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1929-1934

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PREFACE.

In the present volume, which is the continuation of the *Memoranda on Commercial Banks* published in 1931 and 1934, one important change has been made. The earlier editions contained introductions summarising the commercial banking statistics and reviewing briefly the more important banking developments. The introduction to the present volume covers a wider field. It is not confined to commercial banking, but deals with general monetary developments, with currency statistics, central banking, exchange rates, price movements, interest rates and the production, distribution and redistribution of gold.

It covers therefore, to a considerable extent, the subjects dealt with in earlier years by the special *Memoranda on Currency and Central Banks* issued by the League ; but these currency problems are approached rather through the avenue of commercial banking than along the road which started from the Government printing press. This change in approach is justified by the change in circumstances.

Unfortunately, the issue of this volume has been delayed by a printers' strike. The summary tables deal with the years 1929-1933, and the introductory notes to each chapter, for which it was possible to employ monthly data, with these years and part of 1934. The delay caused by the strike has, however, been employed to bring the introduction up to the end of 1934 and to add a supplementary section covering the first quarter of the present year.

A. LOVEDAY,
Director of the Financial Section and Economic Intelligence Service.

League of Nations,
Geneva, May 1935.

INTRODUCTION.

I. General Summary of Outstanding Events in 1933, 1934 and the First Quarter of 1935.

The years 1933, 1934 and the first quarter of 1935 constitute an eventful period in world monetary and banking history. Some of the more important developments in the field of commercial banking in 1933 — particularly those in the United States of America — were dealt with in the last edition of this volume [1] and the outstanding monetary events are summarised in the following paragraphs.

On April 20th, 1933, the United States suspended the operation of the gold standard through an Executive Order prohibiting the export of gold. Between March 6th, 1933, when a national banking holiday had been declared, and the first date mentioned, gold exports had been authorised under Treasury licence and the dollar continued to be quoted near its parity against the principal gold exchanges. At the end of April 1933, the dollar had fallen to a discount of 10 per cent in Paris.

On June 12th, 1933, the Monetary and Economic Conference was convened in London. The Sub-Commission of the Monetary and Financial Commission of the Conference set up to consider " immediate measures for financial reconstruction " found, after prolonged discussions, that the basis of agreement among its members on fundamental questions relating to credit policy, price levels, the limitation of monetary fluctuations, etc., was not sufficient to constitute a basis for immediate international action in these fields. On the other hand, the Second Sub-Commission, set up to consider " permanent measures for the re-establishment of an international monetary standard ", found a substantial basis of agreement among its members and adopted five resolutions which may be summarised as follows : (1) The international gold standard should be restored as quickly as possible, time and parity being for each country to determine. It is undesirable to put gold into internal circulation, as, under modern conditions, gold is primarily required to meet external drains. Greater elasticity should be given to central bank legal reserve requirements — a gold cover ratio of 25 per cent is suggested. (2) Independent central banks are essential to the satisfactory working of an international gold standard and should be established in developed countries without an adequate central banking institution. (3) Close and continuous co-operation should be maintained between central banks ; the Bank for International Settlements should play an increasingly important part in this connection. (4) The adaptation of the central banks of certain agricultural countries to the special economic conditions of those countries might appropriately be considered by international organisations especially competent in the field. (5) An agreement should be sought between the chief silver-producing countries and those which are the largest holders or users of silver with a view to mitigating fluctuations in its price. Such an agreement was in fact signed on July 22nd, 1933.

On July 8th, 1933, when it had become clear that the Conference would reach no generally acceptable conclusions regarding immediate world monetary policy, representatives of the central banks of France, Belgium, Italy, the Netherlands, Poland and Switzerland met in Paris at the request of their respective Governments and drew up a protocol providing for the common defence of the gold standard. An immediate result was the subsiding of active speculation against the Dutch florin and the Swiss franc.

On July 27th, 1933, after the close of the Conference, the leaders of the delegations of the United Kingdom, Canada, Australia, New Zealand, South Africa and India issued a common declaration of monetary and financial policy. The declaration stated that " the Governments of the British Empire should persist by all means in their power, whether monetary or economic, within the limits of sound finance, in the policy of furthering the rise in wholesale prices until there is evidence that equilibrium has been re-established, and that thereupon they should take whatever measures are possible to stabilise the position thus attained". The ultimate aim of monetary policy was declared to be " the restoration of a satisfactory international gold standard under which international co-operation would be secured and maintained with a view to avoiding, so far as may be found practicable, undue fluctuations in the purchasing power of gold ". The declaration laid stress on " the importance in the meantime of stability of exchange rates between the countries of the Empire in the interests of trade ". It was no doubt partly with a view to the accomplishment of the aims laid down in this declaration that central banks were subsequently established in Canada, New Zealand and India. The Reserve Bank of New Zealand began operations in August 1934, the Bank of Canada in March 1935, and the Reserve Bank of India in April 1935. The central banking functions of the Commonwealth Bank of Australia have also been extended, and a Royal Commission was set up in February 1935 to investigate the banking and monetary system of that Dominion.

[1] *Commercial Banks, 1925-1933.*

On June 28th, 1933, the Estonian crown, which had been maintained at nominal gold parity since September 28th, 1931, through a rigid system of exchange control, was allowed to depreciate to the level of the Swedish crown, and in September 1933 was pegged to sterling at par.

On October 25th, 1933, the United States Government inaugurated its gold-buying policy. Prices higher than the dollar price of gold as determined in the foreign exchange market were offered, at first for domestically mined gold and later in world markets. The price offered was progressively raised from $31.36 per fine ounce [1] on October 25th, 1933, to $34.45 on January 16th, 1934. The value of the dollar in the foreign exchange market adapted itself, though somewhat tardily, to these changes : on October 25th, 1933, the dollar was quoted at a discount of 30 per cent below its old gold parity, and on January 16th, 1934, at a discount of 38 per cent. The officially defined object of the gold-buying policy was to raise the level of commodity prices in the United States.

On January 30th, 1934, the Gold Reserve Act, redefining the gold content of the American dollar and re-establishing a gold standard in the United States, was approved by the President. The price of gold was provisionally fixed at $35 per fine ounce, representing a depreciation of 40.94 per cent. The profits on the revaluation of the gold stock of the Federal Reserve Banks (amounting to about $2,800 million) were taken over by the Treasury ; the greater part ($2,000 million) was used to constitute an Exchange Equalisation Fund which might be used to buy, not only gold and foreign currencies, but also United States Government securities.

On February 19th, 1934, the gold content of the Czechoslovak crown was reduced by $16\frac{2}{3}$ per cent ; the legal cover ratio of gold to notes and sight liabilities was lowered from 35 to 25 per cent. The profit on the gold revaluation was used to reduce the State debt on account of note issue. This is the first instance in post-war currency history of overnight currency devaluation.

On April 30th, 1934, the balance-sheet value of the gold reserve of the National Bank of Austria was written up to correspond to a relation of 1 Schilling = 0.1667 gramme of fine gold, which, compared with the former parity 1 Schilling = 0.2117 gramme of fine gold, implies a devaluation of 21.3 per cent.

On May 26th, 1934, the head of the Italian Government announced the imposition of regulations limiting purchases of foreign currencies to amounts required to pay for goods purchased and to defray legitimate travelling expenses ; exchange would not be sold to buy foreign securities and Italian bonds held abroad ; notes of the Bank of Italy and cheques issued in lire might not be exported without special licence ; banks and other business concerns must inform the Bank of Italy from time to time of the net amount of foreign exchange possessed in Italy or abroad.

On June 19th, 1934, the President of the United States signed the Silver Purchase Act of 1934, which declares it to be the policy of the United States to increase the amount of silver held in the national monetary reserves to the point where silver constitutes a fourth of these reserves. The actual steps to be taken to accomplish this end are left to the discretion of the Executive. On June 19th, 1934, the market price of silver in New York was $45\frac{5}{8}$ cents per ounce. On August 9th, 1934, an Executive Order was issued nationalising existing stocks of silver in the United States ; these were taken over and paid for by the Treasury at the price of 50 cents per ounce. The Treasury has also bought silver imported from foreign markets, to an amount unknown. By the middle of October 1934, the New York market price of silver had risen to $55\frac{5}{8}$ cents an ounce. Silver included in the American monetary reserves is valued at $1.29 per fine ounce.

On September 10th, 1934, the Chinese Government issued an order restricting dealings in foreign exchange. Exports of silver continued to take place from China, however, as the demand for silver in London resulted in a rise in its price. On October 19th, 1934, the Chinese Government imposed an export duty of 10 per cent [2] on silver and also imposed an " equalisation charge " equal to the difference between the theoretical parity with the London price of silver and the official rate fixed by the Central Bank of China, after allowing for export duty. An Exchange Equalisation Fund of 100 million Chinese dollars was set up to counteract fluctuations in the price of silver and to fix the exchange rate.

On November 12th, 1934, an order was issued by the Secretary of the Treasury of the United States of America removing the formal restrictions on the export of capital from that country which had been imposed on January 15th, 1934, in connection with the reduction in gold content of the American dollar.

On December 8th, 1934, a fortnight after the rediscount rate of the Bank of Italy had been raised from 3 to 4 per cent, a complete control of foreign exchange transactions greatly strengthening the provisions in force since May 1934 was instituted. Holders of foreign assets were required to report them in detail to the competent authorities, who have the option of buying them at the current rate. The foreign exchange proceeds of exports were

[1] At the old parity, the price of gold was $20.67 per fine ounce.

[2] The basic duty of 10 per cent includes the normal minting charges of $2\frac{1}{4}$ per cent; in fact, the basic export duty proper is therefore $7\frac{3}{4}$ per cent.

required to be sold to the National Institute for Foreign Exchanges.

Early in January 1935, the head of the French Government announced that State financial requirements would henceforth be met to a greater extent than hitherto by the issue of Treasury bills and to a smaller extent by the issue of long-term bonds. The purpose of this change was stated to be to facilitate the lowering of the long-term rate of interest, to give greater breadth and elasticity to the money market and to encourage the banks to expand private credit by providing them with an earning asset of high liquidity. By a Law of January 27th, 1935, the limit to the issue of Treasury bills *(bons du Trésor)* was raised from ten to fifteen milliard francs. On February 21st, 1935, the Conseil général of the Banque de France — in pursuance of this new financial and monetary policy — decided to make advances of a maximum period of thirty days on Government paper with maturity not exceeding two years. The rate on such advances was fixed at $2\frac{1}{2}$ per cent, while the ordinary lombard rate remained at $4\frac{1}{2}$ per cent.

In March 1935, the Parliament of the Argentine Republic passed a series of laws relating to banking. The first provides for the establishment of a central bank, which is to take over the central banking functions hitherto exercised by the Banco de la Nación Argentina, the Conversion Office and the Rediscount Commission ; it is also to take over the Exchange Profit Account and the Foreign Currency Fund. Other laws alter the regulations to which the commercial banks are subject and establish an Institute for the gradual liquidation of the banks' frozen assets.

On March 18th, 1935, Belgium instituted official control of foreign-exchange transactions with a view to stopping the flight of capital. By a Law of March 30th, the gold standard was officially suspended and the range of ultimate devaluation fixed at 25-30 per cent. The gold reserve of the Banque Nationale was written up to correspond to a depreciation of 25 per cent, and the resulting profit acquired by the Treasury used in part to constitute an Exchange Equalisation Fund. On April 1st, 1935, the rate of the belga was provisionally fixed at a level corresponding to a content of 0.150632 gramme of fine gold, which represents a depreciation of 28 per cent below the former level. The official control of foreign-exchange transactions was relaxed in certain respects with a view to its ultimate abolition. Plans were announced for banking reorganisation and control ; for the creation of a rediscount and guarantee office, financed by private capital, guaranteed by the State and administered by the Banque Nationale, to provide banks in temporary difficulties with resources ; and for the establishment of a central mortgage institute.

On April 1st, 1935, the gold content of the Luxemburg franc, which had hitherto been identical with that of the Belgian franc, was reduced to correspond to a relation of 1 Luxemburg franc = 1.25 Belgian franc, representing a depreciation of 10 per cent in relation to gold.

On April 2nd, 1935, the head of the French Government announced the intention of recommencing the issue of gold coins for internal circulation.

In the field of commercial banking, the most striking measures adopted during 1933-34 — apart from those taken in connection with the banking crisis in the United States in 1933 — were the reorganisation of the Belgian credit system along deposit banking lines in July 1934 and the enactment of a law for the regulation of German credit institutions in December 1934. The internal position of the commercial banks of most countries was marked by an enhancement of cash liquidity. These changes are described in detail in the individual chapters and in subsequent sections of this Introduction.

II. Currency Composition.

Throughout this Introduction, the word " money " is used in the very wide sense of " means of payment " — *i.e.*, whatever may by law or custom be used directly in settling transactions and paying debts. Money as so defined includes, not only notes and coin, but also sight deposits with commercial banks. It does not include the notes and central bank deposits held by commercial banks as a reserve against their deposit liabilities. Moreover, time deposits in commercial banks are not regarded as money for the present purpose, as they must generally be converted into demand deposits before they can be spent [1].

The relative importance of notes, coin and bank deposits varies widely from country to country, depending as it does upon a large number of factors — some technical (like the size of the currency unit), some historical and institutional (such as habits regarding the investment of savings), some demographic (such as the degree of concentration of population), and some economic (such as the wealth of the community and the stage of industrial

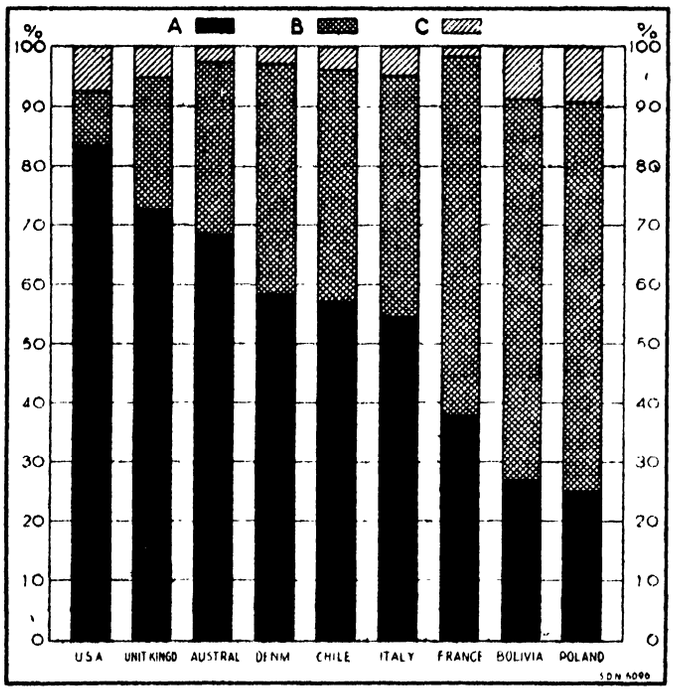
[1] Sometimes the distinction between demand and time deposits is blurred in practice, and in such cases — as, for instance, in Canada — it might seem preferable to treat time deposits as money of low velocity. It would be desirable to exclude from computations of money the quantity of notes and coins hoarded over any period of time which, although representing potential means of payment, have zero velocity. Unfortunately, only rough estimates can be made of the importance of these hoards and they cannot, therefore, be excluded.

development reached). The wide range of variation is illustrated in Diagram I below, which shows, for a number of countries, the percentage ratio which coin, notes and demand deposits with commercial banks respectively constituted of the aggregate means of payment available in 1929.

Diagram I.

CURRENCY COMPOSITION OF CERTAIN COUNTRIES, 1929.

A Sight deposits. B Notes. C Coin.



This diagram is based on gross figures of note and coin circulation — *i.e.*, it includes notes and coins held by commercial banks. The figures for bank deposits may include some inter-bank deposits and they are, moreover, more complete for some countries than for others. Consequently, the diagram is not to be taken as an entirely accurate representation of the composition of the currency of the countries concerned ; but it is believed that the broad differences thrown into relief do correspond to differences in fact. These have mainly to do with the relative proportions of bank deposits and notes.

Coins are nowhere of great importance ; the relatively high figure shown for the United States — 7½ per cent — includes gold and silver certificates [1]. The proportion of coins shown for France is particularly small ; but considerable quantities of new coins have been issued since 1929.

Of the countries included [2] in Diagram I, the relative importance of deposits ranged from nearly 85 per cent of the total means of payment in the United States to less than 40 per cent in France and an even lower proportion in Bolivia and Poland. In France, the note circulation alone accounted for over 60 per cent of the aggregate currency in 1929. In that country, bank deposits are generally converted into notes in making all except the largest business payments. If current account deposits in banks other than the principal *banques de dépôts* and *banques d'affaires* has been taken into account, the relative importance of deposits in the French currency composition would have been raised somewhat ; but deposits would still have played a relatively minor rôle, not only in comparison with the United States and United Kingdom (where not only all business payments but, particularly in the United States, even wage payments are frequently made by means of cheques, and notes are used chiefly in the retail trade), but also in comparison with Denmark, Italy, Czechoslovakia and, indeed, most other European countries.

In Table I, an attempt is made to arrive at approximate figures for the net amount of money available in forty-three countries at the end of each year from 1929 to 1934. For several countries it has not been possible to bring this figure any further up to date than the end of 1932 or 1933, as figures of all commercial bank deposits for more recent dates have not been available. The table distinguishes broadly between two kinds of money, which might be characterised as "primary" (central bank and/or State) and "secondary" (commercial bank) money. In the former category are included : *(a)* notes in circulation (even in cases, such as Canada, where they were issued by commercial banks during the period concerned), *(b)* sight liabilities of the central bank, and *(c)* token coin ; in the latter category are included *(e)* sight deposits. As the purpose of the table is to show the variations in the net amount of money available for settling transactions, the notes and coins and sight balances with the central bank held by commercial banks as a cash reserve against their own deposit liabilities should be excluded — *i.e.*, only the net or effective circulation of primary money should be taken. Unfortunately, it is only in rare cases that sufficiently detailed information regarding the cash reserves of commercial banks is available to enable these deductions to be made directly ; the plan has therefore been followed of subtracting from the aggregate of central bank and State money *(i.e.*, column *(d))* the total cash reserves of the commercial banks ; the residual [3] is taken as the

[1] As these have a 100 per cent metallic backing they constitute "hard" money and are here regarded as coin. If gold and silver certificates had been classified as notes, the proportion of the latter in total means of payment at the end of 1929 would have been raised from 9.4 to 13.9 per cent and that of coin reduced from 7.4 to 2.9 per cent.

[2] For other countries, see below.

[3] The central bank sight liabilities which remain after bankers' deposits have been subtracted generally represent Government deposits and private accounts ; except in the special case of blocked accounts — to which further reference is made below — these form part of the monetary circulation, and their inclusion in column *(i)* is therefore warranted.

net circulation of " primary " money and to it is added *(e)* sight deposits with commercial banks to determine *(i)* the total net circulation of money.

Where possible, inter-bank deposits have been excluded from sight deposits of commercial banks as these involve duplication, but it has not been found possible to eliminate them in all cases.

In addition to sight deposits with commercial banks (which are alone included in computing the net amount of currency available), figures are also given for *(f)* savings, *(g)* other deposits and *(h)* aggregate commercial bank deposits. All figures are shown in millions of the respective national currency units, and below each column of absolute figures indices are given showing the percentage which the figures for the end of 1932 and, where available, the end of 1933 and 1934 constituted of the figures for the end of 1929. Indices of retail prices (cost of living) *(j)* based on the end of 1929 = 100 are also given for these dates where available.

For certain countries, figures of coin in circulation have not been available. In some cases, estimates have been made of the proportion which sight deposits constituted of the published figures for total deposits ; all such cases are noted in the column of observations.

The approximate ratios of sight deposits with commercial banks to the net monetary circulation in each country may be estimated by comparing the figures given in column *(e)* with those given in column *(i)* ; but, on account of the varying degrees of comprehensiveness of the original data, the results obtained can only be approximate. According to the table, the share of sight deposits in the net amount of money available in 1929 ranged from over 90 per cent in the Irish Free State [1] to less than 20 per cent in Lithuania and Portugal. Bank deposits constitute the great bulk of the means of payment in all the Anglo-Saxon countries : in the United States, South Africa and the United Kingdom, the proportion lies between 80 and 90 per cent ; and in Canada, New Zealand and Australia, between 70 and 80. In Switzerland, too, where the wealth *per capita* is high and the distribution of income relatively equal, bank deposits are of considerable importance. The position of France has already been mentioned ; the Netherlands and Germany also come very low — after Austria, Czechoslovakia and Belgium — in order of the relative importance of bank deposits, with percentages of between 30 and 40. In South America, the relative importance of deposits is greatest in Venezuela and Brazil and least in Uruguay and Bolivia [2].

The ratio of coin to notes in circulation is smallest in France, Yugoslavia, Finland, Czechoslovakia, Bulgaria, Portugal and Greece ; in none of these countries did the percentage exceed 5 in 1929, and in France it was less than 2. It would seem that, all other conditions being equal, the smaller the value of the currency unit the higher is likely to be the ratio of notes to coin. With the addition of Roumania, the countries mentioned are the only ones included in Table I whose currency unit was worth as little as 4 cents or less in 1929. The relative importance of coin appears to be greatest in the United States, where various legislative measures enacted since the latter part of the nineteenth century resulted in the coinage of large quantities of silver ; the amounts shown in the table include gold and silver certificates [3] as well as actual gold, silver, nickel and subsidiary coin in circulation.

In the years following 1929, changes of far-reaching importance took place in the monetary supply of most countries. Not only did sharp fluctuations occur in the aggregate quantity of means of payment available and in the efficiency with which they were used, but also in the nature of the monetary system itself — that is, in the relative importance of the various types of currency. This latter change was, with only few exceptions, in the direction of a relative increase in the use of central bank and State money — *i.e.*, notes, central bank sight liabilities and coin — and a relative decline in the use of commercial bank money. Among the factors which have operated to produce this result, mention may be made of the contraction in ordinary bank credit, temporary distrust in the banks leading to the withdrawal of deposits and currency hoarding, Government borrowing at central banks, central bank loans to private clients, and the issue of token money intended to yield a profit to the State or for other purposes.

So various and divergent have been the influences at work in different countries in determining the changes in the amount and composition of the currency supply during the past few years that the

---

[1] The figure for the Irish Free State would have been slightly reduced if it had been possible to take account of the circulation of Bank of England notes and English coin.

[2] The order of countries would be somewhat changed if the definition of money were extended to include *all* commercial bank deposits. The Irish Free State would still head the list, with deposits amounting to 95 per cent of the total means of payment, but Canada and the Scandinavian countries would come higher in the list. Savings deposits in commercial banks are of great importance in these countries, and in practice they can frequently be withdrawn, in whole or in part, at sight. For Hungary, where savings deposits have been a common form of investment in post-war years, the ratio of deposits to total money would increase from less than 60 to over 80 per cent. The Argentine, Chile, and Brazil all show bank deposits of 75 per cent or more of the total means of payment, and Peru only slightly less than 70 per cent. Under this extended definition of money, the German ratio would be raised from less than 40 per cent to two-thirds. The French ratio would remain low — about 35 per cent ; the only countries showing a smaller ratio are Poland, Lithuania, Portugal and Latvia (27 per cent).

[3] See footnote [1] on page VIII.

Table I. — Currency Composition and Movements.

Country and unit of currency	End of	Central Banks and Treasuries				Commercial Banks				Net amount of currency available Total (d)+(e) less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total (a) to (c)	Sight deposits	Savings accounts	Other deposits	Total (e) to (g)			
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Europe.												
Austria (Schilling)	1929	1,094	64	93	1,251	2,183	.	531	2,714	3,335		Commercial bank deposits in 1931 : figures for the Oesterreichische Credit-Anstalt not available.
	1930	1,090	93	92	1,275	2,587	.	623	3,210	3,760		
	1931	1,183	128	98	1,409	...	.	...	...	...		
	1932	914	218	97	1,229	1,433	.	258	1,691	2,614		
	1933	952	143	96	1,191	...	.	...	...	...		
	1934	964	154	109	1,227	...	.	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*84*	*342*	*104*	*98*	*66*	.	*49*	*62*	*78*	*95*	
	1933	*87*	*222*	*103*	*95*	...	.	...	...	...	*94*	
	1934	*88*	*241*	*117*	*98*	...	.	...	...	...	*93*	
Belgium (Franc)	1929	14,175	1,244	592	16,011	.	.	.	29,363	*33,642		
	1930	17,133	1,470	831	19,434	.	.	.	30,001	.		
	1931	18,930	1,318	866	21,114	.	.	.	26,593	*42,274		
	1932	18,354	1,086	480	19,920	.	.	.	23,214	*35,411		
	1933	17,204	3,006	...	...	.	.	.	23,289	...		
	1934	17,828	1,169	...	...	.	.	.	...	...		
	1929	*100*	*100*	*100*	*100*	.	.	.	*100*	*100*	*100*	
	1932	*129*	*87*	*81*	*124*	.	.	.	*79*	*105*	*83*	
	1933	*121*	*242*	...	...	.	.	.	*79*	...	*80*	
	1934	*126*	*94*	...	...	.	.	.	...	...	*77*	
Bulgaria (Lev)	1929	3,609	2,175	143	5,927	7,989	283	146	8,418	13,183		(1) December average. Commercial banks : including popular banks in addition to ordinary joint-stock banks. The latter do not specify their deposits, which are all included in column (e).
	1930	3,296	1,547	206	5,049	7,134	351	174	7,659	11,287		
	1931	2,919	1,397	710	5,026	5,965	471	197	6,633	9,998		
	1932	2,635	1,597	886	5,118	5,230	517	196	5,943	9,442		
	1933	**2,984**	**1,565**	(1) 941	5,490	**4,382**	**699**	**184**	**5,265**	**9,183**		
	1934	**2,449**	**1,758**	(1)1,274	**5,481**	...	...	...	...	...		
	1929	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	***100***	
	1932	***73***	***73***	***620***	***86***	***65***	***183***	***134***	***71***	***72***	***73***	
	1933	***83***	***72***	***658***	***93***	***55***	***247***	***126***	***63***	***70***	***67***	
	1934	***68***	***81***	***891***	***92***	...	...	...	...	...	***64***	
Czechoslovakia (Koruna)	**1929**	**8,230**	**675**	**332**	**9,237**	**12,566**	.	**13,093**	**25,659**	**19,995**		(1) Figures shown since 1931 represent rough approximations.
	1930	7,824	570	362	8,756	12,993	.	14,335	27,328	20,037		
	1931	7,679	361	437	8,477	11,221	.	13,765	24,986	*18,503		
	1932	6,754	602	519	7,875	10,832	.	13,233	24,065	*16,901		
	1933	6,334	871	544	7,749	10,884	.	12,416	23,300	*17,003		
	1934	6,017	766	602	7,385	...	.	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*82*	*89*	*156*	*85*	*86*	.	*101*	*94*	*85*	*96*	
	1933	*77*	*129*	*164*	*84*	*87*	.	*95*	*91*	*85*	*92*	
	1934	*73*	*113*	*181*	*80*	...	.	...	...	...	*92*	
Danzig (Gulden)	1929	38	4	*8	50	.	.	.	65	.		
	1930	38	2	8	48	.	.	.	63	.		
	1931	44	10	7	61	.	.	.	46	.		
	1932	37	9	7	53	.	.	.	46	.		
	1933	40	11	7	58	.	.	.	...	.		
	1934	39	4	8	51	.	.	.	...	.		
	1929	*100*	*100*	*100*	*100*	.	.	.	*100*	.	*100*	
	1932	*97*	*225*	*88*	*106*	.	.	.	*71*	.	*77*	
	1933	*105*	*275*	*88*	*116*	.	.	.	...	.	*77*	
	1934	*103*	*100*	*100*	*102*	.	.	.	...	.	*76*	
Denmark (Krone)	1929	367	68	26	461	551	543	898	1,992	935		
	1930	360	78	27	465	614	576	920	2,110	987		
	1931	346	63	29	438	545	536	879	1,960	906		
	1932	332	130	29	491	533	476	880	1,889	883		
	1933	375	77	30	482	569	*521	901	1,991	948		
	1934	386	144	32	562	*571	*574	*914	*2,059	*1,030		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*90*	*191*	*112*	*107*	*97*	*88*	*98*	*95*	*94*	*91*	
	1933	*102*	*113*	*115*	*105*	*103*	*96*	*100*	*100*	*101*	*96*	
	1934	*105*	*212*	*123*	*125*	*104*	*106*	*102*	*103*	*110*	*99*	
Estonia (Eesti Kroon)	1929	34	16	3	53	42	.	24	66	91		
	1930	32	16	3	51	46	.	27	73	93		
	1931	35	15	3	53	38	.	22	60	87		
	1932	31	13	3	48	35	.	16	51	80		
	1933	32	15	4	51	36	.	15	51	83		
	1934	37	20	4	61	47	.	17	64	104		
	1929	*100*	*100*	*100*	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*91*	*81*	*100*	*91*	*83*	.	*67*	*77*	*88*	*82*	
	1933	*94*	*94*	*133*	*96*	*86*	.	*63*	*77*	*91*	*83*	
	1934	*109*	*125*	*133*	*115*	*112*	.	*71*	*97*	*114*	*78*	

* Approximate or provisional figure.

Country and unit of currency	End of	Central Banks and Treasuries				Commercial Banks				Net amount of currency available Total *(d)* + *(e)* less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total *(a)* to *(c)*	Sight deposits	Savings accounts	Other deposits	Total *(e)* to *(g)*			
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Europe *(cont.)*												
Finland (Markka)	1929	1,361	237	52	1,650	1,486	767	5,228	7,481	2,898		
	1930	1,279	208	54	1,541	1,555	829	5,314	7,698	2,873		
	1931	1,293	166	57	1,516	1,635	793	4,951	7,379	2,919		
	1932	1,085	190	89	1,364	1,607	787	4,761	7,155	2,758		
	1933	1,184	400	102	1,686	1,766	838	4,894	7,498	2,918		
	1934	1,277	360	*113	*1,750	1,878	6,082		7,960	*3,216		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*80*	*80*	*171*	*83*	*108*	*103*	*91*	*96*	*95*	*85*	
	1933	*87*	*169*	*196*	*102*	*119*	*109*	*94*	*100*	*101*	*82*	
	1934	*94*	*152*	*217*	*106*	*126*	*101*		*106*	*111*	*83*	
France (Franc)	1929	67,769	20,094	1,196	89,059	42,325	—	5,200	47,525	127,891		Commercial banks : principal banks only.
	1930	76,156	24,849	1,217	102,222	44,358	—	5,204	49,562	141,818		
	1931	83,547	29,513	1,256	114,316	44,028	—	3,982	48,010	146,042		
	1932	82,721	24,328	1,363	108,412	43,334	—	3,523	46,857	141,478		
	1933	80,638	16,953	2,925	100,516	38,087	—	3,246	41,333	131,671		
	1934	81,855	20,344	*3,325	*105,524	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*(j)* Averages of last quarter.
	1932	*122*	*121*	*114*	*122*	*102*	—	*68*	*99*	*111*	*91*	
	1933	*119*	*84*	*245*	*113*	*90*	—	*62*	*87*	*103*	*93*	
	1934	*121*	*101*	*278*	*118*	...	—	...	...	...	*90*	
Germany (Reichsmark)	1929	5,479	485	988	6,952	4,490	—	7,623	12,113	11,218		Figures refer throughout to the end of November of each year.
	1930	5,202	417	984	6,603	4,565	—	6,643	11,208	10,933		
	1931	5,213	555	1,179	6,947	3,870	—	3,776	7,646	10,600		Commercial banks : "Kreditbanken" only ; deposits include correspondents' accounts.
	1932	4,106	450	1,480	6,045	3,494	—	3,948	7,442	9,366		
	1933	4,082	511	1,485	6,078	3,155	—	3,860	7,015	9,074		
	1934	**4,257**	**995**	**1,484**	**6,736**	**3,372**	—	**3,882**	**7,254**	**9,968**		
	1929	***100***	***100***	***100***	***100***	***100***	—	***100***	***100***	***100***	***100***	
	1932	***75***	***95***	***150***	***87***	***78***	—	***52***	***61***	***83***	***77***	
	1933	***75***	***105***	***150***	***87***	***70***	—	***51***	***58***	***81***	***79***	
	1934	***78***	***205***	***150***	***97***	***75***	—	***51***	***60***	***89***	***80***	
Greece (Drachma)	1929	5,193	1,530	*250	6,973	11,405	.	2,175	13,580	17,269		*(e)* Sight deposits include savings accounts.
	1930	4,803	1,728	*270	6,810	12,115	.	3,172	15,287	17,610		*(g)* Other deposits include re-discounts and borrowings.
	1931	4,003	702	309	5,014	10,567	.	3,584	14,151	14,476		
	1932	4,714	3,451	338	8,503	9,786	.	3,733	13,519	17,432		
	1933	5,449	5,424	*369	11,242	11,181	.	3,636	14,817	20,508		
	1934	5,686	4,166	*400	10,252	12,689	.	3,520	16,209	20,516		
	1929	*100*	*100*	*100*	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*91*	*226*	*135*	*122*	*86*	.	*172*	*100*	*101*	*100*	
	1933	*105*	*355*	*148*	*161*	*98*	.	*167*	*109*	*119*	*104*	
	1934	*109*	*272*	*160*	*147*	*111*	.	*162*	*119*	*119*	*104*	
Hungary (Pengö)	1929	501	98	39	638	919	992	909	2,820	*1,256		
	1930	469	67	62	598	898	1,019	992	2,909	*1,219		
	1931	423	126	66	615	797	812	804	2,413	*1,178		
	1932	353	78	62	493	770	719	711	2,200	*1,055		
	1933	369	103	70	542	775	731	668	2,174	*1,150		
	1934	381	106	70	557	671	761	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*70*	*80*	*159*	*77*	*84*	*72*	*78*	*78*	*84*	*84*	
	1933	*74*	*105*	*179*	*85*	*84*	*74*	*73*	*77*	*91*	*78*	
	1934	*76*	*108*	*179*	*87*	*73*	*77*	...	...	...	*78*	
Irish Free State (£)	1929	14.2	—	0.7	14.9	.	.	.	126.9	*75.7		
	1930	14.3	—	0.8	15.1	.	.	.	128.0	*76.3		
	1931	13.4	—	0.8	14.2	.	.	.	128.9	*71.7		
	1932	13.4	—	0.8	14.2	.	.	.	142.4	*76.7		
	1933	13.7	—	0.9	14.6	.	.	.	131.9	*74.8		
	1934	13.8	—	1.0	14.8	.	.	.	*119.8	*69.1		
	1929	*100*	—	*100*	*100*	.	.	.	*100*	*100*	*100*	*(j)* October 1929 = 100 ; the figures for 1932 to 1934 refer to November.
	1932	*94*	—	*114*	*95*	.	.	.	*112*	*101*	*87*	
	1933	*96*	—	*129*	*98*	.	.	.	*104*	*99*	*87*	
	1934	*97*	—	*143*	*99*	.	.	.	*94*	*91*	*88*	
Italy (Lira)	1929	16,854	1,985	1,992	20,831	22,416	5,092	3,296	30,804	42,069		Commercial banks : all ordinary joint-stock banks.
	1930	15,680	2,421	2,135	20,236	22,328	5,075	3,576	30,979	41,341		*(e)* Sight deposits include correspondents' accounts in addition to current account deposits.
	1931	14,295	2,070	2,138	18,503	19,719	4,377	2,717	26,813	37,130		
	1932	13,672	1,622	2,140	17,434	17,953	4,178	2,752	24,883	34,252		
	1933	13,243	1,569	2,142	16,954	17,535	3,899	3,236	24,670	33,269		
	1934	13,145	1,106	2,144	16,395	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*81*	*82*	*107*	*84*	*80*	*82*	*83*	*81*	*81*	*83*	
	1933	*79*	*79*	*108*	*81*	*78*	*77*	*98*	*80*	*79*	*80*	
	1934	*78*	*56*	*108*	*79*	...	...	...	...	...	*76*	

* Approximate or provisional figure.

Table I. — Currency Composition and Movements *(continued)*.

Country and unit of currency	End of	Central Banks and Treasuries				Commercial Banks				Net amount of currency available Total *(d)+(e)* less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total *(a)* to *(c)*	Sight deposits	Savings accounts	Other deposits	Total *(e)* to *(g)*			
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Europe *(cont.)*												
Latvia (Lat)	1929	83	72	23	178	58	—	4	62	229		
	1930	86	77	26	189	60	—	4	64	242		
	1931	76	86	27	189	25	—	2	27	209		
	1932	68	87	29	184	26	—	2	28	205		
	1933	75	103	30	208	27	—	2	29	230		
	1934	82	110	30	222	33	—	2	35	247		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*(j)* January 1930 = 100.
	1932	*82*	*121*	*126*	*103*	*45*	—	*50*	*45*	*90*	*76*	
	1933	*90*	*143*	*130*	*117*	*47*	—	*50*	*47*	*100*	*73*	
	1934	*99*	*153*	*130*	*125*	*57*	—	*50*	*56*	*108*	*70*	
Lithuania (Litas)	1929	95	99	12	206	*43	—	*58	101	*242		
	1930	117	103	14	234	*55	—	*72	127	*280		
	1931	109	78	14	201	42	—	63	105	236		
	1932	96	57	14	167	47	—	55	102	209		
	1933	88	61	14	163	44	—	46	90	201		
	1934	88	69	14	171	...	—	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*101*	*58*	*117*	*81*	*109*	—	*95*	*101*	*86*	*64*	
	1933	*93*	*62*	*117*	*79*	*102*	—	*79*	*89*	*83*	*58*	
	1934	*93*	*70*	*117*	*83*	...	—	...	...	...	*52*	
Netherlands (Gulden)	1929	862	34	120	1,016	634	—	721	1,355	*1,557		Commercial banks : principal banks only.
	1930	847	31	131	1,009	712	—	761	1,473	*1,615		
	1931	1,025	180	119	1,324	584	—	657	1,241	*1,787		
	1932	963	304	120	1,387	606	—	506	1,112	*1,781		
	1933	913	231	*120	*1,264	551	—	445	996	*1,600		
	1934	913	147	*120	*1,180	...	—	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*112*	*894*	*100*	*137*	*96*	—	*70*	*82*	*114*	*84*	
	1933	*106*	*679*	*100*	*124*	*87*	—	*62*	*74*	*103*	*85*	
	1934	*106*	*432*	*100*	*116*	...	—	...	...	...	*83*	
Norway (Krone)	1929	318	90	18	426	124	894	40	1,058	493		Commercial banks : "free" banks only (excluding banks under public administration or liquidation).
	1930	312	65	18	395	128	897	59	1,084	467		
	1931	334	68	19	421	113	835	46	994	489		
	1932	315	77	19	411	99	752	32	883	456		
	1933	327	64	19	410	83	719	35	837	446		
	1934	333	80	20	433	*97	*668	*30	*795	*477		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*99*	*86*	*106*	*96*	*80*	*84*	*80*	*83*	*92*	*90*	
	1933	*103*	*71*	*106*	*96*	*67*	*80*	*88*	*79*	*90*	*88*	
	1934	*105*	*89*	*111*	*102*	*78*	*75*	*75*	*75*	*97*	*90*	
Poland (Zloty)	1929	1,404	468	196	2,068	536	141	413	1,090	2,498		*(a)* Bank and Treasury notes ; since 1932, bank-notes only. Commercial banks : joint-stock banks only, excluding State Land Bank and National Economic Bank.
	1930	1,331	210	238	1,779	544	178	462	1,184	2,226		
	1931	1,220	213	240	1,673	375	87	268	730	1,972		
	1932	1,003	220	322	1,545	322	78	246	646	1,801		
	1933	1,004	262	342	1,608	313	72	187	572	1,859		
	1934	981	241	384	1,606	315	80	201	596	*1,861		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*71*	*47*	*164*	*75*	*60*	*55*	*60*	*59*	*72*	*73*	
	1933	*72*	*56*	*174*	*78*	*58*	*51*	*45*	*52*	*74*	*70*	
	1934	*70*	*51*	*196*	*78*	*59*	*57*	*49*	*55*	*74*	*64*	
Portugal (Escudo)	1929	2,046	331	*10	*2,387	481	—	563	1,044	*2,706		
	1930	1,994	350	*20	*2,364	389	—	496	885	*2,608		
	1931	2,062	279	42	2,383	464	—	348	812	*2,637		
	1932	2,001	544	70	2,615	481	—	338	819	*2,928		
	1933	1,989	534	121	2,644	*505	—	...	...	*2,980		
	1934	2,137	758	*133	*3,028	*587	—	...	...	*3,419		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*98*	*164*	*700*	*110*	*100*	—	*60*	*78*	*108*	*86*	
	1933	*97*	*161*	*1,210*	*111*	*105*	—	...	...	*110*	*84*	
	1934	*104*	*229*	*1,330*	*127*	*122*	—	...	...	*126*	*85*	
Roumania (Leu)	1929	21,144	9,371	*2,000	*32,515	19,561	.	31,753	51,314	*45,447		
	1930	19,605	5,077	*2,000	*26,682	18,212	.	35,111	53,323	*36,884		
	1931	23,750	3,865	2,215	29,830	12,840	.	17,366	30,206	39,610		
	1932	21,594	6,366	3,485	31,445	11,714	.	14,469	26,183	40,637		
	1933	21,219	7,257	3,609	32,085	...	...	...	...	...		
	1934	22,307	7,232	3,599	33,138	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*102*	*68*	*174*	*97*	*60*	.	*46*	*51*	*89*	*57*	
	1933	*100*	*77*	*180*	*99*	...	.	...	...	...	*54*	
	1934	*106*	*77*	*180*	*102*	...	.	...	...	...	*53*	

* Approximate or provisional figure.

Country and unit of currency	End of	Central Banks and Treasuries: Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total *(a)* to *(c)*	Commercial Banks: Sight deposits	Savings accounts	Other deposits	Total *(e)* to *(g)*	Net amount of currency available Total *(d)* + *(e)* less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
EUROPE *(cont.)*												
Spain (Peseta)	1929	4,458	2,586	.	7,044	4,206	.	2,736	6,942	10,139		
	1930	4,767	2,368	.	7,135	4,539	.	2,933	7,472	10,527		
	1931	4,993	2,770	.	7,763	3,554	.	2,573	6,127	10,084		
	1932	4,834	2,658	.	7,492	3,623	.	2,823	6,446	9,923		
	1933	4,825	2,669	.	7,494	...	.	...	...	...		
	1934	4,711	2,559	.	7,270	...	.	...	...	...		
	1929	*100*	*100*	.	*100*	*100*	.	*100*	*100*	*100*	*100*	
	1932	*108*	*103*	.	*106*	*86*	.	*103*	*93*	*98*	*99*	
	1933	*108*	*103*	.	*106*	...	.	...	...	...	*99*	
	1934	*106*	*99*	.	*103*	...	.	...	...	...	*104*	
Sweden (Krona)	1929	569	274	(60)	903	659	688	2,134	3,481	1,478		*(c)* Rough approximation; the year-to-year fluctuations are believed to have been insignificant during the period considered.
	1930	594	293	(60)	947	681	710	2,240	3,631	1,539		
	1931	583	173	(60)	816	610	686	2,257	3,553	1,338		
	1932	598	203	(60)	861	625	648	2,283	3,556	1,353		
	1933	648	471	(60)	1,179	674	643	2,311	3,628	1,520		
	1934	708	407	(60)	1,175	697	656	2,200	3,553	1,585		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*105*	*74*	*100*	*95*	*95*	*94*	*107*	*102*	*92*	*92*	
	1933	*114*	*173*	*100*	*131*	*102*	*93*	*108*	*104*	*103*	*92*	
	1934	*124*	*149*	*100*	*130*	*106*	*95*	*103*	*102*	*107*	*93*	
Switzerland (Franc)	1929	999	201	235	1,435	3,756	3,294	6,628	13,678	4,824		
	1930	1,062	242	290	1,594	2,287	4,422	8,010	14,719	3,422		
	1931	1,609	924	301	2,834	2,449	4,575	7,205	14,229	4,005		
	1932	1,613	974	317	2,904	2,418	4,680	6,811	13,909	4,086		
	1933	1,510	641	337	2,488	2,191	4,591	6,407	13,189	3,661		
	1934	1,440	580	*350	*2,370	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*161*	*485*	*135*	*202*	*64*	*142*	*103*	*102*	*85*	*83*	
	1933	*151*	*319*	*143*	*173*	*58*	*139*	*97*	*96*	*76*	*81*	
	1934	*144*	*289*	*149*	*165*	...	...	...	...	...	*80*	
United Kingdom (£)	1929	372.3	160.2	83.5	616.0	1,195.0	—	1,016.4	2,211.4	1,457.1		*(a)* Bank of England, Scottish and Northern Irish banks, net circulation. Commercial banks: deposits of all joint-stock banks divided into sight and other accounts according to those of London Clearing Banks.
	1930	371.5	175.2	80.3	627.0	1,230.9	—	1,051.1	2,282.0	1,507.7		
	1931	367.1	174.5	77.2	618.8	1,068.6	—	1,045.0	2,113.6	1,374.7		
	1932	374.1	145.0	68.2	587.3	1,214.8	—	1,179.9	2,394.7	1,476.2		
	1933	393.1	159.9	70.1	623.1	1,249.7	—	1,108.3	2,358.0	1,546.5		
	1934	409.1	156.7	71.0	636.8	...	—	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	-	*100*	*100*	*100*	*100*	
	1932	*100*	*91*	*83*	*95*	*102*	–	*116*	*108*	*101*	*86*	
	1933	*106*	*100*	*84*	*101*	*105*	–	*109*	*107*	*106*	*86*	
	1934	*110*	*98*	*85*	*103*	...	—	...	...	...	*86*	
Yugoslavia (Dinar)	1929	5,818	1,250	146	7,214	*2,336	*7,008	3,842	13,186	*8,816		
	1930	5,397	667	143	6,207	2,709	7,597	3,886	14,192	8,144		
	1931	5,172	417	161	5,750	1,936	6,867	2,930	11,733	7,058		
	1932	4,773	698	479	5,950	1,426	5,343	2,787	9,556	6,846		
	1933	4,327	1,031	960	6,318	*1,400	*4,000	2,322	8,682	*7,122		
	1934	4,384	866	994	6,244	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*82*	*56*	*328*	*82*	*61*	*76*	*73*	*72*	*78*	*71*	
	1933	*74*	*82*	*658*	*88*	*60*	*71*	*60*	*66*	*81*	*64*	
	1934	*75*	*69*	*681*	*87*	...	...	...	...	...	*60*	
N. AMERICA.												
Canada ($)	1929	187	—	32	219	821	—	1,876	2,697	1,040		*(a)* Dominion notes in hands of public and net circulation of Chartered Bank notes.
	1930	163	—	32	195	689	—	1,798	2,487	884		
	1931	160	—	33	193	698	—	1,670	2,368	891		
	1932	144	—	33	177	538	—	1,706	2,244	715		
	1933	151	—	*34	*185	563	—	1,679	2,242	*748		
	1934	160	—	*34	*194	628	—	1,733	2,361	*822		
	1929	*100*	—	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*77*	—	*103*	*81*	*66*	—	*91*	*83*	*69*	*72*	
	1933	*81*	—	*106*	*84*	*69*	—	*89*	*83*	*72*	*77*	
	1934	*86*	—	*106*	*89*	*76*	—	*92*	*88*	*79*	*77*	
U.S.A. ($)	1929	2,613	2,419	1,847	6,879	24,032	—	18,953	42,985	27,001		End of June throughout. *(a)* All bank & State notes. *(b)* Federal Reserve banks. *(c)* Total of gold and silver certificates, gold, silver and minor coin – excl. in all years $287 million of "gold coin" which at the beginning of 1934 were found to be non-existent. *(g)* Incl. savings deposits.
	1930	2,346	2,455	1,889	6,690	23,960	—	19,327	43,287	26,517		
	1931	2,660	2,504	1,875	7,039	21,208	—	18,506	39,714	24,123		
	1932	3,774	2,028	1,634	7,436	16,322	—	14,275	30,597	20,451		
	1933	4,376	2,494	1,058	7,928	15,212	—	11,835	27,047	19,870		
	1934	4,393	4,138	693	9,224	...	—	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*144*	*84*	*88*	*108*	*68*	—	*75*	*71*	*76*	*75*	
	1933	*167*	*103*	*57*	*115*	*63*	—	*62*	*63*	*74*	*77*	
	1934	*168*	*171*	*38*	*134*	...	—	...	...	...	*81*	

* Approximate or provisional figure.

Table I. — Currency Composition and Movements *(continued)*.

Country and unit of currency	End of	Central Banks and Treasuries				Commercial Banks				Net amount of currency available Total *(d)+(e) less* cash reserve of commercial banks	Retail prices (cost of living)	Observations
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total *(a)* to *(c)*	Sight deposits	Savings accounts	Other deposits	Total *(e)* to *(g)*			
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Latin America.												
Argentine (Peso)	1929	1,247	—	.	1,247	1,178	1,771	954	3,903	2,037		*(a)* Caja de Conversión. *(c)* Data not available, Commercial banks : including the Banco de Nación.
	1930	1,261	—	.	1,261	1,189	1,713	1,054	3,956	1,999		
	1931	1,245	—	.	1,245	971	1,647	899	3,517	1,703		
	1932	1,339	—	.	1,339	1,083	1,570	872	3,525	1,777		
	1933	1,214	—	.	1,214	1,171	1,533	763	3,467	1,865		
	1934	1,171	—	.	1,171	1,111	1,589	727	3,427	*1,872		
	1929	*100*	—	.	*100*	*100*	*100*	*100*	*100*	*100*	.	
	1932	*107*	—	.	*107*	*92*	*89*	*91*	*90*	*87*	.	
	1933	*97*	—	.	*97*	*99*	*87*	*80*	*89*	*92*	.	
	1934	*94*	—	.	*94*	*94*	*90*	*76*	*88*	*92*	.	
Bolivia (Boliviano)	1929	43.0	17.9	5.6	66.5	18.0	4.5	11.9	34.4	79.0		
	1930	32.2	14.7	5.6	52.5	13.7	4.1	11.8	29.6	65.0		
	1931	27.0	11.2	5.6	43.8	11.6	3.8	10.7	26.1	52.7		
	1932	37.6	42.3	4.8	84.7	13.3	3.2	7.2	23.7	92.8		
	1933	53.8	54.0	5.7	113.5	23.7	3.8	12.6	40.1	113.1		
	1934	...	...	...	...	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	.	
	1932	*87*	*236*	*86*	*127*	*74*	*71*	*61*	*69*	*117*	.	
	1933	*125*	*302*	*102*	*171*	*132*	*84*	*106*	*117*	*143*	.	
	1934	...	...	...	...	...	...	...	...	...	.	
Brazil (Milreis)	1929	3,394	—	.	3,394	3,487	431	2,007	5,925	5,331		*(c)* Data not available. Commercial banks : including the Banco do Brasil.
	1930	2,842	—	.	2,842	2,856	394	2,481	5,731	4,534		
	1931	2,942	—	.	2,942	3,490	451	2,021	5,962	5,204		
	1932	3,239	—	.	3,239	4,732	510	1,601	6,843	6,126		
	1933	3,037	—	.	3,037	4,345	506	1,493	6,344	5,935		
	1934	3,257	—	.	3,257	5,056	566	1,797	7,419	*6,924		
	1929	*100*	—	.	*100*	*100*	*100*	*100*	*100*	*100*	.	
	1932	*95*	—	.	*95*	*136*	*118*	*80*	*115*	*115*	.	
	1933	*89*	—	.	*89*	*125*	*117*	*74*	*107*	*111*	.	
	1934	*96*	—	.	*96*	*145*	*131*	*90*	*125*	*130*	.	
Chile (Peso)	1929	352	127	35	514	512	41	723	1,276	860		
	1930	306	85	35	426	434	47	638	1,119	729		
	1931	319	90	35	444	419	12	465	896	677		
	1932	488	319	18	825	706	—	426	1,132	1,177		
	1933	515	350	21	886	893	—	397	1,290	1,431		
	1934	516	346	27	889	*1,000	—	*368	*1,368	*1,601		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*139*	*251*	*51*	*161*	*138*	—	*59*	*89*	*137*	*116*	
	1933	*146*	*276*	*60*	*172*	*174*	—	*55*	*101*	*166*	*122*	
	1934	*147*	*272*	*77*	*173*	*195*	—	*51*	*107*	*186*	*127*	
Colombia (Peso)	1929	46.9	6.9	13.6	67.4	40.4	6.5	15.1	62.0	97.3		
	1930	35.3	6.7	12.2	54.2	30.9	7.3	16.6	54.8	75.7		
	1931	28.1	10.2	12.1	50.4	27.2	8.0	14.2	49.4	68.1		
	1932	30.3	18.4	13.1	61.8	35.4	6.8	15.1	57.3	82.1		
	1933	39.8	21.0	13.2	74.0	39.4	5.9	13.9	59.2	98.5		
	1934	48.0	24.8	13.4	86.2	48.5	4.7	9.6	62.8	117.2		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	.	
	1932	*65*	*267*	*96*	*92*	*88*	*105*	*100*	*92*	*84*	.	
	1933	*85*	*304*	*97*	*110*	*98*	*91*	*92*	*95*	*101*	.	
	1934	*102*	*359*	*99*	*128*	*120*	*72*	*64*	*101*	*120*	.	
Ecuador (Sucre)	1929	30	16	5	51	24	—	10	34	66		
	1930	23	17	5	45	22	—	11	33	58		
	1931	19	9	6	34	13	—	6	19	43		
	1932	24	11	5	40	25	—	5	30	52		
	1933	36	20	6	62	43	—	7	50	83		
	1934	47	27	8	82	50	—	15	65	112		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	.	
	1932	*80*	*69*	*100*	*78*	*104*	—	*50*	*88*	*79*	.	
	1933	*120*	*125*	*120*	*122*	*179*	—	*70*	*147*	*126*	.	
	1934	*157*	*169*	*160*	*161*	*208*	—	*150*	*191*	*170*	.	
Mexico (Peso)	1929	14.1	48.3	205.6	268.0	175.6	—	42.9	218.5	419.3		
	1930	8.5	45.6	208.2	262.3	183.0	—	60.2	243.2	400.6		
	1931	6.6	43.0	205.2	254.8	102.0	—	43.4	145.4	330.5		
	1932	47.3	66.3	193.4	307.0	135.2	—	26.9	162.1	382.3		
	1933	77.7	67.9	210.0	355.6	182.4	—	51.2	233.6	460.8		
	1934	...	...	...	...	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	.	
	1932	*335*	*137*	*94*	*115*	*77*	—	*63*	*74*	*91*	.	
	1933	*551*	*141*	*102*	*133*	*104*	—	*119*	*107*	*110*	.	
	1934	...	...	...	...	...	—	...	...	...	.	

* Approximate or provisional figure.

Country and unit of currency	End of	Central Banks and Treasuries				Commercial Banks				Net amount of currency available Total *(d)* + *(e)* less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		Note circulation (Bank and State notes)	Central bank sight liabilities	Token coins (less those held by central banks)	Total *(a)* to *(c)*	Sight deposits	Savings accounts	Other deposits	Total *(e)* to *(g)*			
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Latin America *(cont.)*												
Peru (Sol)	1929	65	12	22	99	88	23	53	164	162		
	1930	64	6	23	93	54	17	43	114	129		
	1931	55	8	19	82	51	18	34	103	118		
	1932	50	6	18	74	54	20	29	103	114		
	1933	67	21	21	109	70	26	31	127	146		
	1934	74	28	24	126	98	33	33	164	188		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*77*	*50*	*82*	*75*	*61*	*87*	*55*	*63*	*70*	*87*	
	1933	*103*	*175*	*95*	*110*	*80*	*113*	*58*	*77*	*90*	*86*	
	1934	*114*	*233*	*109*	*127*	*111*	*143*	*62*	*100*	*116*	*87*	
Uruguay (Peso)	1929	71	42	2	115	38	- -	41	79	136		*(c)* Silver coin only.
	1930	74	42	2	118	41	-	48	89	137		
	1931	81	32	*2	*115	43	- -	47	90	*129		
	1932	85	32	*2	*119	51	-	45	99	*132		
	1933	78	32	*2	*112	44	---	46	90	*129		
	1934	...	...	...	...	...	...	...	...	...		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*		
	1932	*120*	*76*	*100*	*103*	*142*	-	*110*	*125*	*97*		
	1933	*110*	*76*	*100*	*97*	*116*	- -	*112*	*114*	*95*		
	1934	...	...	...	...	...	—	...	...	...		
Venezuela (Bolivar)	1929	58	—	.	58	126	5	—	131	181		*(c)* Data not available.
	1930	68	- -	.	68	58	5	- -	63	123		
	1931	61	—	.	61	83	6	—	89	139		
	1932	60	- -	.	60	84	6	—	90	141		
	1933	60	-	.	60	91	6	—	97	147		
	1934	*63	—	.	*63	*105	*6	—	*111	*163		
	1929	*100*	—	.	*100*	*100*	*100*	-	*100*	*100*		
	1932	*103*	- -	.	*103*	*67*	*120*	-	*69*	*78*		
	1933	*103*	—	.	*103*	*72*	*120*	- -	*74*	*81*		
	1934	*109*	—	.	*109*	*83*	*120*	—	*85*	*90*		
Africa.												
Union of South Africa (£)	1929	7.5	7.2	*3.2	17.9	30.9	3.5	26.2	60.6	43.3		Accounts in the Union only.
	1930	7.1	7.0	*3.1	17.2	28.2	3.6	31.7	63.5	39.8		
	1931	7.3	6.1	*2.9	16.3	24.8	3.7	28.1	56.6	36.3		
	1932	6.9	5.1	*3.3	15.3	23.5	3.5	27.4	54.4	33.9		
	1933	9.7	31.1	*3.8	44.6	52.8	4.3	24.1	81.2	70.5		
	1934	10.8	28.6	*4.2	43.6	55.6	4.4	25.2	85.2	76.9		
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*92*	*71*	*103*	*85*	*76*	*100*	*105*	*90*	*78*	*89*	
	1933	*129*	*432*	*119*	*249*	*171*	*123*	*92*	*134*	*163*	*91*	
	1934	*144*	*397*	*131*	*244*	*180*	*126*	*96*	*141*	*176*	*90*	
Asia.												
India (Rupee)	1929	1,794	—	.	.	.	.	.	2,046	.		*(a)* Issue Department of Treasury.
	1930	1,613	—	.	.	.	.	.	2,122	.		*(c)* Data for coin in actual circulation not available.
	1931	1,793	—	.	.	.	.	.	1,974	.		Commercial banks : private deposits with the Imperial Bank, all deposits with domestic joint-stock banks and deposits in India with Exchange Banks.
	1932	1,748	—	.	.	.	.	.	2,176	.		
	1933	1,781	—	.	.	.	.	.	...	.		
	1934	1,839	—	.	.	.	.	.	...	.		
	1929	*100*	—	.	.	.	.	.	*100*	.	*100*	
	1932	*97*	—	.	.	.	.	.	*106*	.	*74*	
	1933	*99*	—	.	.	.	.	.	...	.	*65*	
	1934	*103*	—	.	.	.	.	.	...	.	*67*	
Japan (Yen)	1929	1,771	533	425	2,729	2,580	—	3,523	6,103	4,620		*(a)* Net circulation of Bank of Japan, Bank of Korea, Bank of Formosa and State notes.
	1930	1,556	456	422	2,434	2,413	—	3,495	5,908	4,299		
	1931	1,469	374	416	2,259	2,203	—	3,500	5,703	3,974		
	1932	1,562	384	414	2,360	2,322	—	3,647	5,969	4,163		
	1933	1,679	369	435	2,483	2,631	—	3,941	6,572	4,526		Commercial banks : all clearing-house banks.
	1934	1,804	342	*435	*2,581	2,812	—	4,277	7,089	*4,710		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*88*	*72*	*97*	*86*	*90*	—	*104*	*98*	*90*	*85*	
	1933	*95*	*69*	*102*	*91*	*102*	—	*112*	*108*	*98*	*87*	
	1934	*102*	*64*	*102*	*95*	*109*	—	*121*	*116*	*102*	*88*	
Oceania.												
Australia (£)	1929	42.4	15.5	3.3	61.2	99.4	—	192.7	292.1	137.4		*(b)* Averages of last quarter.
	1930	42.5	7.6	3.3	53.4	85.2	—	194.0	279.2	98.0		
	1931	48.4	8.9	3.8	61.1	89.0	—	194.0	283.0	107.0		Commercial banks : Australian business of all banks operating in the Commonwealth, excluding the Commonwealth Bank ; averages for last quarter.
	1932	45.2	6.1	4.0	55.3	87.7	—	189.7	277.4	101.3		
	1933	45.2	7.2	*4.0	*56.4	94.7	—	186.9	281.6	108.2		
	1934	45.3	10.5	*4.0	*59.8	103.4	—	192.1	295.5	115.8		
	1929	*100*	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	
	1932	*107*	*39*	*121*	*90*	*88*	—	*98*	*95*	*74*	*79*	*(j)* Averages of last quarter.
	1933	*107*	*46*	*121*	*92*	*95*	—	*97*	*96*	*79*	*78*	
	1934	*107*	*68*	*121*	*98*	*104*	—	*100*	*101*	*84*	*80*	

* Approximate or provisional figure.

Table I. — Currency Composition and Movements *(concluded)*.

Country and unit of currency	End of	Central Banks and Treasuries: Note circulation (Bank and State notes)	Central Banks and Treasuries: Central bank sight liabilities	Central Banks and Treasuries: Token coins (less those held by central banks)	Central Banks and Treasuries: Total *(a)* to *(c)*	Commercial Banks: Sight deposits	Commercial Banks: Savings accounts	Commercial Banks: Other deposits	Commercial Banks: Total *(e)* to *(g)*	Net amount of currency available Total *(d)* + *(e)* less cash reserve of commercial banks	Retail prices (cost of living)	Observations
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Oceania *(cont.)*	1929	7.2	- -	*1.0	*8.2	21.2	- -	30.6	54.8	*32.4		*(a)* Net circulation of note issuing banks.
New Zealand (£)	1930	6.7	-	*1.0	*7.7	19.5	- -	33.0	52.5	*27.2		*(c)* Estimate of silver coin only.
	1931	7.3	- -	*1.0	*8.3	17.2	-	34.8	52.0	*25.2		
	1932	7.1	-	*1.0	*8.1	16.2	-	35.1	51.3	*24.3		
	1933	7.6	-	*1.0	*8.6	20.5	- -	30.3	50.8	*29.1		
	1934	6.8	-	*1.0	*7.8	22.4	- -	37.7	60.1	*30.2		
	1929	*100*	-	*100*	*100*	*100*	-	*100*	*100*	*100*	*100*	*(j)* Figures refer to November.
	1932	*99*	- -	*100*	*99*	*67*	- -	*115*	*94*	*75*	*80*	
	1933	*106*	- -	*100*	*105*	*85*	-	*128*	*109*	*90*	*80*	
	1934	*94*	-	*100*	*95*	*93*	- -	*123*	*110*	*93*	*81*	

* Approximate or provisional figure.

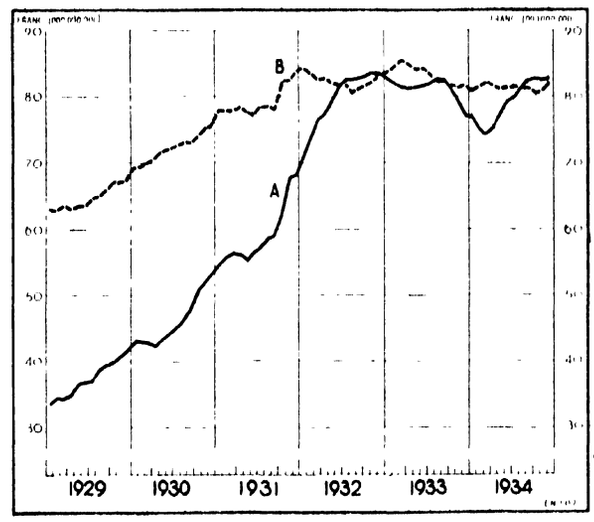
subject does not easily lend itself to generalisation and review. Differences in economic structure, in degree of dependence on foreign markets, in the direction — inward or outward — of the movement of short-term funds, in fiscal and budgetary policy, in foreign exchange policy, in the degree of confidence in the banking system have determined the peculiar nature of the evolution in each particular country. In the following paragraphs, only some of the broad lines of movement are mentioned ; for detailed statements on each country, reference must be made to the individual chapters in the second part of this volume.

The first broad movement which can be discerned from an examination of Table I is an almost universal, though by no means uniform, contraction in the net amount of currency available (column *(i)*) between 1929 and 1932 and some tendency towards stability (and in certain countries, expansion) after that year. The most important exceptions are France, the Netherlands and Belgium. In all these countries, the quantity of money available was higher (by 5 to 15 per cent) at the end of 1932 than at the end of 1929, and in France and the Netherlands — and probably also in Belgium (for which figures are not yet available) — lower at the end of 1933 than at the end of the preceding year. Although France was drawn into the economic depression later than most others, the volume of transactions in that country — as in the Netherlands and Belgium — was much lower in 1932 than in 1929. The net increase in the quantity of currency available in these three countries between these years is entirely due to transfer of funds from foreign countries, which more than offset the effects of domestic credit contraction. As early as 1928, French capitalists began to repatriate balances which had been built up abroad during the depreciation of the franc. The rate of repatriation was increased in subsequent years ; and in 1931 short-term balances were withdrawn on a large scale from London, New York, Berlin and other centres. In 1930 and 1931, the inward movement of capital into France was swollen by foreign capital seeking security. Large gold imports resulted and the circulation of notes rose. The close connection between the import of gold into France and the expansion of the note circulation is shown in Diagram II.

Diagram II.

Gold Reserves and Note Circulation of the Banque de France.

A Gold. B Note circulation.



The notes paid out by the Banque de France for the gold imported did not all go to increase the effective monetary circulation. Part was hoarded by individuals ; part was paid into banks and either kept by them as additional cash on hand or deposited with the Banque de France and hence withdrawn from circulation. In the Netherlands, and Belgium too, the expansion in the note circulation which took place simultaneously with the import of gold between 1929 and 1931 went into hoards ; prices in both countries fell sharply. The commercial banks of both countries built up large

cash reserves in 1932, and as there was — in spite of the continued, though smaller, import of gold — a net contraction in the gross amount of central bank money outstanding, the net amount of currency available fell. In the Netherlands it fell still more sharply in 1933, while in Belgium notes returning from hoards were used by the banks to increase still further their cash reserves, and little net change appears to have occurred in the quantity of money available.

In Switzerland, there was an expansion in the note circulation and in the sight liabilities of the National Bank simultaneously with the gold imports of 1930 and 1931 ; the expansion slowed up, as did the inward movement of gold, in 1932 and — like it — was reversed in 1933 and 1934. The decline in commercial bank sight deposits, which constitute the most important part of the means of payment in Switzerland, was extremely sharp in 1930, and it is chiefly this contraction which accounts for the fact that the net amount of currency available was 15 per cent lower at the end of 1932 than three years earlier. But Switzerland, unlike France, Belgium and the Netherlands, experienced a simultaneous expansion in savings and other bank deposits. If these be taken into account, then the net amount of currency available was more than 5 per cent higher at the end of 1932 than at the end of 1929, and it began to fall only in 1933.

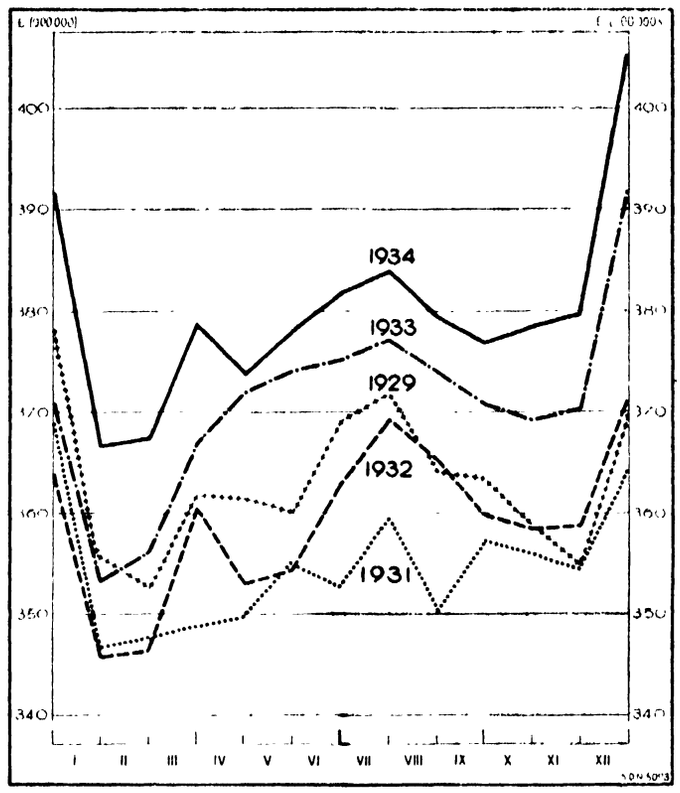
In the United Kingdom, too, according to Table I, the quantity of money available, after rising slightly in 1930 and falling rather sharply in 1931, was again higher at the end of 1932 than at the end of 1929. These movements were chiefly due to changes in the volume of bank deposits, and it is shown below that these, in turn, have varied closely with the changes in the amount of bankers' cash. The very large increase in deposits in 1932 must be considered in relation to the movement towards cheap money which culminated in the important conversion operations of that year. Since 1931, as is shown in Diagram III, there has been a steady increase in the amount of Bank of England notes outstanding ; their circulation attained the highest level ever recorded in Christmas week 1934. The average monthly note circulation in 1934 was higher than in any year since 1925.

The Irish Free State did not share with the United Kingdon in the increase in the quantity of money available in 1933. On the contrary, a marked decline took place which became still sharper in 1934. This decline evidently reflects chiefly the effects of the trade war with the United Kingdom, which led to an excess of payments abroad and a consequent reduction in commercial bank deposits in the Free State.

In Europe, the contraction in the aggregate means of payment, as measured in Table I, would appear, on the whole, to have been sharpest in certain agricultural States of Eastern and South-

Diagram III.

BANK OF ENGLAND NOTES IN CIRCULATION.



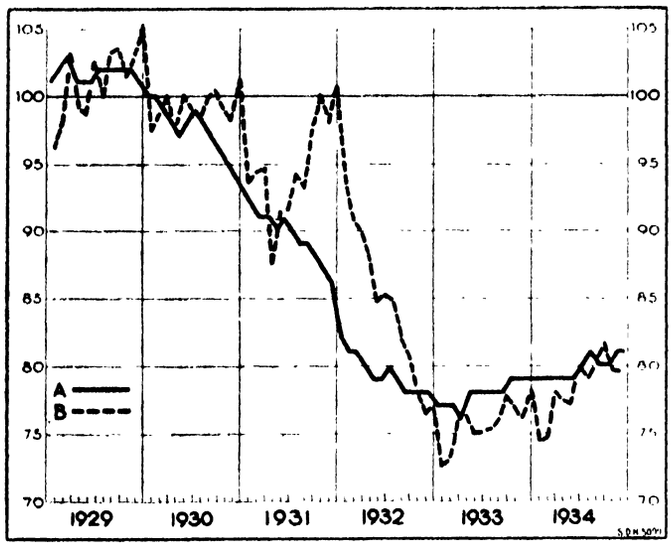
Eastern Europe, particularly Bulgaria, Poland, Yugoslavia and Hungary. These countries were not only affected by the heavy fall in the prices of their chief export products on world markets, but also by the transfer abroad of short-term funds previously loaned them. In the countries mentioned, the note circulation and central bank sight liabilities — though increasing during the financial crisis of 1931 — fell on balance after 1930. The decline in sight deposits with commercial banks was very sharp, and only in Bulgaria was there an increase, albeit slight, in time deposits. Like the quantity of money, the cost of living fell more in these countries than elsewhere in Europe. In Roumania, the fall in bank deposits, both sight and time, was at least as sharp as in the neighbouring countries, but the great bulk of the aggregate means of payment consists of notes, whose quantity has not fallen below the 1929 level since 1930; this is evidently entirely due to hoarding, as transactions have fallen greatly and prices are very much lower than in 1929. In Greece, the apparent increase in the quantity of central bank money in 1932 and 1933 is misleading ; it will be shown in the next section that it was entirely due to the accumulation of blocked deposits at the Bank of Greece by the International Financial Commission.

The withdrawal of foreign short-term funds is partly responsible for the contraction in the means of payment in Germany and Austria up to 1931-32. Diagram IV compares the movements of the note circulation and the cost of living in Germany since 1929.

Diagram IV.

NOTE CIRCULATION AND COST OF LIVING IN GERMANY. (1928=100.)

A Cost of living. B Note circulation.



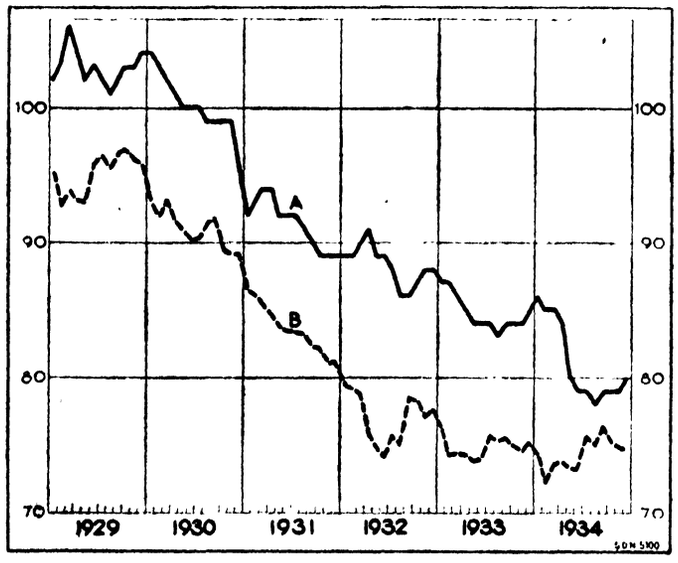
Apart from the period of intense currency hoarding in 1931 — which naturally exercised a deflationary pressure rather than the reverse — the movement of the two curves is similar in both direction and amplitude. Since the beginning of 1933, the rise in the note circulation has been accompanied by an increase in the cost of living in Germany.

Even more striking is the similarity in the movement of the note circulation and cost of living in Italy shown in Diagram V. A close examination of the diagram will show a fairly well-defined tendency for the movements in the note circulation to lead those in the cost of living by a couple of months or more.

Diagram V.

NOTE CIRCULATION AND COST OF LIVING IN ITALY. (1928=100.)

A Cost of living. B Note circulation.



In most Northern European States — the Scandinavian countries, the Baltic States and Finland — there was some increase in the quantity of money available in 1933 and 1934. The most important exceptions are Lithuania, whose currency remained linked to gold and where the process of contraction was continuous, and Norway, where expansion set in only in 1934. In Sweden, note circulation plus sight liabilities of the central bank shows a steady increase after the end of 1931 ; commercial bank sight deposits rose simultaneously and were above their 1929 level at the end of 1934. In the United Kingdom, Denmark, Estonia, Finland, Greece and Portugal, both the volume of commercial bank deposits and the amount of currency available at the end of 1934 were also higher than at the end of 1929. For a number of other European countries, the data are incomplete.

The contraction in the means of payment during the first years of the depression was, in general, more severe outside Europe than on that continent. In the United States, the contraction was entirely confined to commercial bank deposits, which fell, in the aggregate, by nearly $16 milliard between the middle of 1929 and the middle of 1933. A substantial part of the fall in bank deposits was due to bank failures ; part was due to the withdrawal of short-term balances held by foreigners, particularly in 1931 and 1932 ; part was due to currency hoarding, which exercised not only a direct effect in reducing bank deposits, but an indirect one by depleting the banks' cash reserves, forcing them into indebtedness at the Federal Reserve Banks, and hence causing them to sell assets and call in loans.

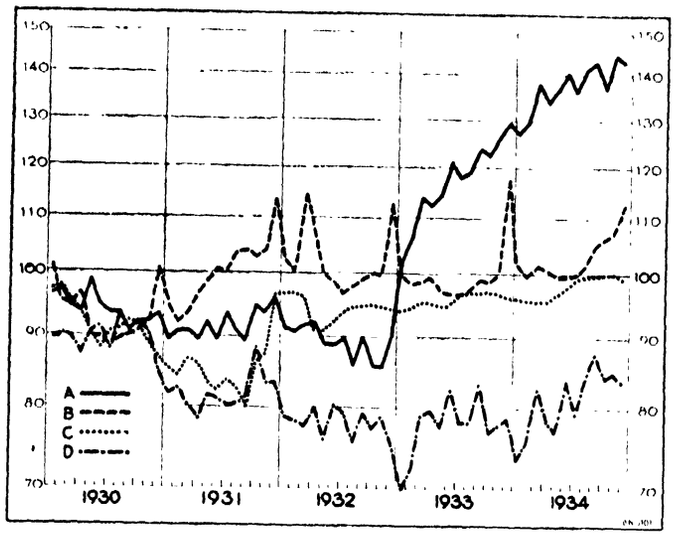
Table I suggests that, between 1929 and 1932, the contraction in the net amount of money available was greater in Canada (over 30 per cent) than in any other country for which data are available ; but if savings deposits, which perform the functions of money to a considerable extent in Canada, be taken into account, the contraction is considerably less. During 1933 and 1934 there was some increase in the quantity of money, due in part to a rise in sight deposits and in part to an expansion of the note circulation. But, even at the end of 1934, the total volume of notes in effective circulation was considerably less in relation to the 1929 level in Canada than in the other British Dominions, as is shown in Diagram VI on the opposite page.

In all cases the figures on which Diagram VI is based are net — that is, they exclude notes held by commercial banks, etc. — and represent the circulation in the hands of the public. In Australia, the note circulation fell sharply in 1930, but rose during 1931 and since 1932 has fluctuated around the 1929 level. In India, a steady rising tendency came into operation after the abandonment of the gold standard in September 1931 and carried the circulation back to the 1929 level by the end of 1934. The increase in the note circulation of

Diagram VI.

NOTE CIRCULATION IN CERTAIN COUNTRIES.
(1929=100.)

A South Africa. C India.
B Australia. D Canada.



South Africa is especially marked, and is largely to be explained by the return flow of capital which was transferred to London before South Africa left the gold standard at the end of 1932 and by the rise in the price of gold and other export products. In spite of the rise in the net circulation of notes in Canada during 1934, the amount outstanding was still more than 15 per cent below the 1929 level at the end of that year.

In several South-American countries, the volume of monetary circulation, after contracting violently in 1930 and 1931, expanded very rapidly in 1932 and 1933. In Chile, the net amount of currency available fell by over 20 per cent between 1929 and 1931 and doubled in the next two years, while the cost of living rose by about 30 per cent. In Bolivia and Ecuador, the contraction between 1929 and 1931 was even greater (35 per cent) and the expansion of similar proportions. In Colombia, the contraction exceeded 30 per cent and the expansion up to the end of 1934 was over 60 per cent. It will be shown in subsequent sections that, in all these countries, the sequence of events was similar: the fall in prices and contraction in business activity, which was reflected in the sharp decline in the quantity of money between 1929 and 1931, led to a decline in tax revenue, and the resulting budgetary deficits were largely covered by Government borrowing at the central bank; in certain cases, as in Chile, public works made additional demands on central bank credit. There was a rapid expansion of the note circulation, which found its way, in large part, into the hands of the commercial banks, whose cash resources and deposit liabilities increased accordingly. A very small part of the increase in deposits is to be attributed to the resumption of active credit operations by the commercial banks.

Reference has been made above to the fact that "primary" money issued by central banks and treasuries has come, in recent years, to constitute an increasing proportion of the total monetary supply in many countries. The increase in the circulation of coin is fairly general in Europe, being particularly marked in Portugal, Bulgaria, France and Roumania. The increase in the relative importance of notes and central bank deposits in total monetary supply is even more general. It is not possible to measure directly the increase in the amount of central bank money held by others than banks, but its obverse — namely, the reduced proportion which sight deposits with commercial banks constitute of the net amount of currency available — can be measured from Table I. The results, for certain typical countries, are shown below:

	1929	1934
Denmark	59	53
Estonia	46	45
France	33	29 [a]
Hungary	59	56
Netherlands	41	35
Poland	22	17
Sweden	46	49
Switzerland	76	58 [a]
United Kingdom	82	81 [a]
U.S.A.	88	75 [a]

[a] 1933.

Sweden is the only country included in the above table in which the relative importance of sight deposits in aggregate means of payment was greater at the most recent date available than in 1929.

The principal reasons for this contraction in most other countries have been indicated above [1]. One significant aspect of the increased use of "primary" money as ordinary currency to which attention should be directed rests in the fact that, from the point of view of the national economy, "primary" or central bank money is a more expensive currency than commercial bank money. Against the former a fractional gold reserve must generally be immobilised; against the latter the fractional reserve is in central bank money.

[1] See pages IX and XVI. A comparison of the changes in note circulation and the cost of living suggests that currency hoarding was of greatest importance in Belgium, France, the Netherlands, Switzerland and the United States.

III. Central Bank Assets.

The preceding section summarised the principal variations in the volume of " central bank money " — *i.e.*, note circulation and sight liabilities — outstanding in different parts of the world during the period 1929-1934. The present section is devoted to a brief summary of the changes in central bank assets lying behind these changes in their liabilities. Table II below shows the principal assets of the central banks of thirty-seven countries at the end of each year from 1929 to 1934. The table distinguishes broadly between five principal groups of assets : (1) the State debt relating to the fiduciary note issue ; (2) temporary advances to the Government, including discounts of Treasury bills ; (3) Government securities and other securities, used by certain central banks in their open-market operations ; (4) non-Government loans and discounts ; and (5) gold and foreign assets. The balance-sheets of central banks are drawn up on very different lines — which correspond only in part to the differences in their functions — and the allocation of the various items among the different groups mentioned above has necessarily involved at many points an exercise of somewhat arbitrary judgment. A caution must therefore be uttered against pressing comparisons between different countries too far on the basis of Table II without reference to the original sources on which it is based. The table shows below the absolute figures for each country the changes since 1929 in percentages.

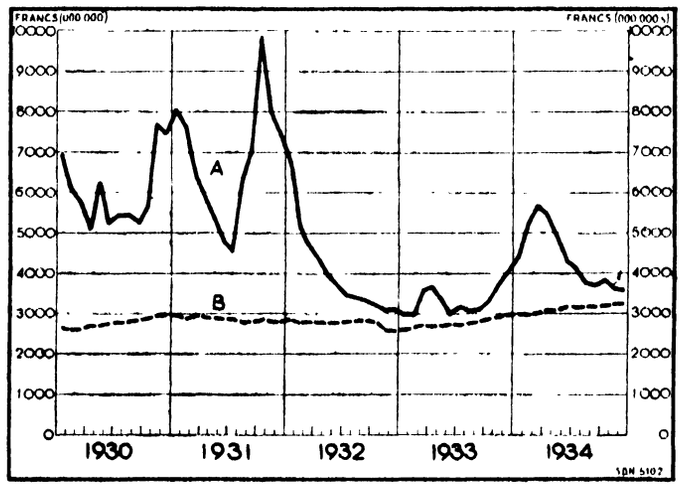
In the preceding section, reference was made to the sharp expansion in the note circulation and sight liabilities of the central banks of Belgium, France, the Netherlands and Switzerland, and it was shown in Diagram I that, in the case of France, the acquisition of gold by the central bank was chiefly responsible. An examination of Table II will show that this factor was also of primary importance for the other countries mentioned ; their gold reserves, which even in 1929 constituted an unusually high proportion of aggregate assets, rose very sharply in subsequent years. Between 1929 and 1934, the proportion of cover assets to the total assets shown in Table II rose from 58 to 67 per cent in Belgium, from 47 to 83 per cent in France, from 54 to 79 per cent in the Netherlands, and from 49 to 90 per cent in Switzerland.

On the other hand, the assets of most of the institutions in question, which can be taken as representative of central bank credit proper — *i.e.*, their bill and security portfolios and advances to the Government and others — fell considerably while, as will be seen below, the corresponding assets of most other central banks rose. The net fall in these assets (column *(g)*) was around 5 per cent in Belgium, 10 per cent in France and even more in Switzerland. This contraction was not necessarily due to deliberate policy on the part of the central banks, whose rôle indeed has been largely passive during the past few years. Unlike the Federal Reserve Banks and the Bank of England, the Banque de France does not engage in open-market operations. Its statutes place certain limitations on it in this respect and the Bank has, up to the present, not intervened directly in the money market [1]. The variations in the Banque de France's own credit outstanding therefore result almost entirely from changes in its bill portfolio and lombard loans ; the initiative in these changes rests largely with the borrower. Diagram VII below shows fluctuations in the bill portfolio and lombard loans of the Bank since the beginning of 1930.

Diagram VII.

BILL PORTFOLIO AND LOMBARD LOANS OF THE BANQUE DE FRANCE.

A Bill portfolio. B Lombard loans.



Lombard loans fluctuate within a very narrow range and their upward tendency since the beginning of 1933 is not very important. In

[1] The amounts shown in column *(b)* of Table II consist of *bons négociables de la Caisse autonome d'amortissement.* Under the Convention of June 23rd, 1928, these bonds, to an amount of 5,930 million francs, were handed over to the Bank in place of the Treasury bonds discounted by it during the war to enable loans to be made to foreign Governments. Under the terms of the Convention mentioned, these bonds may be sold and repurchased by the Banque de France "dans un intérêt monétaire ", but the Bank has not availed itself of that privilege. The reductions which took place in 1929 and 1930 were in accordance with the detailed plan of amortisation laid down in the Convention mentioned. The rise in 1931 was due to the assumption by the State, through the Caisse autonome, of 2,342 million francs loss suffered by the Bank on its foreign assets reserves as a result of the depreciation of sterling ; and the subsequent decline is due to regular amortisation.

Table II. — Changes in Principal Assets of Central Banks.

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. (a)+(b)	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits (c)+(d)+(e)+(f)	Gold reserves	Foreign assets	Total gold and foreign assets (h)+(i)	Observations
		(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	
Europe.												
Austria	1929	109	—	109	—	4	307	420	169	660	829	(h) (j) 1934 according to new parity. Figures according to old parity would have been :
National	1930	101	—	101	—	7	149	257	214	801	1,015	
Bank	1931	96	—	96	—	5	934	1,035	189	140	329	
(Schilling)	1932	663	—	663	—	1	405	1.069	149	54	203	
	1933	624	—	624	—	1	288	913	189	38	227	(h) (j)
	1934	624	—	624	—	1	239	864	242	69	311	190 259
	1929	*100*	—	*100*		*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*608*	—	*608*	—	*25*	*132*	*255*	*88*	*8*	*24*	
	1933	*572*	—	*572*	—	*25*	*94*	*217*	*112*	*6*	*27*	
	1934	*572*	—	*572*	—	*25*	*78*	*206*	*143*	*10*	*38*	*112* *31*
Belgium	1929	—	1,688	1,688	295	76	4,243	6,302	5,876	2,888	8,764	
National	1930	—	1,462	1,462	325	91	4,687	6,565	6,862	4,852	11,714	
Bank	1931	—	1,440	1,440	344	100	5,161	7,045	12,749	—	12,749	
(Franc)	1932	—	1,820	1,820	349	—	3,944	6,113	12,980	—	12,980	
	1933	—	1,756	1,756	350	—	4,190	6,296	13,668	—	13,668	
	1934	—	1,718	1,718	354	—	4,001	6,073	12,524	—	12,524	
	1929	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*108*	*108*	*118*	—	*93*	*97*	*221*	—	*148*	
	1933	—	*104*	*104*	*119*	—	*99*	*100*	*233*	—	*156*	
	1934	—	*102*	*102*	*120*	—	*94*	*96*	*213*	—	*143*	
Bulgaria	1929	3,470	—	3,470	—	42	1,628	5,140	1,388	1,158	2,546	(i) Foreign assets : net amounts, liabilities in foreign currency deducted.
National	1930	3,162	157	3,319	—	58	800	4,177	1,455	792	2,247	
Bank	1931	2,995	279	3,274	—	95	711	4,080	1,512	257	1,769	
(Lev)	1932	2,903	423	3,326	—	100	527	3,953	1,519	123	1,642	
	1933	2,813	818	3,631	—	93	552	4,276	1,545	141	1,686	
	1934	2,755	655	3,410	—	124	437	3,971	1,547	121	1,668	(e) Excluding participations.
	1929	*100*	—	*100*	—	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*84*	*(100)*	*96*	—	*238*	*32*	*77*	*109*	*11*	*64*	
	1933	*81*	*(193)*	*105*	—	*221*	*34*	*83*	*111*	*12*	*66*	
	1934	*79*	*(155)*	*98*	—	*295*	*27*	*77*	*111*	*10*	*66*	
Czechoslovakia	1929	3,761	362	4,123	—	—	1,011	5,134	1,261	2,270	3,531	(h) (j) According to new parity. Figures according to old parity would have been:
National	1930	3,453	323	3,776	—	—	525	4,301	1,545	2,447	3,992	
Bank	1931	3,121	294	3,415	—	—	2,316	5,731	1,650	1,060	2,710	
(Koruna)	1932	2,687	—	2,687	—	—	1,675	4,362	1,709	1,029	2,738	
	1933	2,593	—	2,593	—	—	1,751	4,344	1,708	926	2,634	(h) (j)
	1934	2,095	—	2,095	—	—	1,379	3,474	2 680	229	2,909	2,234 2,463
	1929	*100*	*100*	*100*		—	*100*	*100*	*100*	*100*	*100*	
	1932	*71*	—	*65*	—	—	*166*	*85*	*136*	*45*	*78*	
	1933	*69*	—	*63*	—	—	*173*	*85*	*135*	*41*	*75*	
	1934	*56*	—	*51*	—	—	*136*	*68*	*213*	*10*	*82*	*177* *70*
Danzig	1929	—	—	—	—	3	10	13	—	41	41	
Bank of	1930	—	—	—	—	5	4	9	—	45	45	
Danzig	1931	—	—	—	—	5	11	16	22	25	47	
(Gulden)	1932	—	2	2	—	5	12	19	21	14	35	
	1933	—	1	1	—	3	15	19	30	10	40	
	1934	—	—	—	—	3	22	25	24	3	27	
	1929	—	—	—	—	*100*	*100*	*100*	—	*100*	*100*	
	1932	—	*(100)*	*(100)*	—	*167*	*120*	*146*	*(100)*	*34*	*85*	
	1933	—	*(50)*	*(50)*	—	*100*	*150*	*146*	*(143)*	*24*	*98*	
	1934	—	—	—	—	*100*	*220*	*192*	*(114)*	*7*	*66*	
Denmark	1929	—	—	—	—	38	182	220	172	90	262	
National	1930	—	—	—	—	51	166	217	172	100	272	
Bank	1931	—	13	13	—	49	246	308	144	15	159	
(Krone)	1932	—	60	60	—	145	189	394	133	— 5	128	
	1933	—	113	113	—	120	201	434	133	—27	106	
	1934	—	192	192	—	141	217	550	133	—68	65	
	1929	—	—	—	—	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	—	*382*	*104*	*179*	*77*	*— 6*	*49*	
	1933	—	*(188)*	*(188)*	—	*316*	*110*	*197*	*77*	*—30*	*40*	
	1934	—	*(320)*	*(320)*	—	*371*	*119*	*250*	*77*	*—76*	*25*	
Estonia	1929	—	—	—	0.8	0.1	27.3	28.2	6.4	24.0	30.4	
Bank of	1930	—	—	—	0.3	0.5	23.9	24.7	6.6	23.7	30.3	
Estonia	1931	—	3.1	3.1	—	3.1	23.9	30.1	6.6	15.8	22.4	
(Eesti kroon)	1932	—	4.8	4.8	—	3.1	20.3	28.2	15.2	5.1	20.3	
	1933	—	4.0	4.0	—	3.0	20.4	27.4	20.1	3.8	23.9	
	1934	—	3.3	3.3	—	...	...	...	27.7	8.0	35.7	
	1929	—	—	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	—	*3,100*	*74*	*100*	*238*	*21*	*67*	
	1933	—	*(83)*	*(83)*	—	*3,000*	*75*	*97*	*314*	*16*	*79*	
	1934	—	*(69)*	*(69)*	—	...	...	...	*433*	*33*	*117*	

Table II. — Changes in Principal Assets of Central Banks *(continued)*.

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. *(a)+(b)*	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits *(c)+(d)+(e)+(f)*	Gold reserves	Foreign assets	Total gold and foreign assets *(h)+(i)*	Observations
Europe. *(cont.)*.		*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Finland	1929	—	—	—	287	36	1,382	1,705	302	683	985	
Bank of	1930	—	—	—	315	56	935	1,306	301	935	1,236	
Finland	1931	—	—	—	293	66	1,309	1,668	304	491	795	
(Markka)	1932	—	—	—	236	65	1,218	1,519	304	545	849	
	1933	—	—	—	246	70	716	1,032	323	1,324	1,647	
	1934	—	—	—	273	85	672	1,030	323	1,436	1,759	
	1929	—	—	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	—	—	*82*	*181*	*88*	*89*	*101*	*80*	*86*	
	1933	—	—	—	*86*	*194*	*52*	*61*	*107*	*194*	*167*	
	1934	—	—	—	*95*	*236*	*40*	*60*	*107*	*210*	*179*	
France	1929	3,200	5,612	8,812	113	—	10,979	19,904	41,622	26,053	67,675	
Bank of	1930	3,200	5,304	8,504	113	—	11,367	19,984	53,563	26,205	79,768	
France	1931	3,200	7,157	10,357	113	—	11,053	21,523	68,481	21,500	89,981	
(Franc)	1932	3,200	6,802	10,002	113	—	7,291	17,406	83,129	4,483	87,612	
	1933	3,200	6,187	9,387	113	—	8,506	18,006	76,959	1,162	78,121	
	1934	3,200	5,898	9,098	113	—	8,374	17,585	82,123	962	83,085	
	1929	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	*100*	*121*	*114*	*100*	—	*66*	*87*	*200*	*17*	*129*	
	1933	*100*	*110*	*107*	*100*	—	*77*	*90*	*185*	*4*	*115*	
	1934	*100*	*105*	*103*	*100*	—	*76*	*88*	*195*	*4*	*123*	
Germany	1929	70	350	420	—	93	2,463	2,976	2,283	812	3,095	
Reichsbank	1930	70	347	417	—	103	2,331	2,851	2,216	764	2,980	
(Reichsmark)	1931	70	289	359	—	162	4,275	4,796	984	—120	864	
	1932	70	166	236	—	323	2,892	3,451	806	—120	686	
	1933	70	193	263	—	592	3,171	4,026	386	222	608	
	1934	70	167	237	—	773	4,132	5,142	79	89	168	
	1929	*100*	*100*	*100*		*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*100*	*47*	*56*		*347*	*117*	*116*	*35*	*—15*	*22*	
	1933	*100*	*55*	*63*	—	*637*	*129*	*135*	*17*	*27*	*20*	
	1934	*100*	*48*	*56*	—	*831*	*168*	*173*	*3*	*11*	*5*	
Greece	1929	2,714	882	3,596	—	56	325	3,977	640	2,477	3,117	
Bank of	1930	2,714	675	3,389	—	299	327	4,015	510	2,502	3,012	
Greece	1931	2,672	454	3,126	—	287	533	3,946	869	1,051	1,920	
(Drachma)	1932	2,714	1,928	4,642	654	360	1,054	6,710	.	.	1,599	
	1933	2,714	2,603	5,317	641	371	716	7,045	.	.	3,954	
	1934	2,714	1,361	4,075	639	282	1,211	6,207	.	.	4,013	
	1929	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*100*	*219*	*129*	*(100)*	*643*	*324*	*169*	.	.	*51*	
	1933	*100*	*295*	*148*	*(98)*	*663*	*220*	*177*	.	.	*127*	
	1934	*100*	*154*	*113*	*(98)*	*504*	*373*	*156*	.	.	*129*	
Hungary	1929	88	—	88	—	—	329	417	163	80	243	
National	1930	64	—	64	—	—	298	362	163	67	230	
Bank	1931	58	—	58	—	—	441	499	102	24	126	
(Pengö)	1932	52	24	76	—	—	449	525	97	20	117	
	1933	50	31	81	—	—	605	686	79	33	112	
	1934	50	34	84	—	—	597	681	79	...	...	
	1929	*100*	—	*100*	—	—	*100*	*100*	*100*	*100*	*100*	
	1932	*59*	*(100)*	*86*	—	—	*136*	*126*	*60*	*25*	*48*	
	1933	*57*	*(129)*	*92*	—	—	*184*	*165*	*48*	*41*	*46*	
	1934	*57*	*(142)*	*95*	—	—	*181*	*163*	*48*	...	...	
Italy	1929	1,813	456	2,269	1,053	—	7,192	10,964	5,190	5,151	10,341	
Bank of	1930	1,784	527	2,311	1,160	—	6,521	9,992	5,297	4,327	9,624	
Italy	1931	1,773	370	2,143	1,375	—	7,411	10,929	5,626	2,171	7,797	
(Lira)	1932	1,773	—	1,773	1,366	—	8,644	11,783	5,839	1,305	7,144	
	1933	1,773	—	1,773	1,371	—	•5,987	9,131	7,092	305	7,397	
	1934	1,773	—	1,773	1,385	—	7,759	10,917	5,811	72	5,883	
	1929	*100*	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	*98*	—	*78*	*130*	—	*120*	*107*	*113*	*25*	*69*	
	1933	*98*	—	*78*	*130*	—	*83*	*83*	*137*	*6*	*72*	
	1934	*98*	—	*78*	*132*	—	*108*	*100*	*112*	*1*	*57*	
Latvia	1929	—	—	—	8	—	141	149	24	56	80	
Bank of	1930	—	—	—	9	—	153	162	24	41	65	
Latvia	1931	—	—	—	9	—	131	140	32	14	46	
(Lat)	1932	—	—	—	9	—	125	134	36	11	47	
	1933	—	—	—	9	—	132	141	45	3	48	
	1934	—	—	—	8	—	137	145	46	4	60	
	1929	—	—	—	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	—	—	*111*	—	*89*	*90*	*150*	*20*	*59*	
	1933	—	—	—	*111*	—	*94*	*95*	*188*	*5*	*60*	
	1934	—	—	—	*100*	—	*97*	*97*	*192*	*7*	*63*	

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. *(a)+(b)*	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits *(c)+(d)+(e)+(f)*	Gold reserves	Foreign assets	Total gold and foreign assets *(h)+(i)*	OBSERVATIONS
EUROPE *(cont.)*.		*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Lithuania	1929	.	.	.	.	.	.	84	35	79	114	
Bank of	1930	.	.	.	.	.	.	102	39	86	125	
Lithuania	1931	.	.	.	.	.	.	109	50	33	83	
(Litas)	1932	.	.	.	.	.	.	92	49	16	65	
	1933	.	.	.	.	.	.	84	52	15	67	
	1934	.	.	.	.	.	.	101	52	8	60	
	1929	.	.	.	.	.	.	*100*	*100*	*100*	*100*	
	1932	.	.	.	.	.	.	*110*	*140*	*20*	*57*	
	1933	.	.	.	.	.	.	*100*	*149*	*19*	*59*	
	1934	.	.	.	.	.	.	*120*	*149*	*10*	*53*	
Netherlands	1929	—	—	—	25		182	207	447	220	667	*(i)* Foreign bills only; balances abroad, which are only shown as per March 31st, dropped from 37 million fl. in March 1929 to 1 million in March 1934.
Netherlands	1930	—	—	—	26		148	174	426	247	673	
Bank	1931	—	—	—	27		188	215	887	86	973	
(Gulden)	1932	—	19	19	20		118	157	1,033	71	1,104	
	1933	—	18	18	22		177	217	922	1	923	
	1934	—	17	17	37		174	228	842	1	843	
	1929	—	—	—	*100*		*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	*80*		*65*	*76*	*231*	*32*	*166*	
	1933	—	*(95)*	*(95)*	*88*		*97*	*105*	*206*	—	*138*	
	1934	—	*(89)*	*(89)*	*148*		*96*	*110*	*188*	—	*126*	
Norway	1929	—	—	—	16	18	187	221	147	66	213	
Bank of	1930	—	—	—	10	17	160	187	146	72	218	
Norway	1931	—	—		12	27	229	268	155	23	178	
(Krone)	1932	—	—	—	12	20	231	263	144	31	175	
	1933	—	—	—	14	21	258	293	143	6	149	
	1934	—	—		18	20	251	289	135	41	176	
	1929	—	—	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	—	—	*75*	*111*	*124*	*119*	*98*	*47*	*82*	
	1933	—	—		*88*	*117*	*138*	*133*	*97*	*9*	*70*	
	1934	—	—		*113*	*111*	*134*	*131*	*92*	*62*	*83*	
Poland	1929		30	30	55	28	781	894	701	526	1,227	
Bank of	1930	—	8	8	57	38	758	861	562	413	975	
Poland	1931	—	32	32	57	49	796	934	600	214	814	
(Zloty)	1932	—	104	104	57	49	700	910	502	137	639	
	1933	—	138	138	57	49	767	1,011	476	88	564	
	1934	—	138	138	57	45	709	949	503	28	531	
	1929	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*347*	*347*	*104*	*175*	*90*	*102*	*72*	*26*	*52*	
	1933	—	*460*	*460*	*104*	*175*	*98*	*113*	*68*	*17*	*46*	
	1934	—	*460*	*460*	*104*	*161*	*91*	*106*	*72*	*5*	*43*	
Portugal	1929	1,751	10	1,761	1	6	440	2,208	209	412	621	
Bank of	1930	1,531	10	1,541	2	6	664	2,213	209	259	468	
Portugal	1931	1,058	11	1,069	169	2	346	1,586	286	515	801	
(Escudo)	1932	1,055	—	1,055	228	14	343	1,640	539	472	1,011	
	1933	1,052	—	1,052	267	12	332	1,663	770	117	887	
	1934	1,049	—	1,049	...	...	318	...	903	...	...	
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*60*	—	*60*	*22,800*	*233*	*78*	*74*	*258*	*115*	*163*	
	1933	*60*	—	*60*	*26,700*	*200*	*75*	*75*	*368*	*28*	*143*	
	1934	*60*	—	*60*	...	...	*73*	...	*432*	...	...	
Roumania	1929	3,797	1,672	5,469	548	150	9,717	15,884	9,185	6,792	15,977	*(i)* Excluding "provisions spéciales de devises".
National	1930	3,617	—	3,617	553	231	8,132	12,533	9,275	1,823	11,098	
Bank	1931	3,767	—	3,767	495	231	13,758	18,251	9,675	323	9,998	
(Leu)	1932	3,726	2,000	5,726	314	231	13,549	19,820	9,527	559	10,086	
	1933	3,681	2,000	5,681	420	155	12,493	18,749	9,896	270	10,166	
	1934	3,655	6,013	9,668	502	159	9,675	20,004	10,285	127	10,412	
	1929	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*98*	*120*	*105*	*57*	*154*	*139*	*125*	*104*	*8*	*63*	
	1933	*97*	*120*	*104*	*77*	*103*	*129*	*118*	*108*	*4*	*64*	
	1934	*96*	*360*	*177*	*92*	*106*	*100*	*126*	*112*	*2*	*65*	
												(j) In addition: *Silver Reserve:*
Spain	1929	—	285	285	344	15	3,594	4,238	2,566	101	2,667	704
Bank of	1930	—	287	287	344	18	3,620	4,269	2,440	84	2,524	699
Spain	1931	—	528	528	344	18	4,739	5,629	2,447	279	2,726	515
(Peseta)	1932	—	470	470	344	18	4,398	5,230	2,259	285	2,544	601
	1933	—	357	357	344	18	4,381	5,117	2,261	279	2,540	644
	1934	—	469	469	344	18	4,089	4,920	2,267	282	2,549	678
	1929	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*
	1932	—	*165*	*165*	*100*	*120*	*122*	*123*	*88*	*282*	*95*	*85*
	1933	—	*125*	*125*	*100*	*120*	*123*	*121*	*88*	*276*	*95*	*91*
	1934	—	*165*	*165*	*100*	*120*	*114*	*116*	*88*	*279*	*96*	*96*

Table II. — Changes in Principal Assets of Central Banks *(continued)*.

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. *(a)+(b)*	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits *(c)+(d)+(e)+(f)*	Gold reserves	Foreign assets	Total gold and foreign assets *(h)+(i)*	Observations
Europe *(cont.)*.		*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Sweden	1929	—	—	—	23	—	379	402	245	265	510	
Riksbank	1930	—	—	—	4	2	321	327	241	390	631	
(Krona)	1931	—	—	—	4	—	558	562	206	49	255	
	1932	—	—	—	238	—	205	443	206	214	420	
	1933	—	—	—	227	—	56	283	370	447	817	
	1934	—	—	—	149	—	44	193	351	554	905	
	1929	—	—	—	*100*		*100*	*100*	*100*	*100*	*100*	
	1932	—	—		*1,035*	—	*54*	*110*	*84*	*81*	*82*	
	1933	—	—		*987*	—	*15*	*70*	*151*	*169*	*160*	
	1934	—	—	—	*648*		*12*	*48*	*144*	*209*	*177*	
Switzerland	1929	—	39	39	5	—	226	270	595	353	948	*(f)* Including, since 1932, "effets de la Caisse de prêts":
National	1930	—	30	39	8	1	142	190	713	438	1,151	
Bank	1931	—	—	—	29	9	125	163	2,347	103	2,450	
(Franc)	1932	—	5	5	37	14	84	140	2,471	87	2,558	5
	1933	—	74	74	11	17	150	252	1,998	17	2,015	58
	1934	—	10	10	45	7	160	222	1,910	7	1,917	6
	1929	—	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	*13*	*13*	*740*	*(100)*	*37*	*52*	*415*	*25*	*270*	
	1933	—	*190*	*190*	*220*	*(121)*	*66*	*93*	*336*	*5*	*213*	
	1934	—	*26*	*26*	*900*	*(50)*	*71*	*82*	*321*	*2*	*202*	
United	1929	244.8	—	244.8	81.7	28.7	42.2	397.4	146.1	—	146.1	*(d)* = Govt. securities in Banking Department.
Kingdom	1930	244.1	—	244.1	81.0	35.2	49.0	409.3	148.3	—	148.3	*(e)* = "Other securities" in both Departments.
Bank of	1931	253.7	—	253.7	95.4	54.8	27.3	431.2	121.3	—	121.3	*(h)* = Including small amount of silver coin in Banking Department.
England	1932	266.2	—	266.2	102.4	22.8	18.5	409.9	120.6	—	120.6	
(£)	1933	254.2	—	254.2	88.0	15.6	16.8	374.6	191.7	—	191.7	
	1934	256.6	—	256.6	87.5	11.7	7.6	363.4	192.8	—	192.8	
	1929	*100*	—	*100*	*100*	*100*	*100*	*100*	*100*	—	*100*	*(f)* = All discounts and advances.
	1932	*109*	—	*109*	*125*	*79*	*44*	*103*	*83*	—	*83*	
	1933	*104*	—	*104*	*108*	*54*	*40*	*94*	*131*	—	*131*	
	1934	*105*	—	*105*	*107*	*41*	*18*	*91*	*132*	—	*132*	
Yugoslavia	1929	4,153	—	4,153	—	65	1,518	5,736	[1]1,046	[2] 742	1,788	[1] Gold at new parity.
National	1930	4,021	—	4,021	—	88	1,637	5,746	[1]1,080	[2] 358	1,438	[2] Foreign assets at current rate, excluding "blocked" amounts: 680 in 1929, 300 in 1930.
Bank	1931	1,799	—	1,799	—	108	2,253	4,160	1,758	425	2,183	
(Dinar)	1932	1,809	600	2,409	—	82	2,457	4,948	1,761	209	1,970	
	1933	1,716	600	2,316	—	78	2,102	4,496	1,795	166	1,961	
	1934	1,687	600	2,287	—	135	1,764	4,186	1,785	225	2,010	
	1929	*100*	—	*100*	—	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	*44*	*(100)*	*58*	—	*126*	*162*	*86*	*168*	*28*	*110*	
	1933	*41*	*(100)*	*56*	—	*120*	*138*	*78*	*172*	*22*	*110*	
North	*1934*	*41*	*(100)*	*55*	—	*208*	*116*	*73*	*171*	*30*	*112*	
America.												
U.S.A.	1929	—	—	—	511	12	1,025	1,548	2,857	—	2,857	*(h)* Including gold held by the Treasury for account of the F.R.B.s.
Federal	1930	—	—	—	729	7	615	1,351	2,941	—	2,941	Figure for 1934 according to new parity. According to old parity it would have been: 3,026
Reserve	1931	—	—	—	817	5	977	1,799	2,989	—	2,989	
Banks	1932	—	—	—	1,855	5	268	2,128	3,223	—	3,223	
($)	1933	—	—	—	2,437	1	231	2,669	3,524	—	3,524	
	1934	—	—	—	2,430	—	27	2,457	5,124	—	5,124	
	1929	—	—	—	*100*	*100*	*100*	*100*	*100*	—	*100*	
	1932	—	—	—	*363*	*42*	*26*	*137*	*113*	—	*113*	
	1933	—	—	—	*477*	*8*	*23*	*172*	*123*	—	*123*	
Latin	*1934*	—	—	—	*476*	—	*3*	*159*	*179*	—	*179*	*106*
America.												
Bolivia	1929	—	4.4	4.4	3.8	0.6	17.2	26.0	0.2	46.4	55.6	*(h)* Since 1931, in paper bolivianos.
Central	1930	—	3.3	3.3	5.1	2.1	17.8	28.3	2.8	36.3	39.1	
Bank	1931	—	2.2	2.2	6.5	4.6	18.3	31.6	16.2	10.5	26.7	
(Boliviano)	1932	—	12.7	12.7	57.1	4.8	17.9	92.5	27.0	2.5	29.5	
	1933	—	3.9	3.9	115.4	5.2	15.0	139.5	7.9	6.7	14.6	
	1934	...	...	...	...	...	...	...	...	...	...	
	1929	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*289*	*289*	*1,503*	*800*	*104*	*356*	*293*	*5*	*53*	
	1933	—	*89*	*89*	*3,037*	*867*	*87*	*537*	*86*	*14*	*26*	
	1934	...	...	...	...	...	...	...	...	...	...	
Brazil	1929	500	—	500	57	—	1,322	1,879	407	228	635	*(h)* Gold in 1934, expressed in paper milreis.
Bank of	1930	—	—	—	52	—	1,638	1,690	—	298	298	
Brazil	1931	—	—	—	42	—	2,021	2,063	—	205	205	
(Milreis)	1932	—	—	—	33	—	2,904	2,937	—	702	702	
	1933	—	—	—	28	—	3,012	3,040	—	938	938	
	1934	—	300	300	25	—	2,950	3,275	97	692	789	
	1929	*100*	—	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	—	—	*58*	—	*220*	*156*	—	*308*	*111*	
	1933	—	—	—	*49*	—	*228*	*162*	—	*411*	*148*	
	1934	—	—	*60*	*44*	—	*223*	*174*	*24*	*304*	*124*	

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. *(a)+(b)*	Holdings of Govt. securities	Holdings of other securities, [1] etc.	Non-Govt. loans, advances and discounts	Total domestic credits *(c)+(d)+(e)+(f)*	Gold reserves	Foreign assets	Total gold and foreign assets *(h)+(i)*	OBSERVATIONS
LATIN AMER. *(cont.)*.		*(a)*	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Chile	1929	—	—	—	25	—	93	118	63	385	448	*(h)* Including gold earmarked abroad shown under foreign assets in the balance-sheet.
Central Bank	1930	—	—	—	25	—	112	137	62	279	341	
(Peso)	1931	—	184	184	8	—	130	322	100	95	195	
	1932	—	311	311	329	—	129	769	84	70	154	
	1933	—	672	672	—	—	120	792	95	72	167	
	1934	—	704	704	—	—	59	763	140	2	142	
	1929	—	—	—	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	*1,316*	—	*139*	*652*	*133*	*18*	*34*	
	1933	—	*(216)*	*(216)*	—	—	*129*	*671*	*151*	*19*	*37*	
	1934	—	*(226)*	*(226)*	—	—	*63*	*647*	*222*	*1*	*32*	
Colombia	1929	—	1.5	1.5	0.4	—	18.1	20.0	22.4	15.4	37.8	[1] Including loans to certain official bodies and to Administrative Council of National Railways.
Bank of	1930	—	4.0	4.0	—	—	13.5	17.5	17.5	9.9	27.4	
the Republic	1931	—	7.4	7.4	2.2	—	20.2	29.8	9.1	4.7	13.8	
(Peso)	1932	—	19.4	19.4	4.3	4.0	[1] 9.2	36.9	12.3	4.9	17.2	[2] Including "premium on gold": 2.5 million.
	1933	—	26.0	26.0	9.4	12.0	[1] 7.1	54.5	14.3	2.5	16.8	
	1934	—	28.0	28.0	13.2	12.0	[1] 10.3	63.5	[2] 14.2	1.9	16.1	
	1929	—	*100*	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	*1,293*	*1,293*	*1,075*	*(100)*	*51*	*185*	*55*	*32*	*46*	
	1933	—	*1,733*	*1,733*	*2,350*	*(300)*	*39*	*273*	*64*	*16*	*44*	
	1934	—	*1,867*	*1,867*	*3,300*	*(300)*	*57*	*318*	*63*	*12*	*43*	
Ecuador	1929	—	10	10	—	—	5	15	6	29	35	
Central	1930	—	9	9	—	—	5	14	6	23	29	
Bank	1931	—	8	8	—	—	6	14	6	10	16	
(Sucre)	1932	—	20	20	—	—	9	29	14	3	17	
	1933	—	33	33	—	—	17	50	14	4	18	
	1934	—	36	36	—	—	15	51	16	10	26	
	1929	—	*100*	*100*	—	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	*200*	*200*	—	—	*180*	*193*	*233*	*10*	*49*	
	1933	—	*330*	*330*	—	—	*340*	*333*	*233*	*14*	*51*	
	1934	—	*360*	*360*	—	—	*300*	*340*	*267*	*34*	*74*	
Peru	1929	—	—	—	—	—	32	32	77	9	86	
Central	1930	—	—	—	—	—	23	23	63	7	70	
Bank	1931	—	—	—	—	—	13	13	43	17	60	
(Sol)	1932	—	9	9	—	—	12	21	40	—	40	
	1933	—	27	27	—	—	22	49	42	3	45	
	1934	—	34	34	—	—	28	62	39	4	43	
	1929	—	—	—	—	—	*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	—	—	*38*	*66*	*52*	—	*47*	
	1933	—	*(300)*	*(300)*	—	—	*69*	*153*	*55*	*33*	*52*	
	1934	—	*(378)*	*(378)*	—	—	*88*	*194*	*51*	*44*	*50*	
Uruguay	1929	—	8	8	1	1	100	110	66	2	68	
Bank of the	1930	—	9	9	8	2	102	121	60	—	60	
Republic	1931	—	12	12	7	1	91	111	51		51	
(Peso)	1932	—	21	21	6	2	86	115	47	3	50	
	1933	—	24	24	6	1	74	105	49	4	53	
	1934	—	...	...	...	...	...	...	...	...	...	
	1929	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*263*	*263*	*600*	*200*	*86*	*105*	*71*	*150*	*74*	
	1933	—	*300*	*300*	*600*	*100*	*74*	*95*	*74*	*200*	*78*	
	1934	—	...	...	...	...	...	...	...	...	...	
ASIA.												
Japan	1929	22	—	22	202	—	747	971	1,072	261	1,333	*(i)* In 1929 and 1931, including United States Treasury certificates: 20 and 8 million respectively.
Bank of	1930	22	3	25	176	—	821	1,022	826	230	1,056	
Japan	1931	22	3	25	252	—	1,027	1,304	470	110	580	
(Yen)	1932	22	25	47	565	—	830	1,442	425	130	555	
	1933	22	3	25	682	—	919	1,626	425	53	478	*(j)* 1934: including foreign agencies account not shown separately.
	1934	22	46	68	647	—	1,056	1,771	466	...	...	
	1929	*100*	—	*100*	*100*	—	*100*	*100*	*100*	*100*	*100*	
	1932	*100*	*(100)*	*214*	*280*	—	*111*	*149*	*40*	*50*	*42*	
	1933	*100*	*(12)*	*114*	*338*	—	*123*	*167*	*40*	*20*	*36*	
	1934	*100*	*(184)*	*309*	*320*	—	*141*	*182*	*43*	...	...	
AFRICA.												
Union of	1929	—	—	—	1.8	0.6	1.7	4.1	7.5	6.6	14.1	
South Africa	1930	—	—	—	0.2	1.6	1.1	2.9	6.7	7.2	13.9	
Reserve	1931	—	1.5	1.5	0.8	1.2	3.6	7.1	8.1	—	8.1	
Bank	1932	—	3.5	3.5	0.2	1.9	1.5	7.1	7.2	—	7.2	
(£)	1933	—	2.4	2.4	—	1.7	0.3	4.4	17.1	18.9	36.0	
	1934	—	—	—	—	1.7	0.1	1.8	22.3	10.5	32.8	
	1929	—	—	—	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	*(100)*	*(100)*	*11*	*317*	*88*	*173*	*96*	—	*51*	
	1933	—	*(69)*	*(69)*	—	*283*	*18*	*107*	*228*	*286*	*255*	
	1934	—	—	—	—	*283*	*6*	*44*	*297*	*159*	*233*	

Table II. — Changes in Principal Assets of Central Banks *(concluded)*.

Country and unit of currency	End of	State Debt relating to fiduciary note-issue	Tempor. advances to Govt. Institut. (incl. discounts of Treasury bills)	Total direct claims on Governm. *(a)+(b)*	Holdings of Govt. securities	Holdings of other securities, etc.	Non-Govt. loans, advances and discounts	Total domestic credits *(c)+(d)+(e)+(f)*	Gold reserves	Foreign assets	Total gold and foreign assets *(h)+(i)*	Observations
		(a)	*(b)*	*(c)*	*(d)*	*(e)*	*(f)*	*(g)*	*(h)*	*(i)*	*(j)*	
Oceania.												
Australia	1929	—	—	—	25.7	7.7	18.6	52.0	18.2	7.9	26.2	
Common-	1930	—	—	—	23.3	6.3	20.9	50.5	15.4	4.3	19.7	
wealth	1931	—	—	—	61.9	10.5	19.2	91.6	10.5	13.3	23.8	
Bank	1932	—	—	—	57.6	10.9	22.2	90.7	8.5	18.0	26.5	
(£)	1933	—	—	—	58.7	9.5	18.3	86.5	0.5	34.7	35.2	
	1934	—	—	—	59.9	9.5	22.8	92.2	0.5	30.2	30.7	
	1929	—	—	-	*100*	*100*	*100*	*100*	*100*	*100*	*100*	
	1932	—	—	—	*224*	*142*	*119*	*174*	*47*	*228*	*101*	
	1933	—	—	—	*228*	*123*	*98*	*166*	*3*	*439*	*134*	
	1934	—	—	—	*233*	*123*	*123*	*177*	*3*	*496*	*152*	

February 1935, however, following the alteration in the Government's fiscal policy to which reference was made above, the Banque de France reduced its rate for Treasury bills left "*en pension*" from $4\frac{1}{2}$ to $2\frac{5}{8}$ per cent : its ordinary lombard rate remained at $4\frac{1}{2}$ per cent. The fluctuations in the Bank's bill portfolio are more considerable. The peaks generally mark the crises in French banking [1]; the demand for funds incidental to these difficulties led to a rapid increase in the rediscount activity of the central bank, but these rediscounts were promptly liquidated when the crisis had passed.

Temporary advances to the Government, as shown for Switzerland in Table II, consist of (1) discounts of the short-term paper (rescriptions) of the Federal Railways and cantons and (2) discounts of the notes of the Caisse des Prêts, established in 1932 to make loans to banks in temporary difficulties. In this country, even more than in France, Belgium and the Netherlands, the variations in central bank credit proper have been of slight importance as compared with variations in the gold reserve in determining the fluctuations in the note circulation and sight liabilities of the central bank. The movement of the gold reserves of the Swiss National Bank are compared with the movements in its note circulation and sight liabilities in Diagram VIII opposite.

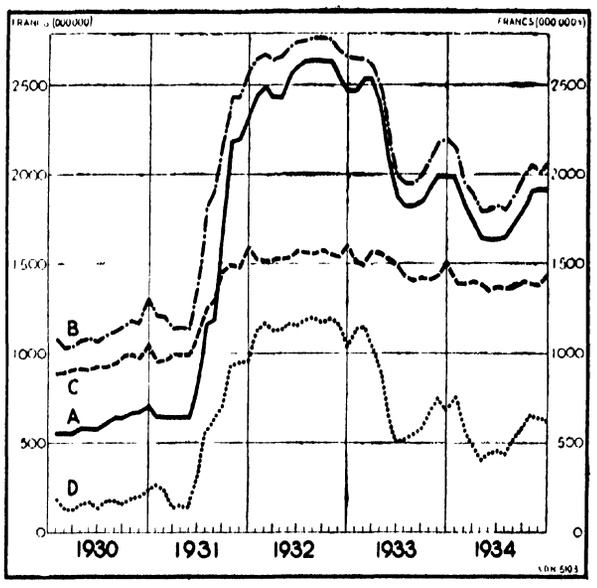
Within twelve months of the outbreak of the European financial crisis in the spring of 1931, gold reserves had risen by 2,000 million francs, or fivefold [2]. Since the end of 1932, the variations in the bank's gold reserves, which are chiefly due to capital movements, have affected principally bankers' deposits ; the note circulation has been fairly constant with a slight downward tendency.

Diagram VIII.

Gold Reserves and Sight Liabilities of the Swiss National Bank.

A Gold. C Note circulation.

B Total sight liabilities. D Other sight liabilities.



In France, Belgium, the Netherlands and Switzerland, the total volume of central bank money outstanding — note circulation and sight liabilities — did not rise in the same degree as the banks' gold reserves. In Germany, on the other hand, the loss of gold — which was greater both in relative and absolute amount than the loss suffered by any other European country — was partly offset during 1933 and 1934 by an expansion

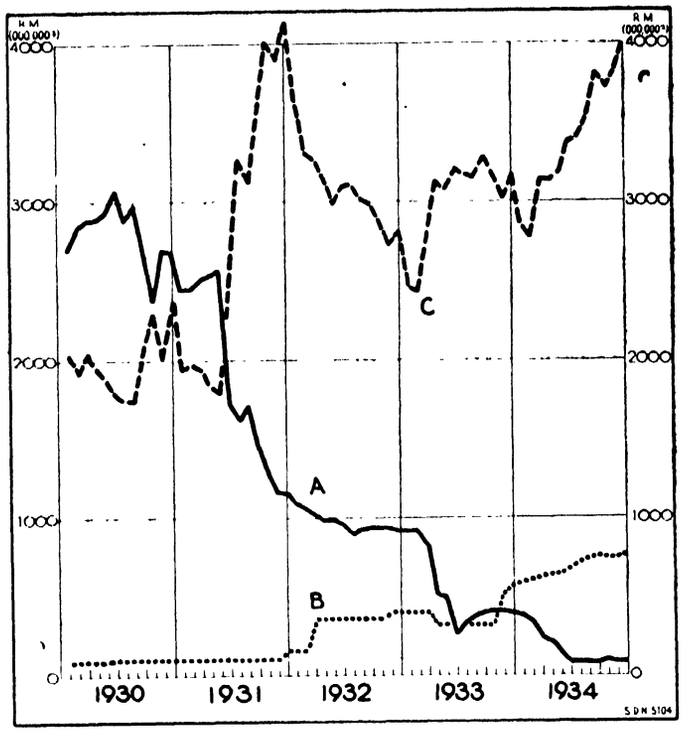
[1] For example, the failure of the Banque Adam and runs on provincial banks at the end of 1930 ; the difficulties of the Banque nationale de Crédit and certain other banks late in 1931 ; the failure of the Société centrale des Banques de Province early in 1933 ; and the outflow of capital and political difficulties in February 1934.

[2] Part of this increase represents the conversion of foreign assets : the net addition to the bank's monetary reserves amounted to about 1,500 million francs and resulted in an increase by 1,000 millions in bankers' deposits with the central bank and a rise of 500 millions in the note circulation. The latter increase represents hoards, as the volume of transactions fell very sharply.

in the Reichsbank's other assets. This is shown in Diagram IX.

Diagram IX.

PRINCIPAL ASSETS OF REICHSBANK.
A Gold. B Securities. C Bills.



By the middle of 1934, the gold drain, which was particularly acute during the credit crisis of 1931, had reduced the Reichsbank's gold reserves to less than RM. 100 million. The very sharp expansion in the bill portfolio which characterised the period of financial panic had been largely liquidated by the first months of 1933, but a fresh expansion then set in which was only temporarily interrupted in the winter of that year and was sharp and continuous from February to the end of 1934. At that date, the portfolio was only slightly below its peak level of December 1931. It would seem that the whole of the increase in the Reichsbank's bill portfolio consists of *Arbeitsbeschaffungswechsel* and other paper issued in connection with the various public works projects ; the savings banks' borrowings at the Reichsbank fell during this period. By a Law of October 27th, 1933, the Reichsbank was granted permission to engage in open-market operations and to include certain specified types of securities, in addition to three-name bills, in its legal cover reserve, and during the next year it bought securities — mostly, it would appear, *Steuergutscheine* or Advance Tax Certificates — to the amount of RM. 350 million. The rise in the note circulation and in the cost of living incidental to this expansion of central bank credit has been commented upon in connection with Diagram IV above.

Apart from Germany, the loss of cover reserves was most severe — 50 to 60 per cent — in Austria, Denmark, Hungary, Greece, Italy and Poland. In the last two countries mentioned, the loss proceeded almost without interruption from 1930 to 1933-34, while in the others the institution of exchange control (and in the case of Greece the abandonment of the gold standard) stayed the outflow in 1931 or 1932. In Austria, the loss of gold and foreign assets in 1931 was accompanied by a very sharp rise in the bill portfolio of the National Bank, due chiefly to the rediscount of Creditanstalt bills [1]. The part of the increase in the note circulation of the National Bank (resulting from these rediscounts) which did not flow back to it for the purchase of *Devisen* went chiefly into hoards, but there was at the same time a " flight into goods " on a minor scale. With the gradual relaxation of exchange control and the financing of foreign trade through private clearings rather than through the National Bank in 1932-33, the gold reserves of the latter increased. In April 1934, the National Bank revalued its gold and foreign currency assets on the basis of the private clearing rates of foreign currencies ; after the revaluation of certain liabilities, the resulting net profit was used by the bank in connection with the reorganisation of the commercial banks, whose sight deposits with it rose considerably in 1934.

Blocked accounts were of importance in Greece after 1932. Between the end of 1929 and the end of 1932, the Bank of Greece lost 50 per cent of its cover reserves ; its note circulation and sight liabilities, though falling sharply from 1929 to 1931, did not fall in proportion to the contraction in cover. In 1930, the Bank of Greece offset part of the gold losses by buying 243 million drachmæ of bonds, and in the following year it increased its loans to banks and merchants. After the abandonment of the gold standard on April 23rd, 1932, the transfer into foreign currencies of the drachmæ released to the International Financial Commission (acting on behalf of foreign bondholders) was temporarily suspended. The International Financial Commission left its drachmæ on deposit at the Bank of Greece. This, of course, tended to cause an equivalent contraction in the monetary circulation which the Government sought to offset by borrowing equivalent sums at the central bank. This accounts for the rise in column *(b)* of Table II in both 1932 and 1933, and for its fall, with the resumption of transfer, in 1934. During 1933, there

[1] In 1932, the Federal Government took over from the National Bank 571 million Schillings of Creditanstalt bills which it had guaranteed and gave the bank its own bond, thus raising its debt to the bank to 663 millions. In 1933, the bank's discounts fell sharply ; a large part of the yield of the Foreign Loan of that year was used to repay State and railway liabilities to the banks conditional upon their simultaneously reducing their indebtedness to the National Bank. The reduction in the latter's bill portfolio was even greater than shown in Table II, as during 1933 it took over 105 million Schillings of bills previously rediscounted at the Bank for International Settlements which were not included in the bill portfolio at the end of 1932.

was a remarkable inflow of *Devisen* which greatly enhanced the liquidity of the commercial banks.

In Italy, the contractionist effects of gold exports were not offset by rediscounts or open-market operations and, as shown in the previous section, the quantity of central money available declined steadily.

The open-market purchases of securities effected by the Bank of England in 1932 are obscured in Table II [1]. The form in which the Bank of England statements are published renders them extremely difficult of interpretation even in normal times, and since 1932 these difficulties have been greatly increased on account of the connection between the Bank and the Exchange Equalisation Account.

Table II exaggerates the extent of the Swedish Riksbank's open-market operations, as a large part of the rise in 1932 and decline in 1934 is connected with the substitution of a Government guarantee for bills of the Skandinaviska Kreditaktiebolaget discounted by the Riksbank in 1932, and the repayment of part of these bills in 1934. It is, however, known that the central bank, in its efforts to reduce interest rates, bought certain, though limited, amounts of Government securities in the open market, and these purchases reinforced the effect of the inflow of *Devisen* which took place in 1933 and 1934 in producing a condition of extreme liquidity in the money market.

After the abandonment of the gold standard by Denmark, the pressure on the part of certain agricultural interests for depreciation of the currency led to a speculative demand for foreign currencies and — in spite of the maintenance of the exchange control — to a depletion of the National Bank's stock of foreign assets. In 1932, the central bank more than offset the contractionist effects of this outflow of capital by buying securities in the open market ; the immediate result — as in the case of Sweden — was a reduction in rediscount indebtedness of the commercial banks and an increase in their cash reserves, rather than a rise in the note circulation. In 1933, however, a sharp rise took place in the note circulation. Considerable advances were made to the State or under State guarantee in this year. In 1934, these were liquidated in part, the bill portfolio of the central bank was reduced, and the note circulation tended to decline.

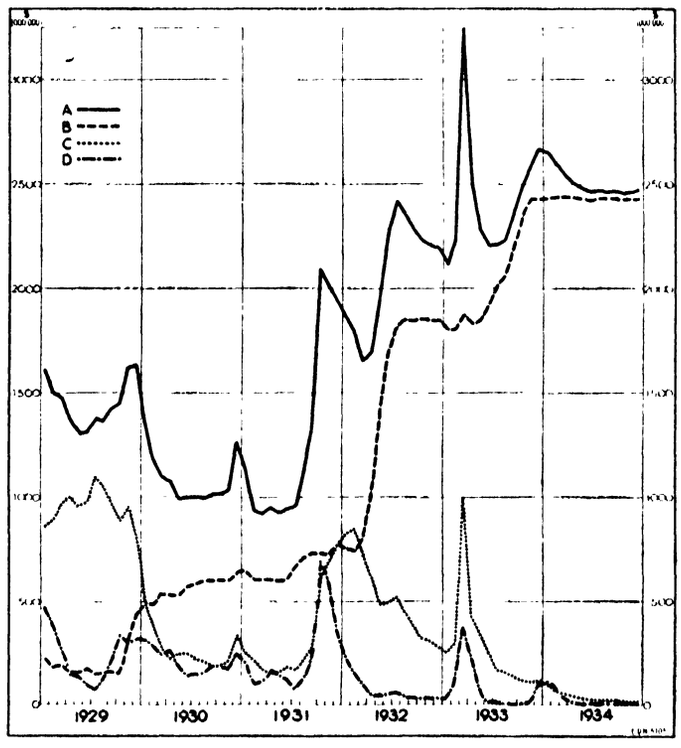
In Finland, Estonia and Portugal, where the note circulation and/or sight liabilities of the central banks have risen in recent years, the increase was chiefly due to an inflow of gold and *Devisen*.

In addition to the four countries mentioned at the beginning of this section, the United States also experienced a very considerable increase in gold reserves after 1929. The most remarkable feature in the recent monetary history of the United States is, however, not the additions to its gold stocks — great though those additions were — but the increase in Federal Reserve credit proper brought about by the conduct of open-market operations on a hitherto unparalleled scale. Purchases of Government securities on the open market between 1929 and 1934 raised the Reserve banks' holdings from $511 million, or 12 per cent of their total assets, to $2,431 million, or 33 per cent. As shown in Diagram X below, the enormous expansion in Federal Reserve credit originating through these purchases was partly offset through a reduction in member bank borrowing at the Reserve banks.

Diagram X.

FEDERAL RESERVE CREDIT OUTSTANDING.

A Total Federal Reserve credit. C Bills discounted.
B Government securities. D Bills bought.



At the end of 1934, member bank rediscounts at the Federal Reserve banks had been reduced to quite negligible amounts. The assets of the Reserve banks consisted almost entirely of Government securities and gold certificates [2]. The member

[1] The apparent high level of security holdings at the end of 1931 was almost entirely due to the fact that the Treasury was temporarily out of funds during the last week of the year and had to borrow about £30 million from the bank on ways-and-means advances (which are included in Government securities) ; this advance was entirely repaid in the first week of 1932. In 1932, on the other hand, the bank — contrary to the impression given in Table II — bought Government securities, the total held in the banking department rising from an average of £35.2 million in February to an average of over £70 million in July.

[2] Through the operation of the Gold Reserve Act of 1934, the United States Treasury took possession of the gold held by the Reserve banks and gave them gold certificates instead. The increase since February 1934 represents real accretions to United States gold reserves (valued at $35 per ounce) and not the writing-up of the old gold stock, as the Treasury itself took the profit on this operation.

banks, moreover, held very large quantities of Government securities (nearly $10,000 million) on which they were able to borrow at the Reserve banks. By virtue of the Glass-Steagall Act of 1932, these securities are eligible as cover for Federal Reserve notes. It is therefore clear that an extremely large expansion in the note circulation was technically possible.

In the preceding section, reference has been made to the fact that note circulation in Australia — like the volume of sight deposits in commercial banks — reached its lowest point in 1930 and showed a considerable expansion in 1931. Table II shows that this expansion is mainly to be attributed to the discounting of Treasury bills, to the extent of £28 million, by the Commonwealth Bank in the course of that year. This credit expansion was one item of a general economic programme which included the reduction of costs, and the increase of Government revenue and reduction of expenditure. Since 1931, the rise in the assets of the Commonwealth Bank has been mainly due to its acquisition of gold and sterling reserves.

The cover reserves of the Bank of Japan fell by 50 per cent between 1929 and 1932. The loss of gold was partly counteracted by open-market purchases of Government securities by the central bank and by a rise in its loan and discount portfolio, and from 1931 to 1933 there was a moderate but fairly continuous rise in the note circulation. In 1934, the Bank sought to offset the effects of Government borrowing to finance the current budgetary deficit by selling securities to the market, and the note circulation fell sharply.

As a group, the central banks of South America lost a higher proportion of their gold and foreign cover assets during the first years of the depression than any others ; and, as shown in the previous section, the contraction in the quantity of money was particularly violent in most of these countries. In Bolivia, Colombia, Chile and Ecuador, the loss of cover reserves has been offset since 1931 or 1932 by temporary and long-term advances to the Government [1], and — as shown above — the note circulation has increased sharply. The central banking functions of the Banco do Brasil — a mixed central and commercial bank almost entirely owned by the Federal Government — have become progressively less important in recent years, but no other central bank has so far been established. The entire gold stock of the Banco do Brasil was exported in 1930, and the Bank ceased to report a gold reserve until August 1934.

From 1929 to 1932, the Reserve Bank of Peru contracted credit *pari passu* with the reduction in its cover reserves ; but, after the suspension of convertibility in April 1932 and the outbreak of hostilities with Colombia in July, the Bank made important advances to the Government by discounting Treasury bills.

Table II gives no figures for the Banco de Mexico, as the frequent changes in the method of balance-sheet presentation of that institution render it impossible to give comparable series over the whole period covered. After the enactment of the Currency Law of July 1931, the note circulation and other sight liabilities of the Banco de Mexico rose very rapidly. This expansion was partly based upon the acquisition of gold from internal hoards and from abroad, but chiefly upon rediscounts effected for the ordinary banks and the purchase of Government securities issued to cover various expenditures undertaken in connection with the Six-Year Plan.

The main trends indicated in the foregoing exposition can be briefly summarised. In a small group of countries — France, Belgium, the Netherlands and Switzerland — the cover reserves of the central banks underwent a remarkable increase after 1929, but the effect of the absorption of gold on the effective monetary circulation of these countries was mitigated by currency hoarding, an increase in the cash ratios of commercial banks and the contraction of central bank assets other than gold. In certain Latin-American countries, the deflationary effects of the loss of cover reserves were offset after 1931 by direct or indirect Government borrowing at the central bank. The same applies to Australia in 1931 and to Germany after 1932. In most other countries Government borrowing at the central bank was of little lasting importance in the period under review.

In 1933 and 1934, the cover reserves of several of the countries of the sterling bloc — in particular, South Africa, Sweden and Finland — increased considerably as a result of the inflow of gold and *Devisen;* the resulting expansion of central bank money was generally used chiefly to enhance the liquidity of the commercial banks.

In certain countries — such as the United States, the United Kingdom and Denmark — the central banks at one time or another during the past few years enlarged the cash basis of credit and added directly to the volume of circulating media by buying Government securities in the open market.

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[1] In the case of the Banco Central de Chile, for example, claims on the Government accounted for over 75 per cent of total assets in September 1934 as compared with 4 per cent in 1929, and non-Government loans and advances fell not only relatively but absolutely. The greater part of this borrowing — which was used to cover budgetary deficits and to finance public works — took place in 1931 and 1932 ; in 1933, the expansion was much less and, in 1934, the increase in advances to the Government was more than compensated by a reduction in other central bank credit outstanding. In Bolivia and Colombia, a large part of the Government borrowing at the central banks took place in connection with the disputes with Paraguay and Peru, respectively. In the case of Ecuador, the purpose of the borrowing was principally to finance public works and agricultural relief measures.

IV. Deposits.

Figures for commercial bank deposits are given in Table I above, where their annual percentage movement is also shown ; and the percentage distribution of deposits between current accounts and other (chiefly time and savings) deposits is shown in Table III below. The statistics of deposits are more comprehensive for some countries than for others, and their relative importance in the currency composition varies within a wide range ; international comparisons must therefore be made with caution. For a detailed statement of the factors influencing the movement of commercial bank deposits in each country during the period 1929-1932, reference should be made to the introduction to the last edition of this volume [1] and to the individual chapters.

Table III. — Composition of Commercial Bank Deposits, 1929-1934.

a Current accounts and sight deposits
b Other deposits
} as percentage of total deposits.

Country		1929	1930	1931	1932	1933	1934
Europe :							
Austria	*a*	.	80.8	.	82.1	81.3	.
	b	.	19.2	.	17.9	18.7	.
Belgium	*a*	72.5	.	75.3	75.4	77.6	.
	b	27.5	.	24.7	24.6	22.4	.
Czechoslovakia	*a*	52.1	50.2	47.7	47.4	48.3	.
	b	47.9	49.8	52.3	52.6	51.7	.
Denmark	*a*	27.7	29.1	27.8	28.2	28.6	27.7
	b	72.3	70.9	72.2	71.8	71.4	72.3
Estonia	*a*	63.3	63.0	74.4	67.4	70.7	74.1
	b	36.7	37.0	25.6	32.6	29.3	25.9
Finland	*a*	19.9	20.2	22.2	22.5	23.6	23.6
	b	80.1	79.8	77.8	77.5	76.4	76.4
France	*a*	92.7	92.2	93.8	94.2	94.9	.
(Deposit banks)	*b*	7.3	7.8	6.2	5.8	5.1	.
France (Investment banks)	*a*	57.4	64.0	64.7	70.5	57.8	.
	b	42.6	36.0	35.3	29.5	42.2	.
France (Deposit and Investment banks)	*a*	89.1	89.5	91.7	92.5	92.1	.
	b	10.9	10.5	8.3	7.5	7.9	.
Germany [1] (All banks)	*a*	37.1	40.7	50.6	46.9	45.0	46.5
	b	62.9	59.3	49.4	53.1	55.0	53.5
Germany [2] (Big Berlin banks)	*a*	41.8	45.8	52.3	48.2	47.3	49.8
	b	58.2	54.2	47.7	51.8	52.7	50.2
Hungary	*a*	32.6	30.9	33 0	35.0	35.6	.
	b	67.4	69.1	67.0	65.0	64.4	.
Italy [3] (All banks)	*a*	72.8	72.1	73.5	72.1	71.1	.
	b	27.2	27.9	26.5	27.9	28.9	.
Italy [4] (All banks)	*a*	22.8	21.2	22.6	21.7	21.9	.
	b	77.2	78.8	77.4	78.3	78.1	.
Latvia	*a*	94.0	93.7	91.6	94.2	94.4	94.9
	b	6.0	6.3	8.4	5.8	5.6	5.1
Netherlands	*a*	46.8	48.3	47.1	54.5	55.3	.
	b	53.2	51.7	52.9	45.5	44.7	.
Norway	*a*	11.7	11.8	11.4	11.2	9.9	12.2
	b	88.3	88.2	88.6	88.8	90.1	87.8
Poland	*a*	49.2	45.9	51.4	49.8	54.6	52.9
	b	50.8	54.1	48.6	50.2	45.4	47.1
Portugal	*a*	46.1	44.0	57.1	58.3	.	.
	b	53.9	56.0	42.9	41.7	.	.
Spain	*a*	60.6	60.7	58.0	56.2	.	.
	b	39.4	39.3	42.0	43.8	.	.
Sweden	*a*	18.9	18.8	17.2	17.6	18.6	19.6
	b	81.1	81.2	82.8	82.4	81.4	80.4
Switzerland	*a*	27.5	15.5	17.2	17.4	16.6	.
	b [5]	72.5	84.5	82 8	82.6	83.4	.
United Kingdom and Irish Free State :							
England & Wales (10 London Clearing banks)	*a*	54.0	53.9	50.6	50.7	53.0	53.4
	b	46.0	46.1	49.4	49.3	47.0	46.6

Country		1929	1930	1931	1932	1933	1934
North America :							
Canada	*a*	30.4	27.7	29.5	24.0	25.1	26.6
	b	69.6	72.3	70.5	76.0	74.9	73.4
U.S.A. [6] (All banks)	*a*	56.6	55.1	54.5	54.7	59.4	.
	b	43.4	44.9	45.5	45.3	40.6	.
U.S.A. [6] (National banks)	*a*	56.3	55.9	54.7	52.9	57.3	.
	b	43.7	44.1	45.3	47.1	42.7	.
Latin America :							
Argentine	*a*	30.9	31.3	28.4	31.3	34.6	32.4
	b	69.1	68.7	71.6	68.7	65.4	67.6
Bolivia	*a*	57.8	54.5	54.9	81.1	73.3	.
	b	42.2	45.5	45.1	18.9	26.7	.
Brazil	*a*	58.8	49.8	58.5	69.2	68.5	68.1
	b	41.2	50.2	41.5	30.8	31.5	31.9
Chile	*a*	40.2	38.8	46.8	62.4	69.2	73.1
	b	59.8	62.2	53.2	37.6	30.8	26.9
Colombia	*a*	65.2	56.4	55.1	61.8	66.6	77.2
	b	34.8	43.6	44.9	38.2	33.4	22.8
Ecuador	*a*	71.3	67.0	65.3	81.9	85.1	76.9
	b	28.7	33.0	34.7	18.1	14.9	23.1
Mexico	*a*	80.4	75.2	70.2	83.4	78.1	.
	b	19.6	24.8	29.8	16.6	21.9	.
Peru	*a*	51.2	45.0	48.8	52.4	55.3	59.9
	b	48.8	55.0	51.2	47.6	44.7	40.1
Uruguay	*a*	47.1	46.1	46.0	50.1	45.5	.
	b	52.9	53.9	54.0	49.9	54.5	.
Asia :							
Japan (Clearing-House Member banks)	*a*	43.4	40.8	38.6	38.9	40.0	39.7
	b	56.6	59.2	61.4	61.1	60.0	60.3
South Africa and Oceania :							
Union of South Africa [7]	*a*	50.3	43.9	43.6	42.8	64.3	64.9
	b	49.7	56.1	56.4	57.2	35.7	35.1
Union of South Africa [8]	*a*	49.5	45.6	46.4	47.2	61.7	62.2
	b	50.5	54.4	53.6	52.8	38.3	37.8
New Zealand [9]	*a*	39.5	32.9	31.1	32.9	35.3	.
	b	60.5	67.1	68.9	67.1	64.7	.
Australia [9]	*a*	39.5	30.9	31.1	32.1	33.8	.
	b	60.5	69.1	68.9	67.9	66.2	.

