

**THE PROBLEM OF  
INTERNATIONAL INVESTMENT**

*The Royal Institute of International Affairs is an unofficial and non-political body, founded in 1920 to encourage and facilitate the scientific study of international questions.*

*The Institute, as such, is precluded by its rules from expressing an opinion on any aspect of international affairs ; opinions expressed in this book are, therefore, purely individual.*

# THE PROBLEM OF INTERNATIONAL INVESTMENT

A Report by  
a Study Group of Members of  
the Royal Institute of  
International Affairs

OXFORD UNIVERSITY PRESS  
LONDON NEW YORK TORONTO

*Issued under the auspices of the Royal Institute  
of International Affairs*

1937

**OXFORD UNIVERSITY PRESS**  
AMEN HOUSE, E.C. 4  
London Edinburgh Glasgow New York  
Toronto Melbourne Capetown Bombay  
Calcutta Madras  
**HUMPHREY MILFORD**  
PUBLISHER TO THE UNIVERSITY

X655.1.N3t

G7

11123

PRINTED IN GREAT BRITAIN

## FOREWORD

THE Council of the Royal Institute of International Affairs believe that this addition to the series of Study Group Reports will fill an important gap in the literature of international economics. It is an attempt, in the first place, to analyse objectively the conditions under which long-term capital may move between countries and to consider carefully the special factors in the world economy of to-day which tend to limit the extent to which such movements are possible or desirable. Secondly, the book contains a careful study of the post-war history of international investments which brings together facts and figures which are inaccessible to most students and business men.

The Council is indebted to the following group of members of the Institute for the preparation of the Report:

Mr. H. D. Henderson (*Chairman*).  
Mr. C. I. C. Bosanquet.  
Mr. A. T. K. Grant.  
Mr. O. L. Lawrence.  
Mr. C. G. Vickers, V.C.

In accordance with the usual practice in the preparation of Study Group publications, the Report was submitted, in draft form, to a number of authorities in Great Britain and other countries. These experts were invited to comment upon it and to criticize it from their various points of view, on the understanding that they would, by so doing, incur no responsibility for the final contents of the book, and the Study Group reserved to itself the right to accept or reject any proposed amendments. In this way, and by direct conversation, much valuable help and criticism was received from a number of authorities, including the following:

Professor J. W. Angell.	Mr. A. Loveday.
Dr. Herbert Feis.	Mr. F. H. Nixon, C.B.
Professor N. F. Hall.	Professor J. F. Parkinson.
Mr. H. V. Hodson.	M. Léonard Rist.
Mr. Carl Iversen.	Dr. Philippe Schwob.
Mr. J. M. Keynes, C.B.	Mr. D. A. Skelton.
Mr. Thomas W. Lamont.	Professor Eugene Staley.
Professor Henry Laufenburger.	

The Council wish to express their warm appreciation of the generosity of these authorities in thus placing their knowledge and experience at the disposal of the Group. They desire, further,

## FOREWORD

especially to record their gratitude to Mr. R. K. C. Maguire, who has freely given his advice and assistance at every stage in the preparation of the book. Finally, both the Council and the members of the Group have to express their high appreciation of the services of Mr. A. W. Snelling and Mr. J. F. Cahan, who have acted as Group Secretaries, and who have drafted the greater part of the Report.

It should be understood by readers of this Report that the members who are responsible for its preparation, although they do not necessarily subscribe as individuals to every statement in the book, put it forward as an expression of their general views on the subject and as a useful contribution to the study of international affairs.

CHATHAM HOUSE,  
10 ST. JAMES'S SQUARE,  
LONDON, S.W. 1.  
1st March, 1937.

ASTOR,  
*Chairman of the Council.*

## BIBLIOGRAPHICAL NOTE

**DURING** the preparation of this Report, the drafters consulted over a hundred books and an equally large number of newspapers and periodicals. To give a complete list of these without some indication of their importance would, we feel, be useless, and to write a short note about each would occupy too much valuable space. We have therefore compromised. All statistical and factual sources and the most important works consulted in the writing of each section of the book have been cited in full in footnotes. The reader who wishes further information on a certain subject, therefore, has only to turn to the relevant section in the book and he will find there references to the books and papers which the drafters have found most helpful. References to books include the name of the publisher as well as the place and date of publication, so that they may be obtained with the least possible trouble.

