follows: Australia—July, 1914; Austria—January–July, 1914; Belgium—April, 1914; China—February, 1913; Czechoslovakia—July, 1914; Egypt—January 1, 1913–July 31, 1914; India— July, 1914; Japan—October, 1900; Norway—Decem-ber 31, 1913–June 30, 1914; Switzerland—July, 1914. All of the indexes shown, with two or three excep-tions, are compiled by official agencies of the countries to which they relate, as indicated specifically in the BULLETIN for March (p. 124).

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			Annual	indexes					1929			19	30
Country and group	1913	1925	1926	1927	1928	1929	Feb.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
UNITED STATES			5 618		1 414	10 400	Lazy	Paulo	Ledd 1	of boy	100	new l	2. Walder
Farm products. Foods	72 64 68 57 61 91 57 80 56 93	110 100 105 108 97 103 102 102 102 103 109	$     \begin{array}{r}       100 \\      1$	99 97 108 96 87 98 93 97 98 97 98 90	106 101 122 96 83 100 94 96 97 83	105 100 109 94 82 104 97 94 97 81	105 98 109 96 81 104 98 96 97 80	107 103 111 93 81 104 98 94 97 82	104 101 111 93 82 104 98 94 97 81	101 99 108 92 82 102 96 94 97 80	102 99 107 90 81 102 96 94 97 80	101 97 105 89 80 101 96 93 97 79	98 96 104 88 79 100 99 90 90 79
Nonagricultural commodities	69	101	100	94	96	94	94	95	94	93	92	91	9
ENGLAND		12.5		Product of	1-39	11/15 1 11		17.93					
Total food Cereals Meat and fish Other foods Total not food Iron and steel Coal Other minerals and metals Cotton Wool Other textiles Miscellaneous	$\begin{array}{c} 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \\ 100 \end{array}$	167 164 162 173 155 126 146 122 210 197 172 157	$155 \\ 150 \\ 154 \\ 160 \\ 144 \\ 124 \\ 185 \\ 120 \\ 158 \\ 170 \\ 148 \\ 145 \\ 145 \\ 145 \\ 145 \\ 155 \\ 170 \\ 148 \\ 145 \\ 145 \\ 145 \\ 100 $	152 153 137 166 136 120 134 112 155 170 138 142	152 149 141 167 134 112 118 107 164 186 138 142	$\begin{array}{c} 145\\ 138\\ 146\\ 152\\ 132\\ 114\\ 125\\ 116\\ 154\\ 166\\ 132\\ 136\\ \end{array}$	149 142 144 160 133 113 123 114 159 177 136 137	$\begin{array}{c} 143\\141\\143\\145\\132\\115\\126\\116\\158\\132\\138\end{array}$	$145 \\ 137 \\ 148 \\ 150 \\ 131 \\ 115 \\ 128 \\ 114 \\ 152 \\ 154 \\ 130 \\ 137 \\$	$\begin{array}{c} 142\\ 132\\ 150\\ 145\\ 129\\ 115\\ 128\\ 111\\ 147\\ 156\\ 127\\ 134\\ \end{array}$	141 132 158 135 128 115 130 111 114 152 125 131	$\begin{array}{c} 139\\ 129\\ 154\\ 135\\ 127\\ 115\\ 130\\ 140\\ 141\\ 145\\ 123\\ 130\\ \end{array}$	133 122 155 133 124 114 124 114 114 133 133 . 124 125
FRANCE													100
Farm and food products. Vegetable products. Animal products. Minerals and metals. Textiles. Hides and leather. Chemical products. Rubber. Paper. Lumber. Cement, brick, glass.	100		581 600 550 793 598 1,001 546 683 314 875 791 540	599 625 558 678 526 821 532 589 199 662 750 606	584 599 567 697 522 840 617 580 130 659 844 570	579 547 632 669 560 755 471 596 123 678 963 618	620 607 642 693 551 812 530 590 141 677 930 592	551 499 639 656 561 725 452 603 117 677 969 636	556 487 670 652 567 705 455 608 114 677 1,003 636	$555 \\ 476 \\ 686 \\ 645 \\ 566 \\ 694 \\ 432 \\ 606 \\ 96 \\ 685 \\ 1,003 \\ 636 \\ \end{array}$	546 456 695 640 568 684 433 603 97 685 987 636	518 432 661 630 571 • 655 438 602 89 685 987 • 708	50' 42: 64: 62: 57/ 63: 43: 61: 98: 66: 98: 70:
Total agricultural products	100	133	129	138	134	130	134	133	132	128	126	122	11
Vegetable foods. Cattle. Animal products. Fodder. Provisions. Potal industrial raw materials and	100	133 127 120 162 122 136	123 131 121 146 115 132	130 154 112 143 146 129	134 142 111 144 147 133	130 126 127 142 126 125	134 132 120 151 140 125	135 125 134 149 120 131	132 122 134 153 113 126	119 128 153 107 120	120 126 146 105 115	117 128 134 98 115	11 12 12 8 11
semifinished products Coal Iron Nonferrous metals Textiles Hides and leather Chemicals	100 100	141 129 129 123 191 125 127	130 128 124 117 150 115 123	132 129 125 108 153 134 124	$     \begin{array}{r}       134 \\       132 \\       128 \\       106 \\       159 \\       153 \\       126 \\       \end{array} $	132 137 130 118 141 125 127	134 139 128 118 149 131 126	$     \begin{array}{r}       132 \\       137 \\       131 \\       118 \\       136 \\       122 \\       127 \\       127     \end{array} $	131 138 131 116 133 121 127	130 139 130 113 130 118 127	129 138 130 112 128 116 127	128 138 130 112 125 116 127	12 13 12 11 11 11 12
Artificial fertilizers Technical oils and fats. Rubber Paper materials and paper. Building material Cotal industrial finished products. Producers' goods.	100 100 100 100 100	88 138 94 159 153 157 136 172	86 131 63 152 145 150 133 162	83 126 47 150 158 147 130 160	82 121 30 150 159 159 137 175	85 128 28 151 159 157 139 172	87 126 34 151 157 158 138 174	82 134 28 151 162 157 140 170	82 132 26 151 162 157 140 170	83 129 23 152 161 157 139 169	84 130 22 151 161 156 140 169	85 128 21 151 158 156 140 168	

Note.—For corresponding indexes for all commodities see preceding page. For current figures of the group indexes given in this table the following sources may be used: United States—Wholesale Prices of Commodities, Bureau of Labor Statistics, Department of Labor; England—Board of Trade Journal and Commercial Gazette, Board of Trade; France-Bulletin de la Statistique Générale de la France; and Germany—Wirtschaft und Statistik, Statistiches Reichsamt. " Revised.

### FEDERAL RESERVE BULLETIN

# WHOLESALE PRICES-Continued

GROUPS OF COMMODITIES

APRIL, 1930

# LAW DEPARTMENT

#### DIGEST OF STATE LAWS RELATING TO BRANCH BANKING

On page 182 of the FEDERAL RESERVE BUL-LETIN for March, 1925, there was published a digest of State laws relating to branch banking, (1928 Combined Banking Laws of Alabama, sec. 6354, which was prepared by the counsel's office of the p. 25; Civil Code of Alabama, sec. 6354.) Federal Reserve Board with the assistance of the counsel to the various Federal reserve banks, and which showed the status of branch banking legislation in the various States at the close of the year 1924. The following digest of the branch banking laws of the several States, which was also prepared by the office of the which was also prepared by the onice of the board's counsel with the assistance of the coun-sel to the various Federal reserve banks, super-sedes the digest published in the March, 1925, FEDERAL RESERVE BULLETIN, and shows the status of branch banking legislation in the vari-ous States as of December 31, 1929. It con-tains a digest of only such State laws as relate tains a digest of only such State laws as relate tains a digest of only such State laws as relate to branches established within the United States and does not cover laws relating to 21, p. 18; Special Session Laws, 1922, ch. 31, sec. 21, branches established in foreign countries.

### SUMMARY OF STATE LAWS

States permit- ting state-wide branch banking Arizona. California. Delaware. Maryland. North Carolina. Rhode Island. South Carolina. Vermont. <sup>10</sup> Virginia.	States permitting branch banking within limited areas Georgia. <sup>1</sup> Louisiana. <sup>3</sup> Maine. <sup>5</sup> Massachusetts. <sup>6</sup> Mississipi. <sup>7</sup> New Jersey. <sup>3</sup> New York. <sup>9</sup> Ohio. <sup>11</sup> Pennsylvania. <sup>12</sup> Tennessee. <sup>13</sup>	States prohibit- ing branch banking Alabama. Arkansas. Colorado. Connecticut. Florida. Idaho. Illinois. Indiana. Iowa. Kansas. Minnesota. Missouri. Montana. Nebraska. Nevada. New Mexico. Oregon. Texas. Utah. Washington. West Virginia.	States having no legislation regarding branch banking Kentucky. <sup>2</sup> Michigan. <sup>4</sup> New Hampshire. North Dakota. Oklahoma. South Dakota. Wyoming.
Total, 9.	Total, 10.	Total, 22.	Total, 7.

 <sup>1</sup> City or municipality.
 <sup>2</sup> No provisions regarding branches, but court decisions permit establishment of additional offices or agencies to receive deposits and pay checks

<sup>4</sup> Municipality or Parish.
 <sup>4</sup> Industrial banks" may establish branches in city or village of head office; but no provisions covering establishment of branches by other banking institutions.

County or adjoining county. <sup>6</sup> Same town.

zed for FRASER

 Same city, town, township, borough, or village.
 City limits. " No provisions regarding branches but state-wide establishment of agencies" permitted.

 <sup>11</sup> Same city, or city or village contiguous thereto.
 <sup>12</sup> Corporate limits of same place. 13 County.

#### ALABAMA

Branches prohibited.—"No bank, or any officer, agent or director thereof, shall be permitted to establish a branch or office for the transaction of the banking

#### ARIZONA

Branches permitted.—Banks and trust companies in this State may establish branches if they have the capital required by law and if the consent of the superintendent of banks is obtained. The superintendent of banks may give his consent if the public convenience and advantage will be promoted by the opening of such

p. 131.)

#### ARKANSAS

Branches prohibited .- "\* \* \* the return of which said copy (certificate of incorporation) so in-dorsed and the filing of the same for record with the county clerk of the county in which the said institution (bank or trust company) is located, shall authorize it to proceed with its business, but with only one office for the transaction thereof in only the one town or city as to which the application has been made." (Banking Statutes, 1929, sec. 14, p. 9; sec. 13 of Act 113 of the act of 1913, as amended by acts of Arkansas, 1923, p. 519.)

### CALIFORNIA

Branches permitted .- "No bank in this State, or any officer or director thereof, shall hereafter open or keep an office other than its principal place of business, without first having obtained the written approval of the superintendent of banks to the opening of such branch office, which written approval may be given or withheld in his discretion, and shall not be given by aim until he has ascertained to his satisfaction that the dublic convenience and advantage will be promoted by the opening of such branch office; \* (Bank act of California, 1929, sec. 9.)

Capital required.-For each branch office located in the place of business of the parent bank, the paid-in capital, in cash, must exceed by \$50,000 the capital required for the transaction of business by a bank in

required for the transaction of business by a bank in that place. (Bank act of California, 1929, sec. 9.) For each branch office of a bank, other than an exclusive trust company, located in any place in the State other than the place of the principal place of business of the parent bank, the amount of paid-in capital, in cash, must exceed the amount required by law in the sum required for the organization of a bank in that locality, exclusive of the capital required for a trust department. (Bank act of California, 1929, sec. 9.)

For each branch of an exclusive trust company opened or maintained in any place in the State other than the place of the principal business of the parent trust company, the paid-in capital, in cash, must exceed by \$50,000 the amount required by law for the transaction of a trust company business. (Bank act of California, 1929, sec. 9.)

There are also provisions concerning the discontinuance of a branch, increase of capital upon increase in deposits of branches, fee for the opening of a branch, penalty for violation of the law covering the establishment of branches, advertising by branch, and the establishment of branches by banks located in a city or territory which is annexed by or consolidated with a city or territory of a class requiring a larger capitaliza-tion. (Bank act of California, 1929, secs. 9, 19, 23, 28, 60, and 82.)

#### COLORADO

Branches prohibited.—"Every bank shall be con-ducted at a single place of business, and no branch thereof shall be maintained elsewhere." (Banking Laws, 1928, sec. 56, p. 31; 1921 Compiled Laws, sec. 2703; S. L. 1913, sec. 48, p. 128.)

#### CONNECTICUT

Branches prohibited.--- \*\* \* \* no State bank, trust company, mutual savings bank, or building and loan association shall establish any branch office or agency thereof, or employ any agent or person to make loans or discounts at any other place than its banking house." (Banking Laws, 1929, sec. 3920, p. 18; General Statutes of 1918, sec. 3920, as amended by chapter 10, P. A. 1923.)

Persons, partnerships, or corporations licensed to transact a "small loan" business may not make any loan provided for in the Connecticut small loan com-Branches prohibited.—"No bank shall maintain any branch bank, receive deposits or pay checks, except over the counter of and in its own banking house: pany act "under any other name or at any other place of business than that named in the license. Not more Provided, That nothing in this section shall prohibit than one place of business shall be maintained under ordinary clearing house transactions between banks." (Banking and Public Depositary Law, 1925, sec. 84, the same license, but the bank commissioner shall issue more than one license to the same licensee upon the payment of an additional license to the same incensee upon the additional bond for each license." (Banking Laws, 1929, sec. 8, p. 114; ch. 219, P. A. 1919, as amended by ch. 223 P. A. 1923.) p. 42.) ILLINOIS Branches prohibited.-By an act approved June 28,

#### DELAWARE

Branches authorized.—"No bank or trust company shall open any branch office or place of business in this State unless authorized so to do by the certificate of the State bank commissioner." (Banking Laws, 1929, sec. 4, p. 16; Laws of Delaware, 1921, ch. 103, sec. 4, p. 288.)