[1] November returns. Including balances due to German banks.
[2] Including balances due to German banks.
[3] Including correspondents.
[4] Deposits only.
[5] Including the " Obligationen " issued by the banks.
[6] End of June each year.
[7] Deposits within the Union only.
[8] Including deposits with branches outside the Union.
[9] End of June following year. Deposits within the Dominion only.

[1] *Commercial Banks, 1925-1933*, pages 11-13.

In many countries deposits increased in 1930, but with very few exceptions they fell sharply in 1931 and 1932. The factors which account for the inequalities observed in the movement of deposits in different parts of the world are not easily summarised. In some countries changes in the terms of trade consequent upon changes in world demand for certain goods, in others currency policy have played a predominant part. An examination of Table I will show that in the period mentioned the decline in deposits was, on the whole, most severe in the agricultural countries of Eastern and South-Eastern Europe which maintained the gold standard or the official rates for their currencies — for example, Poland, Roumania and Bulgaria. In most non-European countries producing primary products, deposits, in terms of national currency, reached their lowest levels during 1931 and the decline was arrested soon after the external value of the currency unit had been allowed to depreciate. The excess of payments abroad resulting from the fall in export values in the first years of the depression had not only a direct effect in reducing bank deposits ; by causing a depletion of the central banks' gold and foreign assets reserves — as shown in the previous section — it tended also to bring about an indirect but multiple contraction in deposits.

The direct transfer of funds from one country to another is another important factor accounting for international differences. The German and Austrian banks were particularly affected by capital withdrawals, and it will be seen in Table I that between the end of 1929 and the end of 1932 deposits in these countries on balance contracted more sharply than those of any other industrialised States. On the other hand, total deposits were relatively well maintained in the countries into which capital flowed — France, Switzerland, Belgium and the Netherlands — but in all of these, and particularly in Belgium and France, currency hoarding acted as an offsetting factor which tended to reduce deposits.

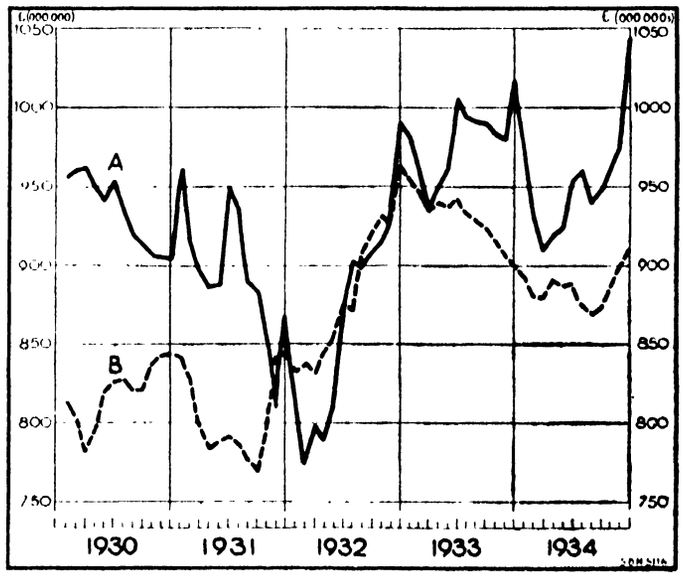
Currency hoarding (accompanied by bank failures) was also an important factor in the sharp contraction in deposits in the United States in 1931 and 1932, which far exceeded the simultaneous contraction in Canada in spite of the fact that the Canadian economy was to a greater degree dependent on the prices of foodstuffs and raw materials, which fell very markedly in these years.

Only limited significance can be attached to the fluctuations in total commercial bank deposits on account of the wide differences in the character of the elements they include. Current accounts constitute money — in the Anglo-Saxon countries by far the greater part of the aggregate means of payment of the community. Savings and time accounts, on the other hand, are in most countries an investment : they can be legally converted into money after a specified period, but they do not serve immediately as money [1]. The addition of these two items is apt to be somewhat misleading. A shift of deposits from current to time account, even though it leaves total commercial bank deposits unchanged, tends to have a direct deflationary effect as it reduces *pro tanto* the means of payment of the community. If the commercial banks are required (as in the United States and under the new banking law in the Argentine) to hold lower cash reserves against time than against demand deposits, a natural corrective is brought into play through the release of part of the cash reserves formerly held against demand deposits ; there is some tendency in normal times for the banks to increase their demand deposit liabilities on the basis of these additional cash reserves. If — as in England — the commercial banks maintain a stable cash ratio against total deposit liabilities, this corrective influence does not operate. Diagram XI below shows that, from the beginning of 1930 to the beginning of 1932, the current accounts of the London Clearing Banks fell by nearly £200 million, while deposit accounts rose by nearly £50 million.

Diagram XI.

DEPOSIT LIABILITIES OF LONDON CLEARING BANKS.

A Current accounts. B Deposit accounts.



[1] Reference is here made to the majority of countries where the distinction between current and savings accounts is clear-cut. The statement in the text does not apply to those special cases — such as Canada — where cheques are frequently drawn on savings accounts.

During the first years of the depression — in most cases from 1929 to 1932 — the relative importance of current accounts was reduced and that of savings deposits increased in many countries besides the United Kingdom, notably in the British Dominions, Switzerland and Sweden (in all of which current accounts normally account for the bulk of aggregate means of payment). The shift of deposits from current to time account is perhaps more significant in so far as it reflects the reduced activity of current accounts than in so far as it causes an actual contraction of the latter. An unfavourable change in profit anticipations, however induced, tends to reduce investment and increase the proportion of current income which entrepreneurs desire to hold in liquid form. If, for example, it is expected that prices will fall, the amortisation quotas which would normally have been spent in replacing obsolescent capital will be saved, partly in monetary form. Whether the increase in bank deposits which results from this [1] factor is held on current or on time account is a matter of comparative indifference. In some countries, interest is paid by the banks on current as well as time accounts and it is more convenient to hold "cash" balances in that form. The essential fact is that these deposits, for the time being, serve more as a store of value than as a means of payment ; they are temporarily idle [2]. Even though no contraction occurs in the visible monetary supply, there is a real contraction in the effective supply. The fact, therefore, to quote but one example, that the ratio of time to total deposits rose less in the United States from 1930 to 1932 than in the countries previously mentioned cannot be taken as evidence that the phenomenon of building-up of idle cash balances was any less marked in that country.

The attempt on the part of entrepreneurs to hold a higher proportion of their income in the form of cash in the early stages of depression (which is illustrated in the well-nigh universal tendency, shown in Table I, for time deposits [3] in commercial banks to rise in 1930) had, of course, the effect of reducing the flow of money income. The consequence of holding in the form of bank deposits funds which would ordinarily have been spent for wages, materials, etc., was to contract income by more than the amount of idle funds, for if these had been used as money they would have become money for the recipient and available to finance other transactions. The net effect on the national income of holding deposits idle for a year clearly depends upon the number of times in the course of a year that money normally turns over against income ; some indications of the general order of magnitudes involved are given in a later section.

The fall in entrepreneurial incomes was particularly marked [4] in most countries in the course of the depression and, as business became less profitable and the investment outlook more and more discouraging, there was a strong inducement for business-men to repay their bank advances and so reduce the volume of deposits. In many cases, of course, this process was accelerated by the banks, which were also affected by the general desire for liquidity. It would seem that, after a certain stage, the contraction in the quantity of money tended, in most countries, to become cumulative and self-perpetuating. Every attempt on the part of individuals and business concerns to anticipate the fall in prices by holding a higher proportion of their income in the form of cash balances led to a further contraction in the effective monetary supply, a further reduction in incomes, a further decline in the profitability of business and further difficulties in the way of borrowing and lending. The magnitude of the contraction tended to make all credit risks unsound, and the criterion of choice for the calling-in of credits became, in many countries, not their essential unsoundness but — what is to some extent the opposite criterion — the ease with which they could be liquidated.

The fall in demand deposits was particularly sharp in both the United Kingdom and the United States in 1931, and in the latter country the sharp fall continued in 1932. A run on the banks in the

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[1] Other factors, such as the desire to liquidate indebtedness, may tend to reduce deposits. This aspect is discussed in more detail in the following section.

[2] It is perhaps worth making clear that the phrase "idle deposits" is used in the sense of deposits having zero velocity. No deposit can be idle in the sense that it has no offsetting asset ; a balance-sheet must balance, and to every liability there is a corresponding asset. Even if the corresponding asset is cash, this is in turn a liability of the central bank against which it holds bills or securities or gold.

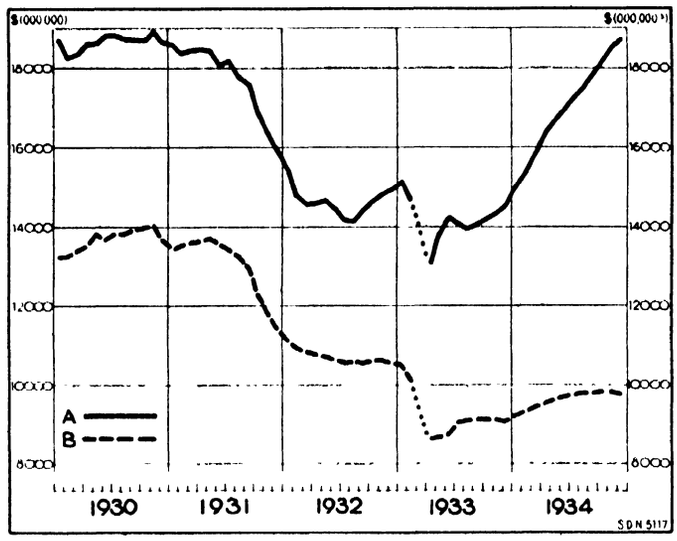
[3] In a few countries, such as the Scandinavian and Baltic States, and Austria and Italy, current accounts rose as well. The depression reached the first group of States rather late and incomes were, on the whole, as high in 1930 as in 1929. But, in the second group, the rise in total deposits would appear to reflect the freezing of credit. The banks made loans to, or bought securities from, customers suffering losses, and the resulting increase in demand deposits was used neither to liquidate old indebtedness nor to produce new goods.

[4] The rise in savings bank deposits which took place in many countries after 1930 (see *Commercial Banks, 1925-1933*, page 15, and *Monthly Bulletin of Statistics*) was partly due to loss of confidence in commercial banks and partly to the higher rates of interest frequently available in savings banks. But in large measure it was also due to a redistribution of income away from entrepreneurs and to consumers which was one of the characteristics of the fall in prices. The income of the sections of the community which form the chief customers of savings banks was relatively sustained through unemployment insurance, etc., and the anticipations of further price declines resulted in a postponement of both consumption expenditure and direct investment. Consequently, deposits in savings banks tended to increase absolutely and relatively to those in commercial banks.

Diagram XII.

DEPOSITS OF MEMBER BANKS OF FEDERAL RESERVE SYSTEM.

A Net demand deposits. B Time deposits.



United States and the sudden desire of a large section of the public to hold their liquid balances in the form of notes rather than bank deposits involved the banking system in an acute and malignant deflation. The necessity for maintaining certain minimum legal cash reserve ratios and the unwillingness of the banks to remain long in debt to the Federal Reserve stimulated a competitive struggle by the commercial banks for the available non-borrowed cash reserves which took the form of the calling-in of loans and the sale of securities to an amount several times the original cash drain. In the year ending August 1932, the net demand deposits of the member banks fell by $4,000 million and their time deposits by a further $2,500 million.

The decline in current account deposits first came to an end in certain Latin-American countries — Brazil, Chile, Colombia, Ecuador and Mexico — where the central banks, as shown in the previous section, made large advances to the Government. In some cases, these advances were due to budgetary deficits and in others to a desire to increase the cash base of the commercial banks. A comparison of Tables I and II will show that commercial bank deposits in most of these countries rose by little (if at all) more than the expansion of central bank credit. It will be observed from Table III that in all these countries there was a definite and well-marked tendency for the proportion of deposits held on current account to rise during the period of currency inflation.

Table IV. — PERCENTAGE MOVEMENT OF CURRENT ACCOUNT DEPOSITS, 1932-1934.

(June 1932 = 100.)

	IX 1932	XII 1932	III 1933	VI 1933	IX 1933	XII 1933	III 1934	VI 1934	IX 1934	XII 1934
Ecuador	111	144	178	211	244	233	267	306	300	322
Peru	111	121	121	141	157	159	161	216	216	221
Chile	128	137	151	158	158	173	182	199	199	207
Union of S^th Africa	87	100	134	155	163	182	183	205	188	191
Colombia	106	109	115	118	133	121	139	146	161	149
Portugal	103	113	116	116	118	122	125	135	140	153
New Zealand	94	93	116	119	114	121	146	139	139	137
Brazil	123	123	118	135	126	112	126	131	132	...
U.S.A.	100	104	102[a]	99	97	101	110	118	124	130
Lithuania	102	104	108	110	108	121	123	117	123	140
Sweden	105	99	105	109	106	107	106	108	118	122
Mexico	97	114	123	137	141	136	120	111	117	...
Latvia	95	100	102	107	102	107	107	114	116	130
Estonia	95	95	92	89	92	97	105	114	116	130
Greece	98	94	100	100	106	107	106	110	116	124
Australia	101	107	103	102	98	108	117	116	112	118
Japan	96	110	107	112	109	119	115	122	111	124
United Kingdom	105	114	108	116	114	117	105	110	109	120
Denmark	89	104	95	106	101	115	98	116	108	114
Canada	98	95	93	109	101	103	96	99	107	118
Poland	110	100	97	97	98	102	103	102	107	110
Czechoslovakia	104	104	106	99	96	100	99	98	99	...
Finland	90	87	101	100	104	96	95	102	98	102
Argentine	94	92	95	95	94	99	96	97	93	94
Italy	98	100	95	96	95	97	93	94	90	88
Germany	96	93[b]	88	91	85	84[b]	87	90	88	89[b]
France	100	100	94	94	91	87	81	82	87	83
Hungary	99	100	98	99	101	101	91	84	85	87
Yugoslavia	86	93	91	89	84	80	85	88	85	84
Switzerland	100	98	99	99	96	86	82	78	75	73

[a] February. [b] November.

The improvement in economic conditions in Australia and New Zealand after 1931 was accompanied by a relative increase in current (or non-interest-bearing) accounts compared with total deposits. The same phenomenon may be observed in South Africa and Sweden in 1933 and 1934 and in Estonia after the suspension of the gold standard. In Canada, on the other hand, the recovery in the relative importance of current accounts (which had been considerably reduced from 1929 to 1932) was not very substantial up to the end of 1934.

During 1933 and 1934, the volume of sight account deposits rose in most countries. Quarterly percentage figures, based on June 1932, are shown in Table IV opposite. The series on which this table is based[1] are not in all cases the same as those given in Table I, but their movements may be taken as representative. The countries are ranged in order of the percentage increase in current accounts between the middle of 1932 and the third quarter of 1934.

[1] For the absolute figures, see *Monthly Bulletin of Statistics*, passim.

Current account deposits in the commercial banks of certain of the countries included in Table IV reached their lowest point some time before the middle of 1932. This is the case, in particular, of Ecuador, Chile and Colombia, where budgetary inflation began in 1931. But, even as measured from the middle of 1932, these countries come near the head of the list in order of the increase in current accounts. In the case of Ecuador, current accounts tripled between 1932 and 1934 ; in Peru and Chile they doubled. It will be observed that, in Ecuador and Chile, the increase in 1934 was moderate as compared with previous years, while, in Peru and Colombia, it was even more marked. The Union of South Africa and New Zealand also come very high on the list ; in both countries the rise began in 1933. After South Africa left the gold standard at the end of 1932, there was a return flow of capital and improvement in export prices and current accounts were nearly doubled in the course of 1933. In Australia, the increase in current accounts was not so marked in that year, but these were higher in each quarter of 1934 than in the corresponding quarter of 1933

In 1933, demand deposits of the commercial banks of the United States showed little net change, but in 1934 they rose more than in any other country of major financial importance. In 1933, large amounts of deposits tied up as a result of the banking holiday were freed through the progressive licensing of banks ; and in 1934 there was, as is shown in Diagram XII, a new increase of $4,000 million in the net demand deposits of member banks. Time deposits also rose, but much more gradually. A large part of this increase represents the continued accumulation, by individuals and corporations, of funds accruing to them through the various spending activities of the Government and through the import of gold from abroad. It will be shown in a subsequent section that a very large fraction of the deposits paid into the commercial banks was used by them to increase their cash reserves.

In the United Kingdom, deposits began to rise early in 1932, and at the beginning of 1933 were £320 million higher than in February 1932 ; the increase was particularly marked for current accounts. There was little net movement in 1933, and the sharp seasonal decline which took place in the first quarter of 1934 was more than recovered in the remainder of the year. At the end of 1934, current accounts constituted 53.4 per cent of the total deposits of the London Clearing Banks, compared to 50.6 per cent at the end of 1931 and 54.0 per cent at the end of 1929.

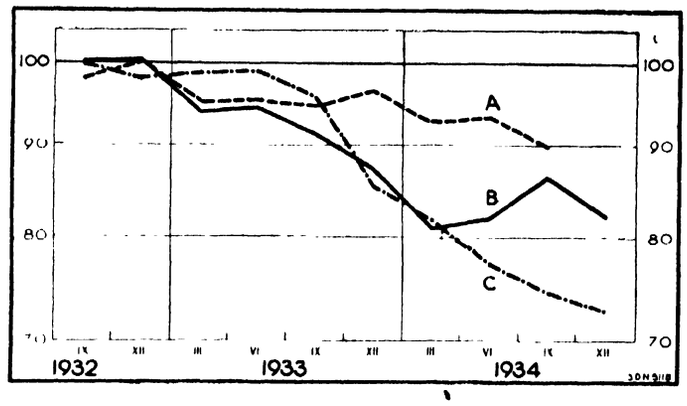
In Japan, the trend of current accounts has been upwards since the middle of 1932, and by the end of 1934 these had risen by nearly 25 per cent; the increase in time accounts was only slightly less marked.

In only few countries was the volume of current account deposits appreciably lower in the latter part of 1934 than at the middle of 1932. The continued pressure of deflation is reflected in the decline of current accounts in France, Switzerland and Italy ; end-of-quarter figures based on June 1932 = 100 are shown in Diagram XIII below.

Diagram XIII.

CURRENT ACCOUNT DEPOSITS IN CERTAIN COUNTRIES. (June 1932 = 100.)

A Italy. B France. C Switzerland.



The figures for Italy include the correspondent accounts of the " Big Three " as well as their sight deposits. In 1934, they fell less than current accounts in France or Switzerland. The striking decline in the current account liabilities of the Swiss banks was partly due to the withdrawal of foreign balances. Quarterly figures for current account deposits of the Belgian and Dutch banks are not available, but it is highly probable that they would show the same marked downward tendency in 1933 and 1934 [1].

In Lithuania and Poland, which also remained on the gold standard, the recent increase in current account deposits is partly due to transfers from time accounts. In Hungary, on the other hand, current accounts fell in 1934, while savings accounts remained stable. The distinction between these two accounts is, however, not always clear. There has evidently recently been some transfer of deposits from current accounts in the provinces to savings accounts in Budapest, and this may reflect the release of provincial deposits previously frozen.

It will be observed that the German figures have shown little fluctuation since the beginning of 1933, after falling more rapidly than any others in the latter half of 1932. This stability is somewhat surprising in view of the expansion in central bank credit to which reference has been made above. Two factors would seem to be mainly responsible. In the first place there was a continued reduction in the value of blocked

[1] Current account deposits with the six principal Dutch commercial banks were almost 10 per cent lower at the end of 1933 than at the end of 1932.

Reichsmark deposits held by foreigners as a result of the depreciation of foreign currencies and the release of these deposits for " additional " exports or investment in Germany. In the second place, it would appear that the large public works expenditures had principally the result of raising the money incomes of the lower-income groups which patronise the savings banks. In the course of the years mentioned, deposits in the savings banks rose by RM. 2,500 million.

V. Commercial Bank Credits and Investments.

The deposits received and largely created by banks are employed in the granting of loans and advances, in discounts, in the purchase of securities, etc. The development and variation in the relative importance of these assets are shown in Tables V and VI. Table V gives the percentage movement of *(a)* discounts, *(b)* loans and advances, *(c)* Government securities and *(d)* other securities since 1929, and Table VI shows the percentage which each of the groups of assets mentioned constituted of total earning assets in each year.

The relative intensity of the credit deflation in different countries during 1931-1932 or 1933 cannot be judged by a simple comparison of the percentage movement in discounts, loans or advances shown in Table V. The banking statistics of different countries vary widely in classification, and although every effort has been made to approach uniformity by reclassification, the amount of detailed information available has not in all cases been adequate for the purpose. Further, the reduction in loans and advances which occurred in 1931 and 1932 was in most countries principally due to the repayment of credits, but in others — such as Austria, Germany and Italy — it represents in large part the writing-off of loans through capital and reserve reductions or by means of funds granted for the purpose by the State or special liquidation institutes. Clearly, the effects of these different types of credit " liquidation " are not the same. Finally, the importance of the commercial banks as suppliers of the circulating media of the community varies widely from country to country and from time to time. From Table V, for example, it appears that the net contraction in the credit portfolio of the commercial banks of Poland between 1929 and 1933 — nearly 50 per cent — was greater than in any other country. Although the credit deflation has in fact been particularly severe in Poland, it is exaggerated by the statistics of the commercial banks taken alone. The public banks expanded their credit rapidly during this period, and this offset in part the apparent contraction.

For all these reasons, no attempt is made in the present section to give a detailed account of the movements of the commercial bank assets of different countries. For this, reference should be made to the individual chapters in the second part of this volume, where information is also given regarding the fluctuations of non-commercial bank credit. Attention is here confined to pointing out some of the broad general tendencies in the movements of commercial bank earning assets in recent years.

The most important are (1) the sharp decline in both the absolute amount and the relative importance of loans and advances in most countries and (2) the increase in commercial banks' holdings of Government securities. The proportion of their resources which commercial banks normally keep in the form of advances varies widely from country to country in accordance, *inter alia*, with differences in the organisation of the capital and money markets. In the United Kingdom, for example, the joint-stock banks appear, in normal times, to work to a conventional distribution of 45-55 per cent of their deposits in the form of advances, 10-20 per cent in the form of bills, 15 per cent in the form of investments, 7-10 per cent in the form of call loans to the money market and about 10 per cent in the form of cash. In France, where the money market is less specialised, the deposit banks exercise to some extent the function of the bill broker, and consequently the relative importance of bills in their portfolio is considerably higher.

As banks generally earn a higher return on advances than on other assets, it may be assumed that they would normally be reluctant to see them fall in importance. The decline which took place in most [1] countries from 1929 to 1932 reflects chiefly the reduced demand for advances on the part of entrepreneurs, who restricted production, liquidated stocks and paid off their debts to the banks. The cancellation of a formerly active deposit through the repayment of a loan has, of course, the result of decreasing aggregate expenditure still further and hence stimulating further repayment of loans and cancellation of deposits.

[1] In certain countries — for example, Austria, Germany and Hungary — total advances rose in 1930. This increase, in the face of a marked reduction in the national income, is to be explained chiefly by the system of industrial banking then in force in these countries. The relations between the banks and business were very intimate and, when the position of certain concerns became strained, the banks, which were in effect partners in industry, " carried " them by the granting of additional credits. The continued decline in incomes reduced the value of the security behind these loans and " froze " the money capital structure, keeping it out of line with the earning capacity of industry. The subsequent liquidation, when it occurred, took the form of a sudden break.

Table V. — Percentage Movements of Commercial Bank Credits and Investments, 1929-1934.

(1929 = 100)

a Discounts. *b* Loans and advances. *c* Total discounts, loans and advances. *d* Government securities. *e* Other investments and participations. *f* Total.

Country		1929	1930	1931	1932	1933	1934
Europe :							
Austria	*a.*	.	100	.	45	44	.
	b.	.	100	.	52	44	.
	c.	.	100	.	51	44	.
	d.	..	100	.	53	51	.
	e.						
	f.	.	100	.	51	45	.
Belgium	*a.*	100	104	101	83	85	.
	b.	100	98	74	59	55	.
	c.	100	99	80	64	62	.
	d.	100	125	126	123	121	.
	e.						
	f.	100	104	88	74	72	.
Bulgaria	*a.*	100	75	54	45	35	.
	b.	100	89	67	53	51	.
	c.	.	.	.	.	.	.
	d.	.	.	.	.	.	.
	e.	.	.	.	.	.	.
	f.	100	83	61	50	44	.
Czechoslovakia	*a.*	100	103	79	70	72	.
	b.	100	99	83	71	66	.
	c.	100	100	83	71	67	.
	d.	100	110	112	91	94	.
	e.						
	f.	100	101	87	74	70	.
Denmark	*a.*	100	106	107	87	86	85
	b.	100	99	98	88	89	92
	c.	100	101	100	88	89	90
	d.	100	96	77	86	113	.
	e.	100	116	104	102	107	.
	f.	100	104	100	91	93	96
Estonia	*a.*	100	91	76	69	69	79
	b.	100	115	98	86	77	73
	c.	100	104	88	78	73	76
	d.	100	143	121	136	171	229
	e.						
	f.	100	105	88	79	75	78
Finland	*a.*	100	82	71	55	43	41
	b.	100	104	103	102	99	97
	c.	100	96	92	86	79	78
	d.	100	106	122	128	263	336
	e.	100	122	129	160	172	
	f.	100	97	93	88	82	85
France (Deposit banks)	*a.*	100	95	81	98	89	.
	b.	100	115	97	73	78	.
	c.	100	102	86	89	85	.
	d.	100	117	132	101	104	.
	e.						
	f.	100	102	86	89	85	.
France (Investment banks)	*a.*	100	97	82	96	64	.
	b.	100	78	46	33	40	.
	c.	100	85	59	56	49	.
	d.	100	109	118	115	105	.
	e.						
	f.	100	89	69	66	58	.
France (Deposit and investment banks)	*a.*	100	95	81	98	87	.
	b.	100	109	88	66	72	.
	c.	100	100	84	86	81	.
	d.	100	111	121	112	105	.
	e.						
	f.	100	100	84	87	82	.
Germany [1] (All banks)	*a.*	100	85	50	55	59	70
	b.	100	102	78	66	57	54
	c.	100	97	71	63	57	58
	d.	100	141	1,179	1,731	1,503	1,248
	e.	100	94	93	81	81	100
	f.	100	97	75	68	62	68
Germany [2] (All banks)	*a.*	100	90	61	65	.	.
	b.	100	97	66	56	.	.
	c.	100	95	65	59	.	.
	d.	100	98	129	129	.	.
	e.						
	f.	100	95	69	63	.	.
Germany (Big Berlin banks)	*a.*	100	85	49	57	58	.
	b.	100	96	65	58	49	.
	c.	100	93	60	57	51	.
	d.	100	127	373	440	520	.
	e.	100	91	85	97	89	.
	f.	100	93	61	60	54	.

Country		1929	1930	1931	1932	1933	1934
Greece	*a.*	100	69	58	42	70	71
	b.	100	150	142	141	126	141
	c.	100	122	113	108	107	117
	d.	100	123	123	110	103	106
	e.						
	f.	100	122	115	108	106	115
Hungary	*a.*	100	109	103	93	92	.
	b.	100	105	91	78	73	.
	c.	100	107	97	85	82	.
	d.	100	98	96	213	210	.
	e.						
	f.	100	107	97	89	86	.
Italy (All banks) [3]	*a.*	100	104	102	107	101	.
	b.	100	97	73	65	58	.
	c.	100	101	87	86	79	.
	d.	100	103	75	80	79	.
	e.						
	f.	100	101	85	85	79	.
Italy (All banks) [4]	*a.*	100	104	102	107	101	.
	b.	100	90	53	49	51	.
	c.	100	100	88	90	86	.
	d.	100	103	75	80	79	.
	e.						
	f.	100	101	85	88	85	.
Italy (Principal banks) [5]	*a.*	100	107	122	114	125	121
	b.	100	104	76	74	63	67
	c.	100	106	100	95	95	95
	d.	100	101	65	71	67	58
	e.						
	f.	100	105	95	92	91	90
Italy (Principal banks) [6]	*a.*	100	107	122	114	125	121
	b.	100	84	54	42	43	36
	c.	100	103	109	100	109	105
	d.	100	101	65	71	67	58
	e.						
	f.	100	103	101	95	101	96
Latvia	*a.*	100	91	41	29	28	29
	b.	100	94	51	42	40	36
	c.	100	93	47	37	35	33
	d.	100	125	125	131	89	111
	e.						
	f.	100	94	49	39	36	35
Lithuania	*a.*	100	164	123	96	93	.
	b.	100	113	112	96	95	.
	c.	100	127	115	96	95	.
	d.	100	97	97	94	93	.
	e.						
	f.	100	123	113	96	94	.
Netherlands	*a.*	100	101	82	81	65	.
	b.	100	91	82	65	63	.
	c.	100	94	82	69	63	.
	d.	100	135	146	128	109	.
	e.						
	f.	100	97	88	74	67	.
Norway	*a.*	100	104	100	96	92	88
	b.	100	100	100	94	92	88
	c.	100	101	100	95	92	88
	d.	100	98	86	76	76	.
	e.	100	103	88	83	77	.
	f.	100	101	97	92	89	84
Poland	*a.*	100	92	56	44	39	39
	b.	100	110	80	69	58	59
	c.	100	102	69	57	50	46
	d.	100	102	87	83	81	109
	e.						
	f.	100	102	70	59	51	52
Portugal	*a.*	100	66	55	59	.	.
	b.	100	96	86	78	.	.
	c.	100	79	68	67	.	.
	d.	100	93	79	77	.	.
	e.						
	f.	100	80	69	68	.	.
Roumania	*a*	100	98	81	69	.	.
	b.	100	100	72	63	.	.
	c.	100	99	77	66	.	.
	d.	100	96	99	75	.	.
	e.						
	f.	100	99	78	67	.	.

Table V. — Percentage Movements of Commercial Bank Credits and Investments, 1929-1934 (*concluded*).

Country		1929	1930	1931	1932	1933	1934
Spain	a.	100	102	83	88	.	.
	b.	100	105	79	79	.	.
	c.	100	104	83	82	.	.
	d.	100	113	110	115	.	.
	e.	100	105	94	94	.	.
	f.	100	106	91	93	.	.
Sweden	a.	100	110	102	118	111	107
	b.	100	106	106	95	87	86
	c.	100	107	105	100	93	91
	d.	100	117	104	108	117	162
	e.						
	f.	100	108	105	101	95	97
Switzerland	a.	100	105	72	60	50	.
	b.	100	103	101	101	99	.
	c.	100	103	97	96	93	.
	d.	100	116	121	121	109	.
	e.						
	f.	100	104	99	97	94	.
United Kingdom and Irish Free State:	a.	100	141	104	174	131	.
	b.	100	94	91	78	74	.
England and Wales	c.	100	102	93	64	85	.
	d.	100	119	119	197	234	.
	e.	100	102	102	118	130	.
	f.	100	105	97	111	109	.
Scotland	a.	100	100	133	140	102	.
	b.	100	94	79	70	65	.
	c.	100	95	86	80	70	.
	d.	100	116	119	163	187	.
	e.	100	130	139	165	199	.
	f.	100	103	99	109	112	.
Ireland	a.	100	531	533	592	506	.
	b.	100	75	75	69	69	.
	c.	100	98	98	96	91	.
	d.	100	104	100	115	111	.
	e.						
	f.	100	101	99	105	100	.
Yugoslavia	a.	100	107	101	83	78	.
	b.	100	117	102	89	79	.
	c.	100	113	102	87	79	.
	d.	100	154	143	129	.	.
	e.						
	f.	100	116	104	90	.	.
North America:	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
Canada	c.	100	81	73	64	60	57
	d.	100	137	162	186	207	237
	e.	100	118	113	93	97	79
	f.	100	90	86	82	82	84
U.S.A.[5] (All banks)	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	100	97	82	62	46	.
	d.	100	97	145	151	179	.
	e.	100	108	97	75	56	.
	f.	100	99	91	73	62	.
U.S.A.[6] (National banks)	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	100	101	89	69	55	.
	d.	100	100	119	123	145	.
	e.	100	108	111	91	73	.
	f.	100	101	97	81	72	.
Latin America:	a.	100	101	102	93	86	.
	b.	100	109	99	95	100	.
Argentine	c.	100	105	100	94	93	.
	d.	100	115	128	124	115	.
	e.						
	f.	100	106	102	96	95	.
Bolivia	a.	100	91	91	54	63	.
	b.	100	98	87	89	81	.
	c.	100	95	88	78	75	.
	d.	100	118	148	446	713	.
	e.						
	f.	100	100	101	157	213	.
Brazil	a.	100	85	83	102	104	.
	b.	100	103	101	105	109	.
	c.	100	95	92	104	107	.
	d.	100	138	157	161	166	.
	e.						
	f.	100	96	95	106	109	.
Chile	a.	100	76	31	28	62	.
	b.	100	103	92	93	92	.
	c.	100	95	73	73	83	.
	d.	100	88	188	388	175	.
	e.	100	102	78	87	88	.
	f.	100	95	75	77	84	.

Country		1929	1930	1931	1932	1933	1934
Colombia[5]	a.	100	84	69	41	31	35
	b.	100	86	89	75	71	62
	c.	100	85	78	57	49	47
	d.	100	108	121	145	193	226
	e.						
	f.	100	87	83	66	64	66
Ecuador	a.	100	109	73	84	194	267
	b.	100	91	73	73	67	72
	c.	100	95	73	76	98	120
	d.	100	100	100	100	100	100
	e.	100	103	79	77	74	76
	f.	100	96	74	76	95	115
Mexico	a.	100	104	45	51	74	.
	b.	100	97	104	88	120	.
	c.	100	100	79	73	101	.
	d.	100	97	60	68	91	.
	e.						
	f.	100	100	77	72	99	.
Peru[6]	a.	100	70	48	66	44	59
	b.	100	76	80	82	59	72
	c.	100	73	66	75	53	66
	d.	100	89	4	9	9	10
	e.			44	40	39	39
	f.	100	76	63	70	52	64
Uruguay	a.	100	74	39	26	22	.
	b.	100	107	101	101	98	.
	c.	100	107	100	100	97	.
	d.	100	565	482	441	447	.
	e.						
	f.	100	111	104	103	100	.
Venezuela	a.	100	111	118	92	112	.
	b.	100	92	101	101	99	.
	c.	100	94	103	100	100	.
	d.	100	100	91	135	169	.
	e.						
	f.	100	95	102	102	106	.
Asia:							
Japan (Clearing-House Member banks)	a.	100	95	87	94	98	105
	b.	100	102	102	101	102	90
	c.	100	101	100	100	102	92
	d.	100	96	93	96	107	123
	e.						
	f.	100	99	97	99	104	104
South Africa and Oceania:							
Union of South Africa[7]	a.	100	74	58	57	55	64
	b.	100	92	100	86	81	102
	c.	100	87	89	79	75	92
	d.	100	151	154	209	206	200
	e.	100	67	83	133	67	267
	f.	100	91	93	87	83	101
Union of South Africa[8]	a.	100	82	55	62	68	64
	b.	100	89	86	81	78	96
	c.	100	87	78	76	75	87
	d.	100	182	129	223	254	247
	e.	100	75	67	108	100	167
	f.	100	103	86	101	105	115
Australia[9]	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	100	92	87	89	90	.
	d.	100	111	226	274	270	.
	e.						
	f.	100	93	97	102	102	.
New Zealand[9]	a.	100	75	58	50	158	.
	b.	100	99	94	87	74	.
	c.	100	99	94	86	77	.
	d.	100	82	163	257	486	.
	e.	100	57	57	57	57	.
	f.	100	97	100	102	114	.
Australasia[10]	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	100	95	90	89	90	.
	d.	100	101	147	179	203	.
	e.						
	f.	100	96	96	99	102	.

[1] November returns.
[2] December figures.
[3] Loans include correspondents.
[4] Loans excluding correspondents.
[5] End of June each year.
[6] Figures for 1929 have been converted into soles.
[7] Accounts of offices within the Union only.
[8] Including accounts of branches outside the Union.
[9] End of June following year. Accounts of domestic offices only.
[10] End of June following year. Including accounts of branches outside the Dominions.

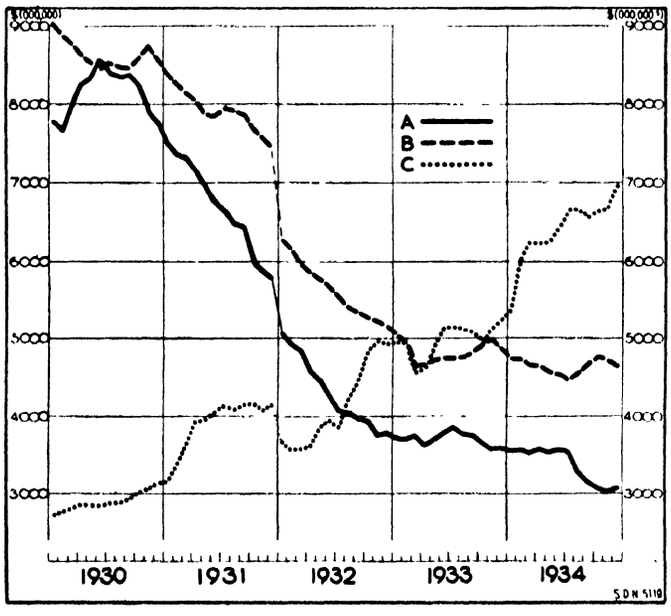
But the commercial banks do not play so passive a rôle in bringing about the decline in advances as the above paragraph may suggest. The price charged by banks for advances is somewhat inflexible, and from 1929 to 1932 it did not fall proportionately to the decline in demand. The importance of this rigidity in loan rates may, however, easily be overestimated, as, when incomes are contracting and prices falling rapidly, it is at least doubtful whether even a substantial reduction in the rate on advances would induce business-men to take the risk of borrowing and investing. Of more importance perhaps was the direct contraction of credit by banks which normally occurs during periods of falling prices. Each bank acting individually tends, in such circumstances, when considering applications for loans, to give weight to the prospective contraction in aggregate expenditure. By judging " credit-worthiness " on the assumption that contraction is to continue, each bank contributes to continued contraction. Finally, the banks of certain countries suffered, at certain stages of the depression, a rapid depletion of cash reserves, and the attempt to reconstitute these reserves took the form of calling in or not renewing credits previously granted.

The importance of this last factor was, by a curious paradox, greater in the United States, where bankers' cash steadily increased over the period considered as a result of gold imports than in most of the countries which suffered a net export of gold. Diagram XIV below shows the monthly fluctuations of the principal earning assets of the member banks of the Federal Reserve system from 1930 to 1934.

Diagram XIV.

LOANS AND INVESTMENTS OF REPORTING MEMBER BANKS OF FEDERAL RESERVE SYSTEM.

A Loans on securities. B All other loans. C U.S. Government securities.



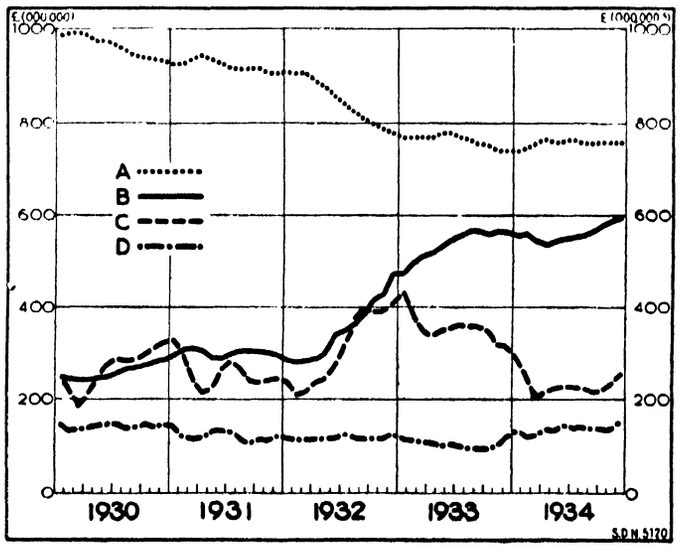
The group " all other loans " includes the bulk of genuine commercial loans : in the course of 1931 and 1932, these fell by over $2,000 million. Even more striking, however, is the contraction of security loans, amounting to $4,250 million — or 50 per cent — from the middle of 1930 to the end of 1932. The calling-in of these loans amounted, at one stage removed, to the sale of securities by the banks — a sale which was carried out at a faster pace than bank depositors were willing to buy the securities. In consequence, security prices fell and the market rate of interest (which had come to include a heavy risk premium) rose ; the market for new and conversion industrial issues was completely demoralised. On the other hand, the commercial banks added large amounts to their holdings of Government securities. From October 1929 to October 1934, the member banks of the Federal Reserve system increased their holdings of U.S. Government securities from $4,000 million to $9,200 million, or by 130 per cent. These accounted for 35 per cent of the earning assets of member banks in 1934 as compared with 11 per cent in 1929. An examination of Diagram XIV will show that, after the reopening of the banks in March 1933, loans to customers took a temporary spurt, but soon resumed their downward trend, while the banks continued to buy Government securities. Their net purchases in 1934 ($2,000 million for reporting member banks) were greater than in any previous year [1].

The reduction in the advances of the British joint-stock banks was more moderate than the contraction in loans in the United States, but it was sharp when compared with most other countries. Diagram XV shows, for 1930-1934, the principal assets of the London Clearing Banks.

Diagram XV.

PRINCIPAL ASSETS OF LONDON CLEARING BANKS.

A Advances. C Bills discounted.
B Investments. D Money at call.



[1] From March 1933 to October 1934, the total interest-bearing debt of the United States increased by nearly $6,000 million ; during the same period, the commercial banks' holdings of Government securities would appear to have increased by about $3,000 million. In other words, about half the increase in the public debt was directly taken over by the commercial banks.

a Discounts
b Loans and advances
c Government securities
d Other investments and participations
} as percentage of total of these items.

Country		1929	1930	1931	1932	1933	1934
EUROPE :							
Austria	*a.*	.	10.3	.	9.1	10.2	.
	b.	.	77.5	.	78.3	75.9	.
	c. *d.*	.	12.2	.	12.6	13.9	.
Belgium	*a.*	19.2	19.2	22.2	21.5	22.7	.
	b.	63.8	60.3	53.4	50.4	48.6	.
	c. *d.*	17.0	20.5	24.4	28.1	28.7	.
Bulgaria	*a.*	43.7	39.7	32.7	32.2	27.7	.
	b.	56.3	60.3	61.3	60.5	64.9	.
	c.	.	.	0.1	0.5	0.3	.
	d.	.	.	0.5	6.8	7.1	.
Czechoslovakia	*a.*	10.1	10.2	9.1	9.6	10.2	.
	b.	76.0	74.7	73.0	73.2	71.3	.
	c. *d.*	13.9	15.1	17.9	17.2	18.5	.
Denmark	*a.*	16.5	16.9	17.7	15.9	15.3	14.7
	b.	59.6	57.2	58.6	58.0	57.1	56.8
	c.	4.2	3.9	3.2	4.0	5.1	28.6
	d.	19.7	22.0	20.5	22.1	22.5	
Estonia	*a.*	45.7	39.9	39.4	39.9	42.0	46.4
	b.	53.0	58.2	58.7	57.7	54.9	49.6
	c. *d.*	1.3	1.9	1.9	2.4	3.1	4.0
Finland	*a.*	34.1	28.9	26.2	21.5	17.7	16.7
	b.	63.2	67.8	70.1	73.7	76.3	72.6
	c.	0.3	0.3	0.4	0.5	1.0	10.7
	d.	2.4	3.0	3.3	4.3	5.0	
France (Deposit banks)	*a.*	64.5	60.0	60.2	70.8	67.3	.
	b.	34.8	39.2	38.8	28.4	31.9	.
	c. *d.*	0.7	0.8	1.0	0.8	0.8	.
France (Investment banks)	*a.*	30.9	33.7	36.8	44.9	34.1	.
	b.	52.6	46.0	34.9	26.4	36.0	.
	c. *d.*	16.3	20.3	28.3	28.7	29.9	.
France (Deposit and Investment banks)	*a.*	60.5	57.2	57.9	68.5	64.4	.
	b.	36.9	39.9	38.4	28.2	32.3	.
	c. *d.*	2.6	2.9	3.7	3.3	3.3	.
Germany [1] (All banks)	*a.*	23.3	20.3	15.5	19.1	22.1	26.0
	b.	70.9	74.0	74.3	69.1	65.6	61.1
	c.	0.2	0.3	3.2	5.1	4.9	4.0
	d.	5.6	5.4	7.0	6.7	7.4	8.9
Germany [2] (All banks)	*a.*	25.6	24.2	22.7	26.4	.	.
	b.	67.5	68.7	64.5	59.6	.	.
	c. *d.*	6.9	7.1	12.8	14.0	.	.
Germany (Big Berlin banks)	*a.*	27.8	25.3	22.0	26.4	29.8	.
	b.	67.7	70.2	71.2	65.5	61.7	.
	c.	0.1	0.2	0.8	1.0	1.3	.
	d.	4.4	4.3	6.0	7.1	7.2	.
Greece	*a.*	27.8	15.5	14.0	10.7	18.4	17.1
	b.	54.0	66.2	66.5	70.7	64.0	66.1
	c. *d.*	18.2	18.3	19.5	18.6	17.6	16.8
Hungary	*a.*	46.7	47.9	49.8	48.9	49.8	.
	b.	50.2	49.2	47.1	43.6	42.6	.
	c. *d.*	3.1	2.9	3.1	7.5	7.6	.
Italy (All banks) [3]	*a.*	41.5	42.7	49.6	52.3	52.8	.
	b.	43.1	41.5	36.9	33.1	31.8	.
	c. *d.*	15.4	15.8	13.5	14.6	15.4	.
Italy (All banks)	*a.*	56.3	58.2	67.5	68.3	66.9	.
	b.	22.7	20.2	14.1	12.6	13.6	.
	c. *d.*	21.0	21.6	18.4	19.1	19.5	.
Italy (Principal banks) [3]	*a.*	45.0	45.9	57.7	56.0	61.6	60.6
	b.	42.7	42.2	33.9	34.5	29.4	31,5
	c. *d.*	12.3	11.9	8.4	9.5	9.0	7.9
Italy (Principal banks) [4]	*a.*	66.1	69.1	79.8	79.5	81.5	83.2
	b.	15.8	13.0	8.5	7.0	6.6	6.0
	c. *d.*	18.1	17.9	11.7	13.5	11.9	10.8
Latvia	*a.*	39.0	37.9	32.3	29.3	29.9	31.9
	b.	58.6	58.8	61.5	62.5	64.1	60.4
	c. *d.*	2.4	3.3	6.2	8.2	6.0	7.7
Lithuania	*a.*	23.8	31.7	25.9	23.9	23.5	.
	b.	61.7	56.9	61.6	61.9	62.2	.
	c. *d.*	14.5	11.4	12.5	14.2	14.3	.
Netherlands	*a.*	25.6	26.6	24.0	27.8	24.6	.
	b.	65.6	61.3	61.5	57.1	61.1	.
	c. *d.*	8.8	12.1	14.5	15.1	14.3	.
Norway	*a.*	25.6	26.3	26.2	26.8	26.3	26.8
	b.	54.0	53.2	55.5	55.1	55.8	56.5
	c.	6.0	5.8	5.3	5.0	5.1	16.7
	d.	14.4	14.7	13.0	13.1	12.8	
Poland	*a.*	43.7	39.6	35.3	32.5	33.5	30.5
	b.	51.1	55.2	58.2	60.1	58.2	58.5
	c. *d.*	5.2	5.2	6.5	7.4	8.3	11.0
Portugal	*a.*	53.1	44.0	42.5	46.2	.	.
	b.	38.6	46.3	48.0	44.4	.	.
	c. *d.*	8.3	9.7	9.5	9.4	.	.
Roumania	*a.*	43.8	43.4	45.3	45.2	.	.
	b.	47.5	48.1	43.7	45.0	.	.
	c. *d.*	8.7	8.5	11.0	9.8	.	.
Spain	*a.*	22.9	22.0	21.0	21.5	.	.
	b.	31.4	30.9	27.2	26.4	.	.
	c.	26.8	28.5	32.2	33.0	.	.
	d.	18.9	18.6	19.6	19.1	.	.
Sweden	*a.*	22.5	22.9	21.9	26 4	26.3	24.8
	b.	69.0	67.9	69.7	64 5	63.3	61.0
	c. *d.*	8.5	9.2	8.4	9.1	10.4	14.2
Switzerland	*a.*	11.9	12.0	8.6	7.3	6.3	.
	b.	80.9	80.0	82.6	83.7	85.3	.
	c. *d.*	7.2	8.0	8.8	9.0	8.4	.
United Kingdom and Irish Free State :							
England and Wales	*a.*	14.6	19.7	15.7	22.8	17.5	.
	b.	66.8	59.9	62.3	46.7	45.8	.
	c.	15.1	17.1	18.4	26.9	32.6	.
	d.	3.4	3.3	3.6	3.6	4.1	.
Scotland	*a.*	9.1	8.8	12.3	11.7	8.3	.
	b.	55.7	51.0	44.5	35.7	32.4	.
	c.	32.2	36.4	39.0	48.1	54.0	.
	d.	3.0	3.8	4.2	4.5	5.3	.
Ireland	*a.*	2.7	14.1	14.5	15.2	13.5	.
	b.	50.4	37.5	38.2	33.4	34.8	.
	c. *d.*	46.9	48.4	47.3	51.4	51.7	.
Yugoslavia	*a.*	36.2	33.9	35.8	33.9	35.5	.
	b.	56.8	58.3	56.2	57.6	55.8	.
	c. *d.*	7.0	7.8	8.0	8.5	8.7	.
NORTH AMERICA :							
Canada	*a.*	83.3	74.9	70.1	64.7	61.0	57.2
	b.	14.3	21.9	26.7	32.5	36.1	40.5
	c. *d.*	2.4	3.2	3.2	2.8	2.9	2.3
U.S A. [5] (All banks)	*a.*	33.0	35.0	31.1	29.3	23.8	.
	b.	39.4	36.1	34.0	31.6	30.4	.
	c.	10.4	10.2	16.6	21.5	30.2	.
	d.	17.2	18.7	18.3	17.6	15.6	.
U.S.A. [5] (National banks)	*a.*	35.3	32.5	30.2	28.2	52.4	
	b.	33.7	35.9	33.0	30.6		.
	c.	16.6	16.3	20.4	25.1	32.9	.
	d.	14.4	15.3	16.4	16.1	14.7	.
LATIN AMERICA :							
Argentine	*a.*	42.9	40.8	42.8	41.5	38.8	.
	b.	51.7	53.4	50.4	51.5	54.7	.
	c. *d.*	5.4	5.8	6.8	7.0	6.5	.
Bolivia	*a.*	25.1	22.7	22.7	8.6	7.4	.
	b.	53.3	51.9	45.7	30.1	20.3	.
	c. *d.*	21.6	25.4	31.6	61.3	72.3	.

Table VI. — Percentage Composition of Commercial Bank Credits, 1929-1934 *(concluded).*

Country		1929	1930	1931	1932	1933	1934
Brazil	a.	44.4	39.3	38.8	42.9	42.5	.
	b.	51.9	55.4	55.1	51.5	51.9	.
	c.	3.7	5.3	6.1	5.6	5.6	.
	d.						
Chile	a.	28.4	22.6	11.8	10.3	21.0	.
	b.	64.2	69.7	79.2	77.8	70.2	.
	c.	0.9	0.8	2.3	4.6	1.9	.
	d.	6.5	6.9	6.7	7.3	6.9	.
Colombia [5]	a.	48.9	47.2	41.0	30.7	23.4	26.1
	b.	40.4	39.6	43.4	45.9	44.7	37.6
	c.	10.7	13.2	15.6	23.4	31.9	36.3
	d.						
Ecuador	a.	21.9	24.8	21.7	24.3	44.7	50.8
	b.	68.1	64.5	67.6	65.6	47.5	42.6
	c.	0.2	0.2	0.2	0.2	0.2	0.2
	d.	9.8	10.5	10.5	9.9	7.6	6.4
Mexico	a.	36.3	37.8	21.2	25.5	27.0	.
	b.	51.3	50.0	69.2	62.9	61.7	.
	c.	12.4	12.2	9.6	11.6	11.3	.
	d.						
Peru	a.	37.0	34.0	28.0	34.6	31.6	34.4
	b.	46.3	46.4	59.2	53.7	52.8	52.6
	c.	16.7	19.6	1.1	2.2	2.9	2.8
	d.			11.7	9.5	12.7	10.2
Uruguay	a.	1.2	0.8	0.5	0.3	0.2	.
	b.	97.9	94.8	95.5	96.0	95.9	.
	c.	0.3	4.4	4.0	3.7	3.9	.
	d.	0.6					
Venezuela	a.	11.6	13.5	13.3	10.4	12.2	.
	b.	80.7	78.3	79.8	79.4	75.4	.
	c.	7.7	8.2	6.9	10.2	12.4	.
	d.						

Country		1929	1930	1931	1932	1933	1934
Asia : Japan	a.	10.2	9.9	9.2	9.7	9.7	10.3
	b.	53.0	54.5	55.5	54.3	52.3	45.9
(Clearing-House Member banks)	c.	36.8	35.6	35.3	36.0	38.0	43.8
	d.						
South Africa and Oceania :							
Union of South Africa [6]	a.	23.8	19.3	14.7	15.6	15.8	15.1
	b.	68.8	69.3	73.8	67.6	67.5	69.4
	c.	6.3	10.6	10.5	15.1	15.8	12.6
	d.	1.1	0.8	1.0	1.7	0.9	2.9
Union of South Africa [7]	a.	22.2	17.7	14.1	13.7	14.4	12.3
	b.	59.8	51.8	59.8	47.9	44.1	49.8
	c.	16.8	29.6	25.1	37.1	40.3	36.1
	d.	1.2	0.9	1.0	1.3	1.2	1.8
Australia [8]	a.	93.2	91.8	84.0	81.6	82.0	.
	b.						
	c.	6.8	8.2	16.0	18.4	18.0	.
	d.						
New Zealand [8]	a.	2.0	1.5	1.2	1.0	2.7	.
	b.	87.6	89.9	83.0	75.0	57.2	.
	c.	9.3	7.9	15.1	23.4	39.5	.
	d.	1.1	0.7	0.7	0.6	0.6	.
Australasia [9]	a.	88.8	88.2	82.9	79 8	77.8	.
	b.						
	c.	11.2	11.8	17.1	20.2	22.2	.
	d.						

[1] November returns.
[2] December figures.
[3] Loans include correspondents.
[4] Loans excluding correspondents.
[5] End of June each year.
[6] Accounts of offices within the Union only.
[7] Including accounts of branches outside the Union.
[8] End of June following year. Accounts of domestic offices only.
[9] End of June following year. Including accounts of branches outside the Dominions.

From the beginning of 1930 to the end of 1932, advances of the London Clea ing Banks fell by nearly £250 million or 25 per cent. The bulk of the reduction took place in the last three quarters of 1932, when the banks' holdings of investments were increasing most rapidly. The inverse connection between these two items is not accidental. Part of the increase in the available means of payment resulting from the purchase of Government securities and Treasury bills by the banks in 1932 (which was in turn based upon the expansion in the cash base resulting from the open-market and rate policy of the Bank of England) was used by business-men to repay their bank advances and, as seen in the previous section, to increase their deposits of funds awaiting investment. The banks continued to buy long-term Government bonds in 1933 while their holdings of Treasury bills declined, and at the end of that year investments constituted 33 per cent of their total credit portfolio (excluding money at call) as compared with 15 per cent in 1929.

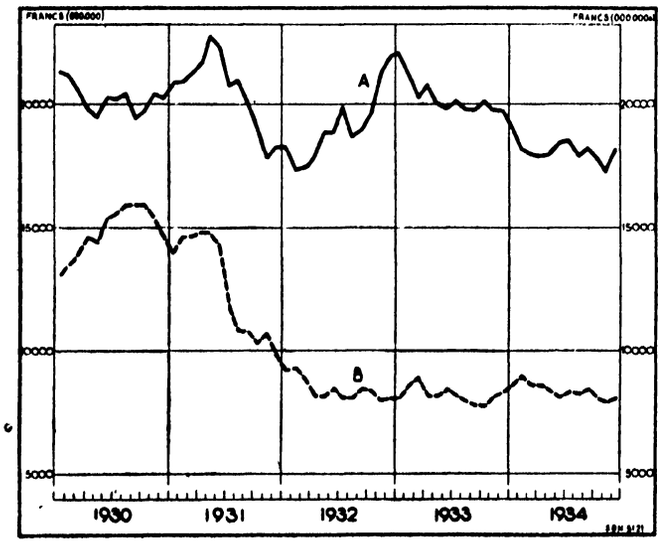
The contraction in the loan portfolio of the French commercial banks was exceptionally sharp in 1931 and the first part of 1932. This is illustrated in Diagram XVI opposite, which shows the monthly movements of the principal earning assets of the four large deposit banks from 1930 to 1934.

The lower curve of the diagram represents current account debtors and correspondents : this

Diagram XVI.

Principal Earning Assets of French Deposit Banks.

A Discount portfolio.
B Current accounts and correspondents.



item fell from nearly 16 milliards towards the end of 1930 to only slightly more than 8 milliards in the first months of 1932. Foreign short-term balances are included in this item and it would appear that the extremely sharp contraction of 1931 is largely to be explained by the repatriation of these balances and the depreciation of certain currencies in which

they were held. The contraction of this item stopped early in 1932 and it will be observed from the diagram that the fluctuations since that time have been unimportant. It is chiefly through commercial discounts that the French deposit banks extend credit to industry, but these are not separated from discounts of Treasury bonds in the published returns, and the bill portfolio, as shown in the diagram, includes both. It would appear that the contraction of 5 milliard francs in the bill portfolio in 1931 was principally or entirely due to commercial discounts, while the corresponding rise in 1932 must have been exclusively due to Treasury bills. In the course of 1933 and 1934, the deposit banks' bill portfolio fell by 4 milliard francs and, in view of the heavy State requirements of funds to cover budgetary deficits, it is unlikely that the banks' discounts of Treasury bills were much (if any) lower at the end of this period than at the beginning.

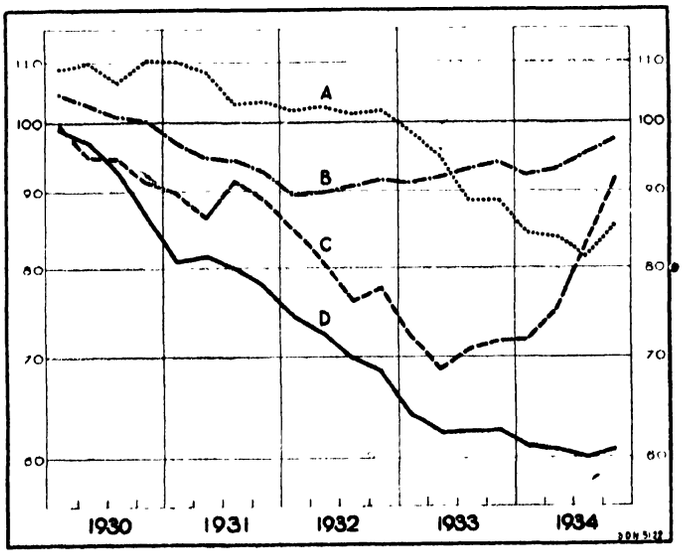
The credit contraction was also very severe in Belgium, where the commercial banks' loans and advances fell from 21 milliard francs at the end of 1930 to less than 12 milliard at the end of 1933. The Belgian banks maintained very close relations with industry and, as a result of the decline in prices and incomes, a very large part of their industrial advances became immobilised. By a series of decrees passed in August 1934, the banks were required to give up their long-term industrial activities and reorganise along deposit banking lines ; in the meantime, special steps were taken to enable the banks to raise cash resources on the basis of their old industrial advances [1].

Diagram XVII below shows the quarterly changes in the discounts, loans and advances of the commercial banks of four British Dominions since the first quarter of 1930 on the base average of 1929 = 100.

Diagram XVII.

DISCOUNTS, LOANS AND ADVANCES OF COMMERCIAL BANKS.
(1929 = 100.)

A New Zealand. C South Africa.
B Australia. D Canada.



The contraction of commercial bank credit would appear to have been more drastic and continuous in Canada than in other Dominions : at the end of 1934, the volume of current and call loans outstanding was only 60 per cent of the average 1929 level. In New Zealand too, the fall in bank loans was fairly continuous between 1930 and the last quarter of 1934, and especially sharp in 1933. In Australia, bank advances reached their lowest point at the beginning of 1932 and the net increase since then has been relatively slight. Only in South Africa — where the contraction in bank loans up to the middle of 1933 was about as sharp as in Canada — did any appreciable increase take place in 1934 ; all categories of loans and discounts in the Dominion show a definite upward movement in that year.

In all these countries, the commercial banks bought large amounts of Government securities in recent years. In Canada, for example, the chartered banks increased their holdings of Dominion and Provincial Government bonds from less than $300 million at the end of 1929 to $780 million at the end of 1934. The South-African banks increased their holdings of Union Government securities from £4 to £7 million, and at the same time bought British and Colonial Government paper to the amount of £22 million, nearly tripling their holdings of these securities. Union and British Government securities together accounted for nearly 40 per cent of the total earning assets of the South-African banks, compared with less than 17 per cent in 1929. The commercial banks of New Zealand and Australia also invested large sums in Treasury bills and Government securities after 1930. The purpose in these countries was both monetary and fiscal — that is, to expand the means of payment and to cover capital expenditure undertaken for the relief of unemployment. In the case of New Zealand, Treasury bills constituted as high as 40 per cent of total earning assets at the middle of 1934, compared with less than 10 per cent at the middle of 1930, but these were redeemed by the Government in cash in August with the proceeds of the sterling sold to the Reserve Bank.

The increase in commercial banks' holdings of Government securities (which, as an examination of Table V will show, was not confined to the countries to which reference is made in the preceding paragraphs, but occurred in many other countries, including several Latin-American States) has several aspects. In the first place, it may be regarded as an attempt on the part of the banking system to increase the supply of money, or at least

[1] For details, see chapter on Belgium.

to prevent the desire on the part of the public to keep money inactive from resulting in a contraction in the active supply. Secondly, it may be regarded as a reflection of the desire of the banks to hold their earning assets in the most liquid form possible. Finally, in certain countries — such as France and Belgium — its purpose was primarily fiscal : to help balance the budget.

It is, of course, impossible in practice to determine the relative importance of these three considerations : the first two at least have been jointly operative in the majority of countries. The commercial banks are more easily able, within the limits of the standards of liquidity under which they operate, to increase the volume of their investments than to increase the volume of their advances, particularly during a period when prices are falling rapidly. To increase their investments they need only bid for securities at the market. On the other hand (while it is no doubt true that there is at all times a " fringe of unsatisfied borrowers " who would be willing to take up advances from the banks), the risks involved in making advances are — during such a period as has been described — not of a type attractive to the banker. The effect of security purchases is of course to increase the deposit liabilities of the banking system ; but, whereas the deposit created by an advance is likely to flow at once into the income stream, it would seem that the deposit created by the purchase of a security previously held by the investing public is, at any rate during slack times, less likely to do so.

A remarkable phenomenon disclosed in Table V is the almost universal failure of bank advances to increase in 1933 and 1934 in spite of the considerable improvement in economic conditions in most parts of the world. In all countries, with the exception of certain of those which were successful in maintaining the gold standard, the decline in prices was stopped and in many cases gave way to a rise ; and in practically all countries, including — in 1933 — those of the gold bloc, there was an increase in production and general economic activity. Even in countries such as the United Kingdom, the United States, Sweden and Canada, where, according to the published indices, production increased to an exceptional extent in 1933 or 1934, there was but little increase or even a further fall in loans and advances.

Special factors peculiar to individual countries serve to explain part of this apparent anomaly, but the general explanation of overriding importance appears to be that business itself financed recovery out of accumulated funds. During the years of postponed replacement of amortised capital from 1930 to 1932, business accumulated liquid balances which were abnormally large in relation to current income, and these balances were available in 1933 and 1934 to finance expenditure. The increased activity of deposits is reflected in the shift from time to current accounts to which reference has been made above, and further details are given in Section VII below.

In the United Kingdom, Sweden and possibly other countries, another factor has also been at work. The current yield on securities has fallen to such low levels — their prices have risen so high — that it has paid business-men to finance themselves by selling securities outright rather than pledging them as collateral for a bank loan at a relatively high rate of interest. In the United Kingdom, the low rates prevailing in the new capital market have induced borrowers to issue debentures and repay bank advances. In Sweden, an influence of major importance has been the self-financing through export bills. The kronor proceeds of the assets in sterling and other foreign currencies sold by Swedish exporters, etc., to the commercial banks were used, in part, to liquidate bank advances. The continued reduction of bank advances in this country, as in New Zealand and elsewhere, therefore reflects the unfreezing rather than the restriction of credit.

In Germany, the large public works expenditures of recent years have been financed chiefly through an expansion of central bank credit and purchases of public works bills by the savings banks ; up to the end of 1934 there was no apparent expansion of commercial bank credit. On the other hand, the big Berlin banks lay stress in their annual reports for 1933 and 1934 on the considerable rise in the volume of new credits granted.

VI. Cash Ratios.

Table VII shows the changes in the cash ratios of the commercial banks of a number of countries from 1929 to 1934. Four different ratios are shown : *(a)* cash as a percentage of demand deposits [1], *(b)* cash and other items of a cash nature (such as call loans to the money market [2]) as a percentage of demand deposits, *(c)* cash as a percentage of total deposits and *(d)* cash and other items of a cash nature as a percentage of total deposits.

The outstanding movement of chief significance revealed by this table is a very general tendency for the cash reserve ratios of commercial banks to rise after 1929. The table discloses wide differences in both the magnitude of the cash ratios maintained by the banks of different countries and in their stability. These differences are illustrated

[1] Including other short-term liabilities : notes and cheques in circulation.

[2] For a fuller statement of the type of asset included in " other items of a cash nature ", see the Balance-sheet Summaries of the individual chapters and *Commercial Banks, 1913-1929*, page 49.

in Diagram XVIII below, which shows the fluctuations in the ratio of cash to total deposits for the commercial banks of twelve countries by quarters since 1930.

Diagram XVIII.

CASH RATIOS OF COMMERCIAL BANKS.

A France. B Switzerland. C U. K. D Japan. E Germany. F Colombia. G Chile. H Argentine. J South Africa. K Australia. L Canada. M New Zealand.

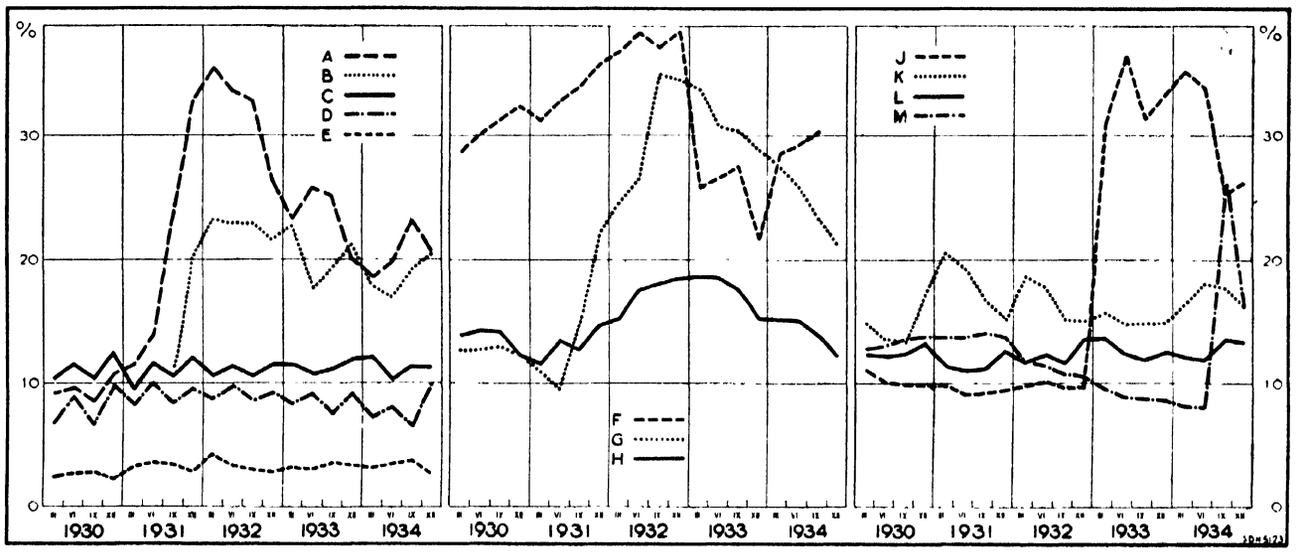


Table VII. — CASH RATIOS OF COMMERCIAL BANKS, 1929-1934.

a Cash as percentage of demand deposits.
b Cash and other items of a cash nature as percentage of demand deposits.
c Cash as percentage of total deposits.
d Cash and other items of a cash nature as percentage of total deposits.

Country		1929	1930	1931	1932	1933	1934
EUROPE :							
Austria	*a.*	.	3.6	.	4.0	6.8	.
	b.	.	3.6	.	4.0	6.8	.
	c.	.	2.9	.	3.3	5.5	.
	d.	.	2.9	.	3.3	5.5	.
Belgium	*a.*	.	.	.	.	.	.
	b.	17.2	.	18.2	27.2	32.8	.
	c.	.	.	.	.	.	.
	d.	12.5	11.5	13.7	20.5	25.5	.
Bulgaria	*a.*	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	15.9	18.4	16.0	.
	d.	10.3	14.8	21.8	22.6	20.1	.
Czechoslovakia	*a.*	20.7	18.4	.	.	.	.
	b.	31.5	31.7	23.3	34.8	32.2	.
	c.	10.8	9.2	.	.	.	.
	d.	16.4	15.9	11.1	16.5	15.5	.
Denmark	*a.*	14.0	15.0	14.1	26.4	18.0	18.1
	b.	18.5	19.7	18.9	32.3	35.1	35.0
	c.	3.9	4.4	6.7	7.4	5.2	5.0
	d.	5.1	5.7	5.3	9.1	10.0	9.7
Estonia	*a.*	9.2	8.1	10.6	8.9	12.1	4.6
	b.	13.7	15.3	18.8	17.9	20.9	20.2
	c.	5.8	5.1	6.7	6.0	8.5	3.4
	d.	8.7	9.6	11.9	12.0	14.8	15.0
Finland	*a.*	16.0	14.3	14.2	13.3	30.2	.
	b.	20.6	17.7	16.8	15.3	32.9	23.3
	c.	3.2	2.9	3.1	3.0	7.1	.
	d.	4.1	3.6	3.7	3.4	7.7	5.5
France (Deposit banks)	*a.*	.	.	.	.	.	.
	b.	16.3	19.1	31.9	27.4	21.6	.
	c.	.	.	.	.	.	.
	d.	15.1	17.7	29.9	26.8	20.5	.
France (Investment banks)	*a.*	14.7	13.8	24.4	24.6	31.2	.
	b.	38.0	45.8	43.2	39.5	46.5	.
	c.	8.4	8.8	15.8	17.3	18.0	.
	d.	21.8	29.3	28.0	27.8	26.9	.
France (Deposit and Investment banks)	*a.*	.	.	.	.	.	.
	b.	17.7	21.0	32.5	28.1	22.7	.
	c.	.	.	.	.	.	.
	d.	15.8	18.8	29.8	25.9	21.0	.
Germany (All banks) [1]	*a.*	.	.	.	.	.	.
	b.	5.7	5.8	6.1	5.4	5.8	4.7
	c.	.	.	.	.	.	.
	d.	2.1	2.3	3.1	2.5	2.6	2.2
Germany (All banks) [2]	*a.*	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	2.4	2.7	3.5	3.0	3.3	2.6
Germany (All banks) [3]	*a.*	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	4.6	5.1	5.8	5.4	.	.
Germany (Big Berlin banks) [4]	*a.*	.	.	.	.	.	.
	b.	10.0	10.4	12.1	8.5	9.1	8.5
	c.	.	.	.	.	.	.
	d.	4.2	4.8	6.3	4.1	4.3	4.2
Germany (Big Berlin banks) [5]	*a.*	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	4.6	5.4	7.4	5.1	5.5	5.1
Greece	*a.*	13.3	16.0	16.8	14.1	.	.
	b.	13.3	16.0	16.8	14.1	.	.
	c.	8.2	8.6	7.8	6.3	12.9	15.0
	d.	8.2	8.6	7.8	6.3	12.9	15.0
Hungary	*a.*	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	10.7	9.3	9.7	9.6	8.0	.
Italy (All banks) [6]	*a.*	5.2	5.5	5.5	6.3	7.0	.
	b.	12.9	11.3	13.0	13.3	12.8	.
	c.	3.8	3.9	4.1	4.6	4.9	.
	d.	9.4	8.1	9.5	9.6	9.1	.

Table VII. — Cash Ratios of Commercial Banks, 1929-1934 *(concluded)*.

Country		1929	1930	1931	1932	1933	1934
Italy (All banks) [6]	a.	47.5	52.7	52.8	58.9	61.1	.
	b.	116.8	108.4	123.6	123.6	112.7	.
	c.	10.8	11.1	11.9	12.8	13.4	.
	d.	26.6	22.9	27.9	26.9	24.6	.
Italy (Principal banks) [5]	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	10.4	8.4	8.5	9.0	8.8	7.6
Italy (Principal banks) [6]	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	55.5	47.4	48.0	47.4	39.4	31.4
Latvia	a.	12.4	12.4	19.5	19.1	18.4	25.6
	b.	14.7	14.9	21.1	20.2	19.1	27.1
	c.	11.7	11.6	17.9	17.9	17.4	24.3
	d.	13.8	14.0	19.3	19.0	18.1	28.6
Lithuania	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	7.5	7.8	7.6	6.9	8.2	.
Netherlands	a.	.	.	.	.	.	.
	b.	14.7	14.9	20.7	34.9	39.0	.
	c.	.	.	.	.	.	.
	d.	6.9	7.2	9.7	19.0	21.6	.
Norway	a.	45.5	43.9	40.2	54.0	57.0	54.6
	b.	46.0	44.4	40.6	54.4	57.5	55.1
	c.	5.3	5.2	4.6	6.1	5.6	6.6
	d.	5.4	5.2	4.6	6.1	5.7	6.7
Poland	a.	19.8	17.8	20.3	20.5	19.8	.
	b.	25.0	23.2	24.0	24.2	22.4	22.5
	c.	9.7	8.2	10.4	10.2	10.8	.
	d.	12.3	10.6	12.3	12.1	12.2	11.9
Portugal	a.	.	.	.	.	.	.
	b.	33.7	37.3	45.3	34.9	33.5	33.4
	c.	.	.	.	.	.	.
	d.	15.5	16.4	25.9	20.5	.	.
Roumania	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	12.9	15.0	10.1	9.6	.	.
Spain	a.	26.4	25.3	34.7	32.9	.	.
	b.	47.6	44.0	56.4	54.4	.	.
	c.	16.0	15.3	20.1	18.5	.	.
	d.	28.8	26.0	32.7	30.6	.	.
Sweden	a.	12.8	13.1	14.4	21.3	49.4	41.2
	b.	19.4	19.8	22.1	28.8	57.9	50.1
	c.	2.4	2.4	2.5	3.7	9.2	8.1
	d.	3.7	3.7	3.8	5.1	10.8	9.8
Switzerland	a.	.	.	.	.	.	.
	b.	9.8	20.0	52.2	51.1	46.5	.
	c.	.	.	.	.	.	.
	d.	2.7	3.1	8.9	8.9	7.7	.
United Kingdom and Irish Free State :							
England and Wales (10 London Clearing banks)	a.	.	.	.	.	.	.
	b.	23.8	23.2	24.2	22.6	22.5	21.3
	c.	.	.	.	.	.	.
	d.	12.9	12.5	12.2	11.5	12.0	11.4
England and Wales (All banks)	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	25.2	23.9	22.9	21.7	22.0	.
Scotland	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	24.8	24.9	24.8	24.6	23.6	.
Ireland	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	12.6	11.7	13.1	15.0	13.3	.
Yugoslavia	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	5.6	5.4	5.4	5.5	6.9	.
North America :							
Canada	a.	35.4	39.5	34.7	46.6	41.3	42.2
	b.	56.4	60.2	51.0	63.8	58.5	60.5
	c.	10.8	11.0	10.2	11.2	10.4	11.2
	d.	17.2	16.7	15.0	15.3	14.7	16.1
U.S.A. (All banks) [7]	a.	16.0	17.1	19.0	19.8	20.4	.
	b.	23.0	29.0	28.0	25.6	27.2	.
	c.	9.1	9.5	10.4	10.8	12.1	.
	d.	13.0	16.2	15.3	14.0	16.1	.
U.S.A. (National banks) [7]	a.	15.3	15.9	17.3	18.3	20.4	.
	b.	22.6	27.6	35.2	23.5	26.2	.
	c.	8.6	8.9	9.4	9.7	11.7	.
	d.	12.7	15.4	19.2	12.4	15.0	.
Latin America :							
Argentine	a.	38.6	37.0	50.9	57.8	42.4	.
	b.	46.2	47.7	58.6	68.7	53.6	.
	c.	11.9	11.6	14.5	18.1	14.7	.
	d.	14.3	15.0	16.6	21.5	18.6	.
Bolivia	a.	79.8	43.0	57.8	29.6	80.6	.
	b.	79.8	43.0	57.8	29.6	80.6	.
	c.	46.1	23.4	31.7	23.9	59.5	.
	d.	46.1	23.4	31.7	23.9	59.5	.
Brazil	a.	44.5	40.8	35.2	39.0	33.3	.
	b.	50.3	47.4	39.9	41.4	36.4	.
	c.	26.2	20.3	20.6	27.0	22.8	.
	d.	29.6	23.6	23.4	28.6	25.0	.
Chile	a.	32.4	30.1	44.4	50.1	39.0	.
	b.	44.9	40.7	51.6	55.0	44.8	.
	c.	13.0	11.7	20.8	31.3	27.0	.
	d.	18.0	15.8	24.1	34.3	31.0	.
Colombia [7]	a.	25.8	27.6	34.1	41.8	41.5	38.7
	b.	25.8	27.6	34.1	41.8	41.5	38.7
	c.	17.8	16.8	17.3	24.1	26.1	29.1
	d.	17.8	16.8	17.3	24.1	26.1	29.1
Ecuador	a.	36.2	38.5	31.0	54.2	52.0	39.8
	b.	38.3	43.0	34.1	55.8	57.6	44.6
	c.	25.8	25.8	20.2	44.4	44.2	30.6
	d.	27.3	28.8	22.3	45.7	49.0	34.3
Mexico	a.	31.0	39.2	29.4	45.9	43.4	.
	b.	35.8	42.9	32.8	50.3	47.3	.
	c.	24.9	29.5	20.6	38.3	33.9	.
	d.	28.7	32.3	23.0	41.9	36.9	.
Peru	a.	30.7	34.2	34.5	33.1	48.9	38.5
	b.	30.7	34.4	35.2	33.8	74.7	65.5
	c.	15.7	15.4	16.8	17.3	27.0	23.0
	d.	15.7	15.5	17.2	17.7	41.3	39.1
Uruguay	a.	108.4	102.2	111.1	106.5	103.6	.
	b.	120.4	114.0	128.2	127.9	133.2	.
	c.	51.1	47.1	51.1	53.4	47.1	.
	d.	56.7	52.5	59.0	64.0	60.6	.
Venezuela	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	85.7	137.2	103.3	112.5	108.4	.
	d.	88.6	143.5	112.0	116.7	113.3	.
Asia [1]							
India	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	.	.	.	.	.	.
	d.	15.4	13.2	13.6	18.2	.	.
Japan (Clearing-House Member banks)	a.	.	.	.	.	.	.
	b.	27.6	22.7	22.2	22.4	22.3	24.3
	c.	.	.	.	.	.	.
	d.	11.3	9.3	8.6	8.7	8.9	9.6
South Africa and Oceania :							
Union of South Africa [8]	a.	23.3	22.6	22.9	18.4	41.2	34.8
	b.	31.5	34.2	30.5	30.6	46.3	40.5
	c.	11.5	10.3	10.6	8.7	25.4	21.6
	d.	15.6	15.6	14.1	14.4	28.6	25.2
Australia [9]	a.	41.9	65.6	57.2	46.4	52.6	.
	b.	44.0	67.2	58.7	48.0	54.1	.
	c.	13.9	20.2	17.8	14.9	17.8	.
	d.	14.6	20.7	18.3	15.4	18.3	.
New Zealand [9]	a.	29.7	38.7	37.5	27.5	22.3	.
	b.	32.8	41.4	39.9	28.0	24.5	.
	c.	11.7	12.7	11.7	9.0	7.9	.
	d.	12.9	13.6	12.4	7.5	8.6	.
Australasia [10]	a.	.	.	.	.	.	.
	b.	.	.	.	.	.	.
	c.	20.9	22.0	22.8	21.0	19.9	.
	d.	30.4	28.4	32.0	27.3	27.8	.

[1] November returns. Deposits including balances due to German banks.
[2] November returns. Deposits excluding balances due to German banks.
[3] December figures. Deposits excluding balances due to German banks.
[4] Deposits including balances due to German banks.
[5] Current accounts including inland correspondents.
[6] Deposits excluding correspondents.
[7] End of June each year.
[8] Including accounts with branches outside the Union.
[9] End of June following year. Accounts of domestic offices only.
[10] End of June following year. Including accounts of branches outside the Dominions.

The cash ratio of the London Clearing Banks shows a very high degree of stability, fluctuating as a rule between 10 and 11 per cent. This stability has, of course, the result of making central bank control very effective, as a change in bankers' cash tends quasi-automatically to bring about a proportionate change in the banks' deposit liabilities. The Japanese banks have also maintained a fairly stable ratio of cash to total deposits throughout the period under review. The big Berlin banks appear to keep cash in hand exclusively for the purpose of meeting normal over-the-counter requirements; they are generally in debt to the Reichsbank and rely upon rediscounts with the central bank for special cash requirements. The ratio of their cash reserves to deposits and *Kreditoren* (including bankers' balances) usually moves between 2 and 4 per cent.

In France and Switzerland, an extremely sharp increase in the commercial banks' cash reserve ratio occurred in 1931 : for the French deposit banks, the ratio of cash and similar items to total deposits increased from less than 10 per cent in 1930 to over 35 per cent at the beginning of 1932 ; a large part of the inflow of capital into France which took place during the period of financial crisis went to increase the cash reserves of the commercial banks. The same applies to Switzerland, where the big banks more than doubled their cash reserve ratio in the latter half of 1931. In the Netherlands too — another European creditor country — the commercial banks have greatly increased their cash ratio in recent years. But here the major increases, as shown in Table VII, occurred in 1932 and 1933, when the cash ratio of the French and Swiss banks was, on the whole, falling. It would appear that the recent changes in cash ratios in the last two countries are largely a reflection of the international movements of capital : they correlate quite closely with the changes in the gold reserves of the respective central banks.

The cash ratios of the commercial banks of the three South-American countries included in Diagram XVIII fluctuate within a wide range. Especially notable is the extremely rapid increase in the cash ratio of the Chilian banks during the period of most marked currency inflation from the middle of 1931 to the latter part of 1932. With the increase in monetary stability in 1933 and 1934, the banks allowed their cash ratio to run down somewhat, substituting earning assets for cash. In Colombia, the decline in the cash ratio during 1933 from the very high level attained in the previous year was even more marked, but there was a fresh increase in 1934. In the Argentine Republic, the movements are less violent: a steady increase during 1931 and 1932 carried the ratio of cash to total deposits from less than 12 to over 18 per cent. In the latter part of 1933 and during 1934, with the resumption of more active credit operations by the commercial banks, the cash ratio fell.

Of the British Dominions shown in the third part of Diagram XVIII, the commercial banks of Canada maintain the most stable ratio of cash to total deposits : this fluctuated between 10½ and 12 per cent throughout the period considered. From time to time, the Dominion Government has increased the cash reserves of the commercial banks by raising its issue of Dominion notes; this was the case notably at the end of 1932 and the end of 1934. The commercial banks used the greater part of the increase in their cash reserves to retire indebtedness under the Finance Act or to buy Government securities. The extremely sharp increase in the reserve ratio of the commercial banks of South Africa after the suspension of the gold standard at the end of 1932 was due to the return flow of capital which had previously been exported to London and which was now used by the banks to increase their deposits with the Reserve Bank. As shown in the previous section, the banks, in addition to buying large amounts of Government securities, increased their loan operations in 1933 and 1934 and the cash ratio fell. It was still, however, very much higher than its normal figure at the end of 1934.

The steady decline in the cash ratio of the New Zealand trading banks from the latter part of 1931 to the middle of 1934 is accounted for by the fact that the banks bought large quantities of Treasury bills, an asset of high liquidity. These were redeemed by the Government with the proceeds of the sterling sold to the Reserve Bank in August 1934, and the sharp rise in the cash ratio in the third quarter of that year reflects this transaction.

In many other countries, too, the commercial banks added large amounts to their holdings of Treasury bills and Government securities in recent years ; reference is made to this phenomenon in the preceding section. As these assets are readily convertible into cash, it is clear that the movements of the cash ratios shown in Table VII and Diagram XVIII understate the real increase which took place in the cash liquidity of the commercial banks of many countries.

More striking, perhaps, than the rise in the cash reserve ratio in any other country is the recent accumulation of excess cash reserves by the commercial banks of the United States in recent years. Diagram XIX on page XLVI shows the monthly variations in the total[1] and in the excess cash reserves of the member banks of the Federal Reserve System from 1930 to 1934.

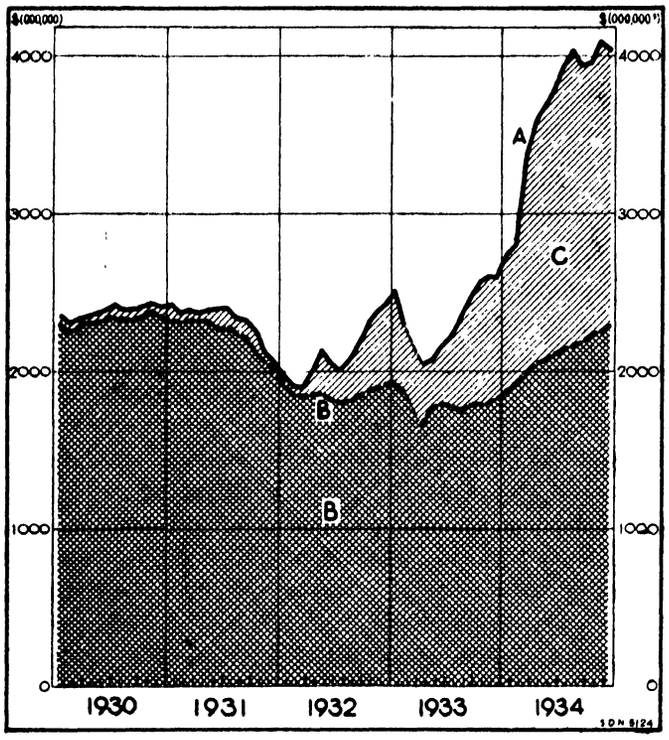
Excess reserves rose to a monthly average of nearly $600 million in January 1933 as a result

[1] That is, total *legal* reserves excluding cash in vault.

Diagram XIX.

TOTAL AND EXCESS CASH RESERVES OF MEMBER BANKS OF FEDERAL RESERVE SYSTEM.

A Total. B Legal. C Excess.



chiefly of the extensive open-market operations [1] carried out by the Federal Reserve banks in the previous year. They must have been completely exhausted during the March crisis [2], but they soon began to rise again. The increase in 1933 was chiefly due to open-market purchases of Government securities by the Federal Reserve banks and the return flow of hoarded currency, while the increase in 1934 mainly reflects gold imports. In December 1934, the excess cash reserves held by member banks amounted to $1,750 million. The immense magnitude of the recent figures of excess reserves is brought out by the following comparison with certain other relevant series :

Qua.terly averages of daily figures.	Excess reserves as percentage of total deposits	Excess reserves as percentage of total reserves
1929 : I	0.15	2.0
II	0.12	1.6
III	0.12	1.6
IV	0.16	2.1
1933 : I[a]	2.00	20.8
II	1.60	16.9
III	2.40	24.0
IV	3.41	30.0
1934 : *I	4.22	35.2
II	6.13	43.8
III	6.62	45.5
IV	6.26	43.9

[a] January-February.

Taking into consideration the fact that the above figures exclude cash in vault, which is not part of the member banks' legal cash reserves and which amounted in 1934 to about 2 per cent of total deposits, it will be seen that during most of that year the cash reserves held by the member banks over and above their legal requirements constituted almost as high a proportion of total deposit liabilities as the total cash reserves of the British joint-stock banks. Towards the end of the year, nearly half of the total reserves of the member banks — which had risen to the very high level of over $4,000 million — were excess reserves : in other words, the member banks could double their deposit liabilities without any borrowing at the Reserve banks.

The failure of the banks to invest these large sums requires explanation. The fluidity of the money market was such that the yield on short-term Treasury bills fell to levels which did not cover the book-keeping charges incidental to their purchase; and the supply of commercial bills continued restricted. But 3 per cent was available on Government bonds (which could, moreover, be used as collateral for borrowing at the Federal Reserve banks), and there was no shortage of their supply. The banks, as shown above, did in fact buy large quantities of Government securities in 1933 and 1934, and the explanation of their failure to invest the whole of their excess cash reserves in this form would appear to be twofold. In the first place, these securities already constituted an abnormally high proportion of their total credit portfolio (35 per cent at the end of 1934 as compared with 11 per cent in October 1929) and, secondly, it would appear that the fear of capital depreciation during the period for which the banks would wish to hold the securities more than counterbalanced the prospective yield.

The commercial banks of Sweden also accumulated large excess cash reserves in 1933 and 1934. Their ratio of cash to total deposits increased from 2½ per cent in the first years of the depression to 3.7 per cent in 1932, 9.2 per cent in 1933 and, after rising to 11.3 per cent in March 1934, fell to 8.1 per cent by the end of the year. The source of these excess reserves was principally the inflow of *Devisen* from abroad ; the Riksbank put a certain amount of funds into the market through open-market purchases of Government securities. The fluidity of the money market is reflected in the yield on Government bonds which in 1934 fell (in Sweden, as in South Africa and certain other countries) to the lowest levels ever recorded.

[1] As shown above, another result of these operations was to reduce the rediscount liability of the member banks by several hundred million dollars.

[2] Figures for March are not available.

VII. Clearings.

Table VIII below gives the movement of clearings in sixteen countries from 1930 to 1934. The clearings during each quarter are shown as percentages of those for the corresponding quarter of 1929 ; in this way the seasonal movement — which is very marked in most countries — is roughly eliminated. The figures on which Table VIII is based are not identical for all countries. In certain cases (Canada and the United States), they are bank debits to individual accounts ; in others (South Africa, Australia, Belgium, Chile, Colombia, Finland, France, Italy, Japan, Sweden, Switzerland, and the United Kingdom) they are bank clearings ; and in others (Germany and the Netherlands) they are giro-transfers at the central bank. In all cases [1] the most comprehensive series available has been taken. The minimum figures reached over the period are shown in heavy type.

Bank debits are more representative of the changes in total volume of transactions financed by the use of deposit currency than any of the other series. The latter are influenced, not only by changes in the volume of transactions, but also by bank amalgamations and anything else which causes a change in the ratio of cheques paid into the bank on which they are drawn to total cheques drawn. But it is not likely that these factors have exercised an influence of primary importance in the period under review in any of the countries included [2] in Table VIII ; the trend of the figures shown in that table can therefore be taken as fairly representative of the trend of the changes in the volume of cheque transactions. They cannot, of course, be taken as representative of the trend of the physical volume of trade, as they are largely influenced by price movements, which have, moreover, differed widely from country to country.

Table VIII. — QUARTERLY MOVEMENT OF CLEARINGS IN VARIOUS COUNTRIES, 1930-1934.

(Corresponding quarter of 1929 = 100.)

Quarter		Australia	Belgium	Canada	Chile	Colombia	Finland	France	Germany	Italy	Japan	Netherlands	South Africa	Sweden	Switzerland	U. K.	U. S. A.
1930	I	88.9	98.4	79.3	101.5	56.0	96.7	114.5	99.5	85.4	80.1	85.0	98.1	112.8	99.4	95.7	89.5
	II	87.7	98.1	87.4	94.4	56.6	95.2	121.1	88.6	93.0	77.8	85.5	95.0	112.7	106.0	94.2	92.0
	III	80.6	88.8	79.6	86.2	55.6	99.1	102.5	94.2	96.3	80.9	88.0	95.2	106.5	95.7	90.3	77.8
	IV	88.6	90.8	75.7	71.1	68.6	101.2	97.5	93.7	99.4	86.6	87.6	91.7	99.0	106.4	88.2	75.9
1931	I	81.3	86.4	67.6	68.7	47.3	82.5	103.7	82.3	92.3	**65.2**	76.0	89.5	116.1	99.8	85.8	72.1
	II	84.0	82.9	76.4	56.8	44.0	75.9	109.8	82.3	90.9	70.2	83.5	92.4	114.3	110.5	84.6	72.7
	III	75.2	74 7	63.7	**42.9**	45.4	75.6	79.2	79.5	88.2	75.1	58.4	92.7	97.6	93.7	83.0	61.4
	IV	77.8	65.8	63.5	43.5	52.1	88.2	69.9	82.1	81.6	82.2	51.4	86.5	99.1	80.4	85.2	56.9
1932	I	**57.0**	71.6	52.9	47.6	**36.2**	76.5	79.2	77.2	61.5	74.9	41.9	79.3	99.9	57.3	84.5	52.7
	II	65.6	56.9	56.9	50.1	39.5	**66.7**	70.0	66.9	88.0	73.1	39.5	**75.5**	93.1	58.1	82.8	49.9
	III	82.4	56.5	57.3	68.2	46.1	75.0	54.0	68.3	67.0	82.2	37.0	78.1	75.4	47.2	83.3	42.9
	IV	93.0	58.2	54 5	66.3	60.2	79.3	64.8	68.5	67.1	106.1	37.5	79.7	81.8	54.0	83.3	41.2
1933	I	75.7	50.9	**49.1**	73.7	44.8	77.0	77.1	69.9	61.9	89.2	37.9	125.6	88.2	49.8	83.5	**89.7**
	II	85.4	52.3	66.3	78.1	47.8	69.6	75.4	**62.4**	61.5	90.2	40.4	114.0	83.1	66.5	84.8	44.0
	III	85.1	49.8	77.5	90.3	62.8	77.5	68.4	65.2	64.3	118.1	44.6	129.3	78.9	56.6	87.2	45.8
	IV	94.2	**46.9**	64.2	77.1	97 0	88.3	75.3	71.2	67.9	129.7	39.5	115.6	**78.1**	61.3	**80.9**	43.7
1934	I	85.5	57.6	62.4	91.0	75.0	86.1	79.8	74.1	79.7	101.3	**36.1**	134.9	84.7	54.4	91.6	48.4
	II	96.0	51.5	73.0	95.4	81.2	87.3	62.3	69.7	67.0	96.1	42.0	160.6	86.3	54.8	90.5	54.1
	III	91.3	51.2	70.7	106.9	97.2	92.5	**52.4**	72.3	**60.1**	101.6	41.3	151.8	78.9	**44.9**	90.2	47.9
	IV	94.1	61.7	75.2	101.2	118.0	102.6	60.6	80.2	75.6	114.5	43.1	135.1	87.7	51.0	93.5	49.7

In 1930, the fall in total volume of cheque transactions, as measured in Table VIII, appears to have been greatest in Colombia and Chile (about 30 per cent) and Canada and the United States (about 25 per cent). All these countries, and especially the first three, were affected with exceptional severity by the sharp fall in the prices of raw products which characterised the first stage of the depression. In the case of the United States, the series shown in the table represent bank debits outside New York City. Debits in New York City may perhaps be taken as a very rough measure

[1] Except the United Kingdom, where country clearings have been taken, and the United States, where bank debits outside New York City have been taken.

[2] In certain countries not included in the table, banking amalgamations have greatly affected the clearings figures. In Austria for example, where the three large commercial banks were reorganised into one in April 1934, the total volume of clearings naturally dropped sharply : in the last quarter of 1933 it was 65.9 per cent of the level of the last quarter of 1929, while in the final quarter of 1934 it was only 47.9 per cent ; there is reason to believe that the total volume of transactions rose in 1934

of the changes in the financial as distinct from the industrial circulation.

Monthly average	Bank debits		Yearly percentage changes in bank debits	
	N.Y.C.	Elsewhere	N.Y.C.	Elsewhere
	$(000,000's)			
1929 .	50,257	27,662	.	.
1930 .	32,053	23,110	−36.2	−16.5
1931 .	21,986	18,126	−31.4	−21.6
1932 .	13,997	12,867	−36.3	−29.0
1933[a] .	13,495	12,205	− 3.6	− 5.1
1934 .	13,829	13,829	+ 2.5	+13.3

[a] Average of eleven months; figures for March not available.

Bank debits fell very much more sharply in New York City than elsewhere during 1929-1932. After the suspension of the gold standard, there was a short-lived revival of stock-exchange activity and in 1933 debits fell less in New York than elsewhere. In 1934, however, the monthly average of bank debits increased much more in the rest of the country than in New York City — a reflection of the depressed state of the security markets and the very low level of stock-exchange activity.

The series shown in Table VIII for the United Kingdom are country clearings, which are usually considered most representative of general trade. Figures for town clearings (which are usually taken as representative of the changes in financial transactions) and metropolitan clearings (which are usually taken as representative of London retail trade) are also available, and the annual figures and percentage changes for the three series are shown below.

Monthly average	Clearings			Annual percentage change in clearings		
	Town	Metro-politan	Coun-try	Town	Metro-politan	Coun-try
	£(000,000's)					
1929 . . .	3,328	157	257			
1930 . . .	3,232	151	247	− 2.9	−3.8	−3.9
1931 . . .	2,651	139	229	−18.0	−7.9	−7.3
1932 . . .	2,319	134	222	−12.5	−3.6	−3.1
1933 . . .	2,310	138	231	− 0.4	+3.0	+4.1
1934 . . .	2,562	147	249	+10.9	+6.5	+7.8

Town clearings fell rather less sharply than metropolitan or country clearings in the first year of depression, but they fell more in 1931 and 1932 and continued to fall on balance in 1933 while the other series were rising. In 1934, however, there was a marked revival in speculative as well as general economic activity, which is reflected in the marked increase in all the clearing statistics.

In Japan, bank clearings reached their minimum as early as the first quarter of 1931. In Chile clearings touched their lowest point in the third quarter of 1931 and then rose rapidly with the expansion of central bank credit and rise in prices and production. The rise from the minimum (reached in the first quarter of 1932) was even more striking in Colombia. The minimum for Australia occurred in the first quarter of 1932 and, with the enforcement of the Premiers' Plan, clearings rose rapidly during the remainder of the year. The increase in bank clearings in South Africa was very marked in 1933 and 1934. Bank debits in both Canada and the United States touched their low points in the first quarter of 1933 ; the subsequent rise is very much more striking for Canada than for the United States. For the United Kingdom and Sweden, the minimum (in relation to the corresponding quarter of 1929) was not attained until the last quarter of 1933, but the decline in that year was relatively moderate, particularly in the United Kingdom. The only countries where bank clearings continued to decline in 1934 and did not reach their minimum over the period considered until that year are France [1], Switzerland, Italy and the Netherlands; in Belgium, the other country of the gold *bloc* included in Table VIII, the minimum was reached in the last quarter of 1933. Of these countries, the continued pressure of deflation during 1934 is most marked in the clearings statistics of France, Switzerland and the Netherlands. The Italian figures were, on the whole, higher than in 1933 — partly the result, no doubt, of the considerable public works expenditure — and those of Belgium show a fairly well-marked tendency to rise in the latter part of the year.

The total volume of financial transactions, as measured in Table VIII, was higher in the last quarter of 1934 than in the last quarter of 1929 in five of the sixteen countries included — South Africa, Colombia, Chile, Finland and Japan ; in the United Kingdom, country clearings were nearly 95 per cent of their 1929 level ; in Australia, Sweden and Germany, clearings were 80-90 per cent of that level ; and in Canada (bank debits) and Italy, 75 per cent. In France and Belgium, clearings in the last quarter of 1934 were only 60 per cent of their level in the corresponding quarter of 1929, and in Switzerland, the United States (bank debits) and the Netherlands, as little as 40-50 per cent.

***

In Section IV of this Introduction, reference was made to the effect which the reduced activity of bank deposits during the depression had in diminishing the flow of the income stream. For the

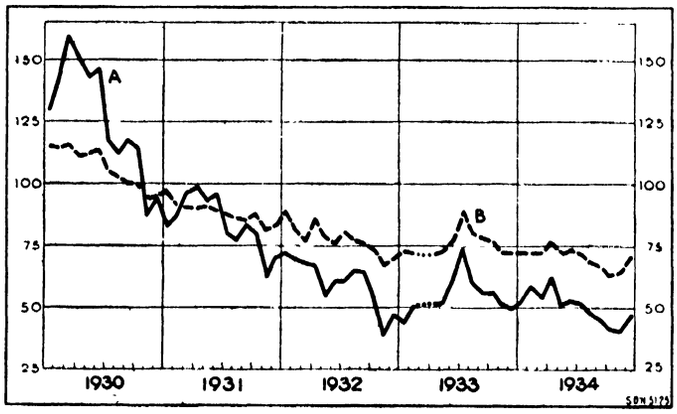
[1] The figures for France are those of the *Chambre de compensation des banquiers de Paris* and their movement is influenced by stock-exchange transactions. In recent years, however, the level of the latter has been low and commercial transactions have increased in relative importance.

United States, a fairly refined measure of the changes in the velocity of circulation of demand deposits in New York City and elsewhere is computed by the Federal Reserve Bank of New York. These indices, which are based on the period 1919-1925 and corrected for seasonal fluctuation, are shown in Diagram XX below.

Diagram XX.

VELOCITY OF CIRCULATION OF DEMAND DEPOSITS IN THE UNITED STATES.

A New York City. B Elsewhere.



The downward trend in the activity of bank deposits between 1930 and the end of 1932, as reflected in these indices, was sharper in New York City than elsewhere. The revival in economic and speculative activity in the spring and summer of 1933 was accompanied by a well-marked increase in the velocity of circulation of demand deposits, but from August 1933 to the end of 1934 the trend of velocity was—apart from a short-lived interruption in the first months of the latter year — again downward. In October 1934, the activity of demand deposits outside New York City reached the lowest level recorded in the course of the depression.

No such refined measures of velocity are available for other countries, but it is possible to compute rough indices by comparing the variations in demand deposits with the variations in bank clearings or bank debits. This has been done for a number of countries and the results [1] are given in Table IX below. The figures there shown express the ratio of bank clearings to current-account deposits in each quarter since 1930 as a percentage of this ratio in the corresponding quarter of 1929.

Table IX. — ROUGH INDICES OF VELOCITY OF CIRCULATION OF DEMAND DEPOSITS, 1930-1934.
(Corresponding quarter of 1929 = 100.)

Quarter	1930				1931				1932				1933				1934			
	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV
Australia	103	103	97	106	109	109	97	89	70	81	100	108	97	103	100	100	97	103	94	92
Canada	83	96	90	90	79	87	78	81	69	78	85	85	72	88	110	95	86	96	98	101
France	117	116	96	92	101	97	71	63	69	65	49	59	77	74	67	78	91	70	56	66
Germany	95	83	91	87	89	89	46	55	62	49	52	51	57	52	57	59	64	59	64	63
Japan.	81	83	94	97	72	79	94	103	95	98	105	122	104	106	142	145	109	103	116	123
South Africa . . .	109	104	106	101	99	97	101	102	105	94	101	98	123	90	94	76	88	95	94	84
United Kingdom .	103	97	93	87	89	87	88	95	101	94	87	82	83	81	84	76	93	91	91	87

For most countries, the trend of these indices was downward in 1930 and 1931. On account of the qualification to which the computations are subject, it would be dangerous to make comparisons of the degree of decline in the activity of bank deposits in different countries. In the latter part of 1932 or in 1933, most of the series show an increase ; in Japan, the turning-point seems to have come at the beginning of 1931 and in Australia at the beginning of 1932. The net revival of activity of bank deposits from the low point reached in the course of the depression up to the latter part of 1934 would appear, on the whole, to have been less marked in France [2] than in most other countries. In the United Kingdom [3], the recovery in economic activity which took place in 1933 and 1934 was accompanied, by and large (particularly in 1934), by a tendency for current accounts to be checked against more freely, which more than compensated the decline in the absolute amount of deposits.

In considering these velocity indices, it is necessary to bear in mind that they are based on current accounts only and do not take into consideration the changing proportion of current accounts to total deposits. It has been shown in a previous section that in certain countries — such, for example, as Sweden — a marked shift has recently taken place from deposit accounts to current accounts. This shift does not necessarily result in a rise in the velocity of circulation of current accounts as a whole, but it clearly reflects a more active use of funds.

[1] It is necessary to emphasise the very rough and approximate nature of these figures. There are several sources of possible error, such as incompleteness of the deposit figures, changes in the proportion of cheques cleared to cheques drawn, changes in the proportion of the clearings which arise from cheques drawn on the particular deposits included in making the computations, etc. The figures are therefore presented only as very rough approximations and make no claim to indicating anything more than the changes in direction and not in degree.

[2] See footnote [1], page XLVIII.

[3] The velocity index for the United Kingdom is based upon a combination of country and provincial clearings.

Table IX above measures roughly the variations in the "transactions" velocity of current accounts; in this velocity, any act of spending has equal weight in the final result. From certain points of view, interest attaches to the "income" velocity of money — that is, the rate of turnover of money against final incomes (wages, dividends, rents, interest payments, etc.) and not against intermediate transactions. This velocity can be measured by comparing the national income of a country during any year with the total money supply available ; the multiple which the former constitutes of the latter shows the number of times in the course of the year that money turned over against final income.

Some rough calculations of this multiple are made below.

		National income *	Total money supply	Estimated income velocity of money
U.S.A.	1929	83,000	27,400	> 3
($000,000's) . . .	1932	39,300	21,250	< 2
U.K.	1929	4,000	1,500	$2\frac{2}{3}$
(£000,000's) . . .	1932	3,380	1,425	$2\frac{1}{3}$
France	1929	245,000	125,500	< 2
(fr. 000,000's) . .	1932	206,000	143,750	$1\frac{1}{2}$

* Sources : U S.A. — Department of Commerce (income produced).
U.K. — Clark - The National Income (1932); *Economic Journal*, June 1933.
France — *Revue d'Économie politique*, May-June 1934.

Their purpose is simply to illustrate the general magnitude of the figures for certain countries and the nature of the changes which took place in the course of the depression. The statistics for national income are estimates derived from the sources indicated. Those for the total monetary supply are taken from Table I above ; for the United Kingdom and France, the figures shown for 1929 are averages of end of 1928 and end of 1929, and those shown for 1932 are averages of end of 1931 and end of 1932 ; for the United States, the figures relate to the end of June.

In 1929, the total monetary supply of the United States would appear to have turned over against income produced slightly more than three times ; in 1932, it turned over less than twice. Stated in another way, this means that the average length of the period which elapsed before the available money supply was paid out as income rose from about four months in 1929 to over six months in 1932. In itself, and abstracting from any parallel changes in the total quantity of money available, this decline in the income velocity of money is sufficient to account for a decline in money incomes by a third between 1929 and 1932.

The decline in the income velocity of money does not appear to have been so marked in the United Kingdom, though there too the influence of this factor in reducing incomes is clear. The total quantity of money available was only 5 per cent lower in 1932 than in 1929, while the estimates of national income reproduced above show a decline of 15 per cent.

In France, money appears to have turned over against income less frequently in 1929 than in the other two countries. This evidently reflects the habit of holding savings in the form of banknotes, which, of course, became much more common in the course of the depression. In 1929, the total monetary supply of France became income, on an average, once every six months ; by 1932, this period had been lengthened to once every eight months.

VIII. Interest Rates.

The collapse of the boom in 1929 was followed in most countries by a rapid fall in money rates ; and, as long-term interest yields declined much more slowly, the discrepancy between the two — which has been relatively small in 1929 [1] — was considerably increased. For an important group of countries — such as Germany, Sweden, the United Kingdom and the United States — this movement was interrupted by a rise of short-term rates during the financial crisis of 1931, but was, on the whole, continued in the subsequent years. Certain countries, such as France, the Netherlands and Switzerland, were much less affected by the repercussions of the crisis of 1931 ; for them, 1931 and 1932 were years of relatively cheap money. This was due partly to repatriation of short-term funds, but also, in large part, to the flight of capital to these countries from Central and Eastern Europe, which was reflected in the high money rates of, for example, Germany, Czechoslovakia and Hungary in 1931-32.

Table X shows the existence from 1932 onwards, of a considerable spread between short-term money rates and long-term interest yields in the countries included, with the exception of Italy, Japan and Poland. In the countries in which the spread had been suddenly narrowed in the second half of 1931 and the first part of 1932 by the tightening of the short-term capital markets, money rates quickly resumed their downward trend, falling even substantially below the levels of 1930. As long-term rates declined much more slowly, the discrepancy between the two types of rates was considerably widened in these countries, while in

[1] In certain countries, indeed, such as the United States and the United Kingdom, short-term money rates were in 1929 actually higher than long-term interest rates.

Table X. — Money Rates and Bond Yields.

Per cent per annum		Belgium		Czechoslovakia		France				Germany		Hungary		Italy		Japan	
		Comm. paper 1-3 months	Rente belge 3%	Private discount 3 months & shorter	Govern. bonds	Discount rate on Treasury bills [a]	Comm. paper 45-90 days	Rente perpét. 3%	Miscell. bonds	Private discount 56-90 day bills	6% Mortgage bonds	Comm. paper up to 3 months	Forced loan 1924 5%	Comm. bills 4 months	Rendita 3½%	Comm. paper 60 days	Average of public bonds
Yearly average												[b]		[b]			
1929		4.30	4.52	5.01	5.76	.	3.46	3.98	4.89	6.87	7.40	7.37-10.25	8.76	5.75-7	5.14	4.85	5.07
1930		2.78	3.94	4.46	5.68	2.32	2.32	3.44	3.82	4.43	7.15	5.50-10	8.18	5 -7	5.21	4.85	5.41
1931		2.32	3.98	4.77	5.73	1.41	1.57	3.48	3.70	6.14	7.08	5.50-10.50	8.61	4.75-7.25	4.90	4.85	5.44
1932		3.12	4.51	5.15	6.50	1.00	1.28	3.84	4.73	4.95	8.33	4.38-10	22.51	4.50-7.25	4.77	5.24	5.50
1933		2.42	4.54	3.57	6.06	1.76	1.83	4.38	5.74	3.88	7.15	4.38- 7.50	17.53	3 -4.75	4.35	4.49	4.78
1934		2.16	4.08	3.50	5.84	2.11	2.12	4.14	5.61	3.77	6.57	4.38- 7.50	12.22	3 -4.50	4.09	4.38	4.53
1929	I	3.97	4.52	4.80	5.74	.	3.38	4.19	5.15	5.97	7.23	7.37- 8.62	8.01	5.75-6.75	4.97	5.04	5.03
	II	3.97	4.53	4.86	5.77	.	3.45	4.06	5.04	7.21	7.35	8.50- 9.75	8.72	6.75	5.10	4.89	5.13
	III	4.64	4.53	4.91	5.76	.	3.50	3.96	4.84	7.25	7.45	8.75-10.25	9.39	6.75-7	5.19	4.80	5.09
	IV	4.63	4.51	5.45	5.76	.	3.50	3.73	4.52	7.05	7.58	8.50-10.25	8.91	6.75-7	5.29	4.79	5.05
1930	I	3.38	4.24	5.08	5.69	2.75	2.88	3.40	3.77	5.66	7.47	6.75-10	8.08	6.50-7	5.26	4.82	5.15
	II	2.99	3.88	4.77	5.72	2.23	2.32	3.45	3.83	3.98	7.11	5.50- 8.25	7.87	5.25-6.50	5.15	4.82	5.42
	III	2.54	3.84	4.00	5.69	2.25	2.05	3.40	3.77	3.31	6.91	5.50- 7.25	8.17	5.25-5.50	5.24	4.83	5.55
	IV	2.22	3.79	4.00	5.63	2.04	2.02	3.51	3.91	4.77	7.10	5.75- 7.75	8.58	5 -5.75	5.18	4.97	5.51
1931	I	2.31	3.75	4.00	5.57	1.59	1.74	3.42	3.69	4.81	7.08	5.50- 7.75	8.50	5.25-5.75	4.92	4.94	5.32
	II	2.19	3.70	4.00	5.56	1.06	1.26	3.39	3.55	5.13	7.00	5.50- 8	8.51	4.75-5.75	4.96	4.78	5.14
	III	2.33	4.02	4.76	5.64	1.44	1.41	3.44	3.53	7.47	[c]	7.25-10.50	[c]	4.75-6.50	4.81	4.56	5.30
	IV	2.44	4.48	6.33	6.16	1.54	1.88	3.67	4.04	7.77	[c]	7.75-10	[c]	6 -7.25	4.90	5.18	5.98
1932	I	3.19	4.36	6.00	6.35	1.68	1.80	3.83	4.35	6.57	[c]	6.50-10	[c]	5.25-7.25	4.80	5.41	5.96
	II	3.21	4.50	5.11	6.73	-.98	1.20	4.04	4.93	4.92	8.56	5.50- 9	24.33	5 -6.25	4.93	5.41	5.74
	III	3.10	4.64	4.97	6.52	-.53	1.04	3.67	4.82	4.44	8.67	4.88- 8	20.62	5 -5.50	4.76	5.28	5.30
	IV	2.91	4.52	4.50	6.39	-.81	1.08	3.83	4.80	3.88	7.91	4.38- 8	22.59	4.50-5.50	4.60	4.85	5.00
1933	I	2.76	4.45	3.77	6.33	1.91	1.84	4.06	5.30	3.88	7.14	4.38- 7.50	21.83	3.75-4.75	4.49	4.68	5.02
	II	2.41	4.60	3.50	5.64	1.62	1.91	4.45	5.88	3.88	7.14	4.38- 7.50	18.17	3.50-4.75	4.56	4.51	4.85
	III	2.30	4.58	3.50	6.08	1.36	1.53	4.49	5.82	3.88	7.51	4.38- 7.50	14.53	3.50-4.75	4.42	4.38	4.63
	IV	2.19	4.52	3.50	6.20	2.17	2.03	4.52	5.97	3.88	6.81	4.38- 7.50	15.59	3 -4	3.95	4.38	4.64
1934	I	2.09	4.27	3.50	5.90	2.91	2.65	4.52	6.24	3.88	6.50	4.38- 7.50	13.25	3 -3.50	3.93	4.38	4.51
	II	2.06	4.00	3.50	5.75	2.66	2.58	3.93	5.44	3.84	6.60	4.50- 7.50	11.72	3 -3.50	4.25	4.38	4.44
	III	2.22	3.86	3.50	5.96	1.63	1.73	4.14	5.58	3.75	6.72	4.50- 7.50	11.94	3 -3.50	4.07	4.38	4.57
	IV	2.28	4.18	3.50	5.75	1.26	1.51	3.97	5.19	3.63	6.44	4.50- 7.50	11.99	3 4-.50	4.00	4.38	4.60

Per cent per annum		Netherlands		Poland		Sweden		Switzerland		United Kingdom			United States of America				
		Private discount	Govern. bonds	Assoc. of private banks 4-5 months' bills	Miscell. Govern. bonds	Comm. paper 3 months	7 Govern. bonds	3 months' bills	Federal Railways 3½%	Treasury bills	Bankers' drafts 90 days	Consols 2½%	Treasury bills	Bankers' accept. 90 days	Treasury bonds	15 industr. bonds	Bank loan rate in 27 south. and west. cities
Yearly average				[d]													
1929		4.82	5.16	12.22	9.57	4.74	4.56	3.31	4.38	5.264	5.26	4.60	3.25[e]	5.03	3.60	5.06	6.14
1930		2.06	5.11	11.46	10.58	3.72	4.18	2.01	4.07	2.484	2.57	4.48	2.49[f]	2.46	3.28	4.95	5.72
1931		1.42	5.15	10.95	13.12	4.09	4.22	1.44	3.78	3.593	3.61	4.39	1.49[g]	1.58	3.31	5.51	5.39
1932		-.85	4.98	10.67	16.48	4.39	4.32	1.52	3.62	1.486	1.87	3.76	-.90	1.26	3.66	7.46	5.62
1933		1.08	4.75	9.38	15.34	3.17	4.02	1.50	3.84	-.591	-.69	3.38	-.52	-.61	3.31	6.93	5.56
1934		-.87	4.37	9.02	11.84	2.50	3.47	1.50	4.09	-.727	-.82	3.08	-.30[f]	-.24	3.10	5.30	5.17
1929	I	4.38	5.16	11.44	8.46	4.50	4.61	3.33	4.37	4.861	4.90	4.49	—	5.11	3.63	5.00	5.98
	II	5.35	5.18	12.44	8.79	4.50	4.58	3.35	4.39	5.256	5.25	4.57	—	5.48	3.65	5.06	6.11
	III	5.19	5.15	12.49	10.51	4.54	4.53	3.30	4.40	5.504	5.48	4.68	—	5.14	3.67	5.10	6.22
	IV	4.30	5.15	12.49	10.54	5.40	4.51	3.28	4.36	5.405	5.41	4.66	3.25[e]	4.38	3.44	5.07	6.26
1930	I	2.75	5.10	12.43	10.58	4.37	4.23	2.76	4.23	3.419	3.55	4.55	3.30[e]	3.60	3.38	5.00	6.05
	II	2.17	5.13	11.76	10.20	3.51	4.19	2.37	4.20	2.302	2.32	4.53	2.74[h]	2.49	3.30	4.92	5.77
	III	1.90	5.09	10.93	10.15	3.50	4.22	1.72	3.92	2.203	2.22	4.51	1.96[e]	1.88	3.24	4.88	5.59
	IV	1.43	5.10	10.74	11.42	3.50	4.07	1.21	3.94	2.208	2.20	4.33	1.72[e]	1.88	3.19	4.99	5.49
1931	I	1.19	5.10	11.14	11.63	3.19	4.04	1.05	3.79	2.457	2.47	4.39	1.08[e]	1.48	3.23	4.99	5.44
	II	1.28	5.11	10.80	11.84	3.00	4.03	1.11	3.70	2.295	2.31	4.18	1.14	1.11	3.16	5.20	5.32
	III	1.23	5.13	10.87	13.68	3.92	4.15	1.78	3.82	3.854	3.87	4.45	-.78	-.91	3.16	5.34	5.30
	IV	1.96	5.26	11.00	15.32	6.23	4.66	1.81	[b] 3.82	5.534	4.11	4.55	2.68	2.81	3.71	6.51	5.49
1932	I	1.73	5.16	10.90	15.51	5.61	4.54	1.57	3.69	3.738	4.27	4.28	2.56	2.70	4.11	6.96	5.62
	II	-.75	5.13	10.90	17.49	4.60	4.46	1.50	3.64	1.345	1.56	3.94	-.54	1.09	3.70	8.28	5.63
	III	-.41	4.69	10.90	16.78	3.83	4.24	1.50	3.53	-.608	-.77	3.42	-.36	-.75	3.45	7.40	5.65
	IV	-.38	4.60	9.97	16.12	3.50	4.03	1.50	3.60	-.871	-.93	3.38	-.15	-.49	3.36	7.20	5.57
1933	I	-.48	4.62	9.40	15.32	3.50	4.11	1.50	3.46	-.681	-.78	3.34	-.91	1.04	3.31	7.68	5.61
	II	1.63	4.78	9.40	15.94	3.33	4.22	1.50	4.07	-.415	-.53	3.40	-.49	-.59	3.32	7.20	5.65
	III	1.84	4.76	9.40	15.17	3.00	3.99	1.50	3.98	-.355	-.44	3.41	-.24	-.38	3.20	6.20	5.54
	IV	-.49	4.83	9.30	14.93	2.83	3.77	1.50	3.85	-.908	1.00	3.37	-.43	-.42	3.40	6.63	5.45
1934	I	-.83	4.56	9.20	12.87	2.50	3.69	1.50	4.03	-.867	-.97	3.20	-.46	-.46	3.34	5.79	5.40
	II	1.39	4.48	9.13	11.51	2.50	3.63	1.50	4.22	-.866	-.93	3.18	-.07[h]	-.19	3.02	5.25	5.27
	III	-.69	4.38	8.90	11.52	2.50	3.51	1.50	4.08	-.693	-.80	3.10	—	-.19	3.01	5.15	5.05
	IV	-.58	4.04	8.83	11.47	2.50	3.06	1.50	4.02	-.491	-.59	2.85	—	-.14	3.03	4.90	4.97

[a] Bons du Trésor ou de la Défense. [b] Range of rates. [c] No quotations. [d] Average of most frequent rates. [e] 1 month. [f] 5 months. [g] 10 months. [h] 2 months.

the others the spread which had developed in 1930-1932 was, on the whole, maintained.

In the latter part of the period considered, the spread showed a slight tendency to contract in Belgium, Czechoslovakia, Germany and the Netherlands. In France, the spread was temporarily reduced in the last quarter of 1933 and in the first quarter of 1934, mainly by a sharp rise of money rates. In the United Kingdom, the difference between short- and long-term interest rates, which was reduced in the second half of 1933 by a rise of money rates, has since been approximately maintained by a roughly parallel downward tendency of both rates.

Besides the discrepancy between long- and short-term interest rates, the spread between the yield of Government bonds and that of private industrial bonds also deserves consideration. Government bonds being in general of a " gilt-edged " character, their actual percentage yield is, as a rule, more representative of the " pure " long-term rate of interest than the yield of private industrial bonds, in which the " risk-premium " plays a greater part. Owing to the general financial difficulties, business failures, etc., characteristic of a depression, the margin between the yield of Government securities and that of private industrial bonds may then be expected to be relatively wide ; while, in a period of economic recovery, the improvement of business and the increasing willingness of the investor to take risks will tend to reduce that margin. In France, the margin has shown a tendency to increase : in 1934, the yield of miscellaneous bonds [1], as shown in Table X, stood on the average about 1-5 points higher than the Government bond yield quoted, as compared with an average difference of only 0.22 in 1931. In the United States, on the other hand, the discrepancy between the two long-term rates shown in Table X has been reduced since 1932, particularly during 1934. The same is true of the United Kingdom, as is shown by the following statement of the yields on new issues on the London capital market [2] :

	Average yield on all new Government loans %	Average yield on new issues of industrial debentures %	Average yield on new issues of preferences shares %
1931. . .	5.60	6.33	6.50
1932. . .	3.72	5.44	6.32
1933. . .	3.14	4.58	5.28
1934. . .	3.14	4.48	5.00

The sharp fall of Government bond yields in the United Kingdom in 1932 is, of course, connected with the Government conversion operation which was carried out in that year with the assistance of the discount and open-market policy of the Bank of England ; the reduction in the yield on private issues, on the other hand, is seen to have taken place mainly in the following year and to have continued in 1934.

The fact that, in general, only Government securities are used for open-market operations probably has important effects on the relative movement of public and private bond yields. If a central bank embarks upon a policy of open-market purchases of Government bonds — as happened, for example, in Denmark and the United Kingdom in 1932 — the prices of these securities cannot fail to be directly affected. The increase in the cash reserves of the commercial banks resulting from these operations may give rise — and in the case of the United Kingdom actually did give rise — to purchases of Government securities by them, so that the impact of the original open-market purchases on the prices of these securities is magnified. The immediate effect of open-market operations is therefore to widen the spread between the actual percentage yield of Government securities and that of private industrial bonds, and the downward movement of industrial bond yields tends to lag behind the fall in the yield of Government securities. This lag is apparent in the above statement referring to the United Kingdom, and the effects of the extensive open-market operations carried out in the United States in 1932 and 1933 on the relative movement of the two types of long-term interest yields may be seen from the figures quoted for the United States in Table X. In that country, their principal effect, however, was felt in the short-term money market, as the banks used a large part of the expansion of central bank credit merely to repay indebtedness and increase their cash reserves.

In studying Table X, it should be distinctly understood that the rates given are primarily intended to illustrate the trend in each country and are not strictly comparable as between different countries. The bond yields and money rates quoted are not in every case representative of the price of capital in the various countries, depending as they do on the particular type and character of the bonds selected, on the structural peculiarities of the different money markets, etc. But, with these reservations in mind, the figures can be treated as approximately indicative of the level of interest rates prevailing in each country and, consequently, of international discrepancies in the price of capital. Thus it is significant that, for 1931, the two lowest annual averages of money rates were those of the Netherlands and of Switzerland, while for 1934 it was the United States and the United Kingdom which had the cheapest average money rates. On the basis of the annual averages of bond

[1] These 35 French bonds include 19 industrial, 2 agricultural, 12 railway bonds, and 2 Government securities.
[2] Source : *The Economist*, February 2nd, 1935.

yields in 1934, the countries included in the table stand in the following (ascending) order with respect to their long-term interest rates in that year: United Kingdom, United States, Sweden (3.08 to 3.47 per cent); Belgium, Switzerland, Italy, France, Netherlands (4.08 to 4.48 per cent); Japan (4.53 per cent); Czechoslovakia, Germany, Poland, Hungary (5.84 to 12.22 per cent). Accordingly, the lowest rates of interest are to be found in creditor countries which have depreciated their currencies. A second group is formed by the creditor countries adhering to the gold standard. Japan (and certain South-American countries mentioned below) may perhaps be taken as representing the overseas debtor countries where measures of monetary expansion have been taken in recent years. Lastly, there is the conspicuous group of the debtor countries of Central and Eastern Europe, where long-term interest rates — though declining in the years 1932-1934 — still ruled at an abnormally high level in 1934.

Taking the first group mentioned above, the table shows an almost continuous decline of the quarterly averages of Government bond yields in the United States, the United Kingdom and Sweden during the period 1932-1934. Money rates in these countries, after a sharp fall of 2 to 3½ points in 1932, show a less regular movement, though with a distinctly downward trend. The decline in Treasury bill rates has been even more pronounced. In the United States, in spite of the fact that the total of Treasury bills outstanding has increased in recent years, the interest yield on Treasury bills had steadily declined, falling actually to zero in the second half of 1934. In the United Kingdom, the volume of Treasury bills has been gradually reduced since 1932, and rates showed a marked downward tendency until the third quarter of 1933. An informal agreement entered into by the clearing banks in September of that year not to bid for bills below a certain minimum rate broke down in September 1934, and in January 1935 the average tender rate fell to a record low level of 0.2 per cent. In the following month, the banks, which in November 1934 had lowered their call loan rate on Treasury bills (which has remained fixed at 1 per cent since 1932) to 0.5 per cent, agreed not themselves to bid for Treasury bills below that rate. In the case of Sweden, the short-term rate shown in the table (discount rate on commercial paper), which remained unchanged at 2.5 per cent in 1934, appears to be controlled by the banks and hardly reflects the growing abundance of short-term funds in Sweden in that year. Thus, in November and December 1934, two issues (of 15 million kronor each) of Treasury bills were placed at an average discount rate of 0.47 and 0.60 per cent respectively.

An important factor which has contributed to the lowering of long-term interest rates in these countries is the cessation of capital exports. This cessation has in certain cases been rendered more absolute by official restrictions on foreign lending. On the London capital market, no such restrictions exist for overseas conversion issues; and the volume of conversion issues for overseas account was, in fact, considerable during the years 1933-1934 (though outside the British Empire only a few debtor countries — for example, the Argentine, Austria and Norway — have gained relief in this way). These conversion operations have doubtless been facilitated by the cessation of new foreign issues; in other words, the immobility of capital has tended to reduce interest charges on the past borrowings of debtor countries. It is clear, however, that such conversion loans neither alleviate the scarcity of capital in the debtor countries nor restrict the available supplies of capital funds on the London market; they do not, therefore, affect the existing discrepancies of the market rates of interest as between the two groups of countries.

Probably also the exceptionally low level of money rates in the countries in question is partly due to the restricted international mobility of short-term funds. Such short-term capital movements as have taken place in recent years have been determined probably more by considerations of risks of loss than of hopes of profit and have tended to accentuate rather than to remove the discrepancies between the market rates of different countries.

In the case particularly of the London money market — which in normal times employs a considerable part of its resources in the financing of international trade — another factor contributing to the cheapness of short-term money has undoubtedly been the reduced volume of world trade.

It may further be noted that, in the group of countries here represented by Sweden, the United Kingdom and the United States, the currency depreciation itself has, in some degree, had a direct effect contributing to the fall in interest rates. The external under-valuation of the currencies in question gave rise to a premium on exports and, as the resulting surplus of the balance of payments was covered by the import of gold or by the accumulation of foreign assets by the central banks, led to an increase of the basis of the domestic credit structure.

On the other hand, the losses of gold by the group of countries adhering to the gold standard to the countries with depreciated exchanges have, by withdrawing domestic means of payment from circulation, constantly tended to tighten money rates in the gold *bloc*.

A further general explanation of the irregular movement of interest rates in the gold-bloc countries must be sought in the comparatively large Government borrowings in these countries during recent years. The deflationary policy necessitated by their adherence to the gold standard expressed itself in a progressive decline in incomes, prices

and production, which in turn sharply affected Government revenue. The resulting budgetary deficits were covered by recourse to the capital market [1]. Savings were thus absorbed by the Government for current expenditure. The consequent reduction of private investment (or perhaps even dis-investment for the economy as a whole) had a further deflationary effect, reducing production and employment and thus further aggravating the budgetary situation.

The directly opposite effect of budget deficits when covered through expansion of currency and credit played an important part in the movement of interest rates in the South-American countries in recent years. The Government inflation which took place in most of these countries greatly increased the liquidity of banks as well as of private entrepreneurs. The consequent ease of money and credit was reflected in substantial reductions in central banks' discount rates, as, for example, in Chile (from 9 per cent to 4½ per cent between June 1931 and August 1932), Colombia (from 7 per cent at the end of 1931 to 4 per cent at the end of 1933) and Ecuador (from 10 per cent in 1931 to 4 per cent at the end of 1932). In Brazil, the increase in the note issue of the Treasury was accompanied by a rise of the prices of bonds : the Banco do Brazil's annual index number of the prices of Government securities rose from 102 in 1930 to 109 in 1933 ; for other fixed-interest-bearing securities, the index rose from a low point of 73 in 1930 to 92 in 1933 [2]. In Japan, the percentage yield of public bonds fell continuously from 5.98 in the last quarter of 1931 to 4.44 in the second quarter of 1934, while the total of internal Government bonds outstanding increased from 4.8 milliard yen at the end of 1931 to 7.5 milliards in September 1934.

Of the countries included in the table, those of Central and Eastern Europe had, in 1934, the highest interest rates. In most of these countries, parity of exchange has been maintained through exchange control, and this policy has in some cases not prevented a reduction of interest rates through domestic credit expansion. Thus, in Germany, the open-market operations carried out by the Reichsbank since the end of 1933 are reflected in a decline of bond yields, and the financing of public works mainly by expansion of central bank credit tended in some degree to ease the money market and to reduce short-term interest rates. On the other hand, in countries such as Poland and Czechoslovakia, where the Government had frequent recourse to the private capital market for the financing of budget deficits, the long-term rate of interest remained at an abnormally high level in the years 1932-1934. Further, the restrictions which exist in certain countries of Central and Eastern Europe on the transfer of payments on account of the foreign debt service have not altogether prevented the deflationary effects which would have resulted from a free transfer of these sums. For when such payments are made into blocked accounts they tend, unless offset by expansion of central bank credit for domestic purposes, to withdraw credit and currency from circulation and to drive up money rates.

Owing to the scarcity and inadequacy of the relevant data, it is unfortunately not possible to give an exact and comprehensive picture of the movement of rates charged in the different countries by commercial banks on their loans and advances. Such information as is available points, however, to the fact that the rates on bank advances have, on the whole, been slow to follow the downward course of bond yields and money rates. One general reason for this is doubtless the relative rigidity of bankers' deposit rates, which, in turn, is in some cases due to the competition of savings banks ; the latter hold, of course, a larger proportion of their assets in long-term investments (such as Government securities) — on which the interest yields have fallen less than on short-term assets — and are therefore frequently in a stronger position to attract deposits by allowing relatively high rates. In a number of countries, the Government has, in the last two or three years, taken steps to reduce either bankers' deposit rates or rates on advances or both. This has been the case, for example, in Canada, Czechoslovakia, Denmark, Estonia, Hungary, Lithuania, Poland and Portugal [3]. The rigidity of loan rates charged by the banks is also naturally to some extent dictated by the necessity for covering operating expenses and the desire to earn a dividend. The fall in open-market rates and bond yields reduces the income from a large part of their assets, and the banks cannot, consequently, always afford to reduce their loan rates in the same degree. Since their total advances are normally much larger than their share capital, a given reduction in the interest rate on bank advances involves a more than proportionate decline in the rate of return on their own capital.

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[1] In France, the current deficit of the State rose from 2.6 milliard francs in 1931 to 7 milliards in 1933 ; and, although in the first part of 1934 drastic measures were taken to reduce Government expenditure, the estimated deficit for that year was nearly 2 milliard francs. In Belgium, budgetary deficits of 2.1 milliard francs in 1932 and nearly 1 milliard in 1933 had to be covered by borrowing. In the Netherlands, the deficit for 1934 is estimated at about 260 million florins, as against an actual deficit of 117 millions (excluding extraordinary repayment of debt) in 1932. In Switzerland, budgetary deficits of the Federal Government, the Cantons and the Federal Railways have absorbed considerable funds on the capital market. In Italy, also, the Government has repeatedly had to resort to new loan issues to balance its budget ; the public debt increased from 91 milliard lire on June 30th, 1931, to 105 milliards at the end of 1934.

[2] Average prices in 1928 = 100.

[3] For details, see the individual chapters on these countries in this volume.

IX. Prices.

Tables XI and XIII show the quarterly movements of the wholesale price and cost-of-living indices of thirty-three and thirty-two countries respectively since the beginning of 1929 on the basis of 1928 = 100 [1]. For countries which have abandoned the gold standard, two or more columns are given since the month in which the currency ceased to be convertible into gold, the second showing the movement in gold prices as determined by the exchange depreciation. For the Argentine and Chile, three columns are given, showing the indices in national currency, in gold on the basis of the official price of gold currencies, and in gold on the basis of the free market price of gold currencies. The calculated gold indices and the indices for countries which have remained on an unrestricted gold standard are shown in italics throughout the entire period ; those of countries which have maintained their currencies officially at par but instituted exchange controls are shown in ordinary type throughout. For each country, the lowest levels reached in national currency and in gold are shown in heavy type.

The wholesale price indices shown in Table XI are not uniform in scope or method of construction. They naturally include different commodities, but the selection in some cases is much wider and more representative than in others ; moreover, the methods of weighting and types of average employed differ. Consequently, they are not fully comparable, and it would be misleading to base any general conclusions upon small differences in their relative movements. But the indices do no doubt reflect with fair accuracy the major trends in the price evolution of the countries concerned.

With very few exceptions, the trend of prices in terms of national currency was downward from 1929 to 1931. The exceptions are Spain and China, which were protected from the impact of falling prices by the fall in their currencies in terms of gold. The depreciation of other currencies in 1930 and 1931 was not, in most cases, immediately followed by a rise in prices in terms of national currencies. The figures in heavy type showing the lowest level in terms of national currency indicate that it was only in relatively rare cases that prices touched bottom before 1933. In Denmark, Norway, Finland, Japan, Greece and Peru, the low point was reached within a month or two before or after the abandonment of the gold standard. In Chile, prices began to rise almost simultaneously with the development of a black market in foreign exchanges towards the end of 1931, although the gold standard was not officially abandoned until April 1932. Austria was the first country in which prices began to rise in the course of the depression ; they touched bottom in January 1931, but the rise was slight until the institution of exchange control. The restriction of imports effected by this control was not accompanied by any contraction in the monetary circulation, and a sharp rise in internal prices took place and with it developed a black market in foreign exchanges. In Latvia there was also some tendency for prices to rise soon after the institution of exchange control in October 1931.

The wholesale price indices of most countries reached their lowest point in the first half of 1933 : this was the case in the United States, the United Kingdom and all the British Dominions, Germany, Sweden and Estonia. The *net* percentage rise between the lowest point reached in the depression and the end of 1934 in the wholesale price indices of certain countries (in terms of national currency) is shown below :

	%		%
Chile	140	Canada	12
United States	29	Germany	11
Denmark	24	Australia	10
Japan	24	Sweden	10
Argentine	17	Czechoslovakia	8
Peru	14	United Kingdom	7
South Africa	13	Norway	7

In Chile, prices more than doubled during 1932 as a result of budgetary inflation. The net increase in the general level of wholesale prices from the low point of the depression to the end of 1934 was very marked in the United States. It was great in Denmark and Japan, noteworthy in the British Dominions and Germany and more moderate in the United Kingdom.

In the countries maintaining the full gold value of their currencies, on the other hand, the pressure of deflation continued unabated in 1933 and 1934. The contrast between price movements in these countries and some of those just mentioned is brought out in Diagram XXI on page LVII, which shows the monthly movements of the wholesale price indices of five gold and five non-gold standard countries since the beginning of 1933 on the base December 1932 = 100.

The separation of the countries into two groups — the gold-standard countries, where prices have fallen since the end of 1932, and the paper-currency countries, where prices have, on balance, risen — is very striking. In the course of 1933, the fall in the general level of wholesale prices in Italy and Belgium was particularly marked, while in

[1] Except for Greece, where the index for 1928 is not available and the basis is 1929 = 100.

N. C. = National currency.
G. = Gold.
O. = Official rate.
F. = Free rate.

Table XI. — Indices of Wholesale Prices *in National Currency and in Gold* (1928 = 100).

Year Month	Argentine			Australia		Austria		Belgium	Bulgaria	Canada		Chile			China		Czechoslov.		Denmark		Egypt	
	N. C.	G. O.	G. F.	N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G. O.	G. F.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.
1929 Av.	98	97		101	100	100		101	106	99		100			103	103	94		98		97	
1930 ,,	94	81		89	84	90		88	86	90		87			113	81	84		85		87	
1931 ,,	90	63		80	58	84	81	74	72	75	72	79		57	125	66	76		75	70	81	75
1932 ,,	91	55		79	45	86	71	63	64	69	61	120	78	33	111	58	70		76	54	70	50
1933 ,,	87	52		79	43	83	66	59	56	70	51	180	88	37	102	50	68		82	46	58	40
1934 ,,	100	47	36	82	40	85	66	56	58	74	45	178	89	35	95	46	70	60	86	43	72	45
1929 III	99			100		102		103	110	99		102			102	109	98		101		102	
VI	97			100		103		101	110	97		101			101	100	94		95		90	
IX	98			104		98		100	107	101		101			105	101	91		98		94	
XII	96	92		98	97	95		98	101	100		95			104	95	89		95		92	
1930 III	97	86		92	88	93		92	90	95		91			109	88	85		89		84	
VI	94	82		92	87	93		89	86	91		88			116	73	84		85		83	
IX	92	78		85	80	88		84	84	85		85			116	79	80		82		87	
XII	88	69		78	72	82		81	76	81		78			112	68	78		78		85	
1931 III	88	71		81	62	82		78	72	77		81			124	67	78		76		88	
VI	88	64		80	61	85		76	72	74		82			127	64	79		72		81	
IX	88	55		78	55	83	82	71	70	72	70	76		68	127	67	74		71	67	76	71
XII	95	58		80	44	86	72	68	71	73	60	78		45	120	67	72		78	54	76	53
1932 III	94	56		80	48	87	70	65	69	72	64	85		36	116	65	71		76	57	78	58
VI	91	55		78	46	88	70	61	65	69	60	118	58	28	112	58	69		74	55	68	51
IX	90	54		80	46	85	72	63	61	68	62	146	73	19	108	57	70		78	52	65	46
XII	87	53		76	41	83	70	62	60	66	58	176	87	35	106	50	68		78	49	63	43
1933 III	86	52		74	42	82	68	60	56	67	56	178	88	34	105	52	67		80	46	58	41
VI	87	52		80	44	84	66	60	56	70	51	186	94	39	103	52	69		80	45	56	39
IX	86	52		83	42	83	65	59	57	71	46	183	88	40	99	47	68		84	44	57	37
XII	95	48		80	43	83	66	57	55	72	46	167	84	34	97	50	67		84	46	61	41
1934 III	98	47	35	81	40	87	67	57	56	75	44	175	87	35	95	47	68	57	84	43	66	41
VI	100	47	34	82	40	85	66	56	57	75	45	183	91	35	94	44	72	60	84	42	70	43
IX	102	47	38	83	40	83	65	56	60	75	45	183	91	36	96	48	71	59	88	43	85	51
XII	100	46	35	81	39	84	66	56	58	74	44	178	89	36	97	47	72	60	88	43	82	49

Year Month	Hungary	India		Italy	Japan		Latvia	Netherl.	N. Zealand		Norway		Peru		Poland	South Afr.		Spain	
	N. C.	N. C.	G.	N. C.	N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	N. C.	G.	N. C.	G.
1929 Av.	90	97		98	97		93	95	100		95		97		96	96		103	78
1930 ,,	71	80		84	80		79	78	97		87		93		86	85		103	62
1931 ,,	70	66	61	70	68	66	66	65	90	77	78	73	91		75	83		104	51
1932 ,,	68	63	45	63	71	40	66	52	87	57	78	52	89	73	66	76	75	103	43
1933 ,,	56	60	41	58	79	32	65	49	88	48	78	49	94	50	59	76	51	98	42
1934 ,,	59	61	38	56	79	28	65	51	90	44	79	45	98	49	56	84	52		
1930 III	101	99		102	100		97	98	99		96		99		99	97		105	82
VI	90	95		98	98		91	94	99		93		97		97	95		102	75
IX	81	99		96	96		92	95	101		96		97		95	94		102	78
XII	79	92		93	91		87	90	99		94		95		93	89		103	73
1931 III	74	86		89	87		84	82	99		89		94		88	86		103	66
VI	70	80		84	80		79	78	98		87		93		85	83		99	60
IX	68	77		81	76		77	75	98		87		93		84	83		103	57
XII	67	69		75	71		70	71	95		83		90		80	85		105	58
1932 III	70	69		73	70		68	69	93		79		93		77	82		106	59
VI	69	64		69	67		65	66	90		76		93		77	82		102	51
IX	71	63	58	67	66		66	60	89	76	75	71	91		72	82		105	49
XII	73	68	47	66	67	58	68	56	90	63	78	54	88		70	80		103	45
1933 III	73	65	48	66	70	45	69	54	89	61	78	57	85		68	78		106	42
VI	71	59	44	62	65	39	67	51	88	60	76	51	91	70	68	74		103	44
IX	67	63	45	62	74	35	65	50	88	57	78	51	91	67	63	72		101	42
XII	60	61	41	61	82	34	65	50	85	52	78	49	90	56	60	73	51	100	42
1933 III	61	57	40	58	78	33	65	47	88	50	77	51	91	53	60	75	52	99	43
VI	59	61	43	58	79	33	66	49	89	49	77	49	94	48	60	79	54	96	42
IX	52	61	39	57	81	30	65	49	88	46	78	46	96	47	58	83	53	97	42
XII	53	61	41	56	78	31	64	50	88	48	78	48	97	49	58	88	57	100	42
1934 III	55	61	38	56	78	28	65	52	90	45	78	44	96	49	57	86	54	102	43
VI	60	62	38	56	77	27	64	50	90	44	78	44	99	49	56	81	50	100	42
IX	62	61	37	56	79	28	65	51	90	43	80	44	99	49	55	82	49		
XII	62	61	37	57	80	28	67	51	90	43	80	44	96	48	54	79	47		

[a] Months of April, July, October and January.