# CONTENTS

## PART I

I. INTRODUCTION . . . . .	3
International investment and international trade in the 19th century—Changes caused by the war—Post-war investments in Europe—The depression—Fundamental differences between the international investments of the 19th century and those of the post-war period.	
II. INTERNATIONAL INVESTMENT IN THE POST-WAR PERIOD . . . . .	16
The three creditors—The chief debtor areas—The differences between investment in Europe and investment in countries producing primary products for export—The incidence of defaults during the depression.	
III. THE FUTURE OF INTERNATIONAL INVESTMENT . . . . .	26
The agricultural depression—The trend of population in Europe and North America—Improvements in agricultural technique—Economic nationalism—Consequent difficulties in the way of international investment.	
IV. TYPES OF INTERNATIONAL INVESTMENTS . . . . .	40
New issues in the capital markets of creditor countries—'Direct' investments—Institutional investments—Medium-term export credits.	
V. THE BALANCE OF INTERNATIONAL PAYMENTS . . . . .	53
Definition—The 'gold reserve'—Movements of short-term capital—Movements of long-term capital—The balance of payments of Great Britain—The decline in the British export surplus on current account—The balance of payments of the United States—'America must choose'—The problems of borrowing countries.	
VI. EXCHANGE STABILITY AND INTERNATIONAL INVESTMENT . . . . .	69
The functions of central banks—Exchange stability since 1931—Dangers of the present position.	
VII. THE STATE AND INTERNATIONAL INVESTMENT . . . . .	76
Official control of the London capital market—Control in the United States and Germany—Control in borrowing countries: loan councils—The Export Credits Guarantee Department—Stabilization and relief loans—Special privileges given to colonial borrowers—State intervention for the collection of private debts.	
VIII. CONCLUSION . . . . .	102
The middle way—Demand for exports of food-producing countries is no longer increasing—Balances of international payments—New channels for international investment—The rôle of the state—The diminished advantages of international specialization.	

## PART II

IX. PRE-WAR INTERNATIONAL INVESTMENT . . . . .	113
Great Britain—France—Germany—The United States.	
X. THE CREDITORS—GREAT BRITAIN . . . . .	132
The British capital market since the war—The balance of payments—The geographical distribution of the investment—The character of the investment—The income from the investment—Conclusion.	
XI. THE CREDITORS—THE UNITED STATES . . . . .	166
The American capital market—The balance of payments—The geographical distribution of the investment—The character of the investment—'America must choose'.	



## CONTENTS

<b>XII. THE CREDITORS—FRANCE</b> . . . . .	199
The balance of payments—French holdings of colonial and foreign securities— Government influence on the direction of investment.	
<b>XIII. THE DEBTORS</b> . . . . .	221
The volume of international indebtedness—The character of the investment: Government debt, railways—Investments in Europe: The League Loans, Ger- many, Austria, Hungary, Poland, the Balkans, other countries—Investments in the British Empire: Canada, Newfoundland, Australia and New Zealand, India, South Africa—Investments in the Far East: China and Manchuria, Japan—Investments in Latin America: Argentina, Brazil, Chile, Bolivia, Peru, Venezuela, Cuba—Investments in colonies—Conclusion.	
<b>XIV. INTERNATIONAL INVESTMENTS IN DEPRESSION</b> . . . . .	281
The decline in new investment—The problems of debtors—Three debtor countries: Germany, Australia, Canada—The League Loans—The incidence and extent of default—Attempts to reduce the burden of indebtedness—The outcome of the depression.	

*APPENDIXES*

<b>I. SOME NOTES ON THE SOURCES AND ACCURACY OF STATISTICS OF THE BRITISH BALANCE OF INTERNATIONAL PAYMENTS</b> . . . . .	338
<b>II. THE TERMS OF INVESTMENT CONTRACTS</b> . . . . .	347
<b>III. BRITISH OVERSEAS INVESTMENT IN 1928 AND ITS SUBSE- QUENT HISTORY</b> . . . . .	356
<b>INDEX</b> . . . . .	365

## APPENDIXES

## APPENDIX I

### SOME NOTES ON THE SOURCES AND ACCURACY OF STATISTICS OF THE BRITISH BALANCE OF INTERNATIONAL PAYMENTS

We have given in Chapter X<sup>1</sup> some estimates of the balance of payments of Great Britain in recent years; these are reproduced, in part, on the next page. The sources from which the statistics have been obtained differ widely in accuracy and the following notes are intended to give some idea of the methods used, and the probable correctness of the final result.