Capital requirements.—"No such certificate shall be issued by the said commissioner unless satisfied that additional office or agency for the purpose of conducting any of its business." (Smith-Hurd Ill. Rev. Stat., the applicant has a paid-in capital stock to an amount equivalent to at least twenty-five thousand dollars for each office or place of business then established by said 1927. sec. 9, p. 193.) On June 4, 1929, an act was approved prohibiting corporation in this State and for the branch sought to branch banking; but this act is subject also to the approval of the people "at the next general election." be established, and a surplus to an amount equivalent to at least twenty-five thousand dollars for each office This act provides:

to at least twenty-five thousand dollars for each office or place of business then established by said corpora-tion." (Banking Laws, 1929, sec. 4, p. 16; Laws of Delaware, 1921, ch. 103, sec. 4, p. 288.) Must be authorized by charter.—"Nothing in this section contained shall be deemed to confer on any section the power to establish branches not exoffice or agency for the purpose of conducting any of its business." (Cahill Ill. Rev. Stat., 1929, sec. 9, p. 164; Laws of 1929, p. 178.) pressly authorized by its charter." (Banking Laws, 1929, sec. 4, p. 16; Laws of Delaware, 1921, ch. 103, sec. 4, p. 288.)

#### FEDERAL RESERVE BULLETIN

#### FLORIDA

Branches prohibited.-""The place of business of each banking company shall be in the city or town specified in its charter, and the usual business of any such banking company shall be transacted at an office or banking house located in the city or town so specified and not elsewhere." (Banking Laws, 1921, sec. 4139; General Compiled Laws of Florida, 1927, sec. 6070.)

#### GEORGIA

Branches authorized but restricted as to location .---Under the provisions of an act of the Georgia Legislature approved July 20, 1929, it is provided that banks chartered under the laws of this State and hav-"banks chartered under the laws of this State and hav-ing their principal office in a city, now, or hereafter having a population of not less than eighty thousand, or more than one hundred and twenty-five thousand, may establish branch banks in the city in which its principal office is located." (Georgia Laws, 1929, p. 214.) An act of the Georgia Legislature approved August 17, 1929, provides "that banks chartered under the laws of this State and having their principal office in a

laws of this State, and having their principal office in a municipality, now, or hereafter having a population of not less than 200,000, according to the last census of the United States or any future census of the United States, may establish branch banks in the municipality in which its principal office is located." This act also provides "that all laws and parts of laws in conflict herewith be and the same are hereby repealed." (Georgia Laws, 1929, p. 214.)

#### IDAHO

1923 (Laws of 1923, p. 164), the Illinois Legislature prohibited branch banking, subject to the approval of the people at the general election of 1924; and at an election held on November 4, 1924, the act was ap-

proved by the people. This act provides: "No bank shall establish or maintain more than one banking house, or receive deposits, or pay checks at any other place than such house; and no bank shall establish or maintain any branch bank, branch office or

#### INDIANA

Branches prohibited .--- "That it shall be unlawful for any person, firm, or corporation engaged in the business of operating a State bank, private bank, savings bank, or loan, trust, or safe deposit company to open or establish a branch bank or branch office: Provided, That the provisions of this section shall not apply to branch banks or branch offices for which charters have heretofore been granted." (Banking Laws, 1929, p. 139; Acts of 1921, p. 367.)

#### IOWA

Branches prohibited.—"No banking institution shall open or maintain any branch bank, or receive deposits or pay checks, other than at its principal place of busi-ness." (Banking Laws, 1929, sec. 9258-bl, p. 32; act approved April 18, 1927, 1927 S. L. ch. 206, p. 181.)

#### KANSAS

Branches prohibited .- "The general business of every bank shall be transacted at the place of business specified in its charter or permit, and it shall be unlawful for any bank to establish and operate any branch bank or branch office or agency or place of business." (Banking Laws, 1929, sec. 1, p. 2; Laws of 1929, ch. 85, sec. 1.)

#### KENTUCKY

No provision regarding branches.-There is no specific provision in the laws of Kentucky regarding the establishment of branches. The Court of Appeals of Kentucky has held, however, that in the absence of such a provision it is not within the power of a State bank to establish a branch bank, though it may have additional offices or agencies to receive deposits and pay checks or transact other necessary duties not requiring special discretion or business acumen. (Bruner v. Citizens Bank of Shelbyville, 120 S. W. 345; Marvin v. Kentucky Title Trust Company, 291 S. W. 17.)

#### LOUISIANA

Branches authorized .- "Every increase or decrease. modification, alteration, or addition to the capital or of the number of the shares, shall be submitted to a general meeting of the stockholders, held after thirty days' notice by publication and by mail, and shall be approved by two-thirds of the amount of the capital stock; and shall be executed, recorded and published as provided for the original articles, which shall provide for the location in the parish or domicile of any banking association of not more than two branch offices: Provided, That no banking association or savings bank with capital stock of less than \$50,000 may locate or operate branch offices; but this provision shall not apply to existing branch offices." (Banking Laws, 1928, sec. 7, p. 7; Act No. 184 of 1916, p. 420.)

Trust and savings banks, savings banks, and safe deposit companies .- "Any savings, safe deposit, or trust and savings bank may have one or more as hereinbelow provided offices of discount and deposit within the limits of the municipality or parish in which the said bank is located: *Provided*, That a savings, safe deposit, or trust and savings bank of fifty thousand dollars or more capital shall operate not more than one branch; or more than fifty thousand dollars, but not more than seventy-five thousand

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#### FEDERAL RESERVE BULLETIN

of a bank in the place in which the branch is located. superintendent of banks shall believe the convenience A trust company establishing a branch outside of the and interest of the public will be served he may permit city, town, or village in which it is located must add to banks in cities of not less than ten thousand population the amount of capital stock required for its organiza- to establish branch offices within the corporate limits tion for each branch so established a certain enumerated of the city where the bank is domiciled, and such offices sum depending upon the size of the place in which the shall not be considered branch banks within the meanbranch is established. No "branch shall hereafter be established" by any bank or trust company "in the established" by any bank or trust company "in the city, town, or village where said bank (or trust com-pany) is now located, and engaged in business," until said bank or trust company "conforms to the require-ments \* \* \*, as to the minimum amount of capital stock for banks (or trust companies) in said city, town, or village." (Banking Laws, 1927, sec. 20, p. 7; sec. 42, p. 19; 1924 Annotated Code of Maryland, art. 11, sec. 20, and sec. 42, as amended by acts of 1927 ch 188 stock for banks (or trust companies) in said eity, town, or village." (Banking Laws, 1927, sec. 20, p. 7; sec. 42, p. 19; 1924 Annotated Code of Maryland, art. 11, sec. 20, and sec. 42, as amended by acts of 1927, ch. 188, dollars for the exclusive use of each of said branch banks in its business, and the amount of the capital of sec. 42.) MASSACHUSETTS the parent bank employed by each branch bank shall never at any time be less than the said amount of ten Branches of trust companies authorized .-- "The thousand dollars. (Brown's Miss. and Federal Bankboard of bank incorporation may authorize in writing any such corporation to maintain one or more branch ing Statutes, 1925, sec. 80, p. 80; Heminway's Code,

sec. 3522.) offices of the town where its main office is located: MISSOURI Provided, That in any town the population of which Branch banks prohibited .-- "\* \* \* no bank shall according to the last preceding State or National census maintain in this State a branch bank, or receive deposdoes not exceed fifty thousand not more than one such its or pay checks except in its own banking house." (Laws of Missouri, 1927, sec. 1 (11737), p. 220.) Branch trust companies prohibited.—"\*\*\* no branch, and in any town the population of which according to said census exceeds fifty thousand but does not exceed one hundred thousand not more than two trust company shall maintain in this State a branch such branches shall be so authorized." These restrictions do not apply to branch offices authorized prior to January 2, 1928. (Act of May 8, 1928.) trust company or receive deposits or pay checks except in its own banking house." (Banking Laws, 1919, sec. 11799, p. 98; Rev. Stat. of Mo., 1919, sec. 11799, p. "Any office of a trust company the business of which has been taken over under section forty-four by, or any 3702.)

office of a national bank purchased by or merged in, a trust company located in the same town, may be maintained as a branch office of such corporation, if in the opinion of the commissioner public convenience will be served thereby." (Trust Company Laws, 1926, sec. 46, p. 24; General Laws of Mass., ch. 172, p. 46.)

#### MICHIGAN

"Industrial bank" may establish branches.-"To establish branch offices or places of business within the city or village in which its principal office is located, but

Branch banks prohibited .- "No bank shall mainnot elsewhere." (Banking Laws, 1929, sec. 86, p. 49; tain any branch bank, receive deposits, or pay checks, Mich. Pub. Acts, 1917, Act No. 296, sec. 4; Comp. Laws except over the counter of and in its own banking of Mich., Cahill's 1922 Supplement, sec. 8032 (6).) There is no specific provision in the laws of Michigan house: Provided, Nothing in this section shall prohibit ordinary clearing-house transactions between banks." (Banking Laws, 1929, sec. 1, p. 45; Laws of Nebraska, 1927, p. 153.) with reference to the establishment of branches by other banks. MINNESOTA

Branches prohibited.—"\*\*\* No bank in this superintendent of banks shall take possession of and liquidate the business and affairs of any State bank or trust company violating the provisions of this act in the manner prescribed by law for the liquidation of insolvent State banks and trust companies." (Banking Laws, 1929, sec. 1, p. 24; Laws of 1923, ch. 170, sec. 1; Mason's Minn. Statutes, 1927, sec. 7693.) Muscure otherwise carrying on a banking or trust company business, except as herein specially provided." (Bank-ing Laws, 1927, sec. 75, p. 23; Rev. Laws of Nevada, MISSISSIPPI

Branches in same city authorized.—"The creation or organization of any branch bank in this State shall be 1912, sec. 690.) NEW HAMPSHIRE and the same is prohibited and forbidden, and no branch bank shall be hereafter established in this No provision concerning branches .- There is no specific provision in the laws of New Hampshire regard-State, and no parent bank chartered under the laws of this State shall establish any branch bank either within ing the establishment of branches by banks or trust or without the State: Provided, however, That when the companies.

more than two hundred thousand dollars capital shall operate not more than five branches; of more than two hundred thousand dollars, but not more than two hundred and fifty thousand dollars shall operate not more than six branches; of more than two hundred and fifty thousand dollars, but not more than three hundred thousand dollars capital shall operate not more than seven branches; and for each additional hundred thousand dollars capital stock shall operate not more than one additional branch: And provided further, That before any savings, safe deposit, or trust and savings bank shall open a branch office under the provisions of this act, said savings, safe deposit, or trust and savings bank must first obtain a certificate of authority from the State bank com-missioner: And provided further, That whenever any such banks shall have taken advantage of the pro-visions of this act and section, and shall have estab-lished one or more offices of discount and deposit within the limits of said municipality or parish, no future political or legal subdivision of said munici-pality or parish shall have the effect of in anywise affecting the right of such banks aforesaid to continue the existence, maintenance, and operation of any such offices already established, nor shall any provisions contained in this act be construed as in anywise affecting the right of any savings, safe deposit, or trust and savings bank to continue the operation and maintenance of such branch offices as may have been lawfully established prior to the enactment of this act." (Banking Laws, 1928, sec. 1, p. 237; Act No. 146 of 1926, sec. 1.)

capital shall operate not more than three branches; of more than one hundred thousand dollars, but not

#### MAINE

Trust and banking company branches authorized.— "No trust company now or hereafter organized shall establish a branch or agency until it shall have received a warrant so to do from the bank commissioner, who shall issue such warrant only when satisfied that public convenience and advantage will be promoted by the establishment of such branch or agency, \* No trust company shall be permitted to establish a branch or agency except in its own or an adjoining county." (Banking Laws, 1927, sec. 88, p. 56; Maine P. L., 1923, ch. 144, sec. 88.) Capital requirements.—Trust companies are required

to have a capital varying with the place in which they are located. Trust companies with branches must have the capital required of trust companies located in a place with a population equal to the aggregate popu-lation of the place in which the parent institutions are located and the population of all places in which its branches are located. (Banking Laws, 1927, sec. 69, p. 46; sec. 88, p. 56; Maine P. L., 1923, ch. 144, secs. 69 and 88.)

#### MARYLAND

Branch banks and trust companies authorized .--The laws of Maryland provide for the capital of branches established by banks and trust companies and, therefore, impliedly authorize the establishment of branches by these institutions. The capital required for the organization of a bank or trust company depends upon the size of the place in which such bank or trust company is located. A bank hereafter establishing a branch outside of the city, town, or village in which it dollars capital shall operate not more than two is located must increase its capital stock for each branch branches; or more than seventy-five thousand dollars, so established to a sum equal to the amount required but not more than one hundred thousand dollars for the organization of such bank and the organization

#### MONTANA

Branch banks prohibited .- "No bank shall maintain any branch bank, receive deposits, or pay checks, except over the counter of and in its own banking house: Provided, That nothing in this section shall prohibit ordinary clearing-house transactions between banks." (Banking Laws, 1927, sec. 101, p. 58; Laws of 1927, ch. 89, sec. 101.)