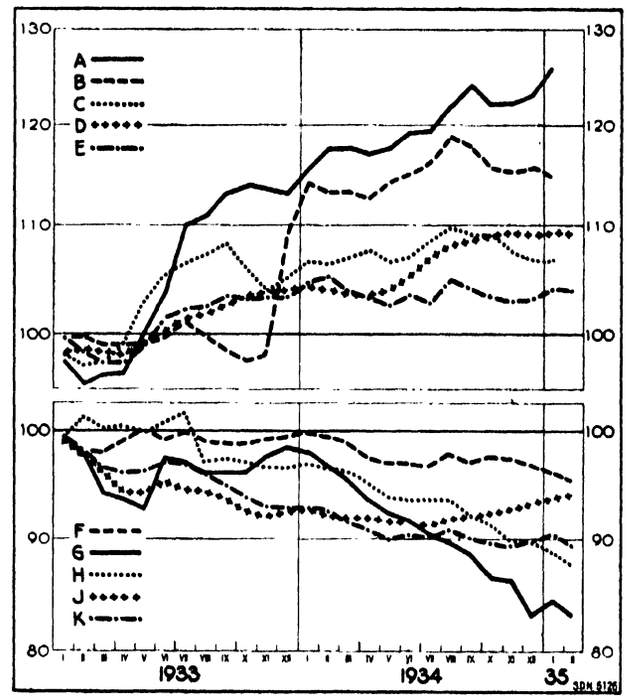
Estonia		Finland		France	Germany	Greece		Year Month	
N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	G.		
97		96		97	98	100		1929	Av.
84		88		86	89	91		1930	,,
75		82	78	78	79	81		1931	,,
69		88	54	66	69	98	63	1932	,,
70	58	87	51	62	67	110	48	1933	,,
70	44	88	47	58	70	109	47	1934	,,
102		98		101	100	102		1929	III
97		96		98	97	101			VI
97		94		94	99	99			IX
93		93		92	96	97			XII
88		90		87	90	94		1930	III
83		88		84	89	91			VI
84		86		86	88	89			IX
79		84		84	84	85			XII
77		84		84	81	83		1931	III
77		81		80	80	81			VI
74		77		73	78	78			IX
70		90	61	69	74	79			XII
71		90	57	69	71	83		1932	III
67		85	58	66	69	105	52		VI
67		88	52	64	68	105	49		IX
67		88	50	64	66	109	46		XII
66		87	53	60	65	111	49	1933	III
65	61	87	52	62	66	110	48		VI
75	49	88	49	62	68	110	48		IX
73	50	87	50	63	69	108	47		XII
73	45	88	47	61	69	107	46	1934	III
70	43	87	46	59	69	107	46		VI
67	41	88	45	57	72	110	48		IX
69	42	88	45	53	72	110	47		XII

Sweden		Switzerland	U. K.		U. S. A.		Yugoslavia	Year Month	
N. C.	G.	N. C.	N. C.	G.	N. C.	G.	N. C.		
95		98	97		99		95	1929	Av.
82		87	85		89		82	1930	,,
75	71	76	74	69	75		69	1931	,,
74	51	66	72	52	67		61	1932	,,
72	47	63	72	49	68	55	61	1933	,,
77	45	62	74	46	78	46	60	1934	,,
97		98	100		99		100	1929	III
94		96	97		98		95		VI
95		98	97		99		91		IX
91		96	94		96		88		XII
84		91	89		93		86	1930	III
83		87	86		90		82		VI
80		85	82		87		78		IX
79		81	78		82		73		XII
76		79	76		79		70	1931	III
74		76	74		75		69		VI
72	70	74	71	66	74		67		IX
75	52	71	76	52	71		63		XII
74	55	68	75	56	68		64	1932	III
73	51	65	70	52	66		61		VI
74	49	66	73	52	68		58		IX
73	49	63	72	49	65		61		XII
71	48	62	70	49	62		63	1933	III
72	46	63	72	50	67	55	62		VI
74	45	63	73	47	73	49	57		IX
74	47	63	73	49	73	47	59		XII
76	44	63	74	46	76	45	60	1934	III
77	44	62	74	45	77	46	62		VI
77	43	62	75	45	80	47	60		IX
78	44	61	74	45	80	47	59		XII

Diagram XXI.

WHOLESALE PRICE INDICES.
(December 1932 = 100.)

A United States. D Germany. H Poland.
B Argentine. E United Kingdom. J Italy.
C Australia. F Switzerland. K Belgium.
G France.



1934 the price deflation was most vigorous in France. The wholesale price index of the latter country was more than 15 per cent lower in December 1934 than a year earlier. In the other gold-standard countries, prices fell considerably less in 1934 than in France. Within this group, the net decline from the end of 1932 to the end of 1934 appears to have been least in Switzerland.

Table XII.— PERCENTAGE CHANGE IN WHOLESALE PRICE INDICES IN TERMS OF GOLD.

Country	1930	1931	1932	1933	1934
U.S.A.	—15	—13	— 8	—28	± 0
United Kingdom	—17	—33	— 6	± 0	— 8
France	— 9	—18	— 7	— 2	—15
Canada	—19	—26	— 3	—21	— 4
Japan	—22	—18	—41	— 9	—10
China	—28	— 1	—25	± 0	— 6
Belgium	—17	—16	— 9	— 8	— 5
Italy	—19	—12	— 8	— 8	+ 1
Sweden	—13	—34	— 6	— 4	— 8
Australia	—26	—39	— 7	+ 5	— 9

Even in the countries where prices rose in 1933 and 1934 in terms of national currency, they continued, as a rule, to decline in terms of gold. This is brought out in Table XII, which shows for ten countries the annual (December-to-December) percentage changes in the level of *gold* prices of commodities at wholesale (as shown in italics in Table XI, for each year since 1930.

N. C. = National currency.
G. = Gold.
O. = Official rate.
F. = Free rate.

Table XIII. — Indices of Cost of Living *in National Currency and in Gold.* (1928 = 100.)

Year	Month	Australia		Austria		Belgium	Bulgaria	Canada		Chile			China		Czechoslov.		Denmark		Egypt		Estonia	
		N. C.	G.	N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.	G. O.	G. F.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	G.
1929	Av.	102	*101*	103		*106*	102	101		101			105	*105*	99		99		99		104	
1930	,,	97	*91*	103		*110*	94	100		100			119	*85*	100		94		97		93	
1931	,,	87	*63*	98	95	*98*	81	91	87	97		70	123	*65*	95		89	83	91	85	89	
1932	,,	83	*48*	100	*82*	*88*	74	82	*72*	105	68	29	116	*61*	94		89	*62*	87	*63*	84	
1933	,,	80	*43*	97	77	*87*	69	79	*58*	130	64	27	105	*52*	93		92	*51*	82	*56*	79	65
1934	,,	81	*40*	97	76	*84*	66	80	*48*	131	65	26	104	*50*	92	78	95	*48*	84	*52*	78	*48*
1929	III	102		102		*104*	102	100		96			101	*108*	101		99		100		109	
	VI	102		103		*102*	104	100		103			103	*102*	99		99		98		106	
	IX	102		105		*109*	102	102		107			111	*107*	98		98		99		103	
	XII	102	*101*	105		*110*	101	103		107			109	*100*	99		97		99		97	
1930	III	100	97	103		*111*	98	102		96			119	*96*	100		95		99		96	
	VI	99	*93*	105		*108*	94	101		101			117	*74*	102		94		97		91	
	IX	96	*90*	102		*111*	91	98		102			125	*85*	98		93		97		89	
	XII	92	*85*	100		*107*	88	96		102			111	*68*	97		91		93		88	
1931	III	90	*71*	97		*101*	84	93		94			129	*70*	95		90		93		87	
	VI	88	*67*	98		*98*	82	90		97			118	*60*	98		88		89		93	
	IX	85	*64*	99	97	*97*	80	87	*84*	99		89	132	*69*	96		88	*83*	89	*83*	89	
	XII	84	*49*	100	*84*	*93*	80	86	*71*	98		56	118	*66*	93		88	*61*	89	*62*	85	
1932	III	84	*48*	100	*80*	*88*	76	84	75	**98**		39	124	*70*	95		89	*66*	88	*66*	87	
	VI	83	*50*	101	*80*	*86*	75	81	*70*	100	**50**	*24*	118	*61*	95		88	*65*	86	*64*	85	
	IX	82	*47*	100	*85*	*88*	74	81	*73*	118	59	**15**	115	*60*	93		89	*60*	84	*60*	83	
	XII	81	*44*	99	*84*	*90*	74	80	*69*	124	*62*	*25*	105	*50*	95		89	*56*	86	*58*	79	
1933	III	**80**	*44*	**97**	**74**	*88*	74	79	*66*	125	*62*	*23*	108	*54*	92		90	*51*	84	*59*	79	
	VI	80	*44*	98	*77*	*85*	68	**78**	*57*	133	*67*	*28*	103	*52*	94		91	*51*	82	*57*	**76**	*71*
	IX	80	*43*	97	*76*	*88*	69	79	*51*	136	*66*	*30*	103	*50*	92		93	*49*	82	*53*	81	*53*
	XII	80	*42*	98	*78*	*88*	68	79	*51*	131	*66*	*27*	100	*51*	91		93	*51*	**80**	*54*	80	*54*
1934	III	81	*41*	97	*75*	*84*	68	80	*48*	127	*63*	*25*	96	*48*	91	*76*	94	*47*	82	*51*	79	*50*
	VI	82	*40*	97	*76*	***81***	66	79	***47***	131	*66*	*25*	**96**	***45***	93	*77*	95	*47*	82	***51***	79	*49*
	IX	81	*40*	97	*76*	*85*	66	80	*48*	134	*66*	*26*	115	*58*	92	*76*	97	***47***	87	*52*	76	***46***
	XII	82	***39***	97	*76*	*84*	**64**	80	*48*	137	*68*	*28*	108	*52*	**91**	***76***	97	*47*	86	*52*	76	*46*

Year	Month	India		Italy	Japan		Latvia	Netherlands	N. Zealand		Norway		Peru		Poland	South Africa		Spain	
		N. C.	G.	N. C.	N. C.	G.	N. C. (1930=100)	N. C.	N. C.	G.	N. C.	G.	N. C.	G.	N. C.	N. C.	G.	N. C.	G.
1929	Av.	101		*103*	98		.	99	100		96		98		*101*	100		103	*78*
1930	,,	93		*100*	84		100	95	98		93		93		94	97		106	*64*
1931	,,	84	*78*	*91*	74	*72*	91	*89*	90	77	88	*83*	87		*86*	94		110	*55*
1932	,,	74	*54*	*88*	74	*42*	79	*83*	83	*55*	86	*58*	83	*69*	*78*	90	*88*	106	*44*
1933	,,	69	*47*	*55*	79	*32*	76	*82*	79	*43*	85	*53*	82	*44*	*71*	87	*59*	102	*44*
1934	,,	66	*41*	*81*	81	*29*	72	*83*	80	*40*	86	*48*	83	*41*	67	88	*54*	105	*44*
1929	III	101		*106*	101		.	*100*	100		96		99		*104*	100		105	*82*
	VI	100		*103*	99		.	*100*	100		95		98		*101*	100		102	*74*
	IX	101		*102*	96		.	99	100		96		97		99	99		101	*77*
	XII	102		*104*	93		.	99	100		95		96		*100*	98		103	*73*
1930	III	96		*102*	89		101	96	99		94		95		*93*	98		106	*67*
	VI	95		*100*	85		106	96	98		93		94		*94*	98		**101**	*61*
	IX	93		*99*	82		96	96	97		93		92		*94*	96		110	*61*
	XII	82		*96*	76		93	*93*	96		92		90		*93*	96		116	*65*
1931	III	76		*94*	76		89	*91*	93		90		88		*87*	94		110	*61*
	VI	74		*92*	73		97	*91*	91		87		88		*88*	94		107	*54*
	IX	73	*68*	*90*	73		89	*89*	89	79	87	*82*	86		*84*	93		113	*53*
	XII	74	*52*	*89*	73	*64*	80	*86*	88	*61*	87	*60*	85		*83*	92		116	*51*
1932	III	76	56	90	71	*48*	78	*83*	87	57	87	*63*	83		79	91		110	*43*
	VI	73	*54*	*89*	**71**	*43*	80	*83*	83	*58*	86	*58*	84	*64*	*82*	90		102	*43*
	IX	74	*53*	*86*	75	*36*	77	*83*	82	*54*	86	*56*	84	*62*	76	88		102	***48***
	XII	75	*51*	*88*	79	*33*	75	*83*	80	*50*	86	*54*	83	*51*	*73*	87	*86*	102	*43*
1933	III	72	*51*	*86*	78	*33*	73	*82*	79	*46*	85	*56*	**80**	*47*	*73*	**86**	*60*	104	*46*
	VI	71	*49*	*84*	77	*33*	78	***81***	**79**	*44*	85	*54*	82	*42*	*72*	87	*60*	102	*45*
	IX	69	*45*	*84*	80	*29*	76	*82*	79	*42*	86	*50*	83	***40***	*70*	87	*56*	104	*45*
	XII	67	*45*	*85*	81	*32*	72	*84*	80	*42*	84	*52*	82	*41*	*70*	89	*59*	102	*43*
1934	III	**64**	*40*	*85*	81	*29*	70	*84*	80	*40*	**84**	*48*	82	*42*	*68*	88	*54*	106	*44*
	VI	65	***40***	*79*	80	*29*	77	*83*	80	*40*	86	*48*	83	*41*	*66*	89	*54*	103	*43*
	IX	68	*41*	***79***	81	*28*	70	*83*	80	***39***	86	***47***	84	*41*	*66*	88	***53***	103	*43*
	XII	67	*41*	*80*	81	***28***	**69**	*82*	81	*39*	86	*47*	83	*41*	***68***	88	*53*	104	*44*

[a] Quarterly indices. [b] Quarterly indices up to 1933.

Finland		France	Germany	Greece		Hungary	Year Month	
N. C.	G.	N. C.	N. C.	N. C.	G.	N. C.		
99		107	102	103		101	1929	Av.
92		112	98	90		91	1930	,,
84	80	110	90	89		86	1931	,,
83	51	101	79	95	61	84	1932	,,
81	47	100	78	102	44	78	1933	,,
80	42	99	80	104	45	76	1934	,,
100		105	103	104		104	1929	III
99		107	101	104		102		VI
100		107	102	101		97		IX
98		109	101	101		96		XII
94		109	99	91		95	1930	III
90		110	98	88		90		VI
92		114	97	89		90		IX
88		115	94	89		85		XII
86		114	91	91		86	1931	III
83		113	91	89		86		VI
82		109	89	87		88		IX
85	57	102	86	88		86		XII
85	54	103	81	89		84	1932	III
81	55	103	79	98	48	85		VI
82	49	100	78	98	46	85		IX
83	47	99	78	101	42	81		XII
81	49	101	77	102	44	80	1933	III
80	47	99	78	101	44	79		VI
82	45	99	78	102	44	76		IX
80	46	101	79	104	46	75		XII
80	42	101	79	103	44	76	1934	III
78	41	101	79	103	44	77		VI
80	41	98	80	104	45	76		IX
81	42	97	81	105	45	76		XII

Sweden		Switzerland	U. K.		U. S. A.		Yugoslavia	Year Month	
N. C.	G.	N. C.	N. C.	G.	N. C.	G.	N. C.		
99		100	99		100		101	1929	Av.
96		98	95		96		92	1930	,,
92	87	93	89	83	86		85	1931	,,
91	63	86	87	62	77		77	1932	,,
89	57	81	84	57	75	60	66	1933	,,
90	52	80	85	53	79	47	62	1934	,,
99		100	98		99		102	1929	III
98		100	97		99		101		VI
99		101	99		100		100		IX
97		101	100		100		101		XII
96		99	95		97		97	1930	III
95		98	93		96		94		VI
95		99	94		95		89		IX
94		97	92		92		88		XII
93		95	89		89		86	1931	III
92		93	89		86		86		VI
92	89	93	87	81	85		86		IX
91	64	90	89	61	83		83		XII
91	68	88	87	65	79		79	1932	III
91	63	86	86	65	77		76		VI
91	60	84	86	61	76		76		IX
90	60	83	86	58	76		72		XII
89	60	82	88	58	72		70	1933	III
89	58	81	83	58	73	59	67		VI
90	54	81	85	55	78	52	63		IX
89	56	81	86	58	77	49	64		XII
89	52	81	84	52	78	47	64	1934	III
90	52	80	85	52	78	47	63		VI
90	51	80	86	52	81	47	60		IX
90	51	80	86	52	80	48	61		XII

Perhaps the most striking and immediately significan tfigure in Table XII on page LVII is the fall of 15 per cent in gold prices in France during 1934. This large contraction of prices in France and the slighter fall in the paper countries shows that some progress was achieved in the course of this year towards an improved international price equilibrium. Further reference is made to this point in Section XI below.

The sharpest falls in gold prices occurred, as is shown in in Table XII, the years of the most marked currency depreciation : 1931 in the " sterling " countries, 1932 in Japan, and 1933 in the " dollar " countries. In 1933, the greatest pressure on gold prices came from the latter group ; gold prices in the United Kingdom showed no net change and there was no definite trend in other parts of the sterling area ; while they continued to fall in most " gold " countries. In 1934, it would appear that the United States exerted no fresh downward pressure on gold prices and the fall in prices in France was, for the first time, greater than the decline in gold prices in the United Kingdom and Japan. During the last six months of the year the trend of gold prices, as shown in Table XI, was very stable in the United Kingdom and Japan as well as almost all other countries.

Diagram XXII on page LX shows the net change which took place in the wholesale price levels of thirty-three countries between 1928 and the end of 1934. For each country the full bar represents the percentage which wholesale prices in terms of national currencies were of their 1928 level in December 1934. For the countries which maintained the gold standard in unrestricted operation at the end of 1934, this full bar is shown in black. For countries whose currencies were depreciated in relation to gold, the part shown in black represents the percentage which "gold" prices — taking account, that is, of the depreciation of the currency — were of their 1928 level. For the countries whose currencies were officially maintained at par but exchange transactions subjected to restrictions, the full bar is hatched.

The countries are arranged in descending order of the percentage which the *gold* price level at the end of 1934 constituted of the 1928 level. For the purpose of this order, the currencies which have been officially maintained at par are regarded as having their full gold value.

In terms of gold, the general level of wholesale prices at the end of 1934 ranged from as much as 72 per cent of the 1928 level in Germany to as little as 28 per cent in Japan. Apart from Japan, the level of gold prices at the end of 1934 was lowest in Chile [1], the Argentine [1] and India — about 37 per cent of the 1928 level in all cases. In practically all other countries with depreciated

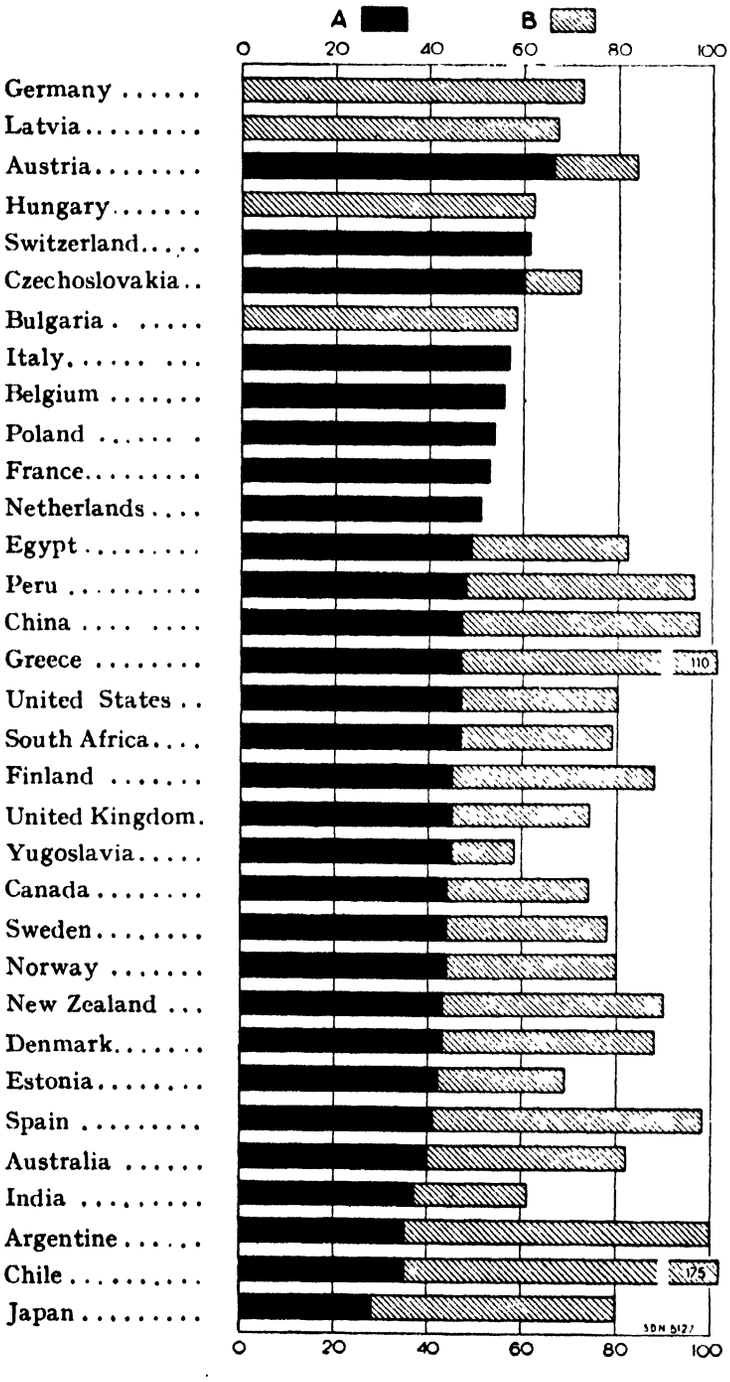
[1] On the basis of " free " rates of exchange.

currencies, gold prices ranged from 40 to 50 per cent of their 1928 level at the end of 1934 (45 per cent in the United Kingdom and 47 per cent in the United States) ; in the full gold-standard countries, they ranged, in general, from 50 to 60 per cent of their 1928 level (57 per cent in Italy and as much as 61 per cent in Switzerland) ; and in the countries whose currency had been controlled, including Austria, Yugoslavia and Czechoslovakia, which have officially recognised the depreciation of their currencies, gold prices ranged from about 60 to 72 per cent of their 1928 level.

Diagram XXII.

INDICES OF WHOLESALE PRICES IN DECEMBER 1934 AS PERCENTAGE OF 1928.

A Gold. B National currency.



In terms of national currency, wholesale price indices at the end of 1934 ranged from about half the 1928 level in the Netherlands to almost double that level in Chile. In Greece, Spain, Argentine, China and Peru, wholesale prices were either higher or not appreciably lower than in 1928, while in all other countries included in the diagram they were considerably lower.

An examination of Table XIII on pages LVIII and LIX will show that, in terms of national currency, the decline in cost-of-living indices from the average 1928 level to the lowest point reached in the depression ranges from 2 per cent in the case of France [1] to 40 per cent in Yugoslavia. In most other countries, the cost of living was, at its lowest point, 15-25 per cent below 1928 ; in the United States and Japan, it was about 30 per cent lower. In terms of national currency, the cost of living fell by 35 per cent or more between 1928 and the lowest point of the depression in only four countries — namely, Yugoslavia, Poland, India and Bulgaria — in all of which the prices of foodstuffs are chiefly determined by world market conditions ; the wholesale price indices of fifteen countries fell by 35 per cent or more. In seventeen countries, the cost of living fell by 20 per cent or less ; in only six countries did wholesale prices fall so little.

The relative rigidity of the cost of living is apparent, not only in a downward, but also in an upward, direction. Of twenty-five countries included in Tables XI and XIII in which wholesale prices reached their lowest point some time before the end of 1934 and then reversed their movement, the cost of living continued to fall or remained steady — in spite of the rise in wholesale prices — for at least six months in fourteen cases, and in many others the lag, though smaller, was considerable. In most countries the cost of living showed no signs of rising until wholesale prices had risen by 10-15 per cent.

Even when the turning-points of the two indices occurred simultaneously, the cost of living rose very much less than wholesale prices. The following statement, showing the net percentage rise in the cost of living of certain countries in terms of national currency from the lowest point

[1] In France, the cost of living rose steadily during 1929 and 1930, when the indices in most other countries were falling. The legal stabilisation of the franc in 1928 took place at a level which left the cost of living and general level of wages in France at a relatively low level in comparison both with the rest of the world and with the internal level of wholesale prices. In subsequent years there was an upward pressure on wages and the cost of living, which raised the latter 15 per cent above its 1928 average by the end of 1930. By 1931, the discrepancy between values in France and elsewhere appears to have been eliminated and a downward pressure on prices was felt in that country. Between the end of 1930 and the end of 1934, the cost-of-living index fell by 15 per cent.

reached to the end of 1934, may be compared with the corresponding statement given on page LV above for wholesale prices :

	%		%
Chile	45[a]	Australia	3
Japan	16	Canada	3
U.S.A.	13	Peru	3
Denmark	10	Norway	3
United Kingdom	5	Sweden	1
Germany	5	Czechoslovakia	0
South Africa	3		

[a] To October 1934.

In terms of gold, the cost of living in the thirty-two countries included in Table XIII ranged, at the end of 1934, from only slightly more than 25 per cent of the 1928 level in Japan and Chile [1] to 97 per cent of that level in France. The cost of living in the great bulk of the countries with fluctuating currencies was, in terms of gold, between 45 and 55 per cent of the 1928 level. In the agricultural exporting countries of Central and South-Eastern Europe which adhered to the gold standard, the cost of living was 60 to 75 per cent of its 1928 level ; while in the industrialised members of the gold *bloc* (and in Germany), where the cost of foodstuffs was generally maintained relatively high through agricultural protection, the net change in the cost of living from 1928 to the end of 1934 ranged from practically no decline in France to a fall of only 20 per cent in Switzerland.

X. Exchange Rates.

A cross-section picture of the currency situation of the world at the end of 1934 is given in Diagram XXIII, which shows the percentages which the gold values of the currencies of fifty countries were of their mint parities [2]. The first six countries — France, Switzerland, the Netherlands, Belgium, Poland and Lithuania — maintained the gold standard in full and unrestricted operation at the date mentioned ; their currencies could be freely negotiated in the money markets of the world at gold parity. To these might be added the Free City of Danzig, the Netherlands Indies and other colonies of countries remaining on gold. Another group of countries is shown in the diagram as having currencies equivalent in value — or very nearly so — to full gold parity — namely, Italy, Germany, Hungary, Latvia, Roumania, Turkey and Bulgaria. These are shown cross-hatched instead of in the black used for those previously mentioned, because transactions were at the end of 1934 subject to official control, and in certain cases the parity quotation was nominal.

The currencies of all other countries were more or less depreciated in relation to their gold parities at the end of 1934, but not all of them were completely " free " in the sense of there being no official regulation or control. In Czechoslovakia, most of the exchange restrictions imposed since September 1931 were maintained after the devaluation of the crown in February 1934. In Denmark, the exchange control instituted in October 1931 was still in force at the end of 1934, and in Japan some control continued to be exercised through the Capital Flight Prevention Law, which came into operation in July 1932. In Austria, the relaxation of exchange control had been virtually completed as concerns merchandise transactions, but restrictions on capital movements remained. In Yugoslavia, most of the restrictions imposed in October 1931 were maintained after the depreciation of the currency had been officially recognised in October 1932. Exchange transactions in most South-American countries were subject to some restrictions at the end of 1934, although considerable progress had been made towards the relaxation of control during that year [3].

Of the fifty countries included in Diagram XXIII, the exchanges of six were effectively at par, those of seven were officially maintained at or near par and subjected to more or less rigid control, and those of thirty-seven were depreciated in relation to their gold parities. The median currencies of the fifty were the Canadian dollar and the South-African pound, both depreciated by 40 per cent, and the median of the thirty-seven depreciated currencies was the Norwegian crown, with a depreciation of 45 per cent. Of the depreciated currencies, only two — the Czechoslovak crown and the Venezuelan bolivar — were quoted at a discount of less than 20 per cent. Czechoslovakia provides the only example of redefinition of the gold content of a currency without any intervening period of fluctuation : on February 17th, 1934, the gold content of the crown was reduced from 0.04458 to 0.03719 gramme of fine gold, representing a devaluation of 16.66 per cent.

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[1] On the basis of the free rate of exchange for South-American countries.

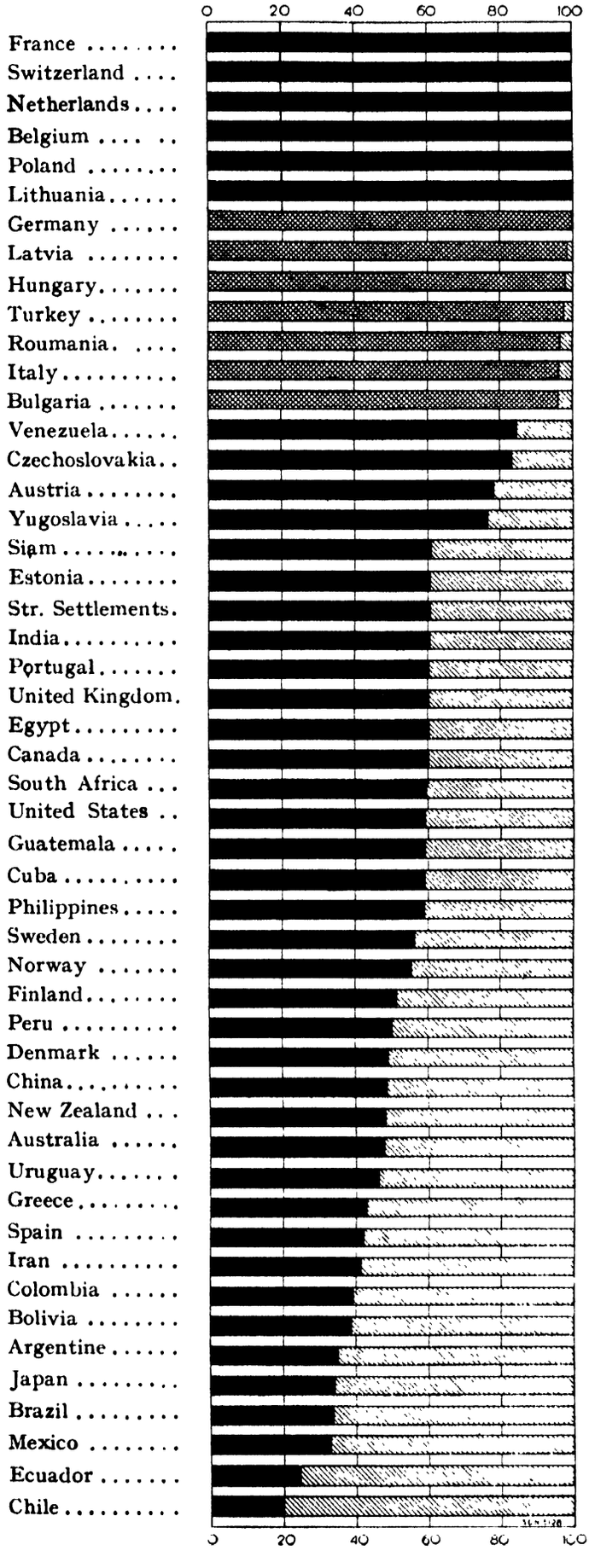
[2] The currencies of China, which was on a silver standard, and Turkey and Iran, which did not re-establish a mint parity after the war, are shown as percentages of their average 1929 gold values.

[3] Diagram XXIII is based on free market quotations for the South-American currencies for which these have been available (Argentine, Brazil, Chile and Ecuador).

Diagram XXIII.

EXCHANGE RATES, DECEMBER 1934.

(Gold parity = 100.)



In two other cases — namely, Austria and Yugoslavia — the depreciation was between 20 and 25 per cent. In Austria, the year 1933 witnessed a gradual relaxation of the exchange control instituted in 1931 and intensified in 1932, and the process of relaxation was carried further in 1934. Gradually, all commodity transactions with foreign countries were negotiated through private clearing agreements in which the unofficial rates which had come into being with the institution of control were applied. The short-term debt of the Creditanstalt was consolidated, and the other Viennese banks, through private arrangements with their creditors, paid off so high a proportion of the outstanding credits subject to standstill agreement that it was possible to terminate this agreement and resume normal arrangements on December 10th, 1934. On April 30th, 1934, the Austrian National Bank wrote up its gold to correspond to a relation of 0.16667 gramme of fine gold to the Schilling, as compared with the previous 0.2117 gramme, thus implying a devaluation of 21.3 per cent.

In Yugoslavia, where the exchange control instituted in October 1931 was maintained, a black market in foreign currencies developed (as in other countries in similar conditions) in which the dinar was quoted at a substantial discount below its gold parity. This depreciation was officially recognised in October 1932, when the National Bank fixed a premium of 20 per cent in respect of all transactions with countries with which Yugoslavia had not concluded clearing agreements. On January 2nd, 1933, this rate was raised to 28½ per cent and applied to all transactions including those covered by clearing agreements.

The remaining currencies were depreciated by 40 per cent or more at the end of 1934. Seventeen were depreciated between 40 and 50 per cent and sixteen by more than 50 per cent. The first group includes the pound sterling and most of the currencies directly or indirectly linked to it, and the American dollar and the currencies directly dependent upon it. The second group includes the three members of the sterling bloc whose currencies have depreciated most (Australia, New Zealand and Denmark), nine Latin-American countries (that is, all except Venezuela, which is referred to below, and Guatemala and Cuba, which are directly linked to the American dollar) and Japan, Iran, Spain, Greece, and China. The depreciation of the yen, over 65 per cent, was greater than that of the currency of any other country of major industrial importance.

The average monthly variations in the gold value of the principal depreciated currencies from the month of their original depreciation to the end of 1934 are set out in Table XIV. The minimum quotations for each currency over the whole period are printed in heavy type.

Table XIV. — Gold Value of Currencies.

Per Cent of Parity		Uruguay	Argentine	Brazil	Bolivia	Australia	New Zealand	Venezuela	Mexico	United Kingdom	India	British Malaya	Denmark	Norway	Sweden	Canada	Austria	Salvador	Finland	Portugal	Japan	Costa Rica	Greece	Chile	Peru	Ecuador	Siam	Yugoslavia	South Africa	Colombia	United States, Guatemala, Cuba	Philippines	Nicaragua	Estonia	Czechoslovakia
1929	III	100																																	
	X	94.5	100																																
	XI	93.6	97.4	100																															
1930	I	89.9	94.7	92.7	100																														
	II	86.0	89.7	93.2	97.7	100																													
	III	86.1	88.8	96.1	97.4	95.9	100																												
	VIII	80.2	85.5	83.2	97.0	94.1	95.8	100																											
1931	I	65.9	72.2	75.8	96.5	83.1	93.8	95.9																											
	II	66.8	74.6	71.6	96.7	76.7	91.2	94.0																											
	III	70.9	80.9	66.0	96.7	76.6	91.2	93.3																											
	IV	65.5	79.3	60.7	96.7	76.7	91.2	88.1																											
	V	59.4	73.3	55.8	96.4	76.7	91.3	85.2																											
	VI	56.6	72.8	62.7	96.3	76.8	91.3	89.0																											
	VII	52.5	72.4	60.1	95.7	76.6	91.1	90.1	100																											
	VIII	44.5	66.9	53.2	95.4	76.6	91.2	89.4	60.2	100	100	100	100	100	100	100																			
	IX	40.5	61.9	49.4	90.0	71.5	85.0	88.1	67.0	93.1	92.9	94.3	94.3	94.8	97.3	96.3	100	100	100	100															
	X	33.7	53.9	47.0	77.0	61.4	73.0	86.2	73.4	79.9	78.6	79.5	82.2	82.4	86.3	89.1	92.1	96.2	91.7	88.8															
	XI	43.5	61.0	51.6	77.5	58.7	69.8	79.9	78.5	76.4	76.7	76.0	77.1	76.6	77.4	89.0	91.3	94.8	78.8	82.3	100														
	XII	43.1	60.7	51.8	69.5	55.2	63.3	80.3	78.3	69.3	69.5	68.7	69.4	69.0	69.8	82.7	83.9	88.2	67.3	73.0	87.2	100													
1932	I	43.4	60.4	51.5	69.8	56.3	64.4	77.8	78.9	70.5	70.7	69.9	70.5	69.8	71.6	85.1	81.3	87.0	59.7	71.5	72.2	97.1													
	II	44.6	60.4	51.6	70.0	56.7	64.9	79.0	76.0	71.0	71.3	70.1	71.0	70.0	72.0	87.3	78.2	82.3	59.6	72.0	68.9	94.1													
	III	45.5	60.4	51.9	68.1	59.7	68.3	80.7	67.6	74.8	74.8	72.8	74.7	73.1	74.1	89.5	80.1	78.7	63.6	74.2	64.5	94.1	100	100											
	IV	45.8	60.3	54.7	64.7	61.5	70.4	85.0	67.0	77.1	76.8	75.3	76.6	71.2	71.2	89.9	82.5	74.8	68.4	76.4	65.8	94.1	94.9	87.6	100										
	V	46.0	60.5	59.6	56.9	60.3	69.0	80.7	60.7	75.5	74.8	74.4	74.9	69.0	69.9	88.4	80.2	73.4	68.2	75.2	64.1	88.9	51.2	49.3	94.8	100	100								
	VI	45.7	60.7	62.7	56.1	59.8	68.4	78.5	54.0	74.9	74.4	73.9	74.4	67.4	69.8	86.7	78.9	73.4	67.6	75.3	60.8	88.9	49 2	49.5	76.3	83.9	74.6	100							
	VII	46.0	60.7	63.5	55.4	58.2	66.6	78.1	55.6	72.9	73.1	72.2	71.7	65.8	68.0	87.1	83.7	75.8	61.0	72.9	55.1	88.9	49.3	49.5	77.9	80.0	72.6	94.9							
	VIII	45.9	60.7	63.7	55.4	57.0	65.2	72.2	57.3	71.4	71.7	70.6	69.0	65.0	66.6	87.6	84.5	79.1	60.0	71.4	49.1	88.9	48.7	49.6	75.8	80.0	72.0	91.4							
	IX	45.8	60.7	63.7	54.9	57.0	65.1	72.6	60.0	71.3	71.8	70.9	67.1	65.1	66.4	90.3	85.3	79.7	59.4	71.2	47.4	88.9	46.7	49.7	73.9	80.0	71.9	90.2							
	X	45.8	60.7	63.7	53.9	55.7	63.7	72.6	62.4	69.8	70.4	69.5	65.8	64.1	65.4	91.2	85.1	84.0	58.9	69.8	46.3	88.9	46.3	49.5	69.1	80.0	70.4	80.0							
	XI	45.8	60.7	63.8	51.4	53.7	61.5	78.2	64.6	67.3	67.9	66.9	63.7	62.4	65.0	87.3	84.6	82.0	57.3	68.5	41.4	88.9	44.3	49.5	64.1	80.0	67.9	76.7							
	XII	45.8	60.7	63.8	50.2	53.8	61.5	82.9	64.2	67.4	67.9	67.0	63.5	63.0	66.8	86.6	84.4	82.2	56.5	68.2	41.6	88.9	41.8	49.5	61.6	80.0	67.9	76.4	100						
1933	I	45.8	60.7	63.8	54.2	55.2	60.0	82.9	60.5	69.1	69.6	68.7	63.1	64.4	68.3	87.5	83.2	79.4	57.9	68.6	41.6	88.9	41.6	49.5	62.3	80.0	69.7	77.0	71.0	100					
	II	45.8	60.7	63.8	54.4	56.1	56.4	82.9	57.0	70.3	70.8	69.7	57.0	65.4	68.2	83.5	81.5	75.2	59.2	70.1	41.7	85.3	43.2	49.6	61.8	80.0	70.9	77.2	70.0	97.0					
	III	45.8	60.4	63.8	47.0	56.0	56.2	80.7	56.8	70.5	70.7	69.8	57.2	65.6	67.9	83.5	76.8	73.1	60.2	70.9	42.7	84.2	43.7	49.6	58.5	84.2	71.1	77.9	69.8	88.6	100	100	100		
	IV	44.1	59.9	61.0	46.8	55.9	56.0	76.7	51.8	70.3	70.3	69.4	56.9	65.3	67.0	80.9	75.7	65.2	59.9	69.4	42.3	80.4	43.2	47.3	55 8	81.2	70.8	77.2	69.4	84.6	95.5	95.6	93.6		
	V	43.9	60.0	54.5	46.0	54.9	55.0	72.9	49.4	68.9	69.1	68.6	55.8	63.7	64.4	74.7	78.4	58.4	59.2	69.0	41.1	74.5	43.3	44.1	51.2	72.1	69.5	77.9	68.2	75.6	85.3	85.7	83.6	100	
	VI	44.2	60.1	52.1	46.2	55.2	55.3	71.9	45.3	69.3	69.4	68.9	56.1	63.6	64.8	73.3	78.5	56.5	59.1	69.5	42.2	72.5	43.5	50.4	51.3	68.0	69.9	77.4	68.5	72.2	81.6	81.7	80.0	94.1	
	VII	45.2	60.1	47.2	45.7	54.5	54.6	74.3	40.3	68.6	68.7	68.3	55.6	62.6	64.2	67.8	79.4	49.2	58.5	68.9	41.4	63.8	43.7	49.4	52.3	59.8	69.2	77.6	67.7	63.6	71.8	71.7	70.4	65.3	
	VIII	45.6	60.0	49.0	45.0	53.6	53.8	76.5	41.1	67.4	67.6	67.2	54.7	61.6	63.2	68.7	79.1	48.4	57.9	68.4	39.3	64.8	43.5	49.1	52.2	60.7	68.0	78.3	66.6	64.6	72.9	72.8	71.5	65.7	
	IX	45.7	60.2	45.9	43.1	51.4	51.6	70.1	38.1	64.6	64.7	64.5	52.4	59.0	60.5	65.0	78.1	42.0	55.4	68.0	36.9	59.9	43.5	48.1	48.6	56.2	65.2	77.6	63.8	54.1	67.4	67.2	66.1	64.8	
	X	46.1	60.1	47.7	43.1	51.4	51.5	69.8	38.1	64.6	64.7	64.7	52.4	58.9	60.5	65.7	78.2	42.9	55.3	69.0	37.5	59.9	43.6	49.1	49.7	56.1	65.2	78.2	63.8	45.5	67.4	67.3	66.0	64.9	
	XI	46.1	59.6	44.8	44.1	52.6	52.8	72.1	34.9	66.2	65.7	66.1	53.6	60.4	61.9	63.3	77.9	39.2	56.3	68.7	38.1	55.6	43.6	51.9	47.4	52.2	66.7	78.2	65.4	42.9	62.5	62.7	61.3	66.1	
	XII	46.2	50.3	46.0	44.7	53.6	53.8	78.2	35.6	67.3	67.3	67.3	54.6	61.4	63.0	64.4	79.3	40.1	57.7	67.8	39.5	56.9	43.7	50.5	50.6	53.3	67.8	78.6	66.5	42.1	64.0	64.2	62.7	67.8	
1934	I	46.2	37.8[a]	45.2	43.4	52.4	52.3	83.1	35.1	65.5	65.6	65.5	53.1	59.7	61.3	62.8	78.3	40.1	56.2	66.3	38.1	58.7	43.5	49.0	49.4	30.9[a]	66.0	78.2	64.7	43.4	63.1	63.2	61.8	65.9	100
	II	46.2	36.9	42.9	41.6	49.9	50.0	80.9	33.7	62.7	62.9	62.7	50.8	57.2	58.7	60.1	78.2	41.9	53.6	63.5	36.2	56.9	43.2	17.8	49.8	29.9	63.2	77.3	61.9	43.6	60.6	60.7	59.4	63.0	-
	III	46.2	35.8	42.5	41.1	49.7	49.8	87.6	33.1	62.3	62.5	62.5	50.5	56.8	58.3	59.4	77.4	45.8	53.1	62.9	35.9	56.0	43.2	49.6	51.2	29.3	62.9	76.6	61.6	41.4	59.5	59.9	58.4	62.6	83.3
	IV	46.6	34.9	42.6	40.3	50.0	50.1	95.0	32.9	62.7	62.9	62.9	50.8	57.2	58.7	59.3	78.1	46.1	53.4	63.0	36.0	55.7	43.1	49.9	49.3	28.2	63.2	76.4	62.0	36.5	59.2	59.5	58.1	63.0	83.3
	V	46.1	32.9	42.6	42.2	49.6	49.7	91.7	33.0	62.2	62.2	62.4	50.4	56.7	58.2	59.4	78.6	48.0	53.0	62.5	35.9	55.8	43.2	49.9	50.2	27.6	62.7	76.4	61.5	37.4	59.2	59.4	58.1	62.5	83.3
	VI	46.1	34.4	42.1	42.3	49.1	49.2	93.0	33.1	61.6	61.7	61.9	49.9	56.2	57.6	59.8	78.3	48.9	52.6	62.1	35.6	55.9	43.2	49.9	49.5	28.4	62.1	76.5	60.9	35.3	59.4	59.3	58.2	61.9	83.3
	VII	46.0	34.6	41.9	42.3	49.0	49.2	97.1	33.1	61.6	61.7	61.8	49.9	56.2	57.6	60.1	78.6	47.0	52.6	62.0	35.6	55.9	43.3	50.2	50.1	26.7	62.1	76.8	60.9	34.3	59.4	59.4	58.3	61.8	83.3
	VIII	46.1	37.7	41.8	41.9	48.8	49.0	98.5	32.7	61.2	61.4	61.5	49.7	55.9	57.3	60.2	78.0	46.9	52.3	61.5	35.4	55.4	43.4	49.9	49.4	26.6	61.8	77.1	60.6	33.3	58.8	58.8	57.7	61.6	83.3
	IX	46.1	37.3	40.8	41.8	47.9	48.1	86.0	32.7	60.3	60.4	60.5	48.9	55.0	56.4	60.5	78.3	46.8	51.5	60.5	35.1	55.3	43.3	49.7	49.0	26.9	60.8	77.2	59.6	34.8	58.7	58.7	57.6	60.6	83.3
	X	46.1	36.6	40.5	42.1	47.6	47.8	84.3	32.9	60.0	60.2	60.3	48.7	54.8	56.2	60.4	78.3	47.1	51.3	60.2	34.0	55.7	43.2	50.1	49.3	25.7	60.5	77.2	59.4	36.6	59.1	59.1	58.0	60.3	83.3
	XI	46.1	35.7	40.8	40.4	48.3	48.6	84.7	33.1	60.9	61.1	61.3	49.4	55.6	57.1	60.9	78.1	47.4	52.0	61.0	34.7	56.0	43.0	50.6	49.7	25.2	61.5	76.9	60.3	39.7	59.5	59.4	57.4	61.3	83.3
	XII	46.1	35.0	40.7	39.1	47.9	48.2	84.6	33.1	60.3	60.5	60.6	48.9	55.1	56.5	60.2	78.6	47.5	51.6	60.4	34.3	55.9	42.9	50.0	50.0	24.7	60.9	76.7	59.7	39.4	59.4	59.3	54.0	60.7	83.3

[a] Free rate from this month.

In Table XIV the value of each currency is shown as 100 for the last month in which its actual market quotation was within 3 per cent of gold parity, and quotations in subsequent months are shown as a percentage of the par rate. Consequently, the order of the countries across the page represents the chronological order of currency depreciation [1].

This order is illuminating. By the beginning of 1931, the currencies of seven countries — five South-American States and Australia and New Zealand — were quoted at substantial discounts below their gold parities. These countries are all producers and exporters of raw materials for whom the supply of foreign currencies to meet debt payments and import manufactured goods is chiefly dependent upon the prices obtained for crude products (wool and ox-hides in the case of Uruguay, wheat and maize for the Argentine, coffee for Brazil, tin for Bolivia, wool and wheat for Australia, meat, dairy products and wool for New Zealand and crude petroleum for Venezuela) in the markets of the world. In 1928, raw-material prices on world markets were weak coincidentally with the decline in capital exports from the creditor countries, and in 1929 and 1930 the weakness degenerated into collapse [2]. The adverse effects on the balance of payments — which were aggravated by the complete stoppage and in certain cases reversal of the capital inflow — are reflected in the rapid depletion in the gold and currency reserves of these countries shown in Table II above.

The second stage in currency depreciation disclosed by Table XIV began with the abandonment of the gold standard by the United Kingdom on September 20th, 1931. The drastic fall in raw-material prices affected the United Kingdom more seriously than most other industrial States for two main reasons. In the first place, an important item on the credit side of her transactions with the rest of the world normally consists of interest and dividend receipts on overseas investments. These are estimated by the Board of Trade to have amounted to £250 million in 1929 or enough to pay for nearly 60 per cent of the excess of merchandise imports. The bulk of these investments are in countries producing raw materials and the fall in prices reduced the income derived from them to £170 million in 1931, or only 40 per cent of the excess of merchandise imports into the United Kingdom. Secondly, a large share of British exports goes directly or indirectly to countries exporting raw materials, whose ability to buy manufactured goods shrank *pari passu* with the fall in the world market prices of their own exports. The importance of producers of raw materials as a market for British exports is illustrated in the following statement, which shows the percentage of the total exports of six major exporting countries which went to predominantly raw-material-exporting countries in 1929 [3]:

	%		%
United Kingdom . . .	73.8	Italy	42.7
United States	56.9	France	38.8
Japan	51.1	Germany	37.7

The third stage in depreciation is marked by the fall of the currencies of the countries most dependent upon the British market, notably the States of Northern Europe and the remaining British Dominions.

In December 1931, Japan — very seriously affected by the fall in the price of raw silk on world markets — abandoned the gold standard and the yen immediately depreciated very heavily; and during 1932, most South-American countries which had not already done so left the gold standard.

The abandonment of the gold standard by the United States in April 1933 directly affected the value of the currency unit of several Central and South-American countries whose currency systems are directly or indirectly linked to the American dollar.

* * *

Diagram XXIV below shows the monthly fluctuations in the average gold value of sterling, the yen and the American dollar from October 1931 to December 1934. The average for each year is shown as a straight line.

The staircases formed by the lines representing the annual averages illustrate the persistent tendency of fluctuating currencies to decline in gold value. The loss of 30 per cent in the gold value of the pound up to December 1931 would appear to have been principally due to the conversion into foreign currencies of balances previously held by foreign institutions — including central banks — in London. In the first two months of 1932, the pound was fairly stable at about $3.50, but in March the movement of short-term funds was reversed and sterling rose to within 23 per cent of its gold parity ($3.75) in April 1932. In that month the Exchange Equalisation Account was established as a Government Department "to prevent undue fluctuations of the exchanges". It had an original capital of £150 million in the form of Treasury bills, *plus* the unused balances of the old dollar exchange fund. The Account has not published any statement of its operations; certain inferences may, however, be

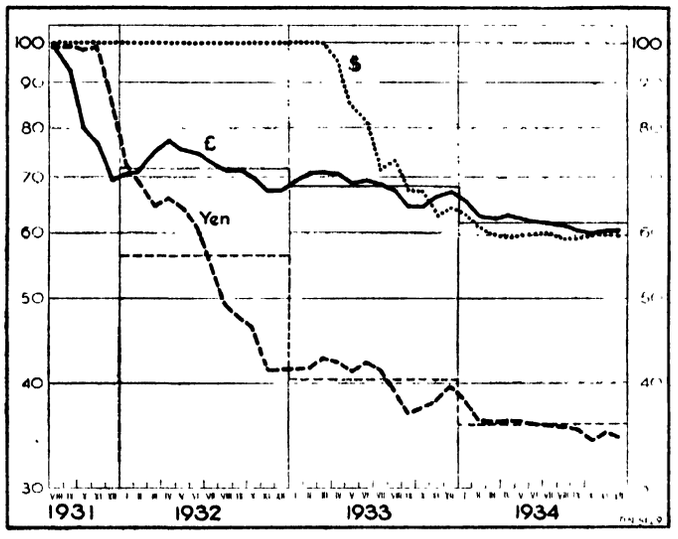
[1] That is, the more recent phase of depreciation. The table excludes certain currencies, such as the Spanish and the Chinese, which were fluctuating in gold value before 1929.

[2] For an analysis of various aspects of the recent fall in prices, see *Review of World Production, 1929-1931*, pages 84-109; *World Production and Prices, 1925-1932*, pages 78-114; *World Production and Prices, 1925-1933*, pages 89-111.

[3] Predominantly raw-material-exporting countries are here defined as those whose exports of manufactured products constituted less than a third of total merchandise exports in 1929.

Diagram XXIV.

STERLING, YEN AND DOLLAR EXCHANGES.
(Gold parity = 100.)



drawn from other published data. The Account began operations late in June ; in this and the previous month, the Bank of England acquired gold to the extent of £12.5 million and sterling fell. The decline in sterling continued during the next two months, and further small additions were made to the gold reserves of the Bank. After remaining fairly stable in the summer of 1932, the pound again fell rather sharply in October and November ; the realisation of foreign balances would again appear to be responsible and, according to contemporary statements, the foreign currency reserves of the Account were practically exhausted. With the development of the American banking crisis in the first months of 1933 there was a fresh movement of funds into London and, in spite of the acquisition of dollars and gold by the Account [1], the sterling rate rose to about 70 per cent of its gold value in February and remained at that level in March and April. The fact that the Account prevented a further rise in sterling and acquired gold currencies in doing so is indicated in the rise in the Bank of England's gold holdings by £60 million (old mint parity) between January and April. In the six months after the depreciation of the dollar, the gold value of the pound fell from 70 to 65 per cent of parity, and the dollar rate rose from $3.43 in March to $4.66 in September. The continued activity of the Account is suggested by the fact that, in spite of the £30 million credit arranged in London for the French Government, the gold stocks of the Bank of England were £9 million higher in September than in April. In the last quarter of the year, however, an inflow of funds from France brought about a rise in the sterling rate and, at the end of 1933, the gold value of sterling was only slightly lower than at the end of 1932. The gold value of sterling fell fairly continuously during the greater part of 1934, beginning the year with a franc rate of 85 to the pound and ending it with a rate of 75. The decline was sharpest in January and February, when the stabilisation of the dollar at a relatively low level resulted in a flow of funds to that country and the use of American and other foreign balances in London to buy gold to send to the United States. It would appear that the persistent tendency for the dollar to rise from the low level at which it was stabilised in January 1934 resulted in a general rise in the gold currencies which is reflected in a fall in the gold value of sterling. It is generally understood that, during 1934, the Account supported sterling by selling a large part of its foreign assets, particularly after the first quarter ; but, as stated above, no details regarding its operations are available.

Within a year after Japan left the gold standard in December 1931, the external value of the yen had fallen by nearly 60 per cent. The effects of the very sharp fall in silk prices on world markets were aggravated by exports of capital from Japan, which took the form, for the most part, of the repurchase of Japanese bonds at low prices in London. Some attempt was made to mitigate the fall of the yen through the Capital Flight Prevention Law of July 1932, but the domestic fiscal policy was one of budgetary inflation, and bear speculation against the yen continued until November 1932. Since the beginning of 1933, the movements of the yen have been similar to, though on the whole more violent than, those of the pound. In 1934, the chief divergence occurred in the last quarter of the year, and particularly in October, when the yen fell sharply. This sharp fall would not appear to be unconnected with the steps taken by the Chinese Government in October to prevent a further appreciation of the Chinese currency by the imposition of an export duty on silver ; further reference is made to Chinese currency developments in the following section. In December 1934, the yen was quoted 42 per cent below its old parity with sterling.

The United States left the gold standard on April 20th, 1933 ; and by September the gold value of the dollar had fallen by a third and, as mentioned above, the dollar approached its old parity with the pound. As the balance of payments on income account continued to be favourable to the United States, the fall must have been due to capital transfers. In October 1933, the United States Government inaugurated its policy of gold-buying. At first, purchases were confined to domestically-mined gold, but were subsequently extended to gold offered in world markets. The price offered was higher than the theoretical dollar

[1] In April 1933, the resources of the Fund were increased to £350 million.

value of gold calculated on the basis of the dollar-franc rate, and it was raised by stages from $31.36 per fine ounce on October 25th to $34.06 on December 1st. On January 31st, 1934, a free market in gold at the price of $35 per fine ounce was established by the United States Treasury — that is, the dollar was devalued to 59.06 per cent of its old gold content. Part ($2,000 million) of the profits on the revaluation of the national gold stocks was used to constitute an Exchange Stabilisation Fund [1]. On the day of stabilisation, the dollar value of gold, on the basis of the franc rate, was $33.05 per fine ounce and gold therefore flowed to the United States in large quantities. Throughout the year, the balance on income account continued favourable and there was a persistent tendency for the exchange value of the dollar to rise above gold import point, accompanied by continued large gold imports. Between the middle of January and the middle of February 1935, when the Supreme Court was considering its judgment in the cases regarding the constitutionality of the legislative abrogation of the validity of the gold clause in public and private contracts, the dollar was consistently quoted considerably above gold-import point, but relatively small gold imports took place, as it was feared by arbitrageurs that, in the event of a decision unfavourable to the Government, the dollar price of gold might be lowered. It was officially disclosed on February 10th, 1935, that the American Exchange Stabilisation Fund was used during this period to " manage the value of the dollar in terms of foreign currencies ".

The exchange rates of a large number of countries fluctuate closely with sterling, as is shown in Diagram XXV opposite.

The diagram is divided into two parts ; the top part includes, in addition to the United Kingdom, all the British Dominions with independent currency systems except Canada ; the bottom part includes the countries of Northern Europe which have abandoned the gold standard and Portugal. To these countries might be added Siam, whose currency has not varied in relation to sterling since the middle of 1932. The official quotations of the currencies of certain South-American countries, including Bolivia and Uruguay, also fluctuated closely with sterling in 1934.

It has been observed that Canada is the only British Dominion with an independent currency system whose currency has not followed sterling closely. The Canadian dollar has consistently occupied a position about midway between the American dollar and sterling. Thus, in the last quarter of 1931, when sterling declined by almost 30 per cent, the Canadian dollar fell by 17 per cent. During the American banking troubles in February 1933, it fell while sterling appreciated, and it followed the American dollar very closely after the United States left the gold standard.

Diagram XXV.

MOVEMENT OF EXCHANGE RATES.
(Gold parity = 100.)

A U.K. E India. J Norway.
B S. Africa. F Denmark. K Portugal.
C Australia. G Estonia. L Sweden.
D New Zealand. H Finland.

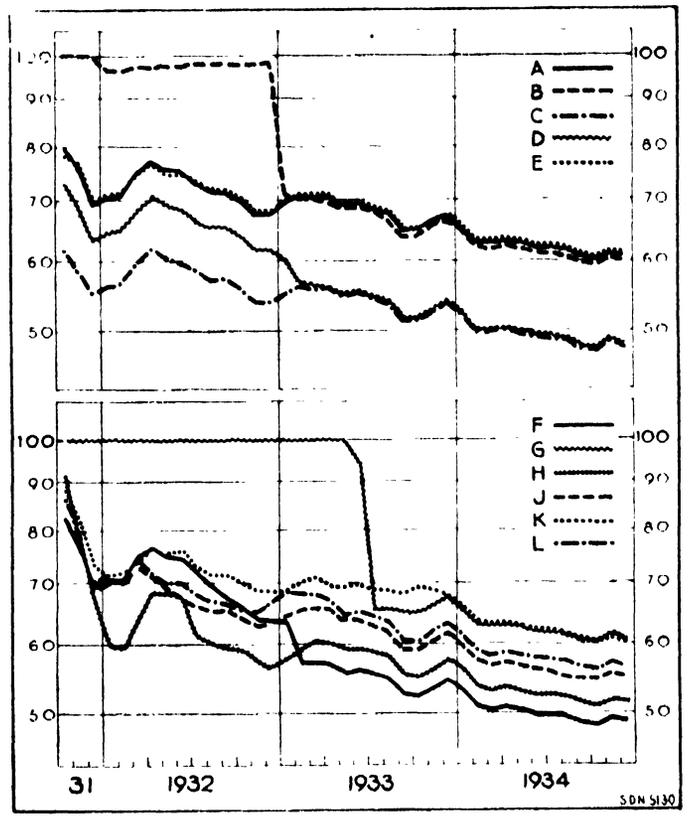
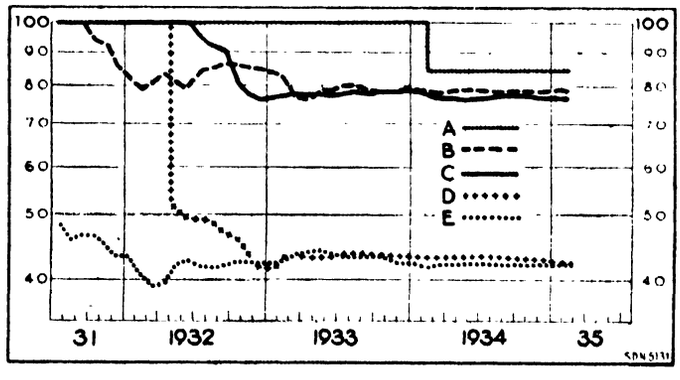


Diagram XXVI shows the monthly fluctuations, since the middle of 1931, of the depreciated European currencies which have moved independently of sterling.

Diagram XXVI.

MOVEMENT OF EXCHANGE RATES.
(Gold parity = 100.)

A Czechoslovakia. D Greece.
B Austria. E Spain.
C Yugoslavia.



[1] The Fund was authorised to buy Government securities as well as gold and foreign currencies.

By the middle of 1931, the Spanish peseta — which had not been stabilised since the war — was already quoted at 50 per cent of gold parity (about half this decline having taken place since 1929), and by March 1932 it had fallen below 40 per cent ; since then it has shown but little fluctuation in terms of gold. The other "independently" fluctuating European currencies have also been remarkably stable in gold value since early in 1933.

The Venezuelan bolivar presents certain peculiarities in its movements, in particular a more pronounced tendency to rise from time to time than is displayed by other currencies. Some light is thrown on the movements of the currency by Diagram XXVII below, which compares the monthly changes in the gold value of the bolivar with the monthly changes in the gold price of crude petroleum in the United States. 80 per cent of Venezuela's exports consist of petroleum. The exchange movements are shown with a lag of five months behind the price movements.

Diagram XXVII.

VENEZUELAN BOLIVAR (Gold Parity = 100) AND GOLD PRICE OF CRUDE PETROLEUM IN THE UNITED STATES (1927-1929=100).

A Bolivar. B Petroleum.

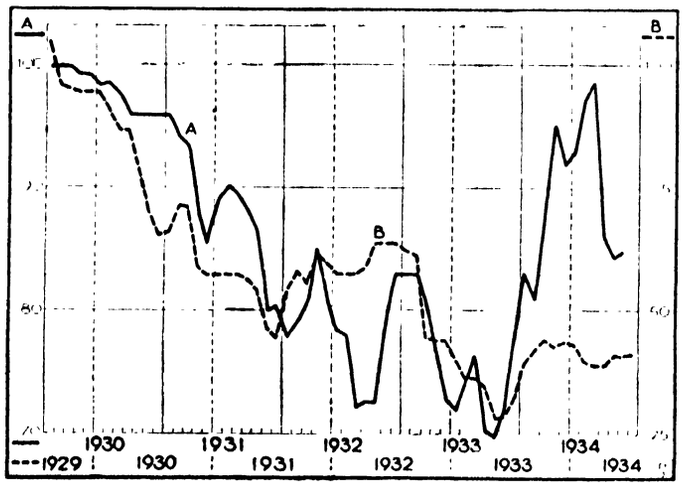


Diagram XXVIII opposite shows the monthly fluctuations of the principal Latin-American currencies since the middle of 1931.

On the whole, the Latin-American currencies have depreciated more than those of any other group. At the end of 1934, the currency of no country included in Diagram XXVIII was worth more than 50 per cent of its par value, and the currencies of several were worth only 30-40 per cent of their gold parity. For certain countries — Argentine, Brazil, Chile and Ecuador — both official and free rates are shown for part or the whole of the period. The emergence of free markets is one of the important currency phenomena of recent years and merits detailed examination.

The South-American countries, severely affected by the fall in raw material prices and by the drying-up of capital movements, were among the first to institute exchange control. Even after the suspension of the gold standard, exporters were required to deliver most or all their foreign exchange export proceeds to the central monetary authority at the official rate and the supply of foreign exchange to importers was severely rationed.

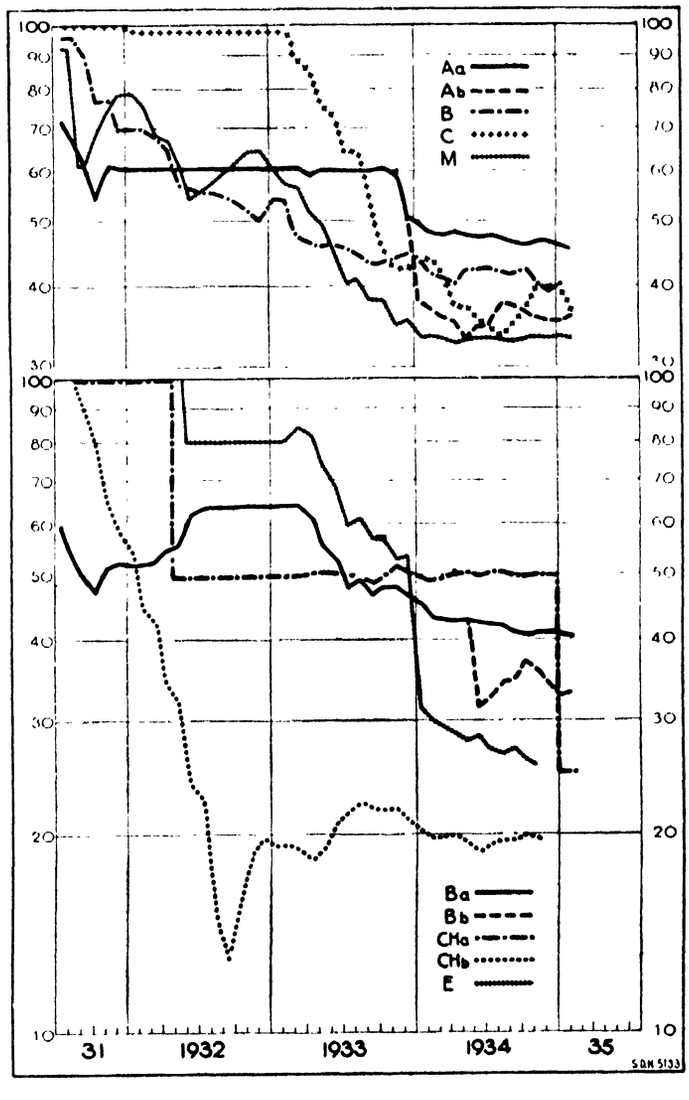
In Chile, the first step towards freeing the exchange was taken as early as September 1932. A decree of that month required only certain proportions, ranging from 1 to 20 per cent, of the proceeds of export sales to be delivered to the Central Bank at the official rates. The remainder could, subject to the control of the Exchange Commission, be disposed of to importers at free market rates, which have fluctuated around a gold premium of 400 per cent since the end of 1932.

Diagram XXVIII.

MOVEMENT OF EXCHANGE RATES.

(Gold parity = 100.)

Aa Argentine (official).
Ab Argentine (free).
B Bolivia.
C Colombia.
M Mexico.
Ba Brazil (official).
Bb Brazil (free).
Cha Chile (official).
Chb Chile (free).
E Ecuador.



At the beginning of January 1935, the legal parity of the Chilian peso was reduced from 3d. to 1½d. [1] At this level, the official rate was still substantially higher than the free market rate.

Under a decree of November 1932, the exchange value of the boliviano on sterling was to fluctuate directly with the price of tin in London. The scale laid down was adhered to so long as the price of tin fell, but when it rose, in the latter part of 1932, the scale was abandoned. On the other hand, the proportion of foreign exchange proceeds which exporters were required to sell at the official rate was reduced from 100 to 65 per cent for all commodities except tin, and lowered again, to 15-25 per cent, in February 1933. For tin the percentage was fixed at 62 in January 1934.

In Colombia, exemption from the obligation to sell foreign exchange proceeds of exports at the official rate was granted for a number of commodities, and regulations issued in September 1933 required only 15 per cent of proceeds of all commodities to be sold at these rates.

In November 1933, the Argentine peso was allowed to depreciate from 60 to 50 per cent of its old gold parity and, at the same time, a system of multiple exchange rates introduced. The Government has first claim on the exchange derived from principal exports ; after its requirements are satisfied, the remainder is auctioned to the highest bidder. The free market deals in exchange derived from "additional" exports and from the "blocked" balances released and from all other sources ; competition for this exchange is completely free.

At the end of 1933, a decree was introduced in Ecuador reducing the proportion of foreign exchange proceeds which exporters were required to deliver at official rates from the 80 per cent fixed in May 1932 to 25 per cent.

In May 1934, a decree was issued in Brazil authorising free transactions in foreign exchange other than that derived from commodity exports. The control was further relaxed in subsequent months and, in September 1934, all exporters except those of coffee were relieved of the obligation to sell their foreign exchange at the official rate. Coffee exporters were required to sell £2 per bag (*i.e.*, about 80 per cent of the proceeds at prices then current) to the Banco do Brasil at the official rate and were allowed to dispose of the remainder in the free market. The bank agreed to supply 60 per cent of the current import requirements of importers at the official rate ; the remainder must be purchased in the free market. In February 1935, restrictions were further relaxed : exporters are required to sell 35 per cent of their foreign exchange proceeds to the Banco do Brasil at official rates. The remaining 65 per cent may be sold in the free market and all import exchange must be purchased in the free market.

In most South-American countries which succeeded in recent years in freeing the exchanges, the range of export products is narrow and, by maintaining some control over the exchange derived from the export of principal articles, the central authority was assured that a certain minimum would be forthcoming at official rates and was therefore better able to relax control over other exports. Moreover, the narrowness of the range of exports in some cases facilitated collective action on the part of exporters tending to free the exchanges and, even where they did not consciously act in concert, their collective behaviour was sometimes effective in weakening the system of exchange control. In Ecuador in 1933, for example, the mere rumour of an impending relaxation of exchange regulations led exporters to postpone shipments in the hope of securing higher prices for their export bills later; in this way an "exporters' strike" developed, forcing the authorities to effect the change.

Another factor making for relaxation was the embarrassment of blocked accounts arising out of commercial debts and other obligations, for the transfer of which the export exchange forthcoming at the official rates was insufficient. In some cases, the accumulation of blocked accounts involved the virtual withdrawal of domestic means of payment from effective circulation ; the deflationary effects could best be removed by freeing the exchange, thus making a larger volume of exports profitable, redirecting the blocked means of payment into the channels of domestic circulation through transferring them, in effect, to the exporters of the additional exports.

Finally, the progress made in South America in 1933 and 1934 towards freeing the exchange markets was probably to some extent due to the suspension of the gold standard by the United States. In Brazil, Colombia and Ecuador, which had pegged their currencies to the dollar, the dollar quotations were maintained unchanged and thus the external value of these currencies depreciated (*pari passu* with the dollar) to a level at which a freeing of the exchange could, as it was subsequently found, be safely carried out.

***

Table XV following, which is based on Table XIV, gives, by six-monthly periods since the latter half of 1931, the *range* of fluctuation of the gold values of eighteen currencies. The range shows the percentage by which the highest monthly average for each period exceeded the lowest.

The South-American currencies are excluded from Table XV, as the freeing of the exchange markets in 1933 and 1934 renders comparison with previous years misleading. The countries included are

[1] It had been fixed at 6d. in 1925.

Table XV. — SIX-MONTHLY RANGE OF FLUCTUATION OF GOLD VALUE OF CERTAIN CURRENCIES, 1931-1934.
(Percentage by which maximum monthly averages exceeded minimum.)

	1931	1932		1933		1934	
	2nd half	1st half	2nd half	1st half	2nd half	1st half	2nd half
Spain	10.8	10.4	1.7	4.2	2.4	1.7	0.0
Austria	18.5	5.5	1.9	9.9	1.9	1.6	0.8
Greece	—	**108.8**	17.9	5.0	0.5	0.7	1.0
Mexico	**63.3**	46.1	16.2	**33.6**	**17.8**	6.7	1.2
Canada	20.6	5.6	5.3	19.4	8.5	5.9	1.3
U.S.A.	—	—	—	22.5	16.6	6.6	1.4
South Africa	—	—	—	4.1	6.1	6.2	2.5
Estonia	—	—	—	6.3	4.6	6.5	2.5
Finland	49.1	14.8	8.0	4.0	5.8	6.8	2.5
Norway	44.3	8.5	5.4	3.1	6.3	6.2	2.5
Sweden	43.3	6.2	4.6	6.1	6.1	6.4	2.5
Denmark	43.5	8.6	12.8	13.1	6.1	6.4	2.6
Siam		34.0	6.9	2.3	6.1	6.3	2.6
United Kingdom	44.0	9.4	8.3	2.3	6.2	6.3	2.7
New Zealand	44.0	9.3	8.3	9.1	6.0	6.3	2.9
Portugal	36.8	6.9	6.9	3.4	1.8	6.8	3.0
Australia	38.9	9.2	8.4	2.2	6.0	6.7	3.2
Japan	13.6	18.8	**38.1**	3.9	12.2	**7.0**	**4.4**

arranged in order of the narrowness of the range during the second half of 1934.

The figure indicating the maximum range of variation in each period is printed in heavy type. An examination of these maxima suggests that, since the first half of 1932, there has been a tendency for the range within which the gold value of paper currencies has fluctuated to contract, and that, apart from some interruption in 1933, this tendency has been fairly continuous. But the movement itself has in nearly all cases been downward year by year.

During the first half of 1934 there was a distinct narrowing of the range of fluctuation of the currencies which had hitherto been least steady — namely, the American dollar, the Mexican dollar and the Japanese yen. In the second half of 1934, all paper currencies moved within a distinctly narrower range ; in the great majority of cases, the maximum monthly average was less than 3 per cent higher than the minimum. During this period, the least stable currency — measured in this way — was the yen, but the range of variation in its gold value was only 4.4 per cent, or less than the range of variation of the *most* stable paper currency in the first half of 1932.

The use of monthly averages in Table XV has, of course, the effect of exaggerating the degree to which currency stability has been attained, as it disregards fluctuations in daily rates, which may be considerable within any month. A check on the conclusions suggested by Table XV is provided in Table XVI below, which shows the annual range of the daily quotations of several paper currencies quoted in Switzerland for each of the past four years. This table shows the percentage by which the absolute maximum attained during each year exceeded the absolute minimum.

Table XVI.

YEARLY RANGE OF QUOTATIONS OF CERTAIN CURRENCIES IN SWITZERLAND, 1931-1934.
(Daily figures ; maximum as per cent of minimum.)

	1931	1932	1933	1934
Austria	21.8	18.2	14.8	2.8
Spain	38.6	11.9	4.8	3.4
U.S.A.	1.6	2.0	**70.4**	9.8
Denmark	**53.4**	26.3	28.0	12.8
Norway	43.0	26.3	16.1	13.0
United Kingdom	51.2	19.5	14.9	13.1
Sweden	51.3	19.1	17.2	13.1
Japan	42.7	**84.8**	24.4	**17.0**

The range is naturally considerably wider than in Table XV, but the general conclusion is the same — namely, that there was a well-marked tendency for the range of fluctuation of the gold value of the principal depreciated currencies to contract in 1934.

Certain of the currencies officially quoted at their par values but subject to rigid control may in fact be dealt in, with official consent, at substantial discounts for certain purposes. This is the case notably of the German Reichsmark and is also true of the currencies of other countries holding blocked accounts in the name of foreign creditors. The multiple currency system has reached its highest development in Germany, where — to name but the principal categories of blocked marks — *Registermarks* [1], *Altguthaben* [2], *Kreditsperrmarks* [3] and *Effektensperrmarks* [4] can all be sold for different purposes at varying rates of

[1] *Registermarks* arise out of the operation of the various standstill agreements and represent the repayments in marks of foreign currency credits taken up by German banks and business concerns.

[2] *Altguthaben* represent mark balances held by foreigners blocked through the operation of the German exchange regulations.

[3] *Kreditsperrmarks* originated through the repayment in marks of credits extended to German debtors not covered by the standstill agreements and through sales of property owned by foreigners in Germany.

[4] *Effektensperrmarks* represent the proceeds of the sale by foreigners of Reichsmark securities owned by them.

discount. The most important purpose for which the blocked marks may be released at a discount is to pay for "additional exports", but they may also be used for tourist expenditure and travel in Germany. After the suspension of transfer of the service of most of the long-term debt in June 1933, the financing of "additional exports" through partial payment from blocked accounts was widened and generalised through the use of "scrip", but since the middle of 1934 the blocked accounts have again become the sole source of the depreciated marks used in stimulating exports. The percentage depreciation on the principal kinds of blocked marks in relation to the "free" mark at the end of March 1935 is shown below :

	%
Registered marks	41
Credit marks	61
Security marks	69

In Hungary, where the currency is also nominally at par, the National Bank pays a premium on the foreign currency proceeds of exports and collects a surcharge over the official par rates on foreign exchange sold for imports; in 1934, the premium on foreign currencies ranged from 20 to 40 per cent. Foreign creditors were able to release their blocked pengö at a corresponding discount. In Yugoslavia, Bulgaria and Roumania, blocked accounts are also negotiated at rates which correspond to substantial discounts on the official quotations.

XI. Prices and Exchange Rates.

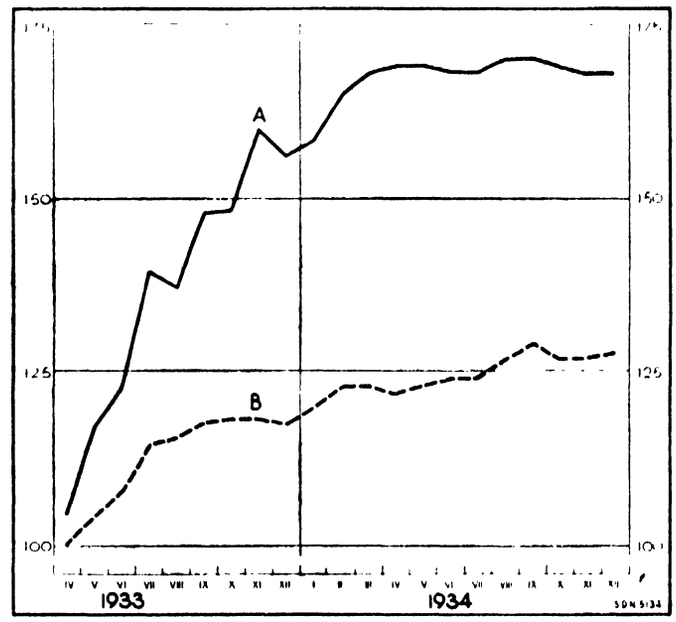
For the greater part, the divergences in the movements of prices in terms of gold revealed by Tables XI and XIII and Diagram XXII are to be attributed to the fact that, in countries whose currencies depreciated in terms of gold, prices failed to rise to the full extent of the depreciation and in certain cases they rose hardly at all. The automatic effects of currency depreciation would appear, on the whole, to have been deflationary on the gold price level rather than inflationary on domestic price levels. Even in the United States, where currency depreciation was used as an instrument in a price-raising policy, the domestic price level lagged far behind the depreciation of the dollar. This is illustrated in Diagram XXIX opposite, which compares the monthly movements in the general level of wholesale prices and in the cost of the French franc since April 1933 on the basis March 1933=100.

Considering the period March 1933 to December 1934 as a whole, the price of gold currencies rose by nearly 70 per cent, while the price of commodities at wholesale rose by less than 30 per cent. It is, of course, not possible to say to what extent, if any, the commodity price rise is to be attributed to the depreciation of the dollar. Many other factors tending to raise prices have been at work, such, for example, as the various production restriction schemes of the Agricultural Adjustment Administration, the drought of 1934 and public works expenditure. The relative cheapening of American productsi n foreign markets would appear to have led to an increase in the surplus on current account in international transactions [1]; but, as the import of gold resulting from this factor (as well as that resulting from the import of capital) went

Diagram XXIX.

COST OF FRANC AND GENERAL LEVEL OF WHOLESALE PRICES IN U.S.A.

A Cost of franc. B Wholesale prices.



to swell the excess cash reserves of the commercial banks (as shown in a previous section) and did not lead to a multiple (but only to an equivalent) increase in deposit currency, any quasi-automatic tendency for the depreciation of the dollar to result in a generally diffused rise in prices was severely limited in scope.

The effectiveness of any automatic [2] tendency which currency depreciation may have to raise prices is dependent in the first instance upon the responsiveness of foreign demand to the automatic

[1] In 1934, for example, the merchandise export surplus was $466 million, compared with $214 million in 1933.

[2] Other phenomena, such as credit expansion for public expenditures, may, of course, accompany currency depreciation ; but they do not necessarily do so and, as the text is concerned only with the automatic effects of depreciation, they are left out account. One automatic influence of currency depreciation on prices would be exercised through the spending of the profit resulting from the revaluation of the national gold stocks, but this influence has, up to the present, played no important part anywhere.

cheapening of the depreciating country's products [1]. The greater this responsiveness, the greater will be the rise in the value of export bills in terms of national currency sold to the central bank and the stronger in consequence will be the stimulating influence on prices in general. Or, looking at the question from another point of view, the removal of part of the supply of domestic goods by export tends, other things being equal, to bring about a rise in their price. But if foreign demand is completely inelastic and the value of export bills coming forward for sale to the central bank does not rise in terms of national currency and the supply of goods available for domestic consumption is not reduced, then the automatic effects of the depreciation upon the general level of prices are naturally much restricted.

The circumstances in which most cases of recent currency depreciation occurred were such as to restrict their automatic influence on domestic price levels. So many countries depreciated at about the same time that, though their products automatically became cheap in terms of gold, they did not do so in terms of each other's currencies. In consequence, the tendency for the domestic supply of goods to fall and for export bills to rise in value did not operate. For the countries remaining on gold, the products of the depreciating countries did, of course, become cheaper; but the gold countries took steps to prevent an expansion in imports. Imports were directly restricted through tariffs, quotas, etc., and indirectly restricted through the contraction in the volume of monetary circulation.

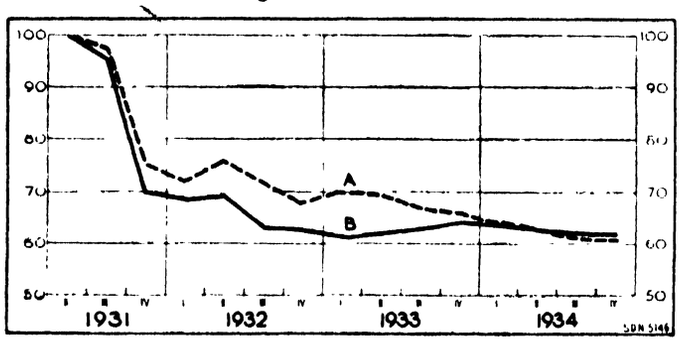
It is, of course, impossible to determine to what extent the deflation in the countries remaining on gold was intensified by currency depreciation abroad, but it is clear that the fall of sterling exercised an influence of particular importance in this connection. The deflationary influence of the depreciation of sterling on the gold price level is illustrated in Diagram XXX below, which shows,

Diagram XXX.

GOLD VALUE OF STERLING AND GOLD PRICES OF RAW MATERIALS.

(Second quarter of 1931 = 10

A Sterling. B Raw materials.



since the second quarter of 1931, the quarterly changes in the gold value of sterling and in the gold prices of imports of raw materials into the United Kingdom.

The price decline began before sterling fell and the entire responsibility for the movements of the gold prices of raw materials after 1931 cannot, of course, be attributed to the depreciation of the pound. But, in view of the importance of the United Kingdom as both importer and exporter and the fact that world market prices are largely sterling prices, there can be no doubt that the depreciation of sterling. exercised an important direct deflationary influence on gold prices. Moreover, an indirect deflationary influence was exercised in a number of ways. The countries remaining on gold were forced to reduce prices in order to compete successfully in foreign markets. Currency hoarding was aggravated as a result of world monetary instability and to a considerable extent the deflationary pressure became effective in this way. The countries of the gold *bloc* attempted to protect domestic markets against exchange dumping by raising tariffs and, more particularly, instituting quotas and other quantitative restrictions. Their purchases of raw materials were reduced in consequence and the tendency for the gold price of the latter to fall was further aggravated. In the same way, the exchange restrictions imposed by a large number of countries reduced their purchases abroad and, while enabling them to raise the domestic price level, tended to reduce gold prices on world markets.

The relationship between prices and exchange rates for France and the United Kingdom and for the United States and the United Kingdom is shown in Diagram XXXI on the opposlte page. The relationship between prices in the United Kingdom and the other two countries in September 1931 is taken as 100, and for each successive month the ratio American/British and French/British wholesale prices is shown, along with the changes in the gold and (since March 1933) the dollar value of the pound.

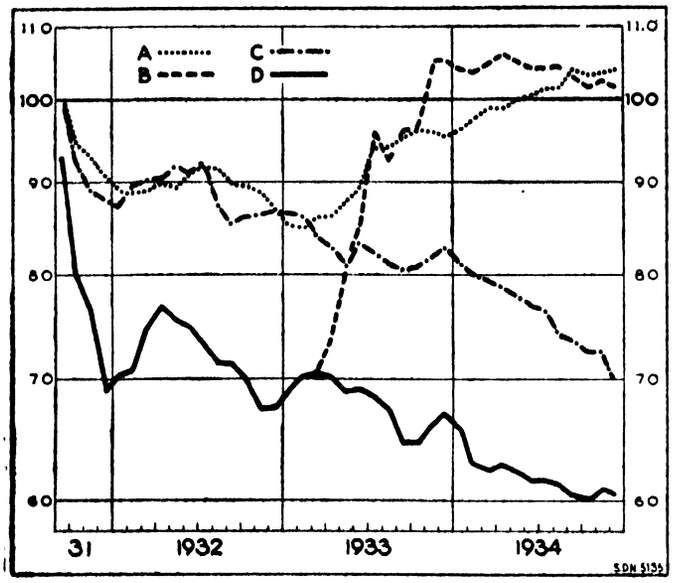
The broad swings of the movements of the gold value of the pound and the relationship of French to British prices are similar and (apart from the initial stages of the depreciation of the pound) there is, apparently, some tendency for changes in the gold value of the pound to lag two or more months behind corresponding changes in the movements of the French/British price ratio. In other words, a tendency for prices in France to fall, relatively to the United Kingdom, has on the whole been followed by a renewed tendency for the gold value of the pound to decline, and *vice versa*. During 1934, however, the sharp fall in French prices (which took place while prices were stable in the

[1] The argument of the text naturally applies, *mutatis mutandis*, to the domestic demand for foreign products.

Diagram XXXI.

WHOLESALE PRICES AND EXCHANGE RATES.
(September 1931 = 100.)

A Wholesale prices of U.S.A. as % of U.K.
B Dollar value of pound.
C Wholesale prices of France as % of U.K.
D Gold value of pound.



United Kingdom) exceeded the simultaneous fall in the gold value of the pound [1]. Consequently, the price and exchange curves were closer together at the end of that year than at any time since the depreciation of the pound.

The percentage of American to British prices did not rise as rapidly as the dollar value of the pound after April 1933. In the first nine months of 1934, however, there was a fairly continuous narrowing of the differential in favour of the United States, due mainly to the considerable rise in prices in that country, but partly also to a fall in the dollar value of the pound ; and, by September 1934, the differential (on the basis September 1931 = 100) had been entirely eliminated.

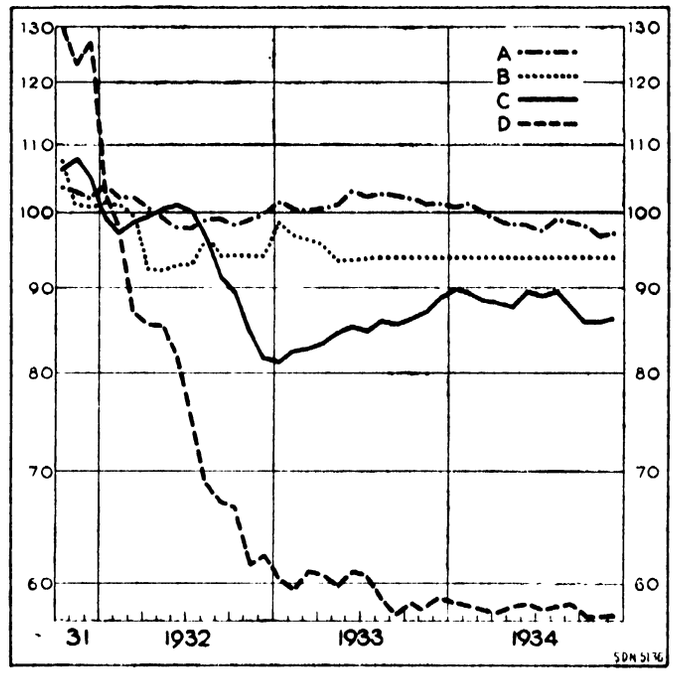
The triangle may be completed by a brief reference to French and American price and exchange relationships. Wholesale price movements in the two countries were similar from September 1931 to March 1933 (declining by over 15 per cent in both countries), and from the latter month to the end of 1934 prices in the United States rose by nearly 30 per cent, while in France they fell by 15 per cent. Taking September 1931 as 100, the ratio of French to American prices in December 1934 was 67 per cent, while the dollar exchange was 60 per cent of its old gold parity. The price relationships, that is, corresponded (on the assumptions previously stated) to an exchange rate of about 17 francs to the dollar, while the actual exchange rate was about 15 francs to the dollar.

Diagram XXXII below shows the changes in the relationship between prices and exchange rates in Sweden and the United Kingdom and in Japan and the United Kingdom since September 1931 on the basis of September 1931 = 100 for prices and parity = 100 for exchange rates [2].

Diagram XXXII.

WHOLESALE PRICES AND EXCHANGE RATES.
(September 1931 = 100.)

A Wholesale prices in U.K. as % of Sweden.
B Sterling value of crown.
C Wholesale prices in United Kingdom as % of Japan.
D Sterling value of yen.



Taking the price relationships prevailing in September 1931 as 100, the wholesale price indices of both Sweden and Japan have, since the beginning of 1932, consistently been lower in relation to the British index than would be expected on the basis of the exchange rates. The discrepancy is very much less for Sweden, whose currency fluctuated closely with the pound, than for Japan. The Swedish experience resembles in certain respects that of the United States. As a result partly of the low valuation of the crown and the revival in foreign

[1] It may be noted, however, that the gold value of the pound again fell sharply in February-March 1935. See the final section of this Introduction.

[2] It should be observed that in this diagram the values of the Swedish and Japanese currencies are shown as percentages of their sterling parities and the price curves show the changes in the ratio of British to Swedish and British to Japanese prices ; whereas in Diagram XXXI British prices were taken as base. The two diagrams are, moreover, drawn on different scales.

demand for timber and wood-pulp which accompanied the expansion of building activity in the United Kingdom and elsewhere, the value of Swedish exports rose by 130 million crowns in 1933 and 215 millions in 1934. Invisible exports also increased in value and, during 1933 and 1934, the gold and foreign assets reserves of the Riksbank increased by 396 and 88 million kronor respectively[1]. But, as in the case of the United States, this increase in the central bank's gold and foreign assets reserves resulted in a reduction of commercial bank borrowing with it and in the accumulation of large excess cash reserves by the latter institutions. Consequently, the inflow of *Devisen* had only a very limited effect upon the general scale of values in the country.

Comparisons between prices and exchange rates such as those made in the preceding paragraphs may in certain circumstances be highly misleading, and it is necessary to state explicitly the qualifications to which they are subject. These are three in number : (1) the implied assumption that a true price and exchange equilibrium existed in the period taken as base is not necessarily accurate; (2) the price indices used are constructed in different ways and are not necessarily equally representative of the general movement of the purchasing power of money in the countries concerned ; and (3) during the period studied, the underlying economic conditions may have changed in such a way as to alter the true or " equilibrium " parities.

The first two qualifications are principally of a statistical nature, and it is possible to circumvent to some degree the difficulties which they raise by making comparisons between more than one pair of price series and using more than one period as base[2]. But the third qualification to which these price and exchange comparisons are subject is of an economic nature and is perhaps more serious than the others. The theory upon which the comparisons are based states or assumes that equilibrium of the exchanges requires that, over any given period of time, the relative variations in the internal purchasing power of the money of any two countries shall be the inverse of the relative variations of their exchange rates. But during a short period such as is being considered here, it is quite possible that basic economic conditions might change in a way which would alter the " equilibrium " exchange rates without at the same time altering relative price levels. This may be illustrated by two hypothetical examples. If a country exporting capital on a large scale in the " base " period ceases to do so, and if prices and exchange rates ruling in the base period were in " equilibrium ", then clearly the cessation of capital exports enables the country to support a higher exchange rate and/or a higher price level. The failure to export capital may not, during a short period, result in an increase in home investment and rise in the domestic price level. Therefore price and exchange comparisons which leave out of account the influence of this factor will suggest that the country's " equilibrium " exchange position is lower than is really the case. An exchange rate based on such comparisons will tend to lead to the accumulation of a current surplus in international transactions which is not invested abroad, and may therefore, from the international aspect, become a disturbing element. Or if, for example, a country at some time after the base period institutes a tariff, the effect on the exchange market is likely to be proportionately greater than the effect on the domestic price level, which will work itself out only slowly and imperfectly. In this case, too, price - exchange-rate comparisons will understate the true " equilibrium " exchange position.

In view of the foregoing, a very high degree of accuracy is not to be attached to calculations of equilibrium exchange rates based upon price indices. Exchange is required for other purposes than to buy goods at wholesale ; the whole of the changing structure of international payments must be taken into account ; and, when this is done, it becomes apparent that the equilibrium exchange rate is not static but shifting. But prices are none the less the chief measurable element in the whole complex of phenomena which must be taken into account and, though they are not of sole importance, they are of major importance. In particular, any evidence revealed by price comparisons of a tendency towards or away from the theoretical " purchasing power parities " may be regarded as significant.

Table XVII following shows, for a large number of countries, the cost of the French franc and the cost of sterling as a percentage of their " purchasing power parity " cost at the end of each year since 1931 on the basis 1929=100[3]. Where the figures are less than 100, it means that the cost of the franc and/or sterling is less than it should be on the basis of price relationships (assuming these to be in equilibrium in 1929) — in other words, that the

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[1] A small part of this increase, particularly in 1933, is due to the transfer of foreign *Devisen* previously held by the commercial banks to the Riksbank. On the other hand, in 1934, the foreign assets of the commercial banks rose by 118 million kronor.

[2] Comparisons made (and not reproduced here for reasons of space) between the official British and American wholesale price indices on the base 1928 = 100, and between the official British index and an identical index computed by Sir Alfred Flux for the United States on the base 1926 = 100 give results not much different from those illustrated in Diagram XXXI.

[3] These figures are calculated in the following way : The relationship between the general level of wholesale prices in each country and in (*a*) France and (*b*) the United Kingdom in 1929 is taken as 100. The relationship in each subsequent period (on the basis 1929 = 100) is taken as the purchasing-power-parity exchange rate, and the actual exchange rate prevailing in that period is then expressed as a percentage of the purchasing-power-parity rate.

currency of the country shown at the left is over-valued in relation to the franc and/or sterling. Where the figure is higher than 100, it signifies that the currency in question is under-valued.

Table XVII.

COST OF FRENCH FRANC AND STERLING AS PERCENTAGE OF PURCHASING-POWER-PARITY COST.

(1929 = 100.)

End of Year:	Cost of franc				Cost of sterling			
	1931	1932	1933	1934	1931	1932	1933	1934
Germany	93.3	97.9	92.5	74.5	71.1	74.1	72.3	62.6
Hungary	86.1	98.5	111.8	80.6	65.7	74.5	87.2	67.8
Austria	97.4	93.0	98.4	83.1	74.3	71.1	76.8	69.9
Czechoslovakia	92.0	91.1	91.6	86.6	70.2	68.9	71.5	72.8
Switzerland	96.5	101.4	100.4	87.0	73.6	76.7	78.5	73.3
Italy	107.1	109.2	112.6	98.0	81.8	82.6	88.0	82.5
Poland	96.5	106.2	108.5	98.7	73.7	80.4	84.8	83.0
Union of South Africa	84.8	88.9	106.8	99.2	67.0	67.3	82.8	83.0
France	—	—	—	—	76.3	75.6	78.1	84.2
Netherlands	117.6	123.0	119.6	101.1	89.8	93.2	93.5	85.1
Belgium	105.0	108.2	115.2	102.9	80.1	81.9	90.0	86.8
Portugal	113.2	113.0	109.0	103.3	86.4	85.5	85.2	87.0
Bulgaria	106.4	123.3	129.7	104.4	81.1	93.2	101.3	88.0
Albania	78.0	96.3	119.6	107.4	60.1	72.9	93.5	90.6
Peru	77.8	114.9	127.7	110.1	59.3	86.8	99.6	92.6
United States	97.9	100.3	136.3	114.3	74.8	75.9	106.6	96.2
Yugoslavia	105.5	134.0	133.4	115.3	80.4	101.3	104.1	97.2
Finland	111.6	126.9	123.9	115.9	85.2	96.1	96.7	97.5
Greece	90.1	144.2	137.0	116.0	68.8	109.1	107.0	97.7
Sweden	127.3	127.9	130.9	118.2	97.3	96.7	102.3	99.4
Norway	124.8	126.6	129.1	118.6	95.3	95.9	100.8	100.0
United Kingdom	130.9	132.2	128.0	118.7	—	—	—	—
China	111.8	135.6	134.5	119.0	82.2	102.7	105.1	100.2
Canada	115.7	113.7	139.6	122.4	88.2	86.0	109.1	103.1
Denmark	128.0	130.9	138.2	124.5	97.7	99.1	108.0	104.8
New Zealand	123.4	125.2	136.1	126.6	94.2	94.6	106.0	105.7
Estonia	96.9	95.2	126.7	127.4	74.0	72.0	98.8	107.2
Spain	161.8	161.0	158.4	137.6[a]	123.5	121.8	123.7	117.5[a]
Australia	161.7	161.7	152.1	141.6	123.3	122.2	118.4	118.4
India	146.0	155.4	152.8	145.3	111.5	117.7	119.3	122.3
Chile	156.3	188.3	188.0	150.2	119.3	142.5	147.0	126.6
Argentine	158.6	122.4	132.8	152.9	121.2	92.7	103.9	128.8
Japan	117.6	188.7	206.0	193.9	89.8	142.7	160.8	163.4

[a] August.

On the basis of the price relationships prevailing in 1929, the Reichsmark is the currency which appears to have been most "over-valued" in relation to the French franc in December 1934. It will be observed that the "over-valuation" increased fairly continuously in 1933, but was particularly marked in 1934, when prices rose by 4 per cent in Germany and fell by 15 per cent in France. The official rate of the Reichsmark has been used in computing the figures shown in these tables; as stated in the previous section, the currency is depreciated for certain purposes. The same is true of Hungary, where the price index is moreover very volatile.

In Austria, prices were stable in 1934 while they fell in France; consequently, the Schilling, which had previously fluctuated close to its "theoretical" level, appears over-valued in relation to the franc in December 1934. The fall in the French index in 1934 was greater even than that of Czechoslovakia (in terms of gold), where the gold content of the currency was reduced by $16\frac{2}{3}$ per cent. Of the more important paper currencies, the American dollar was closest to its theoretical relationship with the franc at the end of 1934; the reduction in the apparent over-valuation of the franc in relation to the dollar in that year is very striking. There was a similar reduction in the under-valuation of most other currencies in relation to the franc in 1934. In December 1934, the franc was — on the basis of a presumed equilibrium in 1929 and subject to all the qualifications stated — 10 to 25 per cent over-valued in relation to the great majority of paper currencies; in December 1933, it had been 25 to 40 per cent over-valued in relation to this group. The yen was the most seriously under-valued currency, but prices in Chile [1], India, the Argentine [1], Australia and Spain had also failed to adapt themselves to the heavy fall in the external value of the currencies. It is significant that these

[1] On the basis of free rates.

countries are all exporters of raw materials and/or foodstuffs, whose terms of trade have been particularly adversely changed by the effect of the depression on the general price structure. Some apparent currency "under-valuation" would therefore in any case be expected. The real economic over-valuation of the European agricultural countries with exchange control is similarly probably greater than the figures in the table indicate.

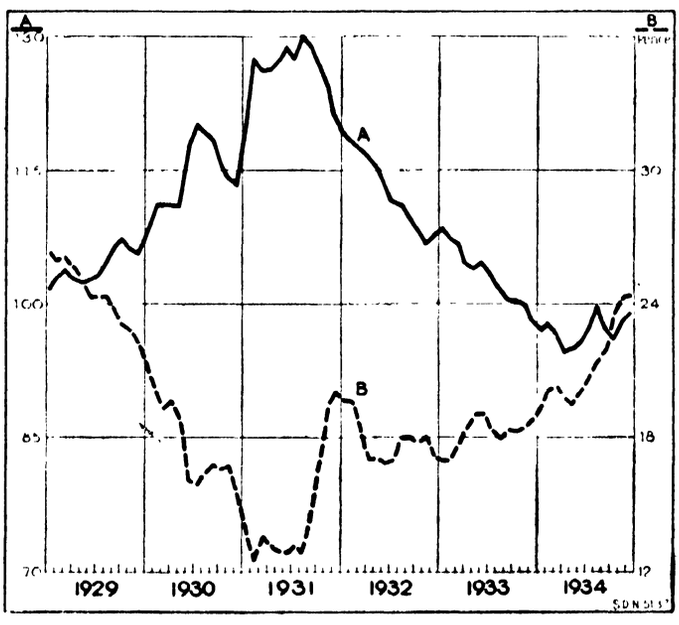
In December 1934, the currencies of all the gold *bloc* and exchange control countries appear to be over-valued in relation to sterling, while many currencies of the sterling *bloc* appear to be under-valued. Germany and Japan again constitute the extremes. The range of discrepancies is considerably narrower with regard to sterling than with regard to the franc. During 1934, many of the paper currencies moved closer to their purchasing-power parities with sterling, while — with the exception of France, where the deflation was very marked in 1934 — most of the gold and "controlled" currencies would appear to have moved further away from their "equilibrium" level.

Special reference should be made to the situation in China, where the connection between price and exchange movements was closer than in any other country during the past few years. Diagram XXXIII below shows the monthly fluctuations in the general level of wholesale prices in Shanghai (1926 = 100) and the price of silver in London from 1929 to 1934.

Diagram XXXIII.

WHOLESALE PRICES IN SHANGHAI (1926 = 100) AND SILVER PRICES IN LONDON.

A Shanghai prices. B Silver.



The sharp fall in silver prices in 1929 and 1930 was accompanied by a rise in wholesale prices in Shanghai, and it would appear that the depreciation of the Chinese exchange (the counterpart of the fall in the price of silver) acted as an effective buffer between prices in the rest of the world and in China. Prices in Shanghai reached their peak in September 1931. The sharp rise in the sterling price of silver which took place when the United Kingdom abandoned the gold standard in that month was immediately followed by a very drastic decline in prices in China which persisted throughout 1932 in spite of a weaker tendency in the price of silver. In the first six months of 1933, the price of silver rose sharply and the violent deflation in China continued. During the latter part of the year, and more particularly after the signing of the International Silver Agreement of July 22nd, 1933, entered into by the Governments of Australia, Canada, China, the United States, India, Mexico, Peru and Spain "with a view to mitigating fluctuations in the price of silver", world silver prices moved within a relatively narrow range. At the end of the year, however, prices stiffened as a result of the authorisation given the American Government by Congress to buy 24 million ounces of domestic silver (an amount approximately equal to American production during 1933) at 64½ cents an ounce. During 1934, the world silver market (and consequently the Chinese exchange situation) was very largely dominated by American legislation and legislative proposals. In the middle of February, the Secretary of the Treasury announced that the Government would take action within a month "aimed at the rehabilitation of silver". Silver prices strengthened, but they weakened again a month later, when it was announced that the Administration was opposed to further action for the time being. On the other hand, the passage of the Dies Bill (providing for the acceptance of silver by the United States at 25 per cent higher than world prices in payment of American exports of agricultural products) had a stimulating effect. The most important measure was, however, the Silver Purchase Act of 1934, proposed by the Administration on May 22nd and approved by the President on June 19th, 1934. This Act gave the Administration authority to purchase silver for monetary purposes until it constituted 25 per cent of American monetary stocks [1].

It is not known to what extent the American Government bought silver in world markets by

[1] At the end of 1934, the gold stocks of the United States were valued at $8,239 million, which would require the Government to hold $2,746 million of silver. Valued at coinage price of $1.29 per ounce, this represents 2,129 million ounces of silver. It is estimated that, at the end of 1934, the United States Treasury held 1,003 million ounces of silver, of which 312 million ounces were acquired subsequent to the enactment of the Silver Purchase Act-111 million ounces under the Nationalisation Order of August 19th, 21 million ounces under the Act of December 1933 authorising the purchase of domestically mined silver at 64½ cents per ounce, and 180 million ounces from abroad. This would leave 1,126 million ounces of silver, or more than six times the estimated world production of 1934, still to be acquired to establish the 1 : 3 ratio with gold.

virtue of this permissive legislation [1], but exports of silver from the United Kingdom to the United States amounted to nearly 87 million ounces in 1934, compared with 23 million ounces in 1933. The price of silver in London rose steadily after August, when the United States Treasury is understood to have begun its heavy purchases. Between August 13th and October 15th, the London price increased from 21 $\frac{9}{16}$ d. to 24 $\frac{7}{8}$ d. per ounce. At the latter level, the price of silver (and, in consequence, the rate of exchange between China and London) was twice as high as in 1931. During these months, wholesale prices in Shanghai, which had been rising since April 1934, again fell sharply. Throughout the summer of 1934, the price of bar silver in London commanded a premium over the sterling parity of the silver equivalent of the Shanghai tael, with the consequence that it was profitable to ship silver from China to London; in the course of 1934, visible stocks in Shanghai were reduced from 439 to 262 million ounces. In October 1934, the Chinese Government imposed an export duty of 10 per cent (less 2½ per cent minting charges paid) on silver dollars and mint bars and 10 per cent (instead of 2½ per cent) on other forms of silver and, in addition, imposed an equalisation charge " equal to the deficiency, if any, between the theoretical parity of London silver and a rate of exchange officially fixed by the Central Bank of China, after making allowance for the export duty ". In the last months of 1934, wholesale prices in Shanghai — now divorced from the price of silver — went up slightly, while the price of silver in London continued to rise.

XII. Gold.

Table XVIII below shows, in millions of dollars of old gold content [2], the annual gold production of the world and the most important producing areas since 1929 :

Table XVIII. — GOLD PRODUCTION, 1929-1934.
(In millions of dollars of old gold content.)

	1929	1930	1931	1932	1933	1934 (estimated)
South Africa	215.2	221.5	224.9	238.9	227.7	216.6
Canada	39.9	43.5	55.7	62.9	61.0	61.4
Australia	8.8	9.6	12.3	14.8	17.2	18.2
Southern Rhodesia	11.6	11.3	11.0	11.9	13.3	14.3
British India	7.5	6.8	6.8	6.8	6.9	6.6
Rest of British Empire	8.6	9.3	10.4	12.9	15.7	16.4
Total British Empire	291.6	302.0	321.1	348.2	341.8	333.5
U.S.A.	42.6	44.2	46.0	48.2	47.6	56.5
South America	11.8	12.2	12.6	14.7	18.8	23.6
Mexico	13.5	13.8	12.9	12.1	13.2	13.7
Japan	6.9	8.0	8.3	8.3	9.1	10.1
Rest of World (excl. U.S.S.R. and China)	18.6	20.5	25.1	31.5	39.4	44.4
World (not incl. U.S.S.R. and China)	385.0	400.7	426.0	463.0	469.9	481.8
U.S.S.R. [a]	17-22	22-29	21-35	25-39	51-59	73-83
China [a]	2	3	3	...	...	...

Source : *Statistical Year-Book of the League of Nations.*

[a] Approximate figures.

The world totals are shown excluding the production in the U.S.S.R. and China, for which countries only approximate data are available. [3]

The large [4] increase in the known gold output in 1930 (4.1 per cent) and 1931 (6.0 per cent) is chiefly to be ascribed to the fall in prices, which, by reducing costs of operation while the price of gold remained fixed, stimulated production. The even greater

[1] It was disclosed in the message to Congress accompanying the Silver Purchase Act that the Exchange Stabilisation Fund had already been used to buy silver in London. See als footnote [1] on the preceding page.

[2] Unless otherwise explicitly stated, all calculations in this chapter are made in American dollars of old gold content ($1 = 1.50463 grammes of fine gold).

[3] In view of rather wide discrepancies between the scattered data (mainly relative figures) available with reference to gold production in the U.S.S.R. — none of which has been explicitly confirmed in official sources — it is not possible to construct an accurate series of that country's production during the whole of the period considered. The double figures given indicate the range of the estimates that may be made on the basis of the information available.

[4] The average annual rate of increase of gold production from 1925 to 1929 was less than 1 per cent.

increase which took place in 1932 (8.7 per cent) and the further increases in world production in 1933 and 1934 are partly to be attributed to the depreciation of the currencies of most producing countries. The sharp rise in the price of gold in terms of national currencies was not accompanied by a corresponding increase in costs [1], and in consequence it became profitable to exploit ores of lower gold content and to work existing mines more intensively.

Between 1929 and 1932, the British Empire increased its gold output at about the same pace as the rest of the world (accounting for slightly more than 75 per cent of total world production, excluding the U.S.S.R. and China, in both years), but, in 1933 and 1934, the gold output of the British Empire fell slightly, while in the rest of the world it continued to increase at an accelerated rate. The fall in production was especially marked in South Africa [2], the world's principal producer. In 1933 and 1934, the gold output of the U.S.S.R. appears to have risen rapidly ; according to the estimates reproduced above, that country became the second most important producer of gold in 1934 — a position which Canada had taken from the United States in 1931.

The whole output of the mines has not always been added to central monetary reserves since 1929 ; it will be shown below that very large amounts of gold were hoarded in Western countries. On the other hand, the supplies currently becoming available have been increased by the release of gold from private hoards in the East, beginning in 1931, and later from private hoards in the West. India is the most important source of these additional supplies and the amounts dishoarded from that country since 1931 are estimated in the following table [3]:

(Millions of dollars of old gold content)	Net exports (1)	Gold production in India (2)	Increase in Government reserves (3)	Decrease in private holdings in India (1 + 3 - 2) (4)
1931	95.7	6.8	33.5	122.4
1932	195.7	6.8	0.1	189.0
1933	126.1	6.9	—	119.2
1934	135.7	6.6	0.1	129.2
Total, 1931-1934	553.2	27.1	33.7	559.8

The amounts dishoarded between 1931 and 1934 exceed $550 million, or over one year's normal gold production. The release from private hoards was particularly marked in the last quarter of 1931, when the premium on gold first appeared. It was also very large in 1932 and, though it showed some tendency to contract with the improvement in economic conditions in 1933, the amounts moving from private hoards in India into monetary stocks or private hoards in the West remained large in that year and 1934.

Important releases from private gold stocks in China and the Straits Settlements also occurred. Net recorded [4] exports of gold bullion and specie from China in the five years ended December 1934 amounted to $70 million and, as the domestic output — shown in Table XVIII — is relatively unimportant, it is clear that the bulk of this gold was formerly held on private account. In the years 1929-1933, the Straits Settlements would appear to have exported some $40 million of dishoarded gold.

Large quantities of sovereigns and other domestic and foreign gold pieces appeared on the London market after the depreciation of the pound. Moreover, old gold in the form of plate was melted down and sold as bullion in substantial but unknown quantities in the United Kingdom and — after the fixing of the gold price in January 1934 — in the United States.

In the United States, gold was hoarded in large quantities during the banking crisis of 1933. Under the Emergency Banking Act of March 9th the Secretary of the Treasury was authorised to require all persons to deliver to him all gold coin, gold bullion and gold certificates owned by them in exchange for an equivalent amount of legal tender money. The Federal Reserve banks were requested to prepare lists of gold hoarders who had not delivered up gold or gold certificates by a given date, which was later several times extended. On April 5th, 1933, an executive order was issued prohibiting the holding of gold coin, gold bullion and gold certificates in excess of $100 and, on December 28th, the $100 exemption was revoked. It is not known how much gold was dishoarded as a result of this legislation [5] ; the effort to secure the return of all gold to central reserves revealed that

[1] See Section IX above for movements of the general level of wholesale prices and cost of living in South Africa, Canada, etc.

[2] The South-African mining companies have concentrated upon low-grade ores, whose profitable exploitation is dependent upon the depreciation of the currency, reserving the higher-grade ores for later exploitation. It should also be mentioned that, in 1933, a tax was imposed upon the profits of gold-mining resulting from the depreciation of the currency. In Canada, no tax was imposed until June 1934, when it was limited to 25 per cent of the premium value of domestically mined gold sold to the Mint and confined to mines which distributed dividends.

[3] Data of the *Federal Reserve Bulletin*.

[4] In addition to recorded exports, large amounts of gold have been smuggled out of China in recent years. Thus, the Bank of China, in its Annual Report for 1933 (page 20), estimates that, in addition to the gold exports of $15 million eported to the Customs in that year, gold to the amount of $25 million was smuggled out of the country.

[5] As the gold held as 100 per cent cover for gold certificates in circulation has been included in central gold reserves in the present chapter throughout the whole period under review, the return of gold certificates from circulation is not here regarded as dishoarding.

the greater part of the gold coin previously regarded as being in circulation had in fact passed out of monetary use. The recorded circulation of gold coin fell from $571 million at the end of February 1933 to $311 million at the end of 1933 [1], when the recorded volume of gold coin in circulation was $85 million less than at the end of 1928.

In the six-year period ended December 1934, aggregate world production of gold, excluding the U.S.S.R. — as shown in Table XVIII — slightly exceeded $2,600 million. The net increase in aggregate world monetary stocks of gold, excluding the U.S.S.R. [2], during this period was — as shown in Table XIX on page LXXIX — slightly less than $2,600 million. In other words, practically the whole of new production of gold went into central monetary reserves, while the "additional" supplies coming forward went into private hoards, industry, or Exchange Funds. From indications given above regarding the releases from India and China, the melting-down of old coin and plate, etc., it would appear that the value of these "additional" supplies was between $850 and $1,000 million. It is not known how much gold, if any, was held by the British Exchange Equalisation Account, the American Exchange Stabilisation Fund, the Argentine Exchange Fund, etc., at the end of 1934 and excluded from the published central gold reserves of those countries, nor how much was absorbed by the arts during this six-year period, but there is little reason to doubt that the great bulk of "additional" supplies went into private hoards in Western countries.

The net annual changes since 1931 in the quantity of gold held in Western countries outside central monetary reserves are estimated below. Figures relating to the U.S.S.R. are, for the reasons given [2], excluded throughout :

(Millions of dollars of old gold content)	Production (1)	Net recorded releases from China, India and Straits Settlements (2)	Net amount available (1) + (2) (3)	Changes in central monetary gold reserves (4)	Difference between (3) and (4) (5)
1931	426	142	668	+ 252	−416
1932	463	220	689	+ 575	−114
1933	470	242	712	— 30	−742
1934	482	139[a]	621	+ 909	+288
1931-1934	1,841	749	2,690	+1,706	−984

[a] China and India only.

During these four years, the visible supplies of gold coming forward were nearly $1,000 million greater than the net visible additions to central monetary reserves. Gold hoarding [3] began in the latter half of 1931, when an absolute decline of $72 million occurred in the central monetary gold reserves of the world. Hoarding appears to have declined somewhat in importance in 1932, but again became intense in 1933, with the American banking crisis and fresh monetary uncertainties. During 1934 there was a net dishoarding of gold in the West : central monetary gold reserves increased by almost $300 million more than current production *plus* Eastern releases. Part of this difference was due to the transfer to central monetary reserves of gold previously held in Exchange Funds [4], but it would seem that the relative stability of currencies to which reference was made in an earlier section was to some extent responsible for private dishoarding.

A very large part of the privately owned gold in the West is held on deposit in London. The Bank for International Settlements estimated [5] that, at the beginning of 1934, about a third of the 7,000 million Swiss francs ($1,350 million) at which it placed private holdings were held in England by non-residents. A more recent estimate [6] places

[1] The official statement of the amount of gold coin in circulation at the end of 1933 was subsequently revised to $24 million ; and no gold coin is shown in circulation since the beginning of 1934.

[2] The U.S.S.R. is excluded from these calculations, partly on account of the uncertainty attaching to the available estimates of the gold production during this period and partly because the figures for its gold reserves at the end of 1934 are not available. Moreover, it is not possible to ascertain from the information available to what extent the inclusion of the reserve figures for that country would involve a double counting of important amounts of gold which have been exported in the course of the period and have become incorporated in the reserves of other countries while still being included in the Russian reserve figures.

[3] Column (5) of the above table cannot be taken as an accurate measure of gold hoarding, as the figures are affected by changes in the undisclosed gold reserves of certain central banks and in the gold holdings of the Exchange Accounts ; they take no account, moreover, of the small amounts absorbed by the arts. But there is no reason to doubt that the figures given in column (5) do reflect principally the additions to (shown as —) and withdrawals from (shown as +) private hoards in Western countries.

[4] The transfer may of course be made either to domestic or foreign central reserves. Thus, the fact that the British Exchange Equalisation Fund supported sterling during 1934 and presumably parted with some gold in doing so would, in the absence of fresh hoarding, have the effect of increasing the central monetary reserves of foreign countries.

[5] Report of the Bank for International Settlements for 1933, page 26.

[6] *Annual Bullion Letter*, 1934, of Samuel, Montagu & Co.

total London holdings outside the Bank of England at £(paper) 300 million (nearly $900 million gold) at the end of 1934.

Table XIX below gives, in millions of dollars of old gold content, details regarding the central monetary gold reserves of the world at the end of each year from 1928 to 1934. The countries are divided into eight different groups, and totals for each group, as well as for the individual countries holding the largest gold reserves, are shown [1].

Table XIX. — Central Monetary Gold Reserves, 1928-1934.

(In millions of old U.S. gold dollars.)

	XII. 1928	XII. 1929	XII. 1930	VI. 1931	XII. 1931	XII. 1932	XII. 1933	XII. 1934
1. *Gold bloc*	2,069	2,513	3 013	3,182	4,279	4,939	4,648	4,705
France	1,247	1,631	2,099	2,211	2,683	3,257	3 015	3,218
Switzerland	103	115	138	162	453	477	386	368
Belgium	126	163	191	200	354	361	380	348
Netherlands	175	180	171	200	357	415	371	338
Italy	266	273	279	283	296	307	373	306
Poland	70	79	63	64	67	56	53	56
Other [a]	82	72	72	62	69	66	70	71
2. *U.S.A. and Philippines*	3,719	3,903	4,228	4,596	4,054	4 046	4,013	4,866
3. *European countries whose currency situation is characterised chiefly by exchange control*	817	714	709	516	428	393	297	242
Germany	666	560	544	354	251	209	109	36
Other [b]	151	154	165	162	177	184	188	206
4. *British Empire and sterling bloc*	1,437	1,344	1,380	1,438	1,223	1,216	1,584	1,610
United Kingdom [c]	746	711	722	800	590	587	933	938
British Dominions and Colonies [d]	506	444	469	449	430	402	398	419
Egypt and Siam	18	19	20	21	44	61	33	32
European countries with currencies linked to sterling [e]	167	170	169	168	159	166	220	221
5. *European countries with fluctuating currencies not included in 4* [f]	525	527	508	504	472	465	487	488
6. *Latin America*	789	715	555	470	370	363	360	376
Argentine	473	405	411	349	252	248	238	238
Brazil	149	150	11	—	—	—	—	4
Other [g]	167	160	133	121	118	115	122	134
7. *Japan*	541	512	412	424	231	212	212	232
World Total, excluding U.S.S.R.	9,927	10,258	10,805	11,130	11,060	11,634	11,601	12,519
8. *U.S.S.R.*	92	147	249	261	328	...	416	...

[a] Danzig, Lithuania, Albania, Algeria, Morocco, Belgian Congo, Netherlands Indies.
[b] Czechoslovakia, Roumania, Hungary, Bulgaria, Latvia, Turkey and Yugoslavia.
[c] Including Irish Free State.
[d] India, Canada, South Africa, New Zealand, Australia, Straits Settlements.
[e] Sweden, Norway, Denmark, Portugal, Finland, Estonia.
[f] Spain, Austria, Greece.
[g] Uruguay, Venezuela, Mexico, Colombia, Chile, Peru, Bolivia, Ecuador and other countries.

The broad changes in the distribution of monetary gold reserves among the central banks of the world fall conveniently into three periods — the first running from the end of 1928 to the middle of 1931, the second from the middle of 1931 to the end of 1932 and the third from the latter date to the end of 1934. The first period was characterised, on balance, chiefly by large and continuous additions to the gold reserves of the United States, France and most of the other Continental European States which still remained on an unrestricted gold standard at the end of 1934; by very heavy gold losses by Latin America, Japan and Germany; and by relative stability in the gold reserves of the British Empire and sterling *bloc* with some tendency for those of the United Kingdom to increase after 1929. During the second period, all groups lost very large amounts of gold, on balance, to France and the other members of the gold *bloc*. The third period was characterised chiefly by a considerable increase in the monetary gold reserves of the United Kingdom and the European countries whose currencies were linked to sterling; by a very slight net decline in the reserves of the gold *bloc*; by a large increase in the American gold reserves; by a renewed decline in German reserves; and by very slight net increases in the reserves of other groups of countries.

[1] For a more detailed statement of central monetary gold reserves, see *Statistical Year-Book, 1933-34*, and *Monthly Bulletin of Statistics*, No. 1, 1935.

Two principal[1] factors were operative in the first period in bringing about the changes observed in the distribution of gold stocks : the collapse of raw-material prices and the conversion of foreign assets into gold by the central banks of certain countries. The transfer of Reparations and War Debts was also a factor of appreciable importance.

The impact of falling prices in 1930 and 1931 was most severely felt by the States whose exports consist chiefly of raw materials. The gap in their balance of international payments resulting from the deterioration in their terms of trade with the highly industrialised States (and also, in many cases, from the cessation of capital imports) was bridged by the export of gold.

The counterpart of this loss of gold by the raw-material-producing countries was an increase in the monetary gold reserves of most highly industrialised States, and particularly the United States of America and the countries of the gold *bloc*. The accretions to the American gold reserves ($845 million up to the end of June 1931) took place chiefly at the expense of Canada, Japan and the Latin-American countries ; but this increase was less than that of the gold *bloc*. The absolute increase was most striking for France, which added nearly $1,000 million, or the whole new gold production of the world, to her reserves during this period. To the extent of about a third, the increase represented the conversion of foreign assets into gold by the Banque de France. The central banks of the other countries of the gold *bloc* also converted appreciable amounts of foreign assets into gold.

In the latter half of 1931 and first half of 1932, gold movements took place on a scale unparalleled in monetary history. The withdrawal of short-term funds from Vienna, after the Creditanstalt difficulties became known, was followed by runs on Germany, the United Kingdom and the United States. In the latter half of 1931 and first half of 1932, the last-mentioned country lost $1,000 million of gold. The only countries which increased their gold reserves during this troubled period were those of the gold *bloc*. In 1932, the central banks of these countries converted the bulk of their remaining foreign assets into gold.

During 1933, not only did none of the new gold produced nor any of the gold coming forward from private holdings in the East find its way into central monetary gold reserves, but there was also a net reduction in such reserves, owing to the hoarding o which reference was made above. For the first time since 1928, the gold *bloc* lost gold on balance, Belgium and Italy being the only countries of this group with important reserves to show a net increase. In the case of Italy, the increase was partly due to the conversion of foreign assets. The British Empire and sterling *bloc* increased their gold reserves by $368 million ; the increase was particularly striking for the United Kingdom and Sweden. The German gold reserves fell and those of most other countries showed little net change.

The outstanding development in 1934 was the large increase ($854 million) in the monetary gold reserves of the United States which took place after the provisional stabilisation of the dollar at only 59.06 per cent of its previous gold value. Part of this increase represents the return of gold coin and bullion previously hoarded in the United States, but the bulk of it was imported from abroad. The central banks of the rest of the world, however, suffered no corresponding depletion of gold reserves ; indeed, the only group shown in Table XIX whose gold reserves did not increase in 1934 is the exchange-control group, and the decline there is entirely confined to Germany. Within the gold *bloc*, there was a fairly marked shift of reserves from the smaller countries to France, who increased her reserves, however, by more than the amount so shifted. The Reserve Bank of South Africa increased its gold reserves by $25 million and, in consequence, the aggregate gold reserves of the British Dominions and Colonies show an increase in 1934 for the first time since 1928.

The net changes in the distribution of the central monetary gold reserves of the world (excluding the U.S.S.R.) between the end of 1928 and the end of 1934 are summarised in Table XX on the following page, which shows (1) the percentage distribution of reserves among the different groups of countries distinguished in Table XIX at the end of 1928, (2) the net changes, in millions of dollars of old gold content and in per cent, in the reserves of these groups between the end of 1928 and the and of 1934, and (3) the percentage distribution of reserves at the end of 1934.

The most striking change in the distribution of monetary gold reserves is, of course, the tremendous increase in the holdings of the countries of the gold *bloc*, who more than doubled their reserves in the six years under review and held almost 40 per cent of the world's monetary gold at the end of 1934, as compared with 20 per cent at the end of 1928. The United States, too, added large quantities of gold to monetary reserves, but, as these were already extremely high in 1928, this country's percentage share in the total was only slightly increased. The British Empire and sterling *bloc* also added to their gold holdings, but not at the same rate as world monetary reserves were increased, so that

[1] During 1929, the attraction of short-term funds to the United States on account of the stock-exchange boom and the high rates available in the call-money market resulted in important reductions in the gold reserves of the United Kingdom and Germany. There was, however, an outflow of gold from the United States after the break of the stock market and fall in the call rate in October. The net gold movements during the year which can be imputed to this factor are (except possibly in the case of Germany) therefore inconsiderable.

Table XX. — DISTRIBUTION OF CENTRAL MONETARY GOLD RESERVES, 1928-1934.

Countries [a]	Percentage distribution, end of 1928	Net change, end of 1928 to end of 1934		Percentage distribution, end of 1934
		$ (000,000's)	Per cent	
1. Gold *bloc*	20.8	+ 2,637	+ 127	37.6
2. U.S.A. and Philippines	37.8	+ 1,118	+ 30	38.9
3. European countries with exchange control	8.2	— 576	— 70	1.9
4. British Empire and sterling *bloc*	14.5	+ 175	+ 12	12.9
5. European countries with fluctuating exchanges not included in 3	5.3	— 37	— 7	3.9
6. Latin America	7.9	— 422	— 53	2.9
7. Japan	5.5	— 309	— 57	1.9
World (excluding U.S.S R.)	100.0	+ 2,586	+ 26	100.0

[a] For details regarding the countries included in the various groups, see footnotes to Table XIX above.

the share in the total fell from 14½ to slightly under 13 per cent. The gold *bloc*, the United States and the sterling *bloc* together held 90 per cent of the world's monetary gold in 1934, compared with 73 per cent in 1928. The net loss of gold reserves exceeded 50 per cent for Japan and South America. The heavy losses of the exchange control group are mainly due to Germany, whose gold reserves had been practically depleted by the end of 1934 ; the central banks of most other countries in this group (particularly Hungary, Czechoslovakia, Roumania and Bulgaria) and also the National Bank of Austria (which is included in the fifth group of the above table) suffered, however, very heavy losses of foreign assets.

Account is taken of changes in the central banks' holdings of foreign assets as well as changes in their gold reserves in Table XXI following, which shows the percentage ratio which *(a)* gold reserves, *(b)* gold reserves and foreign assets eligible under the banking legislation to serve as cover for central bank note circulation and for sight liabilities and *(c)* gold reserves and total foreign assets (all taken at book value) constituted of the total note circulation and sight liabilities of the central banks, Treasury departments or other note-issuing authorities of forty-three countries at the end of each year since 1929.

The table is self-explanatory and requires little comment. Its most striking features are the very sharp increase in the gold cover ratios [1] of the United States and the gold *bloc* and the decline in gold and foreign assets ratios of Germany, Japan and the South-American countries. The increase in the gold reserve ratio in Czechoslovakia and Austria in 1934 was largely due to the revaluation of the gold stocks to correspond to the reduced gold content of the respective currencies. In Bulgaria, Greece, Latvia and Roumania, the gold ratio was higher in 1934 than 1929, but the gold and foreign assets ratio was lower. The gold ratio of the Bank of England rose from 29 to 34 per cent and both the gold and the gold and foreign assets ratios of the central banks of Sweden, Estonia and Finland were considerably higher at the end of 1934 than at the end of 1929.

In Germany, the gold ratio fell from 37 to less than 3 per cent and the gold and foreign assets ratio from 50 to 4½ per cent. The central banks of most non-European countries were operating with lower gold reserve ratios in 1934 than in 1929 ; in 1933 and/or 1934, the reserve ratios of many of these countries show a tendency to increase.

[1] The ratios shown in Table XXI do not in all cases correspond to the legal cover ratios of the central banks concerned. On account of the differences in legal requirements, the ratios shown give no indication of the amount of " free " gold *(i.e.*, in excess of legal requirements) available in the different countries.

Table XXI. — Gold and Foreign Assets Reserve Ratios.

(Figures relate to aggregate reserves, note circulation and other sight liabilities of Central Banks and State Issue Departments at the end of each year).

(a) Gold reserves
(b) Gold reserves and eligible foreign assets } at book value { as per cent of total note circulation and Central Bank sight liabilities.
(c) Gold reserves and all foreign assets

Country		1929	1930	1931	1932	1933	1934	Observations
Europe :								
Austria	*(a)*	14.6	18.1	14.5	13.2	17.2	21.6	*(c)* Net assets excluding " Kostdevisen " and liabilities in foreign currencies.
	(b)	35.1	34.8	22.3	16.6	17.2	21.6	
	(c)	71.6	85.8	25.1	18.0	20.7	27.8	
Belgium	*(a)*	38.1	36.9	63.0	66.8	67.6	65.9	Including a small proportion of State notes for which no cover in gold or foreign assets is legally required.
	(b)	56.8	63.0	63.0	66.8	67.6	65.9	
	(c)	56.8	63.0	63.0	66.8	67.6	65.9	
Bulgaria	*(a)*	24.0	30.0	35.0	35.9	34.0	36.8	
	(b)	39.8	36.5	38.3	36.1	35.2	35.6	
	(c)	44.0	46.4	41.0	38.8	37.1	39.7	
Czechoslovakia	*(a)*	14.1	18.4	20.5	23.2	23.7	39.5	Including a small proportion of token notes for which no cover in gold or foreign assets is legally required.
	(b)	39.7	47.6	33.7	37.2	36.6	39.5	
	(c)	39.7	47.6	33.7	37.2	36.6	42.9	
Danzig	*(a)*	—	—	40.2	46.9	58.5	55.2	
	(b)	39.7	41.5	87.3	77.6	77.9	61.9	
	(c)	98.5	112.4	87.3	77.7	78.0	62.0	
Denmark	*(a)*	39.6	39.3	35.3	28.8	29.5	25.1	*(b)* Gold and sight balances with the Central Banks of Norway, Sweden and Germany. *(c)* Gold and all foreign assets *less* liabilities in foreign currency.
	(b)	41.5	41.4	35.5	29.2	30.3	26.8	
	(c)	60.3	62.0	39.0	27.7	23.4	12.2	
Estonia	*(a)*	12.8	13.8	13.2	34.3	42.9	48.7	
	(b)	54.1	48.5	43.1	44.3	47.9	56.5	
	(c)	60.5	63.6	45.0	45.7	51.0	62.9	
Finland	*(a)*	19.0	20.4	21.3	24.0	20.4	19.7	*(b)* *(c)* Gold and all foreign assets *less* liabilities in foreign currency.
	(b)	62.0	83.5	55.7	67.0	104.2	107.5	
	(c)	62.0	83.5	55.7	67.0	104.2	107.5	
France	*(a)*	47.4	53.0	60.6	77.7	78.9	80.4	
	(b)							
	(c)	77.0	79.0	79.6	81.8	80.0	81.3	
Germany	*(a)*	36.7	37.6	17.2	18.6	9.4	2.8	Including, in addition to the Reichsbank and the " Privatnoten-banken ", the net circulation of Rentenmark notes for which no cover in gold or foreign assets is legally required.
	(b)	43.5	45.8	20.1	21.1	9.6	2.9	
	(c)	49.9	50.7	15.3	16.1	14.0	4.4	
Greece	*(a)*	9.5	7.8	18.5	(7.4)	(16.7)	(18.4)	Gold reserve in 1932-1934 counted at (1928) stabilisation parity, although not shown separately at that parity in the balance-sheet since 1932.
	(b)	46.3	46.1	40.7	19.6	36.4	40.7	
	(c)	46.4	46.1	40.8	19.6	36.4	40.7	
Hungary	*(a)*	27.2	30.4	18.6	22.4	16.7	16.2	
	(b)	33.7	36.6	21.6	25.5	19.3	20.4	
	(c)	40.5	43.0	22.9	27.0	23.8	...	
Irish Free State	*(a)*	—	—	—	—	—	—	Currency Commission.
	(b)	50.2	54.9	55.2	55.3	56.4	56.8	
	(c)	50.2	54.9	55.2	55.3	56.4	56.8	
Italy	*(a)*	27.5	29.3	34.4	38.2	47.9	40.8	In 1929, including a small proportion of State notes subsequently withdrawn.
	(b)	54.9	53.2	47.6	46.7	49.9	41.3	
	(c)	54.9	53.2	47.6	46.7	49.9	41.3	
Latvia	*(a)*	15.4	14.8	19.5	23.1	25.2	24.1	
	(b)	47.3	37.2	26.8	29.8	27.0	25.7	
	(c)	51.6	39.8	28.5	30.6	27.1	25.9	
Lithuania	*(a)*	18.0	17.9	26.8	32.0	35.0	33.3	
	(b)	58.4	57.2	44.6	42.4	45.4	38.6	
	(c)	58.4	57.2	44.6	42.4	45.4	38.6	
Netherlands	*(a)*	49.9	48.6	73.6	81.5	80.6	79.4	*(c)* Excluding balances abroad, which are only shown separately in the annual reports relating to the end of March each year.
	(b)							
	(c)	74.5	76.7	80.8	87.1	80.7	79.5	
Norway	*(a)*	36.0	38.8	38.5	36.8	36.6	32.7	
	(b)	52.2	57.7	44.1	44.8	38.0	42.6	
	(c)	52.2	57.7	44.1	44.8	38.0	42.6	
Poland	*(a)*	37.4	36.5	41.9	41.1	37.6	41.2	Up to 1931, including token notes, subsequently replaced by subsidiary coins. Since 1933, only gold serves legally as cover.
	(b)	59.8	55.2	48.0	45.0	37.6	43.5	
	(c)	65.5	63.3	56.8	52.2	44.5	43.5	

Table XXI. — Gold and Foreign Assets Reserve Ratios *(continued)*.

Country		1929	1930	1931	1932	1933	1934	Observations
Europe *(continued)*:								
Portugal	*(a)*	8.8	8.9	12.2	21.2	30.5	31.2	*(a)* Including small proportion of subsidiary coin not shown separately from gold in the Banking Department of the Bank of England. *(b) (c)* Foreign assets are not shown separately in the bank return.
	(b)	11.8	12.0	33.6	37.8	33.8	...	
	(c)	26.1	20.0	34.2	39.7	35.1	...	
Roumania	*(a)*	30.1	37.6	35.0	34.1	34.8	34.8	
	(b)	52.2	44.7	36.0	35.8	35.7	35.1	
	(c)	52.4	45.0	36.2	36.1	35.7	35.2	
Spain	*(a)*	36.4	34.2	29.0	30.1	30.2	31.2	
	(b)	37.9	35.4	32.5	34.0	33.9	35.1	
	(c)	37.9	35.4	32.5	34.0	33.9	35.1	
Sweden	*(a)*	29.0	27.2	27.2	25.7	33.1	31.5	
	(b)	60.5	71.2	33.7	52.4	73.0	81.1	
	(c)	60.5	71.2	33.7	52.4	73.0	81.1	
Switzerland	*(a)*	49.6	54.7	92.6	95.5	92.9	94.5	
	(b)							
	(c)	79.0	88.2	96.7	98.9	93.7	94.9	
United Kingdom	*(a)*	27.4	27.1	22.4	23.2	34.7	34.1	
	(b)							
	(c)							
Yugoslavia	*(a)*	14.8	17.8	31.5	32.2	33.5	34.0	
	(b)	25.3	23.7	37.5	36.0	35.6	36.3	
	(c)	34.9	28.7	39.1	36.0	36.6	38.3	
North America:								
Canada	(1)	(80.7)	(119.2)	(89.9)	(95.3)	(84.1)	(80.7)	(1) Ratio of total gold to *net circulation* of Chartered Bank and Dominion notes. (2) Ratio of total gold to *gross issue* of Chartered Bank and Dominion notes, including latter of big denominations serving largely as cash reserves of the Chartered Banks in lieu of the sight balances held by the commercial banks in other countries with their respective central banks.
	(2)	(39.8)	(60.0)	(45.5)	(43.2)	(43.5)	(36.5)	
U.S.A.	*(a)*	64.0	68.2	61.8	57.8	53.2	92.6	*(a)* Ratio of total gold reserves to total of all notes and gold certificates in circulation and sight liabilities of F.R. banks.
	(b)							
	(c)							
Latin America:								
Argentine	*(a)*	81.9	77.0	47.8	43.8	46.4	47.9	*(a)* Ratio of total gold (in *pesos papel* at legal gold rate) with *Caja de Conversión* and *Banco de la Nación* to total note issue. The *Caja de Conversión* has no sight liabilities in addition to notes, nor does it hold foreign assets in addition to gold.
	(b)							
	(c)							
Bolivia	*(a)*	22.4	9.3	46.5	33.8	7.3	...	Up to 1931 inclusive, three banks of issue; since 1932, Central Bank.
	(b)	66.7	66.5	61.5	33.8	7.3	...	
	(c)	98.5	86.8	74.0	36.9	13.5	...	
Brazil	*(a)*	37.0	4.5	0	0	0	3.0	*(a)* Ratio of total gold with Banco do Brasil and Caixa de Estabilização to total notes only, In 1931-33 gold reserves were depleted. *(b)* Ratio of total gold as above + foreign assets (net amounts) of Banco do Brasil to total notes only.
	(b)	43.8	15.0	7.0	21.7	30.9	24.2	
	(c)	43.8	15.0	7.0	21.7	30.9	24.2	
Chile	*(a)*	13.2	15.8	24.4	10.4	11.0	16.3	
	(b)	93.4	87.2	47.6	19.0	19.3	16.5	
	(c)	93.4	87.2	47.6	19.0	19.3	16.3	
Colombia	*(a)*	41.4	41.5	23.5	25.1	23.5	16.1	
	(b)	69.9	65.2	35.5	35.1	27.6	18.7	
	(c)	69.9	65.2	35.5	35.1	27.6	18.7	
Ecuador	*(a)*	12.1	14.3	20.1	40.3	25.6	21.3	
	(b)	76.0	73.0	55.4	49.2	32.7	35.3	
	(c)	76.0	73.0	55.4	49.2	32.7	35.3	
Mexico	*(a)*	36.2	27.7	12.9	7.7	12.2	...	Banco de México and, up to 1932, those old banks of issue which still had notes in circulation but have subsequently been liquidated.
	(b)	67.7	34.2	21.6	18.4	19.4	...	
	(c)	67.7	34.2	21.6	18.4	19.4	...	
Peru	*(a)*	100.0	89.2	69.2	71.4	48.0	38.0	The figures for gold and foreign assets in 1929 and 1930 originally expressed in " libras " have been converted into soles at the rate fixed in May 1931.
	(b)	112.6	100.3	96.6	72.1	51.1	42.4	
	(c)	112.6	100.3	96.6	72.1	51.1	42.4	
Uruguay	*(a)*	58.0	51.3	45.0	40.1	44.1	...	
	(b)							
	(c)	59.4	51.3	45.0	42.9	47.7	...	
Venezuela	*(a)*	49.5	59.4	51.4	51.3	49.4	62.7	
	(b)							
	(c)	64.7	63.0	53.6	52.1	49.8	66.2	

Table XXI. — GOLD AND FOREIGN ASSETS RESERVE RATIOS *(concluded)*.