#### NEBRASKA

# NEVADA

#### NEW JERSEY

Bank and trust company branches authorized .-"Banks (other than savings banks) and trust com-panies, organized under the laws of this State, may establish and maintain branch offices or agencies for the transaction of their business, with the approval in writing of the commissioner of banking and insurance, which approval shall be given by him only if it shall appear to him that the establishment of such branch office or agency will be of public service; \* \* \*." (Banking Laws, 1928, sec. 15, p. 136; Laws of 1925, ch. 27, p. 85, as amended by Laws of 1927, ch. 20, p. 54.)

Detailed provision is also made for obtaining the consent of the commissioner of banking and insurance to establish branches. (1929 Laws Relating to Banks and Trust Companies, p. 20; Laws of 1929, ch. 294, p. 686.)

Capital requirements.-The commissioner of banking and insurance shall not give his approval to the establishment of branch offices or agencies "unless the capital of such bank actually paid in in cash shall ex-ceed the amount required by law for the incorporation of a bank, to the extent of fifty thousand dollars, and the capital of such trust company actually paid in in cash shall exceed the amount required by law for the incorporation of a trust company, to the extent of one hundred thousand dollars for each branch office or agency so established: \* \* \*." (Banking Laws. agency so established; \* \* \*." (Banking Laws, 1928, sec. 15, p. 137; Laws of 1925, ch. 27, p. 85, as amended by Laws of 1927, ch. 20, p. 54.)

Establishment and number of branches restricted.-The approval of the commissioner of banking and insurance shall not "be given for the establishment of any such branch office or agency outside the city, town, township, borough, or village in which such bank or trust company is located, nor shall any bank or trust company maintain and operate a branch office or agency within the corporate limits of a city, town, township, borough, or village where the population by the last decennial census is less than twenty-five thousand; nor more than one such branch where such population by said census is more than twenty-five thousand and not more than fifty thousand; nor more than two such branches where such population by said census is more than fifty thousand and not more than one hundred thousand, and where such population by said census is more than one hundred thousand the number of such branches shall be such as may be determined by the commissioner of banking and insurance: *Provided*, That nothing in this act contained shall prevent the maintenance of any branch office or agency heretofore lawfully established." (Banking Laws, 1928, sec. 15, p. 137; Laws of 1925, ch. 27, p. 85, as amended by Laws of 1927, ch. 20, p. 54.) Merger of banks and trust companies.—Banks and

trust companies may merge each with the other and branches resulting from such merger may be continued under certain conditions. (Banking Laws, 1928, sec. 11, p. 55; sec. 19, p. 59; sec. 19, p. 108; sec. 27, p. 112; sec. 18 (1), p. 139; sec. 18 (9), p. 143; Laws of 1925, chs. 197, 198, and 203; Laws of 1927, ch. 14, p. 39; ch. 21, p. 55.)

Savings bank branches authorized.—"Any savings bank incorporated under the laws of this State may establish, with the written approval of the commis-sioner of banking and insurance, and maintain branch offices or agencies for the transaction of its business: *Provided*, That the approval of the commissioner of banking and insurance shall be given by him only if he shall be of the opinion that the establishment of

public; \* \* \*." (Act approved Mar. 7, 1927; Laws of 1927, ch. 34, p. 75.)

Capital requirements .- "And provided, That any savings bank establishing such branch office or agency shall have, according to its last annual report, a surplus of not less than five per centum of the amount of its deposits, and, in addition, fifty thousand dollars of surplus for each branch office or agency established, over and above said five per centum of the amount of deposits; \* \* \*." (Act approved Mar. 7, 1927; deposits; (Act approved Mar. 7, 1927; Laws of 1927, ch. 34, p. 75.)

Establishment and number of branches restricted.-" "\* \* \* And provided further, That such branch office or agency shall be established only within the corporate limits of the municipality (other than county) in which such savings bank is located: And provided further, That no such branch office or agency shall be established in any municipality (other than county) if the population thereof be less than twenty-five thousand, according to the latest decennial, State or Federal census, and not more than one such branch office or agency shall be established by any such savings bank if the population of the municipality wherein the same is located be, according to such census, less than fifty thousand, and no more than two such branch offices or agencies shall be established by such savings bank if the population of such municipality, according to such census, be less than one hundred thousand." (Act approved Mar. 7, 1927; Laws of 1927, ch. 34, p. 75.) Savings-bank branches resulting from mergers or consolidations.—"The merged or consolidated savings

bank may continue to maintain branch offices or agencies for the transaction of its business established agencies for the transaction of its business established pursuant to law by either or both of the merging or consolidating savings banks." (New Jersey Laws of 1929, ch. 1, sec. 7, p. 844.) Savings branch effice buildings may be acquired.— "Any savings bank may acquire and hold a lot or lots whereon are proceed or may be rested building or

whereon are erected or may be erected building or buildings requisite for the convenient transaction of the business of any such branch offices or agencies and from portions of which, not required for its own use. revenue may be derived, subject, however, to the restriction and limitations contained in section thirty-three of an act entitled 'An act concerning savings bank,' approved May second, nineteen hundred and six; or may lease space for the transaction of such business." (Banking Laws, 1925, sec. 81, p. 28; Laws of 1925, ch. 228, sec. 2, p. 552.)

Savings branch office may be discontinued .--- "Any savings bank may discontinue any such branch office or agency with the written approval of the commissioner of banking and insurance, and upon such prior public notice as he shall prescribe." (Banking Laws, 1925, sec. 82, p. 28; Laws of 1925, ch. 228, sec. 3, p.

#### NEW MEXICO

Branches prohibited.—"Every bank shall be con-ducted at a single place of business, and no branch thereof shall be maintained elsewhere: *Provided*, however, That nothing herein contained shall be construed to prohibit any mercantile corporation which maintains a banking department in accordance with the provisions of this act, from receiving deposits and buying and selling exchange at any of its branch stores." (Bank Code, 1929, sec. 47, p. 18; Laws of

1915, ch. 67, sec. 47.) "Bank" defined.—"The word 'bank' as used in this act includes every person, firm, company, copartnership, or corporation, except national banks, engaged such branch office or agency will be beneficial to the | in the business of banking in the State of New Mexico.

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Banks are divided into the following classes: (a) Commercial banks; (b) savings banks; and (c) trust com-panies." (Bank Code, 1929, sec. 2, p. 5; Laws of 1915, ch. 67, sec. 2.)

#### NEW YORK

Branch offices of State banks authorized within city limits.—"No bank, or any officer or director thereof, shall transact its usual business of banking at any place other than its principal place of business, except that a bank in a city which has a population of more than 50,000 may open and occupy in such city one or more branch offices for the receipt and payment of deposits and for making loans and discounts to customers of such respective branch offices only: Provided, That before any such branch or branches shall be opened or occupied:

'1. The superintendent shall have given his written approval, as provided in section fifty-one of this chap-

ter: "2. The actual paid-in capital of such bank shall exceed by the sum of one hundred thousand dollars the amount required by section one hundred of this article for each branch opened since the twenty-seventh day of April, nineteen hundred and eight; and by the sum of fifty thousand dollars for each branch opened pre-vious to said date and hereafter maintained." (Bank-

ing Law, sec. 110.) The approval of the superintendent of banks of an application by a State bank for leave to open a branch office is made dependent upon whether or not he con-siders that "the granting of such application is expe-dient and desirable" after he has made "such investigation as he may deem necessary to ascertain whether the public convenience and advantage will be promoted by the opening of such branch office." (Banking Law, sec. 51.)

Capital requirements.-Before any branch branches may be established by a State bank the actual paid-in capital of an applying bank must exceed by the amounts as set out in the provision quoted above, for each branch opened, the following amounts. (Banking Law, sec. 110.) "(a) Twenty-five thousand dollars, if the place

where its business is to be transacted is an incorporated or unincorporated village the population of which does not exceed two thousand. "(b) Fifty thousand dollars, if the place where its

business is to be transacted is an incorporated or unincorporated village or a city the population of which exceeds two thousand but does not exceed thirty thousand.

"(c) One hundred thousand dollars, if the place where its business is to be transacted is a city the pop-ulation of which exceeds thirty thousand." (Banking Law, sec. 100.)

Trust company branch offices authorized within city limits.—" No trust company, or any officer or director thereof, shall transact its usual business at any place other than its principal place of business, except that a trust company may open and occupy in the city in which its principal place of business is located one or more branch offices, provided that before any such branch or branches shall be opened or occupied:

"1. The superintendent shall have given his written approval, as provided in section fifty-one of this chapter. "2. The actual paid-in capital of such trust company

shall exceed by the sum of one hundred thousand dollars the amount required by section one hundred and eighty

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of this article for each branch opened." (Banking Law,

sec. 195.) The approval of the superintendent of banks of an application by a trust company for leave to open a branch office is made dependent upon whether or not he considers that "the granting of such application is expedient and desirable" after he has made "such investigation as he may deem necessary to ascertain whether the public convenience and advantage will be promoted by the opening of such branch office." (Banking Law, sec. 51.)

Capital requirements .- Before branches may be established by a trust company, its actual paid-in capital must exceed by \$100,000 for each branch opened the following amounts (Banking Law, sec. 195): "(a) One hundred thousand dollars, if the place

where its business is to be transacted is an incorporated or unincorporated village or city the population of "(b) One hundred and fifty thousand dollars, if the

place where its business is to be transacted is a city the population of which exceeds twenty-five thousand but does not exceed one hundred thousand.

"(c) Two hundred thousand dollars, if the place where its business is to be transacted is a city the population of which exceeds one hundred thousand but does not exceed two hundred and fifty thousand.

"(d) Five hundred thousand dollars, if the place where its business is to be transacted is a city the population of which exceeds two hundred and fifty thou-sand." (Banking Law, sec. 180.)

Savings bank branches authorized in cities of "first class."—"2. No savings bank, or any officer or director thereof, shall transact its usual business at any place other than its principal place of business without the written permission of the superintendent of banks, given as provided in subdivision three of this section, except that it may, provided the merger agreement so provides, continue to occupy and maintain as a branch office, the place of business occupied and maintained at the time of the merger by any savings bank which it has received into itself by merger pursuant to article

twelve of this chapter. "3. Upon written approval of the superintendent of banks, given as provided in this subdivision, a savings bank, located in a city of the first class (city of 175,000 or more inhabitants) may open and occupy within said city one branch office, and if such city comprises more than one county or borough, such branch office may be located only in the same county or borough in which its main office is located. \* \* \* The superintendent shall ascertain by such investigation as he may deem advantage will be promoted by the opening of such branch office. \* \* \*." (Banking Law, sec. 245.)

Provision is made for obtaining the authorization of the superintendent of banks to establish branch offices

of savings banks. (Banking Law, sec. 245.) Savings and loan associations authorized to establish one "station."—"A savings and loan association located in a city which has a population of more than thirty thousand may open and maintain in said city one station for the payment of dues and withdrawals and the payment of interest, premium, fees, and fines by its members and payments upon the principal of loans by its borrowing members, provided that before any such station shall be opened or maintained: "1. Its board of directors shall submit to the super-

intendent a written application setting forth the reasons therefor and the location of such station.

"2. The superintendent shall have given his written approval thereto." (Banking Law, sec. 403.)

#### NORTH CAROLINA

Branches authorized .--- "Any bank doing business under this act may establish branches in the cities in which they are located, or elsewhere, after having first obtained the written approval of the corporation commission, which approval may be given or withheld by the corporation commission, in its discretion, and shall not be given until it shall have ascertained to its satisfaction that the public convenience and advantage will be promoted by the opening of such branch." (Banking Laws, 1927, sec. 220 (r), p. 26; North Carolina Code, Annotated Edition, 1927, sec. 220 (r).) Capital requirements.—"Provided, That the corpora-

tion commission shall not authorize the establishment of any branch, the paid-in capital stock of whose parent bank is not sufficient in an amount to provide for the capital of at least twenty-five thousand dollars for the parent bank, and at least twenty-five thousand dollars for each branch which it is proposed to establish in cities or towns of three thousand population or less; nor less than thirty thousand dollars in cities and towns whose population exceeds three thousand but does not exceed ten thousand; nor less than fifty thousand dollars in cities and towns whose population exceeds ten thousand but does not exceed twenty-five thousand; nor less than one hundred thousand dollars in cities and towns whose population exceeds twenty-five thousand. All banks operating branches prior to February 18, 1921, shall, within a time limit to be prescribed by the corporation commission, cause said branch bank to conform to the provisions of this section." (Banking Laws, 1927, sec. 220 (r), p. 26; North Carolina Code, Annotated Edition, 1927, sec. 220 (r).)

Bank" defined .- "The term 'bank' when used in this act shall be construed to mean any corporation, partnership, firm, or individual receiving, soliciting, or accepting money or its equivalent on deposit as a accepting money or its equivalent on deposit as a business: *Provided*, *however*, This definition shall not be construed to include building and loan associations, Morris plan companies, industrial banks or trust com-panies not receiving money on deposit." (Banking Laws, 1927, sec. 216 (a) p. 3; North Carolina Code, Annotated Edition, 1927, sec. 216 (a).) "Industrial bank" branches authorized.—Every industrial bank is given the power "the establish branch

industrial bank is given the power "to establish branch offices or places of business within the county in which its principal office is located, and elsewhere in the State, after having first obtained the written approval of the corporation commission, which approval may be given or withheld by the corporation commission in its discretion: Provided. That the corporation commission shall not authorize the establishment of any branch the paid-in capital of whose parent bank is not sufficient in an amount to provide for the capital of at least \$25,000 for the parent bank and at least twenty-five thousand dollars (\$25,000) for each branch which it is proposed to be established in cities or towns of fifteen thousand population or less; nor less than fifty thousand dollars (\$50,000) in cities or towns whose population exceeds fifteen thousand but does not exceed twenty-five thousand; nor less than one hundred thousand dollars (\$100,000) in towns whose population exceeds twentyfive thousand." (Banking Laws, 1927, sec. 225 (f) p. 42; North Carolina Code, Annotated Edition, 1927, sec. 225 (f).)

"Industrial bank" defined .-. "The term 'industrial bank,' as used in this act, shall be construed to mean any corporation organized, or which may here-bank, trust company, title insurance company, or

after be organized under the general corporation laws of this State, which is engaged in lending money to be repaid in weekly or monthly or other periodical installments, or principal sums, as a business: Provided. however, This definition shall not be construed to or savings banks." (Banking Laws, 1927, sec. 225 (a), p. 41; North Carolina Code, Annotated Edition, 1927, sec. 225 (a).)

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#### NORTH DAKOTA

No provision concerning branches.—There is no specific provision in the laws of North Dakota regarding the establishment of branches.

#### OHIO

Branch banks authorized .- "No branch bank shall be established until the consent and the approval of the superintendent of banks has been first obtained. and no bank shall establish a branch bank in any place other than that designated in its articles of incorporation, except in a city or village contiguous thereto. If such consent and approval is refused, an appeal may be taken therefrom in the same manner as is provided in section 45 of this act." (Banking Laws, 1928,

sec. 710-73, p. 28.) "Bank" defined.—"The term 'bank' shall include any person, firm, association, or corporation soliciting, receiving or accepting money, or its equivalent, on deposit as a business, whether such deposit is made subject to check or is evidenced by a certificate of deposit, as passbook, a note, a receipt, or other writing, and unless the context otherwise requires as used in this act includes commercial banks, savings banks, trust companies, and unincorporated banks; provided that nothing herein shall apply to \* \* \* building building and loan associations or title guarantee and trust companies incorporated under the laws of this State." (Banking Laws, 1928, sec. 710-2, p. 5.)

#### OKLAHOMA

No provision concerning branches.-There is no specific provision in the laws of Oklahoma regarding the establishment of branch banks.

#### OREGON

Branches prohibited .--- "No bank or trust company or any officer or director, agent or employee thereof, shall open or maintain any branch in this State or receive deposits or pay checks other than at its principal place of business: *Provided*, That this section shall not apply to branch banks or trust companies now existent or authorized to do business in this State as a foreign bank or trust company, under the provisions of this act: Provided further, That every such foreign branch bank or trust company shall hereafter in every respect be governed by and comply with the provisions of this act to the same extent as other State banks or trust companies now organized and doing business in this State: Provided, That any State bank may effect a consolidation on the same terms and conditions now or hereafter permitted to national banks." (Banking Laws, 1925, sec. 113, p. 44; General Laws of Oregon, 1925, ch. 207, sec. 113.)

#### PENNSYLVANIA

General establishment of branches prohibited.—"No

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other corporation now or hereafter authorized to re- principal place of business is located at the time of such relocation, subject to the approval of the secretary of banking." (Act approved April 27, 1927, Laws of ceive deposits or to carry on a banking or trust business. whether incorporated under the laws of Pennsylvania or of any other State or of the United States of Amer-Pennsylvania, 1927, sec. 2, p. 400.) ica, \* \* \* shall establish, maintain, or operate either directly or indirectly, any branch bank, branch RHODE ISLAND office, agency, suboffice, subagency, or branch place of business, within the Commonwealth of Pennsylvania, for the transaction of any part of its \* \* \* busi-Branches authorized .--- " Any bank or trust company may establish a branch or branches within this State ness, but all of the business of such corporation,

\* \* \* shall be carried on solely and exclusively at its \* \* \* its \* \* \* principal place of business." (Act ap-proved April 27, 1927, Laws of Pennsylvania, 1927, sec. 1, p. 400).

Exception-Establishment permitted within corporate limits of places where national banks were operating branches on March 1, 1927 .- "This act shall not apply to any bank, banking company, banking institution, savings bank, trust company, title insurance company, or other corporation, now or hereafter authorized to receive deposits or carry on a banking or trust business, whether incorporated under the laws of Pennsylvania or of any other State or of the United States of America, \* \* \* which has its \* \* \* principal place of business in a city, borough, or town-ship within the Commonwealth of Pennsylvania, in which one or more national banking associations,

\* \* \* was, on March 1, 1927, operating one or more branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business, for the transaction of any part of its business; and any such corpor-ations \* \* \* may hereafter establish, subject to the approval of the secretary of banking, and thereafter maintain and operate branch banks, branch offices, agencies, suboffices, subagencies, and branch places of business for the transaction of any part of its business, but only within the corporate limits of the city, borough, or township in which its principal office is located and in which such national banking association was, on March 1, 1927, operating one or more branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business. The right to establish and maintain branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business, under the provisions of this section, shall be limited to the territory included within the corporate limits on March 1, 1927, of the respective cities, boroughs, or townships in which such national banking associations were on that date operating one or more branch banks, branch offices, agencies, suboffices, subagencies, or branch places of business as aforesaid; and such right shall not extend to additional territory which may, after March 1, 1927, be added to such cities, boroughs, or townships, by annexation, consolidation with one or more municipal corporations or otherwise, nor shall it extend to other portions or divisions of municipal corporations to which such cities. boroughs, or townships may be annexed, or with which they may be consolidated after that date; the intention being to limit to the respective corporate limits of such cities, boroughs, or townships as they existed on March 1, 1927, the right to establish and maintain the branch banks, branch offices, agencies, suboffices, subagencies, and branch places of business authorized in this section. (Act approved April 27, 1927, Laws of Pennsylvania, 1927, sec. 3, p. 401.)

Other exceptions are that the act does not apply to branches established or for which locations had been Branches prohibited .- "The business of every banksecured prior to March 1, 1927, or to branches resulting institution shall be conducted only at its banking ing from consolidations of banks effective prior to April 1, 1927; "and such corporations \* \* \* shall house, and no bank in this State or any loan, trust, or guaranty company or trust company conducting a have the right to relocate the same within the corporate limits of the city, borough, or township in which the

at any other place than its principal place of business upon obtaining the consent of the board of bank incor-poration thereto. \* \* \*" (Banking Laws, 1929, sec. 9, p. 6; General Laws, 1923, ch. 269, sec. 9.)

Detailed provision is also made for obtaining the consent of the board of bank incorporation to establish branches. (Banking Laws, 1929, sec. 9, p. 6; General Laws, 1923, ch. 269, sec. 9.)

#### SOUTH CAROLINA

Branch banks authorized by implication. "\* \* \* for each branch bank that is established the parent bank must have a total unimpaired capital of at least twenty-five thousand (\$25,000.00) dollars above the minimum requirements herein set forth." (Banking Laws, 1928, sec. 20, p. 11, Acts of 1928, ch. 701, sec. 2.) Provision is also made for the publication of state-ments of the assets and liabilities of branch banks or offices, for the examination of branch banks, and for the taxation of banks having branches. (Banking Laws, 1928, sec. 61, p. 29; sec. 86, p. 45; sec. 106, p. 54; Code of 1922, sections 3984, 3989; act approved March 21, 1924, p. 1116, Acts of 1924.)

#### SOUTH DAKOTA

No provision regarding branches.—There is no spe-cific provision in the laws of South Dakota regarding the establishment of branch banks.

#### TENNESSEE

Branches authorized in county where located .--That no corporation, firm, or individual now or hereafter doing or carrying on a banking business in the State of Tennessee shall have, maintain, create, or operate any branch bank, office, or agency, for the purpose of receiving deposits, paying checks, making loans, or receiving or discounting bills or notes in any place whatsoever other than the county of this State wherein such banking business is carried on." (Act approved April 6, 1925, sec. 3.)

#### TEXAS

Branch banks prohibited.—"No banking corporation organized under the laws of this State shall ever engage in business at more than one place, which shall be designated in its charter. No such corporation shall maintain a branch bank, receive deposits or pay checks except in its own banking house. County or State depositories or county depositories not located at the county seat, and ordinary clearing house transactions between banks, are not affected by this article." (Banking Laws, 1929, art. 538, p. 51.)

#### UTAH

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#### bank or office, and shall receive deposits and pay checks only at its banking house: Provided, That all branch banks or offices in operation at the time of the approval of this chapter shall be closed and discontinued within one year from the date this chapter goes into effect." (Banking Laws, 1927, sec. 1005, p. 12; Comp. Laws of Utah, 1917, title 19, ch. 6, sec. 1005.)

#### VERMONT

No provision regarding branches but "agencies" authorized.—"SECTION 1. Before a savings bank, trust company or a savings bank and trust company opens an agency of such corporation it shall petition the bank commissioner to hold a public hearing in the town where the proposed agency is to be located, to determine whether the establishment and maintenance thereof will promote the general good of the State. \* \* \* If after the hearing said commissioner finds and ad-judges that the establishment and maintenance of the proposed agency will promote the general good of the State, he shall give said bank a certificate to that effect under his seal. A savings bank, trust company or savings bank and trust company shall not operate any agency not certified by said commissioner as herein provided." herein provided.'

"SEC. 2. An agency of a bank in operation prior to February 1, 1929, permission to operate such agency having been procured from the commissioner of banking and insurance, shall be permitted to continue." (Act of March 13, 1929.)

#### VIRGINIA

Branches authorized .- "No bank or trust company heretofore or hereafter incorporated under the laws of this State shall be authorized to engage in business in more than one place, except that, in its discretion the State corporation commission may authorize banks having a paid-up and unimpaired capital and surplus of fifty thousand dollars or over to establish branches within the limits of the city, town, or village in which the parent bank is located or in other cities having a population of not less than fifty thousand inhabitants. This section, however, shall not apply to branch banks already established, and this section shall not be con-strued to prohibit the merger of two banks in the same or adjoining counties and the operation by the merged company of the two banks. But any branch bank heretofore or hereafter established shall not be operated or advertised under any other name than that of the identical name of the home bank, unless permission be first had and obtained from the State corporation commission, and unless such different name shall contain or have added thereto language clearly indicating that it is a branch bank and of what bank it is a branch. Any bank or trust company violating the provisions of this section shall be liable to a fine of one thousand dollars, to be imposed and judgment entered therefor by the State corporation commission, and enforced by its process." (Banking Laws, 1929, sec. 4149 (14), p. 30; Acts of 1928, ch. 507, sec. 13.)

#### WASHINGTON

Branches prohibited.-"\* \* \* nor shall any bank or trust company establish any branch. The practice of collecting or receiving deposits or cashing checks at any place or places other than the place where the usual business of a bank or trust company and its operations of discount and deposits are carried on shall be held and construed to be establishing a branch: \* \* \*." (Banking Laws, 1929, sec. 25, p. 12; Laws 1919, sec. 7, p. 730.) Definition of "bank."—"The term 'bank,' where

used in this act, unless a different meaning appears from the context, means any corporation organized under the laws of this State engaged in banking, other than a trust company or a mutual savings bank." Banking Laws, 1929, sec. 24, p. 11; Laws 1917, sec. (4, p. 275.)

Definition of "branch."-"The term 'branch bank,' where used in this act, means any office of deposit or where used in this act, means any office of deposit or discount maintained by any bank or trust company, domestic or otherwise, other than its principal place of business, regardless of whether it be in the same city or locality." (Banking Laws, 1929, sec. 24, p. 11; Laws 1917, sec. 14, p. 275.) Mutual savings bank branches.—"No (mutual) savings bank or any officer or director thereof shall receive deposits or transact any of its usual business at any place other than its principal place of business."

any place other than its principal place of business." (Banking Laws, 1929, sec. 181, p. 84; Laws 1925, Ex. Ses., sec. 10, p. 107.)

#### WEST VIRGINIA

Branch banking prohibited.—"No banking institu-tion chartered and authorized to engage in business hereunder shall hereafter install any branch bank, or engage in business at any place other than at its prin-cipal office in the State of West Virginia; \* \* \*." (1929 S. L., ch. 23, sec. 5, p. 113.)

#### WISCONSIN

Branch banks prohibited.—"\* \* \* but no bank shall establish more than one office of deposit and discount or establish branch offices or branch banks, branch off establish branch offices of branch banks, provided that this prohibition shall not apply to any branch office or bank established prior to May 14, 1909." (Banking Laws, 1927, sec. 221.04 (1-f), p. 28; Wis-consin Statutes, 1927, sec. 221.04 (1-f).) Branch trust companies prohibited.—"\*\* \* nor shall such companying (trust company bank) establish

shall such corporation (trust company bank) establish more than one office of deposit nor establish nor main-tain branches." (Banking Laws, 1927, sec. 223.06, p. 59; Wisconsin Statutes, ch. 223.)

#### WYOMING

No provision covering branches.—There is no specific provision in the laws of Wyoming in regard to the establishment of branch banks.