Country		1929	1930	1931	1932	1933	1934	Observations
AFRICA, ASIA AND OCEANIA :								
Union of South Africa	*(a)*	57.0	53.2	64.3	64.0	42.1	56.7	
	(b)							
	(c)	101.5	104.0	64.6	64.0	88.4	83.4	
India	*(a)*	19.6	21.8	24.7	25.4	24.9	24.2	Ratio of *(a)* gold and *(b)* gold and foreign assets of Treasury to total issue of Treasury notes.
	(b)	60.1	54.0	42.7	56.2	56.5	67.9	
	(c)	60.1	54.0	42.7	56.2	56.5	67.9	
Japan	*(a)*	47.2	41.0	25.5	21.8	20.8	21.7	
	(b)							
	(c)	58.5	52.5	31.5	28.5	23.4	...	
Australia	*(a)*	43.2	36.4	21.8	18.9	1.1	1.1	*(a)* Commonwealth Bank only. If gold held by private banks in 1929 (subsequently transferred to Commonwealth Bank) were included, ratio would have been 88.7 per cent. *(b)* Gold + foreign assets in Issue Dept. of Commonwealth Bank. *(c)* Including foreign assets in banking department.
	(b)				25.5	45.5	45.7	
	(c)	61.9	46.6	49.3	58.9	78.2	87.8	
New Zealand	*(a)*	(80.0)	(88.9)	(79.3)	(61.0)	(56.2)	11.8	Figures for 1929-1933 refer to ratio of gold in banks of issue (subsidiary coin deducted) to note circulation only. Figures for 1934 refer to the new Reserve Bank.
	(b)						98.2	
	(c)						98.2	

Considerations relating to the adequacy of gold reserves must take into account their enhanced value when written up to correspond to the reduced gold content of currencies. The reserve ratios obtained in doing so are shown in Table XXII below. This table shows (1) the " corrected " gold reserve ratios for the end of 1934 alongside the gold reserve ratios for the end of 1929 and (2) the " corrected " gold reserve and total foreign assets ratios for these two dates. In the latter case, only the gold reserves, of course, have been written up ; foreign assets are taken at book value.

Table XXII. — " CORRECTED " GOLD AND FOREIGN ASSETS RESERVE RATIOS, END OF 1934 AND END OF 1929.

	Gold Reserve Ratios		Gold and Total Foreign Assets Reserve Ratios			Gold Reserve Ratios		Gold and Total Foreign Assets Reserve Ratios	
	1934 " corrected "	1929	1934 gold " corrected "	1929		1934 " corrected "	1929	1934 gold " corrected "	1929
EUROPE :					LATIN AMERICA :				
Austria	21.6	14.6	27.8	71.6	Argentine	103.9	81.9	—	—
Czechoslovakia	39.5	14.1	42.9	39.7	Chile	32.6	13.2	32.8	93.4
Denmark	51.3	39.6	38.4	60.3	Colombia	41.0	41.4	43.6	69.9
Estonia	80.4	12.8	94.5	60.5	Ecuador	44.2	12.1	57.1	76.0
Finland	38.2	19.0	126.0	62.0	Peru	76.1	100.0	80.5	112.6
Greece	42.8	9.5	...	46.4	Uruguay	95.4[a]	58.0	103.4[a]	59.4
Norway	59.3	36.0	69.2	52.2	Venezuela	74.0	49.5	77.5	64.7
Portugal	51.7	8.8	(67.4)	26.1	AFRICA :				
Spain	74.1	36.4	78.0	37.9	South Africa	95.0	57.0	121.7	101.5
Sweden	55.8	29.0	105.4	60.5	ASIA :				
United Kingdom	56.5	27.4	—	—	India	39.9	19.6	83.7	60.1
Yugoslavia	44.3	14.8	48.6	34.9	Japan	63.3	47.2	55.2[a]	58.5
NORTH AMERICA :					OCEANIA :				
Canada	60.7	39.8	—	—	Australia	2.3	43.2	89.0	61.9
U.S.A.	92.6	64.8	—	—					

[a] 1933.

Table XXII excludes the countries of the gold *bloc* and those which, at the end of 1934, officially maintained their currencies at par but restricted exchange transactions. The gold reserves of the South-American countries have, for the purpose of Table XXII, been revalued at the official and not the " free " rates for foreign currencies ; as the latter are higher, the ratios obtained by employing them would have been higher than those shown in the table.

Written up to market value, the gold reserves of the central banks of the great majority of countries were considerably higher at the end of 1934 than at the end of 1929. In many cases they were as much as twice as high : for the Bank of England, for example, the ratio of gold written-up to sight

liabilities was 57 per cent, as compared with 27 per cent at the end of 1929. For certain countries, such as Estonia, Greece and Portugal, the increase in the gold ratio is even more striking. The only countries to show an appreciably smaller gold reserve ratio are Peru and Australia ; but the ratio of gold plus foreign assets to the note circulation of the Commonwealth Bank of Australia was very much higher.

The evidence of Tables XXI and XXII is summarised in the following statement, which classifies thirty-one [1] central banks, Treasury departments, etc., whose reserve ratios are shown therein, into groups, according to the size of their gold reserve ratios in 1929 and (written-up) in 1934. The shift from lower to higher ratios is clearly illuminated.

Gold reserve ratio	End of 1929	End of 1934 "corrected"
	Number of Central Banks	
Less than 20 per cent	11	1
20 to 40 per cent	8	6
40 to 60 per cent	9	10
60 to 80 per cent	1	7
Over 80 per cent	2	7

At the end of 1929, nineteen of the thirty-one central banks had a gold reserve ratio of less than 40 per cent ; at the end of 1934, twenty-four of the thirty-one had a gold reserve ratio (written-up) of more than 40 per cent. Even after the writing-up of the gold reserves of the paper-currency countries, the reserve ratios of the countries of the gold *bloc* (for which the gold is, of course, taken at its book value) are still among the highest.

In the light of the foregoing, it is clear that, at the end of 1934, the gold reserves of most central banks of the world, when written up to market value, constituted a higher proportion of note circulation and sight liabilities than was maintained in 1929, and a much higher proportion also than was recommended to central banks by the World Monetary and Economic Conference of 1933 [2]. A wide potential margin was accordingly available for any desirable expansion in central bank currency.

The position naturally appears somewhat less favourable when foreign assets reserves are also taken into consideration, as these have been radically reduced by the central banks of most countries since 1929. Notable increases occurred for certain countries, particularly Sweden, Portugal, Spain, Finland, Norway, India, South Africa and Australia ; and the gold and foreign assets ratio was also higher for Belgium, France, the Netherlands, Switzerland, Czechoslovakia, and Yugoslavia. The most serious decline among the countries included was that of Chile, although the "corrected" gold and foreign assets reserve ratio of Denmark was also considerably lower at the end of 1934 than at the end of 1929.

The reduction of the relative importance of gold exchange in the cash reserves of the central banks of the world is one of the most striking currency phenomena of recent years ; but it is still too early to evaluate its full significance. Some of the factors at work have already been mentioned—for example, the conversion of foreign assets [3] into gold effected by the Banque de France after 1928. After 1930, the reduction in the foreign exchange holdings of central banks became general. This was due only in part to the conversion of foreign assets into gold. For the greater part, it was due to the utilisation of foreign exchange holdings by the central banks of raw-material-producing countries and those experiencing a withdrawal of funds to meet the deficiencies in their balance of payments. The suspension of gold payments by the United Kingdom in September 1931 gave rise to accelerated liquidation of the foreign assets reserves of central banks. A large part of these had been concentrated in London, and the losses suffered through the depreciation of the pound as well as the fears engendered with regard to the safety of other currencies hastened the conversion of foreign exchange into gold. This movement was especially marked in the first half of 1932 and during the American banking difficulties of the first quarter of 1933. The depreciation of the American dollar gave a further serious blow to the gold exchange standard and, by the end of 1933, gold exchange had been reduced to an insignificant portion of the total central monetary reserves of the world.

Table XXIII on page LXXXVI shows for nineteen European central banks *(a)* the percentage which *total* foreign assets constituted of gold reserves and total foreign assets and *(b)* the percentage which *eligible* foreign assets constituted of gold reserves and eligible foreign assets at the end of 1934 and the end of 1929. In countries with depreciated paper currencies, gold reserves have been taken at their book value in these computations.

The countries are arranged in order of the relative importance of total foreign assets in total gold and foreign assets reserves at the end of 1934. The changes since 1929 are very striking. Of the nineteen central banks covered by the table, nine held 50 per cent or more of their cash reserves in the form of foreign assets at the end of 1929, and nine of the remaining ten held between 30 and 50 per cent ; only in the case of Spain were foreign assets reserves of minor significance. At the end of 1934, thirteen of these banks held less than 20 per cent of their monetary reserves in the form of foreign assets,

[1] That is, the twenty-five countries included in Table XXII and Belgium, France, Lithuania, Netherlands, Poland and Switzerland.

[2] See page V above.

[3] France was never legally on the gold exchange standard, but the foreign assets of the central bank were greater than its gold reserves at the end of 1928.

Table XXIII.

FOREIGN ASSETS AS PERCENTAGE OF TOTAL MONETARY RESERVES OF CENTRAL BANKS, 1929 AND 1934.

	(a) Total foreign assets as percentage of gold reserves and total foreign assets		(b) Eligible foreign assets as percentage of gold reserves and eligible foreign assets	
	End of 1934	End of 1929	End of 1934	End of 1929
Finland	81.7	69.3	81.7	69.3
Sweden	61.2	52.0	61.2	52.0
Norway	23.2	31.1	23.2	31.1
Estonia	22.5	78.9	13.7	76.4
Austria	22.1	79.7	0	58.5
Hungary	...	32.9	20.5	19.4
Lithuania	13.8	69.1	13.8	69.1
Danzig	11.1	100.0	10.9	100.0
Spain	11.1	3.8	11.1	3.8
Czechoslovakia	7.9	64.3	0	64.3
Bulgaria	7.3	45.5	0	39.6
Latvia	6.8	70.1	6.1	67.4
Poland	5.3	42.9	0	37.4
Roumania	1.2	42.5	0.9	42.3
Italy	1.2	49.8	1.2	49.8
France	1.2	38.5	0	0
Switzerland	0.3	37.2	0.3	37.2
Netherlands	0.1	32.9	0.1	32.9
Belgium	0	33.0	0	33.0

and ten held 10 per cent or less. The fall in the relative importance of foreign assets was greatest for the larger States of the gold *bloc* — France, Italy, Switzerland, the Netherlands and Belgium : for these countries foreign assets constituted 30 to 50 per cent of monetary reserves in 1929 and had been practically eliminated by 1934. The foreign assets holdings of the central banks of Poland and Lithuania, though also much reduced, were still of relatively greater importance than those of the other countries remaining on the full gold standard. Under a revision of the statutes of the Bank of Poland effected on February 9th, 1933, foreign exchange is no longer eligible for the legal reserve. The Czechoslovak Law of February 17th, 1934, reducing the gold content of the crown also made gold sole legal cover for the note circulation and sight liabilities of the National Bank.

Part of the foreign exchange held by certain central banks — and included in the calculations upon which the above table is based — is not "available" for free disposal, but is "blocked" abroad or earmarked for specific purposes. Of the countries included in the above table, this statement applies particularly to Hungary and Bulgaria. The "non-available" exchange and that of "limited availability" arises partly as a result of exchange restrictions in other countries, but chiefly through the operation of clearings and compensation agreements.

Finland and Sweden show appreciable increases in the proportion of foreign exchange in total central bank cash reserves, and the decline in the relative importance of foreign assets in Norway, though large, was considerably less than for most other countries. It has been shown in Section XI above that the exchanges of these countries fluctuated closely with sterling in recent years ; and the central banks of certain countries — in particular, Sweden and Finland — have acquired considerable quantities of sterling in pegging the rate on London. But their holdings of sterling are small compared with those of British India and some of the British Dominions. When the United Kingdom left the gold standard, it was decided to link the rupee to sterling, and the exports of gold from India — to which reference is made above — added to the already large sterling reserves of the Indian Government. Since December 1931, the Commonwealth Bank of Australia has bought and sold sterling at a fixed rate ; in June 1932, the bank was relieved of the obligation to hold a 25 per cent reserve in gold and required to hold a 15 per cent reserve in gold or sterling : in fact, the reserve is held almost entirely in sterling. In New Zealand, the trading banks acted in concert to maintain the rate of £N.Z.125 on £100 sterling fixed by the Government in 1933 and acquired considerable sterling in doing so. The Reserve Bank of New Zealand, which began operations in August 1934 and announced its policy to be that of keeping the rate on London fixed "for a long period", holds the great bulk of its cash reserves in the form of sterling (£24 million of £27 million at the end of 1934). The Reserve Bank of South Africa also acquired large quantities of sterling during 1933 and the first part of 1934.

The net result of the changes described in the preceding paragraphs can be briefly summarised : at the end of 1928, the aggregate foreign assets held by the central monetary authorities of forty-four countries [1] amounted [2] to over 3,000 million dollars of old gold content ; at the end of 1934, they amounted to less than $650 million. Of the latter amount, the central monetary authorities of South Africa, Australia, Egypt, India, the Irish Free State and New Zealand held $375 million, or more than half the world total ; these amounts were held practically entirely in sterling. In addition, the central banks of Sweden, Siam, Finland, Portugal and Norway (whose currencies are all linked to sterling) held a further $150 million — of which the great bulk was in all probability in sterling. It is clear from these figures that, by the end of 1934, the gold exchange standard had lapsed into a state of complete desuetude and that the only foreign exchange standard in effective operation was the sterling exchange standard.

[1] For details, *see Monthly Bulletin of Statistics*, Table 17, *passim*.

[2] In making these calculations, the reported foreign assets of central banks, etc., have been converted into gold dollars on the basis of their book value.

XIII. Summary of the Position at the End of March 1935.

In the course of 1934, the world made substantial progress towards currency stability. No country left the gold standard during that year [1] and the United States provisionally fixed the gold value of the dollar, thus in effect returning to the international gold standard ; the range of fluctuation of paper currencies was distinctly narrowed ; and the exchange restrictions in force in most of the South-American republics were relaxed. The disturbance caused by the stabilisation of the dollar at a relatively low level and reflected in the movement of gold to that country was largely confined to the first half of 1934 ; in the latter half of the year, both the flow of gold to the United States and the downward pressure on sterling (which constituted the natural obverse of the persistent tendency of the dollar to rise in gold value) were diminished. The flow of gold to the United States, moreover, did not cause any corresponding depletion in the gold reserves of other countries, as world gold production was large and, in addition, relative stability of currencies caused private dishoarding of gold in Western countries, and large amounts continued to be released from India.

Behind this tendency towards exchange stability lay important price and cost adjustments in different countries. Of the gold *bloc* countries, France was the most successful in reducing the gap between the internal purchasing power of the currency and its high external purchasing power. The French wholesale price index fell by more than 15 per cent in the course of 1934 ; the American index rose by nearly 10 per cent and the new official British index was stable. On the basis of the price relationships prevailing in 1929, the over-valuation of the French franc against the dollar was reduced from about 36 to 14 per cent during 1934 and its over-valuation against sterling from about 28 to 19 per cent [2]. During 1934, the dollar-pound rate fell from $5.12 to $4.95 ; prices, as shown above, rose considerably in the United States and the under-valuation of the dollar was progressively reduced in the course of the year. If the pound was 10 per cent over-valued in 1929, its over-valuation in relation to the dollar appears, on the basis of purchasing-power parities, to have been considerably less than that amount at the end of 1934.

The relative stability of the latter half of 1934 gave way to new disturbances in the first quarter of 1935. The two monetary events of outstanding importance during this period were the renewed decline of sterling and the Belgian abandonment of the gold standard. In the last days of February and the first days of March 1935, the gold value of the pound — which had already declined slightly since the beginning of the year — fell sharply, the dollar rate dropping from $4.85 to $4.75 and the French franc (which had stood at 75 in December) from 73 to 71. This fresh decline in sterling reduced it to about 57 per cent of its old gold parity. Relatively small in itself, the net decline in the first quarter of 1935 (about 5 per cent) had the effect of nullifying a substantial part of the painful price and cost adjustments which certain countries had made in previous years in order to maintain the gold standard.

The decline in sterling coincided with a period of weakness in commodity markets in the United Kingdom, and sterling prices fell. This is illustrated in the following statement, which is based upon figures published in the London *Economist:*

(September 18th, 1931 = 100.)

1935	*Economist* indices				U. S. A. : Irving Fisher	France : Statistique générale	Italy : Milan Chamber of Commerce	Germany : Statistisches Reichsamt
	British complete index (sterling)	Primary products		Price of gold (sterling)				
		British (sterling)	American (dollar)					
January 2nd . .	109.4	123.7	154.5	165.8	115.1	77.1	85.2	92.8
January 30th . .	110.3	124.6	152.4	167.2	118.3	79.1	85.6	92.8
February 27th .	109.9	123.9	153.9	169.6	118.9	78.4	87.0	92.7
March 13th. . .	108.7	121.9	148.6	174.2	118.5	77.7	87.8	92.6
March 27th. . .	109.4	123.3	147.6	171.0	116.9	77.7	89.4	92.6
April 10th . . .	109.9	124.4	150.1	168.9	118.5	78.4	91.3	92.6
April 24th . . .	110.5	124.5	151.6	169.1	118.6	78.2	91.7	92.6

The rise in prices generally in evidence in January halted in February and gave way to a decline in the first fortnight of March : the deflationary influence of the fall of sterling on price movements in the "gold" countries is clear. The decline is especially marked in the dollar prices of primary products, but the complete indices for France and the United States also reflect it.

[1] Czechoslovakia reduced the gold content of the crown without any intermediate period of fluctuation in February 1934, and Austria officially recognised the *de facto* depreciation of the Schilling in April.

[2] The important qualifications to which these comparisons are subject are stated in Section XI.

With the recovery of sterling in the latter part of March, sterling prices rose somewhat, and during April the rise extended to other countries. At the end of April, the cost of the French franc in terms of sterling was about 20 per cent higher than it should have been on the basis of purchasing-power parities, taking September 18th, 1931, as 100. As the pound was in all probability over-valued at that date, it seems likely that the over-valuation of the French franc in relation to sterling was substantially less than 20 per cent at the end of April 1935. Taking September 1931 as base, the purchasing-power-parity exchange rate of the French franc at the end of April 1935 was 5.94 cents and the actual exchange rate 6.59 cents — the French franc, on this basis, appears to have been about 10 per cent over-valued in relation to the American dollar. At the end of April 1935, the value of the pound was $4.84, or fractionally below parity ; as compared with September 18th, 1931, the general level of wholesale prices had risen 10½ per cent in the United Kingdom and 18½ per cent in the United States. The greater rise in American prices combined with the slight fall in the dollar value of sterling were together nearly sufficient to compensate for a 10 per cent over-valuation of sterling in September 1931.

The difficulties which Belgium had been experiencing in maintaining the gold standard intact came to a head at the same time as the weakness of sterling. A heavy bear speculation against the belga resulted in large gold losses and in a discount on forward contracts which touched 25 per cent. The banks were subjected to heavy runs and were forced to have recourse to the central bank on a large scale : during the last two weeks of March, the bill portfolio [1] of the National Bank increased from 3,392 to 4,665 million francs and its advances on public securities from 1,120 to 1,629 millions. During this fortnight the note circulation — which had already increased by 550 million francs since the end of 1934 — rose by a further 625 millions. But, for the greater part, the withdrawals of deposits from the banks resulted, not in currency hoarding, but in purchases of foreign currencies. In the last three weeks of March, the Bank — which had already lost 1,000 million francs of gold in 1934 — saw its gold reserves reduced by a further 1,360 millions. On March 18th, a Decree was issued instituting official control of exchange and bullion operations [2], and on March 30th Belgium officially abandoned the gold standard, fixing the ultimate level of depreciation at 25 to 30 per cent. With part of the profits accruing to the State from the revaluation of the gold reserve of the National Bank (on the basis of a 25 per cent depreciation) an Exchange Equalisation Fund was established and the belga provisionally stabilised at a level corresponding to a depreciation of 28 per cent in relation to gold. Subsequently most of the exchange restrictions were withdrawn.

The Belgian difficulties — like those experienced by certain other members of the gold *bloc* — were economic and not technical. The technical position was indeed very strong. At the end of March 1935, the National Bank held gold reserves of 11,293 million francs against a note circulation of 18,851 million and other sight liabilities of about 1,000 millions ; that is, its gold reserve ratio was only slightly less than 60 per cent. Belgian trade, however, which is normally among the highest per head of population in Europe, had suffered an extremely sharp contraction in the course of the depression. In spite of the large cuts in wages and in prices, Belgium was unable to increase the volume of her trade ; the depreciation of currencies, and tariffs and quotas were the factors mainly responsible. It is worth observing that her troubles sprang, not from any deterioration in the *balance* of trade, which was indeed less " unfavourable " in 1934 than in 1929 (the import surplus of the Belgium-Luxemburg Customs Union having been reduced from a monthly average of over 300 million francs in 1929 to 21 millions in 1934), but to the shrinkage in the absolute volume of trade. In 1934, industrial production again fell below the low level reached in 1932 and unemployment increased markedly. The stagnation of enterprise weakened the internal financial structure of the country ; in the summer of 1934, it was necessary to take steps to mobilise the banks' frozen industrial assets [3]. Some pressure for credit expansion seems to have been exerted in the latter part of the year. The decline in wholesale prices virtually ceased and the cost-of-living index rose quite perceptibly. The latent difficulties came to a head with the fresh fall in sterling.

In March 1935, the wholesale price indices of both Belgium and France were 45 per cent lower than in 1929. The Belgian cost-of-living index was over 20 per cent lower and that of France less than 10 per cent lower than in 1929. From these figures, it appears that the depreciation of 28 per cent resulted — in terms of purchasing-power parities and taking 1929 as base — in some under-valuation of the belga in relation to the French franc. As the deflation was, on the whole, more complete in France than in the other gold countries, the under-valuation of the belga was even greater in relation to the other members of the gold *bloc*. As between the belga

[1] This includes foreign bills ; it is likely that the domestic portfolio increased by even more than is suggested by these figures.

[2] The Decree centralised exchange operations in the National Bank of Belgium and the Central Exchange Office, severely limited forward exchange operations, required exporters to repatriate the forward currency proceeds of their exports, and attempted by other methods to prevent a flight of capital. A Government licence was required for the purchase or sale of gold or foreign securities.

[3] See chapter on Belgium.

and sterling, a comparison of wholesale price levels on the 1929 base suggests that, in March 1935, the purchasing-power-parity rate was about 26½ belgas to the pound ; at the beginning of April (after the depreciation of the belga) the rate was about 28½ belgas to the pound. This suggests that, immediately after its depreciation, the belga was slightly under-valued in relation to sterling, especially if account be taken of any over-valuation of sterling in 1929. Prices in Belgium showed, however, a tendency to rise, which would, of course, reduce the importance of any immediate under-valuation of the currency.

After the suspension of the gold standard by Belgium, only four members of the original gold *bloc* formed in the summer of 1933 still remained on an unrestricted gold standard — namely, France, the Netherlands, Poland and Switzerland. The belga was only provisionally linked to gold at a fixed rate, and the internal convertibility of the currency had been suspended ; and the lira, " controlled " by Decrees of May and December 1934, was quoted in Paris at a discount of 7 per cent or more below gold parity.

The suspension of the gold standard by Belgium was immediately followed by heavy speculation against the remaining gold currencies, and in particular against the Dutch florin and the Swiss franc. These currencies were consistently quoted at their gold-export point in relation to the French franc and there was a steady drain of gold from the respective central banks. A high premium was quoted on foreign currencies for forward delivery, which is partly explained by the narrowness of the markets and the difficulties experienced in borrowing Swiss francs and florins for forward sales. In the case of Switzerland, this premium (against sterling) rose as high as 30 per cent per annum early in May.

In the course of April 1935, the gold reserves of the Swiss National Bank were reduced by 350 million Swiss francs (about $70 million of old gold content), or one-fifth. At the same time the domestic credit portfolio, including Treasury bills and notes of the Caisse des Prêts, rose by over 100 million francs, indicating an increased recourse to central bank credit. Notes in circulation declined by only 40 million francs, the chief impact of gold withdrawals falling on bankers' balances with the central bank, which declined by 200 million francs. At the end of April, the ratio of gold reserves to note circulation and other sight liabilities was 84.9 per cent, as compared with 93.1 per cent at the end of March and 94.5 per cent at the end of 1934. On May 3rd, 1935, the Swiss National Bank raised its discount rate from 2 to 2½ per cent and its lombard rate from 2½ to 3½ per cent. At the same time, it published a letter which it had addressed to the commercial banks enjoining them not to lend francs for speculation against the currency.

From March 25th to April 29th, 1935, the gold reserves of the Netherlands Bank were reduced by almost 170 million gulden (about $70 million of old gold content), or more than a fifth. On April 4th, the Bank raised its rate from 2½ to 3½ per cent, and on April 9th to 4½ per cent. After these increases, the gold losses became less marked. In the period mentioned there was, on balance, a slight increase in the note circulation and a very sharp decline in bankers' deposits with the Netherlands Bank. The ratio of gold to sight liabilities fell from 80.4 to 69.0 per cent.

During the month of April, the gold reserves of the Banque de France were reduced from 82.6 to 80.9 milliard francs (about $65 million of old gold content). The note circulation fell simultaneously with private deposits and the gold reserve ratio remained substantially unchanged at 80 per cent.

The flight from the currencies in question would appear to have taken the form, largely, of purchases of sterling : the French franc rate, which had been as low as $70\frac{9}{16}$ on March 6th, rose to $73\frac{25}{32}$ during the following month and the Swiss franc rate from 14.33 to 15.03. There were also considerable purchases of belgas after the depreciation of that currency, partly no doubt in fulfilment of forward contracts entered into in previous weeks.

On May 2nd, 1935, the gold content of the Danzig gulden was reduced by 42.37 per cent to a level equivalent with the Polish zloty. In the course of 1934, the gold reserves of the Bank of Danzig had been reduced from 30 to 24 million gulden and its foreign assets reserves from 10 to 3 millions. In the first four months of 1935, the gold reserves were reduced to 13 million and foreign assets to 250,000 gulden. There was no corresponding contraction of the note circulation, and by April 30th, 1935, the ratio of gold to total sight liabilities had fallen below the statutory minimum of 40 per cent.

Apart from the depreciation of the belga and the wide fluctuations of sterling, the most significant monetary events of the first quarter of 1935 are, perhaps, two measures which appear to indicate a tendency towards the freeing of certain European exchanges hitherto maintained at nominal parity through official control. In Hungary, the Geld Institut-Zentrale was authorised by the Government to purchase gold, from March 7th to March 20th inclusive, at an opening price of 6,000 pengö per kg. ; the par rate is 3,794 pengö per kg. During this fortnight sellers were not required to disclose their identity. The price was gradually reduced to a figure which on March 20th stood at 5,840 pengö per kg. Since that date, the Geld Institut has continued to buy gold at a somewhat lower price, but sellers have been required to give their identity. The importance of these purchases would appear to rest, not only in the movement of gold from private hoards to central reserves thus achieved, but also in the relation of the prices paid to the

price of gold as laid down in the Gold Pengö Law of 1931 [1].

On March 11th, 1935, new regulations regarding foreign exchange went into force in Roumania and modified the regime established in the autumn of 1934 [2]. The new regulations require exporters of petroleum to hand over to the National Bank only 60 per cent and other exporters only 40 per cent of their export proceeds in foreign exchange at the official rate ; the remaining 40 and 60 per cent may be freely negotiated by exporters in accordance with rules laid down by the National Bank. The " free " exchange can be used in payment of current imports, to liquidate old commercial debts and to effect certain private payments abroad. Through these regulations, the existence of a " free " market in which foreign exchanges are negotiated at a premium over the official rate is officially recognised.

The system of exchange control, which still remains in force in Germany and a large part of South-Eastern and Eastern Europe, was recently examined and analysed by the Joint Committee for the Study of Clearing Agreements set up by the Economic and Financial Committees at the request of the Council of the League of Nations. In their report [3], the Committee, while not wishing to " pass judgment on the policy which each country, in view of its special situation, wishes to apply in monetary matters ", expresses the hope " that exchange control will be abolished, at any rate as regards commercial transactions, so that national currencies can once more perform their natural function, which is to be exchangeable without any limitation for all other currencies, and through them for goods ". The Committee noted that the burden of debt of the chief debtor countries had been diminished to a considerable extent by the depreciation of the dollar and the pound and that a number of special arrangements had been concluded, particularly as regards short-term debts, whose aggregate result was to reduce considerably the payments to be effected. Without desiring in any way to under-estimate the importance of the debt problem in relation to exchange control, the Committee expresses the opinion that " the present situation proves beyond all doubt that the control of debt settlement by exchange control does not achieve its object. Exports, and consequently the actual settlement of debts, are thereby made more difficult ". The Committee states that the experience of countries which have abandoned exchange control in recent years proves that the risk of depreciation is not so great if the Government concerned avoids monetary inflation ; and states that the experience of these countries also shows that the flight of capital which may occur when monetary depreciation begins is of a temporary nature and may be arrested by various means. The report goes on to say that " it would be futile — and indeed out of place — to advocate the abandonment of exchange control if the return by any country to free transactions were to mean that other States would refuse to accept its products on the pretext that their prices had thus been reduced ".

With regard to world gold reserves, the position at the end of March 1935 did not differ essentially from the position at the end of 1934 as described in the preceding section. The wide movements of currencies caused an intensification of the demand for gold for hoarding purposes, but from the information available at the time of writing, this does not appear to have resulted in an absolute reduction in central monetary gold reserves. The most important recent changes in gold reserves are shown in Table XXIV below :

Table XXIV. — CENTRAL MONETARY GOLD RESERVES, 1928-1934. [4]

End of month	1934	1935			End of month	1934	1935		
	XII	I	II	III		XII	I	II	III
1. *Gold Bloc :*	*4,705*	*4,683*	*4,673*	*4,644*	4. *British Empire and Sterling Bloc*	*1,610*	*1,622*	*1,635*	*1,636*
France	3,218	3,213	3,214	3,238	United Kingdom	938	940	940	940
Switzerland	368	355	346	330					
Belgium	348	354	352	314					
Netherlands	338	328	326	327					
Italy	306	306	307	307					
2. *U.S.A.*	*4,865*	*4,956*	*5,036*	*5,060*	5. *European countries with " independently " fluctuating currencies*	*488*	*488*	*488*	*487*
3. " *Exchange Control* " *countries*	*242*	*233*	*233*	*235*	6. *Latin America*	*376*	*375*	*375*	*375*
Germany	36	36	36	37	7. *Japan*	*232*	*233*	*234*	*235*

On balance, the gold *bloc* lost about $60 million of gold in the first quarter of 1935, reductions in the gold reserves of the central banks of Switzerland ($38 million), Belgium ($34 million) and the Netherlands ($9 million) being partly compensated by an increase in the gold reserve of the Bank of France ($20 million). These losses, however, were insignificant compared with the tremendous additions to the gold reserves of these countries which had occurred in earlier years and, even after

[1] See *Commercial Banks, 1925-1933*, pages 45-46, 133-134.
[2] See chapter on Roumania.
[3] Document C.153.M.83.1935.II.B.
[4] For details regarding the countries included in the various groups, see Table XIX above.

the further heavy losses of April (amounting, for the remaining members of the gold *bloc*, to over $200 million), the reserve ratios of the central banks in question remained at abnormally high levels.

In most countries which had abandoned the gold standard the gold reserve ratios of the central banks were lower. But, in the great majority of countries, the gold held by central banks is still accounted at the old standard price of gold. When this gold is written up to correspond to its real value in terms of national currency, the gold reserve ratios will automatically be raised ; in all but a few exceptional cases they will be higher than the ratio maintained in 1929 and very much higher than the 25 per cent gold reserve ratio recommended by the World Monetary and Economic Conference of 1933 [1]. Moreover, the central banks of certain of these countries have substantially increased their foreign exchange holdings. In other words, stabilisation at existing levels of currencies would provide the central banks of most countries with substantial amounts of " free " gold and *Devisen* in excess of legal requirements ; it would permit of a considerable expansion of central bank credit in most countries without endangering the legal minimum reserve ratios.

The chief exception is Germany : the gold reserves of the Reichsbank amounted at the end of March 1935 to no more than RM. 81 million against a note circulation of about RM. 3,664 million [2] and other sight liabilities of RM. 921 million. Of the other European countries whose currencies were officially maintained at par through exchange control, Bulgaria, Latvia and Roumania had, in the course of the depression, parted with foreign assets in preference to gold and their metallic reserves were higher at the end of March 1935 than in 1929. The recent Hungarian acquisitions of gold are referred to in an earlier paragraph.

Many South-American countries gradually increased their gold reserves in 1933 and 1934 and, when account is taken of the low level to which most of these currencies had fallen, the ratio of gold (when written-up) to note circulation and sight liabilities is not so low as might be expected in view of the very large gold losses suffered from 1929 to 1932. In this connection, it is of interest to observe that, in the latter part of March 1935, the United States sold certain quantities of gold to Mexico and Guatemala to help these countries build up their monetary reserves. Of more importance, perhaps, than these transactions themselves — which were small — is the announcement of the Secretary of the Treasury that the United States, " having more gold than it can possibly use, is ready to sell gold to any country making an attractive offer ". It is obvious that some redistribution of American gold stocks — whether effected through an exchange of gold for silver, or through an exchange of gold for imports of other goods, or through the resumption of foreign lending — would play an important part in providing the conditions essential for a higher degree of world monetary stability.

In respect of the adequacy of world gold reserves, the position in March 1935 differed substantially from the position in 1924 or 1925, prior to the post-war re-establishment of the international gold standard. In spite of the *de facto* decay of the gold exchange standard, the cover reserves of central banks, when written up to market value, were generally sufficient [3] in March 1935 to permit of a larger expansion of central bank credit than was the case in the earlier period. The adjustment of prices to exchange rates was incomplete in 1935, as a decade earlier. But prices in general were very much lower in terms of gold in 1935 than in 1925, and so far, at any rate, as the technical monetary and banking position is concerned, it would not appear unlikely that, in the event of currency stabilisation and a revival of international commerce, the necessary adjustments would be secured by a more rapid upward movement of prices in the countries whose currencies were relatively under-valued than in the rest of the world, and not — as in the earlier period — by a painful downward pressure on prices in the countries whose currencies were relatively overvalued.

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[1] Written up to correspond to the reduced gold value of the pound, the gold reserves of the Bank of England at the beginning of May 1935 amounted, for example, to nearly £330 million, or almost 60 per cent of the Bank's net note circulation and deposit liabilities.

[2] Total note circulation including Rentenmark notes amounted to RM. 4,058 million.

[3] It must be remarked that the adequacy of gold stocks ultimately depends on the uses to which they are put. The statement in the text is based on the assumption that gold movements take place in order to offset small differences in international balances of payments. If gold itself becomes an important commodity of international commerce, then it is clearly impossible to say that gold supplies are adequate. In this connection, it may be observed that, in the course of 1934, net gold imports into the United States amounted to $1,134 million (new parity) as compared with total merchandise imports of $1,655 million.

AUSTRIA.

Introductory Note.

The reconstruction of the Austrian banking system, described in detail in the preceding edition of this publication, reached a further stage in the comprehensive reorganisation scheme announced on April 23rd, 1934. The effect of this arrangement was, briefly, to reduce the number of large commercial joint-stock banks to one. Of the three banks concerned (viz., Oesterreichische Creditanstalt, Wiener Bankverein, and Niederösterreichische Escompte-Gesellschaft), the Creditanstalt took over the entire business of the Bankverein as well as the purely banking activity of the Escompte-Gesellschaft.

The reorganisation of the Bankverein and the Escompte-Gesellschaft in 1933 had proved inadequate ; the Creditanstalt, on the other hand, gradually attained a relatively strong and liquid position [1] after its thoroughgoing reconstruction in 1932, in consequence of which the State guarantee for the liabilities of the Creditanstalt was terminated in July 1934. It was therefore natural that the Creditanstalt should form the nucleus of the banking merger in Austria.

The main provisions of the arrangement were as follows : The Creditanstalt (which is henceforth to be known as " Oesterreichische Creditanstalt-Wiener Bankverein ") took over all liabilities and — after appropriate revaluation — all assets of the Bankverein. The revaluation of the Bankverein's assets revealed new losses of 46 million schillings, of which 30 millions were covered by the entire application of the Bankverein's reserves of 1 million schillings and by virtual cancellation of 29 million schillings of share capital, of which 10 million schillings was held by a consortium of Austrian banks led by the National Bank, 13 millions by a foreign group led by the Société générale de Belgique, and 6 millions by the National Bank and the Government through the Revisionsgesellschaft. (Only about 500,000 schillings of share capital was held by the public, and these shares were exchanged for Creditanstalt shares at the ratio of two to one.) The remaining loss was covered by a contribution of 16 millions from the National Bank to the Creditanstalt. This payment, together with an issue of 25 million schillings of new Creditanstalt shares to the National Bank [2] (thus raising the share capital of the former from 142 to 167 millions), was applied towards the reduction of the rediscount liabilities of the Bankverein to the National Bank, which amounted to about 60 million schillings in April 1934. It is understood that the rest of the Bankverein's rediscount indebtedness was subsequently redeemed by the Creditanstalt. It may be mentioned in this connection that the arrangement outlined in the last edition of this *Memorandum*, whereby the Revisionsgesellschaft took over a certain amount of frozen assets at their book value from the Bankverein in exchange for rediscount facilities, was terminated, and the Revisionsgesellschaft handed back the assets in question to the Bankverein.

The deposit liabilities of the Escompte-Gesellschaft (current and savings accounts, in addition to the so-called *Kassenscheine)*, amounting to 70 millions, were transferred to the Creditanstalt along with an equal amount of liquid commercial assets. For the business thus acquired, the Creditanstalt is to pay 1 million schillings annually to the National Bank for a period of sixteen years. The Escompte-Gesellschaft (which will henceforth be known as " Oesterreichische Industrie-Kredit A.G. ") thereby assumes the character of a long-term investment company. To provide for past losses and frozen assets, its share capital of 29.5 millions was written down to 100,000 schillings, which was raised to 10 millions by a new share issue of 9.9 million schillings, taken up by the National Bank. The latter also contributed 5.1 million schillings to cover losses of the Escompte-Gesellschaft. Government support to the Escompte-Gesellschaft took the form of a guarantee of 20 million schillings on its assets, which is intended to facilitate, at a later stage, the issue of industrial debentures to the general public. The assets of the Industrie-Kredit A.G. were further strengthened for this purpose by the 25 million schillings of Creditanstalt shares received from the National Bank. On the other hand, the Industrie-Kredit A.G. undertook to support the market for agricultural bonds to the extent of 10 million schillings. The total liabilities of the Escompte-Gesellschaft at the end of 1933 *(i.e.*, prior to the transfer of its deposit liabilities) have been estimated at 340 million schillings, of which more than half consisted of rediscount indebtedness to the National Bank ; a considerable proportion of the remainder was due to a few large creditors, with whom special arrangements have been negotiated.

The total cost to the National Bank in connection with this reconstruction scheme — apart from the

[1] The rediscount indebtedness of the Creditanstalt to the National Bank had been reduced to only 9 million schilling at the end of 1933 and was entirely paid off by April 1934. Moreover, there was a small net profit for 1933 instead o an expected loss of 8.5 million schillings provided for in the previous balance-sheet.

[2] The National Bank handed over these shares to the reorganised Escompte-Gesellschaft.

40 million schillings which it advanced to the Revisionsgesellschaft in 1933 and which subsequently had to be written off — is shown below :

	Schillings (000,000's)
Purchase of new Creditanstalt shares	25.0
Purchase of new Escompte-Gesellschaft shares	9.9
Payment to Creditanstalt to cover loss on Bankverein assets	16.0
Payment to cover losses of Escompte-Gesellschaft	5.1
Total	56.0

To provide this sum, 15 million schillings were taken from the reserve fund of the National Bank and 0.725 million from its operating profit for 1933 ; 20.7 millions were obtained by revaluing the gold and foreign exchange holdings of the Bank at free market rates (thereby definitely recognising the devaluation of the Austrian currency). Finally, a part (20 millions) of the profits accruing to the Government through the issue of new silver coins was made available for this purpose.

In this way it is expected to carry out the banking reconstruction without any increase of the note circulation. The wider effects of the scheme upon the economic life of the country are not yet apparent. It is estimated that 90 per cent of Austrian industry will now be indebted to — and therefore to a greater or less extent controlled by — the Creditanstalt. Under a system where the connection between banks and industry is close, concentration of banking may naturally lead to a tendency towards concentration of industrial establishments as well. Some important industrial amalgamations have, indeed, already been decided upon in Austria. Another general feature of the banking reorganisation worthy of mention is the virtual disappearance of the private holder of bank shares in Austria ; of the total share capital of 167 million schillings of the Creditanstalt, 70 millions are held abroad (being taken by foreign creditors in exchange for claims amounting to 422 millions in connection with the reorganisation of January 1933) and the remainder by the Government and the National Bank.

Balance-Sheet Summary.

It is impossible to give continuous series for the period 1929-1933 covering all the Viennese banks included in the last three columns of the Summary Balance-Sheet Table — viz., the Creditanstalt, the Wiener Bankverein, the Niederösterreichische Escompte-Gesellschaft, the Merkurbank, and the Vienna branch of the Zentraleuropäische Länderbank. Until 1930, the Creditanstalt did not include in its balance-sheet the assets and liabilities taken over from the Boden-Creditanstalt in 1929 ; thus, no data for 1929 are available for the Boden-Creditanstalt. Moreover, no balance-sheet was published by the Creditanstalt for 1931. In order to facilitate year-by-year comparison, summary figures for the Bankverein, the Escompte-Gesellschaft, the Merkurbank and the Länderbank only are given for the years 1930-1933 in the first four columns of the Summary Table.

The significance of the changes shown in the Summary Table in the past few years can only be understood in the light of the events recorded in the introductory notes in the present and in the last edition of this *Memorandum* — in particular, the absorption of the Boden-Creditanstalt and the reconstruction schemes applied in turn to each of the remaining banks (with the exception of the Länderbank). It should be borne in mind, for example, that the balance-sheet figures for 1932 exclude the foreign liabilities of the Creditanstalt and the foreign assets of this bank which were transferred to the Foreign Assets Company.

Care should also be taken in drawing conclusions from the composition of the summary balance-sheets, as the banks do not apply uniform principles in drawing up their accounts, and these accounts contain relatively little detail. This question is dealt with further below. Since its reconstruction, the Creditanstalt has changed its methods of showing various items, and it is stated in its report for 1931-32 that exact comparison with previous years is impossible.

Further, it is important to note that the effects of the reconstruction of the Escompte-Gesellschaft which was carried out in April 1934 are already shown in the balance-sheet of that bank as at December 31st, 1933 ; thus, for example, the company's share capital is shown as reduced to 10 million schillings and its deposit liabilities and commercial assets reduced by at least part of the transfer of these accounts to the Creditanstalt, as arranged in April 1934. The 1933 balance-sheets of the other banks, however, refer to the actual position on December 31st. For 1933, therefore, the Summary Table shows reductions in certain items which had not then, in reality, taken place.

As mentioned above, the table includes the accounts of the Vienna branch of the Zentraleuropäische Länderbank, a French institution, the capital and reserves of which are held in Paris and do not, therefore, appear in the balance-sheet of the Vienna branch. The Länderbank carries out about three-quarters of its total business from its Vienna office.

1. *Cash.*

The figures given consist of actual cash and balances with the National Bank.

AUSTRIA. COMMERCIAL BANKS **Table 1 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1930	1931	1932	1933	1930	1932	1933
Number of Banks	4	4	4	4	5	5	5
ASSETS.	Schillings (000,000's omitted)						
1. Cash	59.7	51.4	37.9	63.5	88.8	45.7	71.
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—	—	—
3. Bills discounted and bought	234.8	169.2	106.8	103.3	326.5	147.3	143.9
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	30.5	23.2	17.9	28.1	101.3	57.4	59.1
(a) Government	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
5. Participations	178.8	158.7	136.7	130.5	281.4	145.2	136.5
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
7. Loans and Advances	1,062.4	851.3	807.7	726.3	2,443.0	1,265.2	1,071.3
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
8. Cover for Acceptances	0.5	0.4	0.2	0.2	2.0	0.2	0.2
9. Premises, etc.	10.7	10.0	9.9	12.3	33.1	13.1	15.3
10. Sundry Assets	0.5	0.5	0.1	3.9	186.4	78.0	88.9
11. Total Assets	**1,577.9**	**1,264.7**	**1,117.2**	**1,068.1**	**3,462.5**	**1,752.2**	**1,586.8**
LIABILITIES.							
12. Capital paid up	129.0	114.0	74.0	54.5	381.1	221.0	198.8
13. Reserve Funds	74.6	48.3	5.0	2.3			
14. Profit-and-Loss Accounts, Undivided Profits, etc.	11.7	4.4	0.3	0.4	11.7	0.5	1.0
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
17. Deposits	1,361.3	1,096.8	1,037.4	1,010.6	3,036.5	1,400.7	1,302.9
(a) Current accounts and sight deposits	1,095.3	878.0	821.3	806.1	2,454.2	1,149.5	1,059.3
(b) Savings accounts, *(c)* Time or fixed deposits, *(d)* Other deposits	266.0	218.8	216.1	204.5	582.3	251.2	243.6
18. Rediscounts and Other Borrowings	—	—	—	—	—	—	—
19. Acceptances and Endorsements	0.5	0.4	0.2	0.2	2.0	0.2	0.2
20. Sundry Liabilities	0.8	0.8	0.3	0.2	31.2	129.8	83.9
21. Total Liabilities	**1,577.9**	**1,264.7**	**1,117.2**	**1,068.1**	**3,462.5**	**1,752.2**	**1,586.8**
22. Guarantees *(Avale* and *Bürgschaften)*	—	34.8	46.1	66.8	—	114.8	118.6
23. Other Contingent Liabilities	—	—	—	—	—	212.2	207.5
24. Value of currency in Swiss francs at the end of each year	0.73	0.61	0.61	0.58	0.73	0.61	0.58

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS FOR THE YEARS :							
	1930	1931	1932	1933	1929	1930	1931 and 1932	1933
Number of Banks	4	4	4	4	5	5	5	5
	Schillings (000,000's omitted)							
Capital paid up[a]	129.0	114.0	74.0	54.5	239.1	381.3	—	196.5
Reserves and Undivided Profits[a]	74.8	49.6	5.2	2.3	97.3		—	2.3
1. Gross Profits	**60.8**	**52.6**	**37.4**	**38.6**	**107.6**	**124.0**	**145.3**	**59.7**
To be deducted:								
2. Expenses	43.6	40.9	35.0	27.9	77.9	77.4	117.9	39.5
(a) Salaries, etc.	27.8	26.2	24.0	18.8	50.0	49.6	82.7	27.3
(b) Other working expenses	6.7	6.4	5.6	5.5	9.8	11.1	19.7	7.7
(c) Taxes, etc.	9.1	8.3	5.4	3.6	18.1	16.7	15.5	4.5
3. Reserved for Pension Funds, etc.	6.1	7.2	7.3	7.9	10.3	16.1	40.8	16.8
4. Written off:								
(a) Ordinary depreciation accounts	0.1	0.1	0.1	0.1	0.5	0.6	1.4	0.1
(b) Extraordinary accounts	...	60.4	102.6	38.5	...	159.0	977.0	38.5
5. Net Profit or Loss :								
(a) Including extraordinary offwritings.	**11.0**	**—56.0**	**—107.6**	**—35.8**	**18.9**	**—129.1**	**—991.8**	**—35.2**
(b) On current transactions.	11.0	4.4	—5.0	—3.5	18.9	20.6	—14.8	—2.9
6. Carried forward from preceding year	0.7	1.1	4.0	—	1.1	1.2	5.1	—
7. (a) Taken from Reserves or Capital	—	59.3	103.8	36.1	—	76.5	272.5	36.1
(b) Contributions *à fonds perdus*	—				—	63.1	722.7	—
8. Total Amount disposed of for Dividends, etc.	**11.7**	**4.4**	**0.3**	**0.3**	**20.0**	**11.7**	**0.6**	**0.9**
9. Carried to Reserves	0.1	0.1	0.2	0.1	1.9	0.1	0.3	0.1
10. Dividends	9.4	—	—	—	15.3	9.4	—	—
11. Directors' Fees, etc.	0.4	—	—	—	0.9[b]	0.4	—	—
12. Carried forward to following year	1.0	4.1	—	—	1.0	1.0	—	0.6
13. Transferred to Head Office account	0.8	0.2	0.1	0.2	0.9	0.8	0.3	0.2
14. Total as above	**11.7**	**4.4**	**0.3**	**0.3**	**20.0**	**11.7**	**0.6**	**0.9**
15. Value of currency in Swiss francs at the end of each year	0.73	0.61	0.61	0.59	0.73	0.73	0.61	0.58

[a] Excluding the Zentraleuropäische Länderbank (see Balance-Sheet Summary).
[b] Including 0.1 million schillings in contributions to Provident Funds.

3. *Discounts.*

A distinction between bills labelled in foreign currencies and in schillings is made only in the 1932 and 1933 balance-sheets of the Creditanstalt, of whose total bill portfolio, amounting to 40.5 million schillings at both dates, 6 millions were in foreign currencies at the end of 1932 and 2 millions at the end of 1933.

6 and 7. *Correspondent Accounts and Loans and Advances.*

No distinction is made between these two items by the Escompte-Gesellschaft nor by the Creditanstalt before 1932. For the other banks, the following figures are available :

Schillings (000,000's)	1929	1930	1931	1932	1933
Bankverein, Länderbank and Merkurbank :					
Correspondent accounts.	97	83	33	30	20
Loans and advances	564	572	472	464	420
Total.	661	655	505	494	440

The figures in the Summary Table represent almost exclusively the item *Debitoren*, shown in the

bank balance-sheets, which covers, in addition to correspondent accounts, advances on current account (including credits granted, sometimes on very long term, to the undertakings directly or indirectly controlled by the banks), the accounts of the merchandise departments of the banks, cover for acceptances, and contango and other miscellaneous loans and advances.

The following details are shown by the Creditanstalt for 1932 and 1933 :

	End of : 1932	1933
	Schillings (000,000's)	
" Nostro " accounts with foreign banks .	8.8	8.5
Domestic bank accounts.	36.2	14.5
Advances to associated industrial concerns.	141.5	129.6
Public bodies	49.4	30.1
Loans on current bank account	211.5	150.3
Other accounts (transitory, etc.)	10.1	12.0
Total	457.5	345.0
Of which in foreign currencies. .	271.4	61.4

9. *Sundry Assets.*

Of the figure for 1930, 33.3 million schillings represent mortgage loans of the Creditanstalt and 152.5 millions contributions *à fonds perdus* on account of the Creditanstalt (63.1 millions) and payments in respect of the increase in capital of that bank (89.4 millions). The 1932 and 1933 figures cover mortgage loans (40.4 million schillings at the end of 1932 and 38.3 millions at the end of 1933) and building loans (37.5 at the former and 46.7 at the latter date) of the Creditanstalt.

12 and 13. *Capital and Reserves.*

For certain years, the figures for capital paid up would appear to include considerable amounts of share capital held by the banks themselves. At the time of its first capital reconstruction in 1932, the Bankverein cancelled 11 million schillings and, in 1933, this bank cancelled a further 107,500 schillings and the Escompte-Gesellschaft 18 million schillings of own shares, which had been purchased on the open market.

As mentioned above, the capital and reserves of the Länderbank, which are held abroad, are not included in the Summary Table.

16 and 17. *Correspondent Accounts and Deposits.*

The sums shown under item 17*(a)* represent the aggregate of a number of different accounts which, in the balance-sheets of the banks, are combined under the single general heading *Kreditoren.* This item consists mainly of current accounts (of private depositors, debtors on industrial account and correspondents). Foreign credits are also included under this heading. It is known that the total foreign short-term credits of the Creditanstalt at the end of April 1931 amounted to 442 million schillings. In its 1932 and 1933 balance-sheets, the Creditanstalt shows " Creditors " totalling 328 and 253 million schillings respectively, of which balances expressed in foreign currencies amounted to 55 million in the former and 36 million in the latter year.

The other sums given in this group of the Summary Table (items 17 *(b* to *d))* represent *Kassenscheine,* deposits and savings accounts of the public. It is worthy of note that the sums shown under this heading by the Länderbank steadily increased from 81 million at the end of 1929 to 121 million schillings at the end of 1933, while for the other banks taken as a whole a rapid decline took place in this item.

18 *Rediscounts.*

Figures relating to rediscounts are available for the Creditanstalt for 1932 and 1933. Rediscounted finance bills (61 million at the end of 1932, 68 million schillings at the end of 1933) are shown under the balance-sheet liabilities (included in " Sundry Liabilities " in the Summary Table) ; rediscounted commercial bills (21 millions at the end of 1932 and 9 millions at the end of 1933), given below the balance-sheet of the bank, are excluded entirely from the Summary Table. For the other banks and for the Creditanstalt in previous years, no such information is published, rediscounted paper of all kinds being merely excluded from the banks' bill portfolios and used to strengthen the form of asset in which the rediscount is furnished — *i.e.*, the " cash " or " correspondent debtor " item. The following figures of the bill-holdings of the National Bank (exclusively inland bills) throw some light on the use made by the commercial banks of rediscount privileges during the period under review :

Schillings (000,000's)	1929	1930	1931	1932	1933	1934
March 31st . . .	188	166	92	867	287	307
June 30th. . . .	255	125	529	881	275	454
September 30th .	289	96	689	323[a]	2.5	254
December 31st .	306	148	908	379	275	236

[a] October 15th, 1932.

20. *Sundry Liabilities.*

The figures for 1932 and 1933 cover the following items in the Creditanstalt balance-sheets :

Schillings (000,000's)	1932	1933
Rediscounted finance bills.	61.0	8.0
Mortgage bonds	30.6	29.0
Bonds covered by building loans . . .	37.9	46.7

22. *Guarantees.*

For 1933, this item includes the Government guarantee of 20 million schillings accorded to the Escompte-Gesellschaft in April 1934, but shown in its balance-sheet as at the end of 1933. The *aval*

liabilities of the Creditanstalt declined from 68.7 millions at the end of 1932 to 51.8 millions at the end of 1933.

23. *Other Contingent Liabilities.*

The figures shown for 1932 and 1933 represent exclusively the "live claims" of the foreign creditors of the Creditanstalt which became frozen after the crisis of May 1931. These claims are not shown in the balance-sheet proper, as they constitute a liability, not on the assets, but only on the net profits of the bank.

Summary of Profit-and-Loss Accounts.

In the Summary Table, an attempt has been made to show, not only the banks' profit-and-loss position on current transactions, but also the extent of their losses and the manner in which these losses were covered. For this purpose, amounts written off have been divided into those of an extraordinary and of an ordinary nature (the latter representing the normal depreciation accounts included year by year in the banks' profit-and-loss statements), and net profits or losses have been shown *(a)* including and *(b)* excluding the extraordinary depreciation accounts.

As the Creditanstalt has not published any complete profit-and-loss account for 1931, and the accounts published after the reconstruction relate to the two years 1931 and 1932 jointly, it has been thought advisable to cover both years in the last column referring to all the four banks concerned. In this statement for 1931-32, double-counting on account of sums brought forward in 1931 has, of course, been avoided. Separate figures for each of the years 1930, 1931 and 1932 relating to three banks only *(i.e.*, excluding the Creditanstalt) are also shown.

Item *7(b)* refers exclusively to the Creditanstalt. The figure for 1931-32 covers, not only the purchase by the Government of the Creditanstalt bills held by the National Bank, but also the Government bonds issued against the live claims of the foreign creditors. The contribution of the Government and the National Bank to the trust company on behalf of the Bankverein and the Escompte-Gesellschaft are not included in the Summary Table.

The extraordinary off-writings — item *4(b)* — shown for 1933 refer exclusively to the Escompte-Gesellschaft; as pointed out above, they were actually carried out in April 1934 and were covered in large part by the cancellation of the bulk of the company's share capital and reserves, shown under *7(a)* for 1933. The latter item also includes cover of the Bankverein net operating loss of 3.8 million schillings for 1933, which was provided for through the reconstruction of April 1934 and the amalgamation of the Bankverein with the Creditanstalt.

Item 13 refers to the net profits of the Länderbank, which are transferred to its head office in Paris.

BELGIUM.

Introductory Note.

In the course of 1933, two Belgian banks of secondary importance failed, four minor ones were absorbed by other institutions, and a small new bank was established, bringing the total number of banks reported by the *Moniteur des intérêts matériels* to fifty-nine as compared with sixty-two in 1932. The tendency towards increased liquidity already apparent in 1932 became more marked in the course of 1933, as can be seen from the very substantial increase in cash and similar items, which amounted to over 25 per cent of aggregate deposits, etc., at the end of 1933, as compared with 20 per cent a year earlier and 14 per cent at the end of 1931. Loans and advances continued to fall, though at a slower rate than in the preceding years. Investments also fell slightly, but this appears to be entirely due to private securities, the banks' holdings of Treasury bills, and other Government securities having increased. The contraction of deposits was arrested and, as the following table shows, the increase in deposits in postal savings institutions continued.

Francs (000,000's) End of	Commercial banks — Total liabilities to the public	Central Credit Bank of the Boerenbond — Total deposits	Post Office Savings Bank — Deposits on pass-books and c/a	Post Cheque Office — Clients' balances	Total
1929	29,363	1,275	5,626	2,087	38,351
1930	30,001	1,481	7,880	2,225	41,587
1931	26,593	1,706	9,387	2,335	40,021
1932	23,214	1,637	10,015	2,464	37,330
1933	23,289	1,638	10,240	2,704	37,871

Within the commercial banking group, there was some shift of deposits to the two largest banks, the Société Générale de Belgique and the Banque de Bruxelles ; their aggregate liabilities to the public rose by nearly 500 million francs in 1933, and at the end of that year they accounted for 35 per cent of the liabilities of all banks reported.

The mixed character of Belgian banking has been emphasised in the previous editions of this *Memorandum*. The extent to which banks were connected with industrial and commercial enterprise is brought out to a certain degree by the figures on the security holdings and participations of the two largest banks during 1930. The Société Générale and the Banque de Bruxelles held together in that year 40.3 per cent of the securities and participations of all joint-stock banks. These two items constituted 24 per cent of the total assets of the Société Générale and 37 per cent of the assets of the Banque de Bruxelles. The percentage distribution of securities and participations was as follows :

Securities of	Banque de Bruxelles	Société Générale
Belgian banks	15.3	24.8
Foreign banks	6.0	3.3
Electrical enterprises	21.1	5.8
Chemical enterprises	2.0	3.1
Colonial enterprises	4.2	12.9
Railways and tramways	—	7.7
Coal industry	—	7.0
Textile industry	—	0.7
Metal industry	—	25.6
Glass industry	—	1.6
Shipping enterprises	—	2.6
Others	0.9	1.2
Participations	50.5	3.7
	100.0	100.0

The participations of the Banque de Bruxelles were slightly larger than its security holdings. The low percentage of 3.7 for the Société Générale is misleading, because in all probability the Bank holds a controlling interest in most of the enterprises indicated. This diversity and extensiveness of the interests of the two banks is significant in connection with the ultimate destination of the loans and advances of the banks.

The potential danger of direct relationships with industry during an economic depression appears to have been realised by the big banks, and the four largest banks created holding companies to serve as intermediaries. The Government's own apprehensions on this score and the difficulties with which the Banque belge du travail was faced in the early summer of 1934,[1] induced the Government to avail itself of the special powers given to it for six months by a Law of July 31st, and to pass four important decrees relating to banking and credit. The first three decrees (No. 1, 2 and 3 of August 22nd) aim at strengthening confidence and cheapening the cost of credit by a radical reform of the prevailing system of mixed banking. (Co-operative credit societies and the Caisse générale d'épargne et de retraites are subject to special regulations.) Existing banks are required, by the end of 1935, either to give up their industrial banking activities or to split up into two distinct concerns with a view to separating their industrial banking and deposit banking activities. Deposit banks emerging from such a transformation are to have a capital of not less than 1 million francs, and may not hold shares in industrial, commercial or agricultural enterprises.

[1] Though the total liabilities to the public of the Banque belge du travail amounted to only 394 million francs at the end of 1933, the Bank was important because of its intimate connection with the larger co-operative credit societies. It finally suspended payments on October 2nd, 1934.

BELGIUM. COMMERCIAL BANKS **Table 2 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	87	88	62	62	59
ASSETS.	Francs (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	3,659	3,456	3,649	4,769	5,930
2. Other Items of a Cash Nature					
3. Bills discounted and bought	6,482	6,726	6,557	5,384	5,480
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	5,717	7,154	7,208	7,046	6,927
(b) Other					
5. Participations					
6. Due from Banks (Correspondents)					
(a) At home					
(b) Abroad					
7. Loans and Advances	21,471	21,091	15,789	12,602	11,756
(a) On current account					
(b) Other					
8. Cover for Acceptances					
9. Premises, etc.	411	514	447	473	485
10. Sundry Assets					
11. Total Assets	**37,740**	**38,941**	**33,650**	**30,274**	**30,578**
LIABILITIES.					
12. Capital paid up	4,157	4,591	3,828	3,986	4,088
13. Reserve Funds	3,350	3,548	2,755	2,653	2,777
14. Profit-and-Loss Accounts, Undivided Profits, etc.	870	801	474	421	424
15. Cheques and Drafts, etc., in circulation					
16. Due to Banks (Correspondents)					
(a) At home					
(b) Abroad					
17. Deposits					
(a) Current accounts and sight deposits	29,363	30,001	26,593	23,214	23,289
(b) Savings accounts					
(c) Time or fixed deposits					
(d) Other deposits					
18. Rediscounts and other Borrowings					
19. Acceptances and Endorsements					
20. Sundry Liabilities					
21. Total Liabilities	**37,740**	**38,941**	**33,650**	**30,274**	**30,578**
22. Value of currency in Swiss francs at the end of each year	0.144	0.144	0.144	0.144	0.144

They are to invest their funds mainly in Government, municipal, provincial and colonial securities ; they may invest up to a quarter of their own capital in the shares of other deposit banks, and may hold for a maximum period of six months Belgian or foreign securities which they undertake to issue. Monthly balance-sheets are to be published in the Official Journal as from June 30th, 1935, according to a standard form to be devised by the Government.

The Société nationale de crédit à l'industrie, formerly a semi-public mortgage bank, is authorised to take over such existing long-term industrial, commercial and agricultural loans [1] and participations as the joint-stock banks may wish to transfer to it and which the administration of the Société nationale considers sound. It is to pay for these with 3 per cent Government guaranteed debentures which it is authorised to issue up to the amount of 2,000 million francs. These debentures will be accepted by the National Bank of Belgium as security for advances. The loans so transferred are extended over a period of twenty years, and are to pay only 4¼ per cent interest. The banks guarantee both interest and capital on loans transferred to the Société nationale. With the difference of 1¼ per cent between the interest on its debentures and the interest paid on loans, the Société nationale is to constitute a reserve fund against eventual losses arising out of the failure of such banks as had transferred to it their long-term obligations.

The fourth decree (No. 7 of August 22nd, 1934) aims at inducing a revision of contracts by permitting private borrowers, until the end of 1935, to reimburse capital loans before the due date at three months' notice.

The Government has reduced to 4½ per cent the interest rate to be paid on loans granted by institutions of a public character, such as the 1,300 million francs granted by the Société nationale de crédit à l'industrie before its reorganisation, the 795 million francs of credits opened by the Association nationale industrielle et commerciale, and the advances made by the Caisse générale d'épargne et de retraites. In accordance with this policy, the National Bank of Belgium reduced its discount rate to 2½ per cent as from August 28th, 1934.

Two other important decrees were passed at the end of September. The first relates to the control of the operations of the long-term capital market, money changers, stockbrokers, small banks and industrial and commercial enterprises. The second decree provides for the temporary extension of the sources of credit of the middle and artisan classes. In addition to the two existing organisations, the Outillage artisanal and the Caisse centrale de petit crédit professionnel, a third temporary institution is to be created with the assistance of the National Bank, Caisse d'épargne and the Ministries of Economic Affairs and Finance. The funds to be placed at its disposal will be raised through the issue of 100 million francs of debentures destined for the mobilisation of the advances made by the banks to small industry, by a grant of 50 million francs by agencies participating in its formation, and by the issue of Government guaranteed bills *(bons de caisse)* up to a maximum of 250 million francs.

Balance-sheet Summary.

3. *Bills discounted and bought.*

The sums shown represent net amounts excluding rediscounts.

4 and 5. *Securities and Participations.*

Figures available for banks holding about 80 per cent of the securities and participations of all Belgian commercial banks in 1933 show that about 50 per cent were in the form of Treasury bills, State bonds and other public securities.

6, 7 and 8. *Correspondents, Loans and Advances, Cover for Acceptances.*

The major part of the current account loans represents long-term working credits granted by the banks to the undertakings, industrial and other, which they control.

14. *Profit-and-Loss Accounts.*

The figures shown in the summary table represent aggregate net profit balances less net losses, as follows :

Francs (000,000's)	1930	1931	1932	1933
Net profit	804	489	446	441
Net losses	3	15	25	17
Profit balances	801	474	421	424

15-20. *Correspondents, Deposits and Other Liabilities.*

The following is the specification available in the years under review :

Francs (000,000's)	1929	1930	1931	1932	1933
Deposits	21,290	.	20,037	17,506	18,083
Creditors			4,772	2,754	2,306
Bonds, mortgages and other borrowings	8,073	.	1,784	2,954	2,900
Total	29,363	30,001	26,593	23,214	23,289

[1] Unofficial estimates put the total of such loans granted by the joint-stock and other banks at 5,000 million francs.

BULGARIA.

Introductory Note.

The outstanding developments in Bulgarian banking in the course of 1933-34 have been the continued contraction of commercial bank credit and the reorganisation of the joint-stock banks and of two public credit institutions. After falling by over 2,200 million leva during 1931, commercial bank deposits continued to decline at the rate of about 500 million leva per year until the end of 1933. This contraction in deposits was accompanied, as the following summary[1] of the principal accounts of the private banks shows, by a further diminution of principal assets, and, in particular, of cash resources :

Leva (000,000's)	Dec. 31st, 1932	June 30th, 1933	Dec. 31st, 1933	June 30th, 1934
1. Cash, etc..	726	409	534	515
2. Bill portfolio	1,394	1,195	1,202	1,135
3. Advances.	2,044	2,220	1,953	1,904
4. Contested accounts and protested bills. . . .	650	637	662	651
5. Capital, reserves, etc.. .	1,360	1,339	1,277	1,210
6. Deposits	3,871	3,517	3,294	3,217
Of which :				
(a) Savings deposits.	(1,587)	(1,421)	(1,256)	(1,268)
(b) Trade deposits. .	(1,876)	(1,768)	(1,639)	(1,354)
(c) Other creditors .	(1,408)	(328)	(399)	(595)
7. Rediscounts.	276	273	353	304
8. Total balance-sheet . .	6,594	5,972	5,731	5,510

The withdrawal of deposits in the first half of 1933 was met principally by a reduction in cash resources, the ratio of cash to total deposits falling from 18 to 11 per cent. The fall in the bill portfolio was almost entirely compensated by an increase in loans and advances. The decline in deposits in the second half of the year was accompanied by a reduction in loans and advances ; the cash ratio rose from 11 to 16 per cent. The increase in cash assets was due both to the seasonal movement and to an increase of 80 million leva in rediscounts with the National Bank. Between the end of 1932 and 1933, the proportion of bad or doubtful debts to total loans and discounts increased from 18.8 to 21 per cent. There was some improvement in the position of the banks in the first half of 1934 ; cash assets were maintained at a high level despite the usual seasonal reduction and the decline of some 50 millions in rediscounts, and deposits remained fairly stable.

The effects of the depression and of the various economic and monetary developments on the three groups constituting the entire Bulgarian joint-stock banking system are shown by the following summary of their principal accounts at the end of 1929 and 1933 :

Leva (000,000's)		Capital, reserves, etc.	Deposits	Discounts and advances	Total balance-sheet	Percentage of balance-sheet total of all joint-stock banks
Four foreign banks	1929	295	3,389	3,264	3,758	45
	1933	402	1,557	1,377	2,238	39
Two large Bulgarian banks. . .	1929	194	1,641	1,563	1,944	23
	1933	210	814	649	1,418	24
Other joint-stock banks.	1929	669	1,929	2,167	2,740	32
	1933	665	839	778	922	37

Despite a reduction during the crisis of 54 per cent in their deposits and of 40 per cent in their aggregate accounts — due principally to the calling-in of credits by their head offices during the European banking crisis of 1931 — the foreign banks remain the most important commercial credit institutions in Bulgaria. The reduction in the deposits and discounts and advances of the Bulgarian banks, particularly of the smaller institutions, has been very heavy, and appears largely to reflect the effects on the economic and banking situation of the extensive legislation passed in the course of the depression. [2]

The amalgamation of eight Bulgarian joint-stock banks into one large institution, the Crédit Bulgare, was effected with State assistance in the course of October 1934. The original capital and total

[1] These accounts are taken from the quarterly reports of the Commissioner of the League of Nations in Bulgaria. They refer to the same number of banks as the statistics published in the *Bulletin* of the National Bank of Bulgaria and reproduced in the balance-sheet summary at the end of the introductory note, but they are classified on a basis different from that of the National Bank.

[2] For an account of the diverse legislation relating to debts, the protection of deposits, etc., see the quarterly reports of the Commissioner of the League of Nations in Bulgaria.

BULGARIA. COMMERCIAL BANKS **Table 3 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks, Branches and Sub-branches. . .	135	138	131	129	118
ASSETS.	Leva (000,000's omitted)				
1. Cash.			708	721	526
(a) Gold, silver and small coins.			—	—	—
(b) Inland notes and balances with Central Bank	714	870	—	—	—
2. Other Items of a Cash Nature			260	163	136
3. Bills discounted and bought.			1,400	1,117	850
(a) Treasury bills.			—	—	—
(b) Commercial bills, Inland.			—	—	—
(c) Commercial bills, Foreign.	3,056	2,293	—	—	—
4. Investments and Securities.			207	205	184
(a) Government			46	17	11
(b) Other			161	188	173
5. Participations.			51	48	44
6. Due from Banks (Correspondents).			57	61	39
(a) At home.			—	—	—
(b) Abroad	3,938	3,489	—	—	—
7. Loans and Advances.			2,564	2,040	1,953
(a) On current account			—	—	—
(b) Other			—	—	—
8. Cover for Acceptances	—	—	29	36	32
9. Premises, etc..	223	215	275	297	271
10. Sundry Assets	511	545	1,133	1,173	1,029
11. Total Assets	**8,442**	**7,412**	**6,684**	**5,861**	**5,064**
LIABILITIES.					
12. Capital paid up	1,002	1,085	1,129	1,107	1,041
13. Reserve Funds	155	162	174	182	186
14. Profit-and-Loss Account, Dividends Account, etc.	118	114	62	30	16
15. Cheques and Drafts, etc., in circulation	—	—	20	19	15
16. Due to Banks (Correspondents)			96	78	54
(a) At home			—	—	—
(b) Abroad			—	—	—
17. Deposits, etc.			4,449	3,918	3,293
(a) Current account and sundry deposits . .	6,959	5,887	—	—	—
(b) Savings accounts			—	—	—
(c) Time and fixed deposits			—	—	—
(d) Other deposits			—	—	—
18. Rediscounts and Other Borrowings			—	—	—
19. Acceptances and Endorsements	—	—	29	36	32
20. Sundry Liabilities.	208	164	725	491	427
21. Total Liabilities.	**8,442**	**7,412**	**6,684**	**5,861**	**5,064**
22. Rediscounts	—	—	400	277	352
23. Guarantees	—	—	408	361	307
24. Value of currency in Swiss francs at the end of each year	0.037	0.037	0.037	0.037	0.036

balance-sheet of these eight institutions [1] amounted to 200 and 1,019 million leva respectively, and, after an evaluation of the accounts by a Special Committee, these two items were accepted at 82 and 945 million leva respectively. The Government contributes 50 million leva to the capital of the new bank, and the National Bank is authorised to grant it an extraordinary loan of 100 million leva. A plan for the amalgamation of the remaining private banks, some 120 in number, is under consideration. Soon after the creation of the Crédit Bulgare, the Government proceeded to the amalgamation of two public credit institutions, the Agricultural Bank and the Central Co-operative Bank, [2] under the name of "Banque agricole et coopérative de Bulgarie". At the end of 1933, the deposits of these two institutions totalled 5,287 and 740 million leva respectively, and their balance-sheet total amounted to 8,177 and 1,337 million leva respectively. The amalgamation does not involve any revaluation of assets, but merely combines the accounts of the two institutions. The new bank has been given very extensive powers with regard to the extension of credit and the control of co-operative and people's banks. [3]

Balance-sheet Summary.

9. *Sundry Assets.*

This item includes credits in litigation *(i.e.,* doubtful loans), protested bills and losses, in addition to sundry accounts not specified. The first two sub-items amounted to the following sums :

Leva (000,000's)	1931	1932	1933
Credits in litigation . . .	391	448	511
Protested bills	134	169	151
Total	525	617	662

14. *Profit-and-Loss Account, etc.*

The sums shown under this heading represent the aggregate net profits of the banks which made profits. The net losses incurred by other banks are not deducted from the net profits as here shown, but are included under sundry assets, to the following aggregate amounts :

	1929	1930	1931	1932	1933
Leva (000,000's)	8	15	54	31	...

17. *Deposits.*

The detailed composition of deposits is shown since 1931 as follows :

Leva (000,000's)	1931	1932	1933
Savings deposits, up to one month.	1,640	1,436	...
Savings deposits, more than one month.	226	165	...
Commercial deposits . . .	2,001	1,929	...
Other creditors.	582	388	...
Total deposits	4,449	3,918	...
Whereof : in foreign currencies. . . .	863	392	...

[1] The eight founder banks are : the International Bank, Union of Bulgarian Banks, T. Pazardjick Commercial Bank, Burgas Bank, Tirnovo Commercial and Credit Bank, Pleven Commercial and Credit Bank, G. Orahovitza Commercial Bank and the Zagora Bulgarian Economic Bank. The principal accounts of the eight banks before and after amalgamation are summarised below :

	Original amount	As approved by Commission
	Leva (000,000's)	
1. Bonds and stocks	32	27
2. Bill portfolio	80	80
3. Advances on bills	223	221
4. Advances.	273	204
5. Contested accounts and protested bills	146	108
6. Capital, etc.	200	82
7. Total deposits.	474	474
8. Rediscounts and borrowings .	173	172
9. Total balance-sheet	1,019	945

Soon after the amalgamation, four provincial banks with a total capital of 24 million leva were admitted to the combine.

[2] For an account of the functions and importance of these two institutions, see *Commercial Banks, 1925-1933*, pages 69 and 70.

[3] A detailed account of the principal powers of the new public credit institution is given in the report of the Commissioner of the League dated November 17th, 1934, page 5.

CZECHOSLOVAKIA. [1]

Introductory Note.

The commercial banks of Czechoslovakia were in a less exposed position during the international financial crisis of 1931 than those of neighbouring countries. In the course of 1930, as a result largely of the recession of business activity and the consequent fall in the demand for credit, the banks converted a net balance of foreign indebtedness of 748 million Kč. into a credit balance of 176 million Kč. Though their foreign position on short-term account was favourable, they did experience considerable embarrassment in the summer of 1931, when substantial withdrawals of foreign credits from Czechoslovak banks and industries took place and a high proportion of short-term claims abroad was immobilised through exchange restrictions, standstill arrangements, etc. The foreign exchange reserves of the National Bank declined from 2,447 to 1,060 million Kč. (not including losses on sterling and other depreciated currencies) in the course of 1931, over half the loss occurring in the third quarter of that year. The banks could not call in domestic credits rapidly enough to meet the withdrawals of foreign funds, which were covered partly by disposal of foreign assets[2] and particularly by recourse to the National Bank, whose bill portfolio soared from 479 to 2,159 millions in the second half of 1931. A system of exchange restrictions was introduced in October 1931.

During 1931 and 1932, there was a tendency for deposits to be transferred from the commercial joint-stock banks to the various groups of savings banks and credit associations. (Thus there was no distrust in the banking system taken as a whole, a fact which is confirmed by the stability of the note circulation.) The movement of deposits among the various groups of credit institutions is shown in the following table : [3]

Deposits at end of year Kč (000,000's)	Number of institutions at the end of 1929	1929	1930	1931	1932	1933	Number of institutions at the end of 1933
Czechoslovak savings banks	371	18,208	19,260	21,626	21,819	20,639	366
People's credit and savings associations .	489	6,002	6,577	7,401	7,572	7,333	548
District agricultural credit and savings associations in Bohemia	173	3,632	3,953	4,245	4,276	4,267	174
Total		27,842	29,790	33,272	33,667	32,239	
Deposits and creditors (correspondents) of joint-stock banks in Bohemia, Moravia and Silesia.	22	25,813	26,286	21,972	20,688	19,608	22
Grand total		53,655	56,076	55,244	54,355	51,847	

It will be observed that aggregate deposits in the three groups of savings banks rose by 4,400 million Kč. between the end of 1929 and the end of 1933, while those in the joint-stock banks fell by over 6,000 million Kč. The latter accounted for only 38 per cent of total deposits of the institutions included in the above table in 1933, as compared with 48 per cent in 1929. The total volume of deposits decreased only moderately between the end of 1930 and the end of 1932 ; the decline which took place in 1933 was partly due to the Government's Employment Loan, floated early in that year, which realised nearly 2,000 million Kč.

The Banking Law of April 1932, the main provisions of which were described in the last issue of this *Memorandum*, played an important part in connection with the bank reconstructions which had to be undertaken in the course of that year as a result of losses suffered by the banks, chiefly on their extensive industrial interests. One feature of the law was to raise the contributions of the Government and the banks to the Reconstruction Fund which had already been set up in 1924. On the basis of these contributions, the fund issued additional interest-bearing securities to a nominal value of over 700 million Kč. ; it handed over these securities to the banks requiring support, to replace — for the purposes of balance-sheet reconstruction — their lost or depreciated assets. In the case of two big Prague banks (the Anglo-

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Czechoslovakia in the last edition of this volume, the present chapter covers the entire period 1929-1934.

[2] The net credit balance of Czechoslovak banks on short-term account fell from 176 to 3 million Kč. during 1931.

[3] Based on figures given in the *Monthly Bulletin of the National Bank of Czechoslovakia*. The table leaves out of account such important credit organisations as the Schultze-Delitsch and Raiffeisen co-operative credit associations. The three groups of savings institutions shown may, however, be regarded as representative. (Cf. the table given in the Introductory Note in the last edition of this *Memorandum*, which, however, for all groups, included creditors.) With regard to joint-stock bank deposits, the figures of the *Bulletin* include correspondents and differ slightly from the corresponding item (*i.e.*, 15 and 16 combined) of the Summary Table, which is based on the more detailed but less up-to-date reports of the Official Bureau of Statistics.

Československá a Pražká banka and the Česká prumyslová banka) and the Moravská banka (Bank of Moravia), the State cancelled its deposit claims and lent its guarantee to cover a certain amount of other deposits. These three banks effected considerable reductions in their share capital and reserves, and applied the resulting book-keeping profit to writing down their assets. The other four large Prague banks held substantial amounts of their own share capital which they had purchased to support quotations and thus maintain confidence. They agreed to cancel these shares, and the share capital of the four institutions in question was consequently reduced from 910 to 680 million Kč. The aggregate share capital of all the seven banks mentioned amounted to 970 million Kč. at the end of 1932, as compared with 1,475 millions at the end of 1930.

In 1933, efforts were made to secure a general reduction of interest rates. A "Central Arbitration Board for cases of illicit competition in financial and banking matters" had been in existence since 1929, with the principal object of restraining the competition for deposits mainly by securing regional agreements regarding the deposit rates granted by banks and other financial institutions. On the basis of a Law of March 2nd, 1933, new attempts were made to regulate the competition among banks and to obtain a greater uniformity of loan and deposit rates at a lower level. A Government Ordinance of May 29th, 1933, fixed maximum scales of interest rates, varying according to the nature of the debt contract and also according to certain geographical divisions of the country. These regulations further provided that the rates of interest on loans and advances charged by banks and other financial institutions should vary with the discount rate of the National Bank.

On February 17th, 1934, the gold content of the Czechoslovak crown was reduced from 44.58 to 37.15 milligrammes of fine gold — *i.e.*, by 16.66 per cent. At the same time, the minimum reserve ratio of the National Bank was reduced from 35 per cent to 25 per cent ; but the reserve is henceforward to consist of gold alone. In conjunction with this measure, it was decided to establish a Rediscount and Lombard Institute, partly in order to utilise the scope for credit expansion which had been created by the devaluation of the currency. [1]

The character of the Institute was laid down by a Law of March 14th, 1934, according to which the principal object is "to grant to or act as intermediary in obtaining credits for financial institutions, either against bills of exchange or against collateral". Its resources are partly provided by the State, which contributed a fund of 100 million Kč., and partly by banks and similar institutions, which are required to maintain deposits with the Institute equivalent to 5 per cent of their own deposit liabilities to the public. Moreover, the Institute is authorised to borrow at the National Bank ; it also received a guarantee of the Ministry of Finance on its borrowings up to 500 million Kč. An important object of the Institute consists in equalising the degree of liquidity as between different banks and different groups of credit institutions, in view of the large transfers of deposits which have, in recent years, taken place within the banking system as a whole. The Institute has also been entrusted with the task of regulating the market of Government securities. Finally, it has been assigned special functions in carrying out the liquidation of financial institutions, as occasion arises. All activities of the Institute are confined to financial institutions ; thus, *e.g.*, it is not entitled to accept deposits from the public. It began operations on May 1st, 1934.

Balance-sheet Summary.

1. *Cash.*

The figures given are composed as follows :

Kc. (000,000's)	1929	1930	1931	1932
Cash (Kassabarschaft). . .	1,039	967		
Sight balances with the Central Bank and the Post-cheque Clearing Office.	971	869	1,715	2,630
Total	2,010	1,836	1,715	2,630

The figures shown for 1931 and 1932 include sight balances with other banks, part of which were previously shown separately under group 2 and foreign notes, also formerly shown in that group. No distinction is made among these items.

2. *Other Items of a Cash Nature.*

The figures given are composed as follows :

Kč. (000,000's)	1929	1930	1931	1932
Money on call with domestic banks.	530	725	—	—
Notes, bills and cheques, etc. in foreign currency . . .	514	598	218	68
Total	1,044	1,323	218	68

See note to group 1 above.

[*Continued on page 16.*

[1] The facilities of the National Bank for this purpose were considered inadequate, especially, it would appear, on account of the large and rigid item of State debt (inherited from the early post-war period of currency stabilisation) among its assets serving as supplementary cover for its sight liabilities : in comparison with a note issue of 5.4 milliard Kč., the State debt amounted to 2.6 milliards at the end of January 1934, though it declined to 2.15 milliards in the following month by the application of the net revaluation profit on the Bank's gold and foreign exchange reserves.

CZECHOSLOVAKIA. COMMERCIAL BANKS **Table 4 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1930	1931	1932
Number of Banks	22	23	23	22
ASSETS.	Korony (000,000's omitted)			
1. Cash	2,010	1,836		
(a) Gold, silver and small coins	—	—		
(b) Inland notes and balances with Central Bank	—	—	1,933	2,697
2. Other Items of a Cash Nature	1,044	1,323		
3. Bills discounted and bought	2,728	2,818	2,157	1,917
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	2,728	2,818	2,157	1,917
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	2,725	3,044	3,419	2,631
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	1,054	1,100	821	801
6. Due from Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	
7. Loans and Advances	20,643	20,548	17,242	14,639
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	385	415	531	516
10. Sundry Assets	756	868	853	527
11. Total Assets	**31,345**	**31,952**	**26,956**	**23,728**
LIABILITIES.				
12. Capital paid up	1,845	1,852	1,533	1,284
13. Reserve Funds	1,382	1,431	1,011	904
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	253	205	66	65
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents)	7,787	7,038	5,542	4,154
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	18,630	19,871	17,382	16,337
(a) Current accounts and sight deposits	9,703	9,972	8,285	7,741
(b) Savings accounts	8,927	9,899	9,097	8,596
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and other Borrowings	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	1,448	1,555	1,422	984
21. Total Liabilities	**31,345**	**31,952**	**26,956**	**23,728**
22. Value of currency in Swiss francs at the end of each year	0.15	0.15	0.15	0.15

CZECHOSLOVAKIA. COMMERCIAL BANKS **Table 4 *(b)*.**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFIT FOR THE YEARS :			
	1929	1930	1931	1932
Number of Banks.	22	23	23	22
	Korony (000,000's omitted)			
Capital paid up.	1,845	1,852	1,533	1,284
Reserves and Undivided Profits	1,405	1,453	1,039	921
1. Gross Profits	**884**	**826**	**639**	**541**
To be deducted:				
2. Expenses	630	620	550	485
(a) Salaries, etc.	479	477	445	403
(b) Other working expenses	86	81	68	55
(c) Taxes, etc..	65	62	37	27
3. Reserve for Pension Funds, etc..	13	15	2	1
4. Written off on (Depreciation Accounts for). .	23	23	693	13
(a) Premises, etc.	12	14	12	9
(b) Investments and securities	11	9	676	—
(c) Other assets			5	4
5. Remaining Net Profit (+) or Loss (—) . . .	**218**	**168**	**— 607**	**42**
6. Carried forward from preceding year.	22	22	28	21
7. Taken from Reserves or Capital.	—	—	642	—
8. Total Amount disposed of for Dividends, etc. .	**240**	**190**	**64**	**63**
9. Carried to Reserves.	52	24	8	13
10. Dividends.	154	129	33	25
11. Directors' Fees, etc.	12	9	2	1
12. Carried forward to following year.	22	28	21	24
13. Total as above.	**240**	**190**	**64**	**63**
14. Value of currency in Swiss francs at the end of each year.	0.15	0.15	0.15	0.15

3. *Discounts.*

The figures given represent exclusively domestic commercial bills. The foreign bills held by the banks are included in group 2 above *(cf.* note 2).

6. *Due from Banks.*

Not shown separately : included in " Debtors in current account " *(cf.* note 7 below).

7. *Loans and Advances.*

The sums in this group of the table are shown in the Czechoslovak banking statistics under the general heading " Debtors ", and are composed as follows :

Kč. (000,000's)	1929	1930	1931	1932
Credits covered by securities	3,126	2,774	1,759	1,314
Other debtors from the banking business	17,495	17,730	15,443	13,295
Debtors of the Commercial Departments	22	43	40	30
Total	20,643	20,548	17,242	14,639

The third item above represents credits granted

by the banks' commercial departments for goods sold but not yet paid for.

8. *Cover for Acceptances.*

The sums shown in the table are included in the Czechoslovak statistics in the group "Debtors" (see note 7 above).

10. *Sundry Assets.*

The composition of the sums shown in the table is given below :

Kč. (000,000's)	1929	1930	1931	1932
Mortgage, municipal, land improvement and railway loans	272	368	485	173
Real estate not for the banks' own use	82	65	68	80
Temporary and sundry accounts	402	435	300	274
Total	756	868	853	527

The mortgage, municipal and railway loans are financed by the issue of bonds and debentures. As these operations do not enter into the normal field of activities of commercial banks, the loans have been included in sundry assets and the bonds and debentures in sundry liabilities.

The last item of the above statement consists mainly of internal administrative accounts of the banks.

14. *Profit-and-Loss Accounts, etc.*

The sums given represent net profits of the year.

16. *Due to Banks (Correspondents).*

This item is shown in the Czechoslovak banking statistics under the general heading "Creditors : Financial Institutions". The amounts due to foreign banks are not separated from those due to domestic institutions.

17. *Deposits.*

The figures shown under *(a)* are given in the official statistics as "Creditors in current account" (other than financial institutions ; *cf.*note 16 above). This item is composed mainly of sight deposits, but also includes deposits on longer terms.

The combined figures for *(b)* and *(c)* are composed of savings deposits and "cash certificates" as shown below :

Kč. (000,000's)	1929	1930	1931	1932
Deposits on savings account	7,865	8,396	7,877	7,491
"Cash certificates"	1,062	1,503	1,220	1,105
Total	8,927	9,899	9,097	8,596

The figures shown under *(d)* represent creditors of the commercial departments of the banks.

20. *Sundry Liabilities.*

This item is composed of several accounts shown separately in the official statistics as follows :

Kč. (000,000's)	1929	1930	1931	1932
Bonds and debentures issued	268	362	483	157
Other accounts of the mortgage departments	2	2	2	1
Pension funds	220	238	213	254
Other funds not serving as cover for losses	34	68	15	11
Temporary and sundry accounts	924	885	703	561
Total	1,448	1,555	1,422	984

With regard to the first two items representing the liabilities of the mortgage departments of the banks, see note to group 10 above. The last item is composed mainly of internal administrative accounts, which do not represent direct liabilities to the public.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The figures given are composed as follows :

Kč. (000,000's)	1929	1930	1931	1932
Interest and discounts	510	484	451	319
Provisions and commissions	287	270	236	184
Profits on securities, investments and participations	70	58	−67	26
Sundry profits	17	14	19	12
Total gross profits	884	826	639	541

In conformity with the banking practice in most countries, net figures for interest earned are given above. These figures have been calculated by deducting interest paid on deposits and other outgoings on account of interest which are shown under the expenses in the official Czechoslovak banking statistics from the total of the interest receipts as given in these statistics. The same method has been followed in calculating the sundry profits.

2. *Expenses.*

Not including interest paid and sundry expenses other than working expenses proper, taxes paid, etc. (see note 1 above).

3. *Reserved for Pension Funds, etc.*

The figures given include, in addition to amounts reserved for pension funds, sums set aside for certain other purposes, as shown below :

Kč (000,000's)	1929	1930	1931	1932
Reserved for :				
Pension funds	8.9	8.4	0.4	0.7
Other funds not serving as cover for losses	2.1	0.2	—	—
Other purposes	2.4	5.9	1.6	0.5
Total	13.4	14.5	2.0	1.2

FREE CITY OF DANZIG.

Before the war, Danzig possessed nine banking institutions, of which, however, only one was of more than purely local importance. In 1917, two of the big German D-banks opened branches at Danzig, but it was only after the war that Danzig developed as a banking centre. As the importance of the city in transit trade grew, foreign capital participated to an increasing extent in its commercial banking system. In addition to the German banks already established in Danzig, others set up branches there or acquired control of local banks. Some of the more important Polish banks did likewise, and there was also some inflow of French and British capital for this purpose.

In the first years of the independent existence of the Free City, the currency union with Germany drew Danzig directly into the orbit of the German inflation. At the end of 1923, however, the depreciating German mark was abandoned as a medium of circulation, and a new monetary unit, the florin (Gulden) was adopted. In connection with the currency reform, which was carried out in close co-operation with the Financial Committee of the League of Nations, the Bank of Danzig was established as a note-issuing Central Bank under a Law of November 20th, 1923. Danzig applied a "sterling-exchange standard"; its currency was linked to sterling — and not to gold — at the ratio of 25 florins to the pound, and the notes of the Bank of Danzig were made redeemable in pounds sterling — *i.e.*, in drafts on London. The Bank was founded on February 5th, 1924, as a private joint-stock company, but placed under the direct supervision of the Senate of the Free City. It was given the right to issue notes up to an amount of 100 florins per head of the resident population of Danzig, one-third of which must be covered by balances at, or notes of, the Bank of England, and the rest by commercial bills. For all notes issued in excess of the limit of 100 florins per head, full sterling cover had to be provided and a tax of 5 per cent paid to the Free City.

The Danzig currency remained linked to sterling until the United Kingdom abandoned the gold standard in September 1931; it was then decided to tie the Danzig florin directly to gold, and it was declared convertible into 0.292895 gramme of fine gold (*i.e.*, one twenty-fifth of the gold content of the pound sterling at the old parity). The reserve requirements were extended to include the demand liabilities of the Bank of Danzig in addition to its note circulation ; and the minimum cover was raised to 40 per cent to be held in gold or gold exchange, while the direct limitation on the note issue was abolished. The liquidation of the sterling balances of the Bank of Danzig and their conversion into gold and dollars were partly effected before the suspension of gold payments by the United Kingdom, but the loss on the remaining sterling assets severely affected the Bank's profit-and-loss account for 1931. Since September 1931, the convertibility of the florin into gold has been maintained by Danzig without any restrictions.

The number of banking establishments, which during the inflation had risen to over a hundred, fell sharply after the currency stabilisation in 1923 and has since remained fairly steady in the neighbourhood of thirty. The chief business of the banks consists in financing foreign trade, particularly the transit trade to and from Poland. Industrial investments and participations are comparatively unimportant, a fact which helped the banks to withstand the repercussions of the financial crisis of 1931-32. In addition to the commercial banks, there are seven savings banks with numerous branches and agencies in the area of the Free City. These engage in certain commercial banking business ; they accept current-account deposits and grant short-term commercial credits.

The following table, derived from information given in the annual reports of the Bank of Danzig, summarises the development of the banking system of Danzig from 1925 to 1932 :

Gulden (000,000's) End of	Commercial banks		Savings banks	
	Deposits	Of which in foreign currency	Deposits	Of which in foreign currency and current accounts
1925	73.5	...	40.1	23.8
1929	154.1	43.3	89.1	33.7
1930	150.5	46.0	95.4	37.6
1931	97.5	...	75.6	29.5
1932	96.7	...	73.4	26.0

End of	Bills discounted by commercial and savings banks	Bank of Danzig		
		Note circulation	Sight liabilities	Domestic bills discounted
1925	14.1	34.6	5.2	14.7
1929	54.7	37.8	3.4	8.7
1930	38.7	37.9	2.3	4.4
1931	14.3	44.0	10.2	10.4
1932	9.3	36.5	9.0	11.6
1933	...	40.2	10.8	14.1

The relatively large amounts of foreign currency deposits reflect, of course, the importance of foreign and transit trade in the economic life of the city.

The journal of the statistical bureau of the Free City publishes annual statistics of commercial banks with share capital exceeding 300,000 florins. The data provided are not sufficiently complete and detailed for the standard form used in this

memorandum. They yield, however, the following table for the period 1929-1932 :

Accounts Gulden (000,000's)	End of 1929	1930	1931	1932
ASSETS.				
Cash and current account balances with banks . .	4.3	3.3	4.1	4.6
Other sums due from banks.	7.2	13.2	6.4	6.8
Bills discounted and bought	22.9	19.3	9.0	8.3
Securities	1.5	1.8	1.7	1.8
Participations	1.5	1.5	1.3	0.8
Loans and advances . . .	52.4	49.2	44.1	43.4
(a) Loans against securities	(4.9)	(2.5)	(1.3)	(0.3)
(b) Advances against merchandise and shipments	(2.5)	(2.7)	(3.2)	(3.7)
(c) Other loans ("Debtors").	(45.0)	(44.0)	(39.6)	(39.4)
Premises, etc.	3.7	3.7	3.6	3.7
Total assets shown . .	93.5	93.0	70.2	69.4
LIABILITIES.				
Capital paid up.	17.8	18.7	17.7	17.7
Reserve funds	1.6	2.0	1.3	1.1
Creditors	65.1	62.9	45.8	46.4
Acceptances, cheques and rediscounts.	5.8	6.6	4.7	3.9
Total liabilities shown. .	90.3	89.2	69.5	69.1
GUARANTEES. . . .	4.6	3.5	3.4	2.3
PROFIT-AND-LOSS ACCOUNTS				
Gross profits.	5.9	5.4	4.3	...
Expenses (including taxes).	3.9	4.0	3.4	3.0
Written off.	0.2	0.1	...	...
Net profits.	1.9	1.4	...	...

Up to the end of 1930, the above figures cover six commercial banks, while for the remaining two years the number of banks included is five (viz., Danziger Privat-Actien-Bank, the British and Polish Trade Bank, Danziger Bank für Handel und Gewerbe, Danziger Handels- und Industriebank, and Landwirtschaftliche Bank). A comparison of the figures for "creditors" (which includes sums due to banks, etc., besides deposits) with column 1 of the first table above shows that these banks do not play a predominating part, taking the commercial banks of Danzig as a whole.

A reference to the first table will show that savings bank deposits increased somewhat at the expense of commercial banks in 1930, and that the decline in 1931 was proportionately less severe for the former (21%) than for the latter (35%). The very heavy fall in the bills discounted by both these groups of banks — from nearly 55 million florins in 1929 to less than 10 millions at the end of 1932 — reflects chiefly the extremely sharp curtailment of the foreign and *entrepôt* trade of the Free City.

The German credit crisis of the summer of 1931 caused a run on the commercial banks in Danzig, the more important of which are branches or affiliates of large German banking institutions. The Danzig banks—savings as well as commercial—habitually held a large proportion of their liquid reserves in the form of balances with German banks, and, as these funds (along with the Bank of Danzig's own holdings of German exchange) became immobilised as a result of the banking moratorium in Germany, it was necessary to declare a banking holiday in Danzig. During the run, the Bank of Danzig rediscounted freely for the commercial banks, and its note circulation rose from 30 million florins on June 24th to 41 millions at the end of July ; its discount rate was raised from 5 to 10 per cent. The Bank of Danzig obtained a loan of £150,000 from the Bank for International Settlements and the Bank of England, and was able to meet the demands made on its credit in connection with the reopening of the banks. Eventually, the resumption of payments in Germany enabled the banks to dispose of their own reserve funds and to reduce their borrowings at the Bank of Danzig, and, by the beginning of September, bank rate had been reduced to 6 per cent. The abandonment of the gold standard by the United Kingdom caused a fresh wave of deposit withdrawals, and by the end of 1931 the note circulation of the Bank of Danzig had risen to 44 million florins. Two local banks had to go into liquidation early in 1932. However, hoarded currency began to return to the banks in the course of that year. The banks did not resume their practice of depositing surplus funds in Germany, but left them instead at the Bank of Danzig; bankers' deposits at that institution rose to a high level. To mobilise these resources in the interests of the Government's employment programme of public works, etc., the "State Bank of the Free City of Danzig" was founded by a Law of June 27th, 1933. This bank was authorised to issue to the commercial and savings banks bonds and short-dated bills, which were eligible for rediscount at the Central Bank. The borrowing powers of the State Bank were limited to seven times its share capital of 2 million florins subscribed by the Government. Up to the middle of 1934, the commercial and savings banks had drawn chiefly on their excess cash reserves to take up the paper issued by the State Bank and had had but little recourse to the Central Bank for this purpose. In addition to financing various public and private productive works for the reduction of unemployment, the State Bank aided in the reconstruction of one of the largest commercial banks in 1933.

By a Decree of August 1st, 1933, the conduct of banking business was made conditional upon the securing of a licence from the Senate of the Free City. Of the thirty-four joint-stock banks and private banking firms which applied for a licence, only twenty-five were allowed to remain in existence. The same Decree initiated the regular inspection of the banks by the Bank of Danzig on behalf of the State.

DENMARK. [1]

Introductory Note.

The following table summarises the principal accounts of the Danish commercial banks and of the National Bank for the period 1929-1933 :

Kroner (000 000's)	Commercial banks				National Bank				Net foreign assets (+) or liabilities (—) of	
	Deposits	Cash and other items of a cash nature	Domestic discounts, loans and advances	Investments and securities	Note circulation	Loans and discounts	Securities	Gold	National Bank	Commercial banks
End of	1	2	3	4	5	6	7	8	9	10
1929	1,992	102	1,841	583	367	186	38	172	+ 90	+ 41
1930	2,110	121	1,863	655	360	170	51	172	+ 99	+ 15
1931	1,960	103	1,847	577	347	251	48	144	+ 15	— 17
1932	1,889	172	1,628	577	332	194	145	133	— 5	— 12
1933	1,990	200	1,649	631	375	221	120	133	— 27	+ 24

The decline in business activity in Denmark was not seriously felt before the latter part of 1930 ; aggregate loans and advances of the commercial banks, however, reached their maximum in the spring of that year, and they were steadily reduced during the rest of the year, apart from the usual seasonal expansion in December. At the same time, as a result chiefly of the accumulation of idle balances by business concerns, there was a rise in aggregate deposits, which was even more pronounced for the savings banks than in the case of the commercial banks. The latter were able to increase their cash reserves (column 2) and to reduce their rediscount indebtedness to the Central Bank (column 6).

Commercial bank deposits fell during 1931, particularly in the second half of the year. The banks found difficulty in reducing their loans — which were becoming frozen — *pari passu* with the fall in deposits. They covered the discrepancy partly by repatriating balances held abroad (column 10) and partly by substantial sales of securities (column 4) ; they were, however, forced to have recourse on a large scale to the assistance of the Central Bank. Between August 1931 and the end of the year, the loans and discounts of the National Bank increased from 162 to 251 million kroner. [2] The fall in the note circulation in the face of this large expansion of Central Bank credit in the latter part of 1931 is chiefly explained by the National Bank's sales of gold and foreign exchange (to an amount of 94 million kroner in the last four months of 1931), which naturally tended to withdraw notes from circulation and thus to counteract the effects of increased borrowing by the commercial banks.

As shown above, commercial bank deposits fell quite sharply during the second half of 1931 ; but, even after the suspension of the gold standard on September 29th, 1931, there was no general run on the banks, no serious tendency towards hoarding on the part of the public, and no suspension of payments by any commercial bank. A considerable part of the fall in deposits, indeed, was due to a temporary decline of confidence in one institution — the second largest bank of the country. A declaration by the National Bank to the effect that it would put adequate means at the disposal of this bank to repay its deposits was sufficient to restore public confidence. Nevertheless, the state of credit continued to be strained until the end of the year. The National Bank pursued the policy of not refusing applications for credit on the part of banks in temporary difficulties, while at the same time preventing an expansion in the volume of active credit from taking place.

In 1932, unlike the previous year, the aggregate loans and discounts of the commercial banks fell more (220 million kroner, or 12 per cent) than their deposits, and the position of the banks was thereby considerably eased. Moreover, in the second half of the year, the Central Bank embarked upon a deliberate policy of credit expansion by extensive

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Denmark in the last edition of this volume, the present chapter covers the entire period 1929-1933.

[2] These figures include loans to the public, and do not, therefore, give an exact measure of commercial bank borrowing at the Central Bank. This is more accurately reflected in the increase in " sums due to banks " (item 16 *(a)* of the Summary Table), which rose from 215 to 285 million kroner in the last four months of 1931.

open-market operations. The security holdings of the National Bank, which stood at 48.5 and 63.4 million kroner at the end of 1931 and in September 1932 respectively, had been increased to 145.4 million kroner by the end of 1932. In default, however, of profitable investment opportunities for the additional credit facilities thus created, the immediate result of these purchases was merely to improve the liquidity of the banks. They not only reduced their rediscount indebtedness to the Central Bank, but also increased considerably their cash balances with that institution. [1] In spite of the efforts of the National Bank to expand the basis of credit, and in the absence of any general inclination to hoard on the part of the public, the volume of notes outstanding in 1932 was, on the average, about 20 million kroner below the level of the preceding year.

Conditions of monetary ease continued to prevail in 1933. Commercial bank deposits increased during the year by the substantial sum of 101 million kroner ; the volume of loans and discounts increased by only 21 millions, but it is the first increase in this item since 1930. The accumulation of surplus funds was used in part to strengthen still further the banks' improving cash position. [2] Part of the increase in their resources was employed by the banks to liquidate foreign indebtedness and acquire assets abroad. But the bulk was used in the purchase of securities, which increased by 54 million kroner during the year. The prices of securities rose and the long-term rate of interest declined. The transition to cheap money, inaugurated by the open-market policy of the National Bank in 1932, was marked by successive reductions in the Central Bank's discount rate, which has been fixed at the low level of 2½ per cent since December 1933.

Further measures were taken to reduce the long-term interest rate and to alleviate the burden of fixed indebtedness -- especially in agriculture — by facilitating conversion operations. Among these may be mentioned a Law of May 1st, 1933, which attempted to limit the competition for deposits by requiring both commercial and savings banks to reduce interest allowances to a maximum of 3 per cent on deposits at less than three months' notice and 3½ per cent on deposits at three months' notice and over. Fears of deposit withdrawals as a result of this measure proved unfounded. There is, however, some evidence to suggest that a greater part of the savings of the public henceforth found their way directly into the security market, without the mediation of the banking system. By another Law of May 1st, 1933, the Government established a Special Fund (Krisefonden) to make advances to savings and commercial banks whose position was endangered by withdrawals of deposits. The fund was financed through the issue of Treasury bonds. No serious runs took place, however, and the fund was used only to a small extent in 1933. Nevertheless, its original resources of 100 million kroner had been exhausted by the middle of 1934, when the Treasury was authorised to borrow an additional 60 millions on its behalf. The increase in note circulation — 43 million kroner — which occurred during 1933 does not reflect currency hoarding, but rather an incipient revival of business activity and a rise in the level of prices ; it was largely concentrated in the last four months of the year.

A comparison of the total deposits in commercial banks with those in savings banks shows an improvement in the relative position of the commercial banks in 1933, after two years of continuous deterioration. Their deposits rose by over 100 million kroner during 1933, while those of the savings banks increased only by 17 millions (*i.e.*, from 2,116 to 2,133 million kroner). In 1931, commercial bank deposits had fallen off by 150 million kroner, whereas savings banks' deposits had grown by 33 millions ; and in the following year the former had decreased by 71 million kroner, as compared with a fall of only 42 millions in the case of the savings banks.

During the first six months of 1934, savings banks' deposits increased by about 25 million kroner, while those of the commercial banks rose by roughly 40 millions. The latter further increased their holdings of investments and securities by approximately 55 million kroner ; at the same time, their aggregate loans and discounts declined by about 25 million kroner.

Under a Law of November 1931, exchange restrictions were introduced with a view to controlling the import trade and irregular movements of capital. These measures prohibited exporters from leaving abroad the foreign currency proceeds of their sales. The right to buy and sell foreign exchange was confined to the National Bank and to certain banks and brokers authorised by it, and a system of rationing was applied to the foreign exchange available to importers. The rate of exchange with sterling was at first maintained at approximately the par rate — viz., at about 18.50 kroner to the pound — but rose to about 19.50 in 1932, and has been pegged at 22.40 kroner to the pound since January 1933. The system of exchange control has remained in operation.

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[1] The percentage ratio of cash to total deposits of the commercial banks rose from 5.3 at the end of 1931 to 9.1 at the end of 1932.

[2] It may be observed in this connection that, in the course of 1933, following a decision of the National Bank to discontinue the payment of interest on its deposit liabilities, the banks transferred the bulk of their cash balances to the Postgirokontoret (Postal Clearing-Office). Current account deposits at the National Bank declined from 114 millions at the end of 1932 to 66 million kroner at the end of 1933 ; while deposits in the Postgirokontoret rose from about 30 to 95 million kroner during the same period.

DENMARK. COMMERCIAL BANKS **Table 5 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF: 1929	1930	1931	1932	1933
Number of : Banks	180	180	179	175	174
Branches and Sub-Branches	550	575	582	590	603
ASSETS.	Kroner (000,000's omitted)				
1. Cash	77.2	92.4	76.6	140.7	102.7
(a) Gold, silver and small coins	2.5	2.7	2.9	2.6	2.8
(b) Inland notes and balances with Central Bank	74.7	89.7	73.7	138.1	99.9
2. Other Items of a Cash Nature	24.6	28.5	26.6	31.7	97.1
3. Bills discounted and bought	403.2	428.3	428.8	351.3	347.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	386.1	416.7	424.4	346.1	341.6
(c) Commercial bills, Foreign	17.1	11.6	4.4	5.2	6.2
4. Investments and Securities	583.0	655.4	577.3	577.3	630.6
(a) Government	102.8	99.2	79.2	89.2	116.2
(b) Other	480.2	556.2	498.1	488.1	514.4
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	216.9	194.9	120.1	147.3	186.9
(a) At home	79.3	77.3	77.6	90.5	102.6
(b) Abroad	137.6	117.6	42.5	56.8	84.3
7. Loans and Advances	1,454.6	1,446.8	1,423.0	1,281.7	1,301.0
(a) On current account	1,160.2	1,137.0	1,100.1	984.1	994.3
(b) Other	294.4	309.8	322.9	297.6	306.7
8. Cover for Acceptances	2.5	2.7	4.1	0.9	0.8
9. Premises, etc	79.7	79.7	84.7	84.9	81.1
10. Sundry Assets	71.9	107.6	119.8	86. 8	86.2
11. Total Assets	**2,913.6**	**3,036.3**	**2,861.0**	**2,702.6**	**2,834.2**
LIABILITIES.					
12. Capital paid up	279.4	282.3	280.3	281.4	282.5
13. Reserve Funds	138.9	143.2	126.2	141.6	158.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	38.6	34.2	23.3	20.9	23.0
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	383.4	354.9	353.5	297.8	307.9
(a) At home	265.1	234.2	285.7	219.9	237.3
(b) Abroad	118.3	120.7	67.8	77.9	70.6
17. Deposits	1,992.1	2,110.0	1,959.7	1,888.9	1,990.5
(a) Current accounts and sight deposits	550.6	614.2	544.9	533.2	569.1
(b) Savings accounts	543.3	575.7	535.8	476.2	521.0
(c) Time or fixed deposits	898.2	920.1	879.0	879.5	900.4
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	19.9	21.6	20.8	27.7	20.2
19. Acceptances and Endorsements	2.5	2.7	4.1	0.9	0.8
20. Sundry Liabilities	58.8	87.3	93.1	43.4	51.0
21. Total Liabilities	**2,913.6**	**3,036.3**	**2,861.0**	**2,702.6**	**2,834.2**
22. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.95	0.88	0.75

DENMARK. COMMERCIAL BANKS **Table 5 *(b)*.**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	180	180	179	175	174
	Kroner (000,000's omitted)				
Capital paid up	279.4	282.3	280.3	281.4	282.5
Reserves and Undivided Profits	156.3	159.6	137.3	149.9	168.5
1. Gross Profits	**75.9**	**79.1**	**80.3**	**87.4**	**102.0**
To be deducted:					
2. Expenses	33.3	34.1	34.6	33.9	37.4
(a) Salaries, etc.	21.4	21.7	21.5	22.2	22.7
(b) Other working expenses	9.5	10.0	10.8	10.4	11.2
(c) Taxes, etc.	2.4	2.4	2.3	1.3	3.5
3. Reserved for Pension Funds, etc.	0.8	0.9	0.9	1.3	1.4
4. Written off on (Depreciation Accounts for)	13.8	17.7	52.9	18.9	18.6
(a) Premises, etc.	1.2	1.2	1.0	1.9	2.4
(b) Investments and securities	0.2	0.2	40.7	1.4	2.1
(c) Other assets	12.4	16.3	11.2	15.6	14.1
5. Remaining Net Profit (+) or Loss (—)	**+28.0**	**+26.4**	**—8.1**	**+33.3**	**+44.6**
6. Carried forward from Preceding Year	17.4	16.4	11.1	8.3	10.2
7. Taken from Reserves or Capital	6.9	3.4	24.3	2.5	3.0
8. Deficit left uncovered	—	—	0.4	0.4	—
9. Total Amount disposed of for Dividends, etc.	**52.3**	**46.2**	**27.7**	**44.5**	**57.8**
10. Carried to Reserves	12.7	11.0	3.2	9.4	14.6
11. Dividends	18.7	19.5	13.4	18.0	19.0
12. Directors' Fees, etc.	3.9	3.9	2.4	4.2	5.3
13. Other Purposes	0.3	0.6	0.4	2.7	5.3
14. Carried forward to Following Year	16.7	11.2	8.3	10.2	15.6
15. Total as above	**52.3**	**46.2**	**27.7**	**44.5**	**57.8**
16. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.95	0.88	0.75

Balance-sheet Summary.

1. *Cash.*

Item *(a)* consists almost exclusively of divisionary coins. The composition of item *(b)* is given below:

Kroner (000,000's)	1929	1930	1931	1932	1933
Notes of the National Bank	31.5	32.0	25.1	24.6	33.7
Sight balances with the National Bank	43.2	57.7	48.6	113.5	66.2
Total	74.7	89.7	73.7	138.1	99.9

3. *Discounts.*

Including rediscounts which are shown as a special item under liabilities in the official banking statistics and are given separately in group 18 of the Summary Table. Foreign notes and coins are included in the figures for foreign bills.

4 and 5. *Investments and Securities; Participations.*

Details are shown below :

Kroner (000,000's)	1929	1930	1931	1932	1933
Government bonds	84.3	99.2	79.2	89.2	116.2
Municipal bonds	18.5	32.1	29.3	47.2	53.3
Bonds of credit associations, etc.	196.9	238.5	170.0	148.1	184.1
Mortgage bonds *(Pantebrevsobligationer)*	153.0	157.1	168.8	169.9	167.0
Other Danish bonds . . .	54.1	47.9	53.4	47.9	46.6
Shares	71.0	72.2	71.7	70.7	59.2
Foreign bonds and shares .	5.2	8.4	4.9	4.3	4.2
Total	583.0	655.4	577.3	577.3	630.6

The Government and municipal bonds are shown under 4 *(a)* in the Summary Table. The sums given under 4 *(b)* represent the totals of the other items shown separately above.

6. *Due from Banks (Correspondents).*

The sums due by foreign correspondents are composed of claims in foreign and in Danish currency as follows :

Kroner (000,000's)	1929	1930	1931	1932	1933
Foreign currency.	128.0	105.4	32.1	46.4	75.0
Danish currency	9.6	12.2	10.4	10.4	9.3
Total	137.6	117.6	42.5	56.8	84.3

7. *Loans and Advances.*

The current account advances of the Danish banks are granted mainly in the form of "cash credits". The sums shown under *(b)* in this group of the Summary Table consist of loans against collateral or personal guarantee. The composition of these loans is not shown in the statistics or in the balance-sheets of the banks.

8. *Cover for Acceptances.*

As the Danish banking statistics do not show the cover for the acceptances separately, a sum equal to the acceptances (in the liabilities) has been deducted from the current accounts above and carried to this group in the Summary Table.

10. *Sundry Assets.*

The sums given in this group include the deficit on the profit-and-loss accounts of the Landmandsbank and certain other banks as shown below:

Kroner (000,000's)	1929	1930	1931	1932	1933
Sundry debtors.	39.1	77.4	87.4	56.7	57.8
Interest accounts.	4.3	4.3	4.6	4.3	4.4
Deficit	28.5	25.9	27.8	25.8	24.0
Total	71.9	107.6	119.8	86.8	86.2

The item "Sundry Debtors" includes the accounts of the mortgage department of the Landmandsbank. The item "Deficit" consists almost exclusively of the deficit of the Landmandsbank carried forward from year to year.

16. *Due to Banks (Correspondents).*

The sums due to foreign correspondents are composed of liabilities in foreign and Danish currency as follows :

Kroner (000,000's)	1929	1930	1931	1932	1933
Foreign currency.	70.6	71.7	41.7	44.6	43.4
Danish currency	47.7	49.0	26.1	33.3	27.2
Total	118.3	120.7	67.8	77.9	70.6

17. *Deposits.*

The sight deposits shown as item *(a)* in this group constitute the total of the two items "Folio" (cheque) accounts and current accounts of the official statistics.

Summary of Profit-and-Loss Accounts.

As mentioned in the first edition, the Landmandsbank in recent years has been working without any funds of its own. The annual additions to the deficit brought forward on the profit-and-loss accounts of the bank are shown as a separate item (8) of the Summary Table 5 *(b)*.

Kroner (000,000's)	1929	1930	1931	1932	1933
Net interest from discounts and loans	24.7	26.0	28.9	34.0	31.2
Interest on foreign assets .	10.5	6.8	8.6	5.2	7.6
Profits from investments .	22.8	28.0	23.9	31.4	46.2
Commissions.	15.6	15.6	16.0	15.0	14.2
Recovered from assets previously written down . .	0.7	0.9	1.1	0.7	1.5
Sundry profits	1.6	1.8	1.8	1.1	1.3
Total gross profits . . .	75.9	79.1	80.3	87.4	102.0

1. *Gross Profits.*

The composition of the gross profits of all the banks is shown opposite.

The first item represents the net balance of interest earned on discounts, loans and advances after deduction of all interest paid on the various deposit accounts. The third item represents the yield (including appreciation) of the bonds and shares in the possession of the banks.

ESTONIA.

Introductory Note.

No remarkable changes took place in the Estonian banking situation during 1933. The banks were at first but little affected by the depreciation of the Estonian crown after June 28th, 1933 ; in comparison with the severe credit-contraction of the two preceding years, however, the stability shown by the principal balance-sheet items in 1933 represents a decided improvement. [1] In 1934, on the other hand, a substantial revival of banking activity took place in conjunction with the general business recovery of the country.

The attached Summary Table relates to the position on December 1st of each year ; it is based on figures published in the Monthly Bulletin of the Central Bureau of Statistics for all the years under review.

The figures given in the Monthly Report of the Bank of Estonia, which are less detailed but fully comparable with the data for December 1st, show that the volume of deposits on December 31st, 1933, was the same — namely, 51 million kroons — as on December 31st, 1932. The shares of the joint-stock and the twenty-six co-operative banks in this total also remained unchanged at 29 and 22 million kroons respectively. But the composition of the total deposits of the joint-stock banks altered, a decline of about 2 millions in fixed and other deposits being compensated by an equivalent increase of current accounts. This shift was much more pronounced in the first half of 1934, thus reflecting the improvement in Estonian economic conditions. Between the end of June 1933 and the end of June 1934, aggregate deposits rose from 49 to 60 million kroons, or by more than 20 per cent, sight deposits accounting for the whole of that increase.

On the other hand, the aggregate of domestic discounts, loans and advances remained practically constant at a level of 70 million kroons between the middle of 1933 and the middle of 1934. The banks' cash reserves increased from 4.6 to 8.3 million kroons in the same period.

The net indebtedness of the Estonian banks to foreign correspondents was further reduced during 1933. Their holdings of foreign bills, on the other hand, increased quite markedly with the revival in the country's foreign trade ; they rose from 3.6 to 7.4 million kroons during the first quarter of 1934. The gold and foreign exchange reserves of the Bank of Estonia increased from 19.6 to 31.3 millions between the middle of 1933 and the end of September 1934.

The incipient recovery of domestic business activity is also indicated by the expansion which has recently taken place in the clearing turnover at the Bank of Estonia. The value of cheques cleared in the first half of 1934 was 47.9 million kroons as compared with 39.7 million in the corresponding period of the previous year. A small increase in the note circulation (from 31.4 to 33.7 million kroons between the end of September 1933 and the end of September 1934) points in the same direction.

As from November 1st, 1933, the maximum rates of interest on deposits and on loans were reduced by law to 5 per cent and 7 per cent respectively for all Estonian banking institutions.

In July 1934, a reconstruction of the largest joint-stock bank (the Krediitpank) was carried out. That bank had received extensive support from the Government through the National Mortgage Bank in 1931 and 1932. It now wrote off four-fifths (1.12 million kroons) of its share capital, and handed over an equal amount of new shares to the State in return for the cancellation of part of its debt, thus bringing up its share capital to the previous level of 1.4 million kroons. The remainder (7.27 millions) of the bank's indebtedness to the State is to be gradually redeemed in the course of fifty years.

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[1] The fall in the balance-sheet total which appears from the Summary Table covering all the joint-stock banks and twenty-six of the larger co-operative banks is mainly due to the fact that an item representing contingent liabilities of the members of co-operative banking associations (and previously included in the Summary Table under sundry assets and liabilities), which amounted in 1932 to 6 million kroons, was omitted from the official statistics for 1933.

ESTONIA. COMMERCIAL BANKS[1] **Table 6 *(a)***

ACCOUNTS	SUMMARY OF POSITION ON DECEMBER 1st: 1929	1930	1931	1932	1933
Number of Banks	40	40	41	41	41
ASSETS.	Ekr. (000,000's omitted)				
1. Cash	3.0	2.9	2.7	2.0	2.4
(a) Gold, silver and small coins	—	—	—	—	—
(b) Bank notes, State notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	2.1	3.0	2.8	2.7	3.0
3. Bills discounted and bought	46.9	42.8	35.8	32.3	32.2
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	37.6	34.3	32.4	29.2	28.4
(c) Commercial bills, Foreign	9.3	8.5	3.4	3.1	3.8
4. Investments and Securities	1.4	2.0	1.7	1.9	2.4
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	5.2	4.8	4.0	2.6	2.3
(a) At home	3.7	3.4	2.1	1.8	1.4
(b) Abroad	1.5	1.4	1.9	0.8	0.9
7. Loans and Advances	54.4	62.5	53.4	46.7	42.0
(a) On current account	46.3	54.6	46.1	41.1	36.6
(b) Other	8.1	7.9	7.3	5.6	5.4
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	7.2	7.7	7.2	7.6	9.2
10. Sundry Assets	12.0	14.0	16.0	14.5	8.1
11. Total Assets	**132.2**	**139.7**	**123.6**	**110.3**	**101.6**
LIABILITIES.					
12. Capital paid up	8.6	8.7	7.5	7.9	8.0
13. Reserve Funds	2.2	2.5	2.5	2.7	2.7
14. Profit-and-Loss Accounts, Undivided Profits, etc.	1.0	1.4	1.1	0.8	0.3
15. Cheques and Drafts, etc., in Circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	12.4	15.0	15.3	16.7	14.1
(a) At home	4.0	3.3	8.5	9.5	9.8
(b) Abroad	8.4	11.7	6.8	7.2	4.3
17. Deposits	63.0	69.1	60.7	50.8	49.6
(a) Current accounts	39.8	42.8	36.8	34.5	34.6
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	20.4	23.0	21.3	14.9	13.4
(d) Other deposits	2.8	3.3	2.6	1.4	1.6
18. Rediscounts and Borrowings	27.2	24.2	16.8	15.1	16.6
19. Acceptances and Endorsements	0.2	0.2	0.4	0.1	0.1
20. Sundry Liabilities	17.6	18.6	19.3	16.2	10.2
21. Total Liabilities	**132.2**	**139.7**	**123.6**	**110.3**	**101.6**
22. Guarantees	16.7	13.5	6.6	5.3	5.1
23. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94

[1] Joint-stock banks and larger co-operative banks.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS OF THE JOINT-STOCK BANKS:				
	1929	1930	1931	1932	1933
Number of Banks	19	16	16	15	14
	Ekr. (000,000's omitted)				
Capital paid up	6.92	6.81	5.47	5.78	5.93
Reserves and Undivided Profits	1.72	1.83	1.79	1.89	1.92
1. Gross Profits	**4.3**	**3.5**	**3.2**	**2.5**	**2.5**
To be deducted:					
2. Expenses	2.4	1.9	1.8	1.6	1.4
(*a*) Salaries, etc.	1.4	1.2	1.2	0.8	0.9
(*b*) Other working expenses	0.7	0.6	0.5	0.6	0.3
(*c*) Taxes, etc.	0.3	0.2	0.2	0.2	0.2
3. Reserve for Pensions Fund, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts)	1.2	1.2	1.1	1.0	0.9
(*a*) Premises, etc.	0.1	0.1	0.1	0.1	0.1
(*b*) Investments and securities. (*c*) Other assets	1.1	1.1	1.0	0.9	0.8
5. Remaining Net Profit (+) or Loss (—)	**+0.7**	**+0.4**	**+0.3**	**—0.1**	**+0.2**
6. Carried forward from Preceding Year	—	—	—	—	—
7. Taken from Reserves or Capital	0.4	0.1	—	0.3	0.1
8. Total Amount disposed of for Dividends, etc.	**1.1**	**0.5**	**0.3**	**0.2**	**0.3**
14. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94

Balance-sheet Summary.

1. *Cash.*

Coins and notes are not shown separately in the official statistics. Balances with the Central Bank are given separately for the joint-stock banks as follows :

	Ekr. (000,000's)
1929	0.8
1930	0.9
1931	0.6
1932	0.8
1933	0.7

2. *Other Items of a Cash Nature.*

Under this head are included foreign bank-notes and sight claims on credit institutions other than the Eesti Pank.

3. *Bills discounted and bought.*

Treasury bills do not play a rôle in the Estonian credit system, as the Government can borrow directly from the bank of issue within certain

limits. The official statistics distinguish between total discounts and rediscounts of all the banks and discounts and rediscounts of bills payable at home of the joint-stock banks only. As in practice the co-operative banks discount almost exclusively inland bills, the difference between the two sets of figures is taken to represent bills payable abroad as follows :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Inland bills :					
Discounted	37.6	34.3	32.4	29.2	28.4
Rediscounted	6.9	5.2	4.0	4.4	4.8
Net balance	30.7	29.1	28.4	24.8	23.6
Bills payable abroad :					
Discounted	9.3	8.5	3.4	3.1	3.8
Rediscounted	9.5	8.5	2.8	3.0	3.6
Net balance	—0.2	0.0	0.6	0.1	0.2
All bills :					
Discounted	46.9	42.8	35.8	32.3	32.2
Rediscounted	16.4	13.7	6.8	7.4	8.4
Net balance	30.5	29.1	29.0	24.9	23.8

It will be noted that, as a rule, practically the whole portfolio of bills payable abroad is rediscounted. The statistics do not indicate to what extent, if any, these bills are rediscounted directly with foreign banks.

7. *Loans and Advances.*

The current account advances given in the Summary Table represent almost entirely the current account advances of the joint-stock banks ; and the sums given for " other loans and credits " represent in the main the longer term advances of the co-operative banks.

10. *Sundry Assets.*

The composition of the aggregates given in the Summary Table is shown below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Protested bills	0.8	0.9	1.1	0.9	0.8
Current expenses, interest and commissions paid	6.3	6.5	5.6	4.1	3.4
Transitory accounts	1.1	1.2	1.2	0.9	1.2
Other accounts	3.6	5.4	8.1	8.6	2.7
Total	12.0	14.0	16.0	14.5	8.1

11 and 21. *Total Assets and Liabilities.*

The totals given do not include guarantees which, though shown inside the balance-sheet proper in the Estonian statistics, are given outside the balance-sheet as item 22 of the Summary Table.

14. *Profit-and-Loss Accounts, etc.*

The official balance-sheet does not show the net balance of profit-and-loss accounts, but current expenses, including interest and commissions paid, are given under sundry assets ; and interest and commissions received, under sundry liabilities. The sums given under the heading profit and loss in the Summary Table represent only undivided profits, etc., shown separately in the official statistics.

18. *Rediscounts and Borrowings.*

The official statistics distinguish between rediscounts and borrowings. (For a comparison of discounts and rediscounts of inland bills and of bills payable abroad, see note to item 3 of the Summary Table.) The difference between total creditors and creditors at home of the joint-stock banks as shown in the official statistics has been taken to represent borrowings abroad by these banks. The co-operative banks do not borrow abroad to any significant extent. The detailed composition of the aggregates given in the Summary Table is shown below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Rediscounts :					
Inland bills	6.9	5.2	4.0	4.4	4.8
Bills payable abroad	9.5	8.6	2.8	3.0	3.6
Total	16.4	13.8	6.8	7.4	8.4
Borrowings :					
At home	8.6	8.4	8.1	7.7	8.2
Abroad	2.2	2.0	1.7	0.1	--
Total	10.8	10.4	9.8	7.8	8.2
Grand total	27.2	24.2	16.6	15.2	16.6

20. *Sundry Liabilities.*

The composition of the sums given are detailed below :

Ekr. (000,000's)	1929	1930	1931	1932	1933
Interest and commissions received	10.3	10.2	8.8	5.6	6.0
Transitory accounts	2.0	1.2	1.2	1.0	1.0
Other liabilities, including net balance of inter-branch accounts	5.3	7.2	9.3	9.6	3.2
Total	17.6	18.6	19.3	16.2	10.2

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The sums shown under this heading represent the difference between (A) total receipts from interest and commissions, foreign exchange, real estate and security transactions, etc., and (B) interest and commissions paid, which items are all given in detail in the official statistics.

2. *Expenses.*

The sums shown for salaries *(a)* include remuneration of directors, members of the board and of advisory committees, etc., in addition to salaries of the staff.

FINLAND. [1]

Introductory Note.

Banking conditions in Finland, unlike most other countries, became stringent in 1928, the peak of industrial and general economic activity having been passed in that year. During the first half of 1929, the volume of commercial bank deposits, particularly time deposits, rose ; but current accounts fell sharply in the latter half-year, which more than offset a continued increase in time accounts. The aggregate of loans and discounts also declined steadily in the latter part of the year. Amounts written off assets totalled 70 million markkaa, as compared with 40 millions in 1928 ; and rediscounts at the Bank of Finland averaged 595 millions in 1929 as against 238 million markkaa in the preceding year.

The following table, which summarises some of the principal accounts of the commercial banks and the Bank of Finland, shows that, although economic conditions deteriorated further in 1930, there was some relaxation in the commercial banking position.

Markkaa (000,000's omitted) — End of	Commercial banks			Markkaa (000,000's omitted) — End of	Bank of Finland		Bank of Finland and commercial banks : net foreign assets
	Domestic discounts, loans and advances	Deposits	Rediscounts with Bank of Finland		Current account liabilities [a]	Note circulation	
1929. . .	9,510	7,481	490	1929. . .	48	1,361	433
1930. . .	9,167	7,498	147	1930. . .	23	1,279	799
1931. . .	8,696	7,378	461	1931. . .	51	1,292	590
1932. . .	8,195	7,155	296	1932. . .	63	1,085	541
1933. . .	7,528	7,498	—	1933. . .	327	1,184	1,466

[a] To others than the Treasury.

Aggregate deposits rose slightly on balance during the year, while the demand for banking accommodation fell off. The easier position of the banks is reflected in a drop of about 350 million markkaa in their rediscount indebtedness to the Bank of Finland ; there was also a considerable reduction in their liabilities to foreign correspondents and, in consequence, an increase in the net foreign assets of the Finnish banking system.

In 1931, however, the situation became strained. The volume of deposits, well maintained at first, fell by over 500 million markkaa in the second half of the year (which considerably exceeds the usual seasonal reduction). Loans and domestic discounts declined by about 230 millions till the end of August, but — due to the increase in frozen positions and the difficulty of reducing new loans correspondingly — took an upward turn in the following months, thus accentuating the embarrassment caused to the banks by the withdrawals of deposits. The sharp reduction of nearly 400 millions, which is shown by the available monthly figures to have taken place in commercial bank loans and discounts in December, was chiefly due to the writing off, in closing the year's accounts, of bad assets. The freezing of credit in 1931 is strikingly brought out by the figures for the total turnover of commercial banks in 1930 (550,204 million markkaa) and in 1931 (455,081 million markkaa), which show a fall of over 17 per cent, as compared with a reduction of only 2 per cent in the end-of-year balance-sheet total.

In addition to the loss of deposits at home, the banks also had to meet substantial withdrawals of foreign short-term funds, particularly after the suspension of the gold standard by the United Kingdom. Their cash reserves were replenished through recourse to the Central Bank ; rediscounts with the Bank of Finland shot up from 38.8 million markkaa in July 1931 to 482.8 million markkaa at the end of the year. The Bank of Finland's " loans on security ", mainly representing credit granted to banks and other financial institutions, rose from about 25 million markkaa in the first half of the year to 136.4 in the middle of December. Moreover, deposits (excluding Government balances) with the Bank of Finland, which stood at nearly 200 million markkaa in January, had been entirely withdrawn by the end of September. There was, however, no appreciable rise in the note circulation (except for a temporary expansion in October, due to a short-lived run on the joint-stock banks), since withdrawals of foreign short-term balances, repurchases of Finnish bonds issued abroad, accelerated repayments of foreign credits for fear of currency depreciation, in addition to some flight of domestic capital, which all led to heavy demands upon the foreign exchange reserves of the Central Bank, had the reverse effect of withdrawing currency from circulation. Between

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Finland in the last edition of this volume, the present chapter covers the entire period 1929-1933.

the end of June and the middle of December, the foreign balances of the Bank of Finland dropped from 882 to 303 million markkaa. After substantial losses of foreign exchange, the gold standard was suspended on October 12th.

The volume of commercial bank deposits continued to decline in 1932, the net decrease for that year amounting to 223 million markkaa. The fall in the total of loans and discounts was more than twice as great. The banks considerably increased their holdings of securities and redeemed part of their rediscount indebtedness to the Central Bank. The latter fell from 461 millions at the beginning of the year to 129 millions at the end of July. But, as the decline of deposits was concentrated in the second half of the year, rediscounts again took an upward turn, reaching a figure of 300 millions in December. In spite of this, the note circulation showed a falling tendency, even in the latter part of the year, and for 1932 as a whole the average volume of notes outstanding was nearly 100 million markkaa below the corresponding amount for the preceding year. The various forms of capital export continued to cause serious difficulty to the Central Bank, especially in the summer of 1932, when there occurred a temporary but sharp decline of confidence in the Finnish mark, so that the Bank of Finland found it necessary to strengthen its exchange reserve by taking up a foreign short-term credit of £1 million.

In 1933, aggregate deposits in the commercial banks showed a small increase, which was proportionately greater for current accounts than for time deposits. At the same time, there was a further sharp decline in the aggregate of loans and discounts. The reduction in the volume of outstanding loans is, however, not to be interpreted as reflecting exclusively a further fall in the demand for credit. It was primarily due to the fact that the banks now found themselves in a sufficiently liquid position to write off on an adequate scale doubtful assets and losses which had occurred in the course of the depression. Moreover, the partial recovery of industrial activity enabled the banks gradually to liquidate some of their frozen assets ; and, finally, the stock-exchange revival permitted several industrial companies to pay off bank debts by marketing long-term capital issues.

As a result of these developments, the banks attained an extraordinary degree of liquidity in 1933. Their cash reserves were more than doubled in the course of the year. Their rediscount indebtedness to the Central Bank was rapidly reduced, until in October that item disappeared completely from the statement of the Bank of Finland. The current account liabilities of the Bank of Finland (to " others than the Treasury " — *i.e.*, representing chiefly bankers' balances) rose from 63 million markkaa at the end of 1932 to 327 millions at the end of 1933.

The Bank of Finland reduced its discount rate in four stages in the course of 1933 from 6½ to 4½ per cent. As a result partly of the return of confidence in the currency and partly of the favourable foreign trade position, the net exchange holdings of the Bank of Finland showed a remarkable increase from 543 to 1,322 million markkaa during the year. The note issue of the Bank of Finland was slightly higher at the end of 1933 than a year earlier, though the average volume of notes in circulation during the year was still slightly below the level of 1932.

A notable effect of the depression in Finland has been to reduce the number of banks — by mergers and liquidations — from seventeen to eleven. Of the eleven commercial banks in existence at the end of 1933, two were in process of liquidation, and one, though transacting commercial banking business, operates mainly as the Central Bank of the 481 savings banks. The continued concentration of banking resources during the depression is illustrated by the fact that the three largest banks controlled 86 per cent of the combined balance-sheet total of all commercial banks at the end of 1933, as compared with 63 per cent at the end of 1930.

A new Banking Law came into force on April 1st, 1933, replacing a Law of 1886, which has hitherto formed the legal basis of commercial banking in Finland. The new law [1] sets up more stringent conditions for the establishment of new banks and for the opening of branch offices. The minimum share capital of any bank is fixed at 100 million markkaa, and a certain proportion of net profits must be set aside each year to reserves. The new law reinforces the principle of strictly commercial banking by prohibiting the banks from participating directly or indirectly in commercial or industrial enterprises, or investing more than 10 per cent of their own funds (*i.e.*, share capital and reserves) in shares ; the law also imposes severe restrictions on investments in real estate. The banks are required, under the new law, to maintain a cash reserve of at least 20 per cent of total sight liabilities ; this reserve may include balances at the Bank of Finland, net claims on domestic or foreign banks payable on demand, foreign commercial bills, bonds quoted on foreign stock exchanges, and Finnish State bonds, in addition to cash in hand.

[1] Its detailed provisions are described in the *Monthly Bulletin of the Bank of Finland*, March 1933.

FINLAND. COMMERCIAL BANKS **Table 7 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of : Banks	17	17	14	12	11
Branches and Sub-Branches	611	606	566	499	489
ASSETS.	Markkaa (000,000's omitted)				
1. Cash	238.4	223.1	231.8	213.4	533.9
(a) Gold, silver and small coins	—	—	—	—	0.2
(b) Inland notes and balances with Central Bank	238.4	223.1	231.8	213.4	533.7
2. Other Items of a Cash Nature	67.5	52.1	43.3	32.3	46.6
3. Bills discounted and bought	3,356.4	2,756.9	2,395.1	1,853.3	1,435.5
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	3,297.3	2,696.3	2,273.1	1,828.5	1,355.3
(c) Commercial bills, Foreign	59.1	60.6	122.0	24.8	80.2
4. Investments and Securities	266.1	318.6	339.9	415.7	485.8
(a) Government	31.7	34.1	39.2	40.6	84.1
(b) Other	234.4	284.5	300.7	375.1	401.7
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	236.0	210.2	192.7	137.4	371.9
(a) At home	61.2	46.8	16.8	32.4	124.7
(b) Abroad	174.8	163.4	175.9	105.0	247.2
7. Loans and Advances	6,222.8	6,471.2	6,422.9	6,366.8	6,173.4
(a) On current account	3,586.8	3,588.9	3,394.9	3,140.4	2,952.4
(b) Other	2,636.0	2,882.3	3,028.0	3,226.4	3,221.0
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	262.5	286.2	286.4	287.6	262.9
10. Sundry Assets	243.9	222.5	407.3	203.1	294.3
11. Total Assets	**10,893.6**	**10,540.8**	**10,319.4**	**9,509.6**	**9,604.3**
LIABILITIES.					
12. Capital paid up	1,115.0	1,115.0	1,115.5	928.5	914.0
13. Reserve Funds	568.1	596.3	584.0	546.2	531.2
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	240.4	198.4	186.8	141.1	127.8
15. Cheques and Drafts, etc., in circulation	169.1	160.8	151.3	116.2	131.5
16. Due to Banks (Correspondents)	482.4	358.2	196.2	132.3	184.1
(a) At home	—	—	—	—	—
(b) Abroad	482.4	358.2	196.2	132.3	184.1
17. Deposits	7,481.3	7,697.8	7,378.5	7,154.7	7,498.0
(a) Current accounts and sight deposits	1,486.1	1,555.5	1,635.0	1,607.2	1,765.8
(b) Savings accounts	766.7	828.8	793.0	786.4	837.8
(c) Time or fixed deposits	5,228.5	5,313.5	4,950.5	4,761.1	4,894.4
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	530.3	161.7	487.5	314.4	30.0
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	307.0	252.6	219.6	176.2	187.7
21. Total Liabilities	**10,893.6**	**10,540.8**	**10,319.4**	**9,509.6**	**9,604.3**
22. Contingent Liabilities	1,078.9	1,001.4	988.9	846.3	1,015.8
23. Value of currency in Swiss francs at the end of each year	0.131	0.131	0.087	0.075	0.075

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	17	17	14	12	11
	Markkaa (000,000's omitted)				
Capital paid up	1,115.0	1,115.0	1,115.5	928.5	914.0
Reserves and Undivided Profits	606.0	639.5	633.9	589.0	572.1
1. Gross Profits	**498.1**	**463.1**	**431.1**	**355.2**	**317.9**
To be deducted					
2. Expenses	241.6	236.7	211.5	185.4	170.2
(a) Salaries, etc.	123.6	121.3	111.3	99.8	98.3
(b) Other working expenses	48.0	46.6	43.0	37.0	32.5
(c) Taxes, etc.	70.0	68.8	57.2	48.6	39.4
3. Reserved for Pension Funds, etc.	1.2	1.1	2.1	—	—
4. Written off on (Depreciation Accounts for)	69.6	74.4	305.2	97.5	151.5
(a) Premises, etc.	6.6	1.0	0.3	0.2	6.9
(b) Investments and securities	10.2	3.8	8.1	3.4	5.5
(c) Other assets	52.8	69.6	296.8	93.9	139.1
5. Remaining Net Profit or Loss (—)	**185.7**	**150.9**	**— 87.7**	**72.3**	**— 3.8**
6. Carried forward from Preceding Year	37.9	43.2	55.4	42.8	40.9
7. Taken from Reserves or Capital	14.8	1.9	205.3	22.3	86.6
8. Total Amount disposed of for Dividends, etc	**238.4**	**196.0**	**173.0**	**137.4**	**123.7**
9. Carried to Reserves	30.5	4.1	9.4	1.0	2.2
10. Dividends	159.2	141.2	119.7	94.8	91.5
11. Directors' Fees, etc.	0.8	0.5	0.6	0.3	—
12. Other Purposes	4.7	0.8	0.6	0.4	—
13. Carried forward to Following Year	43.2	49.4	42.7	40.9	30.0
14. Total as above	**238.4**	**196.0**	**173.0**	**137.4**	**123.7**
15. Value of currency in Swiss francs at the end of each year	0.131	0.131	0.087	0.075	0.075

Balance-sheet Summary.

1. *Cash.*

The composition of the figures given under *(b)* is shown below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Notes and small coins	219.4	204.1	180.1	165.8	214.5
Sight balances with Bank of Finland and other banks	19.0	19.0	51.7	47.6	319.2
Total	238.4	223.1	231.8	213.4	533.7

2. *Other Items of a Cash Nature.*

The figures given are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Foreign banknotes	9.1	9.0	7.2	6.1	3.6
Post bills of the Bank of Finland	0.7	0.9	0.5	0.4	0.9
Post bills of private banks	56.6	41.0	34.8	24.9	41.3
Miscellaneous	1.1	1.2	0.8	0.9	0.8
Total	67.5	52.1	43.3	32.3	46.6

4 and 5. *Investments and Securities; Participations.*

The composition of group 4 *(b)* is given below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Bonds :					
In foreign currency. . .	33.2	48.8	54.0	56.6	30.2
Of municipalities. . . .	23.1	32.1	27.2	27.3	27.9
Of bank and mortgage institutions	16.6	35.8	35.3	45.0	62.8
Other.	70.6	66.1	69.0	69.3	87.5
Total bonds	143.5	182.8	185.5	198.2	208.4
Shares :					
In credit and insurance institutions	66.4	65.2	61.9	56.2	56.1
Other.	24.5	36.5	53.3	120.7	137.2
Total shares	90.9	101.7	115.2	176.9	193.3
Total "Other securities".	234.4	284.5	300.7	375.1	401.7

6. *Due from Banks (Correspondents).*

The balance-sheets, as summarised in the official banking statistics, contain an item, " Inland Correspondents ", which, however, represents almost entirely ordinary current accounts of private clients of the bank. These accounts, which are shown separately in a special statement, have been included under " Loans and Advances " in the present Summary Table (see note 7 below). The sums shown in group 6 *(a)* of the table represent the remainder of the item "Inland Correspondents", plus a small item, " Deposit Certificates of Other Banks ", shown separately in the official statistics.