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#### STATE BANK MEMBERSHIP

The following list shows the changes affecting State bank membership during the month ended March 21, 1930, on which date 1,111 State institutions were members of the system:

	And a second sec		1 and the second		
Date	Federal reserve district	Capital	Date	Federal reserve district	Capita
1930	No. 1-Boston	-		No. 1-Boston	
Mar. 15	American Trust Co., Boston, Mass. Consolidated with First National Bank of Boston.	\$1, 500, 000	1930 Mar. 15	First National Bank, Boston, Mass American Trust Co., member Consolidated under charter and title of First	1, 500, 0
	No. 2-New York			National Bank	44, 500, 0
Mar. 24	State Bank of Endicott, Endicott, N. Y., title changed to Endicott Trust Co.		Mar. 22	No. 2-NEW YORK Niagara National Bank, Buffalo, N. Y Primary organization.	300, 0
	No. 3—Philadelphia			No. 3-Philadelphia	
Mar. 3	Port Carbon State Bank, Port Carbon, Pa Voluntary withdrawal.	50, 000	Mar. 1	First National Bank, Roebling, N. J., title changed to First National Bank & Trust Co.	
	No. 4—CLEVELAND		7	Terre Hill National Bank, Terre Hill, Pa Absorbed by Blue Ball National Bank, Blue	40, 0
Mar. 10	Union Trust Co., Dayton, Ohio Admitted to membership; a merger of City National Bank & Trust Co. and Dayton Savings & Trust Co., a nonmember.	1, 500, 000	13	Ball, Pa. First National Bank, Wrightstown, N. J. Absorbed by First National Bank & Trust Co., New Egypt, N. J. Gap National Bank, Gap, Pa., title changed to Gap National Bank & Trust Co.	25, 0
7	Admitted to membership	150, 000	15	Gap National Bank, Gap, Pa., title changed to Gap National Bank & Trust Co.	
12	Union Bank & Savings Co., Bellevue, Ohio Admitted to membership; a merger of Wright Banking Co., a member, and Bellevue Sav-	150, 000		No. 4-Cleveland	
	ings Bank Co., a nonmember.		Feb. 28	Wallins National Bank, Wallins Creek, Ky Absorbed by Harlan National Bank, Harlan,	25, 0
Feb. 28	NO. 6—ATLANTA Orrville Bank & Trust Co., Orrville, Ala	25.000	Mar. 3	Ky. First National Bank, Ligonier, Pa	25, 0
Mar. 7	Closed. Exchange Bank, Cordele, Ga	35, 000 100, 000	1	National Bank of Ligonier Merged under new charter and title of Ligo- nier National Bank	50, 0 125, 0
12	<ul> <li>Closed.</li> <li>Algiers Trust &amp; Savings Bank, New Orleans, La. Absorbed by Whitney Trust &amp; Savings Bank, a nonmember.</li> </ul>	200, 000	8	City National Bank & Trust Co., Dayton, Ohio- Succeeded by Union Trust Co., member.	750, 0
1	No. 7-CHICAGO	alert .	Jan. 20	No. 5-RICHMOND	50.0
Mar. 12	Iowa State Bank, Osceola, Iowa Voluntary withdrawal.	50, 000	Feb. 22	Front Royal National Bank, Front Royal, Va Succeeded by Citizens National Bank. Farmers National Bank, Tazewell, Va.	50, 0 60, 0 100, 0
	No. 8-ST. LOUIS		Mar. 2	Absorbed by Farmers Bank of Clinch Val- ley, Tazewell, Va., nonmember. Peoples First National Bank, Charleston, S. C	1,000,0
Mar. 3	American Exchange Trust Co., Little Rock, Ark Admitted to membership: a merger of Ameri-	1, 000, 000		Succeeded by Peoples State Bank of South Carolina, nonmember.	
	Exchange National Bank of Little Rock.	And the second	in i	NO. 6-ATLANTA	
1	Mississippi Valley Merchants State Trust Co., St. Louis, Mo., title changed to Mississippi Val- ley Trust Co.	SILO, IT	Feb. 25	First National Bank, Fort Gaines, Ga Union Savings Bank, nonmember Consolidated under charter and title of First	50, 0 27, 1
	No. 11-DALLAS		·Mar. 6	National Bank. Citizens National Bank, Barnesville, Ga Absorbed by First National Bank.	50, 0 50, 0
Mar. 12	Citizens State Bank, Greenville, Tex., a member Absorbed the First National Bank of Merit,	100,000	12	First National Bank, Fairfield, Ala., title changed to Fairfield American National Bank.	
12	Tex First State Bank, Bomarton, Tex Withdrawal.	25, 000 32, 000	15	Snell National Bank, Winter Haven, Fla Primary organization.	200, 0
	No. 12-SAN FRANCISCO	-	Feb. 20	NO. 7—CHICAGO First National Bank, Winterset, Iowa	50.0
Feb. 24	Farmers & Merchants Bank, Odessa, Wash Succeeded by Security State Bank, nonmem-	25, 000	26	Absorbed by Winterset Savings Bank, non- member.	50, 0
Mar. 1	ber. First State Bank, LaCrosse, Wash., a member And Security State Bank, LaCrosse, Wash., a	60, 000	26	First National Bank, Flint, Mich., title changed to First National Bank & Trust Co. National Bank of Bloomfield, Iowa	55, (
1999	Consolidated under title of First State Bank,	30, 000	28	Absorbed by State Bank of Davis County, Bloomfield, Iowa, nonmember. Commercial National Bank, Union City, Ind	50,0
	member	60,000		Succeeded by Commercial Bank & Trust Co., nonmember.	00,0

# CHANGES IN MEMBERSHIP

#### NATIONAL BANK MEMBERSHIP

The following list shows reported changes (except suspensions and insolvencies) affecting national bank membership, concerning which information became available between February 25 and March 24, 1930:

Date

1930

22

Mar.

#### FEDERAL RESERVE BULLETIN

**APRIL**, 1930

Capital

\$100,000

25,000

27, 500

25,000

25,000

25,000

25,000

25,005

50,000

50,000 25,000 20

12

1

#### **APRIL**, 1930

#### FEDERAL RESERVE BULLETIN

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CHANGES IN MEMBERSHIP-Continued

## NATIONAL BANK MEMBERSHIP-Continued

# CHANGES IN MEMBERSHIP-Continued NATIONAL BANK MEMBERSHIP-Continued

### Federal reserve district Date Capital Federal reserve district No. 7-CHICAGO-Continued No. 11-DALLAS 1929 Bevans National Bank, Menard, Tex\_\_\_\_\_\_ Succeeded by Bevans State Bank, nonmem-ber. Security National Bank, Grand Rapids, Mich .... \$500,000 Dec. 31 Primary organization. First National Bank, Sterling, Ill. Sterling National Bank. Consolidated under charter of First National Bank and under title of First Sterling Na-200 000 100,000 1930 Bank and under title of First Sterling Na-tional Bank. First National Bank, New London, Wis-Bank of New London, nonmember. Consolidated under charter and title of First National Bank. First National Bank, Ripon, Wis-American National Bank. Consolidated under charter and title of First National Bank of Commerce, Milwaukee, Wis-Second Wisconsin National Bank. Consolidated under charter and title of Na-tional Bank of Commerce. 200, 000 50, 000 30, 000 75,000 100,000 Bank Mar. 4 Farmens & Merchants National Bank, Achille, Okla. Absorbed by Durant National Bank, Durant, Okla. First National Bank, Newcastle, Tex. Absorbed by First National Bank, Throck-morton, Tex. First National Bank, Merit, Tex. First National Bank, Merit, Tex. Hot Springs National Bank, Hot Springs, N. Mex. Succeeds First National Bank. Farmers & Merchants National Bank, Achille, 100,000 300,000 1,000,000 200,000 1,000,000 NO. 8.-ST. LOUIS Feb. 21 Exchange National Bank, Little Rock, Ark...... American Southern Bank & Trust Co., member... Consolidated under the new charter and title 400,000 1,000,000 No. 12-SAN FRANCISCO First National Bank, Colton, Calif... Absorbed by Bank of America of California, Los Angeles, Calif., nonmember. Burley National Bank, Burley, Idaho... Succeeded by nonmember bank. National Bank of East Stanwood, Wash... Conversion of State Bank of East Stanwood, nonmember nonmember iary Powers Granted to National Banks ing the month ended March 21, 1930, the ring the month ended March 21, 1930, the ral Reserve Board approved applications of the nal banks listed below for permission to exercise r more of the fiduciary powers named in section ) of the Federal reserve act as amended, as fol-(1) Trustee; (2) executor; (3) administrator; egistrar of stocks and bonds; (5) guardian of es-(6) assignee; (7) receiver; (8) committee of es of lunatics; (9) in any other fiduciary capacity ich State hanks trust companies or other eco ch State banks, trust companies, or other corons which come into competition with national are permitted to act under the laws of the State ch the national bank is located.

100, 000	Location	Dis- trict No.	Name of bank	Powers granted
200,000				
35, 000	Torrington, Conn	1	Torrington National Bank & Trust Co.	18 and 9
30,000	Everett, Mass	1	Everett National Bank	1 to 9
	Farmington, Me		Peoples National Bank	
	Cranford, N. J.	2	First National Bank	1 to 9
	Farmingdale, N. Y	2	First National Bank	1 to 9
75,000	Berwyn, Pa	3	Berwyn National Bank	1 to 9
	Donora, Pa	4	First National Bank	1 to 9
25,000	Williamsport, Md	5	Washington County Na- tional Bank.	1 to 9
25,000	Lenoir, N. C.	5	First National Bank	1 to 9
100 1000	Macon, Ga	6	Macon National Bank	1 to 9
	Belle Plaine, Iowa	7	Citizens National Bank	1 to 3, 5 to 9
25,000	Grand Rapids, Mich.	7	American National Bank	2. 3. 5 and 8
	Hillsdale, Mich	7	First National Bank	1 5 and 8
50 000	Mount Vernon, Wash.	12	First National Bank	14 to 9

<sup>1</sup> Supplementary.

Gold with Federal reserve agents
Gold redemption fund with United States Treasury
Gold held exclusively against Federal reserve notes
Gold and gold certificates held by banks
Total gold reserves
Total gold reserves Reserves other than gold
Total reserves
Nonreserve cash
Bills discounted 1
Bills bought: Outright <sup>2</sup>

RESOURCES

LIABILITIES

Under resale agreement\_\_\_\_\_

Total bills bought .....

United States securities: Bought outright\_\_\_\_\_ Under resale agreement\_\_\_\_\_

Total United States securities

Other reserve bank credit: Other securities\_\_\_\_\_\_ Due from foreign banks\_\_\_\_\_\_ Reserve bank float <sup>3</sup>\_\_\_\_\_

Total reserve bank credit outstanding......

Federal reserve notes of other reserve banks..... Other uncollected items not included in float..... Bank premises All other resources

# Total resources.....

Federal reserve notes: Held by other Federal reserve banks..... Outside Federal reserve banks.....

Total notes in circulation

Deposits: Member bank—reserve account..... Government\_\_\_\_\_\_ Foreign bank\_\_\_\_\_\_ Other deposits\_\_\_\_\_\_

Total deposits

Deferred availability items.....

Capital paid in Surplus\_\_\_\_\_\_All other liabilities\_\_\_\_\_\_

# Total liabilities

Contingent liability on bills purchased for foreign correspondents.....

Federal reserve notes:	FEDERAL RESERVE NOTE STATEMENT
Issued to Federal reserve	banks by Federal reserve agents
In actual circulation	banks 4
Gold	ecurity for notes issued to banks:
Eligible paper	
. Total collateral	

<sup>1</sup> Includes bills discounted for intermediate credit banks as follows: Latest month, \$1,043,000; month ago. \$250,000; year ago, \$13,337,000; and notes secured by adjusted service certificates discounted for nonmember banks as follows: Latest month, \$38,000; month ago, \$20,000; year ago, \$128,000.

\$125,000.
Includes bills payable in foreign currencies as follows: Latest month, \$1,040,000; month ago, \$1,038,000; year ago, \$1,036,000.
Uncollected items (exclusive of Federal reserve notes of other Federal reserve banks) in excess of deferred availability items.
Excludes "F. R. notes of other F. R. banks," which are consequently included in "actual circulation."

Mar. 3	of American Exchange Trust Co., member- First National Bank & Trust Co., Owensboro,	1,000,000	19.00
	Ky	137, 900	T-1 00
11	Voluntary liquidation. Mercer National Bank, Harrodsburg, Ky	100,000	Feb. 26
	First National Bank	50,000	20
	Consolidated under charter of Mercer Na- tional Bank and under title of First Mercer		Mar. 1
	National Bank	150,000	18
	No. 9-MINNEAPOLIS		POR ALCO
1929			and the second
Dec. 31	First National Bank, Canby, Minn Absorbed by Bank of Canby, nonmember.	25,000	1 March 1
1930			Fiduc
Feb. 11	First National Bank, Reeder, N. Dak	25,000	-
15	Absorbed by First State Bank, nonmember. First National Bank, Montpelier, N. Dak	25,000	Dur
	Absorbed by Montpelier State Bank, non- member.		Federa
18	First National Bank, Lanesboro, Minn	50,000	one or
	Absorbed by Scanlan-Habberstad Bank &		11 (k)
27	Trust Co., nonmember. First National Bank, Iona, Minn	25,000	lows:
	Absorbed by Murray County State Bank,		(4) reg
Mar. 8	Slayton, Minn., nonmember. First National Bank in Neche, N. Dak	25,000	tates;
	Succeeds First National Bank of Neche.		estates
	No. 10-KANSAS CITY		in whi
1929	Time Charle Martine I Dark Dark Dark of 1		poratio
Nov. 29	Live Stock National Bank, Pawhuska, Okla Voluntary liquidation.	100,000	banks
1930	The second s		in whi
Feb. 18	Depew National Bank, Depew, Okla Absorbed by State National Bank.	25,000	
24	Oklahoma National Bank, Chickasha, Okla	100,000	T
	Consolidated under charter and title of	100,000	L
27	Oklahoma National Bank	200,000	-
27	Cattle National Bank, Seward, Nebr Conversion of State Bank of Nebraska,	35,000	Torringt
35	Seward, Nebr., nonmember.		Contract of the
Mar. 5	First National Bank, Glenvil, Nebr Conversion of State Bank of Glenvil, non-	30,000	Everett, Farming
-	member.		Cranford
7	Farmers & Merchants National Bank, Ashland, Nebr	75,000	Farming Berwyn,
	Conversion of Farmers & Merchants Bank,	,	Donora,
8	nonmember. First National Bank, Victoria, Kans	25,000	Williams
-	Farmers State Bank, nonmember	25,000	Lenoir, N
	Consolidated under charter of First National Bank and under title of Farmers National		Macon, ( Belle Pla
	Bank	25,000	Grand R
12	Farmers National Bank, Greensburg, Kans., title changed to First National Bank in Greensburg.	30.3	Hillsdale
19	Kimball National Bank, Kimball, Nebr	50,000	Mount V
	Conversion of Bank of Kimball, nonmem-	A COLORADO	-

ber.

zed for FRASER

FEDERAL RESERVE BANKS-RESOURCES AND LIABILITIES IN DETAIL AND FEDERAL RESERVE NOTE STATEMENT [In thousands of dollars]

sordonarsj			
	19	)30	1929
	Mar. 31	Feb. 28	Mar. 31
	1, 695, 084 51, 852	1, 619, 405 54, 297	1, 250, 663 62, 694
	$1,746,936 \\ 601,913 \\ 666,395$	${ \begin{smallmatrix} 1,673,702\\ 646,153\\ 644,884 \end{smallmatrix} }$	$1, 313, 357 \\733, 450 \\654, 170$
	3, 015, 244 182, 428	2, 964, 739 186, 287	2, 700, 977 161, 864
	3, 197, 672 61, 489	3, 151, 026 60, 874	2, 862, 841 64, 805
	310, 228	352, 917	1, 095, 031
	143, 563 134, 973	233, 089 37, 161	183, 906 15, 797
	278, 536	270, 250	199, 703
	526, 739 8, 490	477, 044 2, 890	165, 663 6, 238
	535, 229	479, 934	171, 901
	8, 780 723 15, 779	13, 080 721 23, 317	6, 845 722 62, 158
	1, 149, 275	1, 140, 219	1, 536, 360
	20,008 481,482 58,507 11,543	24, 721 583, 197 58, 419 14, 861	$ \begin{array}{r} 16, 624 \\ 564, 670 \\ 58, 693 \\ 7, 971 \end{array} $
	4,979,976	5, 033, 317	5, 111, 964
	20, 008 1, 574, 247	24, 721 1, 631, 255	16, 624 1, 674, 626
	1, 594, 255	1, 655, 976	1, 691, 250
	2,366,93440,3267,29620,423	$2, 260, 130 \\ 42, 289 \\ 6, 638 \\ 18, 385$	$2, 356, 748 \\ 28, 075 \\ 20, 353 \\ 20, 212$
	2, 434, 979	2, 327, 442	2, 425, 388
	$\begin{array}{r} 481, 482 \\ 174, 227 \\ 276, 936 \\ 18, 097 \end{array}$	583, 197 171, 841 276, 936 17, 925	$564, 670 \\154, 356 \\254, 398 \\21, 902$
	4, 979, 976	5, 033, 317	5, 111, 964
	482, 462	502, 969	337, 425
	1, 916, 435 322, 180 1, 594, 255	2, 027, 350 371, 374 1, 655, 976	2,051,324 360,074 1,691,250
	$1,695,084 \\576,358$	1, 619, 405 594, 683	1, 250, 663 1, 245, 132
	2, 271, 442	2, 214, 088	2, 495, 795

APRIL, 1930

# CONDITION OF ALL BANKS IN THE UNITED STATES

# TABLE 1.—ALL BANKS IN THE UNITED STATES !—PRINCIPAL RESOURCES AND LIABILITIES, ON CALL DATES, BY FEDERAL RESERVE DISTRICTS [In millions of dollars. Figures for nonmember banks are for the dates indicated or nearest dates thereto for which figures are available]

Padaral reserve dia	Total l	oans and ments	invest-	Loans	(includin drafts)	g over-	Investments				its, exclu bank der		Rediscounts and bills payable		
'ederal reserve dis- trict and call date	All banks	Mem- ber	Non- mem- ber	All banks	Mem- ber	Non- mem- ber	All banks	Mem- ber	Non- mem- ber	All banks	Mem- ber	Non- mem- ber	All banks	Mem- ber	Non- mem- ber
All districts: 1929—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31	58, 266 58, 019 58, 474 58, 835 58, 417	35, 684 35, 393 35, 711 35, 914 35, 934	22, 582 22, 626 22, 763 22, 922 22, 483	40, 763 40, 557 41, 512 42, 201 41, 898	25, 155 24, 945 25, 658 26, 165 26, 150	15, 607 15, 612 15, 853 16, 036 15, 748	17, 504 17, 462 16, 962 16, 634 16, 519	10, 529 10, 448 10, 052 9, 749 9, 784	6, 975 7, 013 6, 910 6, 885 6, 735	56, 766 54, 545 53, 852 55, 180 55, 289	34, 826 33, 215 32, 284 33, 004 33, 865	21, 940 21, 330 21, 567 22, 176 21, 424	1, 512 1, 507 1, 598 1, 512 1, 238	1, 162 1, 153 1, 198 1, 150 879	350 354 399 363 359
Boston: 1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31	6, 649 6, 692 6, 818 6, 865 6, 782	2, 571 2, 600 2, 613 2, 634 2, 561	4, 078 4, 092 4, 205 4, 231 4, 221	4, 271 4, 279 4, 434 4, 508 4, 508	1, 824 1, 823 1, 871 1, 920 1, 910	2, 446 2, 456 2, 563 2, 588 2, 588 2, 598	2, 378 2, 413 2, 384 2, 358 2, 273	747 777 742 715 650	1, 632 1, 636 1, 642 1, 643 1, 623	6, 225 6, 134 6, 209 6, 308 6, 298	2, 397 2, 323 2, 297 2, 368 2, 391	3, 828 3, 811 3, 912 3, 940 3, 907	93 103 111 103 78	76 80 86 80 49	17 24 25 23 30
iew York: 1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 Philadelphia:	18, 898 18, 835	11, 593 11, 317 11, 775 11, 763 12, 316	7, 183 7, 031 7, 122 7, 072 7, 178	13, 435 13, 028 13, 801 13, 839 14, 252	8, 404 8, 139 8, 769 8, 813 9, 097	5, 031 4, 888 5, 031 5, 025 5, 155	5, 341 5, 321 5, 097 4, 996 5, 243	3, 189 3, 178 3, 006 2, 950 3, 220	2, 152 2, 143 2, 091 2, 046 2, 023	18, 915 17, 673 17, 028 18, 090 18, 490	12, 140 11, 329 10, 351 11, 056 11, 810	6, 776 6, 344 6, 677 7, 034 6, 679	542 386 488 284 279	499 343 453 255 258	43 43 35 29 21
1929-Dec. 31 1929-Mar. 27 June 29 Oct. 4 Dec. 31 Ieveland:	4, 395 4, 422 4, 460 4, 505 4, 395	2, 666 2, 714 2, 710 2, 755 2, 687	1, 730 1, 708 1, 750 1, 750 1, 708	2, 747 2, 818 2, 859 2, 929 2, 859	1, 745 1, 813 1, 832 1, 890 1, 859	1,002 1,005 1,027 1,039 1,000	1, 649 1, 604 1, 601 1, 576 1, 535	921 900 878 865 828	728 703 723 711 708	3, 874 3, 770 3, 760 3, 752 3, 745	2, 287 2, 250 2, 251 2, 255 2, 265	1, 587 1, 520 1, 509 1, 497 1, 480	153 181 164 170 175	99 126 105 102 94	54 55 58 68 81
1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31	4, 854 4, 948 4, 927 4, 964 4, 869	3, 414 3, 478 3, 488 3, 498 3, 455	1, 440 1, 471 1, 439 1, 466 1, 414	3, 279 3, 359 3, 380 3, 450 3, 413	2, 291 2, 352 2, 376 2, 418 2, 410	988 1,007 1,004 1,031 1,004	1, 575 1, 589 1, 547 1, 515 1, 456	$\begin{array}{c} 1,123\\ 1,125\\ 1,112\\ 1,080\\ 1,046\end{array}$	452 464 435 435 410	4, 526 4, 525 4, 523 4, 568 4, 452	3, 165 3, 167 3, 190 3, 164 3, 154	1, 361 1, 358 1, 333 1, 403 1, 298	139 139 138 114 155	$105 \\ 102 \\ 98 \\ 104 \\ 100$	34 37 40 10 55
1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 tlanta:	2, 522 2, 537 2, 501 2, 501 2, 435	1, 338 1, 351 1, 329 1, 299 1, 278	1, 183 1, 186 1, 172 1, 202 1, 157	1, 879 1, 883 1, 865 1, 868 1, 813	1, 022 1, 024 1, 010 990 974	857 860 855 878 838	643 653 636 633 622	317 327 319 309 303	326 326 317 324 319	2, 351 2, 302 2, 255 2, 262 2, 271	$\begin{array}{c} 1,214\\ 1,196\\ 1,166\\ 1,142\\ 1,152 \end{array}$	1, 137 1, 106 1, 089 1, 119 1, 119	74 86 113 111 76	49 55 70 65 48	25 31 43 46 28
1923—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 thicago:	1, 749 1, 763 1, 734 1, 719 1, 629	1, 188 1, 191 1, 177 1, 149 1, 115	560 572 558 570 514	1, 346 1, 370 1, 345 1, 346 1, 262	895 907 898 889 855	451 463 447 457 408	402 393 389 373 366	293 284 279 260 260	109 109 110 113 106	1, 673 1, 629 1, 581 1, 571 1, 548	$\begin{array}{c} 1,093\\ 1,065\\ 1,041\\ 1,004\\ 1,020 \end{array}$	580 564 540 567 527	74 87 104 123 66	52 61 72 91 42	21 26 32 33 23
1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 t. Louis:	7, 904 7, 963 7, 958 8, 065 7, 740	5, 163 5, 072 5, 052 5, 117 4, 934	2, 741 2, 891 2, 906 2, 949 2, 806	5, 933 5, 999 6, 046 6, 195 5, 953	3, 812 3, 777 3, 792 3, 901 3, 770	2, 121 2, 222 2, 254 2, 294 2, 183	1,971 1,964 1,912 1,871 1,788	1, 350 1, 295 1, 260 1, 216 1, 164	620 668 652 655 623	7, 667 7, 435 7, 543 7, 590 7, 381	4, 914 4, 612 4, 721 4, 757 4, 617	2, 752 2, 823 2, 822 2, 834 2, 764	234 272 221 224 205	$164 \\ 201 \\ 143 \\ 147 \\ 148$	71 71 79 77 58
1928-Dec. 31 1929-Mar. 27 June 29 Oct. 4 Dec. 31 Iinneapolis:	2, 163 2, 162 2, 099 2, 160 2, 072	1, 406 1, 377 1, 341 1, 375 1, 337	757 784 757 785 736	$\begin{array}{c} 1,546\\ 1,561\\ 1,531\\ 1,596\\ 1,526 \end{array}$	954 945 937 984 955	$592 \\ 616 \\ 594 \\ 612 \\ 571$		452 433 405 391 381	166 168 163 173 165	2,045 1,972 1,911 1,980 1,962	1, 256 1, 184 1, 177 1, 199 1, 213	788 788 733 781 750	82 92 98 122 66	39 58 59 82 32	43 34 39 39 34
1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 ansas City:	$\begin{array}{c} 1,555\\ 1,563\\ 1,539\\ 1,580\\ 1,580\\ 1,507\end{array}$	933 938 923 957 911	622 625 616 623 597	951 953 945 987 936	560 564 559 597 563	391 389 387 390 373	605 610 594 593 572	$373 \\ 374 \\ 364 \\ 360 \\ 348$	232 236 230 233 224	1, 596 1, 554 1, 547 1, 571 1, 571 1, 519	929 894 904 906 892	666 660 642 655 626	13 22 22 47 22	5 15 12 40 12	8 6 9 8 10
1929—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31	1, 929 1, 898 1, 881 1, 901 1, 842	1, 250 1, 242 1, 241 1, 247 1, 212	679 656 640 655 630	1, 332 1, 310 1, 310 1, 332 1, 293	803 800 810 823 804	530 511 499 509 489	596 588 571 569 549	447 443 430 424 408	149 145 141 145 141	2, 028 1, 960 1, 929 1, 958 1, 909	1, 241 1, 211 1, 207 1, 202 1, 190	787 749 722 756 719	34 30 52 48 49	22 23 39 45 35	12 7 13 3 15
1928—Dec. 31 1929—Mar. 27 June 29 Oct. 4 Dec. 31 an Francisco:	$\begin{array}{c} 1,247\\ 1,265\\ 1,217\\ 1,245\\ 1,179\end{array}$	993 1,000 957 987 936	$254 \\ 266 \\ 260 \\ 258 \\ 243$	839 940 914 957 907	736 730 705 749 714	201 210 209 208 193	310 325 302 288 273	257 270 251 238 222	53 56 51 50 50	1, 290 1, 249 1, 177 1, 209 1, 186	989 964 911 935 913	301 286 266 274 272	14 17 27 41 21	12 13 20 35 17	2 4 8 6 4
1923–Dec. 31 1929–Mar. 27 June 29 Oct. 4 Dec. 31	4, 523 4, 457 4, 443 4, 494 4, 472	3, 169 3, 113 3, 105 3, 133 3, 192	1, 354 1, 344 1, 338 1, 362 1, 279	3, 107 3, 056 3, 082 3, 196 3, 177	2, 019 2, 071 2, 099 2, 192 2, 239	998 986 983 1,004 938	1, 416 1, 401 1, 371 1, 298 1, 295	1,060 1,042 1,007 941 953	356 358 355 357 342	4, 576 4, 342 4, 391 4, 332 4, 529	3, 200 3, 022 3, 068 3, 016 3, 247	1, 376 1, 320 1, 323 1, 316 1, 282	$59 \\ 92 \\ 60 \\ 125 \\ 55$	39 76 42 105 44	20 15 18 20 11

<sup>1</sup> Includes all national and State banks (including stock and mutual savings banks) and all private banks under State supervision. Back figures .-- See Tables 44, 45, and 85-88, Annual Report of Federal Reserve Board for 1923.