7. *Loans and Advances.*

The sums given under *(a)* consist of " Cash Credits ", other current accounts and " Personal Accounts ", and represent amounts actually drawn. In the statement below, the unutilised balances and the total amount of credits opened are shown, in addition to the amounts drawn.

Markkaa (000,000's)	1929	1930	1931	1932	1933
I. Amounts drawn :					
Cash credit . . .	1,411.5	1,307.9	1,149.0	1,032.7	887.8
Current and personal accounts.	2,175.3	2,281.0	2,245.9	2,107.7	2,064.6
Total drawn .	3,586.8	3,588.9	3,394.9	3,140.4	2,952.4
II. Balances :					
Cash credit . . .	172.1	186.4	182.5	126.8	136.8
Current and personal accounts.	906.8	815.0	806.4	719.5	879.0
Total unutilised .	1,078.9	1,001.4	988.9	846.3	1,015.8
Total credits opened (I and II)	4,665.7	4,590.3	4,383.8	3,986.7	3,968.2

Unutilised balances of credits granted are shown under the heading " Contingent Liabilities " at the bottom of the Summary Table.

The sums shown under 7 *(b)* in the Summary Table represent loans. The composition of total loans and advances according to the character of the cover is shown below :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Loans and advances against :					
Mortgages . . .	1,937.7	2,148.0	2,379.4	2,270.6	2,390.4
Bonds and bank deposit certificates	85.8	98.1	90.5	65.3	112.9
Shares	1,108.5	1,043.2	930.5	770.3	699.7
Goods	10.8	17.5	20.2	16.2	17.3
Guarantee . . .	1,886.2	1,774.3	1,532.6	1,314.3	1,084.5
Single signature .	2,272.6	2,391.5	2,458.6	2,776.4	2,884.4
Total . .	7,301.6	7,472.6	7,411.8	7,213.1	7,189.2

10. *Sundry Assets.*

The figures given are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Mortgage loans, etc. . . .	5.3	4.9	2.6	1.0	1.8
Interest receivable	92.9	94.9	95.9	77.1	66.2
Sundries	145.7	122.7	308.8	125.0	226.3
Total	243.9	222.5	407.3	203.1	294.3

15. *Cheques and Drafts in Circulation.*

The figures shown represent bank-post bills issued.

16. *Due to Banks (Correspondents).*

The figures given under *(b)* are shown in the official statistics under the heading " Foreign correspondents " and represent in the main banks and bankers. The item " Inland correspondents " of the Finnish banking statistics, however, consists almost exclusively of current accounts of private clients of the banks. As the sums due to banks at home are not shown separately anywhere in these statistics, the whole of the item " Inland correspondents " has been included in the current accounts in the Summary Table (see note to group 17 below).

17. *Deposits.*

The current account deposits and the home correspondents' accounts forming together item 17 *(a)* of the Summary Table are shown separately in the following statement, which includes, in addition, the unutilised balances of the " Cash credits" and other current account credits accorded to the clients.

Markkaa (000,000's)	1929	1930	1931	1932	1933
Deposits in current account	724.0	669.8	667.1	626.0	756.4
Inland correspondents	762.1	885.7	967.9	981.2	1,009.4
Total (item 17 *(a)*) . .	1,486.1	1,555.5	1,635.0	1,607.2	1,765.8
Unutilised balances of credits opened.	1,078.9	1,001.4	988.9	846.3	1,015.8
Total (including credit balances)	2,565.0	2,556.9	2,623.9	2,453.5	2,781.6

18. *Re-discounts and Other Borrowings by the Banks.*

The sums shown under this heading in the Summary Table are composed as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Bills re-discounted	490.5	147.2	461.3	296.2	—
Borrowings against security of premises	4.2	4.1	3.5	3.3	0.6
Other borrowings.	35.6	10.4	22.7	14.9	29.4
Total	530.3	161.7	487.5	314.4	30.0

20. *Sundry Liabilities.*

The figures given in the Summary Table are made up as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Pension funds	52.3	54.9	57.1	53.5	54.2
Unpaid dividends	2.2	2.2	2.2	2.6	1.8
Interest payable	84.3	68.4	56.4	44.7	34.1
Bills collected for third parties	21.7	17.2	12.7	7.7	7.0
Sundry accounts	146.5	109.9	91.2	67.7	90.6
Total	307.0	252.6	219.6	176.2	187.7

It will be noticed that the third item, " Interest payable ", is largely counterbalanced by the interest receivable included in " Sundry assets " and shown separately in the note to group 10 of the Summary Table.

22. *Contingent Liabilities.*

The sums shown under this heading consist of unutilised balances of credits opened.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The figures given in the Summary Table are composed as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Net interest and commissions from discounts, loans and advances. . .	424.2	395.6	328.4	269.8	231.5
Profit on securities and exchange	46.5	42.0	65.5	62.1	60.6
Recovered from assets written off	1.8	3.0	4.2	2.3	4.0
Sundry profits	25.6	22.5	33.0	21.0	21.8
Total	498.1	463.1	431.1	355.2	317.9

In conformity with the banking practice in most countries, net figures for interest earned are given above. These figures have been calculated by deducting interest paid shown under expenses in the official Finnish banking statistics from the total of the interest earned as given in these statistics.

4. *Depreciation Accounts.*

The amounts included under *(c)* in this group of the Summary Table were written down as follows :

Markkaa (000,000's)	1929	1930	1931	1932	1933
Written off on :					
Discounts, loans and advances	51.9	68.3	285.1	90.2	135.0
Foreign exchange. . . .	—	—	—	—	—
Assets not specified. . .	0.9	1.3	11.7	3.7	4.1
Total	52.8	69.6	296.8	93.9	139.1

FRANCE.

Introductory Note.

The principal changes which occurred in the structure of the French deposit banking system during 1933 and 1934 were the failure of the Société Centrale des Banques de Province — mentioned in the previous edition of this volume — and the regrouping and capital reconstruction of certain other provincial institutions. The Société Nancéienne de Crédit was severely affected by the stagnation of the textile industry, and in May 1934 its capital of 100 million francs was reduced to 40 millions to cover losses, and subsequently raised to 60 millions through the assistance of the Crédit Industriel et Commercial. The Banque Générale du Nord also suffered serious losses on certain of its assets, and it was further embarrassed by the fact that the Société Générale de Belgique, which had hitherto lent it important support, now tended to concentrate its resources on the domestic market. At the end of April 1934, the Banque Générale du Nord was absorbed by the Crédit du Nord, one of the largest regional banks. The capital of the latter was raised from 150 to 167½ million francs and the shares of the Banque Générale exchanged at 3 to 1 for shares in the Crédit du Nord.

The following table shows the movements of the principal accounts of the four big deposit banks — Crédit Lyonnais, Comptoir National d'Escompte, Société Générale and Crédit Industriel et Commercial — during 1933 and 1934 :

Francs (000,000's)	End of month :			
	Dec. 1932	June 1933	Dec. 1933	June 1934
1. Cash in hand, etc. . . .	9,945	9,116	6,514	6,118
2. Commercial portfolio and national defence bonds	21,932	19,818	19,698	18,420
3. Correspondents and debtors on current account	8,011	8,405	7,381	7,082
4. Advances.	1,044	1,174	1,250	1,354
5. Deposit accounts. . . .	16,581	15,570	14,689	14,108
6. Current accounts. . . .	21,178	19,725	17,946	16,711
7. Acceptances.	295	372	273	208

The most striking feature in the recent banking development in France is the very large contraction in deposits. During the year 1933, aggregate deposits (items 5 and 6) in the four large *établissements de crédit* fell by 5.2 milliard francs, and, during the first half of 1934, by a further 1.8 milliard ; aggregate deposits were nearly 20 per cent lower at the middle of 1934 than at the end of 1932.

This contraction in deposits is to be ascribed to three principal factors — domestic hoarding, the withdrawal of foreign balances, and the recourse to accumulated savings of sections of the population severely affected by the continued deterioration of economic conditions. Already at the end of 1932 large quantities of notes and gold were hoarded in France [1] ; it would appear that during 1933 and 1934 hoarding took the form chiefly of gold. The note circulation of the Banque de France fell, on balance, by over 2 milliard francs during 1933 (of which 250 millions were due to notes of 1,000 francs — *i.e.*, the denomination which is most frequently used for hoarding purposes) and by a further 450 millions during the first half of 1934. On the other hand, during 1933, the net import of gold into France amounted — according to the trade returns — to 6.2 milliard francs, while at the same time the gold reserves of the Banque de France fell by 6 milliards. It would, of course, be wrong to conclude that this 12.2 milliard francs represents net new hoarding of gold in France during 1933. The reduction in the gold reserve of the Banque de France is partly due to earmarking for foreign account, including the British Exchange Equalisation Fund, which shifted part of its gold holdings from New York to Paris after the American abandonment of the gold standard ; and it is, moreover, possible that the Central Banks of certain other countries adhering to the gold standard centralised part of their gold reserves in Paris after the Monetary and Economic Conference in 1933. It has been estimated [2] that, when allowance is made for these factors, the amount of new gold hoarding in France during 1933 was about 4.5 milliard francs. The same authority estimates that the aggregate hoards of gold in France at the end of 1933 amounted to some 15 milliard francs.

Although, as mentioned above, there does not appear to have been any net new hoarding of notes during 1933 and the first half of 1934, currency hoarding on a considerable scale took place during the political troubles of February and March 1934. In the course of these two months, the note circulation of the Banque de France rose by 3.4 milliard francs and the deposits of the four large credit establishments fell by 2.5 milliards. In the subsequent months, however, the decline in deposits stopped, and the note circulation tended to contract.

[1] See *Commercial Banks, 1925-1933*, pages 100 and 101.

[2] Pierre MEYNIAL : " La Balance des Comptes ", in *Revue d'Economie politique*, May-June 1934.

The second principal factor which explains the decline in deposits during 1933 and 1934 is the withdrawal of foreign short-term balances from France. These withdrawals were concentrated in the last months of 1933 and the first months of 1934. During the American banking difficulties, and more particularly after the suspension of the gold standard, there was a very large movement of capital from the United States to France ; this is reflected in an increase in deposits with French banks from May to July, in spite of domestic withdrawals during those months. It is estimated [1] that, at the end of August 1933, foreign deposits at the principal French banks amounted to about 7.5 milliard francs, as compared with a "normal" figure of some 4 milliards. The efflux of capital during the last quarter of 1933 was partly due to the economic revival elsewhere, partly to internal political difficulties which gave rise to apprehensions regarding the budgetary position and the future of the franc. In February and March 1934, after the enactment of the American Gold Reserve Act, foreign balances in Paris were used to buy gold from the Banque de France to ship to the United States. This movement came to an end in March 1934. It is estimated [2] that, by that month, the foreign funds with Franch banks had been reduced by 3.5 milliard francs.

During the first half of 1933, the important deposit banks used the influx of foreign funds to maintain their cash reserves at a very high level. They met the withdrawal of domestic deposits chiefly by a sharp contraction of the bill portfolio, and the ratio of cash to all deposits remained unchanged at over 26 per cent. But, in the second half-year, the banks met the entire withdrawals — 2.6 milliard francs — by allowing a corresponding depletion of their cash reserves to take place, and the cash ratio fell to 20 per cent at the end of the year. During the month of February 1934, cash holdings fell by a further 1.6 milliard francs (deposits by 2.1 milliards), and the cash ratio was reduced to $17\frac{1}{2}$ per cent. During the next months, there was a slight but continuous increase in the banks' cash reserves.

The deposit banks' portfolio of commercial and Treasury bills was 3.5 milliard francs lower at the middle of 1934 than at the end of 1932. From such indications as are available, it would appear that this contraction was entirely confined to commercial bills and that Treasury bills underwent but little net fluctuation. Commercial bills, on this basis, would appear to have declined from 9 to 5.5 milliard francs, or by nearly 40 per cent. The increase in the discount portfolio of the Banque de France during 1933 (900 million francs) and the first quarter of 1934 (1.6 milliards) suggests that the contraction in the deposit banks' commercial portfolio was not fundamentally due to any reduced demand for commercial credit, but rather to the inability of the banks to meet both large withdrawals of deposits and State credit requirements. During the second quarter of 1934, political uncertainties ceased to exercise an important influence on French banking ; the decline in deposits stopped, the deposit banks' discount portfolio tended to rise, the Banque de France's discount portfolio fell and its gold reserve rose by over 4 milliards.

Correspondents and debtors on current account rose during the first quarter of 1933, but since then they have fallen continuously, in line with the progressive deterioration of the economic situation. Advances, on the other hand, have shown a fairly continuous though moderate increase since the beginning of 1933 ; this may be partly due to the slightly higher level of stock-exchange activity, but would appear to be chiefly due to increased security loans. Acceptances, which had already fallen very sharply in preceding years, continued to decline on balance, and at the middle of 1934 they were only one-sixth of their 1929 level.

The decline in deposits in commercial banks was not compensated, as in 1932, by an increase in deposits in savings banks. On the contrary, in the course of 1933 withdrawals from savings banks exceeded deposits for the first time since 1916. The excess, however, was small and was exceeded by interest payments, so that the amount to the credit of depositors in savings banks was 59.5 milliard francs at the end of 1933, as compared with 57.8 milliards a year earlier. Of the former amount, the *Caisses ordinaires* account for 35.4 and the *Caisse nationale* for 24.1 milliard francs. The failure of deposits to increase during 1933 is partly explained by the higher interest rates available on national defence bonds at certain periods of the year, and partly by hoarding. By Decrees of October 31st, 1933, the rate of interest to be paid on deposits in the *Caisse nationale* was raised from $2\frac{3}{4}$ to 3 per cent and on deposits in the *Caisses ordinaires* from 3 or $3\frac{1}{4}$ to 4 per cent. This decision was put into effect at the beginning of 1934 ; it may be observed that, during the first six months of 1934, savings bank deposits fell by over 1 milliard francs.

The factors enumerated above as characteristic of 1933 and the first months of 1934 — political troubles, budgetary disequilibrium leading to increased issues of Treasury bills, reduction of commercial and savings bank deposits, gold hoarding and the repatriation by foreigners of balances previously held in France — could not fail to exercise an unfavourable influence on the level

[1] Pierre DIETERLIN : " Les Banques ", in *Revue d'Economie politique*, May-June 1934, page 593.
[2] *Ibid.*, page 594.

of money and interest rates. This is shown in the following table :

	Jan. 1933	Mar. 1933	July 1933	Sept. 1933	Mar. 1934	July 1934
	%	%	%	%	%	%
Bank rate	2½	2½	2½	2½	3	2½
Treasury bill discount rate. . . .	1.50	2.16	1.38	1.23	3.17	1.88
Private discount rate (fine bills)	1.34	2.13	1.69	1.38	2.88	1.78
Yield of 3% *rentes* .	3.93	4.31	4.49	4.44	4.60	4.08

The hardening of money rates during the first quarter of 1933 was partly due to large-scale purchases of sterling. The Exchange Equalisation Account purchased francs, which it presented for redemption in gold at the Banque de France, whose gold reserves fell by 1½ milliard francs. The French position was eased in the spring as a result of the credit of £30 million given the Treasury by a group of English banks ; consequently, money rates tended downwards. *Rentes*, however, continued to decline — a reflection of the internal budgetary disequilibrium as distinct from the international movement of capital. During the summer, when the American dollar underwent its severe depreciation, there was a large flow of capital to France, and money rates continued to fall. But the internal situation continued to be strained and the domestic demand for gold for hoarding persisted. The situation began to come to a head in October ; the withdrawal of foreign funds, the failure to renew the Treasury bonds placed in London in the spring, the flight of domestic capital into gold and foreign currencies, all contracted the supply of available capital, while Treasury requirements remained at a high level. Money rates rose in consequence, but did not reach their peak until March 1934 ; the gold shipments consequent upon the establishment of a free market for gold at $35 per ounce in the United States coincided in point of time with serious political troubles in France. During recent months the tendency of money and interest rates has again been downward. The Banque de France reduced its discount rate, which had been raised to 3 per cent in February, back to 2½ per cent at the end of May. It may be observed, however, that, even by July 1934, the general level of money rates had not fallen to the level of January 1933.

Except for the Crédit Industriel et Commercial, all the large deposit banks disclosed much the same net profits and paid the same dividends in 1933 as in 1932. For reasons given in preceding editions, however, the figures disclosed for net profits are to be treated with caution, as certain of the banks still have important hidden reserves out of which they can amortise assets. During 1933, a larger proportion of the earnings of the deposit banks was derived from commissions on the issue of public and semi-public obligations than hitherto. The fall in the volume of banking resources was compensated, at least in part, by the rise in the level of money rates illustrated in the foregoing table.

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The principal accounts of the two important *banques d'affaires* — the Banque de Paris et des Pays-Bas and the Banque de l'Union Parisienne — at the end of 1932 and 1933 are shown below :

Francs (000,000's)	Banque de Paris et des Pays Bas		Banque de l'Union Parisienne		Total	
	1932	1933	1932	1933	1932	1933
1. Cash in hand and with Banque de France	514	484	88	60	602	545
2. Due from banks and correspondents, etc. . .	359	259	48	34	407	293
3. Bill portfolio, including National Defence Bonds	1,292	843	319	237	1,611	1,080
4. Investments and participations .	549	518	482	428	1,031	946
5. Loans and advances	579	779	324	250	947	1,054
6. Deposits	2,582	2,269	890	754	3,472	3,023
Whereof :						
Current accounts . .	1,727	1,249	721	498	2,448	1,747
Time deposits . . .	807	965	169	255	976	1,221

The hoarding tendencies of 1933 affected the *banques d'affaires* as well as the *banques de dépôts* and the contraction in deposits was about the same, in relation to total deposits, for the two groups of institutions. The fall in the case of the former was entirely confined to current accounts ; time deposits, which always constitute a higher proportion of the total deposit liabilities of the *banques d'affaires* than of the deposit banks, rose perceptibly.

The aggravation of the economic depression during 1933 — when the French investment banks were affected, not only by the continuance of the restrictions placed upon the realisation of their foreign assets, but also by the fall in domestic security and property values — led the Banque de l'Union Parisienne to undertake a general revision of the value of all its assets and a corresponding reduction of its own capital structure. Certain amortisations had already been made in 1932 [1], when it was assisted by a syndicate headed by its

[1] See *Commercial Banks, 1925-1933*, page 99.

largest shareholder, the Société Générale de Belgique, but these were now found to be insufficient. It was decided that, of the aggregate reserve funds and balance of profit-and-loss accounts of the Banque de l'Union Parisienne, amounting to 135 million francs, 130 millions should be used to write off loans, etc., and premises. The remaining 5 million francs was used to write down the bank's investment portfolio, which amounted — after this amortisation — to 321 million francs ; participations were entered at 107 millions. These figures were, however, still far above the market or realisation value of the securities held. The 427 million francs of securities and participations entered in the balance-sheet at the end of 1933 were composed as follows :

	Francs (000,000's)
French securities	227
Colonial securities	63
Foreign securities	138

It was estimated that the amortisation required on the French securities was 32 per cent (72 million francs), on the colonial securities 65 per cent (40 million francs), and on the foreign securities 42 per cent (58 million francs). In order to write down the securities to this extent, it was necessary to proceed to a drastic capital reorganisation of the bank. This was effected in May 1934. The capital was reduced from 300 to 100 million francs. Of this 200 million francs, 170 millions were used to offset the writing-down of the investment and participation portfolio from 428 to 257 million francs. Of the remaining 30 million francs, 4.2 millions were used to relieve shareholders of the obligation to pay certain arrears of taxes, and 25.8 millions to create a special reserve fund. Shareholders exchanged three old shares for one new share. Additional capital of 100 million francs was raised through the issue of new shares to a group headed by MM. de Lubersac et C^ie.

It will be observed from the above table that the Banque de Paris et des Pays-Bas keeps a high proportion of its assets in liquid form — cash, bank deposits and commercial paper. The fall in deposits during 1933 was met chiefly by a contraction of the bill portfolio ; moreover, a very limited volume of commercial paper was available during the year. The bank's aggregate loans and advances rose by 200 million francs during 1933. To the extent of 35 millions, this was due to contango loans to finance stock-exchange transactions ; the remainder represents chiefly bookkeeping changes.

The stagnation of the private capital market reduced the scope of the investment banks' activity during 1932 ; but this was partly compensated by the important issues of Treasury bonds and obligations, lottery certificates, railway, municipal and Colonial Government bonds in which they participated. The Banque de l'Union Parisienne showed a net operating loss of over 1 million francs during 1933, while the Banque de Paris et des Pays-Bas disclosed a net profit of 25 million francs and distributed 30 million francs in dividends, drawing on the carry-over for the difference. It may be observed that the Banque de Paris et des Pays-Bas has made comparatively small disclosed amortisations during the past few years (less than 40 million francs from 1929 to 1933 inclusive), but it is generally believed that substantial amortisation of assets has been made out of hidden reserves.

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

In the common Summary Table, as well as in that for the deposit banks alone, joint figures are given for the first two asset groups for 1929 and 1930, as one of the most important banks (the Crédit Lyonnais) did not show its sight balances with other banks separately from cash in hand and with the Bank of France before 1931.

The amounts given under item 2 for deposit banks in 1931-1933 and for investment banks throughout consist chiefly of balances with banks and sums due from correspondents ; they also include small amounts of coupons due for payment.

3. *Bills discounted and bought.*

The sums in this group of the Summary Tables include Treasury bills *(Bons de la Défense nationale)*, which are seldom shown separately by any of the banks under review, and also a small amount of bills for collection and foreign bills.

4 and 5. *Investments : Participations.*

The security holdings of both the deposit and the investment banks include shares and bonds of private undertakings in addition to *rentes* and other Government securities ; as a rule, the banks do not show the composition of their investment portfolios in detail.

6. *Due from Banks (Correspondents).*

The correspondent accounts, apart from the sight claims (mainly bank cheques and clearing balances) included in the cash reserve, are not, as a rule, shown separately, but are included in the ordinary current accounts (group loans and advances).

7. *Loans and Advances.*

As mentioned in the preceding note, current accounts include correspondents. In the case of banks which do not show cover for acceptances as a separate item, an amount equivalent to their acceptances has been deducted from current

[*Continued on page 42.*

FRANCE. PRINCIPAL DEPOSIT BANKS **Table 8 *(a)* 1.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	6	6	6	6	6
Branches and Sub-Branches	2,069	2,166	2,202	2,161	2,127
ASSETS.	Francs (000,000's omitted)				
1. Cash			11,759	9,666	6,387
(a) Gold, silver and small coins			—	—	—
(b) Inland notes and balances with Central Bank	6,422	7,900	—	—	—
2. Other Items of a Cash Nature			1,584	1,527	1,463
3. Bills discounted and bought	25,907	24,555	20,911	25,425	22,957
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	135	160	182	126	134
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	138	159	177	150	151
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	13,966	16,032	13,473	10,206	10,890
(a) On current account	10,833	13,065	11,811	8,664	9,110
(b) Other	3,133	2,967	1,662	1,542	1,780
8. Cover for Acceptances	1,742	1,242	718	357	350
9. Premises, etc.	260	280	297	187	202
10. Sundry Assets	189	184	159	132	143
11. Total Assets	**48,759**	**50,512**	**49,260**	**47,776**	**42,677**
LIABILITIES.					
12. Capital paid up	1,643	1,701	1,383	1,490	1,491
13. Reserve Funds	1,897	2,038	1,884	1,897	1,905
14. Profit-and-Loss Accounts, Undivided Profits, etc.	379	390	305	295	292
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	42,608	44,749	44,568	43,385	38,310
(a) Current accounts and sight deposits	39,502	41,279	41,800	40,886	36,340
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,890	3,219	2,500	2,292	1,780
(d) Other deposits	216	251	268	207	190
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	1,742	1,242	718	357	350
20. Sundry Liabilities	490	392	402	352	329
21. Total Liabilities	**48,759**	**50,512**	**49,260**	**47,776**	**42,677**
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE. PRINCIPAL INVESTMENT BANKS **Table 8 *(a)* II.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	3	3	3	2	2
ASSETS.	Francs (000,000's omitted)				
1. Cash	414	425	543	602	545
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	660	985	420	364	268
3. Bills discounted and bought	1,678	1,624	1,383	1,611	1,080
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	601	697	793	761	702
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	297	285	269	270	244
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	2,855	2,217	1,310	947	1,141
(a) On current account	2,683	2,050	1,291	939	1,097
(b) Other	172	167	19	8	44
8. Cover for Acceptances	217	217	207	92	60
9. Premises, etc.	67	73	72	79	79
10. Sundry Assets	75	80	92	105	112
11. Total Assets	**6,864**	**6,603**	**5,089**	**4,831**	**4,231**
LIABILITIES.					
12. Capital paid up	600	600	600	600	600
13. Reserve Funds	421	428	433	418	292
14. Profit-and-Loss Accounts, Undivided Profits, etc.	158	158	110	50	36
15. Cheques and Drafts, etc., in circulation	397	264	206	100	112
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	4,917	4,813	3,442	3,472	3,023
(a) Current accounts and sight deposits	2,823	3,079	2,228	2,448	1,747
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,029	1,661	1,164	976	1,221
(d) Other deposits	65	73	50	48	55
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	217	217	207	92	60
20. Sundry Liabilities	154	123	91	99	108
21. Total Liabilities	**6,864**	**6,603**	**5,089**	**4,831**	**4,231**
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE. PRINCIPAL COMMERCIAL BANKS **Table 8 *(a)* III.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	9	9	9	8	8
Branches and Sub-Branches	2,069	2,166	2,202	2,161	2,127
ASSETS.	Francs (000,000's omitted)				
1. Cash	7,496	9,310	12,302	10,268	6,932
(a) Gold, silver and small coins			—	—	—
(b) Inland notes and balances with Central Bank			—	—	—
2. Other Items of a Cash Nature			2,004	1,891	1,731
3. Bills discounted and bought	27,585	26,179	22,294	27,036	24,037
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	736	857	975	887	836
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	435	444	446	420	395
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	16,821	18,249	14,783	11,153	12,031
(a) On current account	13,516	15,115	13,102	9,603	10,207
(b) Other	3,305	3,134	1,681	1,550	1,824
8. Cover for Acceptances	1,959	1,459	925	449	410
9. Premises, etc.	327	353	369	266	281
10. Sundry Assets	264	264	251	237	255
11. Total Assets	**55,623**	**57,115**	**54,349**	**52,607**	**46,908**
LIABILITIES.					
12. Capital paid up	2,243	2,301	1,983	2,090	2,091
13. Reserve Funds	2,318	2,466	2,317	2,315	2,197
14. Profit-and-Loss Accounts, Undivided Profits, etc.	537	548	415	345	328
15. Cheques and Drafts, etc., in circulation	397	264	206	100	112
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	47,525	49,562	48,010	46,857	41,333
(a) Current accounts and sight deposits	42,325	44,358	44,028	43,334	38,087
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	4,919	4,880	3,664	3,268	3,001
(d) Other deposits	281	324	318	255	245
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	1,959	1,459	925	449	410
20. Sundry Liabilities	644	515	493	451	437
21. Total Liabilities	**55,623**	**57,115**	**54,349**	**52,607**	**46,908**
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE. PRINCIPAL DEPOSIT BANKS **Table 8 *(b)* I.**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks	6	6	6	5	6
	Francs (000,000's omitted)				
Capital paid up	1,643	1,701	1,702	1,490	1,491
Reserves and Undivided Profits	1,949	2,099	2,113	1,969	1,972
1. Gross Profits					
To be deducted:					
2. Expenses					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	**316.4**	**320.7**	**— 266.7**	**216.9**	**217.7**
6. Carried forward from preceding year	51.6	61.1	69.2	69.9	66.3
7. Taken from Reserves or Capital	—	—	494.7	—	—
8. Total Amount disposed of for Dividends, etc.	**368.0**	**381.8**	**297.2**	**286.8**	**284.0**
9. Carried to Reserves	22.1	21.8	13.8	9.4	4.7
10. Dividends	271.6	277.5	206.0	204.8	203.7
11. Directors' Fees, etc.	13.2	13.3	7.5	6.3	5.9
12. Carried forward to following year	61.1	69.2	69.9	66.3	69.7
13. Total as above	**368.0**	**381.8**	**297.2**	**286.8**	**284.0**
14. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

accounts and carried to group 8 of the Summary Table.

The other loans and advances *(7b)* consist of guaranteed advances *(avances sur garanties)* and contangos *(reports)*.

8. *Cover for Acceptances* (see preceding note).

11 and 21. *Total Assets and Liabilities.*

The 1931 figures given in Summary Tables 8*(a)*I and 8*(a)*III do not include reported losses of the Banque nationale de Crédit, equal in amount (507 million francs) to the bank's total capital, reserves and profit balance, which are likewise excluded from items 12, 13 and 14.

15. *Drafts and Cheques in Circulation.*

These items are not shown separately in the balance-sheets of the deposit banks. The figures shown in the Summary Table of the investment banks (and in the combined summary table) represent "bills and cheques payable".

17. *Deposits.*

Current and cheque accounts (17*a*) also include correspondent accounts. The sums given under "other deposits" (17*d*) represent "accounts payable after collection", etc., where shown separately.

FRANCE. PRINCIPAL INVESTMENT BANKS **Table 8 *(b)* II.**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	3	3	(a)	2	2
	Francs (000,000's omitted)				
Capital paid up	600	600	.	600	600
Reserves and Undivided Profits	465	477	.	437	437
1. Gross Profits	**246.0**	**251.2**	.	**146.6**	**128.8**
To be deducted :					
2. Expenses	117.0	125.0	.	102.1	93.9
(a) Salaries, etc. / *(b)* Other working expenses	92.2	94.4	.	85.2	78.9
(c) Taxes, etc	24.8	28.6	.	16.9	15.0
3. Reserved for Pension Funds, etc.	2.6	4.8	.	4.9	4.3
4. Written off on (Depreciation Accounts for)	10.5	11.3	.	8.1	141.5
(a) Premises, etc.	—	—	.	—	—
(b) Investments and securities	—	—	.	—	—
(c) Other assets	—	—	.	—	—
5. Remaining Net Profit or Loss	**115.9**	**110.1**	.	**31.5**	**—110.9**
6. Carried forward from preceding year	44.1	49.1	.	18.5	18.4
7. Taken from Reserves or Capital	—	—	.	—	128.6
8. Total Amount disposed of for Dividends, etc.	**160.0**	**159.2**	.	**50.0**	**36.1**
9. Carried to Reserves	8.1	8.3	.	1.6	0.8
10. Dividends	96.0	95.0	.	30.0	30.0
11. Directors' Fees, etc.	6.8	6.3	.	—	—
12. Carried forward to following year	49.1	49.6	.	18.4	5.3
13. Total as above	**160.0**	**159.2**	.	**50.0**	**36.1**
14. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

(a) Profit-and-loss account for Crédit Mobilier Français not available.

Summary of Profit-and-Loss Accounts.

No profit-and-loss accounts were published for the Banque nationale pour le Commerce et l'Industrie until the end of 1933. Summary Table 8*(b)*I therefore covers only five deposit banks for 1932. Most of the deposit banks show their net profits only after deduction of working expenses, depreciation, provision for doubtful claims, allocations to staff funds, and sometimes even directors' fees. This policy obviously allows the directors to make whatever statement of net profits they wish and facilitates the setting aside of hidden reserves.

The investment banks publish more or less detailed profit-and-loss accounts. No statement was published relating to the Crédit Mobilier Français in 1931. Figures are accordingly not given in Summary Table 8*(b)*II for that year.

1 and 2. *Gross Profits and Expenditure.*

The figures for salaries and other working expenditure shown in the table of investment banks include a large proportion of the fees and remunerations of directors.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS				
	1929	1930	1931	1932	1933
Number of Banks	9	9	9	7	8
	Francs (000,000's omitted)				
Capital paid up	2,244	2,301	2,302	2,090	2,091
Reserves and Undivided Profits	2,414	2,576	2,592	2,406	2,409
1. Gross Profits					
To be deducted:					
2. Expenses					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	**432.3**	**430.8**	**— 259.8**	**248.4**	**106.8**
6. Carried forward from preceding year	95.7	110.2	114.8	88.4	84.7
7. Taken from Reserves or Capital	—	—	562.9	—	128.6
8. Total Amount disposed of for Dividends, etc.	**528.0**	**541.0**	**417.9**	**336.8**	**320.1**
9. Carried to Reserves	30.2	30.1	80.0	11.0	5.5
10. Dividends	367.6	372.5	242.0	234.8	233.7
11. Directors' Fees, etc.	20.0	19.6	7.5	6.3	5.9
12. Carried forward to following year	110.2	118.8	88.4	84.7	75.0
13. Total as above	**528.0**	**541.0**	**417.9**	**336.8**	**320.1**
14. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

3. *Reserved for Pension Funds, etc.*

The sums given in the investment bank table refer solely to the Banque de Paris et des Pays-Bas.

4. *Depreciation.*

Including sums used in or reserved for building and construction purposes.

5. *Net Profit or Loss.*

The figures in Tables 8*(b)*I and III for 1931 are chiefly affected by inclusion of the net disclosed loss of the Banque nationale de Crédit, amounting to 500 million francs. This loss was covered out of capital, reserves and undivided profits, which are included in the figures given at the top of those tables for 1931.

The capital and reserves (114 million francs) of the Crédit Mobilier Français are also included in the figures shown at the top of 8*(b)* III in 1931, although no profit-and-loss accounts of the bank were published for that year.

10. *Dividends.*

The banks do not follow a common practice with regard to the dividend tax ; some include it in their dividend figures, while others do not.

11. *Directors' Fees, etc.*

The sums shown in this group of the Summary Tables include a small sum representing dividends or "Founders' shares". Some banks do not disclose directors' fees, but include them wholly or in part in the expenses which they deduct before showing profits.

GERMANY.

Introductory Note.

The development of commercial banking in Germany during 1933 and 1934 may be judged on the basis of the following table, which shows the principal accounts of the five big Berlin banks [1] :

RM. (000,000's)	Dec. 1932	Dec. 1933	June 1934
ASSETS.			
1. Cash and balances with Reichsbank, etc.	254	254	210
2. Bill portfolio :			
(a) Treasury bills	497	548	459
(b) Commercial bills	1,221	1,200	1,370
3. Sight claims on other banks.	249	189	147
4. Securities :			
(a) Government.	475	386	401
(b) Other.	147	135	268
5. Participations :			
(a) Syndicate.	169	171	175
(b) Bank.	145	121	104
6. Loans on current account :			
(a) To banks	340	290	276
(b) Other.	3,275	3,009	2,865
7. Other loans and advances :			
(a) Reimbursement credits, etc.	963	583	536
(b) Contangos and lombards	32	24	221
LIABILITIES.			
8. Capital and reserves	542	508	508
9. Deposits, etc.	4,945	4,582	4,722
10. " Loro " correspondents.	1,095	637	565
11. Due to German credit institutions	1,286	1,289	1,133
12. Acceptances.	769	765	732
13. Rediscounts, etc.	843	914	817
14. Guarantees	448	395	392
15. Total balance-sheet	8,803	7,917	7,795

In the course of 1933, the total balance-sheet of the big Berlin banks fell by nearly RM. 900 million, or 10 per cent. This decline is chiefly due to the repayment of foreign credits under standstill agreement and to the reduced Reichsmark value of dollar and pound deposits consequent upon the fall in the gold value of those currencies in the course of the year. The item " loro " correspondents in the above table — which consists of credits taken by the banks on behalf of third parties and has its counterpart in reimbursement credits (item 7 *(a)*) under assets — fell by RM. 450 million during 1933 [2], while deposits fell by over RM. 350 million. It may be observed that, as mentioned in the last edition of this volume [3], it has been officially estimated that, between February 1933 and February 1934, standstill credits in Germany were reduced by RM. 1,250 million, of which 500 millions were stated to be due to conversion into registered marks used for long-term investments or to finance "additional exports", etc., and 475 millions were stated to be due to the depreciation of foreign currencies. In the light of these figures, it is improbable that a contraction in domestic deposits took place during 1933.

On the assets side of the big Berlin banks' balance-sheets, the principal change — apart from the reduction of RM. 380 million in reimbursement credits referred to in the preceding paragraph — is a fall of RM. 270 million in " other " loans on current account (item 6 *(b)*). This latter item is net of cover for acceptances drawn by clients. The decline in this item, which represents the bulk of the banks' industrial credits, would appear to be due to a variety of factors. Part is evidently due to the amortisation of bad assets. Part is no doubt due to the repayment of credits made possible by the issue of Treasury certificates and other forms of paper to finance the Government's work-creation programme. All of the big Berlin banks lay stress in their annual reports for 1933 on the co-operation which they have offered in the granting of credits to ensure the success of this programme. Thus, the Deutsche Bank states that, during 1933, it granted new credits to the amount of RM. 707 million — or 35 per cent of its current-account credits outstanding at the beginning of the year — and refused applications for credits only to the amount of RM. 35 million. The Dresdner Bank reports that new credits granted during 1933 amounted to RM. 742 million, of which RM. 256 million were destined directly for *Arbeitsbeschaffungsmassnahmen*. The Commerz- und Privat-Bank granted new credits of RM. 284 million. All these banks emphasise the fact that most of the new credits granted were of relatively small amounts ; in the case of the Deutsche Bank, 113,000 of the 118,000 new credits were for amounts less than RM. 20,001 (these accounted for RM. 235 million of the RM. 707 million) ; for the Dresdner Bank, 7,100 of the 9,370 new credits fell within this group ; and for the Commerz- und Privat-Bank, 12,000 of the 13,500 new credits. It may be observed that, of the total

[1] The banks included *(Grossbanken)* are the Deutsche Bank und Disconto-Gesellschaft, Dresdner Bank, Commerz- und Privat-Bank, Reichs-Kredit-Gesellschaft and Berliner Handels-Gesellschaft.

[2] At the end of 1930, this item amounted to about RM. 2,000 million for the big Berlin banks.

[3] *Commercial Banks, 1925-1933*, page 20.

current-account credits of the big Berlin banks outstanding at the end of 1933 (including loans to banks, etc.), 15 per cent were covered by securities quoted on the stock exchange, 61 per cent by other collateral, and 24 per cent were uncovered.

A further reason which may explain the contraction in current-account credits shown by the big Berlin banks in the face of this extensive granting of new credits (amounting in the course of 1933 to RM. 1,750 million for the three banks mentioned, or over 45 per cent of their aggregate current account credits outstanding at the beginning of the year) is the conversion of certain credits formerly granted on current account into commercial bills, and their consequent classification under item 2 *(b)*. It will be observed that this item remained practically stationary during 1933, or, if the gross portfolio — *i.e.*, including rediscounts — be considered, even showed a net increase of RM. 65 million. Finally, the decline in current-account creditors is no doubt due in part to the consolidation of a large part of the floating debt of the municipalities during 1933 ; credit extended in this way by the banks and formerly included in their current account advances was now shown as securities. The decline in security holdings is, in turn, largely to be attributed to a writing-down in book values.

The only asset item of the big Berlin banks to show an increase during 1933 was their holding of Treasury bills, which rose by RM. 50 million. This increase is to be attributed to the banks' participation in the Government's public works programme, and may be conveniently considered in connection with the subsequent discussion of the banking repercussions of this programme. The fall in Government securities (item 4 *(a)*) is entirely due to the repayment by the Dresdner Bank of RM. 100 million of the RM. 400 million of Government bonds granted it by the State in connection with its capital reconstruction in 1932[1] ; Government securities held by all other banks rose during 1933.

Reference has already been made to the fact that the net bill portfolio of the big Berlin banks, exclusive of Treasury bills, showed but little movement in 1933. The figures shown in the above table include holdings of *Arbeitsbeschaffungswechsel*, but, unfortunately, separate figures are not available. It is known that the banks bought considerable quantities of this paper, but it would appear that a large proportion of their purchases were subsequently rediscounted at the Reichsbank, or that the funds for their purchase were acquired by the banks through the rediscount of their own acceptances. During the year 1932, the big banks' liability on account of own acceptances outstanding was reduced by nearly 10 per cent ; in 1933, it remained practically unchanged. Moreover, their rediscounts, which had fallen by nearly RM. 600 million, or 40 per cent, in 1932, rose by RM. 70 million in 1933.

Some important participations held by the big Berlin banks were terminated during 1933. Among these, mention may be made of the participation of the Berliner Handels-Gesellschaft in the Niederösterreichische Escomptegesellschaft and of the Deutsche Bank in the Banque Ephrussi and Co., in Vienna ; the Deutsche Bank, however, retained its participation in the Wiener Bank Verein [2], as did the Dresdner Bank in the Merkur Bank in Vienna. Certain current-account industrial credits were converted into participations in the course of the year.

In accordance with the Reichsbank's request for a reduction of the banking structure, the Dresdner Bank, Deutsche Bank and Commerz- und Privat-Bank closed, by joint agreement, twenty-one branch establishments during 1933. In spite of this reduction, and of the fall in total volume of business transacted by the banks, they all enlarged their personnel in the course of that year. The Deutsche Bank, for example, reports that, in its efforts to combat unemployment, it engaged 1,000 persons during 1933 ; over 400 former collaborators were pensioned off and 200 resigned. In the case of the Dresdner Bank, 313 old employed left the service and 436 new ones were engaged.

The only important change in the capital structure of the big banks in 1933 was the reduction from RM.144 to RM. 130 million in the capital stock of the Deutsche Bank. This was accomplished by the sale to the State of the old Darmstädter und Nationalbank building for a certain amount of Treasury bills *plus* RM. 14 million of shares in the Deutsche Bank previously held by the Golddiskontbank, thus reducing the participation of the latter in the Deutsche Bank to RM. 36 million. The building had previously been carried at nominal value and the sum mentioned was used by the Deutsche Bank to constitute inner reserves.

Certain of the German banks were active during 1933 in repurchasing their own dollar bonds. Thus, the Deutsche Bank bought $2 million of its bonds in the course of the year, leaving $8.5 million of the original issue of $25 million still outstanding, and the Commerz- und Privat-Bank bought $8 million of its bonds, leaving $12 million still in circulation.

During the first half of 1934, the deposits of the big Berlin banks rose slightly, but "loro" correspondents and amounts due to German credit institutions fell. Reimbursement credits continued to decline, though at a much slower rate than during 1933. Loans on current account were also lower, but the net commercial bill portfolio held

[1] See *Commercial Banks, 1925-1933*, page 117.

[2] See chapter on Austria for details regarding the amalgamation of this bank with the Austrian Creditanstalt in May 1934.

by the banks rose by RM. 170 million. It would appear that this increase was entirely due to purchases of *Arbeitsbeschaffungswechsel*. Securities other than Government also increased considerably; Government securities were slightly higher, while Treasury bills were reduced by RM. 90 million.

Some special reference must now be made to the effects of the Government's work-creation policy of 1933 and 1934 on the German banking structure. This policy involved, notably, the financing of an extensive programme of public works through the issue of *Arbeitsbeschaffungswechsel* and the attempt to stimulate private business through the issue of *Steuergutscheine*. The *Arbeitsbeschaffungswechsel* are bills drawn by *entrepreneurs* on Länder and municipalities to pay for the cost of public works undertaken according to an agreed programme. They are presented for acceptance to the Deutsche Gesellschaft f r öffentliche Arbeiten, the Bau- und Bodenbank, the Rentenbank-Kreditanstalt, the Siedlungsbank, the Verkehrskreditbank or the Reichsbahn-Beschaffungs-G.m.b.H., and may then be discounted at the credit or savings banks or sold to the money market. As these bills are rediscountable at the Reichsbank, they are regarded by the banks as a liquid asset ; they are, moreover, guaranteed by the Reich. Their original currency is three months, but they may be extended up to fifty-four months. Exact data regarding the amount of such bills issued and outstanding are not readily available, but, at the end of 1933, it has been estimated that RM. 1,200 million were outstanding, and by the first quarter of 1934 this total is said to have risen to RM. 2,000 million [1].

The *Steuergutscheine* are Advance Tax Certificates issued gratis by the State in return for the prompt payment of certain taxes. They bear interest at 4 per cent. They are negotiable on the Stock Exchange and may be used as collateral for bank advances, or for advance payment of taxes. From official sources it appears that the circulation of these tax vouchers amounted to RM. 1,215 million at the end of 1933 and RM. 1,363 million at the end of March 1934. These figures do not include RM. 600 million deposited with the Reichsbank as security for *Arbeitsbeschaffungswechsel* discounted by it.

In addition to these two forms of paper, mention might also be made of the *Zinsvergütungscheine* and the *Bedarfsdeckungscheine* issued by the State for various purposes ; as the *Arbeitsbeschaffungswechsel* and *Steuergutscheine* constitute, however, the bulk of the new paper put into circulation during the past two years, attention will be concentrated in the following paragraphs upon their effects on the banking situation.

It has already been observed that the gross bill portfolio of the big Berlin banks, excluding Treasury bills, rose during 1933 and the first half of 1934. Although no separate figures of these banks' holdings of *Arbeitsbeschaffungswechsel* are available, it is likely that the increase in their portfolio, particularly during 1934, was entirely due to these bills and that their discounts of genuine commercial bills were lower. It would appear, however, that at least half of the credit created through the *Arbeitsbeschaffungswechsel* originated directly in the Reichsbank. Part of it flowed to the private banks and was used to liquidate old current-account advances. The bulk, however, flowed to the savings banks and Girozentralen and was used to increase their liquidity. The principal accounts of the savings banks and *Girozentralen* and *Landesbanken* are shown in the following statement:

RM. (000,000's)	Savings Banks			Staats- and Landesbanken and Girozentralen		
	December 1932	December 1933	June 1934	November 1932	November 1933	June 1934
1. Cash and bank balances	1,166	1,682	1,840	29	30	39
2. Bill portfolio :						
(a) Treasury bills	55[a]	89[a]	160[a]	431	570	855
(b) Other bills	95	104	121	441	712	825
3. Loans and advances :						
(a) Current account	2,196[b]	2,102[b]	1,987[b]	2,655	2,466	1,549
(b) Long term	5,472[c]	5,555[c]	5,914[c]	3,910	3,789	3,852
4. Securities	3,230[d]	3,344[d]	3,774[d]	350	295	1,037
5. Deposits	10,978	12,055	13,024	3,908	4,744	5,148
6. Rediscount and other borrowings	910	488	383	2,171	1,150	1,073
7. Total balance-sheet	13,885	14,528	14,218	8,565	9,239	9,577

[a] Including bills of municipalities.
[b] Including short-term loans to municipalities.
[c] Mortgage loans.
[d] Including bonds of municipalities.

Deposits in the German savings banks—including the small amount of transfer accounts as well as savings deposits -- rose by over RM. 1 milliard in the course of 1933 and by nearly as much again in the first half of 1934. During 1933, the whole of this increase, and the increase, as well, in their own funds was used by the banks to improve their liquidity. This is particularly reflected in the rise

[1] E. WILDERMUTH, in *Deutscher Volkswirt*, June 15th, 1934.

of RM. 500 million in their holdings of cash and balances with the *Girozentralen* and other banks, and in the decline of over RM. 400 million in their rediscounts and other borrowings. As the whole of the increase in savings-bank deposits may be attributed to the public works expenditure, it may be stated that a secondary repercussion of the financing of these expenditures through the method of *Arbeitsbeschaffungswechsel* described above was to increase the liquidity of the savings banks.

The increase in the liquidity of the savings banks has its counterpart in a rise in the deposit liabilities of the public banks and a reduction in their rediscounts and other borrowings. It will be observed that the public banks' holdings of Treasury bills and other bills rose very sharply during 1933 and 1934. The rise in Treasury bills is evidently due chiefly to purchases of *Steuergutscheine*, while the rise in " other " bills must — in the absence of any increase in the volume of commercial paper outstanding — be attributed chiefly to discounts of public-work bills.

The ordinary commercial operations of the savings banks and the public banks show but little variation in 1933. The sharp fall in the current account advances of the public banks and the concomitant rise in their security holdings during the first half of 1934 are to be attributed to the conversion operations effected by the German municipalities ; floating indebtedness was converted into long-term issues [1], which are included in the above statement under securities. Part of the increase in this last item during 1934 is also due to *Steuergutscheine* of long maturity, which are entered under " securities " in the banks' balance-sheets. In the first half of 1934, the savings banks increased considerably their long-term mortgage loans and their holdings of securities other than municipal bonds ; they also bought Treasury bills. The decline in their current-account loans and advances was entirely due to short-term communal credits ; " Debitoren " rose slightly.

It is not possible to tell exactly what amounts of *Arbeitsbeschaffungswechsel* and *Steuergutscheine* are held by the Reichsbank. In the course of 1933, the domestic bill portfolio of the Reichsbank rose by RM. 260 million. As shown above, however, the public banks greatly reduced their rediscount liabilities in the course of that year, and must have withdrawn commercial bills from the Reichsbank in doing so. The Reichsbank's holdings of public works bills at the end of 1933 must therefore have been considerably in excess of RM. 260 million.

According to the annual report of the Reichsbank for 1933, the bank held less than RM. 500 million of such bills, or about one-third of the total amount in circulation at the end of 1933 ; the other two-thirds are stated to be held by banks. On the other hand, the *Statistisches Reichsamt* states [2] that the greater part of the *Arbeitsbeschaffungswechsel* issued during 1933 were taken up by the Reichsbank and estimates the amount of such paper held by it at RM. 1,200 million towards the middle of 1934 [3]. This last figure may be compared with an estimated[4] circulation of public works bills of RM. 2.2 2.4 milliard at the same date.

In addition to *Arbeitsbeschaffungswechsel*, the Reichsbank also holds considerable quantities of *Steuergutscheine*. These appear to have been acquired chiefly through open-market operations carried out in virtue of the Law of October 27th, 1933, authorising the Reichsbank to include certain types of Government paper in the legal cover held against the note circulation. At the end of 1933, the amount of *deckungsfähige Wertpapiere* held by the Reichsbank was RM. 259 million. As RM. 200 million of *Steuergutscheine* were taken over from a banking syndicate in the middle of November, this account must consist almost entirely of tax vouchers. By June 1934, the Reichsbank held over RM. 350 million of *deckungsfähige Wertpapiere* ; it is clear, then, that the Reichsbank gave important indirect as well as direct assistance to work-creating schemes.

A further secondary consequence of the work-creation policy characteristic of 1933 and 1934 was a reduction in the German export surplus. This was in part directly due to the purchase abroad of certain materials used in the various public-work schemes : in part it was indirectly due to the fact that the expenditure of large sums for the purposes outlined tended to raise prices in Germany : between February 1933 and September 1934, the wholesale-price index increased by over 10 per cent, while it fell in most other countries adhering to the gold standard [5]. The result of these and other factors was that the German export surplus, amounting to over RM. 1 milliard in 1932, dropped to RM. 667 million in 1933, and gave way to an import surplus of RM. 268 million in the first nine months of 1934.

In view of the foregoing, comparatively little progress was made during 1933 towards the restoration of greater fluidity in the German money market. Such liquid resources as came forward in the course of that year were almost completely

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[1] The total issue of 4 per cent bonds of German municipalities increased from RM. 234 million at the end of 1933 to RM. 1,642 million at the end of April 1934.

[2] See *Wirtschaft und Statistik*, Nr. 12, 1934, page 366.

[3] During the first half of 1934, the total bill portfolio of the Reichsbank rose by a further RM. 150 million.

[4] See Reichs-Kredit-Gesellschaft : " Germany's Economic Development during the First Half of the Year 1934 ", page 54.

[5] See League of Nations, *World Production and Prices, 1925-1933*, pages 90 and 91.

absorbed by the banks in building up cash reserves, reducing rediscount indebtedness and buying tax vouchers and, to a more limited extent, public works bills. These bills bear interest at 4-4½ per cent, they are guaranteed by the Reich and rediscountable at the Reichsbank and are, consequently, a good short-term investment. The following table shows the development of German money rates during the past few years.

Monthly average	Reichsbank rediscount rate	Call money	Thirty day money	Bankbills
	%	%	%	%
December 1929 .	7	8.27	9.35	6.98
December 1930 .	5	5.66	7.36	4.83
December 1931 .	7	8.45	9.59	7.32
December 1932 .	4	5.04	5.79	3.88
December 1933 .	4	5.14	5.69	3.88
June 1934 . . .	4	4.56	5.06	3.76

Unlike the development in other countries, rates during 1933 showed no tendency to fall, but remained at a relatively high level. During the first half of 1934, however, there are signs of an easing of the money-market position and reduction in rates. It would seem that this is largely to be explained by the cessation of issues of *Steuergutscheine* and the reduction in the volume outstanding through their use in the payment of taxes. (The amount outstanding is officially estimated to have been reduced from RM. 1,363 million at the end of March to RM. 1,215 million at the end of May.) The fresh funds flowing to the banks were consequently employed to an increasing extent in the private discount market, and the banks, as shown above, discounted themselves increasing quantities of *Arbeitsbeschaffungswechsel.*

Some particular reference should be made to the recent activities of three banks whose special part during the German credit crisis was related in the last edition of this volume. The name of the Akzept- und Garantie-Bank, which was established during the banking crisis of 1931 in order to provide the necessary third signature to enable private and particularly savings banks to borrow at the Reichsbank, was shortened to Akzeptbank in 1933. In 1932, the Akzeptbank made certain direct advances to industries in conjunction with other banks, and it also granted rediscount and lombard credits to private bankers. It took part [1], along with the Deutsche Golddiskontbank, the Bank für Deutsche Industrieobligationen and certain directors of the Reichsbank, in the foundation of the Deutsche Finanzierungs-Institut A.G. (Finag) at the end of 1932. In 1933, the business of the Akzeptbank was considerably reduced, as the improved liquidity of the savings banks resulted in the retirement of a large part of their acceptances drawn on this institution. The contingent liability of the Akzeptbank on account of acceptances, which had reached its highest level of RM. 1.6 milliard at the end of 1931, was reduced to RM. 975 million by the middle of 1933 and RM. 500 million by the middle of 1934. The Dresdner Bank, whose liability to the Akzeptbank at one time amounted to RM. 400 million, is still in debt to that institution to the extent of RM. 150 million. During 1933, the Akzeptbank ceased to grant credits directly to industry and private banks and it is understood that the bank is arranging for the liquidation or transfer to other institutions of such credits as still remain outstanding.

The Bank für Deutsche Industrieobligationen (Industriebank) was founded in 1924, and during the first five years of its existence was chiefly concerned with matters arising out of reparations. More recently, the bank has specialised in the provision of long-term credits to medium-sized industrial firms which show adequate profit-making capacity. At the end of March 1934, the bank's industrial credits outstanding amounted to RM. 102 million, representing an increase of nearly RM. 60 million in the previous twelve-month period. The bank has also made important advances in connection with the agricultural relief measures in Eastern Prussia.

The part played by the Golddiskontbank in connection with the credit crisis of 1931 and the subsequent banking reorganisation was outlined in the previous edition. During 1933, its activities were largely the normal ones of financing the export trade, and its statements reveal the extent to which the balance-sheets of all credit institutions must have tended to contract as a result of this particular factor. The direct export credits of the Golddiskontbank outstanding fell from RM. 212 to RM. 126 million in the course of 1933, while its holdings of bills of exchange fell from RM. 268 to RM. 195 million.

In the previous edition of this volume, the various arrangements made with regard to the repayment of German short-term credits from the first standstill agreement of September 1931 to the agreement of February 1934 (expiring in February 1935) were outlined. The information there given may be supplemented by a brief account of the arrangements entered into and action taken with regard to long-term debt. It may be recalled that the long-term creditors were, in general, receiving full service on their lendings until the middle of 1933. At that time, the General Council of the Reichsbank, having regard to the depletion of

[1] See *Commercial Banks, 1925-1933*, page 121.

gold and foreign currency reserves (which was accentuated by the repayment before the due date of $70 million to the Bank for International Settlements), issued an order limiting the transfer to foreign creditors. In the second half of 1933, the whole of the interest and sinking fund on the Dawes Loan was transferred, interest but not sinking fund on the Young Loan, and half interest and no sinking fund on other long-term loans of all categories. The other half of interest on " other " loans was paid in scrip — *i.e.*, claims on the newly established *Konversionskasse* — which could be sold for the lender's currency at an indeterminate rate of discount. In fact, the discount was 50 per cent, so, during this period, the lender obtained 75 per cent of interest due in his own currency.

At the end of 1933, the Reichsbank announced that, during the first half of 1934, it proposed to maintain the existing arrangements for the Dawes and Young Loans, but that, with regard to the other loans, it proposed to pay in " cash " — *i.e.*, foreign currency — only 30 per cent of interest due, and the remainder in scrip. This meant a total payment in foreign currency of 65 per cent of the interest due. The Swiss and Dutch creditors claimed special treatment in view of the large surplus of German exports to these countries, and the Reichsbank thereupon convoked the representatives of all middle- and long-term creditors to a special meeting in Berlin.

At this meeting, which was held late in January 1934, the Reichsbank agreed to convert the scrip paid into the accounts of " other " bondholders at the *Konversionskasse* at the rate of 67 instead of 50 per cent, with the result that some 77 per cent of interest due was to be transferred. Further discussions were held in April, the foreign creditors first meeting at Basle and then, with representatives of the Reichsbank and Treasury, in Berlin. With regard to holders of bonds other than the Young and Dawes Loans, the Reichsbank made the following offer to cover the second half of 1934 : coupons due for payment might either be held by the bondholder pending a future settlement, or exchanged for 3 per cent German State bonds expressed in the currency of the original bond, the interest on these bonds to be transferred at some indeterminate future date ; or exchanged against an undertaking on the part of the Reichsbank to transfer, in six months' time, some 40 per cent of interest due, provided the Reichsbank was in a position to make such transfer, the remainder to be paid in " scrip ". The Reichsbank intimated its intention to treat holders of Dawes and Young Loans in the same way, and the British and French Governments intervened to demand special treatment for the holders of these bonds. Finally, the British, French and Swedish representatives agreed to accept the Reichsbank offer in so far as it affected " other " bondholders, and the American, Swiss and Dutch representatives rejected the offer.

On June 14th, the Reichsbank announced a complete transfer moratorium on all external-debt service, including that of the Dawes and Young Loans, for the second half of 1934. The British Government thereupon announced its intention of imposing exchange clearing to ensure that the service of these debts would be met out of the sterling proceeds of German exports to the United Kingdom. Early in July, an arrangement was reached whereby the Reichsbank undertook, during the second half of 1934, to transfer the interest on the Dawes and Young Loans, and at the beginning of August the two countries entered into a clearing agreement by which the Bank of England was to open a special account at the Reichsbank into which German importers were to pay Reichsmarks (Sondermarks), which the Bank of England would attempt to sell to British importers. Clearing or transfer agreements were also arranged between Germany, on the one hand, and France, Switzerland and Sweden on the other, providing for full service of the loans in question, and, under certain conditions, for some service of other debts.

The Anglo-German Exchange Agreement broke down as a result of accumulation of large balances of unsold Sondermarks in the account of the Bank of England. A new agreement was signed on November 1st, 1934. Under it, Germany agreed to set aside 55 per cent of the value of her exports to the United Kingdom for payment of British exports to Germany. Interest payments on the Dawes and Young Loans are to be continued after the end of 1934, and the 40 per cent cash offer on " other " bonds made in May 1934 (see above) was repeated. On November 4th, however, the Reichsbank announced the withdrawal of this cash offer, which had been conditional upon the availability of the necessary *devisen*.

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Late in November 1934, the report of the Commission set up in September 1933 to enquire into the German banking position was published. The report does not recommend any radical changes in the structure of the German credit system ; its chief proposals relate to the control and supervision of existing institutions. The report begins with an analysis of the defects of the German credit system which led to the crisis of 1931. Particular stress is laid upon the taking up of excessive foreign short-term credits on the part of German banks, the granting of too large credits to individual concerns, and the physical over-expansion of the credit system. The principal recommendations are the following : (1) Government should exercise supervision and control over all credit institutions ; (2) the establishment of any credit institution or branch thereof should be conditional upon

Government permission, which should be given only if certain material and personal conditions are fulfilled ; (3) adequate liquidity should be ensured through the fixing of both minimum ratios for the most liquid and maximum ratios for the least liquid assets ; the determination of what constitutes a liquid asset should take into account the capacity of the Reichsbank (through the Law of October 27th, 1933) to buy certain securities in the open market ; (4) the money market should be sharply distinguished from the capital market ; ordinary banks which accept savings deposits should account them separately from other deposits and invest them only in a form which corresponds to their long-term character ; (5) the development of cheque payments should be controlled by the Reichsbank ; (6) the decentralisation of the credit system should be encouraged through the development of regional banks where these are *viable* and measures should be taken for the restoration of private banks ; the nationalisation of credit is rejected ; (7) the ratio of the banks' own funds to their outside liabilities should be raised, but deflationary results should be avoided in this connection ; (8) credits should be granted in as broad a circle as possible and maximum limits should be fixed on the credit which may be granted to any individual firm, which should not be exceeded except upon the personal responsibility of the bank directors ; uncovered credits over a certain maximum limit should be granted only upon examination of the balance-sheet of the applicant ; (9) provision should be made for greater publicity regarding bank balance-sheets ; (10) a supervisory office to ensure the application of these provisions should be established under the chairmanship of the President of the Reichsbank.

On December 4th, 1934, the Cabinet passed a law putting into force the Commission's recommendations. Commercial banks' cash reserves are to be built up, over a period of time, to 10 per cent of deposit liabilities. A further reserve of 30 per cent in short-term trading bills or discountable securities is to be held. Own capital resources must be at least 20 per cent of outside liabilities for the commercial banks. Investments in real estate and permanent participations are together limited to the amount of own capital.

Balance-sheet Summary.

As in the previous edition, three separate summary balance-sheets are given in the foregoing tables. Table 9 *(a)* I summarises (1) the statistics of the *Statistisches Jahrbuch* covering all the commercial banks of the country and (2) the interim reports of the *Kreditbanken* (excluding the Deutsche Golddiskontbank), as published in the *Reichsanzeiger*. The former include the big Berlin banks, provincial banks having branches, other commercial banks and special banks for building, etc. The *Kreditbanken* covered appear to account for about 95 per cent of the total balance-sheet of all commercial banks in 1931. Table 9 *(a)* II summarises the annual balance-sheets of the big Berlin banks.

For reasons of space, the following notes show the detailed composition of the statistics only of the *Kreditbanken* and the big Berlin banks, and not of all the commercial banks, as shown in the first part of Table 9 *(a)* I. A comparison of the details given in the first edition of this volume will show, however, that the *Kreditbanken* are fully representative of all the banks.

1 and 2. *Cash and Cash Assets.*

The detailed composition of this item is as follows :

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	November 1929	November 1930	November 1931	November 1932	November 1933	1929	1930	1931	1932	1933
Cash, foreign money and coupons .	133	126	101	92	96	166	170	128	111	119
Balances with banks of issue . .	91	109	116	81	63	252	253	264	143	135
Balances with clearing institutions.	34	28	20	14	25					
Not specified.	—	—	—	—	—	8	8	8	—	—
Total	258	263	237	187	184	426	431	400	254	254

[*Continued on page 54.*

GERMANY. COMMERCIAL BANKS **Table 9 (a) I.**

ACCOUNTS	Source: "Official Statistics" (*Statistisches Reichsamt*)			Source: *Reichsanzeiger Bilanzübersichten.*				
	SUMMARY OF POSITION AT THE END OF:							
	1929	1930	1931	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933
Number of Banks	406	364	325	96	91	77	70	71
ASSETS.	RM. (000,000's omitted)							
1. Cash.								
(a) Gold, silver and small coins	634	643	516	258	263	237	187	184
(b) Inland notes and balances with Central Bank								
2. Other Items of a Cash Nature								
3. Bills discounted and bought	4,180	3,767	2,570	3,303	2,847	1,678	1,865	1,970
(a) Treasury bills.	646	797	604	491	551	370	500	580
(b) Commercial bills, Inland.	3,534	2,970	1,966	2,872	2,296	1,308	1,365	1,390
(c) Commercial bills, Foreign								
4. Investments and Securities.	731	709	1,050	430	411	666	748	716
(a) Government	23	20	382	29	41	342	502	436
(b) Other	708	680	668	401	370	324	246	280
5. Participations	389	386	397	408	393	431	408	376
6. Due from Banks (Correspondents).	2,706	2,416	1,450	1,948	1,753	975	712	596
(a) At home.	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
7. Loans and Advances	11,014	10,690	7,287	10,252	10,413	8,041	6,762	5,847
(a) On current account	7,490	7,323	5,383	6,442	6,563	5,258	4,363	3,860
(b) Other	3,524	3,367	1,904	3,810	3,850	2,783	2,399	1,987
8. Cover for Acceptances.	700	940	1,288	624	808	1,039	859	850
9. Premises, etc.	389	389	390	292	296	290	302	326
10. Sundry Assets	110	80	136	89	55	44	55	46
11. Total Assets	**20,853**	**20,020**	**15,084**	**17,664**	**17,239**	**13,401**	**11,898**	**10,911**
LIABILITIES.								
12. Capital paid up.	1,408	1,422	1,124	982	980	1,246	783	699
13. Reserve Funds	551	568	323	450	453	448	198	188
14. Profit-and-Loss Accounts, Undivided Profits, etc.	156	118	38	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	3,600	3,813	2,770	3,270	3,691	2,375	2,506	2,082
(a) At home.	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
17. Deposits	13,831	12,653	8,902	10,965	9,814	6,802	6,159	5,642
(a) Current accounts and sight deposits	—	—	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—	—	—
18. Borrowings	524	443	449	1,159	1,341	1,409	1,332	1,361
19. Acceptances and Endorsements.	700	940	1,288	624	808	1,039	859	850
20. Sundry Liabilities.	83	63	190	214	152	82	61	89
21. Total Liabilities.	**20,853**	**20,020**	**15,084**	**17,664**	**17,239**	**13,401**	**11,898**	**10,911**
22. Guarantees, etc. (*Avale und Bürgschaften*).	1,000	858	827	828	776	637	502	454
3. Rediscounts.	1,728	1,785	2,092	1,816	1,877	1,896	1,031	1,232
24. Value of currency in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 *(a)* II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of Banks	6	6	5	5	5
ASSETS.	RM. (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	426	431	400	254	254
2. Other Items of a Cash Nature					
3. Bills discounted and bought	3,038	2,573	1,478	1,718	1,748
(a) Treasury bills	380	549	374	497	548
(b) Commercial bills, Inland					
(c) Commercial bills, Foreign	2,658	2,024	1,104	1,221	1,200
4. Investments and Securities	211	173	170	213	206
(a) Government	15	19	56	66	78
(b) Other	196	154	114	147	128
5. Participations	279	280	289	313	293
6. Due from Banks (Correspondents)	1,674	1,479	664	586	479
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	7,407	7,128	4,788	4,270	3,615
(a) On current account	4,769	4,554	3,518	3,275	3,009
(b) Other	2,638	2,574	1,270	995	606
8. Cover for Acceptances	513	701	919	770	765
9. Premises, etc.	213	207	208	235	215
10. Sundry Assets	4	4	321	444	340
11. Total Assets	**13,765**	**12,976**	**9,237**	**8,803**	**7,915**
LIABILITIES.					
12. Capital paid up	588	553	429	442	426
13. Reserve Funds	330	330	115	100	80
14. Profit-and-Loss Accounts	79	51	7	7	9
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	2,809	3,137	2,161	2,380	1,926
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	9,228	7,993	5,398	4,946	4,581
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	189	189	189	128	86
19. Acceptances and Endorsements	513	701	919	770	765
20. Sundry Liabilities	30	22	19	30	42
21. Total Liabilities	**13,765**	**12,976**	**9,237**	**8,803**	**7,915**
22. Guarantees *(Avale und Bürgschaften)*	676	642	528	448	395
23. Value of currency in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.23

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 9 *(b)*.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks	6	6	5	5	5
	RM. (000,000's omitted)				
Capital paid up	588	553	429	442	426
Reserves and Undivided Profits	338	340	125	104	83
1. Gross Profits	480	450	368	320	300
To be deducted :					
2. Expenses	394	350	300	255	229
(a) Salaries, etc.	340	310	270	231	212
(b) Other working expenses	54	40	30	24	17
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	10	17	16	16	17
4. Written off on (Depreciation Accounts for	2	43	706	131	69
(a) Premises, etc.	2	1	—	1	1
(b) Investments and securities	—	42	706	130	68
(c) Other assets					
5. Remaining Net Profit or Loss	+ 65	+ 40	−654	− 82	− 15
6. Carried forward from Preceding Year	9	10	10	4	3
7. Taken from Reserves or Capital	—	—	651	85	20
8. Total Amount disposed of for Dividends, etc.	**74**	**50**	**7**	**7**	**8**
9. Carried to Reserves	—	—	—	—	—
10. Dividends	61	38	3	4	3
11. Directors' Fees, etc.	3	2	—	—	—
12. Other Purposes	—	—	—	—	—
13. Carried forward to Following Year	10	10	4	3	5
14. Total as above	**74**	**50**	**7**	**7**	**8**
15. Value of currency in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.23

3. *Discounts.*

No distinction is made in the balance-sheets between domestic and foreign bills. The following details are available regarding the bill portfolio of the *Kreditbanken:*

RM. (000,000's)	XI/ 1929	XI/ 1930	XI/ 1931	XI/ 1932	XI/ 1933
Treasury bills :					
Rediscountable at Reichsbank	245	73	134	110	120
Other	246	478	236	390	460
Total 3 *(a)*	491	551	370	500	580

RM. (000,000's)	XI/ 1929	XI/ 1930	XI/ 1931	XI/ 1932	XI/ 1933
Commercial bills :					
Cheques and bills (ordinary discounts)	2,863	2,288	1,299	1,327	1,369
Own acceptances	5	2	2	15	8
Own drawings	3	1	3	3	2
Promissory notes drawn by customers to bank's order	1	5	4	20	11
Total 3 *(b)*	2,872	2,296	1,308	1,865	1,390
Grand total	3,363	2,847	1,678	1,865	1,970

Treasury bills are non-interest-bearing and are issued by the States as well as by the Reich. The commercial bill portfolio as shown above excludes bills rediscounted, which are not included under liabilities, but are shown separately outside the balance-sheet.

4. *Investments and Securities.*

The sums shown under *(a)* consist of " Loans and interest-bearing bonds of the Reich and the States". The Treasury certificates given to the big Berlin banks by the Reich in 1931 and 1932 pending their reorganisation have not been included in the present group of the Summary Table, but are shown under " Sundry Assets " in group 10. Other securities *(b)* are classified in the official statistics as follows :

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Pledgeable at Reichsbank and other central banks.	57	69	33	26	30	12	12	9	7	8
Other quoted securities	273	226	226	157	162	152	120	80	99	69
Sundry securities.	71	75	65	63	88	32	22	25	41	51
Total	401	370	324	246	280	196	154	114	147	128

5. *Participations.*

The sums given in the summary tables are composed of permanent participations in banks and banking firms and syndicate participations *(Konsortialbeteiligungen)* as follows :

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Bank participations.	187	181	200	187	190	111	114	127	144	121
Syndicate participations.	221	212	231	221	186	168	166	162	169	172
Total	408	393	431	408	376	279	280	289	313	293

6. *Due from Banks (Correspondents).*

In the official statistics, the banks' " advances to banks, banking firms, savings banks and other credit institutions " are included with other advances on current account. In the Summary Tables, this item has been carried to group 6 and added to " nostro " balances, which represent balances accruing in the ordinary course of banking transactions. (They do not include sums due after more than three months.) This division is shown below :

RM. (000.000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
" Nostro " balances.	1,507	1,290	484	354	282	1,305	1,011	373	249	189
Advances to credit institutions. .	441	463	491	358	314	369	468	291	337	290
Total	1,948	1,753	975	712	596	1,674	1,479	664	586	479

The bulk of the " nostro " balances are due within seven days.

7. *Loans and Advances.*

The sums given under *(a)* in the Summary Tables represent " debtors in current account ", less cover for acceptances. The latter item is not shown separately by the banks, but amounts equal to the acceptance liabilities shown in the balance-sheets have been deducted from " debtors " and carried to group 8 of the Summary Tables. Current-account debtors, as shown in the official statistics, include advances to credit institutions ; these advances have been carried to group 6 of the Summary Tables.

The amounts shown under *(b)* represent contangos and other advances to the Stock Exchange, reimbursement credits and other loans and advances. The detailed composition of loans and advances in the years under review is shown in the following table.

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Debtors in current account:										
1. Covered by:										
Stock-Exchange security	1,587	1,536	989	744	689	1,363	1,298	721	618	610
Other security	3,993	4,437	4,015	3,624	3,309	2,863	3,095	2,775	2,753	2,463
2. Uncovered	1,927	1,861	1,784	1,212	1,026	1,425	1,330	1,232	1,011	992
3. Total	7,507	7,834	6,788	5,580	5,024	5,651	5,723	4,728	4,382	4,065
Less:										
Advances to credit institutions	441	463	491	358	314	369	468	291	337	291
Cover for acceptances	624	808	1,039	859	850	513	701	919	770	765
4. Total 7 *(a)*	*6,442*	*6,563*	*5,258*	*4,363*	*3,860*	*4,769*	*4,554*	*3,518*	*3,275*	*3,009*
Other loans and advances:										
5. Advances on Stock-Exchange securities:										
Contangos	318	196	58	1	1	298	166	60	1	—
Lombards	284	227	124	40	32	264	187	69	31	24
Total	602	423	182	41	33	562	353	129	32	24
6. Reimbursement credits:										
Secured by shipping or warehouse warrants	238	182	99	130	64	211	189	75	89	70
Otherwise secured	859	967	679	543	329	791	955	568	486	279
Unsecured	966	1,000	540	407	226	799	821	427	326	192
Total	2,063	2,149	1,318	1,080	619	1,801	1,965	1,070	901	541
7. Other short-term credits on pledge of marketable goods	185	170	75	65	95	171	152	71	62	42
8. Total short-term loans and advances (5+6+7)	2,850	2,742	1,575	1,186	747	2,534	2,470	1,270	995	606
9. Long-term loans	960	1,108	1,208	1,213	1,240	104	104	—	—	—
10. Total 7 *(b)*	*3,810*	*3,850*	*2,783*	*2,399*	*1,987*	*2,638*	*2,574*	*1,270*	*995*	*606*
Grand total (4+10)	*10,252*	*10,413*	*8,041*	*6,762*	*5,847*	*7,407*	*7,128*	*4,788*	*4,270*	*3,615*

8. *Cover for Acceptances.*

See note to previous group.

10. *Sundry Assets.*

The amounts shown under this heading for the Berlin banks in 1931, 1932 and 1933 include 300, 410, and 313 million RM. respectively of Treasury certificates given by the Reich in connection with their reorganisation.

12, 13 and 14. *Capital, Reserves and Undivided Profits.*

The capital account involves double counting in respect of the bank participations included under assets.

16. *Due to Banks (Correspondents).*

Sums due to foreign banks are not shown separately, but the bulk of the credits obtained with other banks for the account of customers *(seitens der Kundschaft bei Dritten benutzte Kredite,* probably represents liabilities to foreign banks.

The detailed composition of the sums shown in the Summary Tables is given below :

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Credits obtained with other banks for the account of customers	2,122	2,297	1,531	1,223	709	1,872	2,114	1,223	1,095	637
Due to German banks, banking firms, etc.	1,148	1,394	844	1,283	1,373	937	1,023	938	1,285	1,289
Total	3,270	3,691	2,375	2,506	2,082	2,809	3,137	2,161	2,380	1,926

17. *Deposits.*

The official statistics include balances due to German credit institutions (which have been shown under group 16 of the Summary Table) along with other *Kreditoren* and show the time distribution of the whole as follows :

RM. (000,000's)	*Kreditbanken*					Big Berlin banks				
	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933	1929	1930	1931	1932	1933
Deposits	10,965	9,814	6,802	6,159	5,642	9,228	7,993	5,398	4,946	4,581
Due to German banks	1,148	1,394	844	1,283	1,373	937	1,023	938	1,285	1,289
Total	12,113	11,208	7,646	7,442	7,015	10,165	9,016	6,336	6,231	5,870
Thereof:										
Payable within seven days	4,490	4,565	3,870	3,494	3,155	4,247	4,128	3,316	3,002	2,779
Payable after seven days and up to three months	6,679	5,827	3,119	2,948	3,041	5,419	4,538	2,535	2,621	2,516
Payable after three months	944	816	657	1,000	819	499	350	485	608	575
Total, as above	12,113	11,208	7,646	7,442	7,015	10,165	9,016	6,336	6,231	5,870

18. *Borrowings.*

The sums shown in the Summary Table for *Kreditbanken* are composed as follows :

RM. (000,000's)	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933
Mortgage and municipal bond issues	861	1,045	1,141	1,086	1,059
Other long-term borrowings	298	296	268	246	302
Total	1,159	1,341	1,409	1,332	1,361

Rediscounts are shown by the German banks as contingent liabilities outside the balance-sheet. They are therefore excluded from the present group in the Summary Tables and given as an independent group (23) outside the balance-sheet proper.

22 and 23. *Guarantees and Rediscounts.*

These items are classified as contingent liabilities and excluded from the balance-sheet. Rediscount liabilities arise in respect of bank acceptances and other bills, shown separately by the *Kreditbanken* as follows :

RM. (000 000's)	Nov. 1929	Nov. 1930	Nov. 1931	Nov. 1932	Nov. 1933
Rediscount liabilities in respect of :					
Bank acceptances	974	1,135	1,007	348	335
Other bills	842	742	889	683	897
Total	1,816	1,877	1,896	1,031	1,232
Thereof due within fifteen days	562	486	464	246	252

The interim reports on which the Summary Table is based also show under contingent liabilities small amounts of the banks' own drawings, both for their own account and for the account of customers.

Summary of Profit-and-Loss Accounts of the Principal Berlin Banks.

No official profit-and-loss statistics are published in Germany. Table 9 *(b)* is based on the annual reports of the leading Berlin banks.

1. *Gross Profits.*

The composition of gross profits according to the sources from which they are derived is shown below:

RM. (000,000's)	1929	1930	1931	1932	1933
Net interest from discounts and loans	227	208	170	160	134
Commissions	244	237	193	157	163
Profits from investments and participations	9	5	5	3	3
Total	480	450	368	320	300

The first item represents the net balance of interest earned on discounts, loans and advances after deduction of interest paid on deposit accounts; some banks include this latter item under expenses. The sums for total gross profits as shown above may be incomplete in certain years in so far as the banks follow the practice of making allowance for depreciation of their investments, participations and outstanding credits before disclosing their profits.

11. *Directors' Fees, etc.*

This item consists only of the directors' share in profits *(Gewinnsanteil des Aufsichtrates)*. Their salaries *(Bezüge des Vorstandes)* are included under expenses in item 2 of the Summary Table.

GREECE.

Introductory Note.

The year 1933 was characterised by a marked improvement in the currency and banking position of Greece. Since the beginning of that year, the currency has been kept stable at a level nearly 51 per cent below the parity established in 1929, and there has been a considerable return flow of capital which escaped before the establishment of *cours forcé* in April 1932. In consequence, the gold reserves of the Bank of Greece increased from less than 60 million Swiss francs at the end of 1932 to nearly 130 millions at the end of 1933. At current rates of exchange, the latter figure amounts to over 4,000 million drachmæ.

The return of confidence and inflow of *Devisen* led, in the first instance, to an increase in liquidity, and, as the following table shows, did not affect the loan operations of the commercial banks until after June 1933.

Drachmæ (000,000's) End of	Dec. 1932	June 1933	Dec. 1933	June 1934
Number of banks	27	25	26	27
1. Cash	858	2,245	1,915	2,169
Of which:				
Balances with the Bank of Greece	(409)	(1,863)	(1,416)	(1,750)
2. Gold, foreign notes and exchange [a]	872	641	623	603
3. Bill portfolio	1,467	1,480	2,483	2,167
4. Securities	1,838	1,592	1,537	1,570
5. Loans and advances	9,692	8,685	8,648	8,984
Of which:				
Under 3 months	(6,729)	(5,877)	(5,863)	(6,079)
Over 3 months	(2,963)	(2,808)	(2,775)	(2,905)
6. Total deposits and borrowings	13,519	14,126	14,817	15,090
Of which:				
In drachmæ	(11,754)	(12,741)	(13,459)	(13,752)
In foreign currencies	(1,765)	(1,385)	(1,358)	(1,338)

[a] This item is given as " Due from Banks abroad " in the Balance-sheet Summary Table.

Cash in hand and balances with the Bank of Greece increased from 646 million drachmæ at the end of April 1932, the lowest point of the crisis, to 2,245 million drachmæ at the end of June 1933. The ratio of these two items to total deposits increased from about 5 to about 16 per cent between these two dates.

This rise in liquidity reflected various changes in the balance-sheet position of the banks. On the one hand, loans and discounts were called in to a net amount of nearly 1 milliard drachmæ during that period, and the holdings of securities were reduced by almost 400 millions. On the other hand, the deposits, far from being reduced *pari passu* with the compression of the volume of credit outstanding, actively increased by almost 1 milliard, representing in the main a reflux into the banks of funds previously withdrawn and largely expatriated during the flight from the drachma. In the circumstances, this inflow of deposits in conjunction with the repayment of loans went to increase the cash balances of the commercial banks with the Bank of Greece.

In the latter half of 1933, the contraction of loans and advances was brought to an end, and a sharp increase in discounts led to a temporary decline in the cash balances with the Central Bank. Deposits continued to increase, however, and, by the end of June 1934, total cash again almost reached the previous maximum figure, a decline in discounts during the first half of that year being compensated by an equal increase in loans and advances, while securities remained practically unchanged during the whole period June 1933 to June 1934.

The foregoing table covers all commercial banks, —*i.e.*, it includes (at the middle of 1934) five large banks, six other fairly important banks, twelve local banks and four foreign banks. The large banks are of predominant and increasing importance to the Greek commercial banking system, and one in particular — the National Bank of Greece — holds a position of undisputed leadership. This bank, whose resources are even greater than those of the Bank of Greece, was, even at the time when it functioned as bank of note-issue, the most important commercial banking institution in the country, and its relative importance among these institutions has subsequently been further enhanced as a result of the recent increase in deposits, of which the National Bank of Greece alone absorbed about half.

The rapid growth of this bank in recent years, and its present predominant position in the Greek credit structure is shown in the following table : [1]

		National Bank of Greece	Other big banks	All big banks
Capital and Reserves :				
Drachmæ (000,000's).	1928	1,193	848	2,041
	1934	1,205	408	1,613
Percentage share. . .	1928	58.5	41.5	100
	1934	74.7	25.3	100
Deposits :				
Drachmæ (000,000's).	1928	5,278	5,373	10,651
	1934	9,188	4,223	13,411
Percentage share . .	1928	49.6	50.4	100
	1934	68.5	31.5	100
Other Liabilities :				
Drachmæ (000,000's).	1928	789	2,055	2,844
	1934	1,147	606	1,753
Total Liabilities :				
Drachmæ (000,000's).	1928	7,260	8,276	15,536
	1934	11,540	5,237	16,777
Percentage share. . .	1928	46.7	53.3	100
	1934	68.8	31.2	100

While the aggregate liabilities of the other big banks fell by over 3 milliard drachmæ between 1928 and 1934, those of the National Bank increased by over 4 milliards, and its share in the total rose from 47 to 69 per cent. The National Bank of Greece and the other four big banks — the Orient Bank, which figured among the " Five Other Banks " in 1928, was merged with the National Bank on January 1st, 1933 — represent almost the whole of the Greek commercial banking system. Their deposits constituted 85 per cent of the deposits held by all banks and 90 per cent of the deposits held by the commercial banks at the end of 1933. The distribution of the 90 per cent among the five banks was as follows : National Bank of Greece, 60 ; Bank of Athens, 16 ; Popular Bank, 5 ; Commercial Bank, 4.4 ; and Ionian Bank, 4.2 per cent.

The following table discloses in more detail the relative importance of the various groups of banks operating in Greece and shows the movement of deposits since the end of 1932.

Drachmæ (000,000's)	Dec. 1932	Dec. 1933	June 1934
Commercial banks :			
Big banks	10,918	11,686	13,603
Other regional banks . . .	1,403	1,679	747
Local banks	131	174	187
Foreign banks	1,067	1,278	553
Total	13,519	14,817	15,090
Of which :			
Sight and savings deposits.	(9,786)	(11,181)	(11,512)
Time deposits and borrowings	(3,733)	(3,636)	(3,578)
Agricultural banks	657	1,350	655
National Mortgage Bank . .	2,268	2,183	2,146
Post Office Savings Bank. .	1,256	1,695	1,775
Grand total.	17,700	20,045	19,666

The increase in commercial bank deposits has been particularly marked in current accounts. In the course of 1933, post office savings accounts rose by 500 million drachmæ, or more than 40 per cent, in spite of a reduction in the rate of interest allowed on such accounts from 6½ to 4 per cent at the middle of the year.

Balance-sheet Summary.

1. *Cash.*

The composition of this item is as follows :

Drachmæ (000,000's) — End of	Notes and coins	Balances with the Bank of Greece	Total
1929	562	547	1,109
1930	573	742	1,315
1931	365	740	1,105
1932	448	409	857
1933	499	1,416	1,915

6. *Due from Banks (Correspondents).*

The sums given under *(a)* are shown among cash reserves under the heading " balances with other banks " in the statistics published by the Bank of Greece.

The sums given under *(b)* are shown in the statistics of the Bank of Greece under the heading " gold, foreign bank-notes and exchange ".

7. *Loans and Advances.*

The composition of loans and advances according to periods of maturity is shown below :

Drachmæ (000,000's) — End of	Up to 3 months	Over 3 months	Total
1929	.	.	6,857
1930	7,076	3,201	10,277
1931	6,597	3,129	9,726
1932	6,729	2,963	9,692
1933	5,863	2,775	8,648

[1] See article entitled " Capacity of the Greek Commercial Banks " appearing in the *Oikonomikos Tachydromos* and reproduced in the *Messager d'Athènes* of August 29th, 1934. According to this article, the rapid growth of the National Bank of Greece was due principally to three causes. The establishment of the Bank of Greece as the Central Bank in 1928 and the development of the Agricultural Bank enabled the National Bank to concentrate on purely commercial business. Secondly, the failure of certain small banks during the crisis benefited the National Bank in two ways. Being charged with the duties of liquidation, it inherited many of the clients of the closed banks, and the fear engendered by these failures attracted depositors to the largest bank. Thirdly, one of the big foreign banks, the Ionian Bank, has since the crisis tended to restrict its activities in Greece.

GREECE. COMMERCIAL BANKS Table 10 *(a)*.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	35	33	31	27	26
ASSETS.	Drachmæ (000,000's omitted)				
1. Cash	1,109	1,315	1,105	857	1,915
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	3,523	2,414	2,054	1,467	2,483
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	1,906	1,906	1,980	1,838	1,537
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	410	939	879	719	839
6. Due from Banks (Correspondents)	1,627	1,344	809	918	872
(a) At home	240	231	68	45	249
(b) Abroad	1,387	1,113	741	873	623
7. Loans and Advances	6,857	10,277	9,726	9,692	8,648
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	439	—	—	—	—
10. Sundry Assets	4,324	—	—	—	—
11. Total Assets	**20,195**	—	—	—	—
LIABILITIES.					
12. Capital paid up	688	—	—	—	—
13. Reserve Funds	2,099	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in Circulation	109	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,235	15,287	14,151	13,519	14,817
(a) Current accounts and sight deposits	8,317	12,115	10,567	9,786	11,181
(b) Savings accounts	3,088				
(c) Time or fixed deposits	1,830				
(d) Other deposits	—	3,172	3,584	3,733	3,636
18. Rediscounts and Other Borrowings	345				
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	3,719	—	—	—	—
21. Total Liabilities	**20,195**	—	—	—	—
22. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.067	0.028	0.029

GREECE. COMMERCIAL BANKS **Table 10 (*b*)**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	28	.	23	21	22
	Drachmæ (000,000's omitted)				
Capital paid up	662	.	525	622	644
Reserves and Undivided Profits	2,098	.	1,843	1,571	1,601
1. Gross Profits	**1,563**	.	**1,307**	**1,168**	**1,136**
To be deducted :					
2. Expenses	1,214	.	1,008	903	901
(*a*) Salaries, etc.	512	.	—	—	—
(*b*) Other working expenses	609	.	—	—	—
(*c*) Taxes, etc.	93	.	—	—	—
3. Reserved for Pension Funds, etc.	—	.	—	—	—
4. Written off on Depreciation Accounts for	141	.	169	167	122
(*a*) Premises, etc	—	.	—	—	—
(*b*) Investments and securities	—	.	—	—	—
(*c*) Other assets	—	.	—	—	—
5. Remaining Net Profit or Loss (—)	**208**	.	**130**	**98**	**113**
6. Carried forward from preceding year	—	.	—	—	—
7. Taken from Reserves or Capital	—	.	—	—	—
8. Total Amount disposed of for Dividends, etc.	**208**	.	**130**	**98**	**113**
9. Carried to Reserves	20	.	7	4	9
10. Dividends	188	.	123	80	86
11. Directors' Fees, etc.	—	.	—	—	—
12. Carried forward to following year	—	.	—	14	18
13. Total as above	**208**	.	**130**	**98**	**113**
14. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.067	0.028	0.029

Summary of Profit-and-Loss Accounts.

The profit-and-loss accounts of the Greek commercial banks have been prepared since 1931 from the data supplied by the Bank of Greece. The specifications given in the Summary, including the figures on paid-up capital and reserves, etc., are those of the original data.

HUNGARY.

Introductory Note.

The total of agricultural indebtedness to the Hungarian banks — mainly to those of the provinces — on June 30th, 1933, amounted to 1,239.9 million pengö, of which 924.2 millions represented short-term credits and 315.7 millions consisted of long-term loans. [1] In connection with the measures taken in the autumn of 1933 for the relief of agricultural debtors, [2] the State took over from a large category of small farmers a part of their debts, of which it repaid certain portions in cash to banking creditors having a first charge. To meet these requirements, the State is empowered to borrow 100 million pengö from the National Bank, and the sums which it is thereby enabled to pay to the banks concerned are to be used by the latter to reduce their rediscount liabilities to the National Bank.

On December 31st, 1933, a Decree was passed to enforce further reductions of interest rates on the part of the banks, after a similar measure had already been taken at the end of 1932. Maximum rates payable on deposits were now fixed at $3\frac{1}{4}$ to $4\frac{1}{4}$ per cent (according to the category of the bank) on sight deposits, and at 4 to 5 per cent on time deposits. A further Decree, at the beginning of 1934, laid down stricter rules for the valuation of securities for balance-sheet purposes.

A new Standstill Agreement was concluded on April 4th, 1934, with the British and American banking creditors, providing for interest reductions of $\frac{1}{2}$ to $\frac{7}{8}$ per cent (according as payments are made in pengö or in foreign exchange), as well as for the compulsory repayment of 5 per cent of the outstanding principal, and further voluntary repayments, subject to the approval of the National Bank. It retains the main features of the previous agreements, which were described in the last edition of this publication.

With reference to the service of Hungary's long-term foreign debts, the Transfer Suspension Decree of December 23rd, 1931, had set up a Foreign Creditors' Fund, to which all sinking fund and interest payments had to be made in pengö. Under the agricultural debt relief measures, banks which had issued mortgage bonds in foreign currency, based on long-term agricultural loans, were entitled to have the sums paid by them on account of these bonds to the fund returned to them in the form of deposits subject to interest. Up to June 30th, 1934, the fund had received in all 170 million pengö in cash and 46 millions in Treasury bills, the latter representing the bulk of the foreign debt service due by the State. Of the former amount, over 100 million pengö had been released to foreign creditors and made available for additional exports at a discount. The remaining cash receipts (including interest paid to the fund by the National Bank, the State, and the issuing banks) amounted to 64 million pengö, of which, on June 30th, 1934, 22.5 millions had been lent to the State for certain productive investments (public works, railways, etc.) and 1.5 million pengö to the issuing banks referred to above, the balance of 40 millions being left on deposit with the National Bank. Arrears due to the fund on account of the service of foreign debts totalled 21 million pengö on June 30th, 1934.

Plans have recently been under consideration — largely on the initiative of the Government — for a simplification of the banking structure by mergers and amalgamations, with a view to reducing operating costs ; but, up to the time of writing, no legislative measures have been introduced for this purpose.

The attached Summary Table is based on the statistics of the Central Corporation of Banking Companies, which comprises practically the whole banking system of the country, apart from the co-operative credit societies and the Post Office Savings Bank. No aggregate profit-and-loss accounts are published, but the following figures are available for the eleven more important Budapest banks, which — with a combined share capital of 198.2 million pengö at the end of 1933 — account for well over half of the total resources of Hungarian banks :

Pengö (000,000's)	1930	1931	1932	1933
Gross profits	81.6	71.3	60.9	56.5
Expenses (including taxes)	47.0	44.7	39.1	37.2
Written off	1.7	7.4	8.1	8.9
Net profit (including amounts carried forward from preceding year)	32.7	20.4	16.3	13.6
Dividends	22.7	10.3	5.6	3.8

As the character of the operations of the Budapest and the provincial banks differs markedly, separate figures for certain items of the balance-sheet are shown in the notes below.

[1] See *Economic Bulletin of the Central Corporation of Banking Companies*, No. 4, 1933.

[2] A brief account of these measures will be found in the preceding edition of this *Memorandum*, page 134.

HUNGARY. COMMERCIAL BANKS **Table 11 (*a*).**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	529	506	474	450	436
ASSETS.	Pengö (000,000's omitted)				
1. Cash					
(*a*) Gold, silver and small coins	301	277	234	208	167
(*b*) Inland notes and balances with Central Bank					
2. Other Items of a Cash Nature					
3. Bills discounted and bought	1,836	2,010	1,894	1,714	1,684
(*a*) Treasury bills	—	—	—	—	—
(*b*) Commercial bills, Inland	—	—	—	—	—
(*c*) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	123	121	118	262	258
(*a*) Government	—	—	—	—	—
(*b*) Other	—	—	—	—	—
5. Participations	.	.	.	.	.
6. Due from Banks (Correspondents)	.	.	.	.	.
(*a*) At home	.	.	.	.	.
(*b*) Abroad	.	.	.	.	.
7. Loans and Advances	1,974	2,066	1,793	1,531	1,442
(*a*) On current account	1,310	1,409	1,147	892	842
(*b*) Other	664	657	646	639	600
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	118	114	115	125	136
10. Sundry Assets	70	45	104	197	201
11. Total Assets	**4,422**	**4,633**	**4,258**	**4,037**	**3,888**
LIABILITIES.					
12. Capital paid up	394	386	386	383	378
13. Reserve Funds	219	225	249	231	248
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	62	59	35	27	16
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	.	.	.	.	.
(*a*) At home	.	.	.	.	.
(*b*) Abroad	.	.	.	.	.
17. Deposits	2,820	2,970	2,413	2,164	2,099
(*a*) Current accounts and sight deposits	—	—	—	—	—
(*b*) Savings accounts	—	—	—	—	—
(*c*) Time or fixed deposits	—	—	—	—	—
(*d*) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	818	895	1,071	1,077	973
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	109	98	104	155	174
21. Total Liabilities	**4,422**	**4,633**	**4,258**	**4,037**	**3,888**
22. Value of currency in Swiss francs at the end of each year	0.91	0.91	0.91	0.91	0.91

Balance-sheet Summary.

3. *Bills discounted and bought.*

The Budapest banks are known to hold large amounts of Treasury bills, which, however, are not shown separately. In the provinces, the total bill portfolio declined by 44.3 million pengö in 1933, while in Budapest there was an increase of 14.5 millions. Bills rediscounted are maintained under assets and are shown as a separate item under liabilities.

7. *Loans and Advances.*

The basic statistics give no details regarding the composition of the sums shown under *(a)* which include participations. The sums under *(b)* represent mortgage loans (including long-term loans to municipalities, etc.), the greater part of which is granted by means of issue of mortgage and "communal" bonds (included in group 18 of the Summary Table).

17. *Deposits.*

The following details are available .

Pengö (000,000's)	1929	1930	1931	1932	1933
Current accounts :					
Budapest	845	828	765	722	733
Provinces	75	70	65	48	42
Total . . .	920	898	830	770	775
Savings accounts :					
Budapest	635	641	536	499	519
Provinces	357	378	275	220	212
Total . . .	992	1,019	811	719	731
"Creditors" :					
Budapest	799	885	694	600	568
Provinces	110	107	110	111	101
Total . . .	909	992	804	711	669
Grand total . .	2,821	2,909	2,445	2,200	2,175

The discrepancy between these totals and the figures shown in the Summary Table is stated to be "due to reasons of a technical nature in constructing the balance-sheets of some institutes".[1]

The distinction between "Creditors" (Kreditoren) and other deposit accounts is somewhat obscure. Although applied differently by individual banks, in practice it appears to reflect the character of the clientele, "Creditors", representing mainly the big customers, with whom the banks maintain close business relations, and foreign short-term creditors, while the deposits of other customers are shown under current and savings accounts. The distinction between current and savings accounts would appear to be mainly formal in character, the latter being in practice current accounts (of small customers) subject to passbooks. But the bulk of "Creditors" consists of foreign short-term debts, and the reduction which is seen to have occurred in this item is due to repayments under the Standstill Agreements, as well as to the depreciation of the pound sterling and the dollar.

18. *Rediscounts and Borrowings.*

The sums shown in this group of the Summary Table are composed as follows :

Pengö (000,000's)	1929	1930	1931	1932	1933
1. Rediscounts :					
Budapest	83	63	206	169	150
Provinces	364	394	415	412	386
2. Own bond issues (Budapest banks) . . .	371	438	450	497	437
Total . . .	818	895	1,071	1,077	973

The rediscount figures do not include several big Budapest banks which do not show the amount of rediscounts in their balance-sheets. In the case of the provincial institutions, 55 per cent of their total bill portfolio of 708 million pengö was rediscounted at the end of 1933.

The second item represents the mortgage and "communal" bonds issued in connection with the long-term loan operations of the banks.

[1] *Economic Bulletin of the Central Corporation of Banking Companies*, No. 3, 1933.

ITALY.

Introductory Note.

The extension of the part played by the State in the banking system is, perhaps, the outstanding feature in the development of Italian banking in the latter years of the depression. The State has assumed greater importance in two ways. In the first place, the institutions under its control or supervision have experienced a very rapid growth in resources, due both to transfers to them from private organisations (which have tended to decline in importance both relatively and absolutely) and to a growth of small savings which have sought the security of public and semi-public institutions. In the second place, the reorganisation of the private institutions and the assistance granted to them by the Government have increased the responsibilities of the State, and have led to the creation of certain new public credit institutions.

The rapid growth of such institutions is brought out by the following table [1] :

Liabilities to the public	1928	1932	1928	1932
	Lire (000,000's)		Per cent of total	
1. Special public credit institutions	4,274	5,875	6.5	8.7
2. Public institutions	2,284	4,683	3.5	6.9
3. Agrarian credit institutions	263	1,021	0.4	1.5
4. Mortgage credit institutions	2,843	5,776	4.4	8.5
5. Savings banks and *Monti di Pieti*	14,790	17,700	22.7	26.1
Total of above institutions	24,454	35,055	37.5	51.7
6. Co-operative banks	7,619	5,791	11.7	8.5
7. Ordinary joint-stock banks	33,126	26,985	50.8	39.8
Grand total	65,199	67,831	100	100

The liabilities to the public of seven groups of credit institutions at the end of 1928 and 1932 are given therein in lire and per cent.

The liabilities to the public of the first five groups of institutions increased by over 43 per cent in the four years following 1928, and their share in the aggregate liabilities to the public of all banks rose from 37.5 to 51.7 per cent. The liabilities of the joint-stock banks in 1932 were 20 per cent smaller than in 1928, and their relative share in the total liabilities of all institutions receded from 50.8 to 39.8 per cent. The same tendency is shown by the movement of own funds between these two dates. In 1932, the paid-up capital and reserve funds of public and semi-public institutions, exclusive of co-operative banks, were 40 per cent higher than in 1928, and the share of these institutions in the total of own funds had risen from 37.9 to 51.5 per cent. The capital and reserves of the joint-stock banks had declined by 20 per cent, and their share of the total had fallen from 50.9 in 1928 to 40.3 per cent in 1932. The divergence in the development of public and private institutions would be still greater if the Post Office Savings Department were included among public organisations ; deposits at the Post Office increased by 56 per cent, from 10,819 million lire at the end of 1928 to 17,016 million lire at the end of 1932.

The structural differences between the private and public institutions and the evolution of their operations during the crisis are illustrated by the following table, which gives for two main groups, into which the various classes of institutions inscribed on the register of the Ministry of Finance have been classified [2], the principal assets for 1928 and 1932 as reported by the Bank of Italy :

[1] The data are taken from the *Annuario delle Banche e Banchieri d'Italia*, Milan. The special public credit institutions, are the Banca di Napoli, Banca di Sicilia, Banca Nazionale del lavoro, and Istituto di S. Paolo di Torino. For 1928, seven public institutions are covered, and for 1932 the Istituto Mobiliare Italiano (IMI) is also included. The number of other institutions in 1932 was as follows : Agrarian credit institutions, 9 ; mortgage institutions, 11 ; savings banks, 95 ; and *Monti di Pietá*, 30; co-operative banks, 411 ; and ordinary joint-stock banks, 253.

The figures on liabilities to the public and those on own funds given on page 66 are taken from an article by P. Baffi in the *Giornale degli Economisti*, May 1934 (reproduced in the *Minerva Bancaria*, June 1934). Liabilities to the public include deposits, current accounts, correspondent creditors and, in certain cases, cheques, etc., in circulation.

[2] The various classes of institutions inscribed on the register of the Ministry of Finance and their respective number in 1928 and 1932 are given below; the first and second have been included in the first group and the remaining five in the second group of the table :

	1928	1932
1. Ordinary joint-stock banks	413	336
2. Banking firms	296	223
3. Co-operative credit societies on joint-stock basis	606	504
4. Co-operative credit societies on other bases	2,225	2,007
5. Agricultural credit institutions	40	21
6. Savings banks and *Monti di Pieta*	153	129
7. Special public institutes	5	6
Total number of institutions	3,738	3,226

The register of the Ministry of Finance and the annual reports of the Bank of Italy exclude the accounts of the public institutions *(Enti Parastatali)* and of certain important public agrarian credit and public mortgage institutes. In

	Ordinary joint-stock banks and private banking firms		Institutions under public control or supervision		Ordinary joint-stock banks and private banking firms		Institutions under public control or supervision	
	1928	1932	1928	1932	1928	1932	1928	1932
Number of institutions	709	559	3,029	2,667				
	Lire (000,000's)				Per cent of total			
Cash	2,568	1,160	1,906	706	57.4	62.2	42.6	37.8
Sight balances with other institutions		1,304		1,873		41.0		59.0
Bill portfolio	15,190	16,081	8,812	7,139	63.3	69.3	36.7	30.7
Loans and advances	5,504	3,184	9,217	10,574	37.4	23.1	62.6	76.9
Correspondent debtors	9,860	7,270	4,243	3,665	69.9	66.5	30.1	33.5
Sundry debtors	1,102	834	1,049	1,177	51.2	41.5	48.8	58.5
Securities	3,773	4,036	8,199	10,576	31.5	27.6	68.5	72.4
Total of above assets	37,997	33,869	33,429	35,710	53.2	48.7	46.8	51.3
Deposit, correspondent and sundry creditor accounts	34,351	26,502	31,464	33,609	52.2	44.1	47.8	55.9

The ground lost by the private institutions in the four years following 1928 was considerable ; their deposit, correspondent and sundry creditor accounts declined by 7,849 million lire and their principal assets by 4,128 million lire. An increase of 2,123 million lire in their rediscounts and borrowings enabled the private banks to maintain their principal transactions at a relatively high level. The public and semi-public institutions have tended to recover part of this lost ground ; between 1928 and 1932, there was an increase of 2,145 million lire in their principal liabilities to the public, and a corresponding increase in their principal assets. These developments have affected, in particular, what may be termed the characteristic assets of the two groups of institutions : correspondent creditors in the case of the private, loans and advances and security holdings in the case of the public and semi-public, organisations. As the bill portfolio contains a considerable amount of non-commercial paper which is not shown separately, it is not possible to detect significant changes in commercial discounts. The considerable rise in the bill portfolio of the private banks is due to an increase in Treasury bills as well as other non-commercial paper. The latter has been acquired in connection with banking reorganisation effected by the transfer of long-term industrial loans or participations, figuring, principally, as correspondent creditors in the books of the commercial banks, to more specialised organisations[1]. The significant changes in the composition of assets discernible between 1928 and 1932 in the accounts of the public and semi-public institutions are an increase of 30 per cent in security holdings, a rise of 14 per cent in loans and advances, and an augmentation of cash resources. On the other hand, there is a decline in the bill portfolio and in correspondent debtors.

Another important effect of the crisis has been the reduction, partly due to bankruptcies and partly to amalgamation, in the number of credit institutions [2] from 3,738 in 1928 to 3,226 in 1932. The concentration of banking resources resulting from this decline in the number of institutions is illustrated by the following table [3], which shows the average amount of liabilities to the public and of own resources per bank in each of the principal groups of institutions in 1928 and 1932 :

Average per bank : Lire (000,000's)	Liabilities to the public		Capital and reserve funds	
	1928	1932	1928	1932
Public credit institutes	656	880	216	222
Agricultural and mortgage credit institutes	172	340	22	44
Savings banks, *Monti di Pietà* and co-operative banks	37	44	3	3
Ordinary joint-stock banks	92	107	13	17
General average for above institutions	65	83	9	12

1928, there were 7 of the former and 18 of the latter, and, in 1932, 8 of the former and 20 of the latter, thus bringing the total number of institutions — exclusive of the Bank of Italy — constituting the Italian credit system to 3,763 in 1928 and to 3,254 in 1932.

It should be noted that the accounts given in the annual reports of the Bank of Italy refer to a larger number of institutions than the summaries of the *Annuario delle Banche e Banchieri d'Italia*, which have also been used in this chapter, and that the latter include the liabilities of the *Enti Parastatali* and of public agrarian and mortgage institutes. Whereas total liabilities to the public as given in the summaries of the *Annuario* amounted to 65.2 and 67.8 milliard lire in 1928 and 1932 respectively, the deposit, correspondent and sundry creditor accounts of the institution covered by the annual reports of the Bank of Italy amounted to 65.8 and 60.1 milliard lire respectively for the same years.

[1] See League of Nations, *Commercial Banks, 1925-1933*, page 141.

[2] For fuller details see footnote [1] on page 65.

[3] For source and explanation of data, see footnote [1] on page 65.

The number of public credit institutions in fact increased from eleven to twelve between these two dates, and their liabilities to the public rose by over 35 per cent. The fall in the resources of the ordinary joint-stock banks was proportionately less than the reduction in their number (from 360 in 1928 to 253 in 1932) : average liabilities to the public per bank rose by over 16 per cent, and own resources by 31 per cent. Further, the deterioration which set in during 1931 seems to have been arrested by the end of 1932, and, as the following summary of the balance-sheets [1] of the most important banks shows, the position of the joint-stock banks began to improve in the course of 1933 :

Lire (000,000's) End of :	1931	1932	1933
Number of banks.	146	118	107
ASSETS.			
Cash and bill portfolio . .	16,621	15,274	15,956
Securities and participations	3,677	3,499	3,828
Loans and advances . . .	1,910	1,488	1,794
Sundry assets	9,741	9,157	7,629
Total of above assets	31,949	29,418	29,207
LIABILITIES.			
Paid-up capital	2,913	2,867	2,837
Reserve funds and undivided profits.	1,266	1,283	580
Deposits	7,650	7,014	7,816
Correspondent creditors . .	18,352	16,791	16,540
Cheques in circulation. . .	567	508	541
Sundry liabilities.	1,322	1,031	986
Total of above liabilities . . .	32,070	29,494	29,300

Despite a further reduction in the number of banks in the course of 1933, there has been but a slight diminution in the total balance-sheet as compared with 1932. On the liabilities side, outstanding changes are an increase of some 11 per cent in deposits, a slight decrease in correspondent creditors, and a decline of 59 per cent in reserve funds. This last is probably due to amortisations of industrial credits transferred to the Istituto per la Ricostruzione Industriale [2]. With the exception of sundry assets, which have declined by over 16 per cent due to a reduction in correspondent debtors, which are included with that item, all other principal assets show increases during 1933. The most striking of these is the rise of about 700 million lire in cash resources and in the bill portfolio, which is in large part due to the acquisition of Treasury bills and other non-commercial paper in connection with the reorganisation of the banks.

A more detailed examination of the development of banking credit since the end of 1932 may be made on the basis of the following figures [3], which relate to the three largest banks operating in Italy — namely, the Banca Commerciale Italiana, the Credito Italiano and the Banca di Roma :

Lire (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
ASSETS.				
Cash	1,197	1,905	1,288	...
Bill portfolio.	9,605	9,343	10,484	10,758
Contango loans.	603	756	500	424
Correspondents.	5,447	4,976	4,128	4,086
Investments	1,119	1,119	1,048	1,260
LIABILITIES.				
Deposit accounts.	2,893	3,142	3,510	3,732
Correspondents.	13,116	12,528	12,638	12,047

Deposits have increased rapidly since the end of 1932, and, at the end of the first half of 1934, they exceeded the peak reached at the end of 1930 by some 500 million lire. Correspondent creditors, however, have declined steadily. Allowing for their seasonal movement in the June quarter, the combined total of deposits and correspondent creditors has not fallen since the end of 1932. Among assets, there has been a steady decline in correspondent debtors and, since June 1933, in contango loans. This fall has been counterbalanced by the increase in other assets, particularly in the bill portfolio. The accounts for June 1934 show a slowing down of the rate of decrease of correspondent credits and contango loans, a further increase in the bill portfolio and a recovery in investments. These changes in the composition of assets and liabilities should be interpreted in terms of the banking reorganisation which has been taking place since 1931. The tendency towards deposit banking has made for a reduction of correspondent creditors and debtors and for an increase in the holding of Government or other non-commercial paper.

The rise of deposits since 1932 has been particularly rapid, as the following figures [4] show, with institutions other than commercial banks :

[1] *Notizie Statistiche sulle Società Italiane per Azioni*, Rome, 1934. This handbook excludes banks with paid-up capital and reserves of less than one million lire, and the summary of accounts it gives does not contain further details. For 1933, the accounts of two small banks are missing. Their paid-up capital and reserves and their deposit and creditor liabilities during 1932 amounted to 14.3 and 20.8 million lire respectively.

[2] Cf. *Commercial Banks, 1925-1933*, page 141.

[3] Published in the *Bollettino di Notizie Economiche*, Rome.

[4] These data, except for the deposits of the Big Three, represent a revised series published in the *Bollettino Mensile di Statistica dell' Istituto Centrale di Statistica* as from May 1934. They are not comparable with those published in previous numbers of the *Bollettino* and reproduced in the last issue of this *Memorandum*. The figures on the deposit and correspondent creditor accounts of the Big Three have been obtained from the *Bollettino di Notizie Economiche*.

Deposits : Lire (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
1. Big Three (including correspondent creditors)	16,009	15,669	16,148	15,779
2. Regional banks	1,538	1,580	1,541	1,564
Total commercial banks (1 and 2)	17,547	17,249	17,689	17,343
3. Ordinary savings banks	18,743	18,773	19,524	19,718
4. Postal savings banks	17,016	17,773	19,408	19,851
5. *Monti di Pietà*	657	766	708	635
6. People's banks	1,727	1,739	1,795	1,799
Total savings and other banks (3-6)	38,143	39,051	41,435	42,003
7. Special public credit institutions	4,043	4,242	4,479	4,631
Grand total (1-7)	59,733	60,542	63,603	63,977

In the eighteen months following the end of 1932, aggregate deposits have increased by 4.2 milliard lire, or by over 8 per cent. This increase was confined almost exclusively to postal and ordinary savings banks, whose deposits rose by some 15 per cent. The share of the Big Three and of the regional banks in total deposits has declined from 29 per cent at the end of December 1932 to 27 per cent at the end of June 1934.

The steps taken to increase the specialisation of banking functions and to divest commercial banks of direct industrial participations were referred to in the last two issues of this *Memorandum*. The total loans of the Istituto Mobiliare Italiano from the end of November 1931 to January 1934 amounted to about 2.5 milliard lire. Though the institute has the statutory right to extend loans on real or collateral security for a maximum period of ten years, it has so far limited them from three to five years.

No complete statement of the operations of the Istituto per la Ricostruzione Industriale (IRI) is available, but it has been stated [1] that the most important investment trusts, whose combined balance-sheets may amount to some 7 milliard lire — the Società Financiare Industriale Italiana, the Società Financiare Italiana and the Elettro Financiare — have been taken over by the Liquidation Section. The Istituto has, in addition, taken over certain illiquid assets from the three leading banks, so that, as from their 1933 statements, these three banks have no bills in their portfolios with a maturity exceeding 120 days. The total amount of assets so disposed of is not known, but each of the banks indicates in its annual report the amounts written off on account of transactions with the IRI. As can be seen from the attached statement on profit-and-loss accounts, the three banks together wrote off 724 million lire, divided as follows : the Banca Commerciale Italiana, 478 ; the Credito Italiano, 220 ; and the Banca di Roma, 26 million lire. The net loss of the three banks for 1933 was 435, 190 and 13 million lire respectively.

The Bank of Italy reduced its discount rate successively from 5 per cent at the beginning of 1933 to 4 per cent on January 9th, 3½ per cent in September, and to 3 per cent in December, at which level it remained until November 25th, 1934, when it was raised to 4 per cent. At the same time, interest rates on deposits of credit institutions were reduced by decree in September and October 1933 to the following levels : free current accounts and correspondents' sight accounts, 1½ per cent ; time accounts of three to six months, 2½ per cent ; time accounts of over six months, 3 per cent ; savings deposits, 2 or 2½ per cent according to the amount deposited. Similar measures were taken to reduce the interest rates on savings certificates and postal savings deposits.

The policy of reducing interest charges was also applied to State indebtedness. At the beginning of 1934, the Government issued 4 per cent nine-year Treasury bills in order to redeem the 5 per cent bills falling due in the course of the year. This was followed in February by the successful conversion of the Consolidated 5 per cent Loan into a 3½ per cent loan redeemable in forty-two years. This conversion operation involved over 60 per cent of the national debt of Italy, which had increased from 95,000 million lire in 1930 to 106,000 million lire in 1934 [2]. The Credit Consortium for Public Works has also undertaken two successful conversions, one of real estate mortgage bonds in September, and one of municipal bonds in October.

The lire has stood at a discount in relation to other gold currencies throughout the period under review. The average discount on the lire increased from 1.03 per cent in 1933 to 2.98 per cent in 1934. The gold reserve of the Bank of Italy, which had increased to 7,092 millions at the end of 1933 as a result of the sale of foreign exchange holdings, fell steadily during 1934. At the end of December 1934, the gold reserve at home stood at 5,811 millions, and foreign exchange holdings had dropped to relatively negligible proportions.

[1] *Die Bank*, April 25th, 1934, pages 617-620.

[2] If the guarantees of the State in connection with the banking and industrial reorganisation are taken into account, he national debt would, according to the *Economist* of June 23rd, 1934, amount to 160,000 million lire.

ITALY. PRINCIPAL COMMERCIAL BANKS **Table 12(a).**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1930	1931	1932	1933
Number of : Banks	3	3	3	3
Branches and Sub-Branches	360	370	399	397
ASSETS.	Lire (000,000's omitted)			
1. Cash.				
(a) Gold, silver and small coins	1,528.7	1,392.8	1,431.3	1,435.9
(b) Inland notes and balances with Central Bank				
2. Other Items of a Cash Nature				
3. Bills discounted and bought	8,967.4	10,216.4	9,535.8	10,444.1
(a) Treasury bills.	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities.	1,423.6	983.6	1,148.9	1,050.6
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations.	901.2	510.8	473.3	474.0
6. Due from Banks (Correspondents).	6,563.0	4,914.8	5,022.3	4,127.8
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances.	1,682.5	1,085.5	842.7	850.6
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances.	1,100.5	498.4	394.6	362.8
9. Premises, etc.	119.0	121.8	125.4	125.3
10. Sundry Assets	483.0	548.0	528.7	311.8
11. Total Assets	**22,768.9**	**20,272.1**	**19,503.0**	**19,182.9**
LIABILITIES.				
12. Capital paid up.	1,400.0	1,400.0	1,400.0	1,400.0
13. Reserve Funds	935.0	939.0	942.0	280.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	190.6	154.2	132.8	85.3
15. Cheques and Drafts, etc., in circulation	545.7	469.6	421.6	449.3
16. Due to Banks (Correspondents)	14,999.1	13,539.2	12,805.6	12,638.2
(a) At home.	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits.	3,226.5	2,904.8	3,019.2	3,648.7
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and Other Borrowings	—	—	—	—
19. Acceptances and Endorsements.	1,100.5	498.4	394.6	362.8
20. Sundry Liabilities.	371.5	366.9	387.2	318.6
21. Total Liabilities.	**22,768.9**	**20,272.1**	**19,503.0**	**19,182.9**
22. Guarantees.	1,327.2	1,479.3	1,251.5	738.5
23. Value of currency in Swiss francs at the end of each year	0.27	0.27	0.27	0.27

ITALY. PRINCIPAL COMMERCIAL BANKS **Table 12 *(b)*.**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :			
	1930	1931	1932	1933
Number of Banks	3	3	3	3
	Lire (000,000's omitted)			
Capital paid up	1,400.0	1,400.0	1,400.0	1,400.0
Reserves and Undivided Profits	974.9	983.7	992.8	338.6
1. Gross Profits	**552.4**	**461.6**	**427.1**	**426.5**
To be deducted :				
2. Expenses	391.6	343.3	336.8	334.5
(a) Salaries, etc.	317.6	281.6	269.0	285.5
(b) Other working expenses	74.0	61.7	67.8	49.0
(c) Taxes, etc.	4.1	2.8	2.7	2.7
3. Reserved for Pension Funds, etc.	7.3	6.4	5.8	727.8
4. Written off on (Depreciation Accounts for)	—	—	—	4.2
(a) Premises, etc.	—	—	—	723.6
(b) Investments and securities	—	—	—	
(c) Other assets				
5. Remaining Net Profit (+) or Loss (−)	**+149.4**	**+109.1**	**+81.8**	**−638.5**
6. Carried forward from preceding year	39.9	44.7	50.8	58.6
7. Taken from Reserves or Capital		—	—	665.0
8. Deficit left uncovered	—	—	—	—
9. Total Amount disposed of for Dividends, etc.	**189.3**	**153.8**	**132.6**	**85.1**
10. Carried to Reserves	4.0	3.0	3.0	8.5
11. Dividends	136.0	96.0	70.0	70.0
12. Directors' Fees, etc.	4.6	2.4	0.9	0.5
13. Carried forward to following year	44.7	52.4	58.7	6.1
14. Total as above	**189.3**	**153.8**	**132.6**	**85.1**
15. Value of currency in Swiss francs at the end of each year	0.27	0.27	0.27	0.27

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The detailed composition of the various claims included under this heading is shown below :

Lire (000,000's)	1930	1931	1932	1933
Two banks:				
Cash in hand and with Central Bank	226.7	247.1	275.7	286.6
Sight claims on other banks.	221.7	232.9	234.6	147.6
Total	448.4	480.0	510.3	434.2
One bank:				
Cash, including sight claims on other banks .	1,080.3	912.8	921.0	1,001.7
Grand total *(three banks)*	1,528.7	1,392.8	1,431.3	1,435.9

3. *Bills discounted.*

Since the reorganisation of the banks along deposit-banking lines, the bill portfolio includes, in addition to Treasury bills and rediscounts, non-commercial paper acquired by the transfer of long-term industrial obligations to specialised institutions. Rebates on bills maturing in the following year, usually included in the balance-sheets of the banks, have been excluded ; at the end of each of the five years covered by the Balance-sheet Summary, these amounted to 63, 61.7, 75.5, 69.5 and 40.1 million lire respectively.

5. *Participations.*

Since the end of 1932, participations represent solely participations in banks and financial undertakings.

6. *Due from Correspondents.*

With the transfer of long-term obligations to the Istituto per la Ricostruzione Industriale, as from the beginning of 1933 the sums included in this group no longer represent long-term industrial credits.

7. *Loans and Advances.*

The sums given in this group of the Summary Table are composed as follows :

Lire (000,000's)	Contango loans	Other loans and advances	Total
End of:			
1930.	1,483.5	199.0	1,682.5
1931.	856.6	219.9	1,085.5
1932.	602.7	240.0	842.7
1933.	499.6	351.0	850.6

17. *Deposits.*

This item comprises current and savings accounts and time deposits.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of the gross profits of the banks is shown below :

Lire (000,000's)	1930	1931	1932	1933
Net interest from discounts and loans	368.0	292.3	309.3	295.3
Profits from securities and participations	123.0	115.9	74.0	82.7
Commissions and other profits	61.4	53.4	43.8	48.5
Total	552.4	461.6	427.1	426.5

3. *Reserved for Pension Funds, etc.*

The figures given under this heading in the table refer only to the accounts of the Credito Italiano.

4. *Depreciation of Assets (Sums written off).*

The sums given in this group of the Summary Table prior to 1933 refer exclusively to the Banca Commerciale. In their last statements, the three banks indicate separately the amounts written off on premises and investments and securities (see Introductory Note).

LATVIA.

Introductory Note.

After the crisis of 1931-32, developments in 1933 and 1934 afforded a certain measure of relief to the Latvian banking system. Thus, the volume of commercial bank deposits increased from 27.3 to 28.8 million lats during 1933, and rose to 32.2 million lats in the first half of 1934. In other parts of the Latvian credit structure, also, deposits showed a relatively favourable tendency ; this was most marked in the case of the Post Office Savings Bank, where savings accounts increased from 13 million lats at the end of 1932 to 26 millions in September 1934.

As a consequence of the system of exchange control, whereby all foreign exchange transactions are concentrated with the Central Bank, this sphere of private banking activity has naturally undergone a severe contraction in Latvia. The decrease which took place in the item of sums due from banks (from 8.5 to 5.3 million lats) as well as in sums due to banks (from 10.8 to 5.5 million lats), between the end of 1932 and the middle of 1934, reflects mainly the liquidation of foreign banking connections. A similar trend may be observed in the figures for foreign credits (other than correspondent accounts) given under group 18 of the Balance-sheet Summary below. On the other hand, the Central Bank's total net holding of gold and foreign exchange has remained practically constant. The bank has, however, converted part of its foreign claims into gold, so that — between the end of 1932 and the middle of 1934 — its gold reserve rose from 20 million to 26 million lats, while its foreign exchange holdings declined from 10 million to 4 million lats.

In the course of 1933, the number of commercial banks was reduced from 18 to 17 by the liquidation of the Rigas Starptantiskà Banka, whose share capital of 2 million lats had been held entirely in Germany. The Government is aiming at a further reduction in the number of banks, especially with regard to the smaller institutions.

The loans granted by the State Agricultural Bank and by the State Mortgage Bank continued to expand in 1933-34. The long-term loans of the former showed an increase from 180 million lats at the end of 1932 to 196 millions in August 1934, accompanied, however, by a reduction in short-term credits from 28 to 22 million lats. In the case of the State Mortgage Bank, long-term loans rose from 63 to 73 million lats, its short-term credits remaining insignificant in amount. A Law passed in March 1934 provided for a substantial measure of relief to the debtors of these two State banks. In the case of certain classes of small farmers, their debts to the Agricultural Bank were cancelled in part, while interest and amortisation payments in respect of other agricultural debts to the Bank were suspended for the three years 1934-1936. The latter provision was also applied to the smaller debtors of the State Mortgage Bank, with the exception that the debtors in question are required to make an annual payment of one-half per cent to cover the administrative expenses of the Bank during the moratorium period.

The attached Summary Tables include the Riga Stock Exchange Bank, in addition to the other commercial banks of the country.

Balance-sheet Summary.

1. *Cash.*

Balances with the Central Bank are shown separately from notes and coins as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Notes and coins	5.3	5.0	1.4	1.6	1.7
Balances with Bank of Latvia	1.9	2.4	3.5	3 3	3.3
Total	7.2	7.4	4.9	4.9	5.0

2. *Other Items of a Cash Nature.*

The sums shown represent sight claims on credit institutions other than the Bank of Latvia.

3. *Bills discounted and bought.*

The domestic bill portfolio *(b)* includes rediscounts, which are shown separately under liabilities (see note to group 18 below). The net balance of domestic discounts held at the end of each year is given below.

The foreign bill portfolio *(c)* includes foreign cheques and bank-notes not shown separately in the statistics.

Lats (000,000's)	1929	1930	1931	1932	1933
Inland Bills :					
Discounted	49.2	44.7	21.7	16.5	15.8
Rediscounted	14.2	14.4	9.4	8.7	7.8
Net balance	35.0	30.3	12.3	7.8	8.0

7. *Loans and Advances.*

The advances given under *(a)* consist of " special current accounts " and other credits, shown separately in the statistics as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Special current accounts .	78.9	78.0	42.2	33.8	30.7
Other credits (Akreditivi) .	3.6	0.7	—	—	0.1
Total	82.5	78.7	42.2	33.8	30.8

The sums given under *(b)* consist of long-term loans.

LATVIA. COMMERCIAL BANKS **Table 13 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of Banks	20	20	19	18	17
ASSETS.	Lats (000,000's omitted)				
1. Cash	7.2	7.4	4.9	4.9	5.0
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	1.3	1.5	0.4	0.3	0.2
3. Bills discounted and bought	57.3	52.2	23.3	16.9	16.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	40.2	44.7	21.7	16.5	15.8
(c) Commercial bills, Foreign	8.1	7.5	1.6	0.4	0.2
4. Investments and Securities	3.6	4.5	4.5	4.7	3.2
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	22.0	14.2	9.3	8.5	6.8
(a) At home	10.0	5.7	3.6	3.0	—
(b) Abroad	12.0	8.5	5.7	5.5	—
7. Loans and Advances	86.2	81.0	44.3	36.0	34.3
(a) On current account	82.5	78.7	42.2	33.8	30.8
(b) Other	3.7	2.3	2.1	2.2	3.5
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	12.4	13.0	14.0	13.6	13.4
10. Sundry Assets	9.7	10.6	11.3	8.1	12.4
11. Total Assets	**199.7**	**184.4**	**112.0**	**93.0**	**91.3**
LIABILITIES.					
12. Capital paid up	30.3	30.4	29.6	27.7	25.7
13. Reserve Funds	3.4	4.0	4.2	3.7	3.1
14. Profit-and-Loss Accounts, Undivided profits, etc.	1.9	0.7	0.9	0.3	3.7
15. Cheques and drafts in Circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	28.1	25.4	15.6	10.8	7.1
(a) At home	8.3	5.9	1.9	0.6	—
(b) Abroad	19.8	19.5	13.7	10.2	—
17. Deposits	61.6	63.6	27.4	27.3	28.8
(a) Current accounts and sight deposits	57.9	59.6	25.1	25.7	27.2
(b) Savings accounts	—	—	—	—	—
(c) Time and fixed deposits	3.7	4.0	2.3	1.6	1.6
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	57.8	48.2	26.4	16.4	14.8
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	16.6	12.1	7.9	6.8	8.1
21. Total Liabilities	**199.7**	**184.4**	**112.0**	**93.0**	**91.3**
22. Guarantees	42.3	27.7	14.4	10.1	8.2
23. Collection Accounts	39.5	43.6	22.6	15.1	17.2
24. Value of currency in Swiss francs at the end of each year	1.00	1.00	1.00	1.00	1.00

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS				
	1929	1930	1931	1932	1933
Number of Banks	20	20	19	18	17
	Lats (000,000's omitted)				
Capital paid up	30.3	30.4	29.6	27.7	25.7
Reserves and Undivided Profits	3.4	4.0	4.2	3.7	3.1
1. Gross Profits	**9.3**	**9.3**	**6.3**	**3.7**	**4.5**
To be deducted:					
2. Expenses	5.6	5.6	4.8	3.4	2.4
(*a*) Salaries, etc.	(3.6)	(3.7)	(3.1)	(2.1)	(1.6)
(*b*) Other working expenses	(2.0)	(1.9)	(1.7)	(1.3)	(0.9)
(*c*) Taxes, etc.					
3. Reserved for Pensions Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts)	1.6	3.8	4.9	1.8	3.3
(*a*) Premises, etc.	.	.	.	.	.
(*b*) Investments and securities	.	.	.	.	.
(*c*) Other assets	.	.	.	.	.
5. Remaining Net Profit (+) or Loss (—)	**+2.1**	**—0.1**	**—3.4**	**—1.5**	**—1.3**
6. Carried forward from preceding year	.	.	.	.	.
7. Taken from Reserves or Capital	.	.	.	.	.
8. Total Amount disposed of for Dividends, etc.	.	.	.	.	.
9. Carried to Reserves	.	.	.	.	.
10. Dividends	1.2	0.4	—	—	—
11. Directors' Fees, etc.	.	.	.	.	.
12. Carried forward to following year	.	.	.	.	.
13. Total as above	.	.	.	.	.
14. Value of currency in Swiss francs at the end of each year	1.00	1.00	1.00	1.00	1.00

10. *Sundry Assets.*

The composition of the aggregates given in the Summary Table is shown below :

Lats (000,000's)	1929	1930	1931	1932	1933
Branch accounts	4.6	4.8	3.1	2.8	2.4
Transitory items	3.1	2.9	3.4	2.7	3.5
Expenditure accounts	0.7	0.1	0.6	—	2.4
Protested bills	0.1	0.1	0.2	0.1	0.8
Other accounts	1.2	2.7	4.0	2.5	3.3
Total	9.7	10.6	11.3	8.1	12.4

11 and 21. *Total Assets and Liabilities.*

The totals do not include collection and guarantee accounts (see items 22 and 23 of the table).

13. *Reserve Funds.*

The official statistics make the following specification of the reserves :

Lats (000,000's)	1929	1930	1931	1932	1933
Ordinary reserve funds	1.2	1.5	1.6	0.6	0.6
Special reserves	0.5	0.6	0.6	1.3	1.4
Other capital accounts	1.7	1.9	2.0	1.8	1.1
Total	3.4	4.0	4.2	3.7	3.1

14. *Profit and Loss, etc.*

The sums shown in this group of the Summary Table are given in the official statistics under the heading " Interest and commissions ". The total

net balance of the profit-and-loss accounts of the banks is not shown in the official balance-sheet summaries, but the amount of this balance will be seen from the special profit-and-loss table.

17. *Deposits.*

The sums shown under *(a)* are composed of current accounts and demand deposits as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Current accounts.	56.6	58.2	24.0	24.8	26.5
Demand deposits.	1.3	1.4	1.1	0.9	0.7
Total	57.9	59.6	25.1	25.7	27.2

18. *Rediscounts and Borrowings.*

The detailed composition of the aggregates given in the Summary Table is shown below :

Lats (000,000's)	1929	1930	1931	1932	1933
Bills rediscounted :					
With the Bank of Latvia.	14.1	14.1	9.3	8.5	7.6
With other credit institutions	0.1	0.3	0.1	0.2	0.2
Total rediscounts. . .	14.2	14.4	9.4	8.7	7.8

Lats (000,000's)	1929	1930	1931	1932	1933
Borrowings on special current accounts :					
With the Bank of Latvia.	8.4	6.0	3.6	2.1	3.0
With other credit institutions	—	—	—	—	—
Total special current accounts	8.4	6.0	3.6	2.1	3.0
Borrowings abroad	35.0	27.5	12.9	5.2	3.3
Other borrowings	0.2	0.3	0.5	0.4	0.7
Total rediscounts and borrowings.	57.8	48.2	26.4	16.4	14.8
Thereof with :					
Bank of Latvia	22.5	20.1	12.9	10.6	10.6
Other credit institutions	0.1	0.3	0.1	0.2	0.2

20. *Sundry Liabilities.*

The aggregates shown in the Summary Table are composed as follows :

Lats (000,000's)	1929	1930	1931	1932	1933
Branch accounts	4.5	4.8	3.1	2.7	2.3
Transitory items	2.6	2.8	2.6	2.2	3.8
Other accounts.	9.5	4.5	2.2	1.9	2.0
Total	16.6	12.1	7.9	6.8	8.1

The detailed composition of the "other accounts" is not shown in the statistics.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of gross profits according to main sources of revenue is shown below :

Lats (000,000's)	1929	1930	1931	1932	1933
Interest received	13.8	14.5	8.8	4.8	3.1
Less interest paid. . . .	8.1	8.5	5.3	3.2	2.2
Net interest from discounts and loans	5.7	6.0	3.5	1.6	0.9
Commissions.	1.9	1.7	0.9	0.6	0.6
Profit on exchange	1.0	0.8	0.9	0.6	2.0
Profit from real estate. . .	0.3	0.4	0.4	0.3	0.3
Profit from securities . . .	0.1	0.1	0.2	0.2	0.1
Sundry profits	0.3	0.3	0.4	0.4	0.6
Total	9.3	9.3	6.3	3.7	4.5

2. *Expenses.*

The sums shown for salaries *(a)* include special remunerations to directors, etc., which, if they had been shown separately in the statistics, would have been given in group 11 of the Summary Table and would thus have been deducted before calculating the net profit or loss.

5. *Net Profit or Loss.*

The figures represent the net balance of the banks considered as a whole. Even in years when there was a loss, certain banks actually made a net profit which, however, was exceeded by the loss of the others. In this respect, the official statistics furnish the following detail :

Lats (000,000's)	1929	1930	1931	1932	1933
Aggregate net profits . . .	2.2	1.2	0.1	0.2	0.2
Aggregate loss	0.1	1.3	3.5	1.7	1.5
Balance	+2.1	−0.1	−3.4	−1.5	−1.3

6 to 13. *Profits carried forward from Previous Years — Sums drawn from Reserves or Capital — Profit Distribution Accounts.*

The losses shown in the preceding statement have been met in part from profits carried over from previous years and in part from the reserves or the capital of the banks concerned. Neither of these two items (groups 6 and 7 of the Summary Table) are, however, given in the official statistics, nor are sums carried to reserves, directors' fees and "carry over" to following years shown. The dividends indicated do not include those of the Riga Stock Exchange Bank.

LITHUANIA.

Introductory Note.

Deposits with the seven commercial banks of "Great Lithuania" [1], which had fallen from 63.6 million litas to 60.9 millions during 1933, declined further to 58.3 million litas in the first half of 1934. It appears, however, that — as was notably the case in 1931 — the sums withdrawn were redeposited with the State-controlled credit institutions — *i.e.*, chiefly the Land Bank and the State Savings Institution, whose liabilities in respect of private deposits showed a corresponding increase [2].

Figures currently available for total deposits with all Lithuanian credit institutions (except co-operative credit associations) distinguish between private deposits on the one hand and public deposits *(i.e.*, those of Government departments and public institutions) on the other. As the following statement indicates, the two classes of deposits have in recent years tended to move in opposite directions :

Litas (000,000's) End of :	1931	1932	1933	May 1934
Private deposits	164	173	158	152
Public deposits.	79	63	69	73
Total	243	236	227	225

Aggregate loans and discounts of the seven commercial banks of "Great Lithuania" increased from 62.7 to 71.2 million litas during 1933, but declined to 68.7 million litas in the first half of 1934.

A Law which came into effect on January 1st, 1934, enforced a reduction of the legal maximum rate of interest on all bank loans and advances from 12 to 9 per cent (including any charges in respect of expenses, commission, etc.) and fixed bankers' maximum rate of discount at 3 per cent above the official discount rate of the Central Bank (which has stood at 6 per cent since April 1930).

In 1933, the Co-operative Bank (included among the seven commercial banks of "Great Lithuania") was transformed into a joint-stock bank with a share capital of 3 million litas, of which 2.5 millions was subscribed by the Government.

The following table shows the movement of foreign assets and liabilities of the Lithuanian banks and mutual credit associations during the period 1929-1934 :

Litas (000,000's) End of	Total foreign liabilities	Total foreign assets	Net foreign liabilities
1929.	38.8	11.7	27.1
1930.	31.5	4.9	26.6
1931.	16.5	4.3	12.2
1932.	12.1	4.9	7.2
1933.	9.9	3.9	6.0
June 1934.	7.5	3.7	3.8

Lithuania has been able to maintain the gold parity of her currency without recourse to any exchange restrictions. The total of gold and foreign exchange holdings of the Central Bank (Lietuvos Bankas) has shown little change since the end of 1932, but the relative importance of gold in that total has appreciably increased. At the end of 1932, the gold reserve stood at 49 million litas and foreign exchange holdings at 16 millions, whereas at the end of June 1934 these amounts had changed to 55 and 9 millions respectively. In the same period, the note circulation declined from 96 million litas to 80 million litas.

The official banking statistics do not provide detailed profit-and-loss figures, but the available data for the seven commercial banks of "Great Lithuania" in existence at the end of 1933 are tabulated below :

Litas (000,000's)	Gross profits [a]	Expenses [b]	Net profits	Dividends [c]
1929	12.5	4.7	1.0	0.6
1930	13.2	4.8	1.0	0.7
1931	14.0	4.9	0.7	0.4
1932	10.6	4.4	0.4	0.1
1933	9.9	3.7	0.9	0.1

[a] Including interest received.
[b] Excluding interest paid.
[c] Calculated from the percentage rate of dividend and the paid-up share capital of each bank.

The increase in net profits obtained in 1933 appears to have been due to a substantial reduction of expenses. In spite of larger net profits — information regarding the disposal of net profits is not available — the amount disposed of for dividends in respect of that year remained insignificant ; only two of the seven banks declared a dividend for 1933.

[1] The corresponding figures for the Memel (Klaipéda) Territory are not available at the time of writing.
[2] Thus, while commercial bank deposits declined from 63 million litas to 58 millions between the middle of 1933 and the middle of 1934, deposits with the two above-mentioned State institutions rose from 61 million to 67 million litas.

LITHUANIA. COMMERCIAL BANKS **Table 14 *(a)*.**

ACCOUNTS	"Great Lithuania"			Memel (Klaipéda) Territory			Lithuania, including Memel Territory	
	Summary of position at the end of:							
	1929	1932	1933	1929	1932	1933	1932	1933
Number of Banks	9	7	7	11	7	8	14	15
ASSETS.	Litas (000,000's omitted)							
1. Cash	6.5	3.9	4.9	1.1	1.5	1.4	5.4	6.3
(a) Gold, silver and small coins		—	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank		—	—	—	—	—	—	—
2. Other Items of a Cash Nature		1.6	1.1	—	—	—	1.6	1.1
3. Bills discounted or bought	21.7	21.3	22.4	8.5	7.7	5.8	29.0	28.2
(a) Treasury bills	—	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—	—
4. Investments and Securities	17.9	16.8	16.7	0.5	0.5	0.4	17.3	17.1
(a) Government	0.3	—	—	—	—	—	—	—
(b) Other	17.6	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	11.5	5.6	3.5	2.4	2.3	2.2	7.9	5.7
(a) At home	—	3.0	2.5	—	—	—	—	—
(b) Abroad	—	2.6	1.0	—	—	—	—	—
7. Loans and Advances	45.8	41.4	44.9	32.6	33.9	29.7	75.3	74.6
(a) On current account	—	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—	—	—
9. Premises, etc.	7.1	8.6	8.4	2.2	3.0	3.1	11.6	11.5
10. Sundry Assets	6.1	10.2	9.0	7.2	3.3	4.2	13.5	13.2
11. Total Assets	**116.6**	**109.4**	**110.9**	**54.5**	**52.2**	**46.8**	**161.6**	**157.7**
LIABILITIES.								
12. Capital paid up	25.8	25.0	27.5	4.9	4.3	4.3	29.3	31.8
13. Reserve Funds	0.9	2.0	2.1	1.1	1.4	1.4	3.4	3.5
14. Profit-and-Loss Balances, etc.	0.8	—	—	0.5	0.4	0.4	—	—
15. Cheques and Drafts in circulation	—	—	—	1.3	0.6	1.3	—	—
16. Due to Banks (Correspondents)	10.5	3.7	4.4	3.0	0.9	4.5	4.6	8.9
(a) At home	—	3.3	2.2	—	—	—	—	—
(b) Abroad	—	0.4	2.2	—	—	—	—	—
17. Deposits	65.3	63.6	59.1	35.8	38.3	31.0	101.9	90.1
(a) Current accounts and sight deposits	—	—	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—	—	—
18. Rediscounts and Other Borrowings	7.5	5.2	8.2	—	—	—	5.2	8.2
19. Acceptances and Endorsements	—	—	—	—	—	—	—	—
20. Sundry Liabilities	5.8	9.9	9.6	7.9	6.3	3.9	17.2	15.2
21. Total Liabilities	**116.6**	**109.4**	**110.9**	**54.5**	**52.2**	**46.8**	**161.6**	**157.7**
22. Guarantees, etc.	13.8	9.1	20.3	6.4	2.7	6.2	11.8	26.5
23. Bills for Collection	31.0	16.0	20.2	—	—	—	16.0	20.2
24. Value of currency in Swiss francs at the end of each year	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52

Balance-sheet Summary.

1 and 2. *Cash and Other Items of a Cash Nature.*

The detailed composition of the cash assets of the Memel banks is not shown in the statistics. These banks would appear toho ld very small. balances, if any, with the Bank of Lithuania. The balances held with that institution by the banks in "Great Lithuania" are shown separately only since 1931.

Litas (000,000's)	1931	1932	1933
Inland notes and coins . .	4.1	2.6	2.6
Balances with the Central Bank	1.6	1.3	2.3
Total	5.7	3.9	4.9

The sums given in the Summary Table under (2) consist of foreign banknotes and cheques. They are not shown separately in the statistics for 1929.

3. *Bills Discounted.*

The bill portfolio includes rediscounts. The liability of the banks of "Great Lithuania" for bills rediscounted is given in group 18 of the Summary Table (see note to that group). The net portfolio of these banks is shown below :

Litas (000,000's)	1929	1930	1931	1932	1933
Bills discounted	21.7	37.2	24.9	21.3	22.4
Bills rediscounted.	2.4	1.4	3.2	1.2	1.7
Net portfolio. . . .	19.3	35.8	21.7	20.1	20.7

Rediscounts are not shown separately in the statistics relating to the Memel banks. They do not, however, rediscount with the Bank of Lithuania to any appreciable extent.

4 and 5. *Securities and Investments. Participations.*

Participations are not shown separately. The greater part of the securities held by the banks would appear to consist of industrial shares.

10. *Sundry Assets.*

This item includes protested bills in the case of "Great Lithuanian" banks. Their amount was over one million in 1931-1933. Protested bills are not shown separately in the statistics relating to the Memel banks.

11 and 21. *Total Assets and Liabilities.*

Excluding guarantees and collection accounts, shown as items 22 and 23 of the Summary Table.

14. *Profit-and-Loss Balances, etc.*

The sums given under this heading for the banks of "Great Lithuania" do not show the true profit position of the commercial banks as a whole. The figures given for the year 1929 represent aggregates of the net profits made by individual banks in those years, while the net losses incurred by some of the banks are included under sundry assets, without being shown separately in the annual statistics.

17. *Deposits.*

The sums shown consist of the following items given separately in the basic statistics :

Litas (000,000's)	1931	1932	1933
"Great Lithuania":			
Sight and time deposits :			
National currency . . .	22.8	20.8	20.8
Foreign currency. . . .	8.8	6.3	3.5
Total	31.6	27.1	24.3
Current accounts :			
National currency . . .	29.0	33.1	32.0
Foreign currency. . . .	3.6	3.4	2.8
Total	32.6	36.5	34.8
Grand total	64.2	63.6	59.1
Thereof :			
National currency . . .	51.8	53.9	52.8
Foreign currency. . . .	12.4	9.7	6.3
Memel Territory:			
Deposits.	32.0	27.8	22.3
Creditors	9.2	10.5	8.7
Total	41.2	38.3	31.0

In the banking statistics relating to the Memel Territory, foreign currency deposits are not shown separately, nor are they shown in the annual statistics relating to "Great Lithuania" before 1931.

18. *Rediscounts and Other Borrowings.*

The composition of this item, for the banks of "Great Lithuania", is shown below :

Litas (000.000's)	1929	1930	1931	1932	1933
Rediscounts	2.4	1.4	3.2	1.2	1.7
Borrowings.	5.1	4.1	6.7	4.0	6.5
Total	7.5	5.5	9.9	5.2	8.2

The above sums represent in part foreign credits, the amount of which, however, is not shown separately in the statistics.

NETHERLANDS [1]

Introductory Note.

The severe deflation which has taken place in the Netherlands during the recent years of depression is reflected in the accounts of the six leading banks,[2] which are summarised below :

Gulden (000,000's)	1930	1931	1932	1933	Percentage increase (+) or decrease (—) 1930-1933
1. Cash assets. . .	106	121	212	215	+103
2. Due from banks (mainly abroad)	236	92	78	57	— 76
3. Bill portfolio . .	419	341	334	269	— 36
4. Loans and advances	964	876	687	665	— 31
Of which: On current account	(647)	(593)	(477)	(457)	— 29
5. Investments and securities . . .	120	111	92	71	— 41
6. Participations. .	70	96	90	84	+ 12
7. Capital and reserves	398	380	376	305	— 8
8. Deposits. . . .	1,473	1,241	1,112	996	— 32
Of which:					
(a) On current account. .	(712)	(584)	(606)	(551)	— 23
(b) On deposit account. .	(511)	(382)	(311)	(255)	— 50
9. Acceptances . .	106	65	40	32	— 70
10. Total balance-sheet.	2,055	1,739	1,570	1,429	— 30

The contraction of bank activity after 1930 reflects the decline in domestic business, the falling-off of overseas trade, partly the reduction in income from foreign investments and services abroad, and the movement of short-term credits before and after the European banking crisis of 1931. In the three years ending December 1933, total deposits fell by 477 million gulden, or 32 per cent. The decline was most marked for deposit accounts ; this evidently reflects both the reduction in interest rates and the desire of depositors to keep their funds in the most liquid form possible. A similar desire on the part of the banks finds expression in the very sharp increase in their cash reserves — which doubled between 1930 and 1933 and constituted nearly 22 per cent of total deposits at the latter, as compared with 7 per cent at the former, date. A decline of 299 million gulden occurred in loans and advances, of 179 millions in correspondent accounts, and of 150 millions in the bill portfolio. In addition to domestic credit contraction, two other factors appear to have contributed substantially to the reduction in deposits in 1933 — namely, the withdrawal of foreign funds, and the withdrawal of deposits for conversion into gold.[3] Foreign funds had sought refuge in the Netherlands on a large scale after the New York stock-market crash of 1929, during the period of financial uncertainty which preceded the European financial crisis of May 1931, and before the American departure from the gold standard. No estimate of the magnitude of these short-term capital movements is available, but the fact that the net import of gold amounted to 783 million gulden in 1931 and 1932 shows that the amounts involved in these movements and in the calling-in of short-term credits abroad were very large. From March to July 1933, the short-term capital movement was reversed ; there was heavy selling of gulden, and in these months the Central Bank lost gold and foreign assets to the amount of 297 millions. During the remainder of the year, there was a fresh inflow of gold, which persisted until after the devaluation of the American dollar at the end of January 1934 ; in the following month, the Netherlands Bank lost 127 million gulden of gold.

The decline in the foreign business of the Dutch banks is brought out by the following table

[1] As it was not possible to give a full account of recent banking developments in the Netherlands in the last edition of this volume, the present chapter covers the entire period since 1930.

[2] For a detailed account of the history and main characteristics of these banks and for explanations regarding the compilation of the attached Summary Tables and the meaning of the various items of the balance-sheet, see *Commercial Banks, 1913-1929*, pages 192-200, and *Commercial Banks, 1925-1933*, pages 161-164.

[3] During the years 1930-1933, the net import of gold into the Netherlands was 570 million gulden and the gold stocks of the Central Bank increased by 483 millions. The difference (87 million gulden) is, however, due, not only to hoarding, but also to a (plus or minus) balance of earmarking transactions. Hoarding may therefore be greater or less than the figure indicated.

showing the floating assets and liabilities of twenty-three banks at the end of 1930-1933.[1]

Gulden (000,000's)	1930	1931	1932	1933
Floating foreign assets. . . .	1,482	743	651	478
Of which:				
(a) Correspondent current accounts .	(428)	(188)	(190)	(118)
(b) Foreign bills of exchange	(425)	(159)	(120)	(44)
(c) Other assets . . .	(629)	(396)	(341)	(316)
Floating foreign liabilities .	710	400	427	345
Of which:				
(a) Correspondents current accounts .	(77)	(69)	(107)	(68)
(b) Bills of exchange .	(633)	(30)	(13)	(12)
(c) Other liabilities. .		(301)	(307)	(265)
Net foreign assets, including Netherlands Bank. . . .	772	343	224	133
Foreign assets of Netherlands Bank	279	104	79	2
Of which:				
(a) Foreign bills of exchange	(247)	(86)	(71)	(1)
(b) Balances abroad [a]	(32)	(18)	(8)	(1)
Apparent net balance of floating foreign assets of the commercial banks. .	493	239	145	131

[a] At end of March of the following year. End-of-year figures not available.

The floating foreign assets of the commercial banks amounted to 1,203 million gulden at the end of 1930 and were in excess of their floating liabilities by some 493 million gulden. In the following year, these assets were reduced by 50 per cent, and the apparent net balance declined by over 51 per cent. Most of this reduction was due to the calling-in of short-term credits, particularly those in Germany [2] and Central Europe. Though the transfer restrictions and the standstill agreements [3] of the latter half of 1931 slowed up the rate of withdrawal, short-term assets continued to decline more rapidly than liabilities during 1932 and 1933.

As the leading banks appear [4] to classify under "current" and "sundry account" loans all claims on countries with transfer restrictions, it is possible that the fact that the proportionate decline in this item, particularly since 1931, has been less than that in most other credit items is partly due to book-keeping changes. The fall in the bill-portfolio, [5] and the decline in investments and in acceptances reflect the stagnant economic situation. The heavy reduction in business activity is also illustrated by the fall in bank clearings in the three principal towns from 18,855 million gulden during the fiscal year 1929-30 to 8,110 million during 1933-34.

[*Continued on page 82.*

[1] These data are compiled by the Netherlands Central Bureau of Statistics and reproduced in the League of Nations *Balance of Payments* (see, in particular, issues for 1933 and 1934). The known foreign assets of the Central Bank are shown separately so as to permit an estimate of the net balance of the commercial banks. The data refer to twenty-three banks in 1930 and 1933, and to twenty-four banks in 1931 and 1932.

[2] Between March 31st and the middle of July 1931, the short-term indebtedness of twenty-eight German banks to Dutch banks and accepting houses was reduced by 210 million RM. from 546 to 336 million RM. (see *Commercial Banks, 1925-1933*, page 111, Table 3).

[3] The credits of five leading Dutch banks shown as under standstill agreements in Germany and Austria amounted to 97 million gulden at the end of 1931 and were divided as follows: Amsterdamsche Bank, 37; Nederlandsche Handel-Maatschappij, 22; Rotterdamsche Bankvereeniging, 19; Twentsche Bank, 10; and Incasso Bank, 9 million gulden.

The amount of "floating" assets still remaining in Germany may be judged by the following indications given in the Netherlands Central Statistical Bureau, *Maandschrift*, No. 10, 1934, page 21. The floating assets in Germany of twenty-three Dutch banks, including the Central Bank, on account of correspondent credits, exchange bills and other assets at the end of 1933 accounted for 289 million gulden out of an aggregate of 567 million gulden, and the corresponding German liabilities of the same banks amounted to 66 millions out of a total of 393 million gulden. The excess of German assets over liabilities therefore amounted to 173 million gulden. (The discrepancy between these figures and those given in the above table appears to be due to the fact that, in the calculation of the former, the depreciation of various currencies, *de facto* or *de jure*, has not been taken into account.)

[4] See annual reports of the Amsterdamsche Bank.

[5] For those banks (the Amsterdamsche Bank, the Twentsche Bank and the Bank Associatie) which show their holdings of Treasury bills separately, the composition of the bill portfolio was as follows:

Gulden (000,000's) End of:	1 Treasury bills	2 Commercial bills inland and foreign	3 Total (1 + 2)	4 Total portfolio of all six banks
1930	57.4	69.2	126.6	419.0
1931	59.3	68.2	127.5	341.1
1932	62.7	34.6	97.3	334.3
1933	52.1	31.5	83.6	268.6

The Nederlandsche Handel-Maatschappij in its 1933 report shows its holding of Treasury bills and commercial bills at 49.9 and 27.3 million gulden respectively.

The floating debt of the Government increased from 295 million gulden at the end of 1930 to 619 millions at the end of 1932.

NETHERLANDS. LEADING COMMERCIAL BANKS **Table 15 (a).**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	6	6	6	6	6
ASSETS.	Gulden (000,000's omitted)				
1. Cash.					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	93.0	105.8	120.6	211.7	214.8
2. Other Items of a Cash Nature					
3. Bills discounted and bought	414.1	419.0	341.1	334.3	268.6
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	101.1	120.3	110.8	91.6	70.5
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	41.2	70.2	96.4	89.9	84.2
6. Due from Banks (Correspondents)	110.5	236.3	91.7	78.4	57.0
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	1,062.8	964.1	875.7	686.8	664.8
(a) On current account	582.9	646.9	593.3	476.8	456.7
(b) Other	479.9	317.2	282.4	210.0	208.1
8. Cover for Acceptances	128.8	106.3	65.2	40.2	31.7
9. Premises, etc.	29.1	31.5	35.5	36.1	34.6
10. Sundry Assets	2.1	1.5	1.7	1.4	2.9
11. Total Assets	**1,982.7**	**2,055.0**	**1,738.7**	**1,570.4**	**1,429.1**
LIABILITIES.					
12. Capital paid up	258.3	262.8	262.8	262.4	257.4
13. Reserve Funds	139.7	135.5	116.8	113.8	107.3
14. Profit-and-Loss Accounts, Undivided Profits, etc.	27.5	21.4	7.1	10.2	7.6
15. Cheques and Drafts, etc., in circulation	45.2	40.1	25.0	14.5	10.5
16. Due to Banks (Correspondents)	19.2	5.9	10.1	6.0	7.0
(a) At home	—	—	—	—	—
(b) Abroad	19.2	5.9	10.1	6.0	7.0
17. Deposits	1,355.2	1,473.1	1,241.2	1,112.0	996.0
(a) Current accounts and sight deposits	634.4	711.9	584.0	605.8	550.9
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	458.1	510.5	381.9	311.1	255.0
(d) Other deposits	262.7	250.7	275.3	195.1	190.1
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	128.8	106.3	65.2	40.2	31.7
20. Sundry Liabilities	8.8	9.9	10.5	11.3	11.6
21. Total Liabilities	**1,982.7**	**2,055.0**	**1,738.7**	**1,570.4**	**1,429.1**
22. Guarantees	42.2	46.1	38.2	35.7	37.4
23. Value of currency in Swiss francs at the end of each year	2.08	2.08	2.08	2.08	2.08

NETHERLANDS. LEADING COMMERCIAL BANKS **Table 15 (*b*).**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	6	6	6	6	6
	Gulden (000,000's omitted)				
Capital paid up	258.3	262.8	262.8	262.4	257.4
Reserves and Undivided Profits	141.2	137.1	118.2	115.1	108.2
1. Gross Profits	**81.2**	**70.2**	**60.8**	**60.7**	**53.8**
To be deducted :					
2. Expenses	37.4	34.2	33.3	31.3	30.5
(*a*) Salaries, etc.	—	—	—	—	—
(*b*) Other working expenses	—	—	—	—	—
(*c*) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Staff Funds, etc	2.2	1.7	1.6	1.5	2.1
4. Written off on Depreciation Accounts for	17.3	15.0	27.8	19.8	15.2
(*a*) Premises, etc.	4.8	4.0	2.2	3.1	2.4
(*b*) Investments and securities (*c*) Other assets	12.5	11.0	25.6	16.7	12.8
5. Remaining Net Profit (+) or Loss (—)	**24.3**	**19.3**	**—1.9**	**8.1**	**6.0**
6. Carried forward from preceding year	1.5	1.6	1.4	1.3	0.9
7. Taken from Reserves or Capital	1.4	—	6.0	—	—
8. Total Amount disposed of for Dividends, etc.	**27.2**	**20.9**	**5.5**	**9.4**	**6.9**
9. Carried to Reserves	2.1	1.2	0.2	1.2	0.6
10 Dividends	20.5	16.5	4.0	6.8	5.6
11. Directors' Fees, etc	3.0	1.8	—	0.5	0.1
12. Carried forward to following year	1.6	1.4	1.3	0.9	0.6
13. Total as above	**27.2**	**20.9**	**5.5**	**9.4**	**6.9**
14. Value of currency in Swiss francs at the end of each year	2.08	2.08	2.08	2.08	2.08

The effects of the depression on the banking resources and total balance-sheet of each of the six banks covered by the present chapter may be seen from the following table :

Gulden (000,000's)		Capital and reserves	Current account and time deposits	Total balance-sheet
1. Nederlandsche Handel-Maatschappij	1930	120	436	662
	1933	100	247	380
2. Amsterdamsche Bank	1930	104	205	459
	1933	104	127	373
3. Rotterdamsche Bankvereeniging	1930	70	277	392
	1933	65	195	275
4. Twentsche Bank	1930	56	201	335
	1933	51	161	253
5. Incasso Bank	1930	39	89	163
	1933	36	65	115
6. Bank Associatie	1930	9	15	44
	1933	9	11	33
All six banks	1930	398	1,222	2,055
	1933	365	806	1,429

The total balance-sheet of the Nederlandsche Handel-Maatschappij fell by 42 per cent, while that of the other five banks combined fell by 25 per cent. This bank was widely exposed to the effects of the depression on account of its extensive investments and participations [1] in the Netherlands East Indies. In the period 1930-1933, its reported amortisations amounted to 24 million gulden ; these were covered partly by operating profits and partly by a reduction of capital amounting to 6 million gulden in 1931. Late in 1934, a broad scheme of capital reorganisation was announced. The capital is to be written down from 80 to 20 million gulden and published reserves from 20 to 5 millions ; 75 million gulden will thus be available for writing off assets. New capital amounting to 15 million gulden will be raised through a public issue. During 1933, the Twentsche Bank reduced its reserves by 3.5 millions and wrote off its holdings of the stock of B. W. Bleydenstein and Co., of London, and the Rotterdamsche Bankvereeniging reduced its capital by 5 million gulden by purchasing and cancelling a corresponding amount of its own shares held in England. The capital and reserves of other banks show little or no decrease as compared with 1930, partly on account of the absorption [2] of small institutions during the crisis and partly because of provision for current losses out of hidden reserves. [3]

In the course of 1934, a consortium of Dutch banks extended short-term credits to the French and Belgian Governments. In March, the French Treasury raised 100 million gulden by the issue of special 4% three months Treasury bills renewable for the period of one year. The Treasury notes contained a special gold clause in which the gulden was defined as containing 0.6048 gramme of gold. A loan of 1,500 million Belgian francs was arranged under similar conditions by the Belgian Government in November 1934. The consortium of Dutch banks participated to the extent of 30 million gulden (500 million francs).

Balance-sheet Summary.

7 and 8. *Loans and Advances; Cover for Acceptances.*

In the case of banks which do not distinguish cover for acceptances among their assets, a sum equivalent to the amount of their acceptance liabilities has been deducted from their loans and advances and carried to group 8 in the Summary Table.

17. *Deposits.*

Current accounts include sums due to domestic banks.

The sums shown under 17 *(d)* include the liabilities of the banks to their contango customers, etc., the deposit liability for securities borrowed for the banks' own use, some rediscounts not shown separately and certain other creditor accounts not clearly specified in the balance-sheets.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

Some of the banks would appear to make certain provision for depreciation and contingencies before disclosing their profit figures. Some provision for depreciation may be concealed in the aggregates given — at least, for certain years. No uniform principles are followed by the banks with regard to the accounting of dividend taxes ; when these are shown separately, they have been included under expenses in the Summary Table.

2. *Expenses.*

As a rule, an itemised account of expenses is not given in the statements published by the banks.

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[1] At the end of 1933, the company's East Indian estates, mainly sugar plantations, stood at 14.2 million gulden, its advances to estates on produce receivable amounted to 18.1 million gulden, and its investments in miscellaneous enterprises in the same region were approximately 59 million gulden.

[2] The amalgamation of the Twentsche Bank with certain provincial banks and the fusion of the Nationale Bankvereeninging with the Rotterdamsche Bankvereeniging were referred to in the last issue of this *Memorandum*. During 1933, the Amsterdamsche Bank absorbed its affiliate, the Friesche Bank of Leeuwarden. Two important Dutch banks operating abroad, the Hollandsche Bank voor Zuid-Amerika and the Hollandsche Bank voor Middelandsche Zee, amalgamated in the same year.

[3] See articles of Dr. Max VRIES on the five leading Dutch banks published annually about the middle of the year in *In- en Uitvoer*.

NORWAY. [1]

Introductory Note.

For the commercial banks of Norway, the years 1928-1930 represented, on the whole, a period of recovery from the difficulties of the post-war depression which had culminated in the great banking crisis of 1923-24. The prolonged period of banking losses and failures was coming to an end in 1929, when for the first time since 1920 the aggregate of depreciation, losses and current expenditure of the commercial banking system as a whole (including the banks under public administration and liquidation) did not exceed total profits ; 1930 also brought a net profit, which was even somewhat larger than that of 1929.

The full force of the world economic crisis reached Norway only in 1931. Moreover, an extensive labour dispute paralysed a large section of the country's industrial activity, involving stoppage of work from April to September. About the middle of the year the banks began losing deposits. Following the United Kingdom, Norway suspended the gold standard on September 27th. Withdrawals of deposits by the public continued on an increased scale during the autumn, when, moreover, a large Government conversion operation, falling due on October 1st, was effected, implying further demands upon the free resources of the credit system.

The international financial crisis of 1931 did not directly affect the Norwegian banking situation. In contrast to the banks in the debtor countries of the European continent, those of Norway were, on balance, international creditors on short-term account ; and when the need arose in the autumn of 1931 to alleviate the pressure on their cash reserves caused by the withdrawal of deposits, they were able to do so by selling part of their foreign balances to the Central Bank. But, after the suspension of the gold standard, there was some flight of domestic capital, and the central and commercial banks co-operated in setting up an Exchange Committee to control dealings in foreign currencies and to ration available exchange.

Withdrawals of deposits continued for hoarding purposes (reflected in a heavy increase in note circulation in the last months of 1931, particularly in notes of high denominations). The commercial banks were forced to have recourse to the Central Bank for rediscount and other credits on a large scale. The latter's loans and discounts rose from 170 million kroner in the summer of 1931 to 256 millions at the end of the year [2]. On December 15th, 1931, two of the largest banks of the country, the Bergens Privatbank and Den Norske Creditbank [3], suspended payments. A temporary moratorium was declared on old deposits, and the Government guaranteed all deposit liabilities incurred by these banks after December 15th. With the assistance of the Norges Bank, a capital reconstruction of the two banks was subsequently carried out, under which the Bergens Privatbank wrote down its share capital from 30 to 12 million kroner and issued new shares to an amount of 13.5 million kroner, and Den Norske Creditbank wrote down its share capital from 33 to 22 millions and issued 5 million kroner of new shares. It was possible to lift the moratorium on March 15th, 1932.

The position of the commercial banks remained strained during the first half of 1932 ; continued recourse was had to the Central Bank, whose loans and discounts reached their maximum at 280 million kroner in the summer of that year. In the second half of 1932, the decline of confidence was gradually arrested, and the commercial banks were able to reduce their indebtedness to the Central Bank.

In spite of the reduction of the banks' deposit liabilities during 1932, they increased their cash holdings in the course of that year. This reflects, not only the fact that the banks had to be prepared to meet unusual withdrawals of funds, but also the fact that, after the abandonment of the gold standard, the practice of holding liquid balances abroad was curtailed owing to the exchange risks involved, and balances at the Norges Bank (included under " cash ") were substituted for the short-term earning assets previously held abroad.

The Norwegian savings banks were less adversely affected by the crisis than the commercial joint-stock banks. Their deposits declined by only 4 per cent between the end of 1930 and the end of 1932, while those of the commercial banks fell by almost 20 per cent. In the second quarter of 1932, however, several rural savings banks had to meet some drain of deposits and experienced difficulty in mobilising their assets. By a Law of June 29th, 1932, an Institute was established to lend to savings banks on security not eligible for borrowing at the Norges Bank and to guarantee their liabilities ; the resources of the Institute were contributed partly by the State and partly by the savings banks themselves. Applications to the Institute for support were much less numerous than was originally feared. In all, the Institute assisted fourteen rural savings banks in 1932. While twelve commercial banks, controlling 35 per cent

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Norway in the last edition of this volume, the present chapter covers the entire period 1929-1934.

[2] The Norges Bank, particularly at its provincial branches, carries on a certain amount of business with the public ; the figures given in the text do not, therefore, wholly represent loans to commercial banks. For an estimate of the latter, see note to group 16 in the Balance-sheet Summary below.

[3] At the end of 1930, these two banks accounted for one-third of the combined balance-sheet of the 112 " free " banks.

of the total resources of all commercial banks combined, were forced to suspend payments between December 1931 and July 1932, the number of savings banks which suspended payments during the whole year 1932 was likewise twelve, but these accounted for only 1½ per cent of the combined savings banks' balance-sheet totals. During 1933, the Institute continued to lend its support to several other savings banks, but in all cases the institutions concerned were rural savings banks of purely local importance.

Commercial bank deposits decreased by nearly 50 million kroner in 1933. According to the monthly figures published by the Bank Inspector (which comprise about 97 per cent of the aggregate balance-sheet totals of all commercial banks), about a quarter of this reduction occurred in the spring, and would appear to be connected with a large Government loan conversion in March, on the one hand, and with a lowering of the banks' interest rates on deposits (*pari passu* with a reduction of the discount rate of the Norges Bank from 4 to 3½ per cent in May), on the other. But the bulk of the decline of commercial bank deposits was concentrated in the last quarter of 1933, when a temporary but marked setback occurred in the confidence of the public on account of apprehensions regarding certain developments in the sphere of domestic politics. The loans and discounts of the Norges Bank increased by 55 million kroner (viz., from 217 to 272 millions) in the last quarter of the year, and the note circulation, which — after maintaining a fairly stable level in the earlier part of the year — showed a more than seasonal expansion in December, rose to 327 million kroner at the end of 1933, as compared with 314 millions at the end of 1932. Aggregate deposits with the commercial banks fell off by a further 30 million kroner during the first half of 1934, but the decline was more gradual.

Balance-sheet Summary.

1. *Cash.*

This item includes balances with the Bank of Norway in addition to coins and notes. Details are shown below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Gold, subsidiary coins and notes	23.3	24.2	28.2	20.7	23.2
Balances with Central Bank	33.2	31.9	17.1	33.0	24.0
Totals	56.5	56.1	45.3	53.7	47.2

2. *Other Items of a Cash Nature.*

This item represents coins and notes in foreign currency.

3. *Bills discounted and bought.*

Treasury bills are little used in Norway. All banks have to report their rediscounts, which are included in the statistics in the bill portfolio as follows :

Kr. (000,000's)	1929	1930	1931	1932	1933
Inland Bills :					
Discounted	334.5	358.2	335.8	328.8	316.8
Rediscounted	3.6	3.0	10.1	3.9	3.4
Totals	338.1	361.2	345.9	332.7	320.2

The rediscounts are likewise included under Liabilities in group 18 of the Summary Table.

The protested bills are also shown separately and are included in the Summary Table in Sundry Assets (see note to group 10 below).

4 and 5. *Investments and Securities : Participations.*

The investments and securities other than Government bonds shown in the Summary Table (group 4 *(b)*) are composed as follows :

Kr (000,000's)	1929	1930	1931	1932	1933
Norwegian securities :					
Municipal bonds	64.7	57.8	45.7	42.3	36.7
Bonds of Mortgage and Fisher Banks, etc.	45.1	39.3	37.7	35.9	38.8
Other bonds	38.9	40.0	40.6	35.3	32.7
Shares	40.1	43.8	37.7	40.4	37.9
Totals	188.8	180.9	161.7	153.9	146.1
Foreign securities :					
Government bonds	7.8	13.6	7.4	7.2	7.0
Other bonds and shares	5.2	13.4	7.3	7.0	6.9
Totals	13.0	27.0	14.7	14.2	13.9
Total Norwegian and foreign securities	201.8	207.9	176.4	168.1	160.0

6. *Due from Banks (Correspondents).*

The sums shown in the Summary Table as due from foreign banks (group 6 *(b)*), include debtors in foreign currency :

Kr (000,000's)	1929	1930	1931	1932	1933
Due from banks abroad	57.9	43.4	21.7	19.3	17.5
Debtors in foreign currency	25.8	31.5	35.8	33.2	36.5
Total	83.7	74.9	57.5	52.5	54.0

7. *Loans and Advances.*

The sums given under *(a)* in this group of the Summary Table represent sundry debtors, cash credits, etc. An amount equal to the acceptances has been deducted from this item and carried

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks	112	112	112	105	105
ASSETS.	Kroner (000,000's omitted)				
1. Cash	56.5	56.1	45.3	53.7	47.2
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank					
2. Other Items of a Cash Nature	0.6	0.6	0.4	0.4	0.3
3. Bills discounted and bought	357.8	373.4	357.2	343.7	329.3
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	338.1	361.2	345.9	332.7	320.2
(c) Commercial bills, Foreign	19.7	12.2	11.3	11.0	9.1
4. Investments and Securities	285.9	289.7	248.6	232.0	223.9
(a) Government	84.1	81.8	72.2	63.9	63.9
(b) Other	201.8	207.9	176.4	168.1	160.0
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	176.8	173.7	138.9	158.5	137.8
(a) At home	93.1	98.8	81.4	106.0	83.8
(b) Abroad	83.7	74.9	57.5	52.5	54.0
7. Loans and Advances	754.7	753.8	755.4	708.2	696.6
(a) On current account	674.6	672.0	668.0	627.4	610.5
(b) Other	80.1	81.8	87.4	80.8	86.1
8. Cover for Acceptances	17.8	16.9	9.4	10.4	9.9
9. Premises, etc.	23.1	23.4	23.5	22.7	23.3
10. Sundry Assets	36.6	35.6	33.0	33.9	33.7
11. Total Assets	**1,709.8**	**1,723.2**	**1,611.7**	**1,563.5**	**1,502.0**
LIABILITIES.					
12. Capital paid up	196.1	200.8	170.5	183.3	181.9
13. Reserve Funds	66.6	70.8	51.3	53.1	54.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	12.0	—	—	—	—
15. Cheques and Drafts, etc., in circulation	13.1	10.5	9.6	10.4	10.1
16. Due to Banks (Correspondents)	321.0	320.2	348.3	399.9	388.3
(a) At home	263.3	269.9	306.2	348.8	330.7
(b) Abroad	57.7	50.3	42.1	51.1	57.6
17. Deposits	1,058.2	1,084.1	993.7	883.2	836.6
(a) Current accounts and sight deposits	124.1	127.8	112.7	99.5	82.6
(b) Savings accounts	894.4	897.0	835.4	752.1	718.9
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	39.7	59.3	45.6	31.6	35.1
18. Rediscounts and Other Borrowings	9.8	8.5	15.7	10.0	9.0
19. Acceptances and Endorsements	17.0	15.6	9.2	12.3	10.9
20. Sundry Liabilities	16.0	12.7	13.4	11.3	10.9
21. Total Liabilities	**1,709.8**	**1,723.2**	**1,611.7**	**1,563.5**	**1,502.0**
22. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.94	0.87	0.85

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks	112	112	112	105	105
	Kroner (000,000's omitted)				
Capital paid up	196.1	200.8	170.5	183.3	181.9
Reserves and Undivided Profits	67.4	71.9	52.3	53.8	56.1
1. Gross Profits	**42.6**	**44.7**	**44.8**	**43.2**	**42.9**
To be deducted :					
2. Expenses	21.2	22.0	23.9	22.7	22.6
(a) Salaries, etc.	13.4	13.8	14.3	13.4	13.7
(b) Other working expenses	4.5	4.4	4.6	4.4	4.3
(c) Taxes, etc.	3.3	3.8	5.0	4.9	4.6
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts for)	8.8	9.1	63.8	12.5	14.2
(a) Premises, etc.	0.7	—	—	—	—
(b) Investments and securities	1.4	—	—	—	—
(c) Other assets	6.7	—	—	—	—
5. Remaining Net Profit (+) or Loss (−)	**+12.6**	**+13.6**	**−42.9**	**+8.0**	**+6.1**
6. Carried forward from preceding year	0.8	1.1	1.0	0.7	1.8
7. Taken from Reserves or Capital	3.6	1.4	22.9	0.5	2.2
8. Deficit left uncovered	—	—	32.6	4.2	2.7
9. Total Amount disposed of for Dividends, etc.	**17.0**	**16.1**	**13.6**	**13.4**	**12.8**
10. Carried to Reserves	5.8	4.6	6.9	5.5	4.3
11. Dividends	10.1	10.5	6.0	6.1	6.7
12. Directors' Fees, etc.	—	—	—	—	—
13. Carried forward to following year	1.1	1.0	0.7	1.8	1.8
14. Total as above	**17.0**	**16.1**	**13.6**	**13.4**	**12.8**
15. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.94	0.87	0.85

to group 8 of the table (see note below). The figures shown under *(b)* represent collateral loans.

8. *Cover for Acceptances and Reimbursement Credits.*

The composition of this group of the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Cover for acceptances	1.0	1.5	0.5	0.6	0.5
Current reimbursements	16.8	15.4	8.9	9.8	9.4
Total	17.8	16.9	9.4	10.4	9.9

10. *Sundry Assets.*

Details are shown below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Real estate taken over by the banks	4.1	3.7	3.6	4.2	4.5
Protested bills	2.6	2.1	2.1	1.8	1.5
Inter-accounts with branches	3.1	9.9	6.3	11.9	13.1
Other assets	26.8	19.9	21.0	16.0	14.6
Total	36.6	35.6	33.0	33.9	33.7

12 and 13. *Capital and Reserve Funds.*

The composition of the aggregate reserves shown in the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Ordinary reserve funds .	57.1	60.0	40.1	43.0	41.4
Other reserve funds . .	9.5	10.8	11.2	10.1	12.9
Total. . . .	66.6	70.8	51.3	53.1	54.3

15. *Cheques and Drafts in Circulation.*

The sums given in this group of the Summary Table consist of post bills and notified cheques.

16. *Due to Banks (Correspondents).*

The amounts shown as due to banks at home include indebtedness to the Central Bank. (Rediscounts, under group 18 below, usually constitute but a small part of that indebtedness.) This can be isolated as follows : If the correspondents under 6 *(a)* and 16 *(a)* were only commercial banks, the two items, for all commercial banks together, would necessarily be equal. The mutual indebtedness of the banks is eliminated by subtracting 6 *(a)* from 16 *(a)*. Of the balance thus obtained, part is due to the savings banks and part to the Norges Bank. The net deposits of the savings banks with commercial banks can be calculated from the reports of the Bank Inspector (which, however, cover only 81 per cent of the total balances of the savings banks). Deducting these deposits from the difference between 16 *(a)* and 6 *(a)*, one obtains a balance which represents borrowings of the commercial banks from the Norges Bank. Calculated in this way, these borrowings, at the end of the years 1929 to 1933, stood at about 50, 75, 150, 160 and 180 million kroner respectively ; the exact figures cannot be arrived at owing to the incompleteness of the savings banks' statistics.

The sums shown in the Summary Table as due to banks abroad include creditors in foreign currency as follows :

Kr. (000,000's)	1929	1930	1931	1932	1933
Due to banks abroad. .	41.3	37.2	17.3	15.0	14.4
Creditors in foreign currency.	16.4	13.1	24.8	36.1	43.2
Total. . . .	57.7	50.3	42.1	51.1	57.6

The greater part of the sums due to creditors in foreign currency represents balances received from customers for deposit on exchange account with foreign banks. These balances are included in the assets under debtors in foreign currency (see note to group 6 above), and thus represent operations for third parties.

17. *Deposits.*

Savings accounts are not shown separately from time deposits. Other deposits (group 17 *(d)* of the Summary Table) are given in the statistics under the heading " Sundry creditors ".

18. *Rediscounts and other Borrowings.*

The composition of the sums shown in the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Capital borrowings. . .	5.0	5.0	5.0	5.0	5.0
Rediscounts :					
At home	3.6	2.9	10.1	3.9	3.4
Abroad.	0.7	0.2	0.5	0.4	0.4
Acceptances for own account.	0.5	0.4	0.1	0.7	0.2
Total. . . .	9.8	8.5	15.7	10.0	9.0

19. *Acceptances and Reimbursement Credits.*

The acceptances (for the account of clients) and reimbursement liabilities included in this group of the Summary Table are given below :

Kr (000,000's)	1929	1930	1931	1932	1933
Acceptances.	1.0	1.5	0.5	0.6	0.5
Current reimbursements.	16.0	14.1	8.7	11.7	10.4
Total. . . .	17.0	15.6	9.2	12.3	10.9

20. *Sundry Liabilities.*

The composition of this group of the Summary Table is given below :

Kr. (000,000's)	1929	1930	1931	1932	1933
Pension funds	0.3	.	.	.	.
Mortgage debts on premises and real estate taken over	1.2	0.7	0.7	0.9	1.1
Interest accounts . . .	3.6	3.3	4.4	2.9	2.6
Inter-accounts with the branches	1.6	1.6	4.6	0.3	4.4
Other accounts	9.3	7.1	3.7	7.2	2.8
Total. . . .	16.0	12.7	13.4	11.3	10.9

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

According to details given in the official statistics, about 75 to 80 per cent of gross profits are derived from net interest on loans and discounts and the remainder from commissions, securities and foreign exchange, etc.

2. *Expenses.*

The sums shown under the heading " Salaries, etc." include directors' fees, which are not shown separately in the statistics.

POLAND.

Introductory Note.

The contraction of commercial bank credit, which had so forcibly characterised the banking situation in Poland during 1931 and 1932, continued in 1933, but at a considerably slower rate. During 1933, the combined discounts, loans and advances of ths commercial banks fell by 13 per cent, as compared with 17 and 32 per cent in 1932 and 1931 respectively.

Withdrawals of foreign short-term capital from Polish banks were appreciably reduced in 1933. The net foreign indebtedness of the banks on short-term account was only 11 per cent lower at the close of 1933 than at the end of the preceding year, as compared with a decline of 36 per cent in 1932 and 43 per cent in 1931. The foreign short-term position of the Polish banks at the end of 1931, 1932 and 1933 is shown below :

Zloty (000,000's) End of :	1931	1932	1933
Short-term liabilities : Country of creditor :			
England	95	56	56
Germany	93	72	58
France	66	56	51
Austria	43	31	19
United States	16	11	5
Others	88	66	59
Total	401	292	248
Short-term claims	142	127	94
Net indebtedness	259	165	154

Commercial bank deposits continued to decline in 1933, while those in most other groups of banking institutions rose. Aggregate deposits in all banks remained practically unchanged, and by the end of the year the share of the commercial banks in total deposits had fallen to 22 per cent, as shown by the following statement :

Zloty (000,000's) End of :	1931	1932	1933
1. Private joint-stock banks	730	646	572
2. State and Municipal Banks	361	385	404
3. Postal Savings Bank	510	623	695
4. Communal savings banks	603	628	630
5. Co-operative credit associations	346	307	286
Total	2,550	2,589	2,587
Private joint-stock banks' per cent of total	29	25	22

The clearing returns for 1933 indicate an increase in the turnover of cheque payments. The monthly average for each of the last four years and for each of the three agencies of cheque clearing *(i.e.*, the Bank of Poland, the Postal Savings Bank, and the six clearing-offices in the chief industrial centres of the country) may be summarised as follows :

Zloty (000,000's) Monthly average of cheque payments through :	Bank of Poland	Postal Savings Bank	Clearing-offices	Total
1930	4,066	1,245	728	6,040
1931	3,534	1,220	645	5,399
1932	2,828	1,227	535	4,590
1933	2,869	1,538	624	5,031

The short-term commercial credits of the State banks *(i.e.*, the National Economic Bank and the State Land Bank), after undergoing a continuous reduction between 1929 and 1932, remained stationary in 1933. On the other hand, the special loans on short-term from Government funds administered by the State banks continued their remarkable growth. The following table shows the net total of bills discounted (excluding rediscounts) and short-term loans and advances of the private banks and the State banks *(a)* and special loans *(b)* of the State banks outstanding at the end of 1932 and 1933.

End of :	1932	1933	1932	1933
	Zloty (000,000's)		Per cent of total	
Joint-stock banks and principal private banks	804	696	53	46
State banks :				
(a)	306	311	20	21
(b)	421	498	27	33
Total	1,531	1,505	100	100

It will be seen that at the end of 1933 the ordinary commercial banks accounted for less than half of the total short-term credits included in the above table. Moreover, these figures do not cover a third State bank, the Acceptance Bank, which was formed in 1933 to provide medium-term credit for which existing facilities were considered inadequate. The Bank of Poland also makes direct advances to industry, particularly at its provincial branches. The following statement shows the division of its total bill portfolio into "direct" and "indirect" credits in recent years :

Zloty (000,000's) End of	1931	1932	1933
Indirect credits	464.5	427.3	521.6
Of which :			
(a) Banks and other credit institutions	363.2	353.5	430.6
(b) Credits granted through banks	101.2	73.8	91.0
Direct credits	205.8	158.2	163.5
Total bill portfolio	670.3	585.5	688.1
Indirect credits as percentage of total	69.3	73.0	76.2

The proportion of "indirect" credits *(i.e.*, rediscounts for banks and other credit institutions and credits granted by the Bank through the intermediary of other banks) to total credits shows a steady rise in recent years. This is chiefly due to the increased support given by the Bank of Poland to the co-operative credit associations (whose deposits have been much reduced since 1930) and to the communal savings banks. The joint-stock banks have reduced their rediscount indebtedness.

According to the statutes of the Bank of Poland as modified on February 9th, 1933, foreign exchange is no longer eligible for the purposes of the legal reserve, which must now consist exclusively of gold, the minimum cover being 30 per cent of the Bank's note issue and sight deposit liabilities. On the other hand, the reserve requirements have been reduced, inasmuch as they now apply only to notes and sight deposits in excess of 100 million zloty. Up to the present, Poland has maintained its currency on a gold basis and has placed no official restrictions in the way of the withdrawal of foreign short-term funds from Polish banks and industries.

On the initiative of the Government, the joint-stock banks agreed to reduce their maximum interest rate on three-months bills from 9.5 per cent to 8.5 per cent on June 15th, 1934. The discount rate of the Bank of Poland had previously been lowered from 6 per cent to 5 per cent.

No summaries of profit-and-loss accounts have been published since 1930.[1] For the fifteen member banks of the Association of Polish Banks (which, at the end of 1933, held deposits totalling about 290 million zloty), the following percentage figures are available, showing the proportion of working expenses to net interest and commissions earned during the years 1930 to 1933 :[2]

	Per cent
1930.	78.7
1931.	89.5
1932.	104.6
1933.	106.2

The proportion in question rose sharply in 1932, in spite of the fact that working expenses appear to have been drastically reduced. (Thus, in the case of nine of the most important banks, aggregate working expenses declined from 40.7 million zloty in 1931 to 32.8 millions in 1932, and were further reduced to 28.2 million zloty in 1933.) It was chiefly the depreciation of the dollar in 1933 which seems to have enabled the majority of the fifteen banks referred to above to close their accounts for that year without loss.

Balance-sheet Summary.

1 and 2. *Cash Assets.*

The official statistics give no specification of "Cash in hand" ; foreign currency holdings are, however, shown separately in the *Polish Statistical Year-Book.* They are accordingly included in group 2 of the Summary Table.

3. *Discounts.*

No distinction is made in the Polish statistics between domestic and foreign bills, nor are Treasury bills shown separately. Net figures excluding the rediscounts are given below :

Zloty (000,000's)	1929	1930	1931	1932	1933
Total discounts	935	863	528	407	367
Less rediscounts	353	319	268	204	183
Net portfolio	582	544	260	203	184

6. *Due from Banks (Correspondents).*

The sums shown in the Summary Table were composed of "loro" and "nostro" accounts as follows :

Zloty (000,000's)		1929	1930	1931	1932	1933
Due from banks :						
At home.	Loro. . .	17	21	18	20	17
	Nostro. .	29	32	27	22	28
Abroad .	Loro. . .	10	14	9	10	10
	Nostro. .	66	68	54	60	38
Total . .	Loro. . .	27	35	27	30	27
	Nostro. .	95	100	81	82	66

7. *Loans and Advances.*

The sums shown under *(b)* consist of time loans and long-term mortgage loans as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Time loans	46	61	57	67	64
Mortgage loans	142	155	159	154	125
Total *(b)*. . . .	188	216	216	221	189

[1] For figures relating to 1929 and 1930, see *Commercial Banks 1925-1933*, page 177.
[2] See *Rapport de l'Association des banques de Pologne, 1933*, page 14.

POLAND. COMMERCIAL BANKS **Table 17 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	63	64	64	60	54
ASSETS.	Zloty (000,000's omitted)				
1. Cash	106	97	76	66	62
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	28	29	14	12	8
3. Bills discounted and bought	935	863	528	407	367
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	112	114	98	93	91
(b) Other					
5. Participations					
6. Due from Banks (Correspondents)	122	135	108	112	93
(a) At home	46	53	45	43	45
(b) Abroad	76	82	63	69	48
7. Loans and Advances	1,092	1,204	872	754	637
(a) On current account	904	988	656	533	448
(b) Other loans and advances	188	216	216	221	189
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	134	149	126	122	102
10. Sundry Assets	449	421	430	405	395
11. Total Assets	**2,978**	**3,012**	**2,252**	**1,971**	**1,755**
LIABILITIES.					
12. Capital paid up	239	263	250	243	216
13. Reserve Funds	66	74	72	68	62
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	563	561	344	307	257
(a) At home	102	90	64	88	78
(b) Abroad	461	471	280	219	179
17. Deposits	1,090	1,184	730	646	572
(a) Current accounts and sight deposits	536	544	375	322	313
(b) Savings accounts	141	178	87	78	72
(c) Time or fixed deposits	413	462	268	246	187
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	495	473	427	361	308
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	525	457	429	346	340
21. Total Liabilities	**2,978**	**3,012**	**2,252**	**1,971**	**1,755**
22. Value of currency in Swiss francs at the end of each year	0.58	0,58	0.58	0.58	0.58

14. *Profit-and-Loss Accounts.*

The balance of profit-and-loss accounts is not shown in the banking summaries published in the *Statistical Bulletin of the Ministry of Finance.* But the difference between the expenditure accounts and the earnings (interest and commissions) constitutes a rough measure of the amount of the ordinary net profits of each year. This difference is shown below :

Zloty (000,000's)	1929	1930	1931	1932	1933
Interest and commissions.	135	125	94	60	47
Expenditure.	105	101	84	63	52
Net balance. . .	30	24	10	—3	—5

As the above figures do not include profits from investments and exchange profits on the one hand, and depreciation of securities and of foreign exchange and sums written off credits on the other, the balance shown does not represent actual net profits.

16. *Due to Banks (Correspondents).*

The "loro" and "nostro" accounts (the latter representing borrowings with credit institutions apart from rediscounts and pledging of own securities) are shown separately as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Due to banks :					
At home. { Loro. . .	53	55	35	38	33
At home. { Nostro. .	49	35	29	50	45
Abroad . { Loro. . .	83	89	59	36	27
Abroad . { Nostro. .	378	382	221	183	152
Total . . { Loro. .	136	144	94	74	60
Total . . { Nostro. .	427	417	250	233	197

17. *Deposits.*

The sums shown under *(a)* are composed of sight deposits and current accounts, as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Sight deposits.	259	238	166	147	137
Current accounts . . .	277	306	209	175	176
Total *(a)*. . . .	536	544	375	322	313

18. *Rediscounts and Other Borrowings.*

The sums shown are composed as follows :

Zloty (000,000's)	1929	1930	1931	1932	1933
Bills rediscounted :					
At home	292	268	257	198	178
Abroad.	61	51	11	6	5
Total.	353	319	268	204	183
Mortgage and other bonds issued.	142	154	159	157	125
Grand total. . .	495	473	427	361	308

PORTUGAL.

Introductory Note.

After a long period of unsettled monetary conditions, extending as far back as 1891, a *de facto* stabilisation of the Portuguese currency was achieved in 1928, thus preparing the way for the currency and banking reform of 1931. This reform consisted in a return to the gold standard and a comprehensive reorganisation of the Bank of Portugal. The gold content of the escudo was fixed at 0.0739 gramme of gold (nine-tenths fine), or one-twenty-fifth of the gold content decreed in 1911, which had, however, remained inoperative in practice. The revaluation of the gold assets of the Bank of Portugal (hitherto valued at the 1911 gold content of the escudo) at the new parity yielded a book profit of about 400 million escudos. Part of this was used to raise the nominal value of the share capital of the Bank from 13.5 million to 100 million escudos, and to strengthen its reserve funds. The remainder of the revaluation profit, together with a current budget surplus of the Government, was used to reduce the State debt to the Bank from over 1,500 million to 1,100 million escudos. [1] It was intended that the Bank of Portugal should, as far as possible, replace this asset with ordinary commercial assets, thus extending its credit facilities to private business and increasing its control over the credit system of the country. [2]

The new statutes of the Bank of Portugal require 30 per cent of its note issue and deposit liabilities to be covered in gold or foreign exchange. Moreover, a maximum limit of 2,200 million escudos is fixed for the note circulation, which can only be exceeded against full cover in gold and foreign exchange.

The new legal gold parity of the Portuguese currency was, in fact, maintained for less than three months. When the United Kingdom suspended the gold standard on September 21st, 1931, Portugal linked her currency to sterling, and has since that date maintained the par rate of exchange with the pound sterling — viz., 110 escudos to the pound.

The following statement shows the movement since 1931 of some of the principal accounts of the Bank of Portugal and of the commercial banks covered by the attached Summary Table, as well as the deposits of the Caixa Geral de Depósitos (a State credit institution intimately connected with the Treasury) and of the savings banks :

Escudos (000,000's) End of :	1931	1932	1933	June 1934
Bank of Portugal :				
Gold[a]	286	539	770	893
Foreign exchange	668	633	327	350
Note circulation	2,062	2,001	1,989	1,931
Bankers' deposits	248	310	305	482
Commercial Banks :				
Sight deposits	464	481	480	518
Time deposits	225	208	210	203
Domestic bills	308	333	402	421
Caixa Geral de Depósitos :				
Deposits	1,503	1,801	1,929	2,135
Savings Banks :				
Deposits	827	932	831	751

[a] Calculated at the legal parity established in 1931.

It will be seen that the gold stock of the Bank of Portugal has more than trebled since the end of 1931 ; part of this increase was due to the conversion of foreign assets into gold. Gold and foreign exchange holdings combined amounted to 1,243 million escudos at the end of June 1934, as against 954 millions at the end of 1931.

It will also be observed that bankers' deposits at the Bank of Portugal by far exceed the cash balances of the commercial banks included in the Summary Table. The bulk of these deposits appears to represent the cash reserves of the Caixa Geral de Depósitos and of the savings banks. The substantial increase in the aggregate deposits of the banking system as a whole since 1931 has been accompanied by a decline in the note circulation, and may partly be attributed to the monetary reconstruction of 1931 and to the improvement of the public finances.

By a Decree of March 7th, 1932, the interest rates charged by the banks on loans and discounts must not exceed the official discount rate of the Bank of Portugal by more than 1.5 per cent. In March 1932, the official discount rate was reduced from 7 to 6.5 per cent, and further reductions were effected in March and December 1933, which brought the rate down to 5.5 per cent.

A Decree of December 24th, 1932, provided for a considerable extension of the scope and activities of the two clearing-houses at Lisbon and Oporto. On September 29th, 1933, a Decree was issued

[1] By the middle of 1934, this debt had been further reduced to 1,050 million escudos.

[2] In addition to granting rediscount credits to financial institutions, the Bank of Portugal also makes loans directly to private business firms.

PORTUGAL. COMMERCIAL BANKS [a] Table 18 *(a)*.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:			
	1929	1930	1931	1932
Number of Banks	23[a]	22[a]	23[a]	25[a]
ASSETS.	Escudos (000,000's omitted)			
1. Cash				
(a) Gold, silver and small coins				
(b) Notes of inland banks, State notes and balances with the Central Bank	162	145	210	168
2. Other Items of a Cash Nature				
3. Bills discounted and bought	581	386	320	343
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	565	371	308	333
(c) Commercial bills, Foreign	16	15	12	10
4. Investments and Securities	91	85	72	70
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	131	140	107	114
(a) At home	—	76	58	42
(b) Abroad	—	64	49	72
7. Loans and Advances	423	407	362	329
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	588	40	51	50
10. Sundry Assets		197	256	444
11. Total Assets	**1,976**	**1,400**	**1,378**	**1,518**
LIABILITIES.				
12. Capital paid up	198	198	223	237
13. Reserve Funds	51	82	84	102
14. Profit-and-Loss Balances, etc.	23	17	15	17
15. Cheques and Drafts, etc., in circulation	14	17	16	11
16. Due to Banks (Correspondents)	119	76	62	45
(a) At home	—	39	32	21
(b) Abroad	—	37	30	24
17. Deposits	1,044	885	812	819
(a) Current accounts and sight deposits	481	389	464	481
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	273	255	225	208
(d) Other deposits	290	241	123	130
18. Rediscounts and Other Borrowings	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	527	125	166	287
21. Total Liabilities	**1,976**	**1,400**	**1,378**	**1,518**
22. Value of currency in Swiss francs at the end of each year	0.23	0.23	0.17	0.16

[a] Excluding the Banco Nacional Ultramarino and the Banco de Angola.

effecting a reduction of stamp duties on certain classes of credit instruments and banking documents with a view to encouraging the development of acceptance credit in particular, and of short-term investment paper in general, on the domestic money market.

The attached Summary Table is based on the official balance-sheet summaries published in the *Annario Estatistico* for 1929 and in the *Situação Bancaria* for 1930-1932. For reasons given in the previous edition of this *Memorandum*, the Banco Nacional Ultramarino and the Banco de Angola have been excluded from this table.

The official banking statistics do not contain any summary of the profit-and-loss accounts of commercial banks.

Balance-sheet Summary.

1 and 2. *Cash and Other Items of a Cash Nature.*

The joint amounts shown for these two items are composed as follows :

Escudos (000,000's)	1929	1930	1931	1932
Cash in hand.	80	73	126	77
Deposits in other banks . .	82	70	82	89
Foreign notes and coin . .	—	2	2	2
Total	162	145	210	168

Cash in hand consists exclusively of inland notes and coins. Balances with the Central Bank are not shown separately from deposits in other banks.

3. *Bills discounted and bought.*

The inland bill portfolio includes "bills receivable" in addition to bills discounted, as follows :

Escudos (000,000's)	1929	1930	1931	1932
Bills discounted	470	358	292	323
Bills receivable.	95	13	16	10
Total	565	371	308	333

6. *Due from Banks (Correspondents).*

Amounts due from banks abroad were not shown separately from domestic correspondents prior to 1930.

7. *Loans and Advances.*

The sums shown are composed as follows :

Escudos (000,000's)	1929	1930	1931	1932
Secured loans and advances	192	203	221	194
Sundry debtors :				
In national currency . .	231	117	112	110
In foreign currency. . .		87	29	25
Total	423	407	362	329

A minor proportion of the first item above consists of mortgage loans which, however, are not shown in detail.

10. *Sundry Assets.*

Since 1930, this item includes bills for collection, etc., previously included in the bill portfolio.

15. *Cheques and Drafts in Circulation.*

Amounts shown represent bills payable.

16. *Due to Banks (Correspondents).*

Amounts due to domestic and foreign banks are not shown separately prior to 1930.

17. *Deposits.*

The composition of deposits is shown in detail below :

Escudos (000,000's)	1929	1930	1931	1932
Demand deposits :				
National currency . . .	—	356	433	451
Foreign currency. . . .		33	31	30
Total *(a)* . . .	481	389	464	481
Time deposits :				
National currency . . .	—	250	221	206
Foreign currency. . . .	—	5	4	2
Total *(c)*. . . .	273	255	225	208
Sundry creditors :				
National currency . . .	—	182	82	74
Foreign currency. . . .	—	59	41	56
Total *(d)* . . .	290	241	123	130
Grand total	1,044	885	812	819

The nature of the "sundry creditors" is not indicated in the statistics, but, like "sundry debtors" shown under assets (see note to group (7) above), they would appear chiefly to represent current accounts of the business community. No distinction is made between deposits in national and in foreign currency before 1930.

remained in force since May 1932 and a substantial reduction in the transfer of the service of foreign debts has been obtained by the Agreement of March 1934 with the foreign creditors, the *Devisen* acquired by the National Bank have continually diminished in amount as a result of the steady decline in the export surplus from 6.4 milliard lei in 1931 to 4.7 and 2.4 milliard lei in 1932 and 1933 respectively. In the first eight months of 1934, the favourable trade balance shrank to 48 million lei, as compared with 1,258 millions in the first eight months of the previous year. This development is due to a steady increase in the value and quantum of imports and a slight but steady decline in the value and quantum of exports. To remedy this situation, the new law establishes a compensation system to take effect as from November 15th, 1934. Its purpose is to ensure that imports do not exceed 60 per cent of the value of exports. Of the *Devisen* received from the export of certain staple Roumanian products, the National Bank is to retain 40 per cent. A similar amount is to be acquired by the National Bank for additional exports destined to settle the service on foreign debts or to liquidate arrears of merchandise debts.

Balance-sheet Summary.

1 and 2. *Cash Assets.*

The cash reserves of the Roumanian banks are composed as follows :

Lei (000,000's)	1929	1930	1931	1932
"Cash"	3,510	3,742	1,739	1,683
"Banks"	3,119	4,268	1,321	839
Total	6,629	8,010	3,060	2,522

3. *Bills discounted and bought.*

No distinction is made between Treasury bills and commercial paper ; nor are foreign bills shown separately.

7. *Loans and Advances.*

The sums given under *(a)* are shown in the official statistics as "current account debtors", and those given under *(b)* as "sundry advances". Current accounts include inter-bank accounts.

10. *Sundry Assets.*

The sums shown in this group of the Summary Table are composed as follows :

Lei (000,000's)	1929	1930	1931	1932
Merchandise	622	126	94	55
Collection accounts	1,440	870	606	146
Transitory accounts	114	89	462	163
Expenditure relating to following year	26	25	14	17
Losses	155	223	686	658
Net balance of guarantee accounts and sundries.	—	—	—	480
Total	2,357	1,333	1,862	1,519

14. *Profit and Loss, etc.*

The total of the losses incurred by the banks and included in group 10 of the Summary Table should be deducted in order to arrive at the net profits of the banking system as a whole. This is done in the following statement :

Lei (000,000's)	1929	1930	1931	1932
Net profit of individual banks	1,947	1,638	493	188
Losses of individual banks.	155	222	686	658
Balance representing net profits of banking system	1,792	1,416	—193	—470

It will be noted that the banking system as a whole made a net loss in 1931 and 1932.

17. *Deposits.*

Deposits are not divided according to periods of maturity in the official statistics, but distinction is made between current-account creditors and other deposits as shown in the following table :

Lei (000,000's)	1929	1930	1931	1932
Current-account creditors	19,561	18,212	12,840	11,714
Deposits	31,753	35,111	17,366	14,469
Total	51,314	53,323	30,206	26,183

20. *Sundry Liabilities.*

The composition of the sums in this group of the Summary Table is shown below.

Lei (000,000's)	1929	1930	1931	1932
Depositors of bills for collection	1,575	774	769	340
Transitory accounts	683	524	789	222
Net balance of guarantee accounts and sundries.	1,060	790	994	—
Unclaimed dividends	84	82	81	80
Earnings relating to following year	323	316	176	59
Total	3,725	2,486	2,809	701

SPAIN.[1]

Introductory Note.

The commercial banking system of Spain, which experienced a rapid and continuous development between 1925 and 1930,[2] was not affected by the world depression until the second quarter of 1931. At the end of March 1931, deposits in all commercial banks amounted to 7,600 million pesetas, or slightly more than at the end of 1930. The European banking crisis of May 1931 led, however, to large-scale withdrawals, and by the end of June deposits in Spanish commercial banks had been reduced to 6,445 million pesetas, a fall of over 1,000 million pesetas in three months. The loss of confidence was confined to the commercial banks, deposits in savings banks showing but little fluctuation during the critical months. Ten commercial banks of secondary importance failed. The crisis appears to have reached its culmination in July ; at the end of that month note circulation touched its highest level at 5,457 million pesetas, compared with 4,604 millions at the end of March. The commercial banks had extensive recourse to the Bank of Spain for rediscount and Lombard credits ; in the second quarter of 1931, the Central Bank's total loans and discounts rose from 2,050 to 3,000 million pesetas. Confidence in the banks appears to have been restored by August or September ; in the last quarter of 1931 there was a slight increase in bank deposits. Moreover, the note circulation of the Bank of Spain shows a steady contraction after July and the increase in its bill portfolio was arrested. Between the end of March and the end of August 1931, the peseta depreciated from 55 to 46 per cent of its gold parity, and by December 1931 it had fallen to 44 per cent.

During 1932, there was a return flow of deposits to the commercial banks, as is shown in the following table : [3]

Pesetas (000,000's) End of :	1929	1930	1931	1932	1933
1. Ordinary savings banks.	1,703	1,882	2,014	2,158	...
2. Postal savings banks . .	252	265	278	298	318
3. *Montes de Piedad* . . .	365	370	409	423	443
4. Savings deposits in Private banks	1,287	1,301	1,021	1,026	1,114
5. Total savings deposits .	3,607	3,818	3,722	3,905	
6. Other deposits in Private banks	4,797	5,246	4,353	4,785	4,942
7. Total deposits.	8,404	9,064	8,075	8,692	

A year after the crisis, savings deposits and other deposits were higher than in 1929, and by the end of 1933 savings deposits had reached the high peak of 1930. During 1932, 1933 and the first half of 1934, the loans and advances of the Bank of Spain declined well below their 1931 level, and the note circulation showed a similar contraction. Both these items have remained, however, slightly above the levels reached in 1930.

The nature and extent of the improvement in the banking situation since the setback of 1931 is brought out more clearly by the accounts of the "inscribed banks". At the end of 1932, these banks held 90 per cent of all deposits, and were responsible for 88 per cent of the combined balance-sheets of all commercial banks in Spain. The following is a summary statement of their balance-sheets : [4]

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[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Spain in the last edition of this volume, the present chapter covers the period since 1931.

[2] In 1925, there were 146 banks with a total balance-sheet of 8,100 million pesetas, and in 1930 the banks numbered 228 and their total balance-sheet amounted to 13,400 million pesetas. The growth of banking resources was particularly rapid — 65 per cent as measured by total balance-sheet — between the end of 1927 and the end of 1930. In the same period the note circulation of the Bank of Spain rose from 4,202 to 4,767 million pesetas, and the depreciation of the peseta in terms of U.S. dollars from 11 to 40 per cent.

[3] As the complete figures on the savings deposits and other deposits of all the commercial banks given in the previous issue of this *Memorandum* are published with a delay of two years, the deposit figures of the " inscribed " banks have been used instead. At the end of 1932, these represented 90 per cent of all deposits held by the entire commercial banking system. Deposits of over one month have been taken to represent savings deposits, and "other deposits" are the sum of sight deposits, deposits in foreign currency, and deposits up to one month, shown separately in the balance-sheets of the " inscribed " banks given in the table on page 100.

[4] These are published quarterly by the Supreme Banking Council in the *Balances trimestrales de la Banca inscrita*. Their classification and composition are identical with those of the more complete figures reproduced in the summary balance-sheets and explained in the notes.

End of :	Dec. 1929	Dec. 1930	Dec. 1931	June 1932	Dec. 1932	June 1933	Sept. 1933	Dec. 1933	June 1934	Sept. 1934
Number of banks	123	132	124	123	124	121	122	124	125	124
ASSETS.	Pesetas (000,000's)									
1. Cash balances with the Bank of Spain	965	1,001	1,049	1,022	1,057	1,087	1,017	1,137	1,201	1,027
2. Balances with other banks	577	583	563	568	580	543	587	544	548	580
3. Bill portfolio	1,662	1,708	1,396	1,475	1,515	1,485	1,483	1,473	1,486	1,501
4. Securities	3,550	3,922	3,739	3,911	3,867	3,946	3,947	3,988	4,071	4,244
Of which : Public	(2,117)	(2,381)	(2,296)	(2,467)	(2,441)	(2,524)	(2,513)	(2,572)	(2,524)	(2,718)
5. Loans and advances	2,222	2,284	1,717	1,739	1,797	1,797	1,913	1,924	1,934	1,972
Of which : On current account	(448)	(437)	(375)	(404)	(414)	(425)	(474)	(487)	(490)	(519)
6. Cover for acceptances	114	133	96	87	80	78	75	76	88	86
7. Premises, etc.	243	255	261	265	276	276	285	288	286	281
8. Sundry assets	1,453	1,404	1,306	2,035	2,047	2,295	2,345	2,151	1,870	1,621
9. Total assets	10,785	11,290	10,127	11,101	11,219	11,507	11,653	11,581	11,484	11,311
LIABILITIES.										
1. Capital and reserves	1,307	1,394	1,413	1,424	1,447	1,432	1,452	1,419	1,470	1,451
2. Bills payable and other obligations	185	162	165	155	141	126	121	153	134	131
3. Due to banks	1,548	1,639	1,835	1,740	1,774	1,731	1,749	1,861	1,728	1,703
4. Deposits	6,084	6,568	5,374	5,736	5,812	5,983	6,052	6,056	6,284	6,315
(a) Sight	(3,197)	(3,425)	(2,707)	(2,875)	(2,922)	(2,933)	(2,972)	(2,962)	(3,066)	(3,097)
(b) In foreign currency	(408)	(474)	(307)	(295)	(275)	(250)	(255)	(287)	(264)	(262)
(c) Up to one month	(1,193)	(1,368)	(1,338)	(1,522)	(1,589)	(1,682)	(1,675)	(1,693)	(1,813)	(1,816)
(d) Over one month	(1,287)	(1,301)	(1,021)	(1,045)	(1,026)	(1,118)	(1,150)	(1,114)	(1,141)	(1,140)
5. Acceptances	114	133	96	87	80	78	75	76	88	86
6. Sundry liabilities	1,548	1,394	1,244	1,958	1,965	2,157	2,205	2,016	1,781	1,565
7. Total liabilities	10,785	11,290	10,127	11,101	11,219	11,507	11,653	11,581	11,484	11,311

The growth of deposits has been steady and has continued through the first half of 1934. Capital and reserves have risen appreciably since December 1930, despite a reduction in the number of banks reported. Since the middle of 1932, the bill portfolio has remained practically unchanged, while loans and advances — which, like bills discounted, had shown a very sharp decline in 1931 — have steadily increased. It will be observed that, in recent months, the banks have greatly increased their cash deposits with the Bank of Spain. At the middle of 1934, the ratio of cash to total deposits amounted to nearly 20 per cent as compared with 15 per cent at the end of 1930.

Balance-sheet Summary.

Number of Banks.

The division of the total number of banks was as follows at the end of each year under review :

	1929	1930	1931	1932
Inscribed banks	123	132	124	124
Non-inscribed banks	80	85	82	87
Foreign banks	12	11	12	10
Total	215	228	218	221

1. *Cash.*

The amounts shown in the Summary Table consist of "cash and balances with the Bank of Spain".

2. *Other Items of a Cash Nature.*

The sums shown under this heading consist of cheques, etc., on other banks and small amounts of foreign money.

3. *Bills discounted and bought.*

The sums shown in the table consist entirely of commercial bills and are composed as follows :

Pesetas (000,000's)	Up to ninety days	Over ninety days	Total
1929	1,890	19	1,909
1930	1,928	22	1,950
1931	1,575	16	1,591
1932	1,656	17	1,673

7. *Loans and Advances.*

The sums shown are composed as follows :

Pesetas (000,000's)	1929	1930	1931	1932
Sight advances	580	577	495	530
Loans in foreign currencies	539	522	294	200
Total *(a)*	1,119	1,099	789	730
Time advances	683	719	531	585
Collateral advances	808	921	746	736
Total *(b)*	1,491	1,640	1,277	1,322
Grand total	2,610	2,738	2,066	2,051

SPAIN. COMMERCIAL BANKS **Table 20 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT END OF: 1929	1930	1931	1932
Number of banks	215	228	218	221
ASSETS.	Pesetas (000,000's omitted)			
1. Cash	1,111.3	1,146.7	1,232.9	1,193.3
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	888.8	852.5	772.4	779.4
3. Bills discounted and bought	1,909.4	1,949.5	1,590.7	1,672.9
(a) Treasury bills	—	—	—	—
(b) Commercial bills, inland	—	—	—	—
(c) Commercial bills, foreign	—	—	—	—
4. Investments and Securities	3,807.4	4,166.4	3,927.3	4,043.5
(a) Government	2,231.3	2,519.3	2,440.7	2,562.8
(b) Other	1,576.1	1,647.1	1,486.6	1,480.7
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	2,610.2	2,738.3	2,065.5	2,051.4
(a) On current account	1 119.1	1,098.6	788.7	729.6
(b) Other	1,491.1	1,639.7	1,276.8	1,321.8
8. Cover for Acceptances	159.8	170.7	129.1	94.9
9. Premises, etc.	293.6	315.1	313.6	332.0
10. Sundry Assets	2,100.5	2,098.2	1,908.9	2,578.5
11. Total Assets	**12,881.0**	**13,437.4**	**11,940.4**	**12,745.9**
LIABILITIES.				
12. Capital paid up	1,050.5	1,092.8	1,058.3	1,045.3
13. Reserve Funds	418.3	457.9	526.0	531.7
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—
15. Notes in Circulation	—	—	—	—
16. Cheques and drafts, etc., in Circulation	208.6	183.3	189.6	158.5
17. Due to Banks (Correspondents)	1,865.2	1,919.6	2,061.3	1,960.6
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
18. Deposits	6,943.0	7,471.9	6,127.2	6,446.1
(a) Current accounts and sight deposits	4,206.2	4,538.6	3,553.8	3,623.2
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	2,736.2	2,933.3	2,573.4	2,822.9
(d) Other deposits	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—
20. Acceptances and Endorsements	159.8	170.7	129.1	94.9
21. Sundry Liabilities	2,235.6	2,141.0	1,848.9	2,508.8
22. Total Liabilities	**12,881.0**	**13,437.4**	**11,940.4**	**12,745.9**
23. Value of currency in Swiss francs at the end of each year	0.71	0.55	0.43	0.42

11 and 22. *Total Assets and Liabilities.*

Not including unpaid capital or banks' holdings of own shares. These two items were as follows in the years under review :

Pesetas (000,000's)	Unpaid capital	Holding of own shares	Total
1929	160	435	596
1930	130	610	740
1931	156	585	741
1932	146	557	703

13. *Reserve Funds.*

For 1931 and 1932, this item includes a special fund of 96 and 126 million pesetas for currency fluctuations shown separately since 1931.

18. *Deposits.*

The amounts shown under *(a)* in the Summary Table consist of sight deposits and deposits in foreign currencies and those under *(c)* consist of deposits made for one month and for longer periods.

Pesetas (000,000's)	1929	1930	1931	1932
Sight deposits	3,694	3,916	3,148	3,302
Deposits in foreign currencies.	512	623	406	321
Total *(a)* . . .	4,206	4,539	3,554	3,623
Time deposits :				
Up to one month . . .	1,290	1,473	1,430	1,681
Over one month . . .	1,446	1,460	1,143	1,142
Total *(c)* . . .	2,736	2,933	2,573	2,823
Grand total *(a)*+*(c)* .	6,943	7,472	6,127	6,446

SWEDEN.

Introductory Note.[1]

The following statement summarises the principal accounts of the commercial banks and the Riksbank from the end of 1932 to September 1934 :

Kronor (000,000's) End of :	1932	1933	Sept. 1934
Commercial Banks :			
Cash and other items of a cash nature	180	391	391
Domestic discounts[a] and loans	4,200	3,905	3,815
Deposits	3,556	3,628	3,648
Rediscounts with Riksbank	115	—	—
Riksbank :			
Note circulation	598	648	695
Gold at home and abroad[b]	200	370	374
Riksbank and Commercial Banks :			
Foreign assets (net holdings)	428	553	664

[a] Excluding rediscounts.
[b] Gold counted at legal mint parity, even after the suspension of the gold standard.

As may be seen from this table, the volume of loans and discounts continued its downward trend, though at a reduced rate, in the first nine months of 1934. The process of debt liquidation thus more than counterbalanced, in the volume of credit outstanding, the effects of the substantial revival of production and trade which took place in Sweden during the same period and which are reflected in the expansion of the note circulation. In consequence, the cash reserves of the commercial banks remained abnormally large in 1934 ; rediscounts with the Central Bank were negligible in amount ; and money rates stood at exceptionally low levels.[2] The slight increase in aggregate deposits with commercial banks in the first nine months of 1934 was due to an expansion of current accounts ; time and savings deposits declined by 25 million kronor. Between September 30th, 1933, and September 30th, 1934, current account and sight deposits increased from 654 to 718 million kronor, while time and savings accounts declined from 3,011 to 2,930 million kronor ; aggregate deposits at the end of September 1934 were thus 17 million kronor lower than a year before.

During the year ending September 30th, 1934, the aggregate net foreign assets of the Riksbank and the commercial banks combined rose from 442 to 664 million kronor. The commercial banks accounted for nearly the whole of the increase of over 100 million kronor, which took place in the first nine months of 1934. Their net foreign claims, which had amounted to 100 million kronor at the end of September 1933, rose from 106 million kronor at the end of 1933 (after declining to 77 millions in March 1934) to 195 million kronor at the end of September 1934. This development represented a reversal of the policy pursued by the commercial banks in the preceding two years, when all foreign exchange received by them was, as a rule, immediately sold to the Riksbank and when, in consequence, the considerable increase which occurred in the total foreign assets of the Swedish banking system as a whole was mainly concentrated with the latter. The change of policy with regard to foreign holdings of commercial banks in 1934 appears to reflect, on the one hand, the insufficiency of short-term investment opportunities on the domestic market, in conjunction with the restrictions placed upon long-term investment by the new banking law [3] which came into force on January 1st, 1934, and, on the other, the narrowing of the range of fluctuation of exchange rates (particularly after the provisional stabilisation of the dollar at the beginning of 1934).

In May 1934, one of the largest Swedish banks, the Skandinaviska Kreditaktiebolaget, which had been heavily involved in the breakdown of the Kreuger concern in 1932, was able to repay the last 20 million kronor of the State credit of 115 million kronor (secured by certain investment holdings of the bank), which it had received in 1932 for a period of ten years.[4]

In accordance with a resolution passed by the Swedish Parliament in June 1934, a semi-official banking institution for industrial credit was established in the autumn of 1934. The object of the new institute is to grant medium- and long-term credits — particularly to smaller industries lacking direct access to the capital market — and also, especially in view of recent banking legislation, to relieve the commercial banks of certain credits which are not short-term in character. The institute was formed as a joint-stock company with a share capital of 8 million kronor, of which 6 million kronor was subscribed by the State, the remainder being taken up by five of the larger commercial banks. The Government, through the

[1] In the last edition of this *Memorandum*, the Introductory Note to this section covered banking developments in Sweden up to the end of 1933 ; the present note therefore deals only with the changes which have taken place in 1934.
[2] Since December 1933, both the official discount rate and the market rate for three-months commercial paper have been 2.5 per cent.
[3] The main provisions of this law were summarised in the preceding edition of this publication.
[4] For further details, see *Commercial Banks, 1925-1933*, pages 193 and 194.

National Debt Office, also put a guarantee fund of 12 million kronor, in the form of 4 per cent State bonds, at the disposal of the institute. These bonds, however, remain in the possession of the State, and will only be used if, in the event of liquidation of the institute, its own resources should prove insufficient. The institute is authorised to borrow funds of an amount equal to four times the sum represented by this guarantee fund plus the reserves subsequently accumulated from operating profits. Together with its share capital, the institute thus possesses an initial lending capacity of 56 million kronor. Its dividends are limited to 5 per cent, and the majority of its shares must always remain in State ownership.

Balance-sheet Summary.

1. *Cash.*

The sums given under *(a)* represent exclusively gold. Silver and small coins are not shown separately from domestic bank-notes and sight balances with the Central Bank.

2. *Other Items of a Cash Nature.*

The sums given in this group consist of cheques and bills payable at sight and foreign bank notes.

3. *Bills discounted and bought.*

Treasury bills are included under securities given in group 4. Inland discounts in group 3*(b)* exclude bills rediscounted, which, in conformity with the procedure adopted in the Swedish statistics, are given in a special account (item 23 of the Summary Table) outside the balance-sheet proper. In the following statement, the inland discounts are shown, including the rediscounts in conformity with the practice followed in most other countries :

Kronor (000,000's)	1929	1930	1931	1932	1933
Inland bills :					
In portfolio	966	1,028	976	1,169	1,103
Rediscounted	254	199	327	116	1
Total	1,220	1,227	1,303	1,284	1,104

4. *Investments and Securities.*

Kronor (000,000's)	1929	1930	1931	1932	1933
Government securities and interest-bearing bonds :					
Inland	162	185	177	199	217
Foreign	135	173	126	98	63
Shares	98	103	108	129	182
Total	395	461	411	426	462

7. *Loans and Advances.*

The sums shown under *(a)* only represent amounts actually drawn ; the undrawn balances of the credits opened by the banks are not included in the balance-sheets proper in the Swedish banking statistics. On the other hand, the total amount of credits opened is shown in these statistics as a separate account outside the balance-sheet. The undrawn balances obtained by deducting the sums included from those shown outside the balance-sheets are given separately in group 22 at the bottom of the Summary Table. In the following statement, the loans and advances, including the undrawn balances as above, are divided according to the nature of their cover :

Kronor (000,000's)	1929	1930	1931	1932	1933
Credits opened in current account :					
Actually drawn . . .	732	849	792	650	542
Undrawn balances . .	310	269	257	238	254
Loans.	2,471	2,559	2,600	2,381	2,260
Total	3,513	3,677	3,649	3,269	3,056
Thereof granted against :					
1. Mortgages	1,468	1,427	1,398	1,419	1,427
2. Shares	1,123	1,253	1,183	888	707
3. Bonds, goods or other real security. . . .	384	475	589	495	495
4. Personal guarantees .	538	522	479	467	427
Total as above. . .	3,513	3,677	3,649	3,269	3,056

17. *Deposits.*

The sums given under *(a)* include, in addition to sight accounts proper (giro and cheque accounts), deposits on less than one month's time or notice. In conformity with the principles adopted in the Swedish banking statistics, the potential sight liability represented by the unutilised balances of credits granted are not included under deposits in the Summary Table, but are shown as a separate account outside the balance-sheet. Had they been included, the sums under *(a)* would have been as follows :

Kronor (000,000's)	1929	1930	1931	1932	1933
Giro and cheque accounts .	409	436	438	406	437
Unutilised balances of credits opened	310	269	257	238	254
Deposits under one month	250	245	172	219	237
Total	969	950	867	863	928

18. *Rediscounts and Other Borrowings by the Banks.*

The sums given in this group of the Summary Table are headed in the banking statistics " borrowings from other than banks and savings banks ". They include the bonds of a mixed commercial and mortgage bank *(Stockholms Inteckningsgaranti, A.B.)* and registered certificates

[*Continued on page 106.*

SWEDEN. COMMERCIAL BANKS **Table 21 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	1934
Number of : Banks	30	30	30	30	29	29
Branches and Sub-Branches	1,015	1,015	1,016	1,012	1,011	
ASSETS.	Kronor (000,000's omitted)					
1. Cash	84	89	88	133	333	287
(a) Gold, silver and small coins	1	1	1	1	1	1
(b) Inland notes and balances with Central Bank	83	88	87	132	332	286
2. Other Items of a Cash Nature	43	46	47	47	58	62
3. Bills discounted and bought	1,047	1,150	1,066	1,239	1,166	1,117
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	966	1,028	976	1,169	1,103	1,045
(c) Commercial bills, Foreign	81	122	90	70	63	72
4. Investments and Securities	305	461	411	426	462	640
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	302	208	170	266	229	215
(a) At home	89	93	83	172	140	128
(b) Abroad	213	115	87	94	89	87
7. Loans and Advances	3,203	3,408	3,392	3,031	2,802	2,749
(a) On current account	732	849	792	650	542	509
(b) Other	2,471	2,559	2,600	2,381	2,260	2,240
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	89	87	88	94	98	96
10. Sundry Assets	220	258	230	453	506	221
11. Total Assets	**5,383**	**5,707**	**5,492**	**5,689**	**5,654**	**5,387**
LIABILITIES.						
12. Capital paid up	514	514	525	525	505	486
13. Reserve Funds	312	321	300	203	204	202
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Cheques and Drafts in Circulation	93	82	76	61	72	78
16. Due to Banks (Correspondents)	319	458	320	334	354	309
(a) At home	208	212	257	287	245	249
(b) Abroad	111	246	63	47	109	60
17. Deposits	3,481	3,631	3,553	3,556	3,628	3,553
(a) Current accounts and sight deposits	659	681	610	625	674	607
(b) Savings accounts	688	710	686	648	643	656
(c) Time or fixed deposits	2,134	2,240	2,257	2,283	2,311	2,200
(d) Other deposits	—	—	—	—	—	—
18. Borrowings by the Banks	207	314	325	532	487	421
19. Acceptances and Endorsements	6	1	2	1	3	7
20. Sundry Liabilities	361	386	382	387	401	331
21. Total Liabilities	**5,383**	**5,707**	**5,492**	**5,689**	**5,654**	**5,387**
22. Unutilised balances of credits granted	310	269	257	238	254	238
23. Rediscounts	254	199	327	116	1	—
24. Borrowings against own or pledged securities	41	28	25	129	91	13
25. Guarantees	...	...	(265)[a]	151	156	134
26. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.95	0.93	0.87	0.78

[a] January 30th, 1932.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	30	30	30	30	29
	Kronor (000,000's omitted)				
Capital paid up	514	514	525	525	505
Reserves and Undivided Profits	348	362	353	325	231
1. Gross Profits	**160.4**	**156.4**	**169.9**	**162.2**	**135.7**
To be deducted:					
2. Expenses	74.4	77.5	75.6	70.5	70.6
(a) Salaries, etc.	46.1	47.2	46.9	46.4	46.6
(b) Other working expenses	19.0	21.5	21.2	19.9	19.5
(c) Taxes, etc.	9.3	8.8	7.5	4.2	4.5
3. Reserved for Pension Funds, etc.	1.2	1.1	0.5	0.3	0.5
4. Written off on (Depreciation Accounts for)	19.8	38.6	61.9	236.8	47.1
(a) Premises, etc.	1.9	2.1	0.8	0.8	0.5
(b) Investments and securities	1.4	2.5	28.1	43.9	10.9
(c) Other assets	16.5	34.0	33.0	192.1	35.7
5. Remaining Net Profit (+) or Loss (—)	**+ 65.0**	**+ 39.2**	**+ 31.9**	**—145.4**	**+17.5**
6. Carried forward from preceding year	35.9	41.1	44.2	31.7	27.2
7. Taken from Reserves or Capital	—	17.1	1.7	160.4	8.7
8. Total Amount disposed of for Dividends, etc.	**100.9**	**97.4**	**77.8**	**46.7**	**53.4**
9. Carried to Reserves	8.8	3.8	11.4	0.4	0.3
10. Dividends	51.0	49.4	34.7	19.1	23.9
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year	41.1	44.2	31.7	27.2	29.2
13. Total as above	**100.9**	**97.4**	**77.8**	**46.7**	**53.4**
14. Value of currency in Swiss francs at the end of each year	1.39	1.39	0.95	0.93	0.87

(förlagsbevis) issued by some of the banks for the purpose of strengthening their position. In addition, the banks have frequent recourse to rediscounting of bills almost exclusively with the central bank. These bills and the liability incurred in respect of them are not included in the balance-sheet proper in the banking statistics. The borrowings of the banks against their own securities or securities received as collateral for loans are likewise excluded and are shown outside the balance-sheet. If these two items be added, the following totals are obtained :

Kronor (000,000's)	1929	1930	1931	1932	1933	1934
Borrowings from other than banks :						
Mortgage bonds	135	150	160	151	147	.
Förlagsbevis	156	159	159	258	256	256
Other borrowings	6	5	6	123	84	.
Total (group 18)	297	314	325	532	487	421
Rediscounts	254	199	327	116	1	—
Borrowings against own or pledged securities	41	28	25	129	91	13
Grand total	592	541	677	777	579	434

SWITZERLAND.

Introductory Note.

The main features of the banking situation in Switzerland in the course of 1933-34 were the continued withdrawal of deposits, principally on foreign account, the suspension of payments by the Banque d'Escompte suisse and by two local banks, and the amalgamation and reorganisation of certain other banks. After reaching the record figure of 16.1 milliard francs in 1930, total deposits of all banks in Switzerland declined to 15.8 and 15.5 milliard francs at the end of 1931 and 1932 respectively. In the course of 1933, the rate of decline increased and total deposits dropped by 672 millions. This fall was confined exclusively to the commercial banks, whose deposits fell by 720 million francs during 1933. (See deposit figures under Note 17 of the Balance-sheet Summary.) Of the three groups of institutions constituting the commercial banking system of Switzerland, the big banks suffered the heaviest loss of deposits — 627 million francs, as compared with 57 millions for the local banks and 36 millions for the cantonal banks. The contraction of the balance-sheet of the big banks is not, as the following summary of their principal accounts shows, to be attributed to any appreciable extent to the exclusion in 1933 of the accounts of the Banque d'Escompte suisse, now in liquidation :

Francs (000,000's) End of :	1 December 1930	2 December 1931	3 December 1932	4 December 1932	5 December 1933	6 June 1934
Number of banks	8	8	8	7	7	7
1. Cash, etc.	344	995	970	961	818	605
2. Bill portfolio	1,483	951	807	782	644	613
3. Securities, etc.	300	281	266	209	202	195
4. Correspondent debtors	1,651	718	538	497	392	427
5. Loans on current account	3,115	2,562	2,298	2,287	2,026	1,978
6. Capital, reserves, etc.	1,163	1,206	1,171	1,091	1,001	988
7. Correspondent creditors	850	470	376	298	321	300
8. Deposits	5,644	4,916	4,487	4,348	3,860	3,547
Of which :						
(a) Current accounts	(1,386)	(1,520)	(1,489)	(1,458)	(1,306)	(1,179)
(b) Time deposits	(2,580)	(1,782)	(1,433)	(1,400)	(1,205)	(1,129)
(c) Cash bonds	(1,678)	(1,614)	(1,565)	(1,490)	(1,349)	(1,239)
9. Acceptances	673	339	193	179	130	135
10. Total balance-sheet (including unpaid capital)	8,578	7,171	6,429	6,107	5,547	5,193

The 1932 accounts of the big banks are given twice in the above table, column 3 including the accounts of the Banque d'Escompte suisse and column 4 excluding them. This throws into relief the relative unimportance of the Banque d'Escompte suisse — its balance-sheet (322 million francs) represented less than 5 per cent of the total accounts of the eight big banks in 1932 — and permits a more accurate survey of the development of the big banks during 1933. Between 1932 and 1933, the deposits of the seven banks fell by 488 millions, current accounts and time deposits declining by 152 and 195 millions respectively and cash bonds showing a contraction of 141 million francs. Part of the reduction in cash bonds is due to redemption by the banks themselves.

Apart from this factor, the decline in deposits was mainly due to foreign withdrawals in the second half of 1933, which are reflected in further reductions in cash resources, foreign bills and correspondent debtors. (The apparent reduction in loans on current account was largely due to amortisations.) The first item mentioned was the most important : bankers' balances with the National Bank fell from 825 millions at the end of 1932 to 521 millions at the end of 1933, and the gold reserves of the National Bank declined by 473 million francs during the same period.

In the course of 1933, there was a net export of gold from Switzerland amounting to 211 millions, as compared with a net import of 880 millions in the previous year. Despite a reduction of over 300 million francs in total bankers' balances with the National Bank, the cash resources of the seven big banks declined only by 143 millions. The difference is largely due to further acquisition of gold in the course of 1933. The net purchase of gold by the Swiss and foreign banks for their own account and for that of customers amounted to 278 millions, as compared with 140 millions in the previous year. [1]

[1] *Das Schweizerische Bankwesen im Jahre 1933* (published by the Statistical Service of the National Bank of Switzerland), page 20.

The deposits of the seven big banks fell by another 416 million francs in the first nine months of 1934. The decline was particularly severe in the first six months of the year, when it amounted to 323 million francs. The stability of deposits with the cantonal banks, the further decline in current accounts with the big banks, and the fall of some 360 million francs in the gold holdings of the National Bank in the first six months of 1934 would suggest that this fall in deposits was also due principally to withdrawals by foreign depositors. An indication of the amount of foreign capital that has sought refuge in Switzerland is afforded by the fact that, despite withdrawals, largely on foreign account, of some 2,100 million francs of deposits from the big banks in the three and a-half years ended June 1934, Swiss balances and cash bonds still in foreign ownership are estimated[1] at between 1,200 and 1,500 million francs, and Swiss securities held by foreigners at 200 million francs.

The share of the big banks in the balance-sheet totals of all the three groups of commercial banks has fallen steadily from 43 per cent at the end of 1930 to 35 and 32 per cent at the end of 1932 and 1933 respectively. The discounts, loans and advances of the big banks fell by 2,204 million francs between 1930 and 1933. Part of this fall was no doubt due to the reduction of current account loans abroad, but most of it must have been brought about by a contraction of domestic credit *pari passu* with the deterioration of economic conditions.

The reorganisation of banks between 1931 and 1934 was described in some detail in the last issue of this *Memorandum*. One of the principal features of this reorganisation was the scheme for the reconstruction of the Banque d'Escompte suisse, outlined in the last edition of this volume. This scheme broke down in April 1934, and the bank suspended payments at the end of that month.

In the course of 1933 and 1934 there were two other bank failures. The Volksbank Reiden of Reiden, one of the bigger local banks, closed its doors in July 1933 and the Banque commerciale valaisanne of Monthey, one of the smaller local banks, did the same in May 1934.

The capital reductions and amortisation of assets effected by the Basler Handelsbank, the Banque Fédérale, the Société de Banque suisse and the Banque populaire suisse were mentioned in the last edition. In March 1934, another big bank, Leu and Co., was authorised to reduce its capital by 20 million francs.

Aggregate assets written off by the six largest banks amounted to 175 million francs ; the greater part was due to the Banque populaire. This bank showed a loss of 130.5 million francs, of which 95 million francs represented losses on account of foreign commitments.

The Federal Law for the Protection of Savings and for the Control of Banks, outlined in the last edition of this volume, was passed towards the end of 1934.

Balance-sheet Summary.

1. *Cash.*

The official Swiss banking statistics do not distinguish between gold and other metallic currency on the one hand, and notes and balances with the Banque Nationale on the other hand. Figures of bankers' balances with the central bank are, however, available from the reports of that institution, and they are compared with the total cash resources shown by all Swiss banks (including savings and co-operative banks as well as commercial banks) in the following statement :

Francs (000,000's)	1. Total cash holdings of all Swiss banks	2. Balances with the National Bank	3. Difference between 1 and 2
1930	467	203	264
1931	1,290	813	477
1932	1,254	825	429
1933	1,040	521	519

The last column represents the Swiss banks' holdings of small coin, notes and gold. As it is unlikely that the first two items would have increased since 1929 — rather the contrary — it would appear that the whole of the increase shown in that item in recent years is to be ascribed to the accumulation of gold by the banks.

4 and 5. *Investments and Participations.*

The Swiss banks do not participate directly in industrial enterprises. In special statements, comprising all cantonal banks, six of the big banks, and most local banks, the annual statistical reports give the following details with regard to the composition of the investment portfolio :

Francs (000,000's)	1930	1931	1932	1933
Swiss securities :				
Bonds	894	951	979	921
Shares	189	190	202	182
Total	1,083	1,141	1,181	1,103
Foreign securities :				
Bonds	91	74	60	41
Shares	51	60	56	35
Total	142	134	116	76
Grand total	1,225	1,275	1,297	1,179

[*Balance-sheet Summary continued on page 111.*

[1] F. SOMARY, " The Present Position of Switzerland ", in *Lloyds Bank Monthly Review*, October 1934.

SWITZERLAND. COMMERCIAL BANKS **Table 22 *(a)***

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of banks	212	217	217	216	223
ASSETS.	Francs (000,000's omitted)				
1. Cash	367	459	1,278	1,236	1,018
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	1,915	2,018	1,382	1,154	948
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	1,165	1,351	1,405	1,409	1,274
(b) Other					
5. Participations					
6. Due from Banks (Correspondents)	2,177	2,352	1,114	842	716
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	13,056	13,443	13,203	13,161	12,945
(a) On current account	5,947	5,023	4,475	4,113	3,700
(b) Other	7,109	8,420	8,728	9,048	9,245
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	171	180	187	197	197
10. Sundry Assets	214	183	207	189	178
11. Total Assets	**19,065**	**19,986**	**18,776**	**18,188**	**17,276**
LIABILITIES.					
12. Capital paid up	1,850	1,869	1,897	1,883	1,699
13. Reserve Funds	541	565	569	577	537
14. Profit-and-Loss and Dividend Accounts, etc.	—	10	10	10	3
15. Cheques and Drafts, etc., in circulation	—	44	35	28	28
16. Due to Banks (Correspondents)	1,346	1,143	692	563	567
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,678	14,719	14,229	13,909	13,189
(a) Current accounts and sight deposits	3,756	2,287	2,449	2,418	2,191
(b) Savings accounts	3,294	4,422	4,575	4,680	4,591
(c) Time or fixed deposits	1,283	2,139	1,453	1,123	1,035
(d) Other deposits	5,345	5,871	5,752	5,688	5,372
18. Rediscounts and Other Borrowings	665	659	734	789	871
19. Acceptances and Endorsements	702	733	385	235	165
20. Sundry Liabilities	283	244	225	194	217
21. Total Liabilities	**19,065**	**19,986**	**18,776**	**18,188**	**17,276**

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of banks	212	217	217	216	223
	Francs (000,000's omitted)				
Capital paid up	1,849.8	1,869.0	1,897.3	1,882.3	1,698.6
Reserves and Undivided Profits	551.9	575.0	578.9	586.8	540.2
1. Gross Profits	**360.7**	**361.6**	**361.0**	**322.8**	**294.4**
To be deducted:					
2. Expenses	173.6	179.3	179.0	165.5	151.7
(a) Salaries, etc.	150.2	154.4	154.3	144.9	134.3
(b) Other working expenses					
(c) Taxes, etc.	23.4	24.9	24.7	20.6	17.4
3. Reserved for Pension Funds, etc.	—	1.2	1.0	1.2	0.4
4. Written off on (Depreciation Accounts for)	23.4	21.6	91.7	117.8	174.6
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss	**163.7**	**159.5**	**89.3**	**38.3**	**−32.3**
6. Carried forward from preceding year	10.9	10.0	9.9	9.7	2.7
7. Taken from Reserves or Capital	—	—	30.2	70.9	138.5
8. Total Amount disposed of for Dividends, etc.	**174.6**	**169.5**	**129.4**	**118.9**	**108.9**
9. Carried to Reserves	26.3	24.2	8.4	10.6	10.9
10. Dividends	131.5	131.2	108.8	102.7	90.6
11. Directors' Fees, etc.	3.6	3.2	1.7	1.2	1.1
12. Other purposes	2.0	1.0	0.8	1.7	1.9
13. Carried forward to following year	11.2	9.9	9.7	2.7	5.0
14. Total as above	**174.6**	**169.5**	**129.4**	**118.9**	**108.9**

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

The composition of gross profits by sources of revenue is shown opposite.

4, 5 and 7. *Depreciation Accounts, Net Profit or Loss, and taken from Reserves or Capital.*

The 1933 figures for these items are affected principally by the reorganisation of the Banque populaire, whose losses amounted to 130.5 million francs (see Introductory Note).

Francs (000,000's)	1930	1931	1932	1933
Discounts	80.9	73.6	59.0	50.0
Net interest and commissions	190.2	196.8	172.5	160.0
Securities and participations	76.8	74.3	69.0	61.9
Other sources	12.8	15.8	21.6	22.3
Recovered from assets previously written down	0.9	0.5	0.7	0.2
Total	361.6	361.0	322.8	294.4
Sources not specified	—	—	—	—
Grand total	361.6	361.0	322.8	294.4

Balance sheet Summary, continued from page 108.]

The composition of the Swiss portfolio is shown in the following statement, which includes all cantonal banks, but a smaller number of big banks and local banks than the preceding statement :

Francs (000,000's)	1930	1931	1932	1933
Bonds of :				
Federal Government and Railways	208	200	225	214
Cantons	168	186	174	180
Municipalities	97	89	88	84
Public Authorities total	473	475	487	478
Bonds of :				
Banks	310	372	352	312
Trust companies	22	23	19	15
Other enterprises	89	81	121	116
Private undertakings total	421	476	492	443
Total bonds	894	951	979	921
Shares in :				
Banks	60	67	78	69
Trust companies	57	46	48	43
Other enterprises	72	77	76	70
Total shares	189	190	202	182
Grand total	1,083	1,141	1,181	1,103

7. *Loans and Advances.*

The amounts shown under *(a)* are given in the official statistics as debtors on current account without further subdivision. The following statement, covering all banks (savings banks, Raiffeisen banks' association, in addition to commercial banks), enables an estimate to be made of the importance of overdrafts in the total of current accounts and fixed loans and advances :

Francs (000,000's)	Current accounts and fixed loans		
	Covered	Uncovered	Total
1930[a]	5,763	1,491	7,254
1931[a]	5,466	1,259	6,725
1932	5,200	1,224	6,424
1933	4,842	1,161	6,003

[a] Excluding Raiffeisenkassen.

Loans on current account include cover for acceptances.

The following is the composition of the amounts shown under *(b)* since 1930 :

Francs (000,000's)	1930	1931	1932	1933
Contangos	62	15	19	29
Long-term advances :				
Ordinary	1,472	1,479	1,384	1,340
Against mortgages	665	679	754	754
Mortgage loans	6,221	6,555	6,891	7,122
Total	8,420	8,728	9,048	9,245

17. *Deposits, etc.*

The sums given under *(d)* in this group of the Summary Table represent bank cash bonds *(Obligationen)* which, in Switzerland, largely take the place of time deposits.

In the following comparative statement, the figures given under I refer to the commercial banks and those under II refer to the savings banks, the Raiffeisen banks and the mortgage banks :

Francs (000,000's)	Current accounts			Savings accounts			Time deposits			Bank bonds			Total deposits		
	I	II	Total	I	II	Total	I	II	Total	I	II	Total	I	II	Total
1929	3,756	52	3,808	3,294	1,010	4,304	1,283	21	1,304	5,345	240	5,585	13,678	1,323	15,001
1930	2,287	44	2,331	4,422	1,095	5,517	2,139	10	2,149	5,871	276	6,147	14,719	1,425	16,144
1931	2,449	47	2,496	4,575	1,189	5,764	1,453	14	1,467	5,752	280	6,032	14,229	1,530	15,759
1932	2,418	47	2,465	4,680	1,265	5,945	1,123	16	1,139	5,688	280	5,968	13,909	1,608	15,517
1933	2,191	46	2,237	4,591	1,313	5,904	1,035	17	1,052	5,372	280	5,652	13,189	1,656	14,845

18. *Rediscounts and Other Borrowings.*

The sums given in this group of the Summary Table consist of bonds representing " fixed loans " raised by the banks *(feste Anleihen)* and of the long-term mortgage bonds issued since 1931.

TURKEY.

The commercial banking system of Turkey is composed of four main elements : (1) the Turkish joint-stock banks, (2) the Caisse d'Epargne et de Consignation of Istanbul, (3) the Ottoman Bank and the Bank of Salonika, which, though incorporated in Turkey, are controlled by foreign capital and carry on important business in other countries, and (4) the branches of foreign banks. In addition three public banks, the Sümer Bank, the Banque des Municipalités and the Banque populaire, have been created with a view to encouraging thrift and financing industry and trade.

From the middle of the nineteenth century to the establishment of the Republic in 1923 the Ottoman Bank, the Bank of Salonika and the branches of foreign banks constituted the most important part of the Turkish commercial banking system. The Ottoman Bank, in particular, has occupied a unique position in Turkish banking and economy, both on account of its extensive privileges and the magnitude of its resources. The second bank to be founded on Turkish soil, it was established in 1856 by a group of British capitalists with a share capital of £500,000. Its predecessor, the Bank of Constantinople, was created in 1845, but had a short existence and was liquidated in 1853. In addition to its ordinary banking operations, the Ottoman Bank extended credits to the Government of the Sublime Porte, and was entrusted with the regulation of the monetary supply. Six years after its foundation, it was transformed, with the participation of French interests, into the Imperial Ottoman Bank, and its capital was raised to £4.1 million. In 1863, the Sublime Porte granted it for a period of thirty years the sole right of note-issue and certain other privileges in exchange for the right to discount short-term Government paper to a maximum of 12.5 million francs. In 1875, the Government experienced financial difficulties, and the concession of the Bank was extended for another fifty years up to 1925. Its privileges were widened so as to cover, in particular, the sole right of Treasury operations. With the creation of the " Dette publique ottomane " in 1881, the Bank was further entrusted with the collection and transfer of the service of the Ottoman foreign debt. In addition to these activities, the Imperial Ottoman Bank engaged in ordinary banking operations, promoted the construction of railways and harbours, and sponsored other banks, such as the Société générale de l'Empire ottoman, the Banque austro-ottomane, the Crédit général ottoman and other banking houses which no longer exist. The Bank gradually extended its activities outside Turkey proper ; it established branches in Egypt, Cyprus, Palestine, Iraq, Greece, Persia and Arabia and was instrumental in the creation of the Bank of Roumania and the Bank of Syria and Greater Lebanon.

When Turkey entered the war, the Imperial Ottoman Bank neither granted increased credit facilities to the Government nor extended its note-issue. The Government proceeded to issue its own notes. The note circulation rose in the course of the war from about £T1.3 million to £T160 million [1]. The Imperial Ottoman Bank maintained its note-issue, but its legal position remained uncertain until after the establishment of the Republic. The Convention of 1924 extended the concession of the Bank for another ten years. Its right of note-issue was confirmed, but it was not to be exercised until the Turkish pound was re-established on gold. The note-issue then outstanding was to have the force of legal tender. The Convention also provided for the opening of a credit of £T7 million for the account of the Government and the Agricultural Bank. A new agreement signed in June 1933 prolonged the concession of the Bank until 1952, recognised its notes as legal tender, exempted the Bank from taxation other than that imposed on purely Turkish banks, and provided for the extension of a temporary credit of £1.25 million sterling to the Treasury and the granting of a loan of £T5 million to the Sümer Bank for a period of five years.

Despite the rapid development of Turkish banks and the competition of the branches of foreign banks, the Ottoman Bank still holds an important position in the commercial banking system of the country. At the end of 1933, its paid-up capital and reserves (£T48.6 million) were nearly as high as those of forty-two Turkish joint-stock banks (£T54.3 million). The Ottoman Bank does not publish a separate statement of its operations in Turkey, but these no doubt account for an important part of its aggregate accounts, which are summarised in the following table.

[1] Before the war the monetary circulation in Turkey consisted almost exclusively of coin.

£ sterling (000,000's)	1926	1927	1928	1929	1930	1931	1932	1933
1. Cash assets	4.0	3.2	4.1	3.9	3.3	6.6	5.5	5.4
2. Bill portfolio	4.5	4.1	4.0	4.9	4.1	6.0	5.6	5.6
3. Loans and advances	10.8	11.0	11.1	10.7	9.9	6.8	6.1	7.0
Of which:								
(a) On current account	(8.0)	(7.8)	(7.5)	(7.7)	(8.1)	(4.9)	(4.3)	(5.1)
(b) On securities	(2.8)	(3.2)	(3.6)	(3.0)	(1.8)	(1.9)	(1.8)	(1.9)
4. Investments	3.5	2.9	3.2	1.4	1.4	1.7	2.1	1.5
5. Notes in circulation	0.6	0.6	0.5	0.4	0.4	0.4	0.4	0.4
6. Deposits	15.2	13.5	15.7	14.4	13.3	14.7	12.9	13.2
Of which:								
(a) On current account	(13.6)	(11.6)	(12.6)	(11.8)	(11.3)	(13.1)	(11.2)	(11.7)
(b) Fixed	(1.6)	(1.9)	(3.1)	(2.6)	(2.0)	(1.6)	(1.7)	(1.5)
7. *Total balance-sheet*	*23.3*	*21.9*	*24.8*	*23.8*	*21.9*	*23.0*	*21.0*	*20.9*

The Bank has a capital of £10 million, half of which is paid up, and keeps a statutory reserve of £1.25 million at its head office in Istanbul. Its notes outstanding, which are legal tender only in Turkey, have varied little in amount in terms of sterling. It has been stated [1] that a substantial part of the notes issued by the Ottoman Bank have disappeared from circulation on account of the premium they command in terms of the fiduciary notes. The essentially commercial nature of its operations is brought out by the high level of its current account deposits and the preponderant share of current account debtors and discounts in total assets.

The Bank of Salonika and the branches of foreign banks have also occupied an important place in Turkish banking. The Bank of Salonika, also non-Turkish in capital and administration, was established in that city in 1888 ; after the Greek occupation of Salonika in 1913 the bank transferred its headquarters to Istanbul. From its foundation until the armistice, this bank was important in financing Levantine industry and trade. Its capital of 30 million francs is now controlled principally by the French "Société générale". The combined Turkish and Greek accounts of the bank amounted to 394 million francs at the end of 1933.

Though the Crédit Lyonnais opened a branch in Istanbul as early as 1871, the majority of foreign banks did not establish branches in Turkey until the beginning of the twentieth century. The German banks opened branches or created affiliates both in the capital and in other parts of the Empire. The French, Russian and Belgian banks confined their activities principally to Istanbul. The Italian, Dutch and American banks opened no branches until after the armistice. Since the war, many foreign banks have closed their offices in Turkey. By the end of 1933, only eight banks [2] had Turkish branches and the total Turkish balance-sheet of seven of these banks amounted to £T56.4 million.

Religious and social considerations [3] until recently prevented Turks from establishing their own banks. The Caisse d'Epargne et de Consignation of Istanbul and the Agricultural Bank were created in 1868 and 1888 respectively, largely at the instance of the Government, but the majority and the most important of the forty-two existing joint-stock banks were founded after the establishment of the Republic in October 1923. The State has played a predominant rôle, both in the creation and in the development of these banks. Though all the joint-stock banks are autonomous, they have been regarded as national institutions, and have been called upon to assist in the execution of the industrialisation and development plans of the Government. The relative position of the Turkish banks is illustrated by the following table, which summarises the principal accounts [4] for 1933 of the four groups of institutions constituting the commercial banking system of Turkey.

[1] "Turkey", U.S. Trade Promotion Series, 1926. According to this source, in 1925, an Ottoman Bank note of £T1 was worth £T2.5 of fiduciary notes.

[2] These banks are, in order of importance of their Turkish balance-sheet total (given in parentheses in £T million) : The Banca Commerciale Italiana (17.7), Banco di Roma (14.6), Deutsche Orientbank (10.6), Hollandsche Bank Unie (5.1), Deutsche Bank und Diskonto Gesellschaft (4.3), Banque pour le Commerce extérieur de l'U.R.S.S. (3.4), Banque Chrissoveloni (0.6), and the Commercial Bank of the Near East. The last bank does not publish separate accounts for its operations in Turkey ; its total balance-sheet at the same date amounted to £0.6 million sterling.

[3] The "Sheriyat" (religious law) which until recently constituted the most important part of civil law forbade the taking of interest.

[4] Compiled by the Central Bank of the Republic of Turkey and published in its *Bulletin* of April-June 1934.

	1 Forty-two Turkish joint-stock banks [a]	2 Caisse d'Épargne et de Consignation of Istanbul	3 Seven foreign banks publishing separate accounts	4 Total (1 + 2 + 3)	Three banks operating in Turkey but not publishing separate accounts [b]
Number of branches	349	—	4	353	83
1. *Paid-up Capital and Reserves.*					
Amount (£T000,000's)	54.3	—	6.7	61.0	48.6
Percentage share	*89.0*	—	*11.0*	*100.0*	—
2. *Deposits.*					
Amount (£T000,000's)	118.9	20.7	21.0	160.6	102.8
Percentage share	*74.0*	*12.9*	*13.1*	*100.0*	—
3. *Loans, Discounts, Investments and Participations.*					
Amount (£T000,000's)	128.0	9.8	24.0	161.8	119.2
Percentage share	*79.1*	*6.1*	*14.8*	*100.0*	—
4. *Total Balance-sheet.*					
Amount (£T000,000's)	360.5	23.0	56.4	439.9	182.0
Percentage share	*82.0*	*5.2*	*12.8*	*100.0*	—

[a] Excluding two public banks, the Sümer Bank and the Banque des Municipalités.

[b] These are the Ottoman Bank, the Bank of Salonika and the Commercial Bank of the Near East. The accounts of the first and last are in sterling and those of the second in French francs. Their accounts have been converted to £T at the rate of exchange at the end of 1933.

The Turkish joint-stock banks account for 82 per cent of the balance-sheet total of all institutions publishing separate accounts of operations in Turkey, and probably over 50 per cent of the aggregate accounts of all banks, including the Ottoman Bank and the Bank of Salonika. The majority of these banks are small local institutions ; 31 of the 42 have a share capital of £T30 to 500 thousand, and only four a capital in excess of £T1 million. Turkish joint-stock banks are, with few exceptions, only in part commercial banks ; along with their ordinary banking activities, they carry on important mortgage operations and are intimately connected with industrial and commercial enterprise. Part of the amounts shown as deposits [1] represent the funds of special "creditors" and a substantial portion of loans and advances consist of long-term mortgage and industrial loans. As a rule, investments and participations are more important than discounts.

These characteristics hold particularly for the six large banks, which do about 90 per cent of the business of all Turkish banks. The combined balance-sheets of the principal banks and of the Caisse d'Epargne of Istanbul as compiled by the Central Bank of the Republic of Turkey [2] are given in the following table.

[1] The following data are given in the Turkish Statistical Year-Book, 1932-33, with regard to savings deposits, time and fixed accounts. No mention in made of the number of the institutions covered by these figures.

	Number of accounts (in thousands)	Amount of deposits (£T000,000's)		
		In Turkish banks	In foreign banks	Total
1920	2	0.6	1.1	1.7
1921	3	1.1	1.3	2.4
1922	4	1.3	1.3	2.6
1923	8	2.3	1.6	3.9
1924	11	3.6	2.2	5.8
1925	14	4.9	2.6	7.5
1926	17	7.2	3.1	10.3
1927	28	12.7	4.2	16.9
1928	39	17.5	5.0	22.5
1929	60	22.2	5.0	27.2
1930	83	27.1	5.2	32.3
1931	106	34.2	1.7	35.9
1932	119	37.5	2.2	39.7

[2] *Bulletin*, No. 11, April-June 1934, page 32.

£T (000,000's)	1928	1929	1930	1931	1932	1933 [b]
Number of banks	9	9	9	8[a]	8	7[c]
Assets.						
Cash and balances with banks	46.9	65.7	56.2	51.6	51.0	51.0
Bill portfolio	13.0	15.4	16.2	13.9	16.7	15.6
Securities and participations	7.8	14.0	14.6	17.6	21.5	18.1
Correspondents, etc.	78.1	83.0	105.6	102.5	95.8	98.2
Premises, etc.	5.9	11.7	13.7	13.5	14.5	13.2
Sundry assets	253.7	227.7	211.2	188.8	154.8	.
Liabilities.						
Paid-up capital	42.6	46.7	51.1	53.3	55.0	47.5
Reserve funds	2.1	3.6	5.7	4.6	4.9	3.9
Profit-and-loss account	4.5	5.4	3.1	2.2	2.7	1.3
Deposits and creditors	88.0	128.2	130.6	134.5	132.0	139.3[d]
Sundry liabilities	268.1	233.6	227.2	193.3	159.7	.
Total balance-sheet	*405.2*	*417.5*	*417.6*	*387.8*	*354.2*	*359.1*

[a] Excluding the Banque turque pour le Commerce et l'Industrie, in liquidation.

[b] The accounts of the Agricultural Bank and the Caisse d'Epargne for 1933 are provisional.

[c] For 1933, the accounts of the Banque industrielle et des Mines have been deducted from the data given by the *Bulletin* of the Central Bank on account of the reorganisation of this institution as a State bank under the name of " Sümer Bankasi ". Figures for sundry assets and liabilities of the new bank are not available.

[d] As only the deposits of the Sümer Bank have been deducted from the aggregate of deposits and creditors given in the *Bulletin*, this figure may be somewhat too high.

Of the six large banks, the most important are the Agricultural Bank, the Banque d'Affaires and the Banque Immobilière et des Orphelins. The Agricultural Bank, though originally a semi-public institution confining itself almost exclusively to granting rural credits, was transformed into an important autonomous bank in 1924. In addition to its agricultural banking activities, the bank engages extensively in ordinary commercial banking operations. It assists the Government in developing producers' and consumers' co-operatives and in regulating the export of the country's staple products. At the end of 1933, it had 260 branches and its total balance-sheet amounted to £T164 million. The Banque d'Affaires (Ish Bankasi), the second important bank, was established in 1924 with a capital of £T1 million. Together with the Banque industrielle et des Mines (transformed into a State bank in 1933), it was instrumental in promoting many industrial and commercial enterprises. Within six years of its establishment, the Banque d'Affaires had more than quadrupled its capital and reserves out of the profits accruing from participations and investments. At the end of 1933 it had forty-five branches and its total balance-sheet amounted to £T88 million. The Banque Immobilière et des Orphelins was established in 1926, and is predominantly a mortgage bank. Its accounts at the end of 1933 totalled £T68 million.

During 1933, the Government established three public banks. The most important of these is the Sümer Bank, which took over the accounts of the Banque industrielle et des Mines, one of the big joint-stock banks, and was charged with the functions previously exercised by two public organisations, the Office d'Etat pour l'Industrie and the Banque de Crédit industriel de Turquie. In addition to managing the existing State industries and participations, the Bank was chosen as the principal organism for the execution of the Government Plan of June 1934 for the extensive industrialisation of the country. The Bank has a share capital of £T20 million and obtained a loan of £T5 million from the Ottoman Bank. The Banque des Municipalités was constituted with a share capital of £T15 million with the object of aiding various municipalities to carry out their development projects. The Banque populaire was created by the Ministry of National Economy with a view to establishing savings banks (Caisses populaires) throughout the country. It has a capital of £T3 million.

Until recently, all banks operating in Turkey were subject merely to the provisions of the charters or conventions under which they were created and to the regulations relating to commercial enterprises. The Law of June 5th, 1933, relating to the Protection of Deposits may be said to constitute the only piece of general banking legislation in Turkey. It provides, *inter alia*, minimum capital requirements ranging from £T50,000 to £T1 million according to the population of the locality; minimum reserves to be held against various classes of deposits; and places certain limitations on the amount of credit granted to individuals or corporations. All banks are required to submit quarterly and annual balance-sheets to the Ministry of Finance and Economy according to detailed standard models, and to publish them in the Official Journal and at least one newspaper. A Banking Control Council, known officially as the " Contrôleurs des Banques ", is also established; its members are appointed by Government.

Turkey did not re-establish the gold standard after the war. As a result of the rise in the fiduciary note-issue in the course of the war from £T1.3 to £T160 million and the unfavourable trade balance, the exchange value of the Turkish pound in terms of United States dollars declined from $4.40 in 1915 to $1.50 in November 1918. The decline continued after the war and the Turkish pound fell gradually to $0.47 in February 1930 ; since then it has been kept fairly stable by means of exchange control. This control is exercised by the Central Bank of the Republic of Turkey, which was established in October 1931. The principal objects of the Bank are to fix the discount rate, to control the value and the circulation of money, to act as Government banker, and to work out, together with the Government, measures to stabilise the Turkish currency. The note-issue, which it took over from the Government, has declined steadily from £T171 million on January 7th, 1932, to £T158 million at the end of June 1934, and the effective circulation during the same period has fallen from £T165 to £T141 million.

UNION OF SOVIET SOCIALIST REPUBLICS.

I.

The origins of banking in Russia go back to the second half of the eighteenth century, when various attempts were made by the State to establish credit institutions on the model of those of Western Europe. The only bank which survived that experimental period was the State Commercial Bank, which in 1860 was transformed into the State Bank and took over the note-issuing functions hitherto exercised by the Treasury. The State Bank remained, however, the principal source of commercial credit until long after the first private commercial bank was founded at St. Petersburg in 1864. Nevertheless, private commercial banks rapidly gained in importance, and by 1900 their number had increased to thirty-nine. After that year, there was a tendency towards concentration, especially among provincial institutions, while the volume of banking resources increased at an accelerated pace, particularly in the seven years prior to the outbreak of the war. The further increase which took place during the war itself was mainly due to war finance and to the progressive depreciation of the currency.

The pre-war banking structure in Russia was largely under the control of foreign capital. It has been estimated that, of the total share capital of the private joint-stock banks, amounting to 585 million roubles at the end of 1913, 231 million roubles were held by French, 158 millions owned by German and 45 millions by British interests. [1] Moreover, the Russian banks — especially those of St. Petersburg — made extensive use of funds borrowed from foreign correspondents.

The joint-stock banks maintained on the whole close relations with industry, financing long-term investment as well as short-term commercial requirements. A large number of small credit associations and several large mortgage banks provided agricultural credit. In many cases these owed their origin to the various measures of land reform enacted after the abolition of serfdom in 1861.

II.

This banking system was completely liquidated after the October revolution of 1917. By a Decree of December 27th, banking was declared a State monopoly. All private banks were either nationalised, and converted into branches of the State Bank (renamed People's Bank), or, more frequently, liquidated. Only the small co-operative credit institutions were allowed to maintain separate existence, but their activities, along with all other credit transactions, were severely affected by the progressive depreciation of the currency resulting from the issue of paper money to cover budgetary deficits. The People's Bank itself was liquidated in January 1920, and its note-issuing department transferred to the Commissariat of Finance.

The depreciation of the rouble and curtailment of the credit system were regarded at the time as steps in the direction of the complete abolition of money in the socialist economy. The nationalised enterprises were encouraged to introduce mutual clearing arrangements without the use of money. Taxation, wage-payments, etc., were increasingly effected in kind.

The New Economic Policy which was introduced in 1921 implied, not only an enlargement of the scope of the free market with a view to stimulating productive activity, but also a reversal of policy with regard to money and credit. The desirability of limiting the note-issue in order to secure monetary stability was officially recognised at the end of 1921 ; and, in October 1921, the present State Bank (Gosbank) was founded. As the new institution formed part of the Commissariat of Finance, it was directly subordinate, in all matters of management and general policy, to the Commissary of Finance. It received its initial capital in the form of a grant from the Government, and its main object was defined as the development of industry, commerce and agriculture by means of loans and other banking operations.

In the second half of 1922, it was decided to undertake a drastic reform of the currency. As a first step, the State Bank was empowered by a Decree of November 4th, 1922, to issue legal-tender bank-notes in terms of a new monetary unit called *chervonetz*, equal to ten pre-war gold roubles. These notes had to be covered as to one-fourth of their value by precious metals or foreign exchange, and as to the remainder by merchandise, bills of exchange, or other securities. Owing to these restrictions, the new chervonetz notes (which were primarily intended to facilitate the credit business of the State Bank) remained comparatively stable in value. Side by side with the chervonetz, however, the paper roubles of the Government continued in circulation at an ever-decreasing value. A Decree of October 11th, 1922, had prohibited the further issue of currency by the

[1] Cf. WANAG : " Das Finanzkapital in Russland vor dem Kriege ".

constituent republics of the Soviet Union, and transferred their rights of issue to the central Government. But the central Government continued to print notes to meet budgetary needs. In consequence, Russia possessed for a time two independent currencies — viz., the chervonetz note-issue of the State Bank and the paper currency of the Government.

This situation was brought to an end in the first half of 1924. By a series of decrees in February and March of that year, the issue of paper money by the Government was terminated, and the depreciated rouble notes ceased to be legal tender on May 31st, 1924 ; they were withdrawn from circulation in exchange for new Treasury notes in terms of gold roubles (10 gold roubles = 1 chervonetz) at the rate of one gold rouble note to 50,000 paper roubles issued in 1923, and 50 milliard paper roubles issued before that year. The issue of the new Treasury rouble-notes was limited to one-half of the value of chervonetz notes in circulation. Chervonetz and rouble notes were declared interchangeable, without limitation, at the rate of one to ten. In addition, token coins were issued for small denominations in terms of copecks (100 copecks = 1 rouble). No part of the monetary circulation was made convertible into gold.

III.

On the basis of the stable currency created by the monetary reform of 1922-1924, there occurred a rapid development of banking and credit. In addition to the State Bank, which soon built up an extensive network of branches and agencies, a number of new banks were established. In September 1922, the important " Bank for Trade and Industry ", which later came to be known as the " Prombank ", was set up in the form of a joint-stock company, its share capital being taken up by State institutions and enterprises. In the same year the All-Russian Co-operative Bank (" Vsekobank ") was founded by various co-operative organisations. A number of municipal banks sprang up in the larger towns, of which the most important was the Moscow City Bank, established in 1923. In 1924 the Central Agricultural Bank, the Bank for Foreign Trade, and the Elektrobank and in 1925, the Central Bank for Municipal Economy and Building (the " Tzekombank ") were formed.

All these banks, though similar in form to private joint-stock banks in other countries, were virtually State institutions ; those whose share capital was not provided by State undertakings and organisations (including the State Bank), received their initial capital in the form of direct grants from the Treasury.[1] Their functions consisted in the provision of bank credit to replace the previous direct budgetary allocations to industrial and other State enterprises.

The new banks accepted deposits — from public undertakings and institutions as well as from private persons and organisations — which they could use at their own discretion in discounting bills of exchange, granting current-account loans, long-term credits, etc. Certain budgetary funds administered by them had to be used for definite purposes prescribed by the State.

The re-establishment of the banking system was soon followed by a tendency towards concentration, of which the most important instance was the fusion in 1927 of the Elektrobank with the Prombank, whose full title was changed to " Bank of Long-Term Credits for Industry and Electrification of the U.S.S.R." At the same time, a movement towards specialisation — in order to abolish overlapping of the functions of the different banks — found its expression in the transfer of the short-term credit business of the Prombank to the State Bank, while the latter handed over its long-term assets and " frozen " short-term claims to the Prombank. The policy of the financial authorities was to make the Prombank the chief distributor of long-term funds for capital construction and to concentrate the provision of liquid capital with the State Bank as the sole source of short-term commercial credit.

The gradual extension of State planning over the various economic activities of the Union affected both the functions of the banks and the technique of their business. On the one hand, the practice of the State determining in advance the volume and distribution of the credits to be granted became generalised, especially after the introduction of the five-year plan ; on the other, the banks acquired to an increasing extent a responsibility for controlling the accounting and auditing of the whole economy, and indeed for supervising the production process through all its stages. This function of control led to the substitution of direct advances to the purchasers of goods for indirect credit based on the bill of exchange and to the reform of the whole credit system which was effected in 1930-1931.

This reform was due in part to the existence of credit outside the banking system. The State enterprises themselves frequently granted credits to one another, chiefly, again, in the form of bills of exchange for goods delivered and services rendered. These credits, of course, completely escaped the control of the banks. Moreover, in the case of the large industrial trusts and syndicates of the State, the credit requirements of their constituent units of production were largely dealt

[1] The few unimportant private banks and mutual credit societies which were founded in this period were transformed or liquidated in the following years.

with by the central offices of the various organisations in question, and the possibilities of banking control were thereby further restricted.

IV.

The broad principles of the reorganisation of the credit system were laid down in a Decree of January 30th, 1930. This Decree made it illegal for all State undertakings and co-operative organisations to supply goods or services to one another on credit ; by a supplementary regulation, all existing indebtedness, including open book-accounts, between the socialised economic units was to be liquidated by June 30th, 1930. All such mutual credit relations had to be replaced exclusively by banking credit. Moreover, it was decreed that bank credits should be granted *directly* to the organisations entitled to receive them on the basis of their approved plans, without intermediaries of any form. In particular, the new Decree required all industrial concerns and trusts to establish, within the limits of total credit set for them by agreement between the Supreme Council of National Economy and the State Bank, credit plans for each of their constituent enterprises. On the basis of these plans, the State Bank was to finance the individual units directly through its branches. Only in exceptional cases, and only by agreement with the bank, was a concern or trust to be allowed to redistribute among its member organisations the total credit allotted to it.

All economic organisations and individual enterprises were required after the credit reform of 1930 to hold their liquid cash balances at the State Bank, and to effect cash payments between them through transfers on their current accounts at the State Bank or its branches. The Cheque Law of 1929, which came into force on January 15th, 1930, had laid down detailed regulations for such book-transfers and clearings through the banking system.

The Decree of January 1930 also contained provisions for a further concentration of short-term resources with the State Bank. The commercial financing of consumers' co-operative organisations was taken over by the State Bank from the Vsekobank, and the branches of the latter were liquidated or merged with those of the State Bank. In addition, the Decree established a scheme of reorganisation of agricultural credit, mainly with a view to aiding the development of collective farming. All independent agricultural banks existing as public institutions in the different republics were converted into branches of the Central Agricultural Bank, while private agricultural credit societies were liquidated.

The working of the credit system as modified at the beginning of 1930 revealed, however, serious deficiencies in practice, which rendered difficult the desired " control by the rouble ". The custom grew up of an automatic granting of credit by the State Bank to its clients up to the full limits fixed for the latter by the approved plans, and regardless of the actual execution of the production or marketing plans for which the credits were intended. Contractual relations between the economic units for the sale or purchase of goods practically ceased ; the bank account of a client was automatically credited on the strength of invoices showing the delivery of goods to another enterprise, the latter's account being debited to an equal amount. In many cases the consignee refused to take delivery of the goods, if they did not correspond in quality or quantity to his requirements, as frequently happened in the absence of previous agreement. Payments were not made in such cases, and the loss fell upon the State Bank ; credits became " frozen ", and, in order not to interfere with the working of other parts of the national economic plan, the Bank had to replenish its resources by recourse to note-issue. Accordingly, the note circulation rose steadily in this period. Similar defects in the long-term credit system became apparent : funds provided by the construction plans were in certain cases made available regardless of the progress of the work.

Further, the regime of " automatic credit " adversely affected the financial responsibility of the enterprises. The view was widely held that no distinction was now necessary between funds received by way of credit and the funds belonging to the enterprises since the State Bank had become the central reservoir of all short-term resources for circulating capital.

With a view to correcting these deficiencies, a series of decrees was issued in 1931 (January 14th, March 20th, May 3rd, July 31st, August 15th) dealing with the reorganisation of the financial system. The first two decrees were mainly directed against the credit " automatism " which had developed during the previous year. It was laid down that credits granted by the banks should be conditional on the progress of the fulfilment of plans and that the credit totals figuring in the plans should be regarded as maximum limits, which could be attained only if the plan were completely realised. According to the same two decrees, the movement of goods was to be regulated in advance by contracts and orders between the units concerned, and invoices endorsed by the consignee before payment might be made by the State Bank. Any loss suffered by an enterprise in this connection could in no circumstances be covered by the Bank. All credits of the Bank were unconditionally repayable when due.

Every enterprise was required to draw a sharp distinction between bank credits used by it and its own working funds. The latter were not subject to the same degree of control by the Bank. In the books of the Bank, each enterprise was henceforward

to have two separate accounts : one for its own funds and another for its credit resources. Every enterprise was made responsible for its own working funds. It was intended thereby to promote interest in sound financial management and the economical organisation of production. With the same end in view, the Decree of May 5th, 1931, sharply reduced the percentage of profits — hitherto generally about 80 per cent — which the enterprises had to give up to the State, to be redirected through the budget and the banking system to the various branches of the national economy. Each unit of production was now permitted to retain a substantial portion of its profits for its own expansion as well as for the benefit of its workers in the form of premiums, cultural institutions, etc.

The legislation of 1931, it may be observed, left the broad principles of the credit reform of January 1930 entirely intact and indeed reinforced their application in practice. The three chief points of that reform — all of which had the object of more effective banking control in common — were : the abolition of credit outside the banking system, the application of methods of direct crediting by the banks, and the widest possible utilisation of the banking system for payments without the use of cash. The authorities continued to suppress all credit relationships between the separate units of the national economy. Bank credit increasingly assumed the form of direct current account advances. Only with regard to the third point was there any relaxation in 1931 : a minimum of 100 roubles was fixed for accounting transfers through the State Bank, but this regulation was only introduced with a view to relieving the Bank of certain types of petty transactions.

As a result of the measures taken in 1931, banking control of production and trade was greatly strengthened. The State Bank, wit hits extensive organisation of branch offices throughout the country, was enabled to insist on the reduction of costs and the elimination of waste, on the universal application of strict economy and sound accounting principles. Its " signalising function " was emphasised : in all cases of neglect or non-conformity to plan on the part of the enterprises, it was obliged to report to the central organs of direction.

It would appear that the modifications introduced in 1931 secured in large measure the results desired. This is reflected in the fact that, in a large number of cases, the credits allotted to enterprises by plan were not fully used, as the disbursement of credits was made conditional upon the actual execution of plans. The increase of the note circulation slowed down appreciably, and it has been officially stated that, in the course of 1933, the note circulation was reduced by about 1.5 milliard roubles; it stood at 6,862 million roubles at the end of that year.

V.

The State Bank having become the sole source of short-term credit, a Decree was issued on May 5th, 1932, to define the activities of the four long-term investment banks, which, in distinction from the State Bank, came to be called Special Banks. These are : the bank for the financing of capital construction for industry and electrification (Prombank), the bank for the financing of municipal and housing construction (Tsekombank), the agricultural bank (Selkhosbank), and the bank for capital construction of co-operative enterprise (Vsekobank).

The most important of the special banks is the Prombank. In 1933, it was also entrusted with the task of transport development (road and railway building, etc.), for which it set up a special department. The Tsekombank finances the construction of dwellings, municipal public utilities (waterworks, hospitals, etc.) and cultural institutions. Unlike the other special banks and the State Bank, it has no branches of its own, but conducts its operations through the local municipal banks. The Selkhosbank deals with the provision of capital equipment in agriculture (*i.e.*, chiefly for the State and collective farms). The Vsekobank now finances only the capital constructions of the various co-operative organisations (except housing co-operatives).

With the exception of the Vsekobank (which is owned and administered by its shareholders, the co-operative societies), the special banks are State institutions. They grant long-term, interest-bearing loans only to the extent of their initial capital and own reserve funds.[1] The banks receive a certain percentage of the profits of the enterprises financed by them. But the great bulk of their resources is received by them from the national budget. The greater part of the revenue of the State is derived from its enterprises, in the form of the profits of the latter, and from the turnover tax (which, after the fiscal reform of 1930, displaced most other forms of taxation). Over two-thirds of the budgetary expenditure is directed back to the socialised economy for the purposes of extension and capital construction. The investment of these funds proceeds almost entirely through the special banks, whose function it is to see that these budgetary allocations are used according to plan. Their task is to check accounts and estimates, to watch over the actual progress of the works, to report all deficiencies, to reduce

[1] In this respect also, the Vsekobank forms an exception, as it invests, not only its share capital, but its total resources in the form of repayable, interest-bearing loans.

building costs to a minimum by seeing that strict economy is enforced, etc.

The special banks are obliged to hold all their liquid cash balances with the State Bank (and the latter, to that extent, may be said to be a "bankers' bank"). They grant credits or pay out State funds to the building enterprises, contractors, etc., by cheques on the State Bank.

The above-mentioned budgetary appropriations for capital construction are non-repayable and bear no interest. The absence of the interest rate is not unnatural in the conditions of the Soviet economy, where the distribution of funds is strictly rationed. It is true that, in the case of the loans of the State Bank — *i.e.*, for short-term credit — interest is maintained ; but, since the distribution of short-term resources is also determined beforehand, its function is to act as a kind of turnover tax for the increase of circulating resources, to compel enterprises to reduce their other costs, and to accelerate the movement of goods through the productive process.

In conclusion, mention must be made of two features of the Russian banking system which have not been touched upon in the foregoing sketch — *viz.*, the savings banks, and the financing of foreign trade. There exists a widespread network of savings banks. They are Government institutions. The deposits which they receive from private individuals are directed through the national budget towards the financing of capital construction. Estimates of the increase of savings deposits are set up in advance and incorporated in the general financial plan. The following figures [1] show the development of the savings banks from 1924 to 1933.

	Number of savings banks (in thousands)	Number of depositors (in millions)	Total deposits (in millions of roubles)
1924	4.5	0.5	11.2
1925	7.4	0.8	33.5
1926	12.0	1.3	90.5
1927	14.4	2.2	187.0
1928	16.4	3.8	335.8
1929	20.4	7.6	496.1
1930	28.0	12.9	753.8
1931	35.2	14.3	807.6
1932	58.2	23.4	1,172.1
1933	57.6	24.9	1,412.6

The financing of the country's foreign trade is practically a monopoly of the State Bank, which is the sole centre of foreign exchange reserves. To facilitate trading operations, banks are maintained by the U.S.S.R. in foreign centres (London, Paris, Berlin, Copenhagen, Teheran, etc.). Owing to the State monopoly of foreign trade, and the consequent absence of a foreign exchange market, a rate of exchange between the Russian currency and that of other countries would have little, if any, significance.

[1] Published in *Sotsialisticheskoe stroitelstvo S.S.S.R., Statisticheski ezhegodnik (Statistical Year-Book)*, 1934, pages 471 and 478. The figures for the years 1924 to 1930 refer to October 1st of each year, while those for 1931 to 1933 refer to January 1st.

UNITED KINGDOM AND IRISH FREE STATE.

Introductory Note.

The most important change which emerges from an analysis of the accounts of the London Clearing Banks since September 1933 (the last month covered in the previous edition of this volume) is a sharp contraction in the volume of bank credit, illustrated in a decline of £110 million in total deposits between August 1933 and August 1934. A rapid expansion in bank deposits set in early in 1932 and persisted until the middle of 1933; between February 1932 and July 1933, the aggregate deposits of the ten London Clearing Banks increased by £315 million.

The recent contraction of bank credit may be analysed on the basis of the following figures, which refer to the ten London Clearing Banks. The table shows both absolute figures for the banks' principal accounts and the percentage which each of the main groups of assets constituted of total deposit liabilities in the months covered.

Average weekly figures	August 1933	August 1934	November 1934	August 1933	August 1934	November 1934
	£ (000,000's)			Per cent of total deposits		
1. Cash, etc.	208	196	210	10.6	10.6	11.0
2. Balances with other banks	40	41	44	2.0	2.2	2.3
3. Money at call, etc.	92	140	135	4.7	7.5	7.1
4. Discounts	359	221	232	18.3	11.9	12.1
5. Investments	563	557	589	28.6	30.0	30.8
6. Advances, etc.	760	757	755	38.7	40.8	39.5
7. Acceptances, etc.	106	109	122	5.4	5.9	6.4
8. Current, deposits and other accounts.	1,966	1,856	1,911	.	.	.

The fall in deposits by 5.6 per cent between August 1933 and 1934 was exactly proportionate to the decline in the banks' cash reserves during this twelve-month period considered as a whole. Thus the cash ratio was the same at the end as at the beginning of the period.

During this period, the estimated net circulation of notes and coins in the hands of the public in Great Britain and Ireland rose from £366.5 to £375.1 million. This increase suggests that the fall in bank deposits is not to be interpreted as a deflationary contraction; and this view receives further confirmation in the clearing figures, which show a more active turnover of bank credit. In the first eight months of 1934, town clearings were 13 per cent higher than in the corresponding period of 1933, and metropolitan and country clearings respectively were 6 and 9 per cent higher. Provincial clearing-house returns for this period were nearly 5 per cent higher than for the corresponding period of 1933. The turnover on current accounts at the Clearing Banks was 6½ per cent higher.

On the assets side of the Clearing Banks' balance-sheets, the contraction in credit can be entirely accounted for by the reduction in their holdings of Treasury bills, included in the first table above under discounts. This item fell by over £138 million between August 1933 and August 1934, and represented less than 12 per cent of total deposits in the latter month as compared with over 18 per cent a year earlier. The expansion of credit during 1932 and the first part of 1933, which was stimulated by the easy-money policy of the Bank of England and greatly reinforced by the Government's conversion operations, took the form of large purchases of Treasury bills and long-term Government securities by the joint-stock banks; in August 1933, aggregate discounts of the ten London Clearing Banks were £120 million higher than in February 1932, and their aggregate investments — chiefly Government bonds — were £285 million higher. The effect of these purchases was, of course, to depress the level of interest, and particularly of money, rates.

During the year under review, the Government funded a large part of its floating debt. In April 1934, an issue of £150 million of 3 per cent Funding Loan was made, and, in the year ending August 1934, the floating debt was reduced by £159 million. This last figure must not be taken as a measure of the decline in the volume of bills available for the market, as the changes in the amount of Treasury bills held by Government departments are not known. The figure may, however, usefully be compared with the decline of £138 million in the Clearing Banks' holdings of bills. The effect of the funding of the Government debt was to bring about a contraction of bank deposits in so far as fresh bills (which constitute a very attractive asset for the banks on account of their short maturity and freedom from the risk of depreciation) were not available to replace those maturing. The volume of commercial bills outstanding is estimated by the *Economist* to

have fallen from £250 million in 1929 to about £100 million in October 1934; of this latter amount, about £30 million are thought to be standstill bills. While the supply of Treasury and commercial bills was thus sharply reduced, the demand for this liquid paper was strong, and rates, as illustrated in the following table, fell to low levels.

	Second half 1931	First half 1932	Second half 1932	First half 1933	Second half 1933	First half 1934
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Average Bank rate	5 0 4	4 0 6	2 0 0	2 0 0	2 0 0	2 0 0
Average Treasury bill allotment rate	4 13 1	2 12 8	13 7	13 1	11 11	17 4
Average market rate (fine three months' bills)	4 15 2	2 19 11	16 3	14 6	13 6	19 5
London deposit rate [a]	3 2 0	2 0 6	10 0	10 0	10 0	10 0
Average rate on stock exchange loans	5 10 4	4 10 6	2 15 0	2 15 0	2 15 0	2 15 0

[a] This rate should not be taken as representative of the average bankers' allowance on deposits; it is the rate agreed upon by the Clearing Banks for deposit-account money in London at seven days' notice.

In August 1933, the average allotment rate on Treasury bills was 0.30 per cent, and in the middle of September it fell to less than 0.25 per cent; late that month the Clearing Banks agreed not to buy bills below certain minimum rates, which were raised by stages to over 1 per cent. Though market rates rose, they remained below the banks' minimum buying rates, and this, in addition to the absolute reduction in the supply of Treasury bills available resulting from the funding operations, is partly responsible for the reduction in the banks' bill holdings.

Late in October 1934, one of the Clearing Banks announced its withdrawal from the "gentlemen's agreement" regarding Treasury-bill rates, and the pact broke down. The average tender rate on Treasury bills fell from $\frac{3}{4}$ per cent on October 19th to about $\frac{1}{5}$ per cent in November — the lowest rate since the end-of-year maturity of September 1933.

The continued pressure of cheap money is further illustrated in the Clearing Banks' decision, taken at the beginning of November 1934, to reduce their call loan rate, which had remained fixed at 1 per cent by agreement since 1932, to $\frac{1}{2}$ per cent in the case of loans on paper eligible for borrowing at the Bank of England, while maintaining it at 1 per cent for other loans. This decision was no doubt motivated both by a desire to accommodate the discount market and by the apprehension that the fall in open-market rates to be expected from the breakdown of the banks' agreement regarding minimum rates for "Treasuries" would result in the repayment of a large part of their call loans with cheaper money derived from outside sources.

In the year ending August 1934, money at call and short notice increased by nearly £50 million. It would appear that this was largely due to increased Stock Exchange accommodation. As already mentioned, funding operations resulted in a reduction in the floating debt and the continued stagnation of international trade precludes the possibility of any appreciable increase of commercial bills carried by the market. It may also, however, be due in part to the fact that, as bill rates tended to rise, non-clearing-bank money was invested to an increasing extent in bills; as this cheap money ceased to be available, the market had recourse to the Clearing Banks to an increasing extent, Neither investments (representing chiefly gilt-edged securities) nor advances (representing the bulk of commercial accommodation) showed any appreciable change for the year ending August 1934 considered as a whole. The failure of advances to increase in the face of the considerable recovery of trade which characterised this period is somewhat remarkable. It would appear to be due to a large extent to the inducement to bank borrowers to realise on their investments, which were selling at high prices, and repay bank advances. Moreover, with the fall in rates in the market for new capital issues, business men were able to raise long-term resources on advantageous terms and repay bank advances. Finally, there was some tendency to substitute acceptance facilities and other forms of non-bank borrowing for bank credit.

Between August and November 1934, the banks added to their holdings of investments and bills, and their total deposits were increased by £55 million. In the last month mentioned, investments at £589 million stood at the highest figure ever recorded. By October 1934, bill holdings had fallen to £216 million, and the sharp increase in November reflects the competitive buying on the part of the banks after the breakdown of the "gentlemen's agreement" regarding rates in October. This buying was reduced in the latter part of November and in December, and, by the middle of the latter month, the average tender rate of Treasury bills had risen to 0.75 per cent.

The fall in money rates and in the yield of Government bonds, combined with the large proportion of banking assets held in the form of Treasury bills and gilt-edged securities, had, of

course, the effect of reducing the margin between the rates earned by the banks and the rates paid on deposits. On the other hand, the banks benefited from the rise in the capital value of their Government stocks. In 1933, the joint-stock banks of England and Wales disclosed slightly higher profits than in 1932; as, however, undisclosed appropriations for contingencies, bad and doubtful debts, etc., are made before the figures for profits are published, too much reliance should not be placed on them. Of the big five, two banks showed lower profits and three showed higher ; dividend rates were in all cases unchanged.

Since the last issue of this volume, steps have been taken to establish an industrial bank to grant medium- and long-term credit to industry. The Macmillan Committee had pointed out the need for such an institution in its report submitted in 1931. At the end of April 1934, it was announced that the United Dominions Trust was organising a company to be known as " Credit for Industry, Ltd.", with an original paid-up capital of £250,000 ; its resources will, if necessary, be increased by further capital subscriptions or by the issue of debentures or by loans from the joint-stock banks. The new institution will grant loans up to £50,000 for periods running from two to twenty years. Its business is complementary, therefore, to that of the joint-stock banks and not competitive with it. It will cater particularly for small and medium-sized concerns, but it will not finance new inventions or the acquisition of existing businesses.

Scottish Banks.

Deposits in the Scottish banks continued to rise during 1933 ; the banks added still further to their already large holdings of gilt-edged securities and continued to reduce their loan and overdraft accounts. The following table shows the percentage which each of the more important items of the balance-sheet was of total deposits at the end of 1929, 1932 and 1933 :

£ (000,000's)	1929	1932	1933
Cash	15.9	15.1	14.5
Money at call	8.7	9.3	9.1
Bill portfolio	8.5	7.3	7.8
Investments	32.9	49.1	56.0
Loans and advances	52.2	36.9	30.6
Acceptances	2.6	1.8	2.2

In January 1933, the Scottish Agricultural Securities Corporation was established with a share capital of £100,000, subscribed by four Scottish banks — namely, the Royal Bank of Scotland, the British Linen Bank, the Commercial Bank of Scotland, and the National Bank of Scotland. The purpose of this corporation is to make long-term loans to farmers to enable them to purchase their holdings and to proprietors to undertake developments under the Improvement of Lands Act. The Government gave a guarantee of £125,000 and is represented on the directorate. In December 1933, the Corporation made an issue of £500,000 3½ per cent debentures at 95. At the annual meeting held in May 1934, it was announced that, during the first financial year, applications for loans to the extent of over £450,000 had been received and loans granted to the extent of nearly £80,000. The short-term credit requirements of farmers are met by the ordinary joint-stock banks.

Banks in the Irish Free State and Northern Ireland.

The following table shows the principal accounts of the banks of the Irish Free State ; the figures refer to a selected date in each quarter. It should be noted that, of the nine banks operating in the Irish Free State, only two confine their operations there. Of the remaining seven, four have their head offices outside the Irish Free State, and two have important offices in London. The statistics published by the Irish Currency Commission show separately, however, assets and liabilities within and outside the Irish Free State.