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TABLE 2.—ALL BANKS IN THE UNITED STATES 1—PRINCIPAL RESOURCES AND LIABILITIES ON DECEMBER 31 AND JUNE 29, 1929, BY STATES

	-		Loans and	investment	Deposits	, exclusive		NTerro	Number of				
State		otal	Loans (i over	Loans (including overdrafts)		Investments		of interbank de- posits		Rediscounts and bills payable		reporting banks	
	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	De- cem- ber	June	
New England:					-				-				
Maine New Hampshire Vermont Massachusetts Rhode Island Connecticut Middle Atlantic:	432, 528	437,013	230, 617	230, 329 157, 726	201, 911	206, 684		3 396, 210	10, 471	13, 115	133	13	
Vermont	250, 098	256, 611	157, 409	230, 329 157, 726 162, 055 2, 947, 489 306, 642 794, 812	153, 864 91, 649	94 556	235 500	941 644	7 000	4, 897	123	19	
Massachusetts	4, 224, 673	4, 256, 805	3,007,510	2, 947, 489	1, 217, 163	1, 309, 316	3, 932, 01	2 3. 861, 900	43,837	5,885	104		
Connecticut	533,091	533, 554	310, 677	306, 642 794, 812	222, 414	226, 912	499, 68	2 3, 861, 900 498, 399	2, 193	6, 225	450		
Middle Atlantic:	1, 000, 000	1, 334, 356	806, 945	794, 812	529, 393	539, 544	1, 232, 420	1, 215, 908	2, 193 16, 206	18, 574	237		
New York New Jersey Pennsylvania East North Central:	17, 222, 139	16, 563, 160	12, 754, 661	12, 281, 719	4, 467, 478	4 281 441	16 340 19	14, 844, 221	040 451	101		100	
New Jersey	2, 388, 312	2, 449, 523	1, 633, 659	1, 654, 231	754, 653 2, 128, 521	795, 292	2, 260, 738	2, 284, 676	242, 451	431, 554	1, 127 568	1, 1,	
East North Central:	5, 703, 176	5, 794, 577	3, 574, 655	3, 568, 154	2, 128, 521	2, 226, 423	4, 883, 774	2, 284, 676 4, 935, 055	48, 160 207, 163	431, 554 72, 029 187, 125	1, 566		
Ohio Indiana Illinois Michigan Wisconsin West North Central	2, 691, 493	2, 715, 099	2,057,408	2,030,179	634 085		1		1			1	
Indiana	862, 926	896, 262	648, 491	670, 493	634, 085 214, 435 914, 145	225, 769	2, 552, 157	2, 569, 047 835, 050	93, 819 27, 190	81, 536 58, 579	1,015		
Michigan	3,802,263	3, 918, 544	2, 888, 118	2, 951, 576	914, 145	966, 968	3, 569, 283	835, 050 3, 645, 638	77, 906	85, 335	969 1, 765		
Wisconsin	917.092	2,070,043 952,998	1, 514, 120 654, 737	1, 515, 099 676, 316	506, 514 262, 355	554,944	1, 900, 537	1, 910, 021	87,450	57, 233	743	1,0	
Cot north Central.				010, 010	202, 000	270, 082	894, 208	918, 472	18, 350	26, 632	960	9	
Minnesota	901, 370	915, 698	545, 564		355, 806		879, 134	894, 369	15, 207	12,017	1.046	1.0	
Iowa Missouri North Dakota South Dakota Nabracka	1, 199 268	797, 323 1, 175, 786	662, 441 868, 107		119, 156	128, 943	879, 134 821, 931	821, 913	10.045	11,906	1 257		
North Dakota	111, 647	1, 110, 180	79,091		331, 161	340, 641 31, 494	1, 200, 482	1, 106, 878	19, 284	42, 830	1, 277	1,3	
South Dakota	137, 494 359, 293 404, 409	136, 114	96, 370	95, 356	32, 556 41, 124	40, 758	149,808	121, 283	1, 165 1, 568	42, 830 2, 814 2, 424	412	4	
Kancac	359, 293	385, 441	272, 082 292, 628	291, 801	87, 211	93,640	360, 964	389, 814	14, 661	11, 815	387 804	3	
outh Atlantic:	and the second s	412, 875	292, 628	295, 617	111, 781	117, 258	405, 375	821, 913 1, 106, 878 121, 283 148, 777 389, 814 421, 159	9, 413	7,470			
Delaware	167, 407	167,852	119,013	119, 325	48, 394	48, 527	138, 396	128 212	0 715	4 020			
Maryland District of Columbia	837 281	845,069	518, 324	515, 876	319,057	329, 193	792, 094 239, 895	782, 723	2,715 13,708	15 340	47 230		
Virginia	244, 510	255, 968	184, 672 455, 975	194, 331 456, 136	59,838	61, 637	239, 895	249, 710	8,093	6, 021	41		
West Virginia	345, 126	357, 639	280 143	288 601	95, 389 64, 983	98, 157 69, 038	460, 718 315, 589	457,016	8,093 27,850 17,217	32,084	474	4	
North Carolina	369, 548	390, 376	312, 154	335, 542	57, 394	54, 834	315, 589	332,053	17, 217	15,065 40,141			
South Carolina Georgia	324 440	233, 903 554, 293 357, 639 390, 376 180, 992 352, 429 311, 464	312, 154 125, 941 277, 199	138, 851	42,677	42, 141 56, 672	178, 103	169, 768	12, 677 1, 218 9, 920	7, 296	217		
Florida	258, 321	311, 464	149, 838	295, 757 190, 069	57, 249 108, 483	56,672	315, 389	313, 742	9, 920	18, 353	405	4	
ast South Central:		011, 101			100, 100	121, 395	262, 639	311, 854	6, 230	7, 230	235	2	
Tennessoo	554, 237	560, 293	438, 200 360, 570	434, 595	116, 037	125, 698	447, 941	443, 369	21, 595	32, 107	572	5	
Alabama	429, 824	431, 956	360, 570	356, 809	69, 254	75, 147	403, 645	413,002	19,863	20, 229	484	4	
Mississippi	212, 352	431, 956 306, 865 222, 291	229, 081 157, 979	249, 357 170, 095	53, 361 54, 373	57, 508 52, 196	266, 074 228, 027		14, 155	33, 118	350	3	
est South Central:	100 000		and the second			02, 100	220,021	213, 399	5, 598	15, 858	308	3	
Florida_ ast South Central: Kentucky. Tennessee_ Alabama_ Mississippi. Vest South Central: Arkansas_ Louisiana_ Oklahoma_ Texas_ Dountain:	197, 507	208, 174	155, 171	164, 407	42, 336 81, 679	43, 767	208, 490		3, 351	10,052	415	4	
Oklahoma	400, 524	426, 907 409, 896	347, 536 253, 432	345, 688 262, 220 803, 443	81,679	81, 219	409, 772		3, 351 17, 950 16, 198	27, 584	225	2	
Texas	1, 036, 407	1,071,632	798, 590	803, 443	147, 092 237, 817	147, 676 268, 189	417, 127	431, 462 1, 033, 323	16, 198 18, 512	13,665	617	64	
Iountain: Montana Idaho Wyoming Colorado New Mexico Arizona	144 120	150 500			Sec. 1		1,000,210	1,000,020	10, 012	22, 473	1,308	1, 33	
Idaho	80, 723	150, 598 77, 237	87,700 49,973	94, 242	56, 430 30, 750	56, 356	156, 463	157, 573	508	2,498	195	19	
Wyoming	57,640	58, 499	40,000	48, 494 40, 345	30, 750 17, 640	28, 743 18, 154	91, 958 62, 672		193	949	137	13	
Colorado	262, 321	265, 424	173, 471	171 380	88, 800	94, 044	283, 978	60, 103 281, 856	602 3 720	2,006 3,200	86 274	8	
Arizona	40, 559	40, 688 84, 929	25, 743 49, 911	25, 932 54, 331 121, 972	14 816	14,756	46,044	42,610	3, 720 201	1,024	274	27	
Arizona Utah Nevada	81, 188 161, 748 37, 988	84, 929 157, 980	49, 911 126, 042	04, 331 121 079	31, 277 35, 706 8, 792	30, 598	91, 918	93, 216	592	425	46	4	
Nevada	37, 988	40, 505	29, 196	30, 819	8,792	36,008 9,686	139, 755 41, 054	132, 769 44, 430	2,440	3, 242	104	10	
washington	450 007			and the second second		10000	A DESCRIPTION	11, 130			35	3	
Oregon	459,827 260,497	260 022	303, 645 148, 041	286, 305	156, 182	161,030	468, 879	450, 683	3, 838	5,756	340	34	
Washington Oregon California	3, 419, 964	3, 407, 742	2, 487, 056	145, 445	112, 456 932, 908	114, 578	268, 181	263, 340 3, 356, 346	3, 838 4, 704	6,993	234	23	
Total				,,		354, 143	0, 401, 269	3, 356, 346	43, 285	42, 858	437	4!	
1.01.01													

<sup>1</sup> Includes all national and State banks and all private banks under State supervision. Figures for State institutions are taken from Table 4 and represent in some cases the condition of banks as of dates other than Dec. 31 and June 29. Back figures.—See Tables 89-91, Annual Report of Federal Reserve Board, 1928.

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# FEDERAL RESERVE BULLETIN

[Amounts in thousands of dollars]

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TABLE 3.--NATIONAL BANKS ---PRINCIPAL RESOURCES AND LIABILITIES ON DECEMBER 31 AND JUNE 29, 1929, BY STATES

[Amounts in thousands of dollars]