£ (000,000's)	December quarter 1932		December quarter 1933		September quarter 1934	
	Within Free State	Elsewhere	Within Free State	Elsewhere	Within Free State	Elsewhere
1. Cash and bank balances	4.9	10.6	5.2	10.0	5.0	7.6
2. Money at call	—	10.9	—	10.7	—	9.1
3. Bills	7.4	4.5	5.7	2.4	5.6	1.6
4. Loans and advances	43.9	26.3	42.7	25.0	43.9	25.1
5. Investments	5.2	83.4	5.6	85.1	7.8	82.0
Total assets	64.7	142.3	62.7	137.8	65.7	129.9
6. Capital and reserves	13.1	3.8	13.1	3.8	13.2	3.9
7. Notes in circulation	5.1	2.9	5.1	3.1	5.1	3.2
8. Deposits	131.6	45.4	123.8	46.1	120.9	44.5
Total liabilities	153.0	53.0	145.7	54.8	142.4	53.2
Excess of assets outside Irish Free State over liabilities outside Irish Free State	*88.3*		*83.0*		*76.8*	

The outstanding development during 1933 was the continued growth of investments, chiefly in British Government securities, in the face of a decline in deposits and in loans and advances. The decline in deposits was due in part to the repatriation of American capital, in part to increased buying of British industrial shares by Irish depositors, and in part to the financing of a larger import surplus. It continued, though at a reduced rate, during the first nine months of 1934. In that period, the banks increased their advances and investments in the Irish Free State and reduced their cash and bill holdings and money at call and investments abroad. The last line of the above table illustrates the unfavourable development of the Irish Free State balance of payments during 1933 and 1934. The excess of non-Irish Free State banking assets over liabilities (largely sterling reserves) reached a maximum of £92 million during the first quarter of 1933 and fell by £9 million during the rest of the year. In the first nine months of 1934, this excess fell by a further £6 million.

During the first three quarters of 1934, the average daily debits of Irish Free State banks to ordinary accounts amounted to £1.45 million as compared with £1.40 million in the corresponding period of 1933.

At the end of October 1934, the Free State Government set up a special Commission to "examine and report on the system in the Irish Free State of currency, banking credit, public borrowing and lending and the pledging of State credit on behalf of agriculture, industry and the social services, and to consider and report what changes, if any, are necessary or desirable to promote the social and economic welfare of the community and the interests of agriculture and industry". The foreign experts nominated to serve on this Commission included an official of the Bank for International Settlements.

The above figures relate to nine banks and include the accounts of two Northern Irish banks holding shares in the Currency Commission — namely, the Northern Bank, Limited, and the Ulster Bank, Limited. The following statement shows separately the principal accounts of these two banks and of the Belfast Banking Company, Limited, and therefore gives a more accurate reflection of banking developments in Northern Ireland in the course of 1933 :

£ (000,000's)	1932	1933
Cash in hand, etc.	8.0	5.7
Discounts and advances . .	31.8	27.3
Investments.	21.5	25.6
Deposits	53.9	51.2

Discount Companies.

The following table summarises the position of the three leading London discount companies :

£ (000,000's) Discount Houses	1929	1930	1931	1932	1933
ASSETS.					
1. Cash at bankers . .	2.6	2.7	2.4	2.7	2.7
2. Investments . . .	13.5	17.2	13.7	20.2	28.4
3. Bills discounted . .	121.6	125.6	111.2	117.0	111.5
4. Loans and sundry accounts	2.5	1.8	1.2	2.8	1.8
5. Total assets	140.2	147.3	128.5	142.7	144.4
LIABILITIES.					
6. Capital and reserves	6.2	7.0	7.0	7.0	7.0
7. Loans, deposits, etc. (including undivided profits) . . .	92.4	98.5	86.4	105.0	111.7
8. Bills rediscounted .	40.3	40.5	33.7	28.9	24.9
9. Rebate, etc.	1.3	1.3	1.4	1.8	0.8
10. Total liabilities . .	140.2	147.3	128.5	142.7	144.4

The shift from the discount on bills of exchange to the purchase of Government securities during 1933 is explained by the very low level of discount rates prevailing during most of the year. The continued stagnation of international commerce brought about by trade and exchange restrictions resulted in a contraction in the volume of bills on London, while at the same time the Government continued to fund the floating debt and thus reduce the volume of Treasury bills outstanding. At the same time there were heavy foreign acquisitions of sterling, and the Exchange Account was forced to buy gold in order to keep sterling down. A part or the whole of this gold (valued in the Bank of England statement at approximately £70 million) was passed on to the bank in order to replenish the available supplies of sterling in the Exchange Account. One result of the decline in bill rates was that there were a few retirements from and amalgamations in the bill market.

Savings Banks.

The development of deposits in savings banks is shown in the following table :

£ (000,000's)	Savings banks			National savings certificates
	Trustee savings banks	Post-office savings banks	Total	
1929	124.5	95.0	409.5	487.9
1930	133.2	290.2	423.4	506.7
1931	142.9	289.4	432.3	489.3
1932	154.7	305.7	460.4	478.9
1933	171.4	326.7	498.1	484.4

Recent monetary policy by lowering the rates obtainable on money in the market and the commercial banks has drawn funds into the savings banks, where a fixed rate of 2½ per cent is still obtainable. In 1933, the downward trend of savings certificates in evidence since 1930 was reversed, and there was a slight increase in the volume outstanding.

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 *(a)*.

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	16	16	16	16	16
Branches and Sub-Branches	9,815	10,082	10,178	10,066	10,060
ASSETS.	£ (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	481.3	472.4	414.5	446.2	446.1
2. Other Items of a Cash Nature					
3. Bills discounted and bought	224.3	316.4	234.1	389.2	292.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	260.7	303.4	304.7	496.6	587.6
(a) Government	232.5	275.6	275.6	459.0	544.1
(b) Other	28.2	27.8	29.1	37.6	43.5
5. Participations	24.4	25.9	24.8	24.3	24.7
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	1,026.5	964.6	931.7	799.1	764.2
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	179.3	128.0	109.7	96.7	122.0
9. Premises, etc.	42.3	45.0	52.0	50.2	51.5
10. Sundry Assets					
11. Total Assets	**2,238.8**	**2,255.7**	**2,071.5**	**2,302.3**	**2,288.9**
LIABILITIES.					
12. Capital paid up	78.1	80.0	80.0	80.0	80.0
13. Reserve Funds	63.5	64.4	54.5	55.3	55.4
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	6.6	6.2	6.0	5.9	6.2
15. Notes in circulation	0.1	0.1	0.1	0.1	0.1
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	1,911.0	1,976.8	1,821.0	2,064.3	2,025.2
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements	179.3	128.0	109.7	96.7	122.0
20. Sundry Liabilities	0.2	0.2	0.2	—	—
21. Total Liabilities	**2,238.8**	**2,255.7**	**2,071.5**	**2,302.3**	**2.288.9**
22. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 *(a)*.

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of : Banks	8	8	8	8	8
Branches and Sub-Branches	1,633	1,659	1,718	1,663	1,826
ASSETS.	£ (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	62.3	63.8	60.4	68.1	66.6
2. Other Items of a Cash Nature					
3. Bills discounted and bought	21.6	21.6	28.8	30.3	22.0
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	83.7	98.1	101.4	136.7	157.7
(a) Government	76.6	88.9	91.5	125.0	143.6
(b) Other	7.1	9.2	9.9	11.7	14.1
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	132.5	124.5	104.3	92.6	86.3
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	6.5	4.8	4.8	5.1	6.3
9. Premises, etc.	4.8	4.7	4.7	4.8	4.7
10. Sundry Assets					
11. Total Assets	**311.4**	**317.5**	**304.4**	**337.6**	**343.6**
LIABILITIES.					
12. Capital paid up	12.0	13.1	13.5	13.5	13.5
13. Reserve Funds	15.7	17.0	17.2	17.3	17.4
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.9	2.0	1.9	1.9	2.0
15. Notes in circulation	21.4	21.4	21.4	21.0	19.2
16. Cheques and Drafts, etc., in circulation	3.0	3.1	2.1	2.3	1.5
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	250.9	256.1	243.5	276.5	281.7
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements	6.5	4.8	4.8	5.1	6.3
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	**311.4**	**317.5**	**304.4**	**337.6**	**343.6**
22. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 *(a)*.

III. IRISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of: Banks	9	9	9	9	9
Branches and Sub-Branches	1,064	1,063	1,071	1,079	1,077
ASSETS.	£ (000,000's omitted)				
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	22.3	20.7	23.4	29.5	24.3
2. Other Items of a Cash Nature					
3. Bills discounted and bought	4.9	26.0	26.1	29.0	24.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	85.6	89.2	85.5	98.3	94.8
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	92.1	69.1	68.9	63.8	63.7
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	0.1	0.1	0.1	0.2	0.4
9. Premises, etc.	3.0	3.1	3.3	3.1	3.0
10. Sundry Assets					
11. Total Assets	**208.0**	**208.2**	**207.3**	**223.9**	**211.0**
LIABILITIES.					
12. Capital paid up	8.6	8.7	8.7	8.6	8.7
13. Reserve Funds	9.7	10.0	8.9	8.9	9.0
14. Profit-and Loss Accounts, Dividend Accounts, etc.	1.0	1.0	0.8	0.9	0.9
15. Notes in circulation	10.2	9.4	8.7	8.8	8.9
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	176.4	177.1	178.0	196.3	183.0
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Acceptances and Endorsements	0.1	0.1	0.1	0.2	0.4
20. Sundry Liabilities	2.0	1.9	2.1	0.2	0.1
21. Total Liabilities	**208.0**	**208.2**	**207.3**	**223.9**	**211.0**
22. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 *(b)*.

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	12	12	12	12	12
	£ (000,000's omitted)				
Capital paid up	74.9	75.8	75.8	75.8	75.8
Reserves and Undivided Profits	67.4	67.8	57.6	58.3	58.3
1. Gross Profits	**13.98**	**11.94**	**10.89**	**9.88**	**10.04**
To be deducted :					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.89	0.66	0.37	0.37	0.42
4. Written off on (Depreciation Accounts for)	1.48	0.73	0.03	0.25	0.20
(a) Premises, etc.	1.48	0.73	0.03	0.25	0.20
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	**11.61**	**10.55**	**10.49**	**9.26**	**9.42**
6. Carried forward from preceding year	6.19	6.06	5.84	5.96	5.89
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	**17.80**	**16.61**	**16.33**	**15.22**	**15.31**
9. Carried to Reserves	1.28	0.86	1.43	0.73	0.73
10. Dividends	10.46	9.91	8.94	8.60	8.58
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year	6.06	5.84	5.96	5.89	6.00
13. Total as above	**17.80**	**16.61**	**16.33**	**15.22**	**15.31**
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The combined sums shown for the first two groups of the Summary Table include the following items : *(a)* "Cash in hand" consisting of coin, bank and currency notes and balances with the Bank of England ; *(b)* balances with, and cheques in the course of collection on, other banks ; *(c)* money at call and short notice. The balance-sheet form employed for the statistical summaries of the *Economist* distinguishes between *(c)* and the total of *(a)* and *(b)* wherever *(c)* is shown separately in the published accounts. It is, in fact, shown separately by all the leading banks throughout the period under review. In the case of the banks not showing money at call as a separate item, the total of *(a)*, *(b)* and *(c)* has

been included in the first column of the statement below :

£ (000,000's) End of	Cash in hand and at the Bank of England : Balances with and cheques on other banks	Money at call and short notice	Total (corresponding to the sums shown in Summary Table)
	I. *Joint-Stock Banks in England and Wales.*		
1929	328.4	152.9	481.3
1930	325.6	146.8	472.4
1931	288.7	125.8	414.5
1932	296.9	149.3	446.2
1933	300.8	145.3	446.1
	II. *Scottish Banks.*		
1929	40.2	22.1	62.3
1930	40.2	23.6	63.8
1931	39.3	21.1	60.4
1932	42.0	26.1	68.1
1933	40.9	25.7	66.6

III. *Irish Banks.*[a]

	F.	N.	T.	F.	N.	T.	F.	N.	T.
1929	8.9	6.2	15.1	7.2	—	7.2	16.1	6.2	22.3
1930	8.2	5.8	14.0	6.7	—	6.7	14.9	5.8	20.7
1931	7.7	5.8	13.5	9.9	—	9.9	17.6	5.8	23.4
1932	9.7	8.0	17.7	11.8	—	11.8	21.5	8.0	29.5
1933	9.7	5.7	15.4	8.9	—	8.9	18.6	5.7	24.3

[a] F. = Irish Free State. N. = Northern Ireland. T. = Total.

3. *Bills discounted and bought.*

The figures given for " bills discounted and bought " in balance-sheet summaries do not represent the total bill holdings of all the banks, because some of the minor banks include Treasury bills in their figures for Government securities (group 4 *(a)* of the balance-sheet summary). In addition, a few banks do not show discounts separately from loans and advances and in such cases they are included in group 7 of the Summary Table.

4 and 5. *Investments and Securities; Participations.*

The banks do not give full details of the composition of their investments. A few of the minor banks in England and Wales do not show Government securities separately in their published accounts. In such cases these are included under 4 *(b)* in the Summary Table. As mentioned above, a minor portion of the sums shown under *(a)* consists of Treasury bills not shown separately by some banks. The " other investments " are mainly gilt-edged and do not, as a rule, include stocks, shares and debentures of industrial companies. The sums shown in group 5 of the Summary Table for England and Wales represent the investments in affiliations of the " Big Five ". They consist mainly of capital participation in Scottish and Irish banks, and to a less extent in foreign and other auxiliary financial institutions. There is practically no direct participation in industry and trade.

6. *Due from Banks.*

Sight balances with, and the cheques in course of collection on, other banks are reported only by the London clearing banks and are included in their cash assets. Correspondent accounts are, as a rule, merged with loans and advances under assets and with deposits under liabilities in the published statements of the joint stock banks.

7. *Loans and Advances.*

As already mentioned, this item includes discounts not shown separately by some of the minor banks, and part of the correspondent accounts.

9 and 10. *Premises and Sundry Assets.*

Premises are not shown separately in the statistics of the *Economist*, but they constitute practically the whole of the joint sums shown in the balance-sheet summaries. It is generally recognised that the market value of the premises of the banks exceeds their book value and that important reserves are therefore concealed in this item of the aggregate balance-sheet.

13. *Reserve Funds.*

In addition to the ordinary reserve fund shown in the Summary Table, other reserves are maintained to meet emergencies. These other reserves are included under deposits in the published statements. Moreover, additional resources are concealed by the fact that the premises and the investments of the banks are booked below their actual market value.

15. *Notes in Circulation.*

Joint-stock banks do not possess the right of note issue in England and Wales. The small note circulation shown in the Summary Table for England and Wales refers exclusively to the Isle of Man, which is not governed by the English currency legislation. The legislation governing the note-issue in Scotland and Ireland was set out in detail in the first edition of this *Memorandum*.

17. *Due to Banks.*

The correspondent accounts as a rule are not shown separately but are merged in the deposits in the published statements of the banks.

UNITED KINGDOM AND IRISH FREE STATE. Table 23 *(b)*.

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks	8	8	8	8	8
	£ (000,000's omitted)				
Capital paid up	12.0	13.1	13.5	13.5	13.5
Reserves and Undivided Profits	17.7	19.1	19.3	19.4	19.5
1. Gross Profits	**2.79**	**2.87**	**2.74**	**2.73**	**2.71**
To be deducted:					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.23	0.23	0.15	0.13	0.16
4. Written off on Depreciation Accounts for	0.26	0.27	0.22	0.22	0.16
(a) Premises, etc.	0.26	0.27	0.22	0.22	0.16
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	**2.30**	**2.37**	**2.37**	**2.38**	**2.39**
6. Carried forward from preceding year	2.00	2.06	2.09	2.05	2.08
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	**4.30**	**4.43**	**4.46**	**4.43**	**4.47**
9. Carried to Reserves	0.53	0.52	0.57	0.53	0.53
10. Dividends	1.71	1.82	1.84	1.82	1.82
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	2.06	2.09	2.05	2.08	2.12
13. Total as above	**4.30**	**4.43**	**4.46**	**4.43**	**4.47**
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

18. *Deposits.*

The banking statistics as regularly published in English sources do not show current accounts separately from deposit accounts. The report of the Macmillan Committee gave these details for the deposits of the London Clearing Banks for the period January 1919-March 1931, and a continuation of these series is published currently in the Bank of England *Statistical Summary* and in the League of Nations *Monthly Bulletin of Statistics*. The division of total deposits into current accounts and deposit accounts for the years covered by the Summary Table is shown below:

£ (000,000's)	Monthly averages, December				
	1929	1930	1931	1932	1933
Current accounts	957.7	991 8	865.1	991.6	1,015.4
Deposit accounts	815.1	846.6	845.8	962.8	900.2
Total	1,772.8	1,838.4	1,710.9	1,954.4	1,915.6

UNITED KINGDOM AND IRISH FREE STATE.

Table 23 *(b)*.

III. IRISH JOINT-STOCK BANKS

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1930	1931	1932	1933
Number of Banks	9	9	9	9	9
	£ (000,000's omitted)				
Capital paid up	8.6	8.7	8.7	8.6	8.7
Reserves and Undivided Profits	10.1	10.5	9.3	9.3	9.4
1. Gross Profits	**1.72**	**1.74**	**1.62**	**1.43**	**1.34**
To be deducted:					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	0.02	—
4. Written off on (Depreciation Accounts for)	0.09	0.08	0.04	0.03	—
(a) Premises, etc.	0.09	0.08	0.04	0.03	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	**1.61**	**1.64**	**1.56**	**1.38**	**1.34**
6. Carried forward from preceding year	0.44	0.49	0.44	0.40	0.44
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	**2.05**	**2.13**	**2.00**	**1.78**	**1.78**
9. Carried to Reserves	0.40	0.43	0.48	0.38	0.35
10 Dividends	1.16	1.26	1.12	0.96	0.95
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	0.49	0.44	0.40	0.44	0.48
13. Total as above	**2.05**	**2.13**	**2.00**	**1.78**	**1.78**
14. Value of currency in Swiss francs at the end of each year	25.22	25.22	17.24	17.02	16.91

19. *Acceptances and Endorsements.*

The greater part of the sums given represents bills accepted by the banks on behalf of their customers. These are almost entirely foreign bills accepted on behalf of home importers.

The figures shown in the Irish Summary Table refer almost exclusively to the Northern Irish banks, the acceptance business of the Free State banks being insignificant.

Summary of Profit-and-Loss Accounts.

Some of the minor English joint-stock banks are omitted from the profit-and-loss statistics of the *Economist*, on which the Summary Table is based. The banks included are, however, fully representative, the aggregate of their capital and reserves constituting over 99 per cent of the total capital and reserves of all the banks included in the Balance-sheet Summary Table in 1933. The profit-and-loss statistics for the Scottish and Irish banks are complete.

1 and 2. *Gross Profits and Expenses.*

As most of the banks in the United Kingdom and the Irish Free State adhere to the practice of deducting working expenses and income tax before disclosing their profit, these items have been excluded throughout. In recent years, the banks have disclosed their profits "after making appropriations to contingency accounts out of which provision has been made for bad and doubtful debts". It is impossible to tell from this vague phrase to what extent depreciation of assets has been covered out of earnings, and to what extent out of undisclosed reserves. The amount shown as profits is entirely at the discretion of the directors.

It is evident, then, that the sums shown under 1 in the Summary Table do not represent gross profits in a true sense and are not comparable with the corresponding figures given in the profit and loss summaries for other countries.

3. *Reserved for Pension Funds.*

This item of the Summary Table is headed "Staff" in the statistics of the *Economist* and includes all allocations for the benefit of the banking staff, which are shown separately by the banks.

4. *Depreciation.*

As mentioned in the note to group 1 above, the banks do not show depreciation of investments in their published accounts.

6 and 12. *Sums carried forward.*

The amounts shown in the summary for Scottish banks include the "Rest" *(i.e.,* the Reserve Funds) of the Royal Bank of Scotland.

10. *Dividends.*

The dividend figures given include a certain proportion of income tax not deducted from the sums distributed to shareholders by a number of banks.

YUGOSLAVIA [1] [2].

Introductory Note.

The European banking and currency crisis of 1931 had serious repercussions on the Yugoslav joint-stock banks. Their relative importance in the credit structure of the country can be seen from the following figures showing the paid-up capital and reserves and total liabilities of all credit institutions in 1932 :

	Capital paid up and reserves	Total liabilities	
	Dinara (000,000's)		Per cent
639 joint-stock banks . . .	3,845	15,587	58
State Mortgage Bank . . .	117	4,230	16
4,552 co-operative credit societies.	700	3,100	11
60 savings banks.	148	2,437	9
Post Office Savings Bank .	46	1,485	6
Total	4,856	26,839	100

The Austrian Credit-Anstalt crisis of May 1931, the temporary closing of the German banks in July of the same year, and the three-day bank holiday in Hungary which followed the German moratorium affected the confidence of the Yugoslav depositor for two reasons. First, the fact that many Yugoslav banks were intimately connected with Austrian and German credit institutions was well known to the public. Second, the legal stabilisation of the dinar after the prolonged currency vicissitudes of the post-war period had only been effected in May 1931 in the full swing of general economic depression. It was, therefore, natural that the banking crisis in Yugoslavia, which had already begun in the form of heavy withdrawals of deposits during July and August, should have been aggravated by the suspension of the gold standard by the United Kingdom in September 1931. In the absence of comprehensive recent figures of total deposits [3], the intensity and development of the crisis can be judged better from the following table showing the sum of the bill portfolio and loans and advances of all credit institutions — except the Central Bank — since 1930 :

Dinara (000,000's) End of :	1930	1931	1932	1933
Joint-stock banks.	15,225	13,684	11,702	10,413
State Mortgage Bank . . .	3,060	3,221	3,252	3,224
Co-operative credit societies	2,622	2,380	2,023	1,821
Savings banks	1,468	1,332	1,050	934
Post Office Savings Bank .	564	559	679	678
Total	22,921	21,176	18,706	17,070

From the end of 1930 to the end of 1933, total credits outstanding declined by 4,851 million dinara, or 21 per cent. This decline was confined almost exclusively to the joint-stock banks, the outstanding credits of which fell by 4,812 million dinara, or a third. The credits granted by the other private institutions, the co-operative societies and the savings banks show, however, the same proportionate decrease. On the other hand, the public institutions, the State Mortgage Bank and the Post Office, maintained and even increased their credits outstanding during and after the crisis.

Available deposit figures reveal the same tendencies [4]. Ordinary deposits in all banks and savings institutions decreased steadily from 14.2 milliard dinara at the beginning of June 1931 to 9.7 milliard at the beginning of December 1933, a decline of almost a third. Cheque accounts and savings deposits at the Post Office increased from 1,134 million dinara at the end of 1931 to 1,722 at the end of 1933, while private deposits at the State Mortgage Bank increased during the same period from 616 to 871 million dinara. The decline of 4.6 milliard dinara in aggregate deposits of all banks was about equally distributed between the twenty leading joint-stock banks and all other institutions included in the statistics of the National Bank. As, however, deposits rose perceptibly in the two public institutions — the Postal Savings Banks and the State Mortgage Bank — it is clear

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Yugoslavia in the last edition of this volume, the present chapter covers the period since 1931.

[2] A memorandum on the structure and position of Yugoslav banking kindly supplied by the National Bank of Yugoslavia has been found of great value in the preparation of this chapter. It has made possible, in particular, the extension of the data for the years prior to 1933 given in the summary balance-sheets, and the provision of profit-and-loss accounts. While the more important individual items of the present Summary Table are strictly comparable with those published in the previous issues of this *Memorandum*, it should not be overlooked that certain items are either given for the first time or have been completed by the additional data now made available. Figures for the end of 1933 have been obtained from the *Bulletin*, No. 4, 1934, of the National Bank.

[3] The quarterly figures of the deposits of all banks published in the *Bulletin* of the National Bank refer only to ordinary deposits and exclude " sundry creditors ", which constitute on the average some 30 per cent of the total deposits of joint-stock banks.

[4] See also the deposit figures of the twenty leading joint-stock banks given below in the note to item 17 of the Summary Table.

that the smaller joint-stock banks were particularly exposed during the banking crisis ; these banks numbered 612 at the end of 1932. Between the end of 1929 and the end of 1932, the share of the twenty leading institutions in total deposits of all joint-stock banks increased from 56 to 61 per cent.

The situation of the private joint-stock banks would have deteriorated even more seriously had it not been for two measures of relief afforded them in the course of 1932. The first of these, Article 5 of the Law of April 19th on Agricultural Indebtedness, provided that all banks whose assets exceeded their liabilities could obtain a provisional moratorium on old liabilities. The creditors of the bank could, however, receive each quarter a partial payment, fixed by a State agent. Liabilities contracted after the enforcement of the law were exempted from moratorium.

The second measure, the Regulation of December 26th, 1932, enabled banks to apply to the Government to establish a scale for the repayment of deposits. Under this regulation, each depositor was repaid a percentage which varied in inverse proportion to his total deposits. By the end of 1933, 149 of the 694 joint-stock, private, municipal and communal banks were under protection, 69 having applied the provisions of the first and 80 those of the second measure. The total number of banks under protection increased to 170 by the autumn of 1934, and, of these, 154 were working under a system of deferred payments. Among the 170 banks under protection figure seven of the twenty leading banks. These seven big banks together had at the end of 1931 paid-up capital amounting to about 329 million and deposits (including " Kreditoren ") amounting to about 2,785 million dinara [1].

It has been estimated that " frozen " agricultural credits represent about 49 per cent of the total credits of the provincial banks and about 12 per cent of those of the principal banks of the country [2].

The position of the banks tended to become more stable by the middle of 1933. The decline in the ordinary deposits of all banks and in the total deposits of the twenty leading banks in the last two quarters of the year was relatively small. The uncertainty resulting from the temporary character of the measures affecting the banks hampered their activities. The definite settlement of the question of agricultural debts on November 22nd and the Order of December 4th, 1933, for the Protection of Banks and their Creditors clarified the position. The latter provided for the termination, by March 4th, 1934, of the provisional protection enjoyed by some banks and for new protection in one of three forms. For banks with active but immediately unrealisable assets, an extension of the moratorium on payments not to exceed five years is provided. Banks whose assets are actually much lower in value than shown in the balance-sheets are allowed to liquidate under favourable conditions and without declaring themselves bankrupt. Finally, insolvent banks of economic and national importance may declare a moratorium, cancel their liabilities up to 50 per cent, or transform 50 per cent of their deposits into shares with the consent of the majority of depositors. Detailed provisions for the establishment of balance-sheets and for the procedure of the Government Banking Reorganisation Commission are also given. The Order is obligatory for all the 170 banks under protection, but other banks are allowed to avail themselves of its provisions. Accompanying the Order are regulations for the protection of the co-operative credit societies, for the reduction of the general charges of the banks under protection and of other institutions and for the fixation of maximum rates of interest.

Balance-sheet Summary.

1. *Cash.*

The sums shown under this heading are composed as follows :

Dinara (000,000's)	1930	1931	1932	1933
Cash in hand.	510	414	341	...
Balances with the National Bank and Post Office . .	262	214	189	...
Total cash. . . .	772	628	530	596

2. *Other Items of a Cash Nature.*

This item consists of foreign notes and exchange, and coupons.

3, 4, 5 and 6. *Bills discounted and bought, Investments and Securities, Participations and due from Banks.*

No details are available with regard to the composition of these items.

7. *Loans and Advances.*

The sums given under *(b)* are composed as follows :

Dinara (000,000's)	1930	1931	1932	1933
Loans against securities . .	497	210	123	154
Mortgage loans.	712	1,039	997	852
Total	1,209	1,249	1,120	1,006

[1] This information has been collected from the *Compass* Financial Year-Book for 1933 and 1934. The banks in order of importance of their deposits and " Kreditoren " liabilities are the following : The First Croatian Savings Bank, the Union Bank of Yugoslavia, the Lubliana Credit Bank, the Banque d'Escompte, the Cattara Bank and Savings Bank, the Bank of Belgrade, and the " Merkur " Bank of Belgrade.

[2] W. W. ROSENBORG : " La question bancaire en Yougoslavie " in *Revue économique internationale*, March 1934, pages 578-587.

YUGOSLAVIA. COMMERCIAL BANKS **Table 24(a).**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF: 1930	1931	1932	1933
Number of Banks	649	639	632	620
ASSETS.	Dinara (000,000's omitted)			
1. Cash	772	628	530	596
(a) Gold, silver and small coins	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—
2. Other Items of a Cash Nature	47	68	21	...
3. Bills discounted and bought	5,600	5,328	4,336	4,117
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	1,293	1,196	1,088	1,013
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	274	256	223	...
6. Due from Banks (Correspondents)	852	338	227	...
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	9,625	8,356	7,366	6,473
(a) On current account	8,416	7,107	6,246	5,467
(b) Other	1,209	1,249	1,120	1,006
8. Cover for Acceptances	73	74	81	76
9. Premises, etc.	842	854	866	...
10. Sundry Assets	501	854	849	...
11. Total Assets	**19,879**	**17,952**	**15,587**	...
LIABILITIES.				
12. Capital paid up	2,960	2,968	2,952	2,785
13. Reserve Funds	924	898	893	...
14. Profit-and-Loss Account, Undivided Profits, etc.	230	172	55	...
15. Cheques and Drafts in circulation	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	14,172	11,733	9,556	8,682
(a) Current accounts and sight deposits	2,709	1,936	1,426	6,360
(b) Savings accounts	7,597	6,867	5,343	
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	3,886	2,930	2,787	2,322
18. Rediscounts and other Borrowings	779	1,374	1,482	1,449
19. Acceptances and Endorsements	73	74	81	76
20. Sundry Liabilities	741	733	568	...
21. Total Liabilities	**19,879**	**17,952**	**15,587**	...
22. Guarantees	8,302	7,718	6,671	...
23. Value of currency in Swiss francs at the end of each year	0.091	0.091	0.069	0.070

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS			
	1930	1931	1932	1933
Number of Banks	649	639	632	620
	Dinara (000,000's omitted)			
Capital paid up	2,960	2,968	2,952	2,785
Reserves and Undivided Profits	1,954	1,070	948	...
1. Gross Profits	**1,571**	**1,510**	**1,169**	
To be deducted:				
2. Expenses	1,249	1,289	1,049	...
(a) Salaries, etc.	1,031	1,055	818	...
(b) Other working expenses	114	149	170	...
(c) Taxes, etc.	104	85	61	...
3. Reserved for Pension Funds, etc.	16	14	8	...
4. Written off on Depreciation Accounts for. . . .				
(a) Premises, etc.				
(b) Investments and securities	50	32	49	...
(c) Other assets				
5. Remaining Net Profit or Loss (—)	**256**	**175**	**63**	...
6. Carried forward from preceding year	—	—	—	
7. Taken from Reserves or Capital	24	32	49	...
8. Total Amount disposed of for Dividends, etc.	**280**	**207**	**112**	...
9. Carried to Reserves	63	78	34	...
10. Dividends	189	110	71	...
11. Directors' Fees, etc.	28	19	7	...
12. Carried forward to following year	—	—	—	
13. Total as above	**280**	**207**	**112**	...
14. Value of currency in Swiss francs at the end of each year	0.091	0.091	0.069	0.070

8. *Cover for Acceptances.*

This item is not given in the statistics furnished by the National Bank. Sums equal to the acceptances as shown under liabilities have been added under the present heading and the same amounts have been deducted from "Sundry Assets".

9. *Premises, etc.*

This item includes both property used in the business of the banks and other fixed property held by them.

10. *Sundry Assets.*

The sums shown in this group are made up as follows :

Dinara (000,000's)	1930	1931	1932	1933
Merchandise	25	42	24	...
Balance of inter-branch accounts	—	—	12	...
Transitory accounts	64	39	39	...
Sundry assets	412	773	774	...
Total	501	854	849	...

13. *Reserve Funds.*

The sums given under this heading are composed of ordinary reserve funds and special reserves — " Caisse de retraite " — as shown below :

Dinara (000,000's)	1930	1931	1932	1933
Reserve fund.	819	769	774	926
Special reserves	105	129	119	...
Total reserve funds . .	924	898	893	...

14. *Profit-and-Loss Account, etc.*

This sum has been arrived at by deducting from the total net profits as shown under liabilities the amounts shown as losses under assets. In the years prior to 1933, these latter amounted to 50, 31 and 56 million dinara.

It should be noted that the amounts shown as net profits and as losses in the accounts of the operations of the joint-stock banks do not tally with those given in the profit-and-loss accounts.

17. *Deposits.*

The detailed specification of deposits shown under *(a)*, *(c)* and *(d)* of the Summary Table is that provided by the data furnished by the National Bank, item *(d)* (Other Deposits), representing the various " Kreditoren " accounts.

The deposits of the twenty leading joint-stock banks, which at the end of 1932 accounted for 61 per cent of the deposits held by the 632 joint-stock banks, are given below with a view to showing the most recent movements [1] :

Twenty leading banks Dinara (000,000's)	Current accounts	Savings deposits	Various creditors	Total deposits
December 31st, 1930 . . .	1,759	3,775	2,368	7,902
December 31st, 1931 . . .	1,218	3,366	2,404	6,988
December 31st, 1932 . . .	1,020	2,558	2,313	5,891
July 31st, 1933	958	2,417	2,275	5,640
December 31st, 1933 . . .	834	2,340	2,268	5,442
July 31st, 1934.	923	2,326	1,970	5,219

The volume of deposits held in the more important credit institutions not included in the Summary Table will be seen from the following statement :

Dinara (000,000's)	1929	1930	1931	1932	1933
Post office (savings and cheque accounts). .	1,021	1,189	1,134	1,387	1,722
State Mortgage Bank (total private deposits)	455	529	616	725	871
Municipal savings banks (Slavonia). .	1,025	1,242	1,368	1,168	...
Total public banks .	2,501	2,960	3,118	3,280	...
Total commercial banks.	13,186	14,172	11,734	9,556	8,682
Grand total[a]. . .	15,687	17,132	14,744	12,736	...

[a] The grand total involves certain double counting.

In addition to the above public institutions, there are 60 savings banks and 4,552 co-operative credit societies. The total outstanding credits of these two groups at the end of 1933 amounted to 934 and 1,821 million dinara respectively.

18. *Rediscounts and Other Borrowings.*

The sums shown are made up as follows :

Dinara (000,000's)	1930	1931	1932	1933
Rediscounts	738	1,336	1,447	1,280
Mortgage debts	41	38	35	169
Total	779	1,374	1,482	1,449

20. *Sundry Liabilities.*

The sums shown under this group are composed as follows :

Dinara (000,000's)	1930	1931	1932	1933
Balance of inter-branch accounts.	85	49	—	...
Transitory accounts . . .	143	103	170	...
Sundry liabilities.	513	581	397	...
Total	741	733	567	...

Summary of Profit-and-Loss Accounts.

This is the first summary of profit-and-loss accounts of the joint-stock banks of Yugoslavia to be published in the series of *Memoranda on Commercial Banks*. It has been prepared from the data supplied by the National Bank of Yugoslavia. The Summary Table relates to the same number of banks as the Balance-Sheet Summary, and the figures on paid-up capital and reserves and undivided profits of the latter have, therefore, been used also for the table on profit-and-loss accounts.

Except for items 4, 5 and 7, all the specifications shown in the table correspond to the data as supplied by the National Bank. Item 4 (Depreciation Account) represents an item entitled " Losses ", which has been taken as the sum of amortisations on various accounts. After the deduction of expenses, reserves for pensions funds, etc., and amortisation, the remaining net profit (item 5) is in each of the years under review smaller than the total amount disposed in reserves, dividends, and directors' fees, etc., as shown by the original figures. This difference has therefore been accounted for by item 7 (Taken from Reserves or Capital), which is not given in the original data. This sum may be taken to represent the uncovered losses of the banks which failed in the course of 1930, 1931 and 1932.

[1] These data represent a new series published in the *Quarterly Bulletin* of the National Bank as from No. 3, 1933. They are not comparable with those published in the previous numbers of the *Bulletin* and reproduced in the last issue of this *Memorandum*.

CANADA

Introductory Note.

The most important events affecting Canadian banking since the last issue of this volume are the passing of the Bank of Canada Act establishing a Central Bank in the Dominion and the regular decennial revision of the Bank Act postponed from 1933.

The Royal (Macmillan) Commission, appointed in the summer of 1933 to enquire into the Canadian banking and monetary system, recommended in its report that a Central Bank should forthwith be established [1]. A Bill to implement this recommendation was introduced in February 1934 and passed through its final stages in June and July of that year. The purpose of the bank is stated in the preamble to the Act to be " to regulate credit and currency in the best interests of the economic life of the nation, to control and protect the external value of the national monetary unit and to mitigate by its influence fluctuations in the general level of production, trade, prices and employment, so far as may be possible within the scope of monetary action ".

The bank is a private institution ; its original share capital ($5 million) was offered for public subscription. The Governor-in-Council, however, appointed the first principal officers of the bank, who are hereafter to be appointed or reappointed by the directors with the approval of the Governor-in-Council. The directors, to be chosen by the shareholders, are to be selected from diversified occupations ; but no director of or shareholder in a chartered bank may be a director of the Bank of Canada. The Executive Committee of the bank, which is empowered to take decisions when the Board is not sitting, consists of the Governor, Deputy Governor, one director selected by the Board and *(ex officio* and without voting right) the Deputy Minister of Finance. No decision of the Board or of the Executive Committee is to be operative without the concurrence of the Governor.

The bank is authorised to buy and sell gold, silver and foreign exchange, to accept non-interest-baering deposits from banks and from the Dominion and provincial Governments, to buy, sell and rediscount bills of exchange of defined types and maturities endorsed by a chartered bank, to make loans or advances of defined types to banks, Dominion and provincial Governments, to engage in open-market operations, etc. It may also hold shares in the Bank for International Settlements and open accounts in that institution and in the Central Bank of any country.

The right to issue notes is vested in the Bank of Canada. From the day on which the Central Bank is authorised to commence operations, the maximum amount of notes of a chartered bank in circulation is not to exceed the unimpaired paid-up capital of the bank. [2] At the beginning of each year, for five years from 1936, the maximum amount outstanding is to be reduced by 5 per cent, and for five years from 1941 by 10 per cent. The chartered banks may thereafter keep notes equivalent to 25 per cent of their unimpaired paid-up capital in circulation.

The liability for Dominion notes outstanding is to be assumed by the Central Bank when it begins operations, and the Minister of Finance is to transfer to the bank the gold and silver held against those notes and the balance in 3 per cent Government securities. No limit is set on the note issue of the Central Bank, but it is required to sell gold (in the form of bars containing approximately 400 ounces) for legal tender. [3] The bank must keep a reserve equivalent to not less than 25 per cent of its note and deposit liabilities ; in addition to gold coin and bullion, the reserve may consist in part of silver bullion [4] and foreign exchange.

The chartered banks are required to maintain in the form of non-interest-bearing deposits with the Bank of Canada, or notes of that institution, a cash reserve equivalent to 5 per cent of their total deposit liabilities in Canada. The chartered banks are also required to surrender to the Bank of Canada all gold held by them in Canada. The gold is to be paid for at the old mint parity, except in so far

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[1] See *Commercial Banks, 1925-1933*, page 230.

[2] In the last issue of this volume *(Commercial Banks, 1925-1933*, page 227, footnote 2), it was incorrectly stated that (prior, that is, to the revision of 1934) notes might be issued by the chartered banks against their general credit " up to the amount of their unimpaired paid-up capital and reserve funds ; an additional 15 per cent may be issued during the crop-moving season ". The statement should have been that notes might be issued against the general credit of the banks " up to the amount of their unimpaired paid-up capital ; during the crop-moving season an additional 15 per cent of unimpaired paid-up capital and reserve funds may be issued ".

[3] The Governor-in-Council has the power to suspend the operation of this provision.

[4] The bank is required, during 1935, 1936 and 1937, to purchase and hold newly mined Canadian silver as directed to do so by the Minister of Finance, but the Bank shall never be required to purchase more than 1,671,802 fine ounces in any year. It may be recalled that Canada was one of the parties to the International Silver Agreement of 1933.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of: Banks	11	11	10	10	10
Branches and Sub-Branches	4,069	4,083	3,970	3,772	
ASSETS.	Dollars (000,000's omitted)				
1. Cash	290.4	272.5	242.0	250.9	232.5
(a) Gold, silver and small coins	87.9	97.7	76.5	64.3	55.1
(b) Inland notes and balances with Central Bank	202.5	174.8	165.5	186.6	177.4
2. Other Items of a Cash Nature	172.2	142.2	114.0	92.5	97.1
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	448.4	604.1	694.0	778.2	861.1
(a) Government	391.0	536.7	632.0	729.3	809.2
(b) Other	57.4	67.4	62.0	48.9	51.9
5. Participations	9.8	12.0	14.3	13.2	13.0
6. Due from Banks (Correspondents)	107.9	94.4	113.8	117.0	86.2
(a) At home	6.3	4.6	4.1	4.3	3.5
(b) Abroad	101.6	89.8	109.7	112.7	82.7
7. Loans and Advances	2,282.5	1,839.7	1,659.6	1,450.2	1,369.8
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	112.6	78.4	55.5	42.6	49.4
9. Premises, etc	75.2	78.6	79.8	78.7	78.3
10. Sundry Assets	22.1	21.9	24.7	28.8	28.3
11. Total Assets	**3,521.1**	**3,143.8**	**2,997.7**	**2,852.1**	**2,815.7**
LIABILITIES.					
12. Capital paid up	142.9	145.0	144.5	144.5	144.5
13. Reserve Funds	158.1	162.2	162.0	162.0	132.5
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	17.7	15.4	15.9	10.1	10.0
15. Notes in circulation	175.5	148.0	141.0	127.1	132.0
16. Cheques and Drafts, etc., in circulation	8.2	5.3	3.2	0.6	0.9
17. Due to Banks (Correspondents)	122.9	77.9	58.5	61.1	51.4
(a) At home	14.9	12.8	11.4	12.3	13.1
(b) Abroad	108.0	65.1	47.1	48.8	38.3
18. Deposits	2,696.9	2,487.3	2,367.6	2,244.5	2,242.2
(a) Current accounts and sight deposits	820.9	689.2	697.5	538.3	563.1
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	1,434.4	1,425.8	1,360.0	1,377.5	1,356.9
(d) Other deposits	441.6	372.3	310.1	328.7	322.2
19. Rediscounts and other Borrowings	81.7	20.5	46.5	57.0	50.4
20. Acceptances and Endorsements	112.6	78.4	55.5	42.6	49.4
21. Sundry Liabilities	4.6	3.8	3.0	2.6	2.4
22. Total Liabilities	**3,521.1**	**3,143.8**	**2,997.7**	**2,852.1**	**2,815.7**
23. Value of currency in Swiss francs at the end of each year	5.18	5.18	4.21	4.47	3.32

as the Governor-in-Council is satisfied that it was held against liabilities elsewhere than in Canada, and the profit on the gold transfers is to accrue to the Consolidated Revenue of the Dominion.

The principal revisions to the Bank Act (regulating the operations of the chartered banks), in addition to those mentioned, may be briefly summarised.[1] The additional liability of bank shareholders in excess of the unpaid portion of their shares in the event of insolvency is reduced from the par value of the shares *(i.e.*, double liability) to the proportion of the par value which notes in circulation bear to the paid-up capital of the bank. The banks are prohibited from allowing their name to appear on any prospectus or advertisement not issued on behalf of a public or semi-public body, except as a banker for receiving applications, unless the securities in question are guaranteed by the Government of Canada or any province. The rate of interest which may be charged on bank loans in Canada is limited to 7 per cent per annum.[2] Other sections of the Act remain substantially unchanged ; the Canadian Bankers' Association continues to be charged with certain important duties and responsibilities.

In accordance with the recommendation of the Macmillan Commission, a special official enquiry has been instituted into the problem of providing short and intermediate term rural credits.

An examination of the accounts of the chartered banks reveals no very significant changes since the last issue of this volume. The recovery which took place in Canada after 1932 was financed less by an expansion of bank credit than by the utilisation of the accumulated resources of business concerns. Some of the important accounts of the chartered banks are summarised as follows :

$ (000,000's)	Dec. 1932	Sept. 1933	Dec. 1933	Sept. 1934
Dominion notes held by banks	153	127	140	158
Current loans in Canada	964	905	898	880
Government securities	562	663	651	711
Notes in circulation	127	141	132	148
Demand deposits in Canada	466	492	502	523
Savings deposits in Canada	1,378	1,372	1,357	1,377

The recent rise in the chartered banks' holdings of Dominion notes must be considered in conjunction with the amendment to the Dominion Notes Act, which increased the note-issuing power of the Government by about $50 million ; a large part of the additional notes issued went to increase the cash reserves of the commercial banks. Their current loans in Canada, however, declined steadily until July 1934, when they touched the low figure of $851 million ; during the next two months there was some slight increase. On the other hand, the banks have continued to add to their holdings of Government securities, which rose by $100 million in the first nine months of 1933 and an additional $50 million during the next year. Demand deposits in Canada have shown some tendency to rise, but savings deposits have shown only slight fluctuation. In consequence partly of the accumulation of cash reserves and general increase in the liquidity of the banks' position, the rate of interest allowed on savings deposits was reduced from 2½ to 2 per cent at the beginning of November 1934.

Bank debits to individual accounts increased from $21.8 milliard in the first nine months of 1933 to $23.3 milliard in the corresponding period of 1934 — *i.e.*, by 7 per cent.

Balance-sheet Summary.

1. *Cash.*

The sums shown under cash in the Summary Table include the following amounts held on deposit with the Minister of Finance for the security of the note circulation.

$ (000,000's)	Circul. Redemp. Fund	Central Gold Reserves	Total
1929	6.4	56.6	63.0
1930	6.8	32.6	39 4
1931	6.8	25.7	32.5
1932	6.6	19.9	26.5
1933	6.5	17.8	24.3

[1] The main provisions of the Bank Act of 1923 were given in *Commercial Banks, 1913-1929*, pages 312 and 313.

[2] A similar provision was already incorporated in the earlier Bank Act, but its legal import was equivocal. The majority of the Macmillan Commission recommended that the limitation be abolished, but it is reinforced and made unequi vocal in the present Act.

The composition of "cash" was as follows in the years under review :

$ (000,000's)	1929	1930	1931	1932	1933
1. Current gold and subsidiary coin in hands of banks	73.3	84.0	65.8	53.2	49.9
At home	(46.9)	(47.4)	(46.0)	(38.0)	(39.3)
Abroad	(26.4)	(36.6)	(19.8)	(15.2)	(10.6)
2. Gold deposits in central gold reserves	14.6	13.7	10.7	11.1	5.2
3. Total metallic reserve (1-2)	87.9	97.7	76.5	64.3	55.1
4. Dominion notes in hands of banks	130.9	126.9	128.9	153.2	139.7
5. Dominion notes deposited in central gold reserves	41.5	18.9	15.1	8.8	12.6
6. Bank circulation redemption fund	6.4	6.8	6.8	6.6	6.5
7. U. S. and other foreign notes	23.7	22.2	14.7	17.9	18.6
8. Total non-metallic reserve (4-7)	202.5	174.8	165.5	186.5	177.4

2. *Other Items of a Cash Nature.*

This item consists of notes of, and cheques on, other Canadian banks which have not yet been presented for clearing.

$ (000,000's)	Notes of other banks	Cheques on other banks	Total
1929	20.0	152.2	172.2
1930	15.0	127.2	142.2
1931	11.9	102.1	114.0
1932	12.2	80.4	92.6
1933	11.4	85.7	97.1

3. *Bills discounted and bought.*

The Canadian official statistics do not show discounts separately from loans. They are therefore included under advances in group (7) of the Summary Table.

4. *Investments and Securities.*

The sums shown for Government securities (item *(a)* of present group) are composed as follows :

$ (000,000's)	Dom. and Prov. Gov. Securities	Mun. and other Public Securities	Total
1929	297.0	94.0	391.0
1930	408.6	128.1	536.7
1931	477.9	154.1	632.0
1932	562.4	166.9	729.3
1933	651.1	158.1	809.2

The other investments *(b)* consist of railways and other bonds, debentures and stocks.

5. *Participations.*

The figures given in the Summary Table represent the chartered banks' shares in, and long-term loans to, controlled companies. The latter are frequently loan or trust companies.

6. *Due from Banks (Correspondents).*

The division of foreign correspondents between amounts due from banks in the United Kingdom and sums due from banks elsewhere in the years under review was as follows :

$ (000,000's)	U. K.	Elsewhere	Total
1929	5.2	96.4	101.6
1930	9.0	80.8	89.8
1931	5.0	104.7	109.7
1932	7.8	104.9	112.7
1933	12.2	70.5	82.7

7. *Loans and Advances.*

The sums given in this group of the Summary Table are composed of the following items shown separately in the official statistics :

$ (000,000's)	1929	1930	1931	1932	1933
(1) Call and short (up to 30 days) loans :					
In Canada	262.3	204.8	134.7	103.2	105.9
Elsewhere	245.1	145.9	83.1	91.5	90.1
Total (1)	507.4	350.7	217.8	194.7	196.0
(2) Other current loans and discounts :					
In Canada	1,402.8	1,149.2	1,082.1	964.0	898.2
Elsewhere	250.6	213.9	188.4	151.7	138.0
Total (2)	1,653.4	1,363.1	1,270.5	1,115.7	1,036.2
Total (1+2)	2,160.8	1,713.8	1,488.3	1,310.4	1,232.2
(3) Loans to Public Bodies :					
Provincial Governments	25.0	29.7	45.6	28.3	28.8
Others	96.7	96.2	125.7	111.5	108.8
Total (3)	121.7	125.9	171.3	139.8	137.6
Grand total (1+2+3)	2,282.5	1,839.7	1,659.6	1,450.2	1,369.8

The grand total of loans and advances as shown in the statement above and in group (7) of the Summary Table does not include overdue debts, classified in the official statistics as "non-current loans" ; these are included in sundry assets.

9. *Premises.*

The sums shown in this group of the Summary Table represent premises in actual use in the business of the banks. Other real estate and mortgages on real estate sold are included under sundry assets and shown separately in the following note.

10. *Sundry Assets.*

This item includes overdue debts, real estate other than bank premises, mortgages on real estate sold and various transitory accounts.

14. *Profit and Loss, Undivided Profits, etc.*

No official profit-and-loss statistics of the banks are published in Canada. The balance of the profit-and-loss accounts is not included in the returns of the chartered banks and has been calculated by taking the difference between total assets and total liabilities (including capital and reserves), which are shown in the official returns.

15. *Notes in Circulation.*

The amounts shown in the Summary Table constitute the gross note circulation of the chartered banks — *i.e.*, they include both notes in the hands of the public and the notes of other banks held by the banks themselves. Group (2) above includes the banks' holdings of each other's notes. The net circulation in the years under review was as follows :

$ (000,000's)	1929	1930	1931	1932	1933
Gross circulation .	175.5	148.0	141.0	127.1	132.0
Less notes in tills of other banks .	20.0	15.0	11.9	12.1	11.4
Net circulation . .	155.5	133.0	129.1	115.0	120.6

17. *Due to Banks (Correspondents).*

The sums due to banks and banking correspondents abroad are divided in the official statistics as follows :

$ (000,000's)	U. K.	Elsewhere	Total
1929	26.7	81.3	108.0
1930	5.8	59.3	65.1
1931	4.8	42.3	47.1
1932	7.4	41.4	48.8
1933	4.9	33.4	38.3

18. *Deposits.*

The detailed composition of the amounts shown under current accounts *(a)* in the Summary Table is given below :

$ (000,000's)	Sight Deposits made by the public in Canada	Balances due to Governments : Dom. Govt.	Prov. Govt.	Total	Grand Total
1929	729.3	60.0	31.6	91.6	820.9
1930	641.7	26.9	20.6	47.5	689.2
1931	566.6	111.1	19.8	130.9	697.5
1932	466.2	53.1	19.0	72.1	538.3
1933	501.9	33.3	27.9	61.2	563.1

Savings deposits are not shown separately from other time deposits in the official statistics, but the great bulk of the sums shown in the Summary Table under *(c)* represent savings deposits. Theoretically, they are generally subject to 15 days' notice, but in practice they are payable on demand.

The deposits shown under *(a)* and *(c)* in the Summary Table are all held in Canada.

" Other deposits " *(d)* represent deposits made in the foreign branches of Canadian banks. The official statistics do not subdivide these deposits into sight and time deposits.

19. *Rediscounts and Other Borrowings.*

The sums shown in this group of the Summary Table are given in the official statistics under the heading " Advances under the Finance Act " and represent borrowings by the banks from the Dominion Government under the Finance Act of 1914.

UNITED STATES OF AMERICA.

Introductory Note.

The last edition of this volume analysed the trends of banking in the United States from the beginning of the economic depression in 1929 up to the end of 1933. A full account was there given of the origin and development of the banking crisis of 1933, of the gradual reopening of the banks after March of that year, of the accumulation of large excess cash reserves as a result of the open-market operations undertaken by the Federal Reserve Banks between May and October, and of the various pieces of banking legislation enacted, including the Banking Act of 1933, which provided, *inter alia*, for the establishment of a Federal system of deposit insurance.

The present analysis may begin with a consideration of the recent changes in the physical structure of the commercial banking system — *i.e.*, in the number of banks and in the relative importance of the various categories of institutions. At the end of 1932, there were 18,390 banks in the United States, or some 12,000 fewer than at the end of 1922. This figure (18,390) includes 6,816 banks members of the Federal Reserve system and 11,574 non-member banks. Of the latter, the bulk were commercial banks and trust companies operating under the jurisdiction of one of the individual States ; about 1,000 mutual and stock savings banks are also included. Of the 6,816 member banks, 6,011 were national banks — *i.e.*, banks operating under the jurisdiction of Congress, for whom membership in the Federal Reserve system is obligatory, and the remainder State commercial banks for whom membership is voluntary.

By Presidential proclamation of March 4th, 1933, a nation-wide bank holiday was declared for a period of four days. On March 9th, the holiday was indefinitely extended, and the following day the Secretary of the Treasury was empowered to license member banks found to be in satisfactory condition to carry on usual banking operations with exceptions as to paying out gold and currency for hoarding ; and similar authority was granted to the State authorities with respect to banks not members of the Federal Reserve system. On April 12th, 1933, when the first comprehensive figures became available, it was found that 4,200 member and non-member banks which had been open prior to the bank holiday were still unlicensed ; deposits aggregating nearly $4,000 million were tied up in these banks. The progressive licensing of banks in subsequent months is illustrated in Table 1.

By the end of August 1934, only 432 banks which had been open before the bank holiday had not been either authorised to resume operations, absorbed by other banks or finally liquidated ; these banks held deposits amounting to $250 million, or considerably less than 1 per cent of the aggregate deposits of banks in operation before the banking holiday. It will be observed that a considerably smaller proportion of member banks remained unlicensed than non-member banks ; of the 68 member banks not licensed in August 1934, 58 were national banks and 10 were State banks.

Table 1. — BANKS LICENSED AND NOT LICENSED.

Date	Number of banks			
	Licensed		Not licensed	
	Member	Non-member	Member	Non-member
April 12th, 1933	5,425	7,392	1,256	2,959
June 30th, 1933	5,606	8,188	1,095	1,983
December 30th, 1933	6,011	8,333	512	1,257
June 30th, 1934	6,375	8,629	113	509
August 22nd, 1934	6,407	8,713	68	364
	Deposits : $ (000,000's)			
April 12th, 1933	25,986	5,020	2,660	1,321
June 30th, 1933	26,564	5,072	1,266	1,064
December 30th, 1933	27,167	5,062	528	497
June 30th, 1934	31,012	4,979	112	234
August 22nd, 1934	31,027	4,981	72	179

Not all banks licensed to reopen continued to carry on business. Some went into voluntary liquidation, others were again closed or failed, and others lost their identity through amalgamation. On the other hand, not all deposits in unlicensed banks remained indefinitely tied up. Under the Bank Conservation Act of March 9th, 1933, the Comptroller of the Currency was authorised to appoint conservators of national banks, who might proceed to reorganise them and facilitate the prompt release of deposits through the instrumentality of a new bank organised to take over part of the business of each of the closed banks. The reopening of banks was further facilitated through borrowing from the Reconstruction Finance Corporation, and many of the member banks licensed to reopen after the banking holiday first strengthened their capital resources in this way. Receivers and liquidating agents of closed banks also borrowed from the R.F.C. in releasing funds to depositors, and in October 1933 this process was accelerated through the establishment of the Deposit Liquidation Board ; from that month until the end of the year, the R.F.C. had authorised, through it, 776 loans aggregating $300 million. Between March 16th, 1933, and the end of the year, 221 banks which had been licensed to reopen after the bank holiday suspended payments or were placed in liquidation or receivership or authorised to transact business only on a restricted basis ; all but 15 of these were non-member banks, and their deposits amounted in aggregate to $132 million. In the same period, 1,100 non-

licensed banks, with deposits of $1,900 million, were placed in liquidation or receivership or absorbed or succeeded by other banks.

In the preceding edition of this volume, details were given regarding the Federal Deposit Insurance Corporation set up through the Banking Act of 1933. The Act provided for a temporary fund, insuring deposits up to $2,500, to become effective on January 1st, 1934, and a permanent fund, insuring deposits up to $5,000, to become effective on June 30th, 1934. (By an Act of June 16th, 1934, the temporary plan was extended for a year and the limit of insured deposits raised to $ 5,000.) Licensed member banks were required to participate in the insurance fund, and non-licensed banks were authorised to apply for membership and were eligible if certified by the State authorities to have assets sufficient to cover deposit and other liabilities.

By June 30th, 1934, 14,170 banks had joined the temporary deposit insurance fund ; this number included 7,555 non-member commercial banks and 235 mutual savings banks. On that date — *i.e.*, when the fund became permanent — 21 non-member commercial banks announced their intention of withdrawing, as did 167 mutual savings banks. Of the latter, the great majority were New York institutions which preferred to join the recently established State insurance fund for mutual savings banks.

An aspect of the Federal Deposit Insurance scheme worthy of particular stress is the provision that, after July 1st, 1936, all insured banks must be members of the Federal Reserve system. As the Deposit Insurance Corporation now embraces over 90 per cent of all commercial banks in the United States (while the Federal Reserve system embraces only 40 per cent of the total number of commercial banks and 82 per cent of deposits), it would appear that a much larger section of American commercial banking than hitherto will in this way come under the unified supervision of the Federal Reserve authorities.

The growing importance of the member banks in the American commercial banking system during 1933 is brought out in Table 2 below, which shows the movements of loans and investments and of deposits of all banks from the end of 1932 to the middle of 1934.

Table 2. — ALL BANKS [a] : LOANS AND INVESTMENTS (A) AND DEPOSITS (B), 1932-1934.

$ (000,000's)	Total		Member banks		Non-member banks	
	A	B	A	B	A	B
31.XII.1932	44,946	41,643	27,469	24,803	10,182	16,840
30.VI. 1933[b]	40,089	38,011	24,786	23,338	10,044	14,674
30.XII.1933[b]	40,419	38,594	25,220	23,771	9,989	14,824
30.VI. 1934[b]			27,175	26,615		
Change 30.VI.1933-30.VI.1934 *Amount*			+2,380	+3,277		
Change 30.VI.1933-30.VI.1934 *Per cent*			+9.6	+14.0		

[a] Including mutual and stock savings banks in addition to national banks, State banks, trust companies and private banks.

[b] Beginning June 30th, 1933, figures relate to licensed banks only, with some exceptions as to non-member banks.

At the end of 1933, aggregate deposits, exclusive of inter-bank deposits, in all licensed banks in the United States were over $3,000 million lower than at the end of the preceding year. Deposits in member banks were $1,000 million, or 4 per cent, lower, while deposits in non-member banks were $2,000 million, or 12 per cent, lower. At the end of 1933, the member banks accounted for 62 per cent of aggregate deposits of all banks, including mutual and stock savings banks, as compared with less than 60 per cent at the end of 1932.

The rapid growth in member-bank deposits in the year ending June 30th, 1934, is chiefly due to accessions to active membership, imports of gold following the passing of the Gold Reserve Act of 1934, and expenditure by the Treasury from its cash balances. The increase in net demand and time deposits during this year amounted to $3,300 million, of which $850 million represented United States Government deposits. It is estimated [1] that, at the middle of 1934, total deposits (including inter-bank deposits) in member banks were $7,500 million higher than just before the banking holiday in March 1933.

An examination of Table 2 will show that, in the year ending June 30th, 1934, net demand and time deposits of member banks increased by almost $1,000 million more than total loans and investments. This difference is illustrative of the accumulation of unused cash resources by the commercial banks in the course of this year and of their desire to maintain their assets in the most liquid form possible. The growth of liquidity is, indeed, the most salient feature of American commercial banking during the year under review ; it manifests itself in several ways — viz., in the accumulation of large excess cash reserves, in the repayment of indebtedness at the Federal Reserve banks and in the composition of the member banks' earning assets.

The accumulation of excess cash reserves and the repayment of indebtedness to the Federal Reserve banks are illustrated in Table 3.

Table 3. — EXCESS CASH RESERVES OF MEMBER BANKS AND BILLS DISCOUNTED AT FEDERAL RESERVE BANKS, 1933 AND 1934.

Averages of daily figures $ (000,000's)	Excess reserves				Bills discounted
	Total all member banks	New York City	Other Reserve cities	"Country" banks	
June 1933.	363	69	198	96	250
December 1933. . .	766	96	473	197	117
March 1934	1,375	432	645	297	55
June 1934.	1,685	532	800	353	28

[1] *Federal Reserve Bulletin*, August 1934.

In the year ending June 1934, the excess cash reserves of member banks increased by $1,320 million, while their bills discounted were reduced from $250 to $28 million — *i.e.*, by over $220 million. It is particularly worthy of note that this increase in excess reserves was not concentrated in New York, but was fairly evenly distributed throughout the country. A special survey of the distribution of excess reserves during November 1933 showed that over half of all member banks held reserves at least 20 per cent above legal requirements, while only 6 per cent were deficient in reserves.

It is of interest to enquire where the funds used by member banks to accumulate cash reserves and retire their rediscounts at the Federal Reserve banks came from. Some light is thrown on this question by Table 4 below, which shows the changes in certain related factors between June 1933 and June 1934.

Table 4. — ITEMS RELATED TO MEMBER BANK RESERVES.

Averages of daily figures $ (000,000's)	Federal Reserve banks' holdings of :			Money in circulation	Bills discounted by Federal Reserve banks	Member-bank reserve balances	
	U.S. Govt. securities	Bills	Monetary gold stock			Total	Excess
June 1933.	1,933	13	4,317	5,742	250	2,160	363
June 1934.	2,424	7	5,021[a]	5,341	28	3,790	1,685
Change	+491	−6	+704	−401	−222	+1,630	+1,322

[a] Excluding profits of revaluation ($2,800 million).

The Federal Reserve bank purchases of securities in the open market, which took place chiefly between the months of May and October 1933, were mentioned in the last edition of this volume; during the year under review, these purchases aggregated nearly $500 million. The Gold Reserve Act of January 31st, 1934, reduced the gold value of the dollar to 59.06 per cent of its old gold parity, while its value in the exchange market, in relation to foreign currencies, was 63 per cent of par. This disparity, which persisted for some time, made it profitable to ship gold to the United States : during February, $45 million of gold was imported and $68 million released from earmark, and during the next four months almost $400 million was imported. The increase in the monetary gold stock, as shown in Table 4, was over $700 million from June 1933 to June 1934. As money was paid out by the Federal Reserve banks to purchase this gold, it was deposited in commercial banks and became available for the reduction of indebtedness and the building-up of excess cash reserves. Finally, money in circulation was reduced by $400 million during this year, representing partly dehoarding of currency [1]. Through these three sources (open-market purchases, gold imports and dehoarding) the banks had available $1,600 million of Federal Reserve money, which they used chiefly to accumulate legal and excess reserves. Additional funds were created by the expenditure by the Treasury of part of its profit of $2,800 million acquired through the revaluation of gold. Whether used to support the market in Government securities or to acquire foreign currencies with a view to limiting a rise in the dollar, such expenditure has, of course, the result of enlarging the total volume of cash in the banking system.

The tendency towards increased liquidity through a change in the character of bank assets is further disclosed in Table 5, which shows in detail the changes which took place in the volume and distribution of credit extended by banks members of the Federal Reserve system from June 30th, 1933, to June 30th, 1934.

The increase in member banks' total loans and investments in the year ending June 30th, 1934, was entirely due to purchases of Government and other securities. Total investments increased by $2,725 million, while total loans declined by $335 million. Government securities alone rose by 33 per cent during this year, and at the middle of 1934 constituted more than one-third of the total earning assets of the member banks, as compared with 28 per cent a year earlier and 11 per cent in 1929. From June 30th, 1933, to June 30th, 1934, the gross United States Government debt increased from $22,539 to $27,053 million — *i.e.*, by $4,500 million ; it is apparent that half of this increase was absorbed by member banks. At the end of June 1934, the latter held over one-third of the gross amount of all United States Government securities outstanding.

The rise of $475 million in securities other than Government bonds is entirely due to purchases of Government-guaranteed obligations issued by various State agencies. All classes of customers' loans were lower in June 1934 than in June 1933 ; the decline was most marked for security loans ; " all other " loans, which include the bulk of genuine short-term commercial credits extended by

[1] The greater part of the reduction, however, is due to the fact that " gold coin in circulation " is excluded from " money in circulation " in the figure for June 1934. The amount is estimated at $287 million. But a corresponding figure is also excluded from " monetary gold stocks ", so the present calculation is not affected by the exclusion.

Table 5. — MEMBER BANKS : LOANS AND INVESTMENTS BY CLASSES, JUNE 30TH, 1933, AND JUNE 30TH, 1934.

Accounts	June 30th, 1933	June 30th, 1934	Difference		Percentage distribution of loans and investments		
	$ (000,000's)		$ (000,000's)	%	October 4th, 1929	June 30th, 1933	June 30th, 1934
1. *Total loans*	*12,858*	*12,523*	*— 335*	*— 3*	*72.9*	*51.9*	*46.1*
(a) Loans to customers :							
(i) Security loans	3,916	3,516	— 400	—10	22.6	15.8	12.9
(ii) Real estate loans	2,372	2,357	— 15	— 1	8.8	9.6	8.7
(iii) "All other" loans	5,049	4,931	— 118	— 2	33.3	21.2	18.1
(b) Loans to banks	330	153	— 177	—53	1.9	1.3	0.6
(c) Open market loans	1,191	1,566	+ 375	+31	6.3	4.8	5.8
2. *Total investments*	*11,928*	*14,652*	*+2,724*	*+23*	*27.1*	*48.1*	*53.9*
(a) U.S. Government securities	6,887	9,137	+2,250	+33	11.2	27.8	33.6
(b) Other securities	5,041	5,515	+ 474	+ 9	15.9	20.3	20.3
Total loans and investments	*24,786*	*27,175*	*+2,389*	*+10*	*100.0*	*100.0*	*100.0*

he banks, declined by $100 million in the course of the year and constituted 18 per cent of the total earning assets of member banks in 1934, compared with over 21 per cent in 1933 and 33⅓ per cent in 1929. Loans to banks fell away by over 50 per cent, no doubt reflecting both the growing liquidity of banks and the increased importance of governmental institutions in supplying their credit requirements. Open-market loans, on the other hand, increased by $375 million, or over 30 per cent, during this year, and constituted nearly as high a proportion of total loans and investments in 1934 as in 1929. The increase was chiefly due to loans to brokers, which rose from $788 to $1,084 million — *i.e.*, by almost $300 million ; the rise was especially marked during the second quarter of 1934. The banks also increased their purchases of commercial paper in the open market, but their holdings of acceptances were reduced.

It is not necessary to insist further upon the high degree of liquidity represented by the figures given in Table 5. At the end of June 1934, member banks' cash reserves *plus* Government securities constituted well over half their aggregate deposit liabilities (over 80 per cent of their sight deposit liabilities), and a substantial part of the remainder was represented by items with the Federal Reserve banks in course of collection, balances due from other banks, exchanges for clearing-house and similar readily realisable items.

The movement of bank accounts since the end of June 1934 may be examined on the basis of Table 6, which shows the principal accounts of reporting member banks in 91 leading cities.

Table 6. — REPORTING MEMBER BANKS IN LEADING CITIES ; PRINCIPAL ACCOUNTS.

$ (000,000's)	Total loans and investments	Loans		Investments		Deposits		
		On securities	All other	U.S. Govt.	Other	Net demand	Time	Govt.
1934 : June 27th	17,737	3,529	4,485	6,665	3,058	12,504	4,501	1,357
July 25th	17,728	3,493	4,445	6,671	3,119	12,755	4,501	1,296
August 29th	17,708	3,247	4,555	6,627	3,279	12,926	4,510	1,203
September 26th	17,789	3,190	4,713	6,631	3,365	13,112	4,471	1,092
October 31st	17,837	3,051	4,756	6,639	3,391	13,476	4,474	851

The increase in deposits continued during the third quarter of 1934 ; while aggregate loans and investments of reporting member banks remained substantially unchanged, marked variations occurred in certain items. Particularly worthy of note are the increases in "all other loans", amounting to $110 million in August and $160 million in September. The amounts are not large, but these represent almost the first reversal in the uniformly downward trend of this item (which represents the bulk of the banks' commercial credit outstanding) since the beginning of the depression. The increase is largely due to the higher prices of farm crops. Loans on securities, on the other hand, fell by $450 during this quarter. The steady increase in Government securities which had characterised the preceding period was stopped, but the banks added substantially to their holdings of other securities. At the end of August, excess cash reserves reached the record figure of $1,900 million ; but, as a result of the seasonal increase in the demand for currency and an increase

in the volume of Government deposits with the Reserve banks, they fell to $1,750 million during September.

In spite of the large increase in commercial bank deposits which occurred during the second half of 1933 and in 1934 — a reflection chiefly of the excess of governmental expenditure over receipts — the increase in the volume of bank transactions was by no means in correspondence. This is shown in Table 7 below, which gives the monthly average of debits to individual accounts by six-monthly periods for 140 cities, excluding New York City.

Table 7. — BANK DEBITS TO INDIVIDUAL ACCOUNTS.

$ (000,000's)

Monthly average	January-June	July-December
1929	26,725	28,598
1930	24,251	21,969
1931	19,348	16,907
1932	13,710	12,024
1933	11,510	12,785
1934	13,699	16,419

Though average monthly debits touched their lowest point in the first half of 1933 (when they were 45 per cent lower than in 1929) and have risen somewhat since then, they still remain very low, particularly when regard is had to the fact that total deposits in the second half of 1934 were not much below the 1929 level. This is due, of course, to a fall in the velocity of circulation of bank deposits ; the trend of this index during 1934 along with the movement of deposits in member banks is shown in Table 8.

Table 8. — DEPOSITS IN MEMBER BANKS AND THEIR VELOCITY OF CIRCULATION, 1934.

1934	Net demand and time deposits in member banks		Velocity of circulation of demand deposits	
	New York City	Outside New York City	New York City	Outside New York City
	$ (000,000's)		1919-1925=100	
January	6,348	17,900	53	72
February	6,370	18,304	59	72
March	6,671	18,617	54	72
April	6,992	19,017	63	72
May	7,001	19,362	51	72
June	7,168	19,530	53	73
July	7,236	19,837	52	72
August	7,252	20,058	48	68
September	7,300	20,315	45	66
October	7,409	20,625	41	63
November	7,465	22,899	40	64
December	7,512	21,026	47	71

It will be recalled that the rapid expansion of business activity in the United States in the spring and early summer of 1933 was financed less by an expansion of bank credit than by a more effective utilisation of existing credit — *i.e.*, by an increase in the velocity of circulation of bank deposits. In July 1933, the indices of velocity stood at 75 for New York City and 90 for the rest of the country, as compared with 44 and 73 at the beginning of the year. By the end of the year, the index of velocity outside New York City had fallen back to 72, and it remained at that level until August 1934, when it fell to 68, the lowest figure recorded since. The New York index also dropped to a low level in August. It is apparent, then, that the recent rise in bank deposits, brought about chiefly through the direct and indirect repercussions of governmental and Federal Reserve bank activity, has been partly compensated by a decline in the effective rate of use of private deposits, reflected in the low level and downward trend of the indices representing the velocity of circulation of demand deposits.

It has already been shown in Table 4 above that the accumulation of large cash reserves in excess of legal requirements was accompanied by a contraction in member banks' borrowings from the Federal Reserve banks. At the end of October 1934, excess reserves of member banks stood at $1,750 million and were nearly as high as legal reserves. The banks were practically free of debt to the Federal Reserve banks ; bills discounted stood at $11 million, compared with $115 million a year earlier and nearly $1,500 million at the height of the banking crisis in March 1933. The figure for bills discounted was the lowest reached since the first days of the Federal Reserve system. The commercial banks also repaid part of their borrowings from the Reconstruction Finance Corporation during this period. The outstanding loans of the latter to banks and trust companies, including receivers, liquidating agents and conservators, reached the high level of $719 million at the end of 1933 ; by the end of August 1934 they had fallen to $595 million [1]. Some of the liquidation of indebtedness may reflect the purchase by the Reconstruction Finance Corporation of preferred stock and capital notes of banks, which are not included in the above figures ; these aggregated $780 million at the last date mentioned. It would seem, however, that most of the banks which sold the R.F.C. their own capital obligations were out of debt ; this is indicated in the large amounts of preferred stock sold by New York banks.

The increase in bank deposits and accumulation of large excess cash reserves could not fail to exercise a depressing effect on the interest and

[1] The aggregate amount of loans disbursed by the R.F.C. to banks from its establishment in February 1932 to the end of September 1934 is $1,680 million ; total disbursements for all purposes exceeded $5,000 million.

money rates, and these sank to very low levels in 1933 and 1934. The following table shows the movement of the principal money rates in New York in recent years.

Table 9. — MONEY RATES IN NEW YORK.

Per cent per annum	Jan. 1933	March 1933	July 1933	Jan. 1934	July 1934
Federal Reserve Bank of New York rediscount rate . .	2½	3½	2½	2	1½
Stock Exchange call loans. . .	1	3.32	1	1	1
Prime commercial paper, 4 to 6 months. .	1¼ – 1½	1½ – 4½	1½ – 1¾	1½	¾ – 1
Prime bankers' acceptances, 90 days. . . .	¼ – ⅜	1⅛ – 3⅝	⅜ ½	½	⅛ – ¼
Customers' rate on commercial loans.	4.12	4.88	3.93	3.58	3.30
Average yield on Treasury bills	0.21	2.20	0.35	0.66	0.07

By the middle of 1933, money rates had fallen back to the low levels prevailing before the banking crisis, and during the next year their trend was, in spite of heavy Government borrowing, still further downward.

Apart from the Gold Reserve Act and the Silver Purchase Act of 1934, the most important piece of legislation directly affecting commercial banking passed since the last issue of this volume is the amendment to the Federal Reserve Act of June 19th, 1934, authorising the Federal Reserve banks to supply working capital to industrial and commercial enterprises within prescribed limitations. The Federal Reserve banks may discount or buy from " any bank, trust company, mortgage company, credit corporation for industry, or other financing institute " obligations maturing within five years entered into for the above-mentioned purpose. The financing institution must itself advance at least 20 per cent of the working capital or must obligate itself for at least 20 per cent of any loss suffered by the Federal Reserve Bank. In exceptional circumstances, the Federal Reserve banks may make direct working capital advances to established private industries. The aggregate amount of credit which may be outstanding at any time under these provisions is limited to the combined surplus of the Reserve banks as at July 1st, 1934 ($280 million), plus amounts paid to the banks by the Secretary of the Treasury for the purpose. At the end of October 1934, working capital loans outstanding amounted to $5 million.

The Reconstruction Finance Corporation Act was also amended to permit the Corporation to make direct loans to commercial and industrial businesses established before 1934 in cases where credit at prevailing bank rates is not otherwise available at banks. The loans may not be of more than five years' maturity ; they must be adequately secured ; they may be made either directly or in co-operation with banks ; the aggregate amount of loans to any one borrower is fixed at a maximum of $500,000 ; and the Corporation's loans of this type outstanding at any one time are not to exceed $300 million. The amount outstanding at the end of August 1934 was $275,000.

As in previous editions of this *Memorandum*, the attached summary tables are based upon statistics published in the Annual Reports of the Comptroller of the Currency. The various State authorities do not impose uniform methods of classification of accounts upon the banks operating under their respective jurisdictions, and the addition of the reports of the various State institutions necessarily entails certain errors or discrepancies. For the first time, a uniform balance-sheet statement covering the great majority of the commercial banks in the United States has recently become available, and is reproduced below. The report is issued by the Chairman of the Federal Deposit Insurance Corporation and shows the situation, as at June 30th, 1934, of the 13,867 commercial banks which are members of the Federal Deposit Insurance Fund. These banks represent over 90 per cent of all licensed commercial banks in the United States.

ASSETS. $ (000,000's)		LIABILITIES. $ (000,000's)	
Cash in vault . .	621.2	Capital stock, notes, debentures	3,310.6
Balances with Federal Reserve banks and in course of collection. .	4,335.1	Surplus	1,959.0
Due from domestic banks. . .	4,171.5	Undivided profits	469.2
Due from foreign banks	237.1	Reserves	491.4
U. S. Government securities	10,295.7	Demand deposits	14,874.9
State and municipal securities	2,278.0	Time deposits. .	11,940.6
Foreign securities	334.0	U. S. and postal savings deposits	1,784.1
Other securities .	3,428.9	Other public deposits	2,407.0
Stock in Federal Reserve banks.	146.0	Due to domestic banks	4,532.1
Loans and discounts	15,161.1	Due to foreign banks	155.9
Guarantees and cover for acceptances . .	261.8	Restricted deposits	71.7
Premises	1,208.2	Notes in circulation	694.8
Other real estate	424.3	Bills payable and rediscounts. .	72.3
Other assets . .	470.1	Acceptances . .	293.0
Total assets .	43,373.1	Other liabilities .	316.5
		Total liabilities.	43,373.1

As this balance-sheet is, in certain respects, more comprehensive than those which have hitherto been available, as well as being more complete with respect to number of banks, it is to be hoped that similar statements will be regularly published in the future.

UNITED STATES OF AMERICA. COMMERCIAL BANKS [1] Table 26 *(a)* I.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:				
	1929	1930	1931	1932	1933
Number of : Banks	23,972	22,759	20,817	18,067	13,829
Branches	—	—	—	—	—
ASSETS.	$ (000,000's omitted)				
1. Cash	3,910	4,133	4,124	3,307	3,270
(a) Gold, silver and small coins	71	71	91	66	4
(b) Inland notes and balances with Central Bank	3,839	4,062	4,033	3,241	3,266
2. Other Items of a Cash Nature	1,680	2,880	1,941	976	1,097
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	13,191	13,694	15,220	13,679	13,518
(a) Government	4,975	4,838	7,220	7,524	8,914
(b) Other	8,216	8,856	8,000	6,155	4,604
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	3,323	3,712	3,768	2,544	2,886
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	34,625	33,695	28,398	21,356	16,002
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	450	586	938	528	442
9. Premises, etc.	1,601	1,656	1,652	1,521	1,225
10. Sundry Assets	1,796	1,847	1,655	1,110	1,016
11. Total Assets	**60,576**	**62,203**	**57,696**	**45,021**	**39,456**
LIABILITIES.					
12. Capital paid up	3,735	3,829	3,618	3,274	2,869
13. Reserve Funds	4,034	4,403	4,229	3,644	2,744
14. Profit-and-Loss Account, Undivided Profits, etc.	936	986	833	555	497
15. Notes in circulation	649	652	639	652	730
16. Cheques and Drafts, etc., in circulation	837	1,614	1,083	566	653
17. Due to Banks (Correspondents)	3,621	4,331	4,823	3,207	3,314
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	42,985	43,288	39,713	30,597	27,047
(a) Current accounts and sight deposits	24,032	23,960	21,208	16,322	15,212
(b) Savings accounts	18,654	19,000	18,042	13,845	10,956
(c) Time or fixed deposits					
(d) Other deposits	299	328	463	430	879
19. Rediscounts and other Borrowings	1,624	661	449	1,214	482
20. Acceptances and Endorsements	450	586	939	528	442
21. Sundry Liabilities	1,705	1,853	1,370	784	678
22. Total Liabilities	**60,576**	**62,203**	**57,696**	**45,021**	**39,456**
23. Value of currency in Swiss francs at end of June of each year	5.18	5.18	5.18	5.18	4.23

[1] Abstract of combined reports of : National, State (Commercial) and Private banks, and Loan and Trust Companies.

UNITED STATES OF AMERICA. NATIONAL BANKS Table 26 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE: 1929	1930	1931	1932	1933
Number of Banks	7,536	7,252	6,805	6,150	4,902
ASSETS.	$ (000,000's omitted)				
1. Cash	1,643	1,764	1,787	1,490	1,700
(a) Gold, silver and small coins	51	49	53	39	2
(b) Inland notes and balances with Central Bank	1,592	1,715	1,734	1,451	1,698
2. Other Items of a Cash Nature	785	1,298	854	427	483
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	6,656	6,888	7,675	7,197	7,372
(a) Government	3,561	3,546	4,253	4,384	5,100
(b) Other	3,095	3,342	3,422	2,813	2,272
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	1,854	2,353	2,354	1,569	1,936
(a) At home	1,777	—	—	—	—
(b) Abroad	77	—	—	—	—
7. Loans and Advances	14,811	14,897	13,185	10,286	8,120
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	393	511	442	279	229
9. Premises, etc.	748	788	796	760	642
10. Sundry Assets	550	617	550	360	379
11. Total Assets	**27,440**	**29,116**	**27,643**	**22,368**	**20,861**
LIABILITIES.					
12. Capital paid up	1,627	1,744	1,688	1,569	1,516
13. Reserve Funds	1,634	1,765	1,687	1,458	1,105
14. Profit-and-Loss Account, Undivided Profits, etc.	488	546	444	303	236
15. Notes in circulation	649	652	639	652	730
16. Cheques and Drafts, etc., in circulation	373	738	531	241	244
17. Due to Banks (Correspondents)	2,176	2,680	2,746	1,800	1,970
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	19,049	19,851	18,920	15,419	14,561
(a) Current accounts and sight deposits	10,504	10,926	10,106	7,941	7,894
(b) Savings accounts	8,317	8,753	8,579	7,265	6,217
(c) Time or fixed deposits					
(d) Other deposits	228	172	235	213	450
19. Rediscounts and other Borrowings	714	229	154	507	118
20. Acceptances and Endorsements	393	511	443	279	229
21. Sundry Liabilities	337	400	391	140	152
22. Total Liabilities	**27,440**	**29,116**	**27,643**	**22,368**	**20,861**
23. Value of currency in Swiss francs at end of June of each year	5.18	5.18	5.18	5.18	4.23

UNITED STATES OF AMERICA. NATIONAL BANKS Table 26 *(b)*.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING JUNE 30TH:				
	1929	1930	1931	1932	1933
Number of Banks	7,536	7,252	6,805	6,150	4,902
	$ (000,000's omitted)				
Capital paid up	1,627.4	1,744.0	1,687.7	1,569.0	1,517.2
Reserve Funds	1,479.0	1,591.3	1,493.9	1,259.4	940.6
1. Gross Profits	**970.4**	**973.3**	**894.6**	**787.9**	**689.4**
To be deducted.					
2. Expenses	497.2	513.4	498.5	427.1	394.5
(a) Salaries, etc.	271.8	276.1	275.6	239.2	204.5
(b) Other working expenses	159.4	171.2	158.8	139.8	149.0
(c) Taxes, etc.	66.0	66.1	64.1	48.1	41.0
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Amounts written off on (Depreciation Accounts).	171.4	213.6	343.5	500.5	513.3
(a) Premises, etc.	25.1	28.8	18.4	17.7	15.9
(b) Investments and securities	130.5	165.4	306.4	464.1	474.6
(c) Other assets	15.8	19.4	18.7	18.7	22.8
5. Remaining Net Profit or Loss (—)	**301.8**	**246.3**	**52.6**	**—139.7**	**—218.4**
6. Carried forward from preceding year	—	—	—	—	—
7. Taken from Reserves or Capital	—	—	158.7	308.9	317.5
8. Total Amount disposed of for Dividends, etc.	**301.8**	**246.3**	**211.3**	**169.2**	**99.1**
9. Dividends	222.7	237.0	211.3	169.2	99.1
10. Carried to Reserves	79.1	9.3	—	—	—
11. Directors' Fees, etc.					
12. Carried forward to following year					
13. Total as above	**301.8**	**246.3**	**211.3**	**169.2**	**99.1**
14. Value of currency in Swiss francs at end of June of each year	5.18	5.18	5.18	5.18	4.23

Balance-sheet Summary.

Unless otherwise indicated, the following notes refer to Table 26 *(a)* I, showing the combined accounts of national banks, State banks, trust companies and private banks. The figures for 1933 relate only to licensed banks.

1. *Cash.*

The amounts shown in the Summary Table for gold, silver and small coins are composed in the years under review as follows :

$ (000,000's)	1929	1930	1931	1932	1933
Gold coin	25	25	23	23	2
Gold certificates	46	46	68	43	2
Total (1 *(a)*)	71	71	91	66	4
Paper currency	444	470	564	520	401
Cash not classified	256	274	177	136	134
Reserve with Federal Reserve banks or reserve agents	3,139	3,318	3,292	2,585	2,671
Total (1 *(b)*)	3,839	4,062	4,033	3,241	3,266
Grand total: (1 *(a)*+*(b)*)	3,910	4,133	4,124	3,307	3,270

2. *Other Items of a Cash Nature.*

The amounts shown under this heading in the Summary Table consist of cheques on other banks and exchanges for the clearing house.

3. *Bills discounted and bought.*

Discounts are included under "Loans and Advances" in group 7 of the Summary Table (see note to that group).

4. *Investments and Securities.*

The amounts shown in the Summary Table are composed as follows in the years under review :

$ (000,000's)	1929	1930	1931	1932	193
Government (public) securities:					
United States bonds	3,744	3,616	5,471	5,832	7,143
State, county or municipal bonds .	1,231	1,222	1,749	1,692	1,771
Total (4 *(a)*) .	4,975	4,832	7,220	7,524	8,914
Other securities:					
Railroad and other public service bonds	1,907	2,069	2,490	2,075	1,642
Other bonds, stocks, warrants, etc. . .	6,309	6,787	5,510	4,080	2,962
Total (4 *(b)*) .	8,216	8,856	8,000	6,155	4,604
Grand total : (4 *(a)*+*(b)*). . .	13,191	13,694	15,220	13,679	13,518

6. *Due from Banks.*

Sums due from foreign correspondents are not shown separately in the official summary balance-sheets ; separate figures available for national banks for the end of June, 1929 and 1933, are shown below :

$ (000,000's)	1929	1933
Items with Federal Reserve banks in process of collection	444	282
Due from banks and trust companies in the United States	1,333	1,570
Total due from banks at home (6 *(a)*)	1,777	1,852
Balances payable in dollars from foreign branches of American banks.	1	1
Due from banks and bankers in foreign countries.	76	83
Total due from banks abroad (6 *(b)*).	77	84
Grand total.	1,854	1,936

7. *Loans and Advances.*

The composition of this item is as follows :

$ (000,000's)	1929	1931	1932	1933
1. Commercial paper, etc., bought in the open market	2,729	1,057	638	497
2. Overdrafts	57	46	15	11
3. Loans to banks	372	369	489	316
4. Loans secured by United States and other bonds	11,146	9,043	5,956	4,651
5. Loans secured by real estate.	4,540	4,315	3,979	3,497
Whereof:				
Farm land.	*1,855*	*440*	*495*	*375*
Other real estate. . . .	*2,684*	*3,875*	*3,484*	*3,122*
6. All other loans.	15,781	13,568	10,279	7,030
Grand total (1 to 6). .	34,625	28,398	21,356	16,002

Loans and discounts, as shown in the summary tables and above, include paper rediscounted at Federal Reserve banks and other institutions ; liability on account of rediscounts is shown separately in the note to group 19 below.

9. *Premises.*

The amounts shown in the Summary Table refer only to buildings, furniture, fixtures, etc., used in the business of the banks. Other real estate held by them is included under "Sundry Assets".

15. *Notes in Circulation.*

This item shows the gross note circulation of the national banks.

16. *Cheques and Drafts in Circulation.*

This item consists of certified cheques, cashiers' cheques, dividend cheques, cash letters of credit and travellers' cheques outstanding.

17. *Due to Banks (Correspondents).*

In the years under review, about two-thirds of the amounts due to banks were reported by national banks.

No distinction is made in the official summary balance-sheets between sums due to banks at home and abroad. In a separate statement for national banks, however, the composition of this item in 1929 and 1933 is shown as follows :

$ (000,000's)	1929	1933
Due to Federal Reserve banks (deferred credits).	37	26
Due to other banks and trust companies in the United States. . . .	1,935	1,876
Due to banks in foreign countries . .	204	68
Total	2,176	1,970

18. *Deposits.*

The composition of the amounts shown in the Summary Table in the years under review is as follows :

$ (000,000's)	1929	1930	1931	1932	1933
Individual deposits subject to check . .	21,281	20,955	18,565	14,249	13,364
Demand certificates of deposits.	409	402	367	248	184
State, county and municipal deposits . .	1,873	1,912	1,849	1,538	1,273
Other demand deposits	469	691	427	287	391
Total *(a)*, sight deposits . .	24,032	23,960	21,208	16,322	15,212
Savings account deposits	14,045	13,859	12,714	9,760	7,457
Time certificates of deposit	3,063	3,030	2,881	2,069	1,610
Other time deposits .	906	1,150	1,543	1,006	762
Postal savings deposits	89	139	261	647	770
State, county and municipal deposits . .	418	509	484	310	292
Deposits of other banks	133	313	160	53	65
Total *(b)*, time deposits . .	18,654	19,000	18,043	13,845	10,956
United States deposits	281	246	444	421	852
Unclassified deposits .	18	82	19	9	27
Total *(c)*, other deposits . .	299	328	463	430	879
Grand total . .	42,985	43,288	39,713	30,597	27,047

19. *Rediscounts and Other Borrowings.*

The amounts shown in the Summary Table include bills payable as well as rediscounts with the Federal Reserve and other banks.

Summary of Profit-and-Loss Accounts.

The attached summary table of profit-and-loss accounts refers to licensed national banks ; similar data with regard to State banks, trust companies and private banks are not published in the reports of the Comptroller of the Currency.

1. *Gross Profits.*

The composition of gross profits since 1929 has been as follows :

$ (000,000's)	1929	1930	1931	1932	1933
Net interest and discount earned . . .	747.6	740.4	660.9	584.3	496.4
Exchange and collection charges. . . .	18.1	18.3	15.2	12.1	14.1
Foreign exchange . .	12.4	13.5	15.3	18.2	12.5
Insurance and real estate loans	0.9	0.9	0.7	0.6	--
Trust department . .	20.6	22.8	26.7	22.4	21.5
Profits on securities sold	35.1	41.7	50.3	24.9	—
Recoveries on assets previously written down.	35.6	31.6	35.3	42.3	78.6
Other earnings . . .	100.1	104.1	90.2	83.1	66.3
Total. . . .	970.4	973.3	894.6	787.9	689.4

4. *Amounts written off.*

The composition of the amounts charged is given below :

$ (000,000's)	1929	1930	1931	1932	1933
Loans and discounts. .	86.8	103.8	186.9	259.5	231.4
Bonds, securities, etc..	43.5	61.4	119.3	201.8	236.6
Foreign exchange . .	0.2	0.2	0.2	2.8	(6.6)
Total. . . .	130.5	165.4	306.4	464.1	474.6

The last item shown for 1933 represents the amount written off real estate.

6. *Carried forward from Preceding Year.*

The amounts carried forward from preceding year are not shown separately in the official statistics.

7. *Taken from Reserves, etc.*

The amounts shown in the Summary Table are not given in the official statistics, but represent the difference between net profit or loss and dividends declared.

10, 11 and 12. *Carried to Reserves. Directors' Fees. Carried forward to Following Year.*

The official statistics give no indication of the disposal of the net profits in excess of the declared dividends.

ARGENTINE

Introductory Note.

The principal factors affecting the Argentine banking situation during 1933 were (1) the depreciation of the exchange and gradual freeing of transactions in foreign currencies, (2) the progressive release of foreign accounts hitherto blocked, and (3) the reduction in interest rates and internal conversion loans.

From the beginning of 1932 to the first months of 1933, the Argentine peso was pegged against the dollar at a level equivalent to a depreciation of about 40 per cent in relation to its gold parity. When the American currency weakened during the banking crisis of March 1933 and during its subsequent depreciation, the Argentine Exchange Committee fixed the value of the peso at 15.47 paper pesos = 100 French francs — a rate still equivalent to a 40 per cent depreciation below gold. This rate was maintained up to the end of November 1933 ; but, as it was relatively high, the export surplus dwindled, the exchange market became tight, and funds blocked under the exchange restriction legislation continued to accumulate.

At the end of November 1933, the official peg against the franc was reduced to a lower level — *i.e.*, from a depreciation of 40 to one of 50 per cent. At the same time, a system of multiple exchange rates was introduced and an increasing proportion of transactions came to be carried out at non-official rates, which were considerably below the official rates. The official market in exchange deals exclusively with exchange derived from exports ; the banks acquire this exchange from exporters at a price fixed from time to time by the Ministry of Finance and put it at the disposal of the Exchange Committee, which has charge of its sale. Government requirements constitute a first charge against this exchange ; the remainder is auctioned each day and sold to the highest bidders. The profit made in the official sale of exchange is used in part to compensate the Government for the increased cost of the service of debt held abroad, and in part to finance the operations of the Grain Regulation Board. The latter body was set up in November 1933 to buy grain from farmers at certain fixed basic prices and market them abroad at world prices ; the loss was to be covered out of exchange profits. In fact, as a result chiefly of the American drought, the Board did not make losses on its operations, and the whole of the exchange profits were available for other purposes. Since January 1934, the official buying rate has been based on the pound sterling at 15 paper pesos to the pound.

The free market consists in exchange derived from the export of certain goods not previously exported and from all sources other than exports — *e.g.*, investments of foreign capital, return flow of Argentine capital, etc. Competition for this exchange is completely free ; at the middle of 1934, the free rate represented a depreciation against gold of 65 per cent, while the official rate was 50 per cent below the old gold parity.

The first steps towards the release of blocked balances in the Argentine were taken in October 1933 in the form of a trade Convention signed with the United Kingdom. The arrangement consisted, in effect, of the funding of blocked accounts through the issue of a twenty-year 4 per cent sterling loan ; the rate of conversion of peso balances into sterling was fixed at 43*d.* to the gold peso. British holders of blocked accounts subscribed to this loan to the extent of £13.5 million (about 175 million paper pesos). Some months later, similar arrangements were entered into with American and continental European holders of frozen Argentine exchange. These loans amounted, along with an extension of the sterling loan, to a further 150 million pesos.

In consequence of these measures, the Government came into possession of substantial funds, which it deposited with the Banco de la Nación Argentina. The other banks accordingly lost cash to it, and the Banco de la Naci'n in turn retired rediscounts effected at the Caja de Conversión in 1931 and 1932. Consequently, there was a decline in the amount of cash held within the banking system; in the course of 1933, banks' cash reserves fell by 125 million pesos, while their rediscounts declined by 100 millions. This decline in cash reserves, which was concentrated in the second half of the year, did not result in any contraction of bank credit. On the contrary, the contraction of credit, which had reduced total loans by over 500 million pesos between the end of 1930 and the middle of 1933, came to an end in the second half of the latter year. when total loans were increased by over 25 million pesos ; in the first two months of 1934, they rose by a further 25 million pesos. The reduction in rediscounts greatly improved the banks' liquidity, and the freeing of exchange market and rising of the rate on foreign currencies stimulated foreign trade activity.

As a result, in part, of the initiative taken by the Government, the bank agreed upon a uniform reduction in loan and interest rates in September 1933. New loan business was undertaken at rates ranging from 5½ to 6½ per cent, representing a reduction of 2 per cent below rates previously prevailing, and the rate of interest allowed on savings bank deposits was reduced to 2½-3½ per cent. No limit was fixed to the interest which might be paid by banks on time deposits.

Very soon after these rate reductions went into effect, the Government announced its intention of converting the entire issue of 6 per cent and 5½ per cent internal debt bonds, amounting to 1,600 million pesos, on a 5 per cent basis. The National Mortgage Bank bonds were also converted at the same time. Part of the funds derived from the blocked account loans were used to repay the small minority of bondholders who applied for cash rather than accept the conversion loan.

Currency in the hands of the public remained substantially unchanged during 1933; the aggregate note issue of the Caja de Conversión fell (as a result of the retirement of rediscounts mentioned above) from1, 389 to 1,214 million pesos. The visible gold stocks of the Caja de Conversión fell from 584 to 561 million gold pesos, and the gold reserve ratio went up from 43.6 to 46.2 per cent. The reduction in the gold reserves of the Caja was due to shipments of gold made to London after the further depreciation of the peso in November 1933.

In 1933, bank clearings were 1,150 million pesos, or almost 4 per cent lower than in 1932 (more than 40 per cent lower than in 1929); but the quarterly figures, particularly for the Federal Capital, show signs of improvement — or at least diminishing aggravation — towards the end of the year.

Pesos (000,000's)		First quarter	Second quarter	Third quarter	Fourth quarter	Year
Federal Capital	1932	6,637	6,357	6,011	5,803	24,808
	1933	5,741	6,034	5,690	6,983	24,448
	% *change*	*—13.5*	*— 5.1*	*— 5.3*	*+20.3*	*— 1.5*
Interior	1932	1,306	1,291	1,187	1,119	4,903
	1933	1,089	1,042	994	996	4,121
	% *change*	*—16.6*	*—19.3*	*—16.3*	*—11.0*	*—15.9*

As in the previous edition, the attached Summary Table is based upon statistics published in the *Economic Review* of the Banco de la Nación Argentina, and includes that bank as well as the ordinary joint-stock banks. Double counting as between the various banks has, as far as possible, been eliminated. The figures are not identical with those previously given, as a new series published in the April-June 1934 number of the *Economic Review* includes three important establishments not previously taken into account. The attached figures are fully representative and are comparable over the whole period covered.

Balance-sheet Summary.

1. *Cash.*

The amounts shown under *(a)* consist entirely of gold. Those shown under *(b)* consist of notes held by the Banco de la Nación and the ordinary banks and clearing-house balances held by the ordinary banks to the following amounts :

Pesos (000,000's)	1929	1930	1931	1932	1933
Notes	292	318	383	552	376
Banco de la Nación	(97)	(92)	(114)	(166)	(110)
Ordinary banks	(195)	(226)	(269)	(386)	(266)
Clearing-house balances of ordinary banks	84	127	124	86	135
Total	376	445	507	635	511

The amounts shown as clearing-house balances are held with the Banco de la Nación, which acts as clearing-house. They are included by that bank as part of its own cash reserves in its published balance-sheet. To avoid double counting, however, they are not shown as part of the cash holdings of the Banco de la Nación in the present group and are likewise excluded from its deposit liabilities in group 17.

2. *Other Items of a Cash Nature.*

The amounts shown under this heading consist of sight deposits held by the ordinary banks in banks other than the Banco de la Nación.

3. *Bills discounted and bought.*

The sums shown in the Summary Table consist of bills discounted for the public. They do not include the Banco de la Nación's rediscounts for the ordinary banks, which are given outside the balance-sheet (see note to group 22 below). The amounts discounted by the Banco de la Nación and by the ordinary banks are shown below :

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la Nación	681	683	675	633	569
Ordinary banks	1,003	1,016	1,035	925	872
Total	1,684	1,699	1,710	1,558	1,441

6 and 16. *Due from and to Banks (Correspondent Accounts).*

The basic statistics show only the net balance of sums due to or from foreign banks at the end of each year.

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la Nación	+55	+72	0	+10	+12
Ordinary banks	+37	—97	—46	—37	+10
Total	+92	—25	—46	—27	+22

Sight balances of banks with other domestic banks are included in group 2 (see note to that group).

ARGENTINE. COMMERCIAL BANKS **Table 27 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks	26	26	26	26	26
ASSETS.	Pesos (000,000's omitted)				
1. Cash	470	467	514	643	516
(a) Gold, silver and small coins	94	22	7	5	5
(b) Inland notes and balances with Central Bank	376	445	507	638	511
2. Other Items of a Cash Nature	93	136	77	121	136
3. Bills discounted and bought	1,684	1,699	1,710	1,558	1,441
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	211	242	271	262	242
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	92	—	—	—	22
(a) At home	—	—	—	—	—
(b) Abroad	92	—	—	—	22
7. Loans and Advances	2,032	2,220	2,014	1,933	2,030
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	**4,582**	**4,764**	**4,586**	**4,517**	**4,387**
LIABILITIES.					
12. Capital paid up	522	537	554	557	.
13. Reserve Funds	169	174	176	178	.
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	2	2	3	3	.
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	25	46	27	—
(a) At home	—	—	—	—	—
(b) Abroad	—	25	46	27	—
17. Deposits	3,945	4,029	3,555	3,554	3,512
(a) Current accounts and sight deposits	1,218	1,263	1,009	1,112	1,216
(b) Savings accounts	1,771	1,713	1,648	1,570	1,533
(c) Time or fixed deposits	710	795	667	654	537
(d) Other deposits	246	258	231	218	226
18. Rediscounts	—	—	359	295	207
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	**4,884**	**4,767**	**4,693**	**4,614**	.
22. Other Borrowings	404	379	524	490	480
23. Value of currency in Swiss francs at the end of each year	2.10	1.71	1.30	1.09	1.07

7. *Loans and Advances.*

The statistics published in the *Economic Review* do not distinguish between advances on current account and others. The following details are available for the years under review :

Pesos (000,000's)	1929	1930	1931	1932	1933
Loans	1,058	1,072	748	650	645
Banco de la Nación	(143)	(108)	(126)	(130)	(140)
Ordinary banks .	(915)	(964)	(622)	(520)	(505)
Advances on Government securities. .	528	657	691	673	686
Banco de la Nación	(197)	(205)	(247)	(248)	(259)
Ordinary banks .	(331)	(392)	(444)	(425)	(427)
Other loans and advances	446	491	575	610	699
Banco de la Nación	(96)	(103)	(120)	(146)	(205)
Ordinary banks .	(350)	(388)	(455)	(464)	(494)
Total loans and advances	2,032	2,220	2,014	1,933	2,030
Banco de la Nación	(436)	(476)	(493)	(524)	(604)
Ordinary banks .	(1,596)	(1,744)	(1,521)	(1,409)	(1,426)

11 and 21. *Total Assets and Liabilities.*

These accounts are incomplete and they do not balance.

12 and 13. *Capital and Reserve Funds.*

Figures for 1933 are not available.

17. *Deposits.*

The division of the various accounts among the Banco de la Nación and the ordinary banks in the years under review is shown at the top of the opposite column.

18. *Rediscounts.*

The amounts shown under this heading in the Summary Table represent rediscounts of commercial paper which the Banco de la Nación effected with the Caja de Conversión.

Pesos (000,000's)	1929	1930	1931	1932	1933
Current accounts . .	1,218	1,263	1,009	1,112	1,216
Banco de la Nación	(448)	(452)	(320)	(363)	(440)
Ordinary banks .	(770)	(811)	(689)	(749)	(776)
Savings deposits . .	1,771	1,713	1,648	1,570	1,533
Banco de la Nación	(956)	(882)	(847)	(805)	(801)
Ordinary banks .	(815)	(831)	(801)	(765)	(732)
Time deposits . . .	710	795	667	654	537
Banco de la Nación	(53)	(78)	(57)	(134)	(94)
Ordinary banks .	(657)	(717)	(610)	(520)	(443)
Other deposits . . .	246	258	231	218	226
Banco de la Nación.	(112)	(111)	(103)	(102)	(100)
Ordinary banks .	(132)	(147)	(128)	(116)	(126)
Total deposits . . .	3,945	4,029	3,555	3,554	3,512
Banco de la Nación	(1,569)	(1,523)	(1,327)	(1,404)	(1,435)
Ordinary banks .	(2,376)	(2,506)	(2,228)	(2,150)	(2,077)

The ordinary banks rediscount commercial paper with the Banco de la Nación and borrow from it against Government securities. As these borrowings represent neither a net asset nor liability of the commercial banking system as a whole, they have been excluded from the Summary Table and are shown separately outside the balance-sheet proper. See following note.

22. *Other Borrowings.*

As stated above, the Banco de la Nación's rediscounts of commercial paper for the ordinary banks and its advances to them against Government securities have been excluded from groups 3 and 7 under assets and from group 18 under liabilities. They are shown in the present group and were composed in the years under review as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Rediscounts of commercial paper	138	135	252	287	267
Borrowings against Government securities .	266	244	272	203	213
Total	404	379	524	490	480

BOLIVIA. [1]

Introductory Note.

As the Central Bank of Bolivia (Banco Central) transacts a large part of its business with the general public, it has been included — as in the last edition of this *Memorandum* — in the attached Summary Table. Separate figures for the two purely commercial banks are, however, given for 1931-1933. In the years 1929-1931, the main activity of the Central Bank was in the nature of ordinary commercial banking ; its transactions with the two other banks on the one hand, and with the Government on the other, were relatively unimportant. After a sharp deflation of credit and currency in 1929-1931, however, there followed a period of Government inflation, in the course of which the character of the Central Bank rapidly changed. Already in 1931 the Government covered a budgetary deficit by borrowing at the Central Bank ; this, however, was insignificant in comparison with the volume of Government borrowing after the outbreak of hostilities with Paraguay at the end of July 1932. The Government debt to the Central Bank (mainly in Treasury bonds), included under Investments and Securities in the Summary Table, rose from 8.7 million bolivianos at the end of 1931 to 119.3 millions at the end of 1933. (The total assets of the Bank amounted to 68.8 millions at the former and to 160.2 at the latter date.) As a result, the volume of notes in circulation rose during the same period from 27 million to 53.8 million bolivianos. By the end of June 1934, the note circulation had increased further to 64 million bolivianos.

The considerable increase in aggregate deposits which the Summary Table shows for 1932 was almost entirely due to Government deposits at the Central Bank, which rose from 3.6 million bolivianos at the end of 1931 to 26.6 millions at the end of 1932, representing merely a temporary accumulation of the proceeds of the above-mentioned borrowings. The total deposits held by the two commercial banks proper (the Banco Nacional and the Banco Mercantil) actually declined (from 26.6 to 24.3 million bolivianos) in 1932. In 1933, on the other hand, the disbursement of the sums borrowed by the Government led to a sharp decline (from 26.6 to about 7 million bolivianos) in the deposit liabilities of the Central Bank to the Government, accompanied by an equally marked increase in the Bank's liabilities on account of notes outstanding. The funds thus placed into circulation led to a sudden expansion in the volume of deposits held by the other two banks, which rose from 24.3 million bolivianos at the end of 1932 to 40.2 million at the end of 1933. This increase took place mainly in the category of current account and sight deposits, which, at the end of 1933, accounted for 74 per cent of the total deposits of the three banks combined, as compared with 54 per cent at the end of 1931. At the same time, owing to the severe depression of business, loans and discounts to the general public continued to decline. In consequence, the cash reserves of the two commercial banks attained an exceptionally high level ; their total cash holdings (including sight balances with the Central Bank) rose from 6.3 million bolivianos at the end of 1931 to 30.4 millions at the end of 1933, or from 9 per cent of their total assets at the former date to 36.1 per cent at the latter.

The sharp decline in sums due from banks abroad — *i.e.*, item 6 *(b)* of the Summary Table— which will be seen to have taken place in 1933, is in part directly related to the Government imports in connection with the war with Paraguay. Thus, a Decree of December 29th, 1932, provided for the compulsory delivery of foreign assets to the value of about 7 million bolivianos by the three banks to the Government.

After the suspension of the gold standard by the United Kingdom in September 1931, the convertibility of the notes of the Central Bank of Bolivia was suspended, and the currency linked to sterling at the par rate of 13.3 bolivianos to the pound. Early in 1932, however, this official rate was raised to 15 to the pound. A Decree of May 25th, 1932, laid down a scale according to which the exchange value of the boliviano was to vary with the price of tin (Bolivia's chief export product) as quoted on the London market ; every fall in the sterling price of tin was to be accompanied by a lowering of the exchange value of the boliviano and, conversely, every rise of the price of tin by an appreciation of the bolivian currency in relation to sterling. For some time the official exchange value of the boliviano thus fluctuated, according to the scale established in May 1932, around a rate of 17 bolivianos to the pound sterling. When, however, in the latter part of 1932, the London price of tin began to rise, the scale was in practice abandoned and the sterling rate fixed at 17 bolivianos to the pound. In February 1933, the official rate was raised to 20 bolivianos to the pound.

Exchange restrictions were introduced after the suspension of the gold standard at the end of September 1931. A monopoly of all foreign exchange transactions was given to the Central

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Bolivia in the last edition of this volume, the present chapter covers the entire period 1929-1933.

BOLIVIA. COMMERCIAL BANKS Table 28 *(a)*.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :							
	1929	1930	1931	1932	1933	1931	1932	1933
Number of Banks	3	3	3	3	3	2	2	2
ASSETS.	Bolivianos (000,000's omitted)							
1. Cash	20.9	8.9	11.1	14.4	38.6	6.3	6.9	30.4
(a) Gold, silver and small coins	15.0	7.7	8.4	9.2	11.8	3.6	1.7	3.6
(b) Inland notes and balances with Central Bank	5.9	1.2	2.7	5.2	26.8	2.7	5.2	26.8
2. Other Items of a Cash Nature	—	—	—	—	—	—	—	—
3. Bills discounted and bought	22.2	20.1	20.3	12.0	13.9	11.4	7.3	6.7
(a) Treasury bills	16.7	18.2	16.3	11.7	9.5	—	—	—
(b) Commercial bills, Inland								
(c) Commercial bills, Foreign	5.5	1.9	4.0	0.3	4.4	—	—	—
4. Investments and Securities	19.1	22.5	28.3	85.1	136.3	15.0	10.5	11.8
(a) Government	—	—	—	—	—	—	—	—
(b) Others	—	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	47.0	39.6	22.8	29.5	4.8	3.5	6.6	2.6
(a) At home	—	—	—	2.5	—	—	2.5	—
(b) Abroad	47.0	39.6	22.8	27.0	4.8	3.5	4.1	2.6
7. Loans and Advances	47.1	46.0	41.0	41.8	38.2	27.7	28.3	26.0
(a) On current account	26.1	22.1	20.5	16.5	13.6	15.7	11.9	9.6
(b) Other	21.0	23.9	20.5	25.3	24.6	12.0	16.4	16.4
8. Cover for Acceptances	0.5	0.5	0.5	0.2	0.2	0.5	0.2	0.2
9. Premises, etc.	6.4	6.6	6.2	7.1	7.1	3.2	4.1	4.4
10. Sundry Assets	4.8	5.6	5.5	4.7	5.4	2.0	1.2	2.2
11. Total Assets	**168.0**	**149.8**	**135.7**	**194.8**	**244.5**	**69.6**	**65.1**	**84.3**
LIABILITIES.								
12. Capital paid up	45.6	46.5	46.5	47.3	48.3	22.7	23.5	24.5
13. Reserve Funds	20.3	21.3	19.7	20.1	19.7	13.5	13.8	12.8
14. Profit-and-Loss Accounts, Undivided profits, etc.	3.1	3.2	2.7	4.5	3.7	2.0	2.6	1.5
15. Notes in Circulation	43.0	32.2	27.0	37.7	53.8	0.4	0.1	—
16. Cheques and drafts in Circulation	1.7	5.6	0.1	—	—	—	—	—
17. Due to Banks (Correspondents)	5.7	0.9	2.1	5.4	25.7	0.3	0.9	0.3
(a) At home	5.7	0.9	2.1	4.5	21.6	0.3	—	0.1
(b) Abroad	—	—	—	0.9	4.1	—	0.9	0.2
18. Deposits	45.3	38.0	35.0	60.2	64.9	26.3	23.8	39.8
(a) Current accounts and sight deposits	26.3	20.7	19.2	48.6	47.9	11.7	13.2	23.8
(b) Savings accounts	4.8	4.1	3.9	3.4	3.5	3.8	3.3	3.5
(c) Time or fixed deposits	12.9	12.0	10.8	7.3	12.5	10.8	7.3	12.4
(d) Other deposits	1.3	1.2	1.1	0.9	1.0	—	—	0.1
19. Rediscounts and Other Borrowings	—	—	—	—	—	2.7	—	—
20. Acceptances and endorsements	0.5	0.5	0.5	0.2	0.2	0.5	0.2	0.2
21. Sundry Liabilities	2.8	1.6	2.1	19.4	28.2	1.2	0.2	5.2
22. Total Liabilities	**168.0**	**149.8**	**135.7**	**194.8**	**244.5**	**69.6**	**65.1**	**84.3**
23. Value of currency in Swiss francs at end of each year	1.85	1.82	1.30	0.95	0.84	1.30	0.95	0.84

Bank. An Exchange Control Board was formed in May 1932. A Decree of May 25th, 1932, required exporters to deliver the whole proceeds of their sales abroad to the Central Bank, deducting (with the permission of the Board in each case) only the necessary expenditure paid in foreign currency. For all export products except tin, the amount to be delivered to the Central Bank at the official rate of exchange was fixed at 65 per cent in November 1932 and was reduced to 15 to 25 per cent in February 1933. In the case of tin, that percentage was fixed at 62 per cent in January 1934. The rationing of the available exchange to importers has become progressively more stringent, as the Government has claimed a steadily increasing share of the foreign exchange received by the Central Bank. Accordingly, the open-market rate of exchange has steadily risen ; in the first part of 1934 it moved around 50 bolivianos to the pound sterling, as compared with the official quotation of 20 bolivianos to the pound.

Balance-sheet Summary.

1. *Cash.*

The composition of this item in 1933 was as follows :

Bolivianos (000,000's)	Banco Central	Other banks	Total
Gold	7.9	3.6	11.5
Silver and nickel	0.3	—	0.3
Total *(a)*	8.2	3.6	11.8
Notes of the Banco Central	—	2.5	2.5
Deposits with Banco Central	—	24.3	24.3
Total *(b)*	—	26.8	26.8

3. *Bills discounted and bought.*

The balance-sheets of the banks do not give Government paper separately from commercial paper ; the classification of domestic bills is shown below :

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Bills discounted[a]	12.8	11.8	5.4	4.7	3.4
Bills overdue	1.4	2.2	6.2	3.9	3.2
Due bills at sight	0.2	0.2	0.4	0.4	0.2
Bills in process of collection	1.3	2.8	4.3	2.7	2.7
Bills in liquidation	1.0	1.2			
Total	16.7	18.2	16.3	11.7	9.5

[a] Excluding rediscounts at the Banco Central.

6. *Due from Banks (Correspondents).*

Amounts due from domestic banks are not shown separately in the balance-sheets, except for the Banco Mercantil in 1932. Deposits maintained with the Banco Central and other institutions are shown in the note to group 1 above.

Sums shown for foreign correspondents consist of sight deposits held with banks abroad by the Banco Central as backing for its note circulation, and sight deposits and balances accruing to this and other banks in the ordinary course of business.

15. *Notes in Circulation.*

The Banco Central has a legal monopoly of note circulation ; but the Associated Banks were permitted to maintain small amounts in circulation until the end of 1932. The sums shown in the Summary Table consist of *net* circulation — *i.e.*, they exclude the banks' holdings of their own notes. They include, however, the portion of the note issues of the Banco Central held by the Associated Banks. The division of the note circulation among the Banco Central and the other banks, and the latter's holdings of Banco Central notes are shown below :

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Note circulation of :					
Banco Central	42.5	31.8	26.6	37.6	53.8
Associated Banks	0.5	0.4	0.4	0.1	—
Total net circulation	43.0	32.2	27.0	37.7	53.8
Notes of Banco Central held by Associated Banks	0.9	0.3	0.7	0.7	2.5
Net circulation in hands of public	42.1	31.9	26.3	37.0	51.3

17. *Due to Banks (Correspondents).*

Mainly balances of associated banks with the Banco Central.

18. *Deposits.*

The amounts shown in the Summary Table are composed as follows in the years under review :

Bolivianos (000,000's)	1929	1930	1931	1932	1933
Current accounts	23.6	18.7	17.2	46.7	43.7
Sight deposits	2.7	2.0	2.0	1.9	4.2
Total *(a)*	26.3	20.7	19.2	48.6	47.9
Ordinary savings deposits	3.6	3.1	2.9	2.5	2.9
Workmen's savings deposits	1.2	1.0	1.0	0.9	0.6
Total *(b)*	4.8	4.1	3.9	3.4	3.5
Time deposits *(c)*	12.9	12.0	10.8	7.3	12.5
Judicial deposits	1.2	1.1	0.8	0.8	0.9
Deposits in foreign money	0.1	0.1	0.3	0.1	0.1
Total *(d)*	1.3	1.2	1.1	0.9	1.0
Grand total	45.3	38.0	35.0	60.2	64.9

19. *Rediscounts and Other Borrowings.*

At the end of 1932 and 1933, the rediscount indebtedness of the Associated Banks to the Banco Central was nil.

BRAZIL[1].

Introductory Note.

The Stabilisation Office, set up in 1926, with the help of foreign credits, to administer an exchange stabilisation fund equivalent to over £20 million (held almost exclusively in gold), succeeded in maintaining the exchange value of the milreis fairly stable at a level of approximately 12 United States cents to the milreis (or about 40 milreis to the pound sterling) until 1929. In 1930, however, the fall in the price of coffee, coupled with the cessation — and even reversal — of the movement of capital, led to a marked depreciation of the milreis, in spite of the fact that all but £3 million of the gold reserves of the Stabilisation Office and the Banco do Brasil combined — which had amounted to over £30 million at the end of 1929 — were exported in the course of 1930 to support the exchange. These gold holdings were completely exhausted by May 18th, 1931, when a system of exchange control was put into operation : the Banco do Brasil was given a monopoly of foreign exchange transactions, exporters were required to deliver their sale proceeds in foreign currencies to the Banco do Brasil at the official rates of exchange, and the supply of exchange to importers was strictly rationed. Between the middle of 1932 and the middle of 1933, the official rate was " pegged " to the United States dollar at a level of 13.5 milreis to the dollar (as compared with about 8.5 in 1929) ; the milreis was allowed to depreciate together with the dollar in the spring of 1933. Since the second half of 1933, the official exchange value of the milreis has been linked to sterling at a rate of 60 milreis to the pound.

The " free " exchange market, which had previously been illegal, received a certain measure of official sanction by a decree of May 22nd, 1934, which permitted free dealings in all foreign exchange other than that derived from commodity exports. A series of further relaxations of the exchange control culminated in a decree of September 10th, 1934, which relieved all exporters, except those of coffee, of the obligation to deliver their foreign exchange proceeds at the official rate. In the case of coffee, it was provided that the sum of £2 (or its equivalent in other currencies) per bag exported should be sold to the Banco do Brasil [2] ; the balance could henceforward be disposed of on the free market. The Banco do Brasil agreed to supply up to 60 per cent of the current exchange requirements of importers at the official rates, the remainder having to be purchased in the free market. The " free " sterling rate, which had been over 90 milreis to the pound in May 1934, declined to about 70 milreis to the pound in the latter part of 1934.

In December 1934, a decree was issued by which the foreign exchange received by the Banco do Brasil at the official rates is to be allocated to imports by countries of origin in proportion to the amount of coffee exported to the different countries.

A new scheme for the service of the external debt was established by a decree issued in February 1934, which came into force on April 1st, 1934, for a period of four years, and which replaced the moratorium declared in 1931. This scheme limits the total amount of interest and sinking-fund payments to £8 million a year, instead of the £24 million actually due. It further provides that any surplus foreign exchange available should be applied to the repurchase of bonds below par.

In May 1934, an agreement was concluded with the French creditors to consolidate " frozen " short-term obligations ; similar agreements had previously been made with the American and British short-term creditors.

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The following table shows the changes which have taken place in recent years in the note issues outstanding :

Milreis (000,000's)	1929	1930	1931	1932	1933
Note-issue of :					
Federal Treasury . .	1,952	2,543	2,683	3,004	2,978
Banco do Brasil . . .	592	170	170	170	20
Stabilisation Office .	851	129	89	65	39
Total	3,395	2,842	2,942	3,239	3,037

The sharp decline which took place in the note circulation of the Stabilisation Office in 1930 was mainly due to the outflow of gold. It was partly offset by the simultaneous rapid expansion in the note circulation of the Treasury, which in that year took over the greater part of the notes issued by the Banco do Brasil, whose gold reserve was likewise exported. The note issue of the Treasury continued to expand in the next two years, mainly on account of the budgetary deficits[3] of the Federal

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Brazil in the last edition of this volume, the present chapter covers the entire period 1929-1934.

[2] At the prices ruling in the second half of 1934, this represented about 80 per cent of export proceeds.

[3] The deficits were also covered, in part, by large issues of Treasury bills. It appears that these bills circulate extensively as means of payment and therefore constitute, to some extent, an effective addition to the volume of currency in use. The marked increase in bills held by the commercial banks in 1932 — a year in which the suppression of the Sao Paulo revolt involved an additional strain on the financial position of the Federal Government — presumably represents mainly Treasury bills.

Government, while the circulation of the Stabilisation Office continued to shrink [1] and that of the Banco do Brasil was further reduced to 20 millions in 1933.

In a report submitted to the Brazilian Government in July 1931, Sir Otto Niemeyer recommended the establishment of an independent central bank with the sole right to issue notes. The Banco do Brasil — which is almost entirely owned and controlled by the Federal Government — was to be relieved of its central banking functions, and to continue operating as a commercial bank. Its commercial banking accounts showed, in fact, a progressive expansion during the years 1930-1932. Its deposit liabilities, for example, increased from 1,331 million milreis at the end of 1930 to 2,886 million at the end of 1932 ; they included, however — particularly in the latter part of the period — a substantial proportion of Treasury deposits. Since August 1934, the Bank again reports a gold reserve among its assets. This reserve, which is held by the Treasury, amounted on November 30th to about 6,103 kilogrammes of fine gold, counted at a balance-sheet value of 88.3 million milreis (presumably representing the aggregate value of the purchases effected at somewhat varying rates). On the other hand, no central bank has so far been established.

Part of the principal changes in aggregate commercial banking accounts in the years 1930-1932 may doubtless be attributed to the increase in the note circulation of the Treasury. The funds spent by the Treasury were, in fact, deposited with the banks on current account. As may be seen from the attached Summary Table, current accounts showed a striking increase between the end of 1930 and the end of 1932, and even the accompanying sharp decline in time deposits was not sufficient to prevent a marked expansion in the aggregate volume of deposits. The ratio of cash to total assets rose from 10 per cent at the end of 1930 to 14 per cent at the end of 1932.

A decree of June 11th, 1932, provided for the establishment of a " Banking Mobilisation Fund ". This fund, administered by the Banco do Brasil, was formed by contributions from all banks established in Brazil, all cash holdings in excess of 20 per cent of their deposits having to be put at the disposal of the fund. If these resources should prove inadequate, the Treasury was authorised to borrow on behalf of the fund. The purpose of the fund is to assist individual banks by enabling them to meet withdrawals of deposits pending the gradual " mobilisation " of their long-term investments or " frozen " short-term assets.

Among the measures taken in 1933 to relieve the burden of agricultural indebtedness, a decree of April 7th, 1933, may be mentioned, which established a legal maximum rate of interest of 8 per cent on mortgage debts and 6 per cent on short-term agricultural loans. Of greater importance, however, was the Law of Economic Readjustment, of December 1st, 1933, together with a Supplementary Decree of March 9th, 1934. Under this law — which was mainly designed to relieve the financial burdens of the coffee-growers — all agricultural debts (including bank debts) contracted before June 30th, 1933, were reduced by 50 per cent. For the amounts thus cancelled, creditors received compensation in the form of Federal Government bonds issued for this purpose, bearing 6 per cent interest per annum ; in other words, the Government took over one-half of farmers' debts. An Economic Readjustment Office was set up to carry out the provisions of this law. All banking creditors were required to submit detailed statements of their agricultural loan assets. The banks in question were authorised to borrow from the Banking Mobilisation Fund against the security of the bonds mentioned.

To provide new credit facilities to farmers on favourable terms, a Bank for Rural Credit was formed under Government auspices early in 1934. Towards the end of that year, the Government proceeded to establish industrial banks in every State with a view to encouraging the uniform development of manufacturing industry in the whole country.

At the beginning of January 1935 a Bill was submitted by the Federal Government to the Legislative Chamber which provides that foreign banks operating in Brazil should deposit 10 per cent of their capital with the Banco do Brasil. According to this Bill, all banks would be required to invest at least one-third of their reserve funds in Brazilian Government bonds.

The Summary Table is based on the official banking statistics *(Movimento Bancario)*, which comprise all national banks and the Brazilian branches of all foreign banks operating in the country. The actual number of banks included is not stated. From information available elsewhere[2], it appears, however, that the official statistics include all banks with a share capital of over 5 million milreis, and that, in 1932, the number of such banks was 53, of which 37 were national banks and 16 foreign ; these banks maintained 509 branches, of which 83 belonged to the Banco do Brasil.

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[1] The Stabilisation Office was abolished at the end of 1930 ; its notes remained in circulation at the time, but have been gradually withdrawn and replaced by Treasury notes.

[2] " Brazil 1933 " (published by the Ministry for Foreign Affairs), page 361.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933 [1]
Number of : Banks					
Branches and Sub-Branches					
ASSETS.	Milreis (000,000's omitted)				
1. Cash	1,550	1,164	1,228	1,845	1,447
(a) Gold, silver and small coins	17	16	30	2	3
(b) Bank notes, State notes and balances with Central Bank	1,533	1,148	1,198	1,843	1,444
2. Other Items of a Cash Nature	204	191	166	114	136
3. Bills discounted and bought	3,070	2,619	2,538	3,144	3,200
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	254	352	398	410	421
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	...
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	677	667	401	459	453
(a) At home	108	88	73	98	103
(b) Abroad	569	579	328	361	350
7. Loans and Advances	3,588	3,690	3,609	3,781	3,910
(a) On current account	3,588	3,690	3,609	3,781	3,910
(b) Others	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc	—	—	—	—	—
10. Sundry Assets	2,987	2,816	3,557	3,561	3,775
11. Total Assets	**12,330**	**11,499**	**11,897**	**13,314**	**13,342**
LIABILITIES.					
12. Capital paid up	851	788	848	864	845
13. Reserve Funds	509	562	587	627	643
14. Profits and Loss, Undivided Profits, etc.	21	25	39	35	44
15. Cheques and Drafts, etc., in circulation	45	34	49	285	818
16. Due to Banks (Correspondents)	706	685	402	991	279
(a) At home	78	74	86	872	93
(b) Abroad	628	611	316	119	186
17. Deposits	5,925	5,731	5,962	6,843	6,344
(a) Current accounts	3,487	2,856	3,490	4,732	4,345
(b) Savings accounts	431	394	451	510	506
(c) Time or fixed deposits	2,007	2,481	2,021	1,601	1,493
(d) Other deposits	—	—	—	—	—
18. Rediscounts	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	4,273	3,674	4,010	3,669	4,369
21. Total Liabilities	**12,330**	**11,499**	**11,897**	**13,314**	**13,342**
22. Value of currency in Swiss francs at the end of each year	0.58	0.50	0.32	0.40	0.28

[1] Statistics covering all balance-sheet items not yet available.

Balance-sheet Summary.

1. *Cash.*

The sums shown under *(b)* are composed as follows :

Milreis (000,000's)	1929	1930	1931	1932	1933
Bank and State notes .	1,269	896	925	1,029	801
Balances with Banco do Brasil	264	252	273	814	643
Total	1,533	1,148	1,198	1,843	1,444

2. *Other Items of a Cash Nature.*

This item consists of funds " at call " in other banks.

3. *Bills discounted and bought.*

The composition of the sums shown in this group of the Summary Table is as follows :

Milreis (000,000's)	1929	1930	1931	1932	1933
Bills discounted	2,488	2,272	2,284	2,916	2,970
Bills receivable for own account :					
Inland.	429	274	196	217	212
Foreign	153	73	58	11	18
Total	3,070	2,619	2,538	3,144	3,200

7. *Loans and Advances.*

According to the nomenclature adopted in the official statistics, practically all the loans of the Brazilian banks would appear to be granted in the form of current account advances. In fact, a considerable proportion of the sums shown represent long-term credits.

In addition, some banks grant mortgage loans against the issue of mortgage bonds. But, as these operations do not fall within the field of commercial banking proper, mortgage loans and corresponding bond issues, which as a rule are handled by separate mortgage departments, have been included under sundry assets and liabilities in the Summary Table.

At the end of 1933, loans and advances amounted to 3,910 million milreis.

10. *Sundry Assets.*

The sums shown in the table are composed as follows :

Milreis (000,000's)	1929	1930	1931	1932	1933
Assets in liquidation. .	29	50	99	66	48
Mortgage loans	1,081	965	1,256	1,610	1,315
Net balance of collection guarantee and safe deposit accounts . .	—	318	160	275	185
Accounts of Note Issue Department of Banco do Brasil.	353	53	54	—	68
Other accounts	1,524	1,430	1,988	1,610	2,159
Total	2,987	2,816	3,557	3,561	3,775

17. *Deposits.*

For the end of 1933, the following figures are available (in millions of milreis) :

Current accounts	4,345
Savings accounts	506
Time deposits	1,493
Total	6,344

20. *Sundry Liabilities.*

The sums shown in the table are composed as follows :

Milreis (000,000's)	1929	1930	1931	1932	1933
Mortgage bonds. . . .	943	973	1,275	846	1,487
Net balance of branches and agencies accounts	642	870	491	333	369
Net balance of collection guarantee and safe deposit accounts. . .	209	—	—	—	—
Accounts of Note Issue Department of Banco do Brasil	715	170	170	170	20
Other accounts	1,764	1,661	2,074	2,320	2,493
Total	4,273	3,674	4,010	3,669	4,369

CHILE.

Introductory Note.

The commercial banking accounts shown in the attached Summary Table may be supplemented by the following statement of rediscounts, bankers' deposits and the note issue of the Central Bank of Chile during the period 1929-1934 :

Pesos (000,000's) End of :	1929	1930	1931	1932	1933	Aug. 1934
Rediscounts for banks	77	101	76	1	1	3
Bankers' sight deposits	96	64	76	219	208	198
Note circulation . . .	352	306	319	488	515	507

Towards the end of 1931, an appreciable increase took place in the volume of notes outstanding, and for nearly two years there was a progressive Government inflation of the currency. The fall in prices and the contraction of business activity, which were reflected in a sharp reduction of commercial bank credit between 1929 and 1931, had led to a rapid decline in tax revenue, and the resulting budget deficits were covered largely through Government borrowings at the Central Bank. The policy of public works pursued by the Government — particularly during the six months following the revolution of June 1932 — led to further demands on Central Bank credit. At the end of 1933, advances to the Government accounted for 672 million pesos of the Central Bank's total assets of 1,001 million pesos, as compared with only 83 million pesos of total assets of 554 millions at the end of 1931.

The currency inflation, which led to a considerable rise of commodity prices in 1932 and 1933, exercised a dominating influence on the position of the commercial banks in that period. In the second half of 1931, sight deposits and cash resources began to rise sharply, while time deposits on the one hand, and discounts, loans and advances on the other, continued to fall. The same tendencies prevailed in 1932. As a result of the depreciation of the currency in relation to commodities, the public effected withdrawals of time deposits on a large scale, with a view to purchasing commodities or making direct investments in real estate, etc. A large part of this money returned, however, to the banks in the form of current-account deposits. Likewise, a large part of the new currency issues found its way to the banks, to serve for payments through current accounts. Accordingly, sight deposits with commercial banks showed a remarkable increase in 1932, which was only interrupted by a sharp decrease in June of that year, when the internal political situation necessitated a three-day bank holiday to check a run on the banks. On the other hand, as a result of the further deterioration of economic conditions in Chile, the demand for banking credit continued to decline, at least in the first part of 1932. Thus, the cash resources of the banks attained an exceptionally high level in 1932. As will be seen from the above table, the rediscount liabilities of the commercial banks to the Central Bank dropped to an insignificant amount at the end of 1932, while their sight balances at the Central Bank were nearly trebled in the course of that year.

It should be mentioned that the increase in the cash liquidity of the commercial banks in 1932 was more marked for the foreign banks operating in Chile than for the national banks. [1] In 1933, moreover, the cash ratios of the two groups of banks even moved in opposite directions, a decline in the cash reserves of the national banks being more than compensated by a rise in the reserves of the foreign banks. This is largely explained by the system of exchange restrictions, which has been in force since the middle of 1931, but was considerably intensified in April 1932. The foreign banks in Chile have, in the past, specialised in financing the foreign trade of the country and transferring payments abroad. As foreign payments could only be effected to a very limited extent after the introduction of exchange control, the peso equivalents of the sums to be transferred accumulated with the foreign banks and increased their cash holdings ; and, as the decline of foreign commerce was even greater than that of the country's internal trade, investment opportunities were more sharply contracted for the foreign establishments than for the national banks ; and the former were less able to benefit from the revival of domestic business activity in 1933 than the latter. The different position of the two banking groups in the years 1931-1933 is strikingly illustrated by their respective profit-and-loss accounts, shown in the balance-sheet summary below ; the national banks showed a net loss of 13.2 million pesos in 1931, which they were able to turn into a net profit of 18.3 millions by 1932, while the foreign banks earned net profits amounting to 6.4 million pesos in 1931, but suffered a net loss of 41 million pesos in 1932.

Since the end of 1932, vigorous efforts have been made to balance the public accounts, and Government borrowing at the Central Bank virtually ceased in the first half of 1933. In November 1933, a law was passed with a view to consolidating the Government's short-term obligations to the Central Bank (amounting to

[1] The distinction between these two groups of banks was briefly discussed in *Commercial Banks, 1913-1929*, page 371.

672.5 million pesos) which had been incurred during the preceding two years ; it was arranged that the Government should pay, in addition to an annual amortisation charge of 1 per cent, 2 per cent interest per annum on this debt.

The expansion of the note circulation was not, however, completely arrested. A law was passed in June 1933 providing for a Plan of Industrial Development through bank credit up to an amount of 300 million pesos, of which one-half was allotted to the nitrate industry alone. By a law of November 1933, this total was raised to 460 million pesos, of which the share of the nitrate industry was fixed at 290 million pesos. It was provided that the Central Bank itself should grant direct credits under these laws if the credits supplied by the commercial banks did not attain the total fixed. Moreover, the documents against which the latter were to grant the loans in question were made rediscountable at the Central Bank, although the credits were not of a short-term character. The expansion of the note-issue which took place in 1933 — particularly in the second half of that year — may in large part be attributed to these measures.

With the cessation of Government inflation and the return of confidence in the currency, the decline in time deposits held by commercial banks was arrested in 1933, and this item even showed an increase towards the end of that year and in the first half of 1934. In the same period, the improvement in economic conditions was accompanied by a rise in the volume of lending by commercial banks. Since the beginning of 1934, even the total of credits granted by the foreign banks is stated to show an upward tendency, owing largely to the substantial recovery of the country's foreign trade.

The discount rate of the Central Bank of Chile, which stood at 6 per cent at the end of 1929 and 7 per cent at the end of 1930, was raised to 9 per cent in the summer of 1931. By August 1932, however, four successive reductions had brought it down to a level of 4.5 per cent, at which it has been maintained up to the time of writing. In July 1933, the legal maximum rates of interest on bank deposits were reduced. For deposits at six months' notice, the reduction was from 4½-5½ per cent to 3½-4½ per cent (the latter rate is applicable to banks with share capital of less than 60 million pesos, while the former refers to all other banks).

After having maintained an unrestricted gold standard since 1925, Chile, as mentioned above, introduced a system of exchange control in July 1931, and in April 1932 the convertibility of the currency into gold was suspended by law. Under the last measure mentioned, the Central Bank was given a monopoly of all foreign exchange operations; foreign exchange could be obtained from the Bank only by means of licences issued by an Exchange Control Commission functioning independently of the Bank. It was intended that rates of exchange should be determined daily at the discretion of the Bank, but in practice the official rates were maintained on the basis of one-half of the former gold parity. Since, however, even this rate — which meant a 100 per cent premium on gold — was found to be unfavourable to exports, a decree was issued in September 1932 which required only certain percentages — ranging from 1 to 20 per cent for different commodities — of the proceeds of export sales to be delivered to the Central Bank at the official rates ; the remainder could be disposed of — subject to the control of the Exchange Commission — to importers at the free market rates. The " free " rates have, since the end of 1932, fluctuated around a gold premium of about 400 per cent — *i.e.*, a depreciation of about 80 per cent on the old parity. The official rates of exchange are thus of little importance.

Exchange clearing agreements are in operation with a number of foreign countries.

In the attached Summary Table, as well as in the detailed notes below, all assets and liabilities expressed in foreign currencies are calculated on the basis of the official rates of exchange referred to above.

A new series of statistics issued by the " Superintendencia de Bancos " for the years since 1931 has recently become available and has been utilised in the Summary Table. This series relates to the position on December 31st of each year. The figures for 1929 and 1930, on the other hand, are based on the last periodical census of bank accounts of each year, falling as a rule in November.

Balance-sheet Summary.

1. *Cash.*

The sums given under *(a)* include gold and token coins as below :

Pesos (000,000's)	Gold	Token coins	Total
1929	11	3	14
1930	12	3	15
1931	5	2	7
1932	6	1	7
1933	6	1	7

The sums given under *(b)* consist of notes and sight balances with the Central Bank, as shown below :

Pesos (000,000's)	Bank-notes	Balances with Central Bank	Total
1929	71	81	152
1930	65	51	116
1931	99	80	179
1932	133	214	347
1933	132	209	341

CHILE. COMMERCIAL BANKS **Table 30 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of: Banks	23	23	22	22	22
Branches and Sub-branches	105	.	85	79	79
ASSETS.	Pesos (000,000's omitted)				
1. Cash	166	131	186	354	348
(a) Gold, silver and small coins	14	15	7	7	7
(b) Bank-notes, State notes and balances with Central Bank	152	116	179	347	341
2. Other Items of a Cash Nature	64	46	30	34	52
3. Bills discounted and bought	495	374	153	138	307
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	462	355	—	—	—
(c) Commercial bills, Foreign	33	19	—	—	—
4. Investments and Securities	129	129	118	159	128
(a) Government	16	14	30	61	28
(b) Other	113	115	88	98	100
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	151	113	90	72	72
(a) At home	14	11	13	10	14
(b) Abroad	137	102	77	62	58
7. Loans and Advances	1,118	1,156	1,031	1,039	1,025
(a) On current account	578	635	443	423	412
(b) Other	540	521	588	616	613
8. Cover for Acceptances, etc.	94	95	65	44	49
9. Premises, etc.	80	85	94	96	96
10. Sundry Assets	422	301	78	123	135
11. Total Assets	**2,719**	**2,430**	**1,845**	**2,059**	**2,212**
LIABILITIES.					
12. Capital paid up	423	427	418	406	386
13. Reserve Funds	215	217	200	166	165
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	18	36	7	4	4
16. Due to Banks (Correspondents)	158	132	48	68	67
(a) At home	6	8	17	5	2
(b) Abroad	152	124	31	63	65
17. Deposits	1,276	1,119	896	1,132	1,290
(a) Current accounts and sight deposits	512	434	419	706	893
(b) Savings accounts	41	47	12	—	—
(c) Time or fixed deposits	709	630	461	423	393
(d) Other deposits	14	8	4	3	4
18. Rediscounts and other Borrowings	47	29	77	1	1
19. Acceptances and Endorsements, etc.	95	93	61	46	52
20. Sundry Liabilities	487	377	138	236	247
21. Total Liabilities	**2,719**	**2,430**	**1,845**	**2,059**	**2,212**
22. Value (official) of currency in Swiss francs at the end of each year	0.63	0.63	0.63	0.31	0.31

CHILE. COMMERCIAL BANKS Table 30 *(b)*.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1931	1932	1933
Number of Banks	23	23	22	22	22
Capital paid up	417.5	427.1	418.3	406.4	385.6
Reserves and Undivided Profits	214.5	216.2	199.4	165.8	164.7
1. Gross Profits	**137.8**	**142.1**	**120.9**	**121.1**	**106.3**
To be deducted:					
2. Expenses	69.8	70.0	62.2	59.2	59.5
(a) Salaries, etc.	48.4	47.9	41.9	39.0	40.2
(b) Other working expenses	16.4	16.7	15.4	15.3	13.5
(c) Taxes, etc	5.0	5.4	4.9	4.9	5.8
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on Depreciation Accounts for	15.4	25.2	65.4	84.6	25.2
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	**+ 52.6**	**+ 46.9**	**— 6.7**	**—22.7**	**+ 21.6**
6. Value (official) of currency in Swiss francs at the end of each year	0.63	0.63	0.63	0.31	0.31

2. *Other Items of a Cash Nature.*

The composition of this item is as follows :

Pesos (000,000's)	Foreign bank-notes	"Exchange" (canjes)	Total
1929	25	39	64
1930	16	30	46
1931	11	19	30
1932	9	25	34
1933	13	39	52

The second item presumably represents cheques on banks abroad.

4 and 5. *Securities and Participations.*

The commercial banks do not practise participation in industrial or other business undertakings.

The figures for Government securities also include municipal bonds. The greater part of "other securities" has in recent years consisted of shares in the Central Bank of Chile, as shown below :

Pesos (000,000's)	1929	1930	1931	1932	1933
Shares in Central Bank	62	65	65	64	56
Other shares and bonds	42	42	18	30	40
Securities in possession of "Superintendencia de Bancos"	9	8	5	4	4
Total	113	115	88	98	100

6. *Due from Banks.*

The sums under *(b)* include deposits with head offices and branches abroad.

7. *Loans and Advances.*

The detailed composition of the sums shown is given below in millions of pesos :

(a) *Advances on Current Account.*	1929	1930	1931	1932	1933
In national currency :					
Against security. . .	245	231	162	131	153
Without special security	205	194	146	128	139
	450	425	308	259	292
In foreign currency :					
Against security. . .	73	121	35	49	32
Without special security	55	89	100	115	88
	128	210	135	164	120
Total *(a)*. . .	578	635	443	423	412

(b) *Other Loans and Advances.*	1929	1930	1931	1932	1933
In national currency :					
Against security. . .	322	300	201	250	284
Without special security	93	93	78	95	136
	415	393	279	345	420
In foreign currency :					
Against security. . .	24	26	14	8	7
Without special security	10	13	5	4	4
	34	39	19	12	11
Credits to directors and staff	22	24	14	6	4
Other loans	69	65	276	253	178
	91	89	290	259	182
Total *(b)*. . .	540	521	588	616	613
Grand total . . .	1,118	1,156	1,031	1,039	1,025
Thereof :					
In national currency .	956	907	851	801	846
In foreign currency. .	162	249	180	238	179

8. *Cover for Acceptances, etc.*

The sums given in this group of the Summary Table represent documentary credits (Documentos por boletas de garantia) in respect of which the banks act as intermediaries for their customers by lending their guarantee. The liabilities thus incurred are shown in group (19) of the table.

14. *Profit-and-Loss and Dividend Accounts.*

The balance of these accounts is included in sundry liabilities.