The second s		1	loans and i	nvestment	Deposits,	exclu-						
State	То	otal	Loans (including overdrafts)		Investments		sive of interbank deposits.		Rediscounts and bills payable		Number of re- porting banks	
	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June
ew England:		1									2.3	
Maine New Hampshire	139, 196	140, 300	75, 354	76, 263	63, 842	64,037	126, 969	123, 230	2, 181	4,889	53	5
New Hampshire	71, 330	72, 478 71, 417	44, 851 42, 314	45, 108 42, 772	26,479 28,148	27, 370 28, 645		58, 177 60, 962		4, 345 2, 441	56 46	5
Massachusetts	1 311 301	1, 196, 162	1, 020, 819	853, 780	28, 148 290, 482	28, 040	1, 236, 316	1, 012, 870	2, 733	45, 917	40	4
Vermont. Massachusetts. Rhode Island. Connecticut.	54. 312	53, 476	35, 368	33, 756	18, 944	19, 720	42, 538			2, 806	10	10
Connecticut	258, 212	276, 260	194, 310	202, 817	63, 902	73, 443			5, 781	2, 806 8, 343	62	6
											1	
New York	4, 662, 103	4, 488, 239 905, 421	3, 221, 953 602, 064	3, 201, 437 595, 641	1, 440, 150 295, 673	1, 286, 802 309, 780	4, 357, 111 854, 960			188, 626	559 300	562
Pennsylvania	2, 584, 111	2, 643, 764	1, 657, 189		926, 922	989, 428	2, 225, 782	845, 263 2, 258, 331	84, 039		851	299 861
New York New Jersey Pennsylvania ast North Central:	-,,	-, 010, 101	2,001,200			000, 120	2, 220, 102	2, 200, 001	01,000	01,010		00.
Oh10	725, 194	727, 501	513, 715	496, 392	211, 479	231, 109	670, 434	659, 512		24, 606	317	323
Indiana Illinois	373, 493	372, 333 1, 245, 633	262, 365 954, 674	256, 889 918, 054	111, 128	115, 444	345, 166	342, 492		10, 131	219 482	22
Michigan	521, 906	1, 240, 000	384, 256	373, 524	312, 834 137, 650	153, 914	1, 205, 450 510, 058	1, 149, 232 528, 081	19, 625 22, 952	31, 095 11, 305	482	48 13
Wisconsin	419, 141	434, 462	303, 347	311, 129	115, 794	123, 333	394, 699	393, 199	5, 651	17, 152	157	15
Wisconsin Vest North Central: Minnesota					10000							
Minnesota	530, 858	531, 784	343, 483 183, 156	331, 639	187, 375	200, 145	499, 134	504, 710	8, 727	6, 956	266	275
Iowa Missouri	277, 283 431, 968	284, 405 471, 791	183, 150 312, 035	184, 818 338, 190	94, 127 119, 933	99, 587 133, 601	266, 938 387, 835	269, 358 400, 382	6, 264 5, 839	5, 627 21, 023	251 130	263 134
North Dakota	71, 429	69, 651	44, 717	43, 673	26, 712	25, 978	74, 052	71, 349	626	1, 548	122	12
North Dakota South Dakota	63, 434	63, 226	37, 150	37,018	26, 284	26, 208	66, 409	66, 548	504	637	92	9:
Nebraska	188, 554	192, 073	135, 405	135, 302	53, 149	56, 771	173, 433	170, 444	8,634	8, 117	157	158
Kansas	198, 338	205, 182	132, 803	135, 377	65, 535	69, 805	200, 825	206, 251	3, 647	3, 674	246	24
Delaware	22, 715	22, 506	13.699	13,081	9.016	9, 425	18, 450	18, 420	973	1.117	17	17
Maryland District of Columbia	229, 248	230, 506	151, 244	153, 019	78,004	77, 487	210, 076	203, 326	4,922	6, 669	80	82
District of Columbia	126, 506	130, 887	91, 790	95, 191	34, 716	35, 696	121, 285	126, 472	5, 559	4, 715	12	12
Virginia West Virginia	319, 254 167, 001	320, 130 169, 194	257, 054 129, 435	255, 849 129, 854	62, 200 37, 566	64, 281 39, 340	268, 365 147, 695	269, 475 151, 676	15, 373 8, 705	16, 245 8, 188	159 115	164
North Carolina	113, 166	150, 681	91, 253	122, 534	21, 913	28, 147	103, 293	126, 852	4, 160	15, 619	66	73
South Carolina	89.434	101, 380	66, 150	76, 417	23, 284	24, 963	86, 720	91, 315	529	4,001	47	5
Georgia	208, 602	209, 482	167, 690	169, 646	40, 912	39, 836	193, 687	194,096	2,638	5, 231	76	80
Florida	162, 221	173, 129	89, 480	97, 506	72, 741	75, 623	164, 669	171, 214	2,045	1, 502	57	5
ast South Central: Kentucky	241, 681	247, 737	184, 838	181. 233	56, 843	66, 504	204, 053	199, 481	10, 296	20, 808	138	138
Tennessee	254 815	237, 716	213, 635	189, 457	41, 180	48, 259	224, 371	207, 121 161, 940	9, 894	12,062	99	-99
Alabama	188, 376	197, 595	145, 795	150, 975	42, 581	46, 620	168, 145	161, 940	9, 226	19, 985	107	100
Alabama Mississippi Vest South Central:	74, 287	76, 030	52, 865	56, 378	21, 422	19, 652	73, 681	70, 243	3, 210	6, 122	35	3
Arkansas	75, 808	78, 794	52,058	54, 454	23, 750	24, 340	73, 939	74, 322	907	1, 719	72	73
Louisiana	104, 215	103, 402	89, 279	87,002	14, 936	16, 400	94, 379	88, 527	3, 710	5, 705	34	3
Oklahoma	330, 380	334, 673	205, 996	209, 325	124, 384	125, 348	334, 668	88, 527 347, 333	15, 692	11, 547	292	30
Texas Iountain:	806, 864	830, 849	613, 122	607, 331	193, 742	223, 518	778, 525	789, 650	15, 615	16, 747	609	62
Mantana	77, 962	81,085	46, 646	49, 554	31, 316	31, 531	83, 962	84, 606	190	1, 146	67	6
Idaho	37, 775	35, 729	24, 827	24, 331	12, 948	11, 398	41, 569	38, 843			43	4
Wyoming	33, 181	35, 729 33, 613	21, 365	20, 852 127, 730	11, 816	12, 761	34, 421	33, 505	327	809	25	2
Colorado	203, 907	206, 194	130, 553	127, 730	73, 354	78, 464	219, 814	219, 351	3, 291	2, 249	120	12
Arizona	29, 388 27, 673	29, 352 29, 180	18, 229 15, 692	18, 162 17, 192	11, 159	11, 190	33, 526	31,040	68	553	27 14	22
Utah	49, 206		15, 692 35, 076	32 161	11, 981 14, 130	11, 988 14, 315	30, 935 45, 650	30, 785 40, 891	26 589		$\frac{14}{20}$	14 20
Montana	17, 547	46, 476 17, 340	11, 822	32, 161 11, 852	5, 725	5, 488	45, 650	40, 891		000	10	10
acific:					and the second	A Share and	1.1.1.1.1.1.1.1				1. 1. 1. 1.	
Washington Oregon California	266, 174	267,005	170, 180	166,049	95, 994	100, 956	267, 183	266, 394	2, 360	2,945	105 94	10
Olegon	190, 942	1 022 200	102,087	98, 734 1, 321, 617	88, 855 574, 904	90, 866 611, 685	193, 695	188, 885 1, 898, 836	3, 303 29, 898		94 205	9 21
California	2.018 1.80											

<sup>1</sup> Member banks only; i. e., exclusive of national banks in Alaska and Hawaii.

		L	oans and ir	vestments	Deposits,		Rediscounts		Number of re-			
State	Tot	al	Loans (in overdi		Invest	ments	of interl posits	bank de-	and l pays		porting	
	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June	Decem- ber	June
New England: Maine New Hampshire	293, 332	296, 713	155, 263 112, 618	154,066	138, 069 127, 385	142, 647 127, 385	269,499 221,506	272, 980 221, 506	8, 290 552	8, 226 552	80 67	81 67
Maine. New Hampshire Vermont. Massachusetts. Rhode Island. Connecticut.	179,636 2,913,372 478,779	$185, 194 \\3, 060, 643 \\480, 078 \\1000$	$116, 135 \\1, 986, 691 \\275, 309$	112, 618 119, 283 2, 093, 709 272, 886 591, 995	$133, 005 \\127, 385 \\63, 501 \\926, 681 \\203, 470 \\465 \\401$	65, 911 966, 934 207, 192 466, 101	175, 611 2, 695, 696 457, 147	180, 682	4, 269 19, 946 871	3, 444 22, 064	58 298 23 175	58 297 23 173
Middle Atlantic: New York	1, 078, 120 12, 560, 036 1, 490, 575	1, 058, 096 12, 074, 921 1, 544, 102	612, 635 9, 532, 708 1, 031, 595	9, 080, 282 1, 058, 590	458, 980	2, 994, 639	992, 221 11, 983, 014 1, 405, 778 2, 657, 992	10, 982, 901	118, 348	10, 231 242, 928 44, 476	568	579 268
Nidole Atlantic: New York	3, 119, 065 1, 966, 299	3, 150, 813 1, 987, 598	1, 917, 466 1, 543, 693	1, 913, 818 1, 533, 787	1, 201, 599	1, 236, 995	1, 861, 723	1, 909, 535	2 65, 528	2 56, 930	698	728 706
Indiana Illinois Michigan Wisconsin West North Central:	$\begin{array}{r} 489, 433 \\ 2, 534, 755 \\ 1, 498, 728 \\ 497, 951 \end{array}$	523,929 2,672,911 1,542,605 518,536	386, 126 1, 933, 444 1, 129, 864 351, 390	$\begin{array}{r} 413,604\\ 2,033,522\\ 1,141,575\\ 365,187\end{array}$	$\begin{array}{r} 122,000\\ 103,307\\ 601,311\\ 368,864\\ 146,561\end{array}$	110, 325 639, 389 401, 030 153, 349	2, 363, 833 1, 390, 479	492, 558 2, 496, 406 1, 447, 740 525, 273	64,498	54, 240 45, 928	1, 283 613	762 1, 314 609 807
West North Central: Minnesota Iowa Missouri North Dakota	370 512	383, 914 512, 918 703, 995	202, 081	209, 887 483, 562 496, 955	168, 431 25, 029 211, 228	174.027	380,000	389, 659 3 552, 555	6, 480 6, 681	5, 061 6, 279	780 1,006	800 1, 021
South Dakota Nebraska	74,060	45,035 72,888 193,368	34, 374 59, 220 136, 677	39, 519 58, 338 156, 499	5, 844 14, 840 34, 062	5,516 14,550 36,869	45, 279 83, 399 187, 531	49, 934 82, 229 219, 370	539 1,064 6,027	1,266 1,787 3,698	290 295 647	1, 191 308 303 688
Kansas South Atlantic: Delaware Maryland		207, 693	159, 825 105, 314 367, 080	160, 240 106, 244	46, 246 39, 378 241, 053	39, 102	119,946		1,742	2, 919	30	31
Virginia West Virginia	$ \begin{array}{c} 118,004\\ 232,110\\ 178,125 \end{array} $	125,081 234,163	92, 882 198, 921 150, 708	99, 140 200, 287 158, 747	25, 122 33, 189 27, 417	25, 941 33, 876 29, 698	118, 610 192, 353 167, 894	123, 238 187, 541 180, 377	2, 534 12, 477 8, 512	1, 306 15, 839 6, 877	29 315 182	29 31 19
North Carolina South Carolina Georgia	256, 382 79, 184 125, 846	239, 695 79, 612 142, 947	220, 901 59, 791 109, 509	$\begin{array}{c} 213,008\\ 62,434\\ 126,111 \end{array}$	35, 481 19, 393 16, 337	26, 687 17, 178 16, 830	$     \begin{array}{ccccccccccccccccccccccccccccccccc$	213, 022 78, 453 119, 646	8, 517 689 7, 282	24, 522 3, 295 13, 122	2 350 5 170 2 329	35 17 34
Florida East South Central: Kentucky Tennessee	312, 556 175, 009	312, 556 194, 240	253, 362 146, 935	253, 362 167, 352	59, 194 28, 074	59, 194 26, 88	4 243, 888 3 179, 274	243, 888 3 205, 881	11, 299 9, 969	11, 299	434	43 39
Alabama Mississippi West South Central: Arkansas	138, 065	146, 261	105, 114	113, 717	32, 951	32, 54	4 154, 346	143, 156	4, 929 5 2, 388	13, 133 9, 736	3 273	27
Louisiana Ok <b>la</b> homa Texas	- 325,000 70,144	323, 505 75, 223	258, 257	258, 686	66, 743 22, 708	64, 81 22, 32	9 315, 393	300, 398	8 14, 240 9 500	21,879	9 191 8 325	19 34
Mountain: Montana Idaho	- 66, 168	69, 513 41, 508	41,054	44, 688	17,80	4 24,82 2 17,34	5 72, 501 5 50, 389	72,96	7 318	1, 35 45	7 . 94	9
Wyoming Colorado New Mexico Arizona	_ 53, 515	59, 230 11, 336 55, 749	42,918	43, 650 7, 770 37, 139	$ \begin{array}{c} 15,49\\ 3,65\\ 19,29\\ \end{array} $		$     \begin{array}{ccc}                                   $	62, 50 11, 57 3 62, 43	5 429     0 133     1     4 566	95 3 47 5 4 42		
Utah Nevada Pacific: Washington	- 20, 441	23, 165	17, 374	89, 811 18, 967	21, 57 3, 06	7 4, 19	8 23, 964	26, 90	7		- 25	5 2
Washington Oregon California	- 1, 401, 834	70, 423 1, 474, 440	45, 954 1, 043, 830	4 46, 711 0 1, 091, 985	2 23, 60 2 358, 00	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	2 74, 48 8 1, 403, 63	<sup>3</sup> 74,45 3 1,457,51	5 1,40 0 13,38	1 1,78 7 19,48	5 232	2   14   24
Total	- 36, 832, 662	37, 017, 442	226, 761, 981	26, 706, 403	2 10, 070, 68	1 10, 311, 04	0 34, 998, 81:	2 34, 440, 46	1 692,00	9 880, 05	3 17, 227	17, 5

<sup>1</sup> Includes all State banks (including stock and mutual savings banks) and all private banks under State supervision. Figures relate to dates given or dates nearest thereto for which figures are available.
 <sup>3</sup> Includes bonds borrowed.
 <sup>4</sup> Includes due to banks.
 <sup>4</sup> Includes miscellaneous liabilities.

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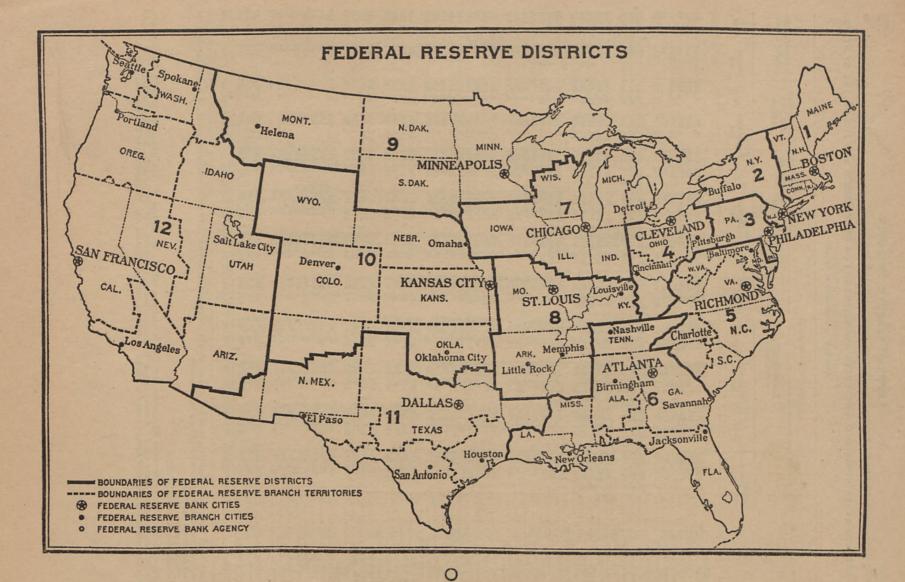
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Note.—All figures in the December columns are as of Dec. 31, except as follows: Maine, Dec. 28; New Hampshire, June 30; Massachusetts, State banks Dec. 28, savings banks Oct. 31; Kansas, Dec. 3; Kentucky, June 29; Tennessee, Nov. 29; Colorado, Nov. 25; Oklahoma, Dec. 28. All figures in the June columns are as of June 29, except as follows: Minnesota, July 15; Missouri, Apr. 10; Kansas, June 27; Tennessee, Apr. 15.

### FEDERAL RESERVE BULLETIN

# TABLE 4.-STATE BANKS 1-PRINCIPAL RESOURCES AND LIABILITIES ON DECEMBER 31 AND JUNE 29, 1929, BY STATES

[Amounts in thousands of dollars]



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