16. *Due to Banks (Correspondents).*

The sums shown under *(b)* include certain amounts due to banks at home in foreign currency, which amounts are not shown separately in the official balance-sheet summary.

17. *Deposits.*

Sight deposits include deposits on less than one month's notice. The official statistics distinguish between deposits in national and in foreign currency. The figures are as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Sight deposits (less than 30 days) :					
In national currency .	464	382	357	640	828
In foreign currency. .	48	52	62	66	65
Total *(a)*. . .	512	434	419	706	893
Savings accounts *(b)*. .	41	47	12	—	—
Time deposits (more than 30 days) :					
In national currency .	582	485	348	308	330
In foreign currency. .	127	145	113	115	63
Total *(c)*. . .	709	630	461	423	393
Other deposits *(d)*. . .	13	8	4	3	4
Grand total. . . .	1,275	1,119	896	1,132	1,290
Thereof :					
In national currency .	1,100	921	719	950	1,161
In foreign currency. .	175	198	177	182	129

Most of the savings deposits in the country are held by the National Savings Bank, which also holds considerable amounts of other deposits, as will be seen from the following comparison :

Pesos (000,000's) End of :	Savings deposits				Sight deposits			Time deposits			Grand total
	National Savings Bank	Commercial banks	Other credit institutions	Total	National Savings Bank	Commercial banks	Total	National Savings Bank	Commercial banks	Total	
1929	228	41	9	278	201	512	713	68	723	790	1,782
1930	220	47	8	275	175	434	609	77	638	715	1,599
1931	158	12	6	176	132	419	551	68	465	533	1,260
1932	192	—	7	199	193	706	863	59	426	485	1,547
1933	268	—	10	278	287	893	1,180	48	397	445	1,903

18. *Acceptances and Endorsements, etc.*

The sums given in this group of the table represent the liabilities arising from the documentary credits referred to in note (8) above.

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

Gross profits are calculated as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Interest received . . .	172.5	176.8	153.2	117.5	106.3
Interest paid	53.9	53.1	49.7	22.4	14.9
Net amount	118.6	123.7	103.5	95.1	91.4
Other income	19.2	18.4	17.4	26.0	14.9
Total	137.8	142.1	120.9	121.1	106.3

4. *Depreciation.*

The net amounts written off are arrived at by deducting sums recovered from the gross amount of losses.

Pesos (000,000's)	1929	1930	1931	1932	1933
Gross losses.	21.8	30.6	70.8	99.3	43.7
Recovered	6.4	5.4	5.4	14.7	18.5
Net loss	15.4	25.2	65.4	84.6	25.2

5. *Net Profit or Loss.*

Net profits or losses (—) are shown separately for the national banks and for the foreign banks as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
National banks	39.6	37.7	—13.1	18.3	28.9
Foreign banks	13.0	9.2	6.4	—41.0	—7.3
Total	52.6	46.9	— 6.7	—22.7	21.6

The number of foreign banks was seven throughout the period under review ; their total capital and reserves amounted to 156.6 million pesos at the end of 1929 and to 153.5 millions at the end of 1933.

Items (6) *to* (15).

No information is given for these items of the standard table of profit-and-loss accounts. The following figures, however, are available for the sums carried to reserves and disposed of for dividends by the national banks :

Pesos (000,000's)	1929	1930	1931	1932	1933
Carried to reserves . .	4.8	3.8	1.6	1.8	—
Dividends	34.8	34.0	19.4	19.0	23.9

A comparison with the figures given in the note to item (5) above will show that the dividends distributed by the national banks exceeded their total net profits in 1931 and 1932 ; the difference was presumably covered by drawing on reserve funds.

The foreign banks do not distribute dividends in Chile ; their net profits are transferred to head-office accounts abroad.

COLOMBIA. [1]

Introductory Note.

The following table summarises the principal accounts of the Colombian Central Bank (the Banco de la República) during the years 1930-1934:

Pesos (000,000's) End of June :	1930	1931	1932	1933	1934
Sight deposits of member banks.	3.6	3.9	10.6	11.6	15.3
Rediscounts and loans to member banks . .	13.5	14.9	8.5	3.4	3.8
Notes in circulation . .	30.8	23.9	19.2	26.1	39.6
Gold and foreign assets.	31.2	21.2	16.3	18.0	17.7

Government borrowings at the Central Bank increased steadily after 1930, as a result of budgetary deficits arising from a sharp fall of tax revenue since the beginning of the economic depression in 1929, but due also to public works undertaken by the Government and — in the latter part of the period under review — to expenditure connected with the frontier dispute with Peru. At the end of June 1930, direct loans to the Government accounted for only 4.1 million pesos of the Central Bank's total assets of 52.3 millions on that date. By the end of June 1934, when the total assets of the bank amounted to 90 million pesos, these loans had risen to 41.8 million pesos. Moreover, the latter figure does not include advances to banks and to the public against the security of Government bonds and bills, which the Central Bank was empowered to make under a law passed at the end of 1930.

In 1930 and 1931, these Government borrowings were comparatively moderate in amount, and their effect on the note circulation was overshadowed by the contraction of business activity. The decline, however, which took place in the volume of notes in circulation between the middle of 1931 and the middle of 1932 is largely explained by reference to a decree of December 4th, 1931, under which only balances with the Central Bank may be counted as legal cash reserves by the commercial banks. [2] As a result of this measure, the volume of notes outstanding declined, while bankers' deposits with the Central Bank sharply increased. The two items combined increased from 27.8 million pesos at the end of June 1931 to 29.8 millions at the end of June 1932.

The effects of the currency inflation on the position of the commercial banks will be seen from the attached Summary Table. A large part of the funds borrowed by the Government at the Central Bank found its way to the commercial banks in the form of sight deposits. At the same time, however, the depreciation of the currency led the public to withdraw time and savings deposits to a certain extent. These withdrawals were more than counterbalanced by the steady expansion of current accounts, so that commercial-bank deposits in the aggregate show a marked upward tendency since the middle of 1931. Between the middle of 1933 and the middle of 1934, total deposits increased by roughly 5 million pesos, mainly on account of sight deposits, while savings deposits declined by about 2 million pesos. On the other hand, aggregate loans and discounts of the commercial banks declined sharply between the middle of 1931 and the middle of 1933, and were further reduced by over 5 million pesos between the latter date and the end of June 1934. Through these developments, the cash holdings of the commercial banks were raised to an exceptionally high level.

A series of measures were taken in the first half of 1932 to deal with " frozen " bank debts. Under a decree of February 11th, the Colombian Credit Corporation was established. This is a private joint-stock concern, whose shares may only be held by commercial banks desiring to utilise its services ; its function consists in the administration and gradual liquidation of " frozen " obligations held by the banks. A decree of April 22nd, 1932, authorised the repayment of " frozen " commercial credits to the banks in part by means of State bonds at their nominal value ; the banks, in turn, were enabled to borrow up to the face value, and on the security, of these bonds at the Central Bank. The same decree also provided for the establishment of a Central Mortgage Bank, with a share capital of 20 million pesos, of which 12 million pesos was subscribed by the Central Bank and the remainder chiefly by other banks. This institution began operations in August 1932. During the first three years of its existence, it is authorised to make only mortgage loans the proceeds of which will be devoted exclusively to the repayment of obligations to commercial and mortgage banks ; it is empowered to issue bonds carrying a Government guarantee.

Part of the decline in commercial banks' loans and discounts since the middle of 1931 may doubtless be attributed to these measures, which likewise account for the considerable increase which has taken place at the same time in the investments and securities held by these banks.

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Colombia in the last edition of this volume, the present chapter covers the entire period 1929-1934.

[2] The commercial banks are required by law to maintain cash reserves equal in amount to 15 per cent of their sight deposit liabilities and 5 per cent of time deposits.

COLOMBIA. COMMERCIAL BANKS **Table 31 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:				
	1929	1930	1931	1932	1933
Number of Banks	17	16	16	16	16
ASSETS.	Pesos (000,000's omitted)				
1. Cash	13.1	9.2	9.2	13.3	15.8
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	55.6	46.9	38.5	23.0	17.1
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	12.1	13.1	14.7	17.5	23.4
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	6.9	7.0	8.0	3.5	4.2
(a) At home	0.6	0.5	0.7	0.6	0.6
(b) Abroad	6.3	6.5	7.3	2.9	3 6
7. Loans and Advances	45.9	39.3	40.8	34.4	32.7
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	6.7	4.6	2.8	0.5	0.8
9. Premises, etc	3.4	4.8	6.0	4.2	4.4
10. Sundry Assets	4.6	6.2	6.2	8.0	7.3
11. Total Assets	**148.3**	**131.1**	**116.2**	**104.4**	**105.7**
LIABILITIES.					
12. Capital paid up	24.7	24.8	24.9	22.5	20.2
13. Reserve Funds	11.2	12.8	15.4	10.3	11.2
14. Profit-and-Loss, Undivided Profits, etc.	2.3	2.0	0.4	0.3	0.7
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	10.4	14.3	11.6	4.8	5.3
(a) At home	—	—	—	—	—
(b) Abroad	10.4	14.3	11.6	4.8	5.3
17. Deposits	73.6	54.8	53.2	55.3	60.5
(a) Current accounts	50.8	33.3	27.0	31.8	38.1
(b) Savings accounts	6.2	6.5	8.2	7.5	6.5
(c) Time or fixed deposits	16.6	15.0	18.0	16.0	15.9
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	14.5	13.3	14.7	8.1	2.9
19. Acceptances and Endorsements	6.7	4.6	2.8	0.5	0.8
20. Sundry Liabilities	4.9	4.5	3.2	2.6	4.1
21. Total Liabilities	**148.3**	**131.1**	**116.2**	**104.4**	**105.7**
22. Value of currency in Swiss francs at the end of June of each year	5.04	5.04	4.96	4.95	2.11

Exchange restrictions were introduced in September 1931, and exchange rates were maintained officially at their former parities (viz., on the basis of 1.05 pesos to the dollar) till February 1933, when the price of the dollar was raised to 1.16 pesos. After the suspension of the gold standard by the United States, it was decided, on April 21st, 1933, to maintain the dollar rate unchanged and to quote other currencies on the basis of their prices in New York. Later in 1933, the official dollar rate was, however, raised several times until it reached 1.26 pesos to the dollar. At the same time, the system of exchange control was considerably relaxed. As early as April 1933, exemption from the obligation to sell the foreign exchange proceeds to the Central Bank at the official rate was granted for a number of export commodities. For all other commodities, new regulations were issued in September 1933, requiring only 15 per cent of the proceeds of export sales to be delivered to the Central Bank. In consequence, the amount of blocked peso accounts held by foreign creditors was substantially reduced during the last quarter of 1933. Since September 1933, the free market price of the dollar has fluctuated between 1.5 and 1.7 pesos.

The discount rate of the Central Bank was reduced by stages from 9 per cent at the end of 1929 to 4 per cent at the end of 1933, at which level it has since remained.

Balance-sheet Summary.

1. *Cash.*

Pesos (000,000's)	1929	1930	1931	1932	1933
Gold coins, bank-notes, State notes, other currency	7.2	4.8	3.7	1.2	—
Cash held in savings departments	0.9	1.0	1.8	1.6	4.2
Total	8.1	5.8	5.5	2.8	4.2
Reserve balances with Banco de la República	5.0	3.4	3.7	10.5	11.6
Grand total	13.1	9.2	9.2	13.3	15.8

3. *Bills discounted and bought.*

The official statistics make no distinction between discounts, loans and advances, nor is Government paper shown separately from commercial paper. Distinction is made, however, between paper eligible for rediscount at the Banco de la República and non-eligible paper. The former category is shown under discounts in the Summary Table, and the latter under group (7). The composition of the sums given under (3) is shown below :

Pesos (000,000's)	Bills eligible for rediscount		
	Actually rediscounted	Other	Total
1929	13.7	41.9	55.6
1930	13.0	33.9	46.9
1931	14.4	24.1	38.5
1932	5.8	17.2	23.0
1933	1.5	15.6	17.1

4 and 5. *Investments and Securities; Participations.*

Pesos (000,000's)	1929	1930	1931	1932	1933
Ordinary investments :					
Shares in the Banco de la República	4.8	5.0	4.9	5.0	3.8
Other securities	1.3	1.9	2.4	5.7	13.7
Total	6.1	6.9	7.3	10.7	17.5
Investments of savings departments	6.0	6.2	7.4	6.8	5.9
Thereof investments of "immediate convertibility"	(5.4)	(5.5)	(6.5)	(6.2)	(5.8)
Grand total	12.1	13.1	14.7	17.5	23.4

17. *Deposits.*

Deposits include amounts due to domestic banks. The sums shown under *(a)* represent deposits payable within thirty days ; time deposits *(c)* are those payable after thirty days. The statistics show separately deposits in national and in other currencies as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
(a) Sight deposits :					
In national currency	41.7	26.8	22.5	29.3	36.2
In other currencies	9.1	6.5	4.5	2.5	1.9
Total sight deposits	50.8	33.3	27.0	31.8	38.1
(b) Savings deposits	6.2	6.5	8.2	7.5	6.5
(c) Time deposits :					
In national currency	14.7	11.5	14.6	13.7	14.4
In other currencies	1.9	3.5	3.4	2.3	1.5
Total time deposits	16.6	15.0	18.0	16.0	15.9
Grand total	73.6	54.8	53.2	55.3	60.5

18. *Rediscounts and Other Borrowings.*

Under this heading are given the rediscounts of the commercial banks with the Banco de la República and other borrowings from that bank.

ECUADOR.[1]

Introductory Note.

The following statement shows the movement in some of the principal accounts of the Central Bank of Ecuador during the period 1930-1934 :

Sucres (000,000's) End of :	1930	1931	1932	1933	June 1934
Loans and rediscounts to member banks . .	2.9	2.3	1.8	1.5	0.6
Sight deposits of member banks	4.1	1.4	9.4	15.1	13.4
Notes in circulation . .	23.5	19.1	24.6	35.6	41.1
Gold and foreign assets.	28.5	15.3	15.3	16.5	19.5

In 1931, and particularly in the latter part of that year, internal political disturbances led to serious runs on the banks. Between the end of 1930 and the end of 1931, aggregate deposits held by the commercial banks fell by 41 per cent. At the same time, the banks were able to reduce loans and discounts by only 23 per cent, and their cash reserves declined by 55 per cent. The fact that the withdrawals of deposits by the public were not reflected in an expansion of the volume of notes outstanding was mainly due to the flight of domestic capital and the repatriation of foreign short-term funds ; the resulting sales of gold and foreign exchange by the Central Bank withdrew notes from circulation. It will be noticed from the above table that the gold and exchange reserve of the Central Bank was nearly halved in 1931.

A law was passed in March 1932 which required the Central Bank to make a loan of 12 million sucres to the Government for the financing of public works and of certain measures of relief to agriculture, as well as for the internal debt service of the Government. This marked the beginning of a progressive inflation of the currency. At the end of 1932, a budgetary deficit of 6 million sucres was covered by borrowing at the Central Bank ; a further Central Bank credit of 13 million sucres was used by the Government for financial assistance to agriculture, distributed through the Mortgage Bank of Ecuador. As a result, the Government debt to the Central Bank rose from 8 millions at the end of 1931 to 36 million sucres at the end of June 1934. In the same period, moreover, the Central Bank considerably expanded its direct loans to the public. A Law of December 29th, 1932, authorised the bank to grant credits to the public which were not short-term in character. The same law required the bank to open branches in the principal towns of the provinces, with a view to expanding its credit facilities to the public.

As a result of these measures, the note circulation was more than doubled between the end of 1931 and the end of June 1934.

The effects of the currency inflation on the position of the commercial banks may be seen from the attached Summary Table. Aggregate deposits — consisting mainly of current accounts — increased by 31 million sucres, or over 150 per cent, between the end of 1931 and the end of 1933 ; they rose further by about 7 million sucres in the first half of 1934. Through this influx of deposits, arising from the expansion of the note-issue, the cash position of the banks, which had been very strained in 1931, was rapidly relieved in 1932, and, although a marked revival of bank lending took place in 1933, cash reserves continued to increase in that year. The proportion of cash in total assets rose from 7.5 per cent at the end of 1931 to 26.8 per cent at the end of 1933.

By a Law of February 8th, 1932, the convertibility of the notes of the Central Bank into gold was suspended ; the same law also required the Central Bank to convert its foreign exchange reserves into gold. A Decree of May 1932 provided that all foreign exchange operations must be transacted through the Central Bank on the basis of a dollar price which was raised from the par rate of 5.05 sucres to 5.95 sucres to the dollar ; all foreign exchange holdings of banks and others had to be transferred to the Central Bank at that rate. Further, this decree required exporters to deliver 80 per cent of their foreign currency proceeds to the Central Bank at the official rate of exchange. This official rate of 5.95 sucres to the dollar was maintained even after the suspension of the gold standard by the United States in April 1933. The exchange restrictions were considerably relaxed by a law which came into operation on December 22nd, 1933. After that date, only 25 per cent of the foreign exchange proceeds of exports had to be sold to the Central Bank at the official rate ; the remainder might be sold on the free market. The official rate of 5.95 sucres to the dollar was left unchanged ; market rates of exchange, since December 1933, have fluctuated at a level of 10 to 11 sucres to the dollar.

[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Ecuador in the last edition of this volume, the present chapter covers the entire period 1930-1934.

ECUADOR. COMMERCIAL BANKS **Table 32 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT END OF :				
	1929	1930	1931	1932	1933
Number of Banks	16	14	12	12	11
ASSETS.	Sucres (000,000's omitted)				
1. Cash	8.8	8.5	3.9	13.5	22.7
(a) Gold, silver and small coins	0.6	1.1	0.1	0.1	0.1
(b) Inland notes and balances with Central Bank	8.2	7.4	3.8	13.4	22.6
2. Other Items of a Cash Nature	0.5	1.0	0.4	0.4	1.8
3. Bills discounted and bought	13.9	15.1	10.1	11.7	26.9
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, inland	12.8	14.0	8.2	10.8	26.6
(c) Commercial bills, foreign	1.1	1.1	1.9	0.9	0.3
4. Investments and Securities	6.3	6.5	5.0	4.9	4.8
(a) Government	0.1	0.1	0.1	0.1	0.1
(b) Others	6.2	6.4	4.9	4.8	4.7
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	4.0	3.0	2.0	0.3	0.9
(a) At home	—	—	—	—	—
(b) Abroad	4.0	3.0	2.0	0.3	0.9
7. Loans and Advances	43.1	39.3	31.5	31.6	28.8
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	0.4	0.4	0.5	0.8	0.8
9. Premises, etc.	3.6	3.8	3.0	4.2	3.9
10. Sundry Assets	0.7	0.9	0.8	0.7	0.6
11. Total Assets	**81.3**	**78.5**	**57.2**	**68.1**	**91.2**
LIABILITIES.					
12. Capital paid up	21.1	20.9	16.3	16.2	15.9
13. Reserve Funds	7.8	3.7	3.7	3.9	4.0
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	1.6	0.9	0.9	0.8
15. Notes in Circulation	—	—	—	—	—
16. Cheques and Drafts in Circulation	—	—	—	—	—
17. Due to Banks (Correspondents)	2.8	4.1	3.1	3.9	4.2
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	34.1	33.0	19.3	30.4	50.2
(a) Current accounts and sight deposits	24.3	22.1	12.6	24.9	42.7
(b) Savings accounts	—	—	—	—	—
(c) Time deposits	6.5	7.2	4.7	5.4	7.3
(d) Other deposits	3.3	3.7	2.0	0.1	0.2
19. Rediscounts and Other Borrowings	14.5	14.1	13.1	11.7	9.7
20. Acceptances and Endorsements	0.4	0.4	0.5	0.8	0.8
21. Sundry Liabilities	0.6	0.7	0.3	0.3	5.6
22. Total Liabilities	**81.3**	**78.5**	**57.2**	**68.1**	**91.2**
23. Value of currency in Swiss francs at the end of each year	1.04	1.04	1.04	0.83	0.55

Balance-sheet Summary.

1. *Cash.*

The amounts shown under *(a)* consist of gold and other metallic currency. Those shown under *(b)* are composed as follows :

Sucres (000,000's)	1929	1930	1931	1932	1933
Notes of Banco Central.	4.2	3.5	2.0	3.2	6.2
Deposits with Banco Central.	4.0	3.9	1.8	10.2	16.4
Total	8.2	7.4	3.8	13.4	22.6

2. *Other Items of a Cash Nature.*

This account consists of sight deposits with national banks other than the Banco Central and holdings of foreign bank-notes and metallic currency.

Sucres (000,000's)	1929	1930	1931	1932	1933
Sight deposits with other banks	0.4	0.9	0.3	0.4	1.7
Foreign currencies . .	0.1	0.1	0.1	—	0.1
Total	0.5	1.0	0.4	0.4	1.8

3. *Bills discounted and bought.*

Amounts shown under *(a)* consist of bills eligible for rediscount with the Banco Central ; amounts shown under *(b)* represent discounts of bills payable in foreign currencies. For rediscounts, see group 19.

4. *Investments and Securities.*

The sums shown under *(b)* are composed as follows :

Sucres (000,000's)	1929	1930	1931	1932	1933
Mortgage bonds of other banks	2.1	1.4	1.2	1.2	0.9
Shares of Banco Central	3.5	3.1	2.4	2.4	2.4
Other securities	0.6	1.9	1.3	1.2	1.4
Total	6.2	6.4	4.9	4.8	4.7

6. *Due from Banks (Correspondents).*

Ordinary domestic correspondent accounts are presumably included under sight deposits in domestic banks, as shown in the note to group 2 above.

7. *Loans and Advances.*

The classification of loans and advances is shown below :

Sucres (000,000's)	1929	1930	1931	1932	1933
Mortgage loans	13.9	13.9	14.2	13.1	11.4
Short-period loans. . .	8.0	7.4	5.7	5.5	6.5
Other loans not eligible for rediscount. . . .	21.2	18.0	11.6	13.0	10.9
Total	43.1	39.3	31.5	31.6	28.8

9. *Premises, etc.*

Sucres (000,000's)	1929	1930	1931	1932	1933
Buildings	2.9	3.1	2.5	3.7	3.3
Furniture	0.7	0.7	0.5	0.5	0.6
Total	3.6	3.8	3.0	4.2	3.9

10. *Sundry Assets.*

Under this heading are grouped the balance of inter-branch accounts, and other accounts due in national and foreign currencies.

17. *Due to Banks (Correspondents).*

The composition of the amounts shown is as follows :

Sucres (000,000's)	1929	1930	1931	1932	1933
Due to banks at home and abroad.	1.6	3.0	1.0	2.8	3.8
Overdrafts with foreign banks	1.2	1.1	2.1	1.1	0.4
Total	2.8	4.1	3.1	3.9	4.2

18. *Deposits.*

Sight deposits *(a)* include deposits of the public and Government, as follows :

Sucres (000,000's)	1929	1930	1931	1932	1933
Public	23.9	21.9	12.4	24.7	42.3
Government	0.4	0.2	0.2	0.2	0.4
Total	24.3	22.1	12.6	24.9	42.7

Other deposits *(d)* consist of deposits in foreign currencies.

19. *Rediscounts and Other Borrowings.*

This item consists of rediscounts with the Banco Central, other domestic banks and foreign banking institutions, and of mortgage bonds issued by the mortgage sections of the commercial banks outstanding at the end of each year under review, as follows :

Sucres (000,000's)	1929	1930	1931	1932	1933
Rediscounts with Banco Central	3.4	2.9	2.5	2.0	1.2
Rediscounts with other domestic banks . . .	0.1	0.3	0.1	0.3	—
Rediscounts abroad . .	0.2	0.2	0.1	—	—
Total rediscounts .	3.7	3.4	2.7	2.3	1.2
Mortgage bonds outstanding	10.8	10.7	10.4	9.4	8.5
Grand total . . .	14.5	14.1	13.1	11.7	9.7

21. *Sundry Liabilities.*

Sundry liabilities consist of unearned interest received, balance of inter-branch accounts and other accounts payable in sucres and foreign currencies.

MEXICO.

Introductory Note.

Partly as a result of the monetary legislation of 1931 and the banking reorganisation of 1932 (described in the last issue of this *Memorandum)*, there was a marked improvement in the economic and banking situation of Mexico in the course of 1933-34. The Currency Law of July 1931, which made silver the sole metallic legal tender, and broadened the basis for the note-issue of the Banco de México, does not appear to have affected the monetary situation considerably until the beginning of 1933. Though the total monetary circulation increased from 198 millions at the end of 1931 to 240 million pesos at the end of 1932, the net circulation as estimated [1] by the Banco de México remained unchanged at 169 million pesos at the end of 1932. The revival of domestic [2] and foreign [3] trade which took place in 1933 and 1934 was accompanied by an increase in the effective circulation of money, which reached 244 million pesos at the end of April 1934 ; the rise was about equally due to silver coins of one peso and to notes of the Bank of Mexico.

These developments are reflected in the balance-sheets of the commercial banks, the principal accounts of which are summarised in the table opposite.

In the course of 1933, fifteen new banks — thirteen deposit and discount banks, one agricultural and one national [4] bank — came into existence. Part of the improvement in the position of the banks is due to the increase in the number of institutions established in part with financial assistance from the Banco de México.

The balance-sheets of the deposit and discount banks increased from 62 million pesos at the end of 1932 to 139 million pesos at the end of 1933, and their relative share of the aggregate balance-sheet of all banks rose from 13 to 24 per cent. The agricultural bank and the national bank established in the course of 1933 were relatively unimportant. [5]

Pesos (000,000's) End of:	Dec. 1932	June 1933	Dec. 1933	June 1934
Number of banks	48	59	63	69
1. Cash, etc.	68	94	86	84
2. Bill portfolio	47	61	68	78
3. Loans and advances . .	116	125	157	159
Of which:				
On current account .	(34)	(48)	(62)	(76)
4. Securities.	21	26	29	36
5. Capital and reserves . .	110	127	121	117
6. Deposits	162	210	234	215
Of which:				
(a) Sight	(124)	(153)	(165)	(166)
(b) Time	(27)	(20)	(51)	(21)
(c) Sight and time deposits in foreign currency.	(33)	(37)	(43)	(28)
7. Rediscounts and borrowings	15	19	21	33
8. Total balance-sheet . .	320	386	419	424

[1] *Boletin*, No. 2, page 16. — This estimate is arrived at by deducting from the sum of coins issued and the note-issue of the Banco de México the total amount held as cash reserves by all banks, including the Central Bank.

[2] The revival of domestic trade should be considered in relation to the large public expenditure on public works and more recently in connection with the adoption of the new Six-Year Plan. The plan was announced late in 1933, and the first part of it was put into effect in April 1934. The plan is conceived on very broad lines and affects practically all phases of economic and social life. Apart from the national development of certain social services, it aims at the control of prices, the nationalisation of industries and the redistribution of land.

[3] The total value of trade increased from 486 millions in 1932 to 610 million pesos in 1933, imports and exports rising by 64 and 60 million pesos respectively. The trade returns for the first seven months of 1934 show a further improvement; imports and exports increased by 49 and 146 million pesos respectively over the first seven months of the previous year.

[4] For meaning of the term " national " banks, see *Commercial Banks, 1925-1933*, page 298.

[5] The number of banks in each category and the relative importance of their respective balance-sheets in 1932 and 1933 were as follows :

	Number of banks		Per cent of total balance-sheet	
	1932	1933	1932	1933
1. Industrial and agricultural banks	15	16	56	51
2. Deposit and discount banks	19	32	13	24
3. Foreign banks.	6	6	21	13
4. National banks	8	9	10	12
Total	48	63	100	100

According to the *U.S. Commerce Report*, dated July 7th, 1934, the further increase in the number of institutions in the first half of 1934 was due to the establishment, under the auspices and with the direct assistance of the Banco ed México, of new commercial banks with a view to financing producers who had formerly depended on the foreign banks.

The improvement of economic activity is brought out, not only by the growth of bank deposits, amounting to 30 per cent in 1933, but also by the increase in bank clearings from an average of 127 million pesos in 1932 to an average of 173 million pesos in 1933, and by the substantial increase in the bill portfolio and in the loans and advances, particularly those on current account, of the commercial banks. The banks' principal earning assets continued to increase, though at a slower rate, during the first half of 1934, despite a reduction in deposits and in capital and reserves. In spite of considerable borrowings from the Banco de México, the cash reserves of the commercial banks were slightly reduced. The fall in resources was due principally [1] to the closing down of the offices of three leading foreign banks. The accounts of the foreign banks, which had constituted 25 per cent of the balance-sheet total of all commercial banks at the end of 1925, declined gradually to 21 per cent at the end of 1932. With the passage of the Bank Law of June 1932, and on account of the desire of the Mexican authorities to concentrate banking activities in the hands of nationals, the business of the foreign banks fell sharply in 1933, and three of the six banks decided to liquidate their Mexican business. The Anglo-South American Bank closed its office towards the end of November 1933 and liquidated all Mexican accounts in the spring of 1934. Two Canadian banks, the Canadian Bank of Commerce and the Bank of Montreal, followed suit in May 1934. As the office of the Chase Bank does very little business in Mexico, the National City Bank of New York and the German South-American Bank remain the only important foreign banks in Mexico.

After the abandonment of the gold standard in July 1931, the Mexican peso fluctuated freely until July 1933, since when it has been maintained at a fixed rate with the U.S. dollar by the purchase and sale of dollars by the Banco de México. [2] Exchange may be bought and sold without restriction. The reserves of the Banco de México at the end of 1933 amounted to 59 million pesos, made up of 37 million gold, 11 million silver, and 11 million foreign exchange, mainly U.S. dollars. At the end of May 1934, the gold reserve stood at 43 million pesos, the silver stock remained unchanged and foreign exchange amounted to 3 million pesos.

Balance-sheet Summary.

General Note.

It should be noted that, in consequence of the banking reorganisation in 1932, the summary statistics for 1932 and 1933 are not comparable with those for previous years.

1. *Cash.*

The composition of the metallic cash holdings of the banks since 1929 is shown below :

Pesos (000,000's)	Gold	Silver and small coins	Total
1929	30.2	20.3	50.5
1930	27.1	36.4	63.5
1931	3.7	23.1	26.8
1932	2.2	35.2	37.4
1933	2.0	35.4	37.4

4 and 5. *Investments and Securities: Participations.*

The division of the sums shown in the summary table is given below :

Pesos (000,000's)	1929	1931	1932	1933
Approved securities	6.5	6.6	8.3	1.9
Other investments	25.1	12.3	13.1	26.7
Total	31.6	18.9	21.4	28.6

6. *Due from Banks (Correspondents).*

The sums shown for domestic correspondents *(a)* are composed as follows :

Pesos (000,000's)	1929	1931	1932	1933
Inter-banks deposits	7.1	5.3	5.6	11.1
Balances due from banks	12.8	0.5	1.2	8.3
Total	19.9	5.8	6.8	19.4

The sums shown for foreign correspondents *(b)* are described in the official statistics as " assets held in foreign banks ".

7. *Loans and Advances.*

The sums given under *(a)* are composed as follows :

Pesos (000,000's)	1929	1931	1932	1933
On current account	8.5	2.5	2.0	16.9
Against collateral	26.0	28.3	31.0	45.4
To Federal Government	2.6	2.5	0.9	0.1
Total *(a)*	37.1	33.3	33.9	62.4

[1] There was a run on the Banco de Londres y México early in March 1934 lasting several days. The bank was saved by substantial assistance from other banks.

[2] The dollar rate was maintained at 3.55 pesos throughout the four months ended November 7th, 1933, when the rate changed to 3.60 pesos, at which point it has continued throughout the first half of 1934.

MEXICO. COMMERCIAL BANKS **Table 33 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT END OF:				
	1929	1930	1931	1932	1933
Number of Banks	53	56	58	48	63
ASSETS.	Pesos (000,000's omitted)				
1. Cash	54.5	71.8	30.0	62.1	79.2
(a) Gold, silver and small coins	50.5	63.5	26.8	37.4	37.4
(b) Bank notes, State notes and balances with Central Bank	4.0	8.3	3.2	24.7	41.8
2. Other Items of a Cash Nature	8.3	6.7	3.5	5.9	7.1
3. Bills discounted and bought	92.4	95.9	41.6	46.9	68.4
(a) Government bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	31.6	30.8	18.9	21.4	28.6
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	49.9	25.1	29.4	18.7	32.7
(a) At home	19.9	9.8	5.8	6.8	19.4
(b) Abroad	30.0	15.3	23.6	11.9	13.3
7. Loans and Advances	130.8	126.9	135.8	115.7	156.5
(a) On current account	37.1	44.5	33.3	33.9	62.4
(b) Other	93.7	82.4	102.5	81.8	94.1
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	24.1	24.2	17.5	20.5	12.3
10. Sundry Assets	23.9	35.5	31.9	29.2	34.0
11. Total Assets	**415.5**	**416.9**	**308.6**	**320.4**	**418.8**
LIABILITIES.					
12. Capital paid up	100.9	100.6	98.6	95.8	97.3
13. Reserve Funds	28.1	21.6	19.9	14.6	23.8
14. Profit and Loss, Undivided Profits, etc.	—	—	—	—	—
15. Notes in circulation	11.2	5.5	5.5	5.2	—
16. Cheques and Drafts, etc., in circulation	14.7	5.2	5.0	4.8	7.0
17. Due to Banks (Correspondents)	11.8	12.0	7.7	11.9	12.5
(a) At home	10.1	8.6	2.0	8.2	12.3
(b) Abroad	1.7	3.4	5.7	3.7	0.2
18. Deposits	218.5	243.2	145.4	162.1	233.6
(a) Current accounts and sight deposits	175.6	183.0	102.0	135.2	182.4
(b) Savings accounts	—	—	—	—	—
(c) Time deposits	42.9	60.2	43.4	26.9	51.2
(d) Other deposits	—	—	—	—	—
19. Rediscounts and other Borrowings	8.2	7.8	5.5	14.5	20.9
20. Acceptances	—	—	—	—	—
21. Sundry Liabilities	22.1	21.0	21.0	11.5	23.7
22. Total Liabilities	**415.5**	**416.9**	**308.6**	**320.4**	**418.8**
23. Value of currency in Swiss francs at the end of each year	2.47	2.35	2.00	1.66	0.92

The composition of the sums given under *(b)* is as follows :

Pesos (000,000's)	1929	1931	1932	1933
1. Promotion loans . . .	15.2	15.5	9.2	9.6
2. Sundry debtors	60.8	77.7	66.4	77.0
3. Other loans	1.2	1.0	0.9	3.2
Total 1-3 . . .	77.2	94.2	76.5	89.8
Subject to moratoria :				
4. "Constitutional Government" debt	0.3	—	—	—
5. Other old loans	16.2	8.3	5.3	4.3
Total 4-5 . . .	16.5	8.3	5.3	4.3
Grand total *(b)* . . .	93.7	102.5	81.8	94.1

10. *Sundry Assets.*

The sums shown in this group of the Summary Table are composed of mortgage loans and miscellaneous accounts in the following proportions:

Pesos (000,000's)	1929	1931	1932	1933
Mortgage loans	16.3	14.6	12.9	15.2
Miscellaneous	7.6	17.3	16.3	18.8
Total	23.9	31.9	29.2	34.0

12 and 13. *Capital and Reserves.*

In the case of foreign banks, only the capital assigned to the branches in Mexico is included.

16. *Cheques and Drafts, etc., in circulation.*

The sums shown under this heading are composed as follows :

Pesos (000,000's)	Provisional bonds	Cash bonds	Total
1929	13.2	1.5	14.7
1930	3.7	1.5	5.2
1931	4.0	1.0	5.0
1932	4.2	0.6	4.8
1933	0.3	6.7	7.0

17. *Deposits.*

The detailed composition of deposits is shown below :

Pesos (000,000's)	1929	1931	1932	1933
A. Sight deposits :				
In national currency .	123.5	62.3	97.5	143.2
In foreign currency .	35.2	31.3	26.4	22.0
Total	158.7	93.8	123.9	165.2
B. Undrawn balances of current account credits opened	2.4	0.2	0.5	0.4
Sundry creditors . .	14.5	8.0	10.8	16.8
Total	175.6	102.0	135.2	182.4
C. Time deposits :				
In national currency .	34.1	22.9	20.3	29.9
In foreign currency .	8.8	20.5	6.6	21.3
Total	42.9	43.4	26.9	51.2
Grand total	218.5	145.4	162.1	233.6

21. *Sundry Liabilities.*

Separate figures for the various groups included under this heading are given below :

Pesos (000,000's)	1929	1930	1931	1932	1933
Federal notes, etc.. . .	-	2.2	0.1	—	—
Miscellaneous liabilities.	15.3	14.1	15.9	11.2	23.6
"Old accounts"	6.8	4.7	5.0	0.3	0.1
Total	22.1	21.0	21.0	11.5	23.7

The miscellaneous liabilities include, in addition to transitory accounts, the profits of the banks, which are not shown separately.

PERU.

Introductory Note.

The following table summarises the principal accounts of the nine leading commercial banks in Peru in the course of 1933-34 :

Sols (000,000's)	Dec. 31st, 1932	June 30th, 1933	Dec. 31st, 1933	June 30th, 1934
1. Cash	18	25	34	33
Of which:				
(a) Gold, silver and fractional coin	(5)	(1)	(2)	(2)
(b) Notes	(8)	(10)	(12)	(10)
(c) Balances with Central Bank	(5)	(14)	(20)	(21)
2. Treasury bills forming part of legal cash reserve	—	19	18	34
3. Other bill portfolio	53	58	36	46
Of which: Foreign bills	(20)	(30)	(5)	(14)
4. Due from banks abroad	10	7	12	11
5. Loans and advances	82	65	59	68
6. Paid-up capital and reserves	39	39	39	40
7. Deposits	103	122	127	155
Of which: In foreign currency	(24)	(30)	(20)	(26)
8. Rediscounts of commercial paper	17	19	3	4
9. Total balance-sheet	208	—	215	—

It will be seen that the principal developments are a rapid increase in deposits accompanied by a sharp rise in cash reserves. The increase of 50 per cent in deposits in the eighteen months ended June 30th, 1934, is due in part to a rise in the export surplus and to the repatriation of capital, but chiefly to heavy Government borrowing at the Banco Central. In August 1933, the Central Bank advanced the Government the sum of 30 million sols, and, in February 1934, an additional 5 millions. These advances were made to provide funds for the prosecution of the war against Colombia. The exigencies of Government finance largely dominated the banking situation in the period under review. Between the end of 1932 and the end of 1933, the total issue of notes and subsidiary coins increased from 76.7 to 110 million sols, and the net amount of these two means of payment in the hands of the public rose from 59.7 to 76.2 million sols. In the first six months of 1934, there was a further increase of 15.7 millions in the total note and subsidiary coin issue, and an additional rise of 2.4 million sols in the net circulation.

The Government also raised funds by issuing its Treasury bills to the commercial banks. By a series of laws passed in 1933, these were made rediscountable at the Banco Central de Reserva, and the bills held by the commercial banks could be included in their legal cash reserves. At the end of 1933, the commercial banks' rediscounts of these bills (which are not included in items 4 or 9 above) amounted to 13.6 million sols, or almost the same amount as the increase in their cash holdings during that year. Deposits increased rapidly, but not so rapidly as " legal cash ", and in consequence the ratio of the latter to sight deposits rose from 25 per cent at the end of 1932 to over 70 per cent at the end of June 1934. The banks' private credit items show no increase during 1933. The fall in the bill portfolio in the second half of that year is chiefly due to the action of the Superintendencia Bancaria in asking the foreign banks to transfer to their home offices foreign bills of exchange in excess of legal requirements. The balances due by foreign banks operating in Peru to head offices abroad fell from 21 to 5 million sols during 1933. Part of the decline in the foreign bill portfolio is also due to the fall in the U.S. dollar. It should be observed, however, that the bill portfolio as shown in the above table excludes not only the banks' holdings of the special Treasury bills which form part of the legal cash reserve (shown in item 2) but also additional Treasury bills rediscounted at the Banco Central. These latter amounted to 13.6 million sols at the end of 1933 and to over 16 millions at the middle of 1934. It is obvious that the commercial banks greatly increased the credits granted to the Government during 1933 and 1934. On the other hand, their loans to private industry fell during 1933 ; part of the decline, however, may be due to changes in classification. There was a substantial increase in the first half of 1934.

In January 1933, the Industrial Bank of Peru was established with the object of " encouraging the production of those articles which are now imported but which may technically and economically be produced in the country ". It is to have a capital of 40 million sols, of which the State contributes 20 million sols by the levy of a special 1 per cent *ad valorem* tax on all imports. At the end of 1933, the Central Bank held for the account of the Industrial Bank gold amounting to 308,575 sols.

During 1933, the discount on the sol in relation to the new gold parity adopted in April 1931 averaged 46.5 per cent as compared with 17.3 per cent during 1932. No official exchange control has been established.

The figures shown for 1931, 1932 and 1933 in the attached Summary Table are published by the Superintendencia Bancaria since the end of 1931, and are not entirely comparable with those given for 1930.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1930	1931	1932	1933
Number of banks	13	11	9	9
	Sols (000,000's)			
ASSETS.				
1. Cash	18.5	17.4	17.8	34.4
(a) Gold, silver and small coins	3.0	4.1	4.6	2.0
(b) Bank-notes, State notes and balances with Central Bank	15.5	13.3	13.2	32.4
2. Other Items of a Cash Nature	0.1	0.4	0.4	18.2
3. Bills discounted and bought	55.7	38.0	52.6	35.5
(a) Treasury bills	—	4.6	4.8	0.9
(b) Commercial bills, Inland	55.7	29.6	27.6	30.1
(c) Commercial bills, Foreign		3.8	20.2	4.5
4. Investments and Securities	32.1	17.3	17.9	17.5
(a) Government	—	1.5	3.4	3.3
(b) Other	—	15.8	14.5	14.2
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	20.0	14.1	9.7	12.2
(a) At home	3.9	1.4	0.1	0.7
(b) Abroad	16.1	12.7	9.6	11.5
7. Loans and Advances	76.1	80.2	81.7	59.2
(a) On current account	—	57.4	57.9	42.6
(b) Others	—	22.8	23.8	16.6
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	5.0	5.8	4.5	4.9
10. Sundry Assets	14.2	17.5	23.3	33.5
11. Total Assets	**221.8**	**190.7**	**207.9**	**215.4**
LIABILITIES.				
12. Capital paid up	44.7	26.5	25.9	25.9
13. Reserve Funds	12.3	13.8	13.0	13.3
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	4.9	1.7	1.3	1.9
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents)	3.9	19.4	23.7	9.3
(a) At home	3.9	0.2	0.8	—
(b) Abroad	—	19.2	22.9	9.3
17. Deposits	120.1	103.4	102.6	127.4
(a) Current accounts and sight deposits	54.1	50.5	53.8	70.4
(b) Savings accounts	16.3	18.3	20.1	26.4
(c) Time or fixed deposits	43.3	34.3	28.5	30.5
(d) Other deposits	6.4	0.3	0.2	0.1
18. Rediscounts and other Borrowings	—	6.5	17.4	3.2
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	35.9	19.4	24.0	34.4
21. Total Liabilities	**221.8**	**190.7**	**207.9**	**215.4**
22. Value of currency in Swiss francs at the end of each year	1.56	1.43	0.90	0.73

Balance-sheet Summary.

1. *Cash.*

The following is the composition of this item:

Sols (000,000's)	1931	1932	1933
Gold	2.9	3.8	1.5
Silver, nickel, etc.	1.2	0.8	0.5
Total 1 *(a)*	4.1	4.6	2.0
Notes	7.0	8.0	12.0
Balances with Central Bank	6.3	5.2	20.4
Total 1 *(b)*	13.3	13.2	32.4

2. *Other Items of a Cash Nature.*

This item consists of foreign notes and coins as well as small balances due from other banks. In 1933 it also includes Treasury bills held by the banks which may be counted as legal cash reserves.

3. *Bills discounted and bought.*

Sols (000,000's)		1931	1932	1933
Treasury Bills :				
Discounted		4.6	4.8	0.9
Rediscounted		.	6.1	—
Inland Bills :				
Discounted		29.6	27.6	30.1
Rediscounted		6.5	0.3	—
Foreign Bills :				
Discounted		3.3	20.1	4.2
Bought		0.5	0.1	0.3
Rediscounted		—	11.0	3.2
Total	Discounts	38.0	52.6	35.5
	Rediscounts	6.5	17.4	3.2
	Net bill portfolio	31.5	35.2	32.3

Treasury bills, as shown above, do not include the special issues of 1933. See notes to groups (2) and (18).

4. *Investments and Securities.*

The sums shown under *(a)* include municipal securities ; the composition of *(b)* is given below :

Sols (000,000's)	1931	1932	1933
Shares of Central Bank	1.8	1.7	1.7
Other shares	9.6	12.6	12.3
Securities in savings department	4.3		
Securities pledged with Banking Superintendent	0.1	0.2	0.2
Total	15.8	14.5	14.2

7. *Loans and Advances.*

Sols (000,000's)	1931	1932	1933
(a) *On current account :*			
In Peruvian currency :			
Against collateral	26.5	18.7	23.0
Without collateral	15.2	14.5	11.7
In foreign currency :			
Against collateral	13.6	17.9	4.8
Without collateral	2.1	6.8	3.1
Total	57.4	57.9	42.6
(b) *Other loans :*			
In Peruvian currency :			
Against collateral	7.3	6.4	5.8
Without collateral	0.9	1.1	1.6
To Government	4.5	3.6	1.0
In foreign currency :			
Against collateral	1.5	1.6	1.6
Without collateral	1.6	0.3	—
To Government	—	1.0	0.6
Certificates of deposit	0.2	0.2	0.2
Other loans	6.8	9.6	5.8
Total	22.8	23.8	16.6
Grand total	80.2	81.7	59.2

10. *Sundry Assets.*

Sols (000,000's)	1931	1932	1933
Branch accounts	0.4	0.3	0.3
Exchange operations	10.7	15.5	24.0
Profit-and-loss account	—	0.1	—
Other accounts	6.4	7.4	9.2
Total	17.5	23.3	33.5

18. *Rediscounts.*

Excluding special Treasury bills of 1933 rediscounted with Banco Central.

20. *Sundry Liabilities.*

Sols (000,000's)	1931	1932	1933
Branch accounts	0.8	—	0.5
Mortgage departments	0.6	0.4	—
Exchange operations	10.1	15.4	23.9
Other accounts	7.9	8.2	10.0
Total	19.4	24.0	34.4

Profit-and-Loss Accounts.

The following statement of the banks' profit-and-loss accounts is available for the second half of 1932 and for 1933.

Sols (000,000's)		Second half of 1932	1933
Interest	Income	4.8	5.0
	Outlay	2.2	2.5
	Net income	2.6	2.5
Commissions, etc.	Income	1.7	2.2
	Outlay	1.1	0.9
	Net income	0.6	1.3
Gross profits		3.2	3.8
Salaries, etc.		1.6	1.6
Taxes, etc.		0.1	0.1
Written-off assets		1.0	1.0
Net profits		0.5	1.1

URUGUAY.

Introductory Note.

The improvement in Uruguay's export trade due to the rise in the price of wool in 1933 was more than counterbalanced by increased imports, and the surplus of exports was wiped out. Consequently, it was necessary to maintain the rigid exchange control introduced in 1931 and to introduce a complicated system of import and export licences. As a result, banking activity was still further restricted, in particular the activity of the foreign banks. The following table summarises the principal accounts of the Banco de la República [1] and other commercial banks at the end of 1932 and 1933.

Pesos (000,000's)	Banco de la República		Ordinary domestic banks		Foreign banks	
	1932	1933	1932	1933	1932	1933
1. Cash, etc. . .	54	57	11	11	30	16
2. Gross note circulation. . .	85	78	—	—	—	—
Of which: Net circulation in hands of public[a]	(46)	(52)	—	—	—	—
3. Loans, etc. . .	104	95	62	67	28	26
4. Deposits . . .	70	75	52	57	47	33
Of which:						
(a) Sight . .	(32)	(32)	(18)	(19)	(36)	(25)
(b) Time . .	(38)	(43)	(34)	(38)	(11)	(8)

[a] *I.e.*, excluding other banks' holdings of notes of Banco de la República.

In the course of 1933, the sight deposits of the foreign banks fell by 11 million pesos, and their time and savings deposits by 3.2 millions. The decline in the deposits of the foreign banks was accompanied by a corresponding reduction in their cash reserves, which consist principally of the notes of the Banco de la República. The note circulation in the hands of the public increased from 45.4 million pesos at the end of 1932 to 52.5 millions at the end of 1933, despite a reduction of 7 million pesos in the total note issue. Deposits — in particular, time accounts — in the Banco de la República and the ordinary domestic banks rose during 1933 and the cash reserves of the former institution, which consist principally of gold with small amounts of subsidiary coin and foreign exchange, also increased slightly. Total deposits of the banking system as a whole were slightly higher at the end of 1933 than at the end of 1932. The aggregate of loans, discounts and investments of the ordinary domestic banks rose by 5 million pesos during 1933, while the corresponding assets of the foreign banks fell by 1.3 million pesos. This increase in the loans, etc., of the domestic banks is principally due to Government borrowing [2] for the purpose of covering the current budgetary deficit. The decline in the loans of the State-owned Banco de la República is entirely due to a fall in its time loans, which consist principally of discounts of promissory notes and rural and industrial credits.

In February 1934, the exchange control was partially modified. There are at present two foreign exchange markets in addition to the official market of the Banco de la República, and both are sanctioned by the authorities. In the "grey" or "compensado", importers of raw materials and necessities are allowed to compete freely for exchange, and current quotations are on the average about 45 per cent higher than the official rate. [3] The free market is open to all firms and individuals who wish to compete for such exchange as is left over after the needs of the official and the "grey" markets have been satisfied. In this market, exchange can be obtained at a premium of about 56 per cent.

The attached Summary Table is constructed by combining the annual balance-sheet of the Banco de la República, showing the position as at December 31st each year, with the average December figures for the ordinary domestic and foreign banks given in the official *Annuario Estadistico*. As the particular asset and liability items shown for the latter group do not balance, small differences will be found between total assets and total liabilities in the attached Summary Table.

[1] For an account of the nature and scope of the activities of the State-owned Banco de la República, see *Commercial Banks, 1925-1933*, pages 303 and 304.

[2] The floating debt of the Uruguay Government during 1933-34 is stated to have been 10 million pesos.

[3] The official rate represents a premium of over 100 per cent in foreign gold currencies as compared with 1928. Uruguay did not legally establish the gold standard after the war, but the peso was maintained near its former gold parity until April 1929.

URUGUAY. COMMERCIAL BANKS **Table 35 *(a)*.**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of Banks	20	20	19	18	18
ASSETS.	Pesos (000,000's).				
1. Cash	86.5	84.9	83.8	91.4	78.6
(a) Gold, silver and small coins	69.8	62.8	54.4	50.4	51.5
(b) Inland notes and balances with Central Bank	16.7	22.1	29.4	41.0	27.1
2. Other Items of a Cash Nature	9.6	9.8	12.9	18.3	22.5
3. Bills discounted and bought	2.3	1.7	0.9	0.6	0.5
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	1.7	9.6	8.2	7.5	7.0
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	192.0	206.2	194.1	193.9	188.5
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	**292.1**	**312.2**	**299.9**	**311.7**	**296.7**
LIABILITIES.					
12. Capital paid up	49.0	49.4	50.2	49.7	49.8
13. Reserve Funds	8.2	9.2	10.2	10.4	9.9
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—
15. Notes in Circulation	71.3	74.1	81.0	84.7	78.4
16. Cheques and Drafts in Circulation	0.5	0.4	0.4	0.3	0.4
17. Due to Banks (Correspondents)	—	2.2	0.1	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	2.2	0.1	—	—
18. Deposits	169.4	180.4	164.0	171.3	166.8
(a) Current account and sight deposits	79.8	83.1	75.4	85.8	75.9
(b) Savings accounts *(c)* Time or fixed deposits	86.0	93.8	85.5	82.6	88.3
(d) Other deposits	3.6	3.5	3.1	2.9	2.6
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—
22. Total Liabilities	**298.4**	**315.7**	**305.9**	**316.4**	**305.3**
23. Value of currency in Swiss francs at the end of each year	4.88	3.87	2.29	2.46	2.47

Balance-sheet Summary.

General Note. — The amounts shown in the Balance-sheet Summary under headings 2, 3, 4, 15, 16 and 17 refer exclusively to the respective accounts of the Banco de la República.

Notes on certain items not dealt with below are given in the previous edition of this *Memorandum*.

1. *Cash.*

The composition of the amounts given under this heading are shown below :

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la República :					
Gold coins	65.9	58.5	50.0	45.8	46.9
Silver and nickel coins	3.5	4.3	4.4	4.6	4.6
Total	69.4	62.8	54.4	50.4	51.5
Other banks :					
Gold coins	0.4	—	—	—	—
Notes of Banco de la República	15.3	20.7	27.6	39.0	25.2
Sight deposits with Banco de la República	1.1	1.1	1.4	1.7	1.2
Subsidiary issue of Banco de la República and subsidiary coin	0.3	0.3	0.4	0.3	0.7
Total	17.1	22.1	29.4	41.0	27.1
Grand total	86.5	84.9	83.8	91.4	78.6

2. *Other Items of a Cash Nature.*

Pesos (000,000's)	Foreign exchange holdings	Credits in course of collection	Total
1929	1.6	8.0	9.6
1930	1.1	8.7	9.8
1931	0.9	12.0	12.9
1932	4.1	14.2	18.3
1933	5.2	17.3	22.5

7. *Loans and Advances.*

The amounts shown in the Summary Table are divided between the Banco de la República and the ordinary banks as follows :

Pesos (000,000's)	1929	1930	1931	1932	1933
Banco de la República :					
Ordinary current accounts	28.6	20.2	17.5	15.2	13.5
Official current accounts	8.2	9.5	12.1	21.4	23.6
National Savings Bank and Discount Department	—	9.6	10.1	10.2	9.5
Total loans on current account	36.8	39.3	39.7	46.8	46.6
Loans on promissory notes	51.7	52.4	44.8	41.1	35.5
Rural and industrial credit	6.2	8.1	9.8	13.7	12.0
Mortgage loans	0.2	—	—	—	0.5
Guaranteed short-date loans	8.4	6.9	4.3	2.6	0.5
Total other loans	66.5	67.4	58.9	57.4	48.5
Total, Banco de la República	103.3	106.7	98.6	104.2	95.1
Other banks	88.7	99.5	95.5	89.7	93.4
Grand total	192.0	206.2	194.1	193.9	188.5

12 and 13. *Capital and Reserve Funds.*

The division of capital and reserves among the various groups of banks is shown below :

Pesos (000,000's)	Banco de la República	Ordinary domestic banks	Foreign banks	Total
		Capital paid-up :		
1929	26.8	15.9	6.3	49.0
1930	27.1	16.0	6.3	49.4
1931	27.7	16.2	6.3	50.2
1932	27.7	16.2	5.8	49.7
1933	27.8	16.2	5.8	49.8
		Reserve Funds :		
1929	1.1	6.4	0.7	8.2
1930	1.2	7.2	0.8	9.2
1931	1.4	7.8	1.0	10.2
1932	1.5	7.9	1.0	10.4
1933	1.6	8.2	0.1	9.9

18. *Deposits.*

The amounts shown in the Summary Table for *(a)* and *(c)* were divided as follows between the Banco de la República and other institutions.

Pesos (000,000's)	Current accounts		Time and savings accounts	
	Banco de la República	Other banks	Banco de la República	Other banks
1929	42.4	37.4	44.9	41.1
1930	41.9	41.2	45.5	48.3
1931	32.1	43.3	38.9	46.6
1932	31.8	54.0	37.7	44.9
1933	32.0	43.9	42.6	45.7

19. *Rediscounts and Other Borrowings.*

The rediscounts of the ordinary banks with the Banco de la República excluded from this group are as follows :

(Pesos 000,000's)

1929	2.3
1930	2.4
1931	3.5
1932	2.5
1933	2.1

VENEZUELA. [1]

Introductory Note.

The following table summarises the principal accounts of the four leading note-issuing banks [2] in Venezuela at the end of each of the years 1929-1933 :

Bolivars (000,000's)	1929	1930	1931	1932	1933
1. Cash (gold and silver)	112	87	92	101	105
Of which : Gold	(94)	(78)	(78)	(77)	(77)
2. Due from banks abroad	29	5	3	1	1
3. Total note circulation	63	71	74	73	72
Of which : net circulation in hands of public[a]	(55)	(65)	(56)	(57)	(55)
4. Total deposits	131	63	89	90	97
Of which :					
(a) Sight	(19)	(29)	(36)	(32)	(35)
(b) Government	(112)	(34)	(53)	(58)	(61)
5. Loans and advances.	71	65	72	72	70
Of which : On current account	(60)	(57)	(61)	(64)	(66)
6. Total balance-sheet	238	187	202	203	213

[a] *I.e.*, excluding banks' holdings of their own and each other's notes.

It will be seen that, apart from the contraction of most items of the balance-sheet during 1930, there have been no very outstanding developments in Venezuelan banking in the course of the depression. The sudden decline in the principal accounts during 1930 reflects the fall in the prices of coffee and cocoa and in the demand for petroleum, and the effects of the decision of the Venezuelan Government to redeem, on the occasion of national centenary celebrations, its outstanding foreign debt (which amounted to 24.3 million bolivars at the end of 1929) several years in advance of the due date. Partly in consequence of the transfer of this large amount abroad, there was a substantial reduction in Government deposits with the banks, principally with the Banco de Venezuela, and in the gold holdings and foreign balances of the banks. The remainder of the fall in these items must be attributed to the impact of the crisis. As a result of the redemption of the foreign debt and large expenditures undertaken on relief works, there was a current budgetary deficit of 81.3 million bolivars in 1930. This was covered by drawing on official deposits and by recourse to the banks, reflected in an increase of over 12 per cent in the note issue and a rise of over 18 per cent in the effective monetary circulation.

There was no further deterioration in the position of the banks after 1930, thanks to the absence of foreign debt, the enforcement of budgetary equilibrium, and a re-adjustment of foreign trade due to a shift in production from coffee and cocoa to petroleum. Though the note issue has remained stationary throughout the three years ended December 1933, private and Government deposits have gone up, and current account loans have also tended to rise. The gold reserve has remained intact, and the banks increased their silver stocks substantially in 1932 and 1933. There has been no legal devaluation and no official exchange control, but at times of seasonal pressure the banks have rationed their foreign-exchange holdings. The bolivar was quoted at a discount varying from 10 to 30 per cent from 1931 to October 1933. Since then, there has been a rapid appreciation, and the bolivar reached parity in August 1934. Towards the end of August 1934, the Venezuelan Government entered into an agreement with the foreign oil companies whereby the latter are to sell to the banks part of their dollar exchange at the rate of 3.90 bolivars per U.S. dollar, and the Government is to purchase the rest of the companies' exchange at approximately 3.04 bolivars to the dollar in order to import gold. During September 1934, the Venezuelan banks sold dollars at the rate of 3.93 bolivars.

The attached Summary Table, which refers to the four note-issuing banks, is based upon the annual reports of these institutions. (As the 1933 balance-sheet of the Banco de Caracas has not been available, the June 1933 figures for that institution have been used.)

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[1] As it was not possible, for reasons of space, to give a full account of recent banking developments in Venezuela in the last edition of this volume, the present chapter covers the entire period 1929-1933.

[2] These accounts cover about 90 per cent of the business of the domestic banks and some 50 to 60 per cent of the business of all banks, including foreign banks, operating in Venezuela ; for detailed information on the operations of these banks, see *Commercial Banks, 1925-1933*, pages 310 and 311.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1930	1931	1932	1933
Number of Banks	4	4	4	4	4
ASSETS.	Bolivars (000,000's omitted)				
1. Cash	112.3	87.0	91.6	101.0	104.8
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Banks	—	—	—	—	—
2. Other Items of a Cash Nature	3.8	4.0	7.7	3.8	4.8
3. Bills discounted and bought	10.2	11.3	12.0	9.4	11.4
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	6.8	6.8	6.2	9.2	11.5
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	29.3	6.6	7.8	2.1	3.1
(a) At home	0.6	1.8	4.5	0.9	2.4
(b) Abroad	28.7	4.8	3.3	1.2	0.7
7. Loans and Advances	71.1	65.3	71.7	71.5	70.3
(a) On current account	59.7	57.0	61.1	64.1	65.5
(b) Other	11.4	8.3	10.6	7.4	4.8
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	3.5	4.0	4.1	5.5	6.5
10. Sundry Assets	1.1	1.5	0.7	0.9	0.7
11. Total Assets	**238.1**	**186.5**	**201.8**	**203.4**	**213.1**
LIABILITIES.					
12. Capital paid up	27.0	27.0	27.0	27.2	27.2
13. Reserve Funds	15.9	17.9	19.4	20.7	20.4
14. Profit-and-Loss Account, Undivided Profits, etc.	2.5	2.5	2.1	2.1	2.0
15. Notes in Circulation	58.0	67.8	61.5	60.3	59.5
16. Cheques and drafts, etc., in Circulation	0.4	0.4	1.1	0.4	0.2
17. Due to Banks (Correspondents)	0.8	3.3	0.7	1.2	3.4
(a) At home	0.8	3.3	0.7	1.2	3.4
(b) Abroad	—	—	—	—	—
18. Deposits	131.0	63.4	88.7	89.8	96.7
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
19. Rediscounts and Other Borrowings	0.1	0.1	0.1	0.1	0.1
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities	2.4	4.1	1.2	1.6	3.6
22. Total Liabilities	**238.1**	**186.5**	**201.8**	**203.4**	**213.1**
23. Value of currency in Swiss francs at the end of each year	1.00	0.95	0.80	0.83	0.78

Balance-sheet Summary.

1. *Cash.*

Bolivars (000,000's)	Gold	Silver	Total
1929	93.6	18.7	112.3
1930	78.0	9.0	87.0
1931	77.6	14.0	91.6
1932	77.2	23.8	101.0
1933	77.2	27.6	104.8

2. *Other Items of a Cash Nature.*

Bolivars (000,000's)	Bills receivable	Notes of other banks	Cheques on other banks	Total
1929	0.3	2.8	0.7	3.8
1930	0.5	2.4	1.1	4.0
1931	0.4	5.2	2.1	7.7
1932	0.6	2.9	0.3	3.8
1933	0.1	4.3	0.4	4.8

3. *Bills discounted and bought.*

Bolivars (000,000's)	1929	1930	1931	1932	1933
Sight bills drawn on the capital	1.7	1.9	3.1	2.3	0.4
Thirty-day bills drawn on the capital . . .	5.5	5.1	4.5	4.4	8.1
Bills overdue	0.5	0.3	0.4	0.2	0.6
Bills drawn on the interior	2.5	4.0	4.0	2.5	2.3
Total . . .	10.2	11.3	12.0	9.4	11.4

4. *Investments.*

The amounts shown in the Summary Table refer exclusively to mortgage bond holdings of the Banco de Caracas except in 1932 and 1933, when 2.4 and 4.9 million bolivars of mortgage bonds held by the Banco de Venezuela are shown separately in its balance-sheet.

7. *Loans and Advances.*

Bolivars (000,000's)	1929	1930	1931	1932	1933
Current account advances:					
On real and personal security	40.9	43.3	45.1	50.1	50.6
On exclusively personal security . .	18.8	13.7	16.0	14.0	14.9
Total, current account loans . .	59.7	57.0	61.1	64.1	65.5
Other loans:					
Loans up to 180 days.	11.4	8.3	10.5	7.4	4.8
Loans more than six months	—	—	0.1	—	—
Total, other loans .	11.4	8.3	10.6	7.4	4.8
Grand total .	71.1	65.3	71.7	71.5	70.3

14. *Profit-and-Loss Accounts.*

Bolivars (000,000's)	Profit and loss	Unpaid dividends	Total
1929	1.0	1.5	2.5
1930	1.2	1.3	2.5
1931	1.1	1.0	2.1
1932	2.0	0.1	2.1
1933	1.9	0.1	2.0

15. *Notes in Circulation.*

The amounts shown in the Summary Table do not include the banks' holdings of their own notes, but do include the banks' holdings of one another's notes (shown separately in the note to group 2 above). Net circulation in hands of the public was as follows in each of the years under review :

Bolivars (000,000's)	1929	1930	1931	1932	1933
Gross circulation . . .	62.6	71.0	73.5	72.9	71.5
Less own notes held by banks	4.6	3.2	12.0	12.6	12.0
Net circulation	58.0	67.8	61.5	60.3	59.5
Less notes of other banks held by banks .	2.8	2.4	5.2	2.9	4.3
Net circulation in hands of public	55.2	65.4	56.3	57.4	55.2

18. *Deposits.*

The composition of deposits is shown below :

Bolivars (000,000's)	Sight and less than 30 days	With notice of 30-100 days	National Government deposits	Total
1929	19.0	0.3	111.7	131.0
1930	29.3	0.2	33.9	63.4
1931	36.0	0.2	52.5	88.7
1932	31.5	0.2	58.1	89.8
1933	35.1	0.2	61.4	96.7

UNION OF SOUTH AFRICA.

Introductory Note.

The return flow of capital and the trade improvement which set in with the pegging of the South African pound to sterling at the end of 1932 have largely determined the course of recent developments in South African banking. The amount of capital repatriated has been estimated at £15 million [1], and the favourable trade balance in the eighteen months ended June 30th, 1934, has been £43 million. These developments are reflected in large increases in deposits with commercial banks, in the balances of the commercial banks with the Reserve Bank and in the gold and sterling bill holdings of the latter. The growth of deposits is shown by the following table :

Deposits in South Africa £ (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
Commercial banks	54.4	74.2	81.2	87.6
Of which demand deposits	(23.3)	(43.2)	(52.2)	(61.3)
Post Office	6.8	8.1	10.2	12.3
Total deposits . . .	61.2	82.3	91.4	99.9

Since the end of 1932, total [2] deposits have risen by nearly £39 million, or by 63 per cent, deposits with the Post Office and the commercial banks having increased by 80 and 61 per cent respectively. The ratio of demand to total deposits with the trading banks rose from 42 to 70 per cent during the same period.

The increase in deposits with the trading banks induced a very rapid accumulation of balances with the Reserve Bank from £3.9 million at the end of 1932 to £32.1 million on February 16th, 1934, when they reached their peak figure. The heavy remittances of mining houses to the Government on account of taxation and leases in the subsequent months reduced these balances to £29 million by the end of June 1934. The changes in the assets of the Reserve Bank consequent on this increase in its liabilities were a rapid increase in its gold reserve and large purchases of " foreign bills " — *i.e.*, British Government Treasury Bills. At the end of 1932, the Reserve Bank had a gold reserve of £7.4 million and possessed no foreign bills, and by the end of June 1934 these two assets had risen to £19.6 and £21 million respectively.

Apart from increasing their liquidity, the return flow of capital and the trade improvement has not led, as the following summary of the principal assets within the Union of the trading banks shows, to any other very significant alteration in the position of the banks.

End of £ (000,000's)	Dec. 1932	June 1933	Dec. 1933	June 1934
Cash	7.0	28.8	29.4	31.6
Of which balances with Reserve Bank	(3.9)	(26.1)	(26.5)	(29.0)
Bill portfolio.	7.5	6.2	7.1	7.4
Loans and advances . . .	32.6	29.4	30.8	32.8
Of which on current account	(31.6)	(28.7)	(30.2)	(32.3)
Securities	8.1	6.1	7.6	7.2
Of which Government .	(7.3)	(5.6)	(7.2)	(5.8)
Total Balance-sheet .	*60.1*	*72.8*	*84.8*	*91.2*

A comparison of the figures given in the two statements above will show that the commercial banks have allowed the ratio of their cash to demand deposits to increase steadily from 30 at the end of December 1932 to 51 at the end of June 1934. The absence of any short-dated South African Government securities and the possible exchange risks involved in the purchase of British Treasury Bills would seem to have precluded the banks from investing in short-term securities. The absence of any increase in discounts and advances during 1933 is due chiefly to the sluggishness of import trade. During the first half of 1934, however, imports rose by over £8 million as compared with the first six months of 1933, while exports remained stationary. The net balance of invisible imports appears also to have increased as a result of larger freight charges on imports, increased gold-mining dividends payable overseas, and the greater expenditure abroad of South African tourists. These factors are reflected in a slowing down of the rate of increase of deposits, in a rise of £3.6 million over the first half of 1933 in loans and advances, and in an increase in bank clearings in the seven principal towns from a monthly average of £50.1 million in the first half of 1933 to a monthly average of £62.5 million in the first half of 1934.

A substantial reduction in total credit outstanding was effected at the end of August 1934, when the South African Government repaid the outstanding balance of £7.5 million of its war debt to the British Government. This operation reduced the deposits with the commercial banks from £87.6 million at

[1] See the *Economist:* Banking Supplement, October 13th, 1934.

[2] Recent figures for deposits with the private savings banks, people's banks and building societies are not available. In 1930, deposits with these three groups of institutions accounted for about 14 per cent of total deposits in the Union.

UNION OF SOUTH AFRICA. COMMERCIAL BANKS Table 37 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1929		1930	1931	1932	1933	
	A	B				A	B
Number of : Banks	7	7	7	7	8	7	7
Branches and Sub-Branches	.	666	679	690	671	.	...
ASSETS.	£ (000,000's)						
1. Cash	11.7	8.8	10.8	9.1	8.8	31.6	29.4
(a) Gold, silver and small coins	3.1	1.5	2.9	2.4	2.5	1.8	0.6
(b) Inland notes and balances with Central Bank	8.6	7.3	7.9	6.7	6.3	29.8	28.8
2. Other Items of a Cash Nature	4.1	—	5.5	3.0	5.8	3.9	—
3. Bills discounted and bought	21.5	13.1	17.6	11.8	13.3	14.7	7.1
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	17.4	4.1	30.4	21.7	37.4	42.4	7.6
(a) Government	16.2	3.5	29.5	20.9	36.1	41.2	7.2
(b) Other	1.2	0.6	0.9	0.8	1.3	1.2	0.4
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	5.7	0.1	7.0	5.3	8.9	6.6	0.3
(a) At home	0.1	0.1	0.1	0.1	0.2	0.3	0.3
(b) Abroad	5.6	—	6.9	5.2	8.7	6.3	—
7. Loans and Advances	57.8	37.9	51.6	49.9	46.7	45.0	30.8
(a) On current account	55.9	36.8	50.0	47.7	43.8	43.5	30.2
(b) Other	1.9	1.1	1.6	2.2	2.9	1.5	0.6
8. Cover for Acceptances	—	—	—	—	—	—	—
9. Premises, etc.	3.7	2.1	3.8	3.6	4.1	4.4	3.0
10. Sundry Assets	9.4	1.2	6.1	2.6	4.1	4.8	6.6
11. Total Assets	**131.3**	**67.2**	**132.8**	**107.0**	**129.1**	**153.4**	**84.8**
LIABILITIES.							
12. Capital paid up	8.0	—	8.0	5.9	7.5	8.2	0.1
13. Reserve Funds	5.0	0.1	5.1	3.7	4.7	4.5	0.1
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—	—
15. Notes in circulation	1.5	—	1.4	0.9	1.0	1.2	—
16. Cheques and Drafts, etc., in circulation	2.4	0.1	1.6	1.2	1.7	1.7	0.4
17. Due to Banks (Correspondents)	1.2	0.5	1.2	1.0	1.5	1.3	0.5
(a) At home	0.5	0.5	0.6	0.3	0.4	0.5	0.5
(b) Abroad	0.7	—	0.6	0.7	1.1	0.8	—
18. Deposits	101.4	60.6	104.5	85.6	101.1	124.0	81.2
(a) Current accounts and sight deposits	50.2	30.5	47.7	39.7	47.7	76.5	52.2
(b) Savings accounts	6.9	3.5	7.1	6.6	7.8	8.7	4.3
(c) Time or fixed deposits	43.3	26.2	48.9	38.8	45.2	37.7	24.1
(d) Other deposits	1.0	0.4	0.8	0.5	0.4	1.1	0.6
19. Rediscounts and other Borrowings	—	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—	—
21. Sundry Liabilities	11.8	3.9	11.0	8.7	11.6	12.5	2.5
22. Total Liabilities	**131.3**	**65.2**	**132.8**	**107.0**	**129.1**	**153.4**	**84.8**
23. Value of currency in Swiss francs at the end of each year	25.22		25.22	25.22	19.22	16.85	

the end of June to £81.2 million at the end of August. The balances of the trading banks with the Reserve Bank fell during the same period from £29 to £20.4 million, and the corresponding change between these two dates in the gold and foreign bill holdings of the Reserve Bank was a decline of £0.7 million in the former and of £10.5 million in the latter.

The attached Summary Table, based on official statistics, gives double columns for 1929 and 1933. The columns marked A in these years, and the single columns in other years, show the complete assets and liabilities, within and outside the Union, of all banks operating in South Africa ; the columns marked B include only the accounts of offices situated within the Union.

Balance-sheet Summary.

1. *Cash.*

The amounts shown under *(b)* are composed as follows :

£ (000,000's) End of	Notes of Reserve Bank	Balance with Reserve Bank	Notes of other banks outside the Union	Total
1929	2.4	4.9	1.3	8.6
1930	1.9	5.0	1.0	7.9
1931	1.6	4.3	0.8	6.7
1932	1.7	3.9	0.7	6.3
1933	2.4	26.5	0.9	29.8

3. *Bills discounted and bought.*

The following statement shows the amount of paper under discount in the Union and abroad at the end of each of the years under review :

£ (000,000's) End of	In the Union	Elsewhere	Total
1929	13.1	8.4	21.5
1930	8.9	8.7	17.6
1931	7.6	4.2	11.8
1932	7.5	5.8	13.3
1933	7.1	7.6	14.7

4 and 5. *Investments and Securities ; Participations.*

The division of Government securities is shown below :

£ (000,000's) End of	Union Government	British and Colonial Governments	Total
1929	4.1	12.1	16.2
1930	6.1	23.4	29.5
1931	6.0	14.9	20.9
1932	8.1	28.0	36.1
1933	7.8	33.4	41.2

7. *Loans and Advances.*

The division of loans into "secured" and "unsecured" in the years under review is shown below :

£ (000,000's	Secured	Unsecured	Total
1929	46.2	9.7	55.9
1930	41.5	8.5	50.0
1931	39.9	7.8	47.7
1932	38.4	5.4	43.8
1933	39.4	4.1	43.5

10. *Sundry Assets.*

The composition of the sundry assets group in the years under review is shown below :

£ (000,000's) End of	1929	1930	1931	1932	1933
Due by head offices and branches	9.6	11.1	3.4	5.5	6.2
Due to head offices and branches	3.9	7.3	2.7	4.2	4.0
1. Balance due by head offices and branches	5.7	3.8	0.7	1.3	2.2
2. Landed property other than bank premises	0.3	0.3	0.4	0.6	0.5
3. Other assets	3.4	2.0	1.5	2.2	2.1
Total (1+2+3)	9.4	6.1	2.6	4.1	4.8

INDIA.

Introductory Note.

As a result of the sharp decline in the prices of India's principal exports, the value of her export surplus dwindled very rapidly after 1929, falling from 865 million rupees in the year ending March 31st of that year to 33 million in the year ending March 31st, 1933. The service of her foreign debt, which requires at least 500 million rupees (about £40 million) annually, was largely effected, after 1931, by the export of precious metals, particularly gold.

Year ending March 31st Rupees (000,000's)	Merchandise export surplus	Net export (+) or import (—) of gold and silver[a]
1929	865	—342
1930	790	—261
1931	620	—244
1932	348	+554
1933	33	+648
1934	330	+636

[a] Between 1929 and 1932, net imports of silver constituted about one-third of total net imports of gold and silver. In the three years ending March 1934, net silver exports amounted to only 5 per cent of net exports of both metals.

Economic distress consequent upon the fall in incomes obliged agriculturists to part with their gold hoardings, [1] and the high premium on the metal since the abandonment of the gold standard by the United Kingdom induced the wealthier classes to sell part of their gold stocks. As a result of the discount of the rupee in relation to sterling, most of this dishoarded gold flowed to London ; in the three years ended March 1934, the net exports of gold from India amounted to 1,745 million rupees (£131 million). The gold so exported enabled India, not only to meet in full the service of its external debt, but also to accumulate substantial sterling balances in London (see below). With the improvement of trade and the cessation of price decline, the rate of gold exports slackened somewhat during the year ending March 1934, and such indications as are available suggest that the net export of gold will be considerably lower in the year 1934-35.

These developments are reflected in the available[2] banking returns. Deposits in all credit institutions, after reaching the record figure of 3,177 million rupees at the end of 1930, fell by 60 million rupees in 1931. For the commercial banks [3] alone, the decline was 148 million rupees. For more recent developments, recourse must be had to partial statistics relating to particular banks. Thus, private deposits at the Imperial Bank of India (which constituted over 36 per cent of deposits held by the commercial banks in 1930) increased steadily from 638 millions at the end of 1931 to 683 and 741 million rupees at the end of 1932 and 1933 respectively. A similar movement is shown by deposits with the two most important Indian joint-stock banks, the Central Bank of India and the Bank of India, whose deposits represented in 1930 over 42 per cent of the deposits of all Indian joint-stock banks and over 13 per cent of those of commercial banks. The principal accounts of these two banks, as published in the London *Statist*, are summarised below :

End of : Rupees (000,000's)	1931	1932	1933
1. Cash, etc.	40	47	65
2. Bill portfolio	80	106	53
Of which : Treasury bills.	(74)	(101)	(44)
3. Investments	100	115	165
4. Loans and advances . .	125	120	121
5. Capital and reserves . .	44	44	44
6. Deposits	311	354	370
7. Total balance-sheet . .	366	410	426

The increase of 59 million rupees in deposits between 1931 and 1933 has not affected loans and advances, but has led principally to an increase in Government security holdings. In 1932, this increase took the form of Treasury bills, but in the following year these were converted into longer-dated Government securities yielding higher rates of interest. There has also been an appreciable increase in cash resources.

The accounts of the five principal exchange banks are given below. These are the Chartered Bank of

[1] *The Economist*, October 14th, 1933 : Banking Supplement, page 19, estimates Indian gold stocks at £750 million, but this estimate excludes net exports during 1932 and 1933 amounting to some £100 million.

[2] The principal accounts of the majority of credit institutions in India are summarised in an annual publication of the Department of Commercial Intelligence and Statistics entitled *Statistical Tables relating to Banks in India*, published eighteen months to two years after the date to which they relate. At the time of going to press, the most recent data available relate to the end of 1931.

[3] The term " commercial banks " is used to cover the Imperial Bank of India, the exchange banks and the Indian joint-stock banks ; " all credit institutions " includes, in addition, co-operative and postal savings banks.

India, Australia and China, the Eastern Bank, the Mercantile Bank of India, the National Bank of India, and the P. and O. Banking Corporation.

End of : £ (000,000's)	1931	1932	1933
1. Cash, etc.	14.7	18.0	21.9
2. Bills discounted and advances	67.3	62.2	55.8
3. Investments	40.2	48.3	52.5
4. Capital and reserves	16.6	16.6	16.6
5. Deposits	90.8	100.5	101.1
6. Borrowings	14.0	10.7	12.5
7. Notes in circulation	2.1	2.1	1.5
8. Acceptances	2.3	2.9	2.5
9. Total balance-sheet	127.2	134.2	135.7

These accounts represent the total of all transactions carried on by these banks in India, in other parts of the Far East, and in the Near East. At the end of 1931, over 35 per cent of their deposits were held in India. The exchange banks and, in particular, the Chartered Bank and the affiliated P. and O. suffered heavy exchange losses when the United Kingdom abandoned the gold standard. The Chartered Bank alone had to provide from its reserve fund £1 million in order to cover losses on commitments in currencies other than sterling. The improvement in their position during 1932 and 1933 is due principally to an increase in fixed deposits. Advances and discounts show a decline and cash holdings and investments a corresponding increase. The rise in investments is due to the purchase of short-dated gilt-edged securities, mainly those of the British and Indian Governments.

The postal savings deposits and Post Office five-year cash certificates appear not to have been affected by the crisis of 1931 ; their rapid increase continued through that year and 1932. Between the end of 1930 and the end of 1932, postal savings rose from 370 to 422 millions and five-year cash certificates from 384 to 556 million rupees.

***

On the basis of the report presented by the India Central Banking Enquiry Committee, the principal proposals of which were outlined in the last issue of this *Memorandum*, a Bill for the establishment of a Reserve Bank was submitted to both Houses of the Indian Legislature in the course of 1933. The Bill was passed on February 16th, 1934, and it is expected that the Bank will begin operations by July 1st, 1935. Like the Bank of England, the Reserve Bank of India will have separate issue and banking departments. The share capital of the bank is to be 50 million rupees privately subscribed, and the Government will provide it at the outset with a reserve of 50 million rupees. Its principal functions will be to issue notes, to act as banker to the Central and local Governments, to undertake all their exchange and remittance business, and to maintain the external value of the rupee at the present ratio of 1s. 6*d*. by the sale and purchase of sterling. The question of the monetary standard best suited to India has, according to the official statement, been left "to be considered when the international monetary position has become sufficiently clear and stable to make it possible to frame permanent measures".

The issue department is to take over from the Government the responsibility for the issue of notes and the assets at present held against the issue. At least 40 per cent of the Bank's assets are to consist of gold coin, gold bullion and sterling securities, and the remainder may consist of rupee coin, securities and eligible bills of exchange and promissory notes. The probable amount of notes to be issued and of the assets that will serve as cover may be gathered from the following figures showing the circulation of Government (Treasury) notes and the cover held against them.

End of : Rupees (000,000's)	Sept. 1934	Dec. 1933	Dec. 1932	Sept. 1931
Note Circulation	1,851	1,781	1,748	1,487
Cover :				
(a) Silver	986	1,012	1,107	1,325
(b) Gold	415	305	187	43
(c) Indian Government securities	320	464	455	95
(d) British Government securities	130	—	—	—

In addition to the gold bullion and British Government securities shown above as cover, the Government of India held in London, at the end of September 1934, gold amounting to 29 million rupees and sterling assets worth some 504 million rupees, which brought the effective gold and sterling cover to over 57 per cent. The assets held in London were acquired through the sale of gold and silver over and above requirements for debt service ; they will be placed at the disposal of the Central Bank when it begins operations.

Detailed provisions are laid down in the Act regulating the relations between the commercial banks with the Reserve Bank. The former are to keep with the latter balances equivalent to 5 per cent and 2 per cent of their demand and time liabilities respectively. In order to enhance its control over the banks, the Reserve Bank is also empowered, within certain limits, to buy and sell the securities of the Government of India and of local Governments. The commercial banks are required to submit detailed returns to the Bank, which may also ask for similar returns from the provincial co-operative banks. The Imperial Bank of India is to give up the central banking functions it has hitherto exercised. It will be compensated for its loss of Government business, and is to act as agent of the Reserve Bank in those parts of British India where the Imperial Bank maintains branches and where the Reserve Bank does not establish agencies.

JAPAN.

Introductory Note [1].

Commercial banking of one form or another is carried out in Japan by some ten distinct types of credit institutions. These form three groups: banks controlled by the Government, semi-independent credit institutions, and privately owned banks. To the first group belong such institutions as the Yokohama Specie Bank, the Bank of Chosen (Korea) and the Bank of Taiwan (Formosa), the last two being note-issuing institutions. The second group consists of agricultural and industrial banks such as the Hypothec Bank of Japan, the Industrial Bank of Japan, and the Industrial Bank of Chosen, which are chiefly mortgage institutions granting loans on the basis of their bond issues, and of the Treasury Deposit Bureau, which is intimately connected with the postal-savings and postal-transfer systems and invests the funds deposited with them by the public. The privately owned institutions comprise the so-called "ordinary" banks, the savings banks, co-operative banks and trust companies. Of all these credit institutions, the relative position of which is shown below, [2] only the "ordinary" banks can properly be called commercial banks.

End of year	"Ordinary" banks (1)	"Special" banks (2)	Savings banks (3)	Total banks (1-3) (4)	Treasury Deposit Bureau [a] (5)	Credit associations [b] (6)	Trust companies [c g] (7)	Total "other" institutions (5-7) (8)	Grand total (4+8) (9)
Number of Head Offices 1913	1,614	50	648	2,312	—	9,967	—	9,967	12,279
1925	1,537	31	133	1,701	—	13,379	33	13,412	15,113
1931	683	23	88	794	—	13,122	37	13,159	13,953
Paid-up Capital and Reserves:									
Yen (000'000's). 1913	514	152	91	757	—	26[b]	—	26	783
1925	2,128	506	62	2,696	—	374	62[g]	436	3,132
1931	1,785	614	80	2,479	—	355	105[g]	460	2,939
Percentage share 1913	65.6 (67.9)	19.4 (20.1)	11.6 (12.0)	96.6 (100)	—	3.4	—	3.4	100
1925	68.0 (78.9)	16.1 (18.7)	2.0 (2.3)	86.1 (100)	—	11.9	2.0	13.9	100
1931	60.7 (72.1)	20.8 (24.7)	2.7 (3.2)	84.2 (100)	—	12.0	3.8	15.8	100
Deposits:									
Yen (000,000's). 1913	1,444	244	356	2,044	—	25[b]	—	25	2,069
1925	8,727	877	905	10,509	1,138	655	225[f]	2,018	12,520
1931	8,269	940	1,636	10,845	2,482	1,071	1,232[f]	4,785	15,630
Percentage share 1913	63.3 (70.7)	10.7 (11.9)	15.6 (17.4)	89.6 (100)	—	1.4[b]			100
1925	69.7 (83.1)	7.0 (8.3)	7.2 (8.6)	83.9 (100)	9.1	5.2	1.8	16.1	100
1931	52.9 (76.2)	6.0 (8.7)	10.5 (15.1)	69.4 (100)	15.9	6.8	7.9	30.6	100
Loans and Discounts:									
Yen (000,000's). 1913	1,674	531	262	2,467	—	46[b]	—	46	2,513
1925	9,013	2,018	192	11,223	368[e]	549	238	1,155	12,378
1931	6,897	2,846	467	10,210	616[e]	1,017	878	2,511	12,721
Percentage share 1913	66.6 (67.9)	21.1 (21.5)	10.4 (10.6)	98.1 (100)	—	1.9	—	1.9	100
1925	72.8 (80.3)	16.3 (18.0)	1.5 (1.7)	90.6 (100)	2.9	4.4	2.1	9.4	100
1931	54.2 (67.5)	22.3 (27.9)	3.6 (4.6)	80.1 (100)	4.9	8.0	7.0	19.9	100
Security Holdings:									
Yen (000,000's). 1913	274	—	99		—	—	—	—	
1925	2,051	—	527		1,033[d]	—	67	1,100	
1931	2,929	555	1,014	4,498	2,189[d]	106	478	2,773	7,271

SOURCES.— *The Financial and Economic Annual of Japan*, published by the Ministry of Finance, volumes for 1923 and 1933, for all figures except data on credit associations and the investments of all institutions reported, for which the "Economic Statistics of Japan" for 1932, published by the Bank of Japan, was consulted.

[a] Figures relate to the end of March.
[b] Figures for the end of 1914, instead of 1913, have been used throughout for the credit associations.
[c] Figures relate to the end of November.
[d] These consist of Government and municipal bonds, "special" bank and industrial company debentures, and foreign bills.
[e] These are the "Miscellaneous advances" of the balance-sheet.
[f] This is denominated as "money in trust" in the balance-sheets.
[g] Figures on capital and reserves are from the companies' "own account", whereas other figures from "trust account".

[1] In the preparation of the Introductory Note, reference has been made to a study by H. M. BRATTER entitled "Japanese Banking" and published in 1931 as No. 116 in the *Trade Promotion Series* of the U.S. Department of Commerce, and to the valuable information supplied by the Director of the Research Department of the Bank of Japan and the London Agent of the Bank of Japan.

[2] The percentage share of each group of banks in "Total banks", column (4), is indicated in parentheses.

The " special " banks are five important semi-governmental institutions in Japan proper — the Yokohama Specie Bank, the Hypothec Bank of Japan, the Agricultural and Industrial Banks (nineteen in number in 1931), the Hokkaido Colonial Bank and the Industrial Bank of Japan. Among " special " banks are normally included three other banks here excluded — the Bank of Chosen, the Bank of Taiwan and the Industrial Bank of Chosen. The ordinary and savings banks comprise, in addition to banks in Japan proper, those of Taiwan, which represent, however, a small fraction of the total [1].

The credit associations given in the table constitute the bulk of co-operative credit institutions in Japan, but exclude the Central Bank of Co-operative Societies and the Mutual Loan (Mujiin) Associations, which are relatively unimportant. As figures for 1913 are not available, those for 1914 have been given instead. The paid-up capital and reserves of these associations consist of contributions called in and reserve funds, and their deposits include those of non-members as well as members. In recent years the trust companies — which began operations in their present form in 1924 — have grown in importance, mainly on account of the transfer of funds to them from the small commercial banks.

The rapid growth of the Japanese credit system in recent decades is brought out particularly by the figures for total deposits, which increased from 2.3 milliard yen in 1913 to 12.5 and 15.6 milliard yen in 1925 and 1931 respectively, and is also reflected in the increase in loans and discounts and investments. It should be noted that the growth during this eighteen-year period took place despite two very acute setbacks resulting from the great earthquake of 1923 and the banking crisis of 1927. These two events brought about a shift in the importance of the various institutions composing the Japanese credit system. The share of the banks proper in total deposits as shown above declined from 89.6 per cent in 1913 to 83.9 and 69.4 per cent in 1925 and 1931 respectively. The proportion of deposits in other institutions, particularly in the postal-savings banks and trust companies, increased. Before the war, the banks together constituted practically the sole discount and credit market in Japan, but after the war other institutions have undertaken discount and credit operations on a relatively increasing scale. Parallel with this tendency there has been a movement towards banking concentration. This was in evidence before 1913, but amalgamations were stimulated by the post-war depression, the earthquake of 1923 and the banking crisis of 1927. The total number of ordinary banks fell from 1,614 in 1913 to 1,537 and 683 in 1925 and 1931 respectively. The number of savings banks declined during the same years from 648 to 133 and 88. Amalgamations of " special " banks and of " industrial " and " agricultural " banks were also effected. Despite this reduction in the number of banking units, the total amount of paid-up capital and reserve funds of the " special " and " ordinary " banks was about four times as large in 1925 as in 1913, while the general price level was roughly twice as high. The decline in the capital and reserves of the " ordinary " banks between 1925 and 1931 was proportionately less than the decline in the number of banks. Deposits with " ordinary " banks in 1931 were about 6 per cent less than in 1925, while deposits with the savings banks were about 80 per cent greater.

The post-war depression, the great earthquake, and the banking crisis of 1927 diminished, however, the relative importance of the " ordinary " banks in the banking and credit system. Nevertheless, they remain the most important element of the Japanese banking and credit system.

The " special " banks (column (2) of the table on page 196) were founded between 1880 and 1909, and were largely the work of Count Matsukata. They were established for special purposes and largely at the instance of the Government, which continues to exercise a substantial measure of control or supervision over them. The Yokohama Specie Bank is the largest and most important exchange bank of the country. The Hypothec Bank of Japan and the Industrial and Agricultural Banks constitute, together with the Hokkaido Colonial Bank (originally established for the colonisation of the Hokkaido Islands, north of the Japanese mainland), the *crédit foncier* system of Japan, and the Industrial Bank of Japan represents its *crédit mobilier* system. As already mentioned, the Industrial Bank of Chosen, which performs the *crédit foncier* functions in Korea, and the note-issuing Banks of Chosen and Taiwan, which are closely allied with the Bank of Japan, are not included in the statistics of this chapter. The Banks of Chosen and Taiwan also carry on commercial banking operations.

A large proportion of the capital of the " special " banks is held by the Imperial Household Department, and the Ministry of Finance has important powers of direction and veto. The policy of these banks tends to conform to that of the Government, whether it be in the extension of assistance to distressed industries, to agriculture, to districts which have suffered natural calamities,

[1] Separate figures for the ordinary and savings banks in Japan proper are given by the *Financial and Economic Annual*, but they are less detailed than those including the banks of Taiwan given in the " Economic Statistics of Japan " and used above.

to municipalities, guilds or associations. In addition to their own capital and reserves, they use for this purpose advances received from the Government and funds raised through the issue of debentures. They also accept deposits from the public.

The effect of the depression on the balance-sheets of these banks may be judged from the following table, which gives separate figures for the Yokohama Specie Bank and for the other "special" banks [1] (all mortgage institutions) :

Yen (000,000's)	Yokohama Specie Bank			Other special banks		
End of :	1930	1931	1932	1930	1931	1932
ASSETS.						
Cash on hand. . .	19	22	37	12	13	14
Balance with other banks	148	101	99	175	161	162
Securities	354	345	451	163	210	212
Call loans	—	—	—	12	18	59
Other loans and advances. . . .	699	789	837	2,371	2,434	2,500
LIABILITIES.						
Deposits.	654	548	644	401	392	439
(a) Public. . .	(90)	(9)	(12)	(17)	(13)	(18)
(b) Private . .	(564)	(539)	(627)	(384)	(379)	(421)
Rediscounts and borrowings from other banks . .	293	435	471	46	85	14
Bank bonds . . .	—	—	—	1,760	1,827	1,950

The Yokohama Specie Bank, together with the Bank of Japan, acts as Fiscal Agent to the Treasury; it acts abroad as agent of the Bank of Japan in various monetary and exchange operations. In addition it performs certain ordinary commercial banking operations, issues notes in Kwantung, and has made or participated in loans to China. The bank borrows money at call from the market and obtains advances from the Bank of Japan. It does not, however, issue bonds.

The other special banks — the Hypothec Bank of Japan, together with the system of Agricultural and Industrial Banks and the Hokkaido Colonial Bank — constitute a very important market for credit against real estate. The principal object of the Hypothec Bank is to supply agricultural credit at low interest rates. It also extends its help to the provincial agricultural and industrial banks which are in need of assistance, grants loans on the pledge of securities or bills, and lends to various manufacturers. As the Bank cannot employ its deposits for agricultural long-term loans, it raises the funds required for this purpose by the issue of mortgage bonds, the statutory maximum of which is fixed at fifteen times its paid-up capital. When monetary conditions are stringent, the Treasury Deposit Bureau takes over the bonds that cannot be absorbed by the market.

The growth of the mortgage credit system headed by the Hypothec Bank of Japan is illustrated by the increase in its bonds outstanding from 245 million yen at the end of 1913 to 1,157 and 1,546 million yen at the end of 1925 and 1932 respectively, and the corresponding increase in its loans for the same years from 340 million yen to 1,360 and 2,037 million yen.

The Industrial Bank of Japan was founded with the object of facilitating the circulation of shares and debentures and of importing foreign capital. Its chief function now is to supply credit destined for industrial enterprise, regardless of whether the security offered is personal property or real estate. The external activities of the Bank have been numerous and important: it has raised various loans in Europe and the United States of America, partly on its own bonds and partly on behalf of the South Manchuria Railway and the cities of Tokio and Yokohama; it has participated in the "Nishihara" loans to China and has invested further funds in that country through three Japanese "development companies"; and, finally, it participated in the formation of the Bank for International Settlements at Basle. The activities of the Industrial Bank in Japan proper have ranged from the underwriting of debentures of Japanese industrial companies, and in particular those of public utility companies, to the granting of a short-term loan to the City of Tokio in December 1929, and of another loan a year later to the Tokio Stock Exchange Brokers' Association.

The savings banks (column (3) of the table on page 196) are among the oldest banking institutions in Japan, the first having been founded in 1880. In the decade following the passing of the first savings bank law in 1893, their number increased from 24 to 469 and their deposits from 6 to 61 million yen. This rapid growth continued uninterruptedly from 1903 to 1920, when they numbered 661 and held deposits amounting to 1,843 million yen. During the post-war depression, however, numerous runs on the smaller institutions took place and funds were transferred to the postal savings system. A new and more restrictive savings bank law was put into effect at the beginning of 1922. Savings banks were required to be licensed by the Ministry of Finance, the liability of the directors was made unlimited, and deposit as security with the Ministry of Justice of Government and other securities equivalent to not less than a third of their total deposits was rendered obligatory. This stipulation may also be fulfilled by the deposit of funds with the Treasury Deposit Bureau. The following statement shows the development of the savings

[1] These are the Hypothec Bank of Japan, nineteen "agricultural" and "industrial" banks, Hokkaido Colonial Bank, and the Industrial Bank of Japan.

bank system since 1913 :

	Number of banks	Deposits in yen (000,000's)
1913	648	356
1920	661	1,843
1925	133	905
1927	113	1,102
1929	95	1,422
1930	90	1,539
1931	88	1,636

In spite of the reduction in numbers which followed the enactment of the Savings Bank Law in 1922, the savings banks have grown so rapidly in strength since that year that total deposits placed with 88 banks at the end of 1931 nearly reached the level of deposits placed with 661 banks at the end of 1920. At the end of 1931, the savings banks accounted for 10.5 per cent of all deposits in Japan and 15.1 per cent of deposits in the banks proper. Since the enactment of the law of 1922, the savings banks have shifted from loan and discount activities to investment in securities. At the end of 1931 their security holdings amounted to 1,014 million yen, as compared with 2,929 millions held by the ordinary banks and 1,012 millions held by 26 " special " banks. The State has encouraged the development of the savings banks by granting them certain alleviations, including the remission of half the prescribed rate of business profit tax.

The postal savings and postal-transfer system is at least as important an element of the Japanese credit system as the savings banks. Deposits with the post office constituted at the end of 1931 about 16 per cent of all deposits in Japan and represented the savings of over 38 million people, or over half the total population of Japan. The postal savings system developed rapidly in the ten years ended March 31st, 1923, deposits rising from 191 to 995 million yen, and the number of depositors increasing from 12 to 27 million. Its growth in the next ten years was rapid and was stimulated, in particular, by the banking crisis of 1927 and the uncertainty resulting from the economic depression ; by the end of March 1933, deposits had risen to 2,768 million yen and the number of depositors to nearly 40 millions. The employment of these deposits is entrusted to a governmental institution created for that purpose, the Treasury Deposit Bureau (column (5) of the table on page 196). The Bureau invests[1] the postal savings and certain funds transferred from special accounts of the Government to the extent of some 60 per cent in public securities, and the remainder is used to purchase principally the debentures of the " special " banks and industrial " development companies ".

Trust companies (column (7) of the table on page 196) date back to about 1900, but in their present form they are the result of special legislation passed in 1923. Their rapid growth in recent years has been due to two principal factors : the banking crisis of 1927, which led the public to seek greater safety for their deposits than that offered by the commercial banks, and the fact that the " guaranteed yield " of the companies on " cash trusts " — a form of long-term deposit — is higher than the interest allowed by the banks on deposits. These two factors have induced such a transfer of funds from the smaller banks to the trust companies that the latter have at times found it difficult to invest their funds profitably. The importance of these companies from the banking point of view resides chiefly in the competition for deposits between them and the smaller commercial banks.

Other institutions not included in the table on page 196 are the credit associations, the central bank of co-operative societies, the mutual credit societies, and the branches of foreign banks operating in Japan. Foreign banking in Japan is carried on by about eleven banks of seven different countries. Statistics of their transactions in Japan proper are not available, with the exception of a few figures relating to the number of branches, capital and deposits. The total number of branches, which was 18 in 1922, increased to 24 in 1927 and declined to 17 in 1931. The capital and deposits of the foreign banks operating in Japan in 1927 are estimated at 7 and 69 million yen respectively, and for 1931 at 5 and 55 million yen respectively [2].

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The ordinary or commercial banks proper are essentially the descendants of three types of commercial banking institutions existing prior to the banking law of 1893. The first of these, the " exchange companies ", were established with Government assistance in the leading commercial centres in Japan in 1868 ; their principal functions were to receive deposits, to issue notes and to make loans. In 1873 they were superseded by " national banks " set up on the lines of the national banks in the United States of America. These institutions were authorised to conduct general banking business, and to issue notes at first up to 60 per cent of their capital, and later up to 80 per cent, when the bank-notes were made exchangeable into inconvertible State notes. At first, a cover of 40 per cent was to be held in specie. By this means it was hoped to withdraw from circulation a large proportion of the inconvertible State notes and to replace them by convertible National Bank notes. The latter, however, were

[1] See the *Financial and Economic Annual of Japan* for a detailed balance-sheet of the Treasury Deposit Bureau.
[2] *The Japan-Manchukuo Year-book for 1934*, page 343.

converted into specie as soon as issued, and the gold thus obtained was exported as a result of the adverse balance of trade. As in these circumstances the banks could earn with difficulty a profit, only a few were established; they grew in number, however, after the bank-notes became inconvertible in 1876. The increase in the national banks' note circulation was so rapid that in 1879 their further issue, as well as the establishment of additional national banks, was prohibited. At this date there were 151 national banks with an aggregate capital of 40 million yen. Owing to the limitations put on the national banks, private banking developed rapidly; by 1883 there were 1,093 private banks with an aggregate capital of 900 million yen. After the banking law of 1890 and more especially the banking consolidation law of 1896, most of the " national " and private banks were converted into joint-stock ordinary banks ; a few became savings banks.

The growth and consolidation of the ordinary banks since 1887 is illustrated by the following table, which covers all ordinary banks operating in Japan and the Japanese branch of the Bank of Chosen [1]:

End of the year	Number of head offices	Paid-up capital and reserves	Deposits	Total of paid-up capital, reserves and deposits		Advances, loans and discounts
				Total	Average per bank	
		Yen (000,000's)				
1887 .	221	19	22	41	0.19	—
1893 .	604	31	38	69	0.11	—
1898 .	1,444	189	287	476	0.33	434
1903 .	1,754	309	566	875	0.50	715
1908 .	1,635	395	938	1,333	0.81	1,086
1913 .	1,614	514	1,444	1,958	1.21	1,650
1918 .	1,571	673	4,622	5,295	3.37	4,132
1923 .	1,698	2,011	7,726	9,737	5.73	7,988
1928 .	1,028	1,964	9,253	11,217	10.91	7,497
1932 .	535	1,741	8,255	9,996	18.68	6,546
1933 .	516	1,702	8,816	10,518	20.38	6,671

In 1922 the number of banks rose from 1,327 to 1,799, owing to the transformation of savings banks into ordinary banks following the enforcement of the Savings Banks Law. While the number of banks has fallen since then, the average number of branches per ordinary bank rose from 4.1 in 1927 to 6.7 in 1931.

Of the post-war events which influenced the development of the commercial banks, the first was the speculation which took place in the second half of 1919 and early part of 1920, and was reflected in a sharp rise in banking resources and turnover. The break in the stock market and in prices which took place in March 1920 was accompanied by the failure of one important bank and runs on other banks. In order to avoid more dangerous developments, the Bank of Japan and a syndicate of important banks stepped in with liberal credit grants. With the exception of a short-lived speculation in the middle of 1921, business became increasingly stagnant until November 1922, when a banking panic broke out with the suspension of two important banks. More than ten banks suspended payments and others had to meet large withdrawals of deposits. The Bank of Japan again discounted freely, its bill portfolio rising from 73 million yen on November 18th to 284 millions on December 16th, 1922, and its note circulation from 1,069 to 1,345 million yen during the same period.

It was in these conditions that the earthquake of September 1st, 1923, occurred. This calamity is estimated to have cost Japan about an eighth of its total national wealth. Among its visible effects was the destruction of the offices of seventy-six of the eighty-four associated banks of Tokio, and the almost complete paralysis of the monetary mechanism. The Bank of Japan, the Industrial Bank of Japan, and the Hypothec Bank began, however, with the guarantee or assistance of the Government, to extend liberal credits to municipalities, industrialists and merchants of the derelict areas on the pledge of what came to be known as " earthquake " bills. These bills were to be redeemed by September 30th, 1925, but their currency was extended twice to September 30th, 1927. This relief activity on the part of the central and " special " banks made itself felt in the balance-sheets of the " ordinary " banks, which show a rapid increase from 1923 to the end of 1926. The three years following the earthquake were characterised by easy money conditions and by large foreign borrowing by the Government for conversion and reconstruction purposes.

The conditions left by the crisis of 1920-21, the congestion of earthquake bills, the losses on " frozen " loans in China, and the heavy decline in the price of raw silk, all contributed to the banking crisis of 1927, which was precipitated by the inability of the Bank of Taiwan to collect the credit of 300 million yen granted to the Suzuki Co., the largest Japanese firm trading in raw materials. Several bank failures had occurred early in 1927. The Bank of Taiwan closed its doors for three weeks on April 7th, and the general panic forced other and more important institutions to follow suit. On April 22nd a three weeks' moratorium was decreed on all domestic payments, and five days later two laws (Nos. 55 and 56), authorising the Bank of Japan to grant special accommodation to institutions in Japan proper and outside, were passed. The extent of the relief granted under

[1] SOURCE.— For dates prior to 1913, the *Financial and Economic Annual* of 1901 and 1911, as quoted in BRATTER's " Japanese Banks ", *op. cit.*, page 88. For other years, *ibid.*, volumes for 1924 and 1933.

Government auspices in this and in the earthquake crisis may be seen from the annual turnover of discounts and the amounts in the portfolio of the Bank of Japan of all bills made eligible for discount by the emergency legislation of 1923 and 1927 shown below :

Year	Turnover of discounts	Amount in the portfolio of the Bank at the end of the year
	Yen (000,000's)	
1923	271	134
1926	783	159
1927	2,801	403
1928	4,600	649
1933	3,105	552

The emergency credits thus extended by the Bank of Japan are reflected in increases in its note circulation and sight liabilities. The potential liability of the Government incurred on account of the banking crisis amounted to 907 million yen and consisted of the following items : 207 million yen of Government bonds for the liquidation of " earthquake " bills outstanding, the guarantee of 500 million yen of the advances of the Bank of Japan in Japan proper, and the guarantee of the 200 million yen advance made by the Bank of Japan to the Bank of Taiwan.

When the moratorium referred to above expired, it was found that 230 banks had suspended business; about 200 of these, however, were reopened. The deposits of the banks which remained closed amounted to 900 million yen. The other banks were authorised to write down their capital and reserves to the extent of their losses. A new bank, the Showa Bank, was organised to absorb those institutions which were unable to meet their losses, but which none the less, in the opinion of the Government, deserved to be kept going. In the following months the Government pursued its policy of promoting amalgamations and, by the end of 1927, 134 more banks disappeared as independent institutions through this process. Between the month of the panic and March 1929, 567 banks had been reorganised in one form or another.

The effects of the banking crisis are not easily discernible from the balance-sheets of the ordinary banks for 1928 and 1929, which show relatively small changes as compared with 1927. The diminution in capital and reserves in 1928 was small, despite the disappearance of 252 banks, and deposits were much higher than in 1927. In 1929 there was an increase in capital and reserves and only a slight fall in deposits, despite the disappearance of another 150 banking units in that year. On the assets side there occurred a shift in 1928 and 1929 from loans and discounts to securities.

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Apart from the special laws and regulations under which the " special " banks, the savings banks, the trust companies, the co-operative credit associations and mutual loan societies were created and continue to operate, the most important piece of Japanese banking legislation is Law No. 21, passed on March 30th, 1927, and put into effect on January 1st, 1928. Banking laws and regulations had been promulgated in 1872, 1883, 1890 and 1896; but the Law of 1927 represents the most recent and complete general banking law of Japan. The new law defines banks as concerns which accept deposits, make loans, discount bills of exchange, or conduct exchange transactions. Their establishment is conditional on the authorisation of the Minister of Finance and they must, as a rule, possess a capital of at least one million yen, although two million yen are required in Tokio and Osaka, and less than one million in small towns. Banks are strictly limited in their activities and may not engage in business other than banking without the written approval of the Minister of Finance. The law further places under the control of the Minister of Finance such matters as the submission of semi-annual reports, the publication of quarterly reports, examination of the position, when necessary, by officials of the Government, auditing and procedure for liquidation or amalgamation. Finally, in respect of foreign banks, the law establishes special provisions, which were issued on November 15th, 1928, by Imperial Ordinance No. 328, and differ little from those relating to domestic banks, except as regards the capital requirements, which are lower.

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The attached balance-sheet summary, which covers all " ordinary " banks operating in Japan, and in addition the Tokio Office of the Bank of Chosen and the " ordinary " banks of Formosa, is based on statistics furnished by the Financial Representative of the Imperial Government in London, by the London Agent of the Bank of Japan, and by the Director of the Research Department of the Bank of Japan.

JAPAN COMMERCIAL BANKS ("Ordinary Banks"). **Table 38 (*a*)**

ACCOUNTS	SUMMARY OF POSITION AT THE END OF						
	1925	1927	1929	1930	1931	1932	1933
Number of : Banks	1,537	1,283	881	782	683	538	516
Branches	5,357	5,254	4,956	4,802	4,582	4,311	4,021
ASSETS.	Yen (000,000's omitted)						
1. Cash	666	674	703	635	537	557	623
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Domestic notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	323	395	461	348	292	327	354
3. Bills discounted and bought	1,743	1,384	1,027	771	712	821	891
(a) Treasury bills	1,573	1,176	826	628	564	663	726
(b) Commercial bills, Inland	170	208	201	143	148	158	165
(c) Commercial bills, Foreign	2,051	2,591	3,323	3,127	2,929	2,941	3,325
4. Investments and Securities	1,171	1,432	1,750	1,624	1,448	1,492	1,850
(a) Government	880	1,159	1,573	1,503	1,481	1,449	1,475
(b) Other	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	7,270	7,004	6,586	6,393	6,186	5,939	5,780
7. Loans and Advances	—	—	—	—	—	—	—
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	163	84	78	83	85
8. Cover for Acceptances	331	417	406	426	432	434	418
9. Premises, etc.	343	411	209	159	170	159	205
10. Sundry Assets	**12,727**	**12,876**	**12,878**	**11,943**	**11,336**	**11,261**	**11,681**
11. Total Assets							
LIABILITIES.							
12. Capital paid up	1,501	1,482	1,381	1,296	1,249	1,217	1,187
13. Reserve Funds	627	629	604	590	536	531	515
14. Profit and Loss, Undivided Profits, etc.	171	157	124	119	104	114	118
15. Cheques and Drafts in circulation	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	146	66	35	36	44
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	146	66	35	36	44
17. Deposits	8,727	9,028	9,292	8,738	8,269	8,319	8,816
(a) Current accounts	1,961	2,042	1,794	1,606	—	—	—
(b) Savings accounts	1,844	1,875	1,973	1,807	—	—	—
(c) Time deposits	4,449	4,642	5,142	4,963	—	—	—
(d) Other deposits	473	469	383	362	—	—	—
18. Rediscounts and Other Borrowings	1,043	947	889	827	817	712	665
19. Acceptances and Endorsements	—	—	163	84	78	83	85
20. Sundry Liabilities	658	634	279	223	248	249	251
21. Total Liabilities	**12,727**	**12,876**	**12,878**	**11,943**	**11,336**	**11,261**	**11,681**
22. Value of currency in Swiss francs at the end of each year	2.23	2.39	2.51	2.56	2.17	1.08	1.01

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :					
	1925	1927	1929	1930	1931	1932
Number of Banks	1,537	1,283	881	782	683	538
	Yen (000,000's omitted)					
Capital paid up	1,501	1,481	1,381	1,296	1,249	1,217
Reserves	627	629	604	590	536	531
1. Gross Profits	**1,218**	**1,336**	**1,022**	**997**	**837**	**829**
To be deducted:						
2. Expenses						
(a) Salaries, etc.						
(b) Other working expenses						
(c) Taxes, etc.	1,031	1,168	898	875	801	745
3. Reserved for Pension Funds, etc.						
4. Written off on (Depreciation Accounts)						
(a) Premises, etc.						
(b) Investments and securities						
(c) Other assets						
5. Remaining Net Profit or Loss (—)	**187**	**168**	**124**	**122**	**36**	**86**
6. Carried forward from preceding year	93	91	75	65	128	78
7. Taken from Reserves or Capital	22	10	18	30		
8. Total Amount disposed of for Dividends, etc.	**302**	**269**	**217**	**217**	**164**	**164**
9. Carried to Reserves	69	64	42	29	26	32
10. Dividends	127	105	95	84	72	68
11. Other purposes	11	8	7	5	3	4
12. Carried forward to following year	96	92	73	63	63	66
13. Total as above	**303**	**269**	**217**	**181**	**164**	**170**
14. Value of currency in Swiss francs at the end of each year	2.23	2.39	2.51	2.56	2.17	1.08

Balance-sheet Summary.

1. *Cash.*

The detailed composition of this item (cash on hand) is not shown, but it consists of notes and coins and cheques and coupons due, while balances with the Central Bank are included in the figures given under (2) "Other items of a cash nature".

2. *Other Items of a Cash Nature.*

The figures shown represent "balances with other banks" (presumably including those with the Central Bank). To the extent that these balances are held with other ordinary banks, they obviously involve a double counting from the point of view of the commercial banking system as a whole. As from 1930 the item includes insignificant sums of "bullion and foreign currency" (less than half-a-million yen) which were not shown separately prior to that year.

3. *Bills discounted and bought.*

The detailed composition of this item is as follows :

Yen (000,000's)	1927	1929	1930	1931	1932
Discounted bills	1,098	761	592	522	602
Documentary bills	78	65	37	42	61
Foreign bills	208	201	142	148	158
Total	1,384	1,027	771	712	821

The documentary bills are bills drawn upon consignees of goods and to which shipment papers are attached. Government bills are not shown separately. The proportion of foreign commercial bills in total discounts has increased noticeably since 1919. These foreign assets are largely counterbalanced by liabilities in foreign currency (shown separately only as from 1928) the amounts of which are given under 16 *(b)* in the Summary Table.

4 and 5. *Investments and Securities. — Participations.*

Government securities comprise both central and local government bonds, and " other " securities include bank and corporation bonds, shares and foreign securities as shown below :

Yen (000,000's)	1927	1929	1930	1931	1932
Central Government bonds	1,102	1,438	1,313	1,146	1,210
Local government bonds	331	311	311	302	282
Bank and corporation bonds . . .	727	1,151	1,138	1,140	1,125
Shares	399	393	331	304	302
Foreign securities .	32	30	34	37	22
Total. . . .	2,591	3,323	3,127	2,929	2,941

It will be noted that the proportion of securities other than Government bonds has increased sharply since the war; they accounted for over half the aggregate investment portfolio in 1931, as compared with a third in 1913.

Participations are not shown separately in the balance-sheets.

7. *Loans and Advances.*

The composition of loans and advances, according to the nature of their collateral, is shown in detail below :

Yen (000,000's)	1927	1929	1930	1931	1932
Loans on :					
Government and local government bonds. . .	210	196	220	202	188
Bank and Corporation bonds and other securities.	434	445	502	518	471
Shares	1,932	1,633	1,412	1,343	1,374
Total loans on securities.	2,576	2,274	2,134	2,063	2,033
Loans on :					
Merchandise . . .	259	239	172	188	161
Land and buildings	1,560	1,496	1,491	1,421	1,314
Other collateral .	323	412	423	469	471
Total loans against other collateral .	2,142	2,147	2,086	2,078	1,946
Personal credits . .	2,286	2,165	2,173	2,045	1,946
Grand Total. . . .	7,004	6,586	6,393	6,186	5,939

In the statistics supplied by the London Agent of the Bank of Japan, overdrafts are given separately for all the years under review, and call loans since 1929, as shown below :

Yen (000,000's)	1927	1929	1930	1931	1932
Call loans.	...	165	203	155	320
Overdrafts	1,141	919	848	847	800
Other loans	5,864	5,502	5,342	5,184	4,819
Total. . . .	7,005	6,586	6,393	6,186	5,939

A somewhat more detailed classification on the same lines is given in the statistics relating to the Tokio Clearing House banks, whose loans and advances in May 1929 were composed as follows : Call loans 4 per cent ; overdrafts 14 per cent ; advances on bills 63 per cent ; other loans 19 per cent.

8. *Cover for Acceptances.*

See note to group 19 below.

10. *Sundry Assets.*

This item consists of the net loss suffered by certain banks, securities loaned and other transitory accounts.

16. *Due to Banks (Correspondents).*

Ordinary correspondent accounts are not shown separately. The sums given under *(b)* represent " Foreign Exchange " liabilities, which are shown separately only since 1928 (data supplied by the London agent of the Bank of Japan).-

17. *Deposits.*

There are in Japan four principal kinds of deposits. The most important and popular kind is the time deposit. They are, in principle, payable only after six months, though the banks could — until a recent agreement between banks stopping this practice — permit their withdrawal before the expiration of this period if the depositor consented to accept, for the period during which the funds had remained on deposit, a lower rate of interest than that applicable to time deposits. The smaller banks often keep part of their cash reserves in such accounts with the Tokio and Osaka banks. Individuals and corporations often maintain idle balances in fixed deposit accounts awaiting favourable investment opportunities. A second important type of deposit is the " special current account ", which corresponds to the savings accounts with the commercial banks of several European countries. This type of deposit (on passbooks), for the withdrawal of which no special

notice is required, is most popular with salaried persons. The third important type is the " current deposit ", which corresponds to the chequing account in other countries. The ordinary banks keep funds with the Bank of Japan in this form for inter-bank settlements, and merchants maintain such deposits with the ordinary banks as active business accounts ; the rate of interest on them is very low. " Deposits at notice " are essentially demand deposits which may be withdrawn at three days' notice. They are usually the deposits of merchants. What are described as " ordinary, deferred, or fixed savings " are the deposits of savings banks which have been absorbed by the ordinary banks, and are received only until the expiration of the contracts of the depositors of the former. Until the end of 1927, deposits of public bodies and authorities were shown separately ; they are now included in " Other deposits ". In group 17 of the Summary Table, the " current deposits " and " deposits at notice " are given under *(a)*; the " special current deposits " under *(b)*; the " fixed deposits " under *(c)*; and " public deposits ", " ordinary, deferred or fixed savings " and " other deposits " under *(d)*.

In the following statement, which has been supplied by the Financial Representative in London of the Imperial Government and which, while being more detailed, relates to a somewhat smaller number of banks than that covered by the statistics compiled by the Bank of Japan, the various deposit accounts are given in their original detail for the years 1927-1930 :

Yen (000,000's)	1927	1928	1929	1930
Fixed deposits	4,642	4,986	5,144	4,963
Special current deposits	1,875	1,938	1,973	1,807
Current deposits	1,388	1,331	1,247	1,104
Deposits at notice	654	611	546	503
Public deposits	161	—	—	—
Ordinary, deferred and fixed savings	21	21	16	11
Other deposits	184	329	287	271
Total	8,906	9,216	9,213	8,659

18. *Rediscounts and Other Borrowings.*

This item is composed as follows :

Yen (000,000's)	Call money borrowed	Other borrowings	Total
1929	107	782	889
1930	101	726	827
1931	77	740	817
1932	89	623	712

19. *Acceptances and Endorsements.*

Acceptances are given separately only as from 1929. Prior to that year they are included under " other accounts " in sundry liabilities.

20. *Sundry Liabilities.*

This item consists of securities borrowed and other transitory accounts.

Summary of Profit-and-Loss Accounts.

The profit-and-loss Summary Table is compiled from half-yearly data provided by the London agent of the Bank of Japan, such accounts being available only in the vernacular. The banks covered by this table and by the Summary Balance-Sheet Table for the years 1927, 1928, 1929, 1930 and 1931 are identical.

The Japanese profit-and-loss statistics are not readily adaptable to the form used here. The Summary Table is established in the following way : By working backwards from items 13 to 9, for each of which individual figures are available, item 8, " Total Amount disposed of for Dividends, etc.", is obtained. Item 11, " Other Purposes ", represents the " bonus and allowances ' of the original figures. " Remaining Net Profit or Loss ", item 5 of the table, has been obtained by subtracting from item 8 the sum of items 6 and 7, " Carried forward from Preceding Year " and " Taken from Reserves or Capital " respectively, for which separate figures are likewise available. The lump-sum figures for " Expenses ", " Depreciation Accounts ", " Pensions Fund ", etc., have similarly been arrived at by subtracting from the original data on " Gross Profits " the sum representing " Net Profits ". The figures so obtained for items 2 to 4 correspond fairly closely to an item given in the Japanese as " Gross Loss for the Year ".

AUSTRALIA AND NEW ZEALAND

General Introduction.

The connection between the commercial banking systems of Australia and New Zealand is very close ; of the six banks operating in New Zealand, four are primarily Australian institutions, and one of the two New Zealand establishments also carries on operations in Australia. All the important banks operating in both countries have either their head offices or important branches in London, where large balances accrue and are drawn upon in financing the external trade of the two Dominions ; in the annual reports of these banks, however, no distinction is made between assets held in or liabilities due by the Australian and New Zealand offices, on the one hand, and the accounts relating to the offices situated outside each Dominion, on the other ; nor are inter-branch balances due from non-Dominion to Dominion offices or those due by Dominion to non-Dominion offices shown separately. The official banking statistics published in Australia and in New Zealand include only the accounts of the offices situated within each Dominion and are, therefore, not sufficiently complete to give an idea of the true position of the banks as a whole, more especially as the greater part of the aggregate capital and reserves is shown in the accounts of London head offices, which are excluded from the Dominion statistics. The banks having their head offices outside either Dominion, and thus, from the point of view of accountancy, holding their capital and reserves abroad, are not required specially to earmark any part of these funds for the account of the branches in the Dominions, where, in fact, the bulk of their operations are carried on.

For these reasons the plan is followed, in the present chapter, of first treating the Australian and New Zealand banking systems individually and then showing the movement in banking in the two Dominions as a whole. Separate summary tables are given for each country, with detailed notes to each table ; in each case these tables show only the assets and liabilities of the banking offices within the Dominion and exclude completely capital and reserve accounts. A separate summary table for Australia and New Zealand combined is then presented ; this table, which is based on the complete annual balance-sheets of all important banks, covers all business in Australia, New Zealand, London and elsewhere, and also includes capital and reserve accounts. A summary table of the profit-and-loss accounts of these banks, based on statistics published in the *Economist*, is also shown.

AUSTRALIA

Introductory Note.

The outstanding banking developments in Australia during 1933-34 were (as the following summary of the accounts of the principal trading banks shows) a sharp rise in cash reserves and deposits, a small increase in discounts and advances, and a slight decline in public securities.

June quarter £ A (000,000's)	1932	1933	1934
1. Cash :			
(a) Coin and bullion. .	2.0	1.9	1.9
(b) Australian notes. .	18.7	15.8	13.0
(c) Balances with Commonwealth Bank .	29.1	23.6	38.4
2. Government and municipal securities . . .	43.7	52.8	52.1
3. Discounts, advances, etc.	229.3	234.1	237.0
4. Deposits :			
(a) Interest-bearing. .	189.9	185.7	198.3
(b) Non-interest-bearing.	87.1	89.0	101.4

The increase of £ A 12 million in cash reserves in the year ending June 1934 and of £ A 25 million in current account and time deposits reflects chiefly the increase in income resulting from the rise in the price of wool, which raised the value of Australian exports in 1933 by some £ A 20 million. The London exchange received in payment of exports was sold to the trading banks, who sold it in turn to the Commonwealth Bank, thus increasing the London balances of the latter, the balances of the trading banks with it, and the deposits of the exporters with the trading banks.

The increase in deposits with trading banks was particularly marked in the case of current, or non-interest-bearing, accounts, which amounted to 51 per cent of time deposits at the middle of 1934, as compared with 47 per cent a year earlier. Further evidence of the increased activity of deposit accounts is to be found in the figures for bank clearings in the six capital cities, which rose from a monthly average of £ A 29.8 million in the first half of 1933 to a monthly average of £ A 34.5 million in the first half of 1934.

In view of the more favourable business conditions reflected in these and other relevant statistics, it would seem that the relatively slight rise in advances shown in the above table must be ascribed to the fact that the liquidation of old debts largely counterbalanced the fresh credits extended by the banks. The slight fall in security

AUSTRALIA. COMMERCIAL BANKS **Table 39 *(a)***

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :				
	1930	1931	1932	1933	1934
Number of Banks	11	11	10	10	10
ASSETS.	£A (000,000's omitted)				
1. Cash	37.6	53.2	49.8	41.3	53.3
(a) Gold, silver and small coins	4.6	2.0	2.0	1.9	1.9
(b) Inland notes and balances with Central Bank	33.0	51.2	47.8	39.4	51.4
2. Other Items of a Cash Nature	1.9	1.3	1.3	1.4	1.6
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	19.3	21.5	43.7	52.8	52.1
(a) Government	—	—	—	—	—
(b) Others	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	4.1	2.9	3.8	3.7	3.5
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	262.8	241.3	229.3	234.1	237.0
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	7.6	8.0	8.0	8.0	8.2
10. Sundry Assets	—	—	—	—	—
11. Total Assets	**333.3**	**328.2**	**335.9**	**341.3**	**355.6**
LIABILITIES.					
12. Capital paid up	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—
15. Notes in Circulation	0.2	0.2	0.2	0.2	0.2
16. Cheques and Drafts in Circulation	2.8	2.3	2.1	2.1	2.4
17. Due to Banks (Correspondents)	2.7	1.5	1.3	1.2	1.3
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	270.0	262.8	280.0	277.6	299.7
(a) Current accounts and sight deposits	89.8	81.1	87.1	89.0	101.4
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	180.2	181.7	192.9	188.6	198.3
(d) Other deposits	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—
22. Total Liabilities	**275.7**	**266.8**	**283.6**	**281.1**	**303.6**
23. Value of currency in Swiss francs at the end of June of each year	23.60	19.26	14.93	14.00	12.38

holdings from £A52.8 to £A52.1 million is due to the funding of Treasury bills to the amount of £A5.2 million out of the loan issued in November 1933 and to the amount of £A3.5 million out of the loan issued in June 1934. The banks did not take up enough of these loans to offset the retirement of Treasury bills held by them. The ordinary banks' aggregate holding of Treasury bills fell from £A33.5 million in June 1933 to £A29 million in June 1934.

The reduction in interest rates (which was recorded in the last issue of this *Memorandum)* continued during 1933 and 1934. In April 1934, the interest allowed on two-year deposits was reduced from 3 to 2¾ per cent and on one-year deposits from 2¾ to 2½ per cent. In August 1934, the rate on three months' deposits was reduced from 2 to 1½ per cent. The rates on bank advances have also been reduced. As from July 1st, 1934, the maximum charge to primary producers has been 5 per cent and to public institutions 4¾ per cent. The Commonwealth Bank has announced an overdraft rate of 4½ per cent and a charge of 3¾ per cent for credits to organisations handling Australian rural products.

The following table, given in continuation of those published in previous editions, enables a comparison to be made between the movement of deposits in savings banks, commercial banks and the Commonwealth Bank of Australia :

June quarter £A (000,000's)	1932	1933	1934
Commonwealth Savings Bank	115.9	117.5	123.6[a]
Other savings banks	82.1	84.8	86.5[a]
Total savings banks	198.0	202.3	210.1[a]
Commercial banks	284.1	280.4	303.1
Commonwealth Bank	63.6	62.6	78.9
Grand total	545.7	545.3	592.1

[a] Provisional.

The grand total involves double counting to the extent that banks maintain deposits with one another. Neglecting this factor, it may be stated that, at the middle of 1934, deposits in Australian banks reached the highest level ever recorded. The increase between 1933 and 1934 was particularly marked in the case of the trading banks and, for the reasons explained above, the Commonwealth Bank ; but deposits with the savings institutions also increased.

The attached Summary Table is based on official statistics for the principal trading banks published in the *Australasian Insurance and Banking Record.* They are averages for the quarter ending June 30th each year. As they cover only the accounts of offices situated within the Commonwealth and exclude completely capital and reserve funds, etc., total assets and total liabilities do not balance.

Balance-sheet Summary.

1. *Cash.*

The amounts shown in the Summary Table under *(a)* are made up as follows :

June quarter £A (000,000's)	Coin	Bullion	Total
1930	4.5	0.1	4.6
1931	1.8	0.2	2.0
1932	1.7	0.3	2.0
1933	1.6	0.3	1.9
1934	1.6	0.3	1.9

The sums shown under *(b)* consist of Australian notes issued by the Commonwealth Bank and deposits held by the joint-stock banks with that Bank. The amounts due by the Commonwealth Bank to other banks are shown below :

June quarter	£A (000,000's)
1930	16.9
1931	32.2
1932	29.1
1933	23.6
1934	38.4

2. *Other Items of a Cash Nature.*

This item consists of the banks' holdings of cheques and drafts on other banks.

4. *Investments and Securities.*

The amounts shown in the Summary Table include the banks' holdings of Treasury bills.

11. *Total Assets.*

These refer only to business transacted by the Australian offices of the banks.

12, 13 and 14. *Capital, Reserves and Undivided Profits.*

The paid-up capital and reserves, etc., of all the Australian trading banks with head offices in either Australia or London were as follows in the years under review :

End of June £ (000,000's)	Capital	Reserves and undivided profits
1930	44.6	36.2
1931	44.9	36.8
1932	44.0	35.4
1933	44.0	35.4
1934	44.0	35.4

These figures do not include the capital and reserves of the foreign banks operating in Australia.

22. *Total Liabilities.*

For the reasons indicated above, total liabilities do not correspond with total assets (see note to group 11).

NEW ZEALAND

Introductory Note.

The main features of the banking situation in New Zealand in the course of 1933-34 are the growth of deposits, continued increase in London balances, sharp rise in Government securities, further contraction of advances, and the beginning of operations by the new Reserve Bank. The trends of commercial banking from the middle of 1932 to the middle of 1934 *(i.e.*, up to the opening of the Central Bank) are brought out in the following statement, which shows the principal assets and liabilities within New Zealand, of the six trading banks :

June quarter : £N.Z. (000,000's)	1932	1933	1934
1. Discounts and advances	50.6	46.8	41.3
2. Government securities .	9.1	14.4	27.2
3. Deposits	52.2	55.8	63.8
(a) Free	(16.8)	(18.9)	(22.9)
(b) Fixed	(35.4)	(36.9)	(40.9)
4. Free deposits as percentage of fixed deposits .	47.5	51.2	55.9

As in the case of Australia, the rise in the price of wool improved the New Zealand balance of trade and led to an increase in deposits in New Zealand, which had its counterpart in an accumulation of sterling assets. In the twelve months ending June 1934, exports increased by £N.Z.11.2 million, while imports rose by only £N.Z.0.6 million. Deposits reached their highest recorded (June quarter) figure in 1934, having risen by £N.Z.8 million in the course of the year ; in consequence, however, of the sluggishness of the import trade, advances fell by a further £N.Z.5.5 million to reach their lowest figure since 1923. Cash holdings fell by over £N.Z.1 million between 1932 and 1933 and remained substantially unchanged during the following year, and the excess of deposits over advances was used by the banks to purchase Government securities, as is shown in the following statement :

June quarter	Excess of deposits over advances	Government securities
	£N.Z. (000,000's)	
1932	1.6	9.1
1933	9.0	14.4
1934	22.5	27.2

During the year ending June 1934, the excess of deposits over advances in New Zealand increased by £N.Z.13.5 million, which suggests that the sterling reserves of New Zealand increased by about that amount. In making this calculation, however, there should be added to advances (and therefore deducted from the excess of deposits over advances) loans made to the Government for expenditure in New Zealand to cover budgetary deficits and expenditure on public works. These loans are included under Government securities, but the great bulk of the latter consists of New Zealand Treasury bills taken over by the banks in exchange for their sterling assets since the raising of the exchange rate at the beginning of 1933. [1]

Under the Banks Indemnity (Exchange) Act, the banks were required to sell to the Government all exchange accumulated overseas. It would appear that the large amounts accumulated since the beginning of 1933 are the result, not only of the large favourable balance of trade, but also of an inward flow of capital to New Zealand to take advantage of the relatively high interest rates prevailing there and to speculate in favour of a rise in the New Zealand exchange rate on London, which had been fixed at £N.Z.125 = £100 early in 1933. The sterling balances held by the Government are estimated at £22 million [2] in the record quarter of 1934. When the Reserve Bank [3] began operations on August 1st, 1934, the Government transferred to it the bulk of its sterling reserves and was credited with the equivalent in New Zealand currency at the rate of £N.Z.124 = £100. With these funds the Government redeemed £N.Z.22 million of its Treasury bills held by the six trading banks, whose cash holdings — in the form of deposits at the Reserve Bank — were correspondingly increased. The first weekly return of the Reserve Bank, dated August 6th, is summarised below :

Liabilities.	£N.Z. (000's)	Assets.	£N.Z. (000's)
1. Paid-up capital .	500	8. Reserve :	
2. General Reserve Fund	1,000	*(a)* Gold . . .	259
3. Bank-notes . . .	7,791	*(b)* Sterling exchange .	24,486
4. Demand liabilities :		12. Investments . .	1,500
		14. Other assets . .	14
(a) State. . . .	2,499		
(b) Banks . . .	14,537		
(c) Others . . .	—		
7. Other liabilities .	28		
	26,355		26,355

[1] It is officially stated that, on March 31st, 1934 (when the trading banks' holdings of Government securities amounted to some £N.Z.24 million), the volume of Treasury bills outstanding under the Banks Indemnity (Exchange) Act was £N.Z.19.4 million (see Dominion of New Zealand, *Monthly Abstract of Statistics*, August 1934, page 34).

[2] *Australasian Insurance and Banking Record*, August 21st, 1934.

[3] The main provisions of the Reserve Bank Act were summarised in the last edition of this volume.

NEW ZEALAND. COMMERCIAL BANKS **Table 40 *(a)***

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :				
	1930	1931	1932	1933	1934
Number of Banks	6	6	6	6	6
ASSETS.	£N.Z. (000,000's omitted)				
1. Cash	6.9	7.0	6.3	5.2	5.1
(a) Gold, silver and small coins	6.8	6.9	6.2	5.1	5.0
(b) Inland notes and balances with Central Bank	0.1	0.1	0.1	0.1	0.1
2. Other Items of a Cash Nature	0.7	0.5	0.4	0.3	0.5
3. Bills discounted and bought	1.2	0.9	0.7	0.6	1.9
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	6.3	5.0	9.5	14.8	27.6
(a) Government	5.6	4.6	9.1	14.4	27.2
(b) Other	0.7	0.4	0.4	0.4	0.4
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	0.7	1.7	1.3	1.7	0.8
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	52.9	52.5	49.9	46.1	39.4
(a) On current account	—	—	—	—	—
(b) Other		—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	1.2	1.3	1.3	1.3	1.3
10. Sundry Assets	—	—	—	—	—
11. Total Assets	**69.9**	**68.9**	**69.4**	**70.0**	**76.6**
LIABILITIES.					
12. Capital paid up	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Notes in Circulation	6.4	5.8	6.0	6.3	6.4
16. Cheques and Drafts in Circulation	0.3	0.2	0.2	0.2	0.2
17. Due to Banks (Correspondents)	0.7	1.6	1.3	1.7	0.8
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	58.8	55.0	54.0	57.5	64.8
(a) Current accounts and sight deposits	23.2	18.1	16.8	18.9	22.9
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	30.5	33.1	35.4	36.9	40.9
(d) Other deposits	5.1	3.8	1.8	1.7	1.0
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—
22. Total Liabilities	**66.2**	**62.6**	**61.5**	**65.7**	**72.4**
23. Value of currency in Swiss francs in June of each year	24.01	22.90	17.07	14.06	12.41

It is worth observing that, as a result chiefly of the redemption of the Treasury bills, bankers' cash early in August stood at about three times its June level. Other changes immediately evident in the accounts of the trading banks in consequence of the establishment of the Central Bank are a decline in their note circulation and in their gold holdings. The right of note-issue being concentrated in the hands of the Reserve Bank, the circulation of the trading banks fell from £N.Z.6.2 million on July 30th to £N.Z.4 million on August 20th. In the same period their holding of gold and subsidiary coin fell by over £N.Z.2.4 million, and those of the Reserve Bank increased by the same amount.

Special reference should be made to the fact that, on July 19th, 1934, prior to its opening, the Reserve Bank made an announcement in which it was stated that the buying and selling rates of sterling for immediate delivery on August 1st would be £N.Z.124 and £N.Z.125 respectively per £100, and that the Reserve Bank would "aim at retaining these rates unchanged for a long period, unless there should be a marked alteration in existing conditions". This announcement was followed by a statement on the part of the Associated Banks of New Zealand saying that their buying and selling rates of sterling for immediate delivery as from August 1st would be £N.Z.124 and £N.Z.124 10s. respectively per £100. The Reserve Bank began operations with a bank rate of 4 per cent.

Reference to the first table of the present chapter will show that, between the middle of 1933 and the middle of 1934, the percentage of free to fixed deposits rose from 51.2 to 55.9 ; it still remains well below the more normal percentage of 88.7 in 1929. This relative shift of deposits was no doubt due in part to the considerable reductions in interest rates on time deposits. Between 1930 and the middle of 1934, the rate on two-year deposits was steadily reduced from 5 to 3 per cent, the overdraft rate from 7 to 5 per cent, and the yield on Government loans in New Zealand from 5¾ to 3½ per cent. On July 4th, 1934, the two-year deposit rate was further reduced to 2¾ per cent, and the rate on one-year deposits to 2½ per cent. On August 1st, 1934, the Post Office rate on deposits in excess of £N.Z.500 was reduced to 2½ per cent, but the rate on deposits of less than £N.Z.500 was maintained at 3 per cent. The deposit rate of the private savings banks is 3 per cent. The movements of savings accounts in the Post Office and in the private savings banks are shown below :

£N.Z. (000,000's) End of March	Post Office Savings Bank	Private savings banks	Total
1932	43.3	10.1	53.4
1933	42.0	10.5	52.5
1934	44.9	10.8	55.7

In addition to the shift from time to current accounts mentioned above, evidence of increased business activity in New Zealand is to be found in the figures for bank debits. The weekly average of bank debits to all accounts rose from £N.Z.15.9 million in the first half of 1933 to £N.Z.40.5 million in the first half of 1934 ; in the latter period, bank debits were only 12 per cent below the 1929 level

The attached Summary Table is based upon official statistics published in the *Australasian Insurance and Banking Record*. As in the case of Australia, only the accounts of offices within the Dominion are shown, and capital and reserve accounts are entirely omitted ; consequently, total assets are not equal to total liabilities.

Balance-sheet Summary.

1. *Cash.*

The amounts shown under *(a)* include a certain amount of bullion and bars in addition to coin.

The small amounts shown under *(b)* consist of the legal-tender notes of other banks.

2. *Other Items of a Cash Nature.*

This item consists of cheques and drafts on other banks.

3. *Bills discounted and bought.*

Part of discounts may be included under advances in the official returns.

11 and 22. *Total Assets and Liabilities.*

The sums shown are totals of the accounts given in the Summary Table ; they exclude assets and liabilities held outside New Zealand.

15. *Notes in Circulation.*

By the law establishing the Reserve Bank, the privilege of note-issue was withdrawn from the ordinary banks ; they are required to redeem their outstanding notes only in Reserve Bank notes or subsidiary coin, and on August 1st, 1936, must pay over an account equal to the value of their then outstanding notes to the Reserve Bank, which will assume liability for their redemption.

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS Table 42 *(a)*

ACCOUNTS	SUMMARY OF POSITION AT JUNE 30TH :					
	1929	1930	1931	1932	1933	1934
Number of Banks	12	12	12	12	11	11
ASSETS.	£ sterling (000,000's omitted)					
1. Cash	85.8	74.8	74.8	79.8	74.9	74.2
(a) Gold, silver and small coins	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature	43.2	33.8	21.7	22.2	22.5	29.4
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	54.5	40.7	41.1	59.8	72.8	82.7
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	298.8	322.8	308.1	290.0	287.2	289.3
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	6.0	5.9	4.7	4.4	4.6	6.0
9. Premises, etc.	8.5	9.1	9.5	9.7	9.8	9.8
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	**496.8**	**487.1**	**459.9**	**465.9**	**471.8**	**491.4**
LIABILITIES.						
12. Capital paid up	46.1	46.3	46.4	46.4	45.4	45.5
13. Reserve Funds	35.7	36.7	37.0	37.1	36.0	36.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	4.5	4.3	3.9	3.1	2.7	2.6
15. Notes in Circulation	7.5	6.8	6.4	6.5	7.0	7.1
16. Cheques and Drafts in Circulation	31.2	29.3	22.2	19.0	19.8	21.6
17. Due to Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	365.8	357.8	339.3	349.4	356.3	372.6
(a) Current accounts and sight deposits	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	6.0	5.9	4.7	4.4	4.6	6.0
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	**496.8**	**487.1**	**459.9**	**465.9**	**471.8**	**491.4**

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS Table 41 *(b)*

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING :					
	1929	1930	1931	1932	1933	1934
Number of Banks	12	12	12	11	11	11
	£ sterling (000,000's omitted)					
Capital and Reserves	86.6	88.1	89.4	86.2	87.5	87.3
1. Gross Profits	**6.76**	**6.22**	**4.85**	**3.11**	**2.48**	**2.69**
To be deducted:						
2. Expenses	—	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	0.02	0.02	0.02
4. Written off on (Depreciation Accounts for)	0.25	0.21	0.13	0.01	0.07	0.07
(a) Premises, etc.	0.25	0.21	0.13	0.01	0.07	0.07
(b) Investments and securities	—	—	—	—	—	—
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit	**6.49**	**5.99**	**4.70**	**3.08**	**2.39**	**2.60**
6. Carried forward from Preceding Year	1.79	1.85	1.97	1.96	1.60	1.08
7. Taken from Reserves or Capital	—	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	**8.28**	**7.84**	**6.67**	**5.04**	**3.99**	**3.68**
9. Carried to Reserves	1.07	0.82	0.30	0.11	0.55	0.11
10. Dividends	5.36	5.05	4.41	3.33	2.36	2.49
11. Directors' Fees, etc.	—	—	—	—	—	—
12. Carried forward to Following Year	1.85	1.97	1.96	1.60	1.08	1.08
13. Total as above	**8.28**	**7.84**	**6.67**	**5.05**	**3.99**	**3.68**

Balance-sheet Summary.

The figures shown in Summary Table 41 *(a)* are based upon a compilation of the balance-sheets of the most important banks operating in Australia and New Zealand. This compilation appears annually in the September number of the *Australasian Insurance and Banking Record;* it shows the aggregate position of the banks at the end of their financial year, which is June 30th or thereabouts in most cases. The table covers the ten trading banks operating in Australia and, in addition, the National Bank of New Zealand, which carries on business only in New Zealand, apart from its London head office. Table 41 *(a)* therefore represents a combination of Tables 39 *(a)* and 40 *(a) plus* the accounts of Australian and New Zealand banks held in London. For the composition of each item in the Summary Table, reference may be made to the detailed notes to the Summary Tables for Australia and New Zealand above. The amounts shown under "1. Cash" include coin and bullion, cash balances, Australian notes, notes of other banks, money at short call and some relatively small amounts of Government and other securities held by the Bank of New Zealand in London; "2. Other Items of a Cash Nature" refer to bills receivable in London and remittances in transit, including a certain amount of remittances in transit between branches.