#### 'Current Account'.

All the figures under this head are taken from the estimates of the Board of Trade without alteration.<sup>2</sup> A balance of payments on current account generally refers to the cash received into or remitted out of the country in respect of items which imply recurrent income or expenditure. In some cases, however, balances are compiled which include the whole of the sums due under these headings, even though, in some instances, cash payment may be deferred, or in partial or complete default. This method of compiling a balance of 'amounts due' rather than 'actually received' gives a better picture of a country's position as a debtor or creditor on current account. For example, when a country is in complete default on its interest payments because of exchange transfer difficulties, a balance of payments compiled on a pure cash basis would give little indication of the country's financial position *vis-à-vis* the rest of the world unless it were supplemented by a statement which included sums due as well as those actually remitted. On the other hand, if it is desired to compile a balance of transactions which give rise to purchases or sales of foreign exchange, then the cash basis is the one which should be adopted.

In practice, the Board of Trade has never distinguished between the two methods, nor is it clear from its annual estimates which method it has adopted. For example, it has included the whole value of British exports of merchandise in its figures for 1933 and 1934, despite the fact that considerable arrears accumulated in these years in respect of unpaid exports, the chief sufferers being exporters to Germany, Italy, Spain, Roumania, and South American countries. Obviously, from a cash point of view, the amount of these arrears should have been deducted from the export figures, and this omission may have led to an appreciable error. Most of the other items in the Board of Trade's estimates appear to have been compiled on a cash basis.

1. *Balance of merchandise trade.* This is usually the most accurate of the items in the balance. It is calculated as the difference between imports of merchandise and silver bullion and coin and the corresponding exports.

<sup>1</sup> See pp. 139-40.

<sup>2</sup> Cf. *The Board of Trade Journal*, 20 Feb. 1936.

*Balance of International Payments of the United Kingdom,  
1929-34<sup>a</sup>*

(\$ millions)

	1929	1930	1931	1932	1933	1934
<i>Current Account<sup>b</sup></i>						
1. Balance of merchandise trade <sup>c</sup>	-381	-386	-408	-287	-263	-294
2. Government transactions	+ 24	+ 19	+ 14	- 24	- 2	+ 7
3. Shipping services	+130	+105	+ 80	+ 70	+ 65	+ 70
4. Income from long-term overseas investments	+250	+220	+170	+150	+160	+175
5. Interest on short-term investments, commissions, &c.	+ 65	+ 55	+ 30	+ 25	+ 30	+ 30
6. Other services	+ 15	+ 15	+ 10	+ 15	+ 10	+ 10
7. Balance on current account	+103	+ 28	-104	- 51	0	- 2
<i>Capital Account</i>						
8. Subscription to new issues for overseas borrowers <sup>d</sup>	- 96	- 98	- 41	- 37	- 83	- 63
9. Capital repayments <sup>d</sup>	+ 49	+ 39	+ 27	+ 48	+ 67	+ 42
10. Changes in other long-term investments abroad <sup>d</sup>	- ?	0	+ 10	+ 5	+ 5	- 20
11. Changes in London's short-term liabilities to foreigners <sup>e</sup>	- 52	- 16	-200	+ 67	+133	+ 15
12. Changes in the amount of acceptances held in the United Kingdom for account of foreigners <sup>f</sup>	+ 25	+ 15	+ 35	+ ?	- ?	- ?
13. Bank and Treasury advances, 1931 <sup>g</sup>	..	..	+ 74	-123	..	..
14. Balance of 'known' capital items.	- 74	- 60	- 95	- 40	+122	- 26
15. Movements of gold coin and bullion <sup>h</sup>	+ 15	- 5	+ 35	- 14 <sup>i</sup>	-195	-134
16. Estimated hoarding of gold in London for account of foreigners <sup>h</sup>	..	..	..	+ 3	+ 65	+ 79
17. Apparent sales of sterling for gold <sup>j</sup>	+ 15	- 5	+ 35	- 11	-130	- 55
18. Balance of gold and capital items	- 59	- 65	- 60	- 51	- 8	- 81
19. Errors and omissions	- 44	+ 37	+164	+102	+ 8	+ 83
20. Balance on capital account	-103	- 28	+104	+ 51	0	+ 2

<sup>a</sup> A detailed discussion of the sources and accuracy of the statistics is given in the text.

<sup>b</sup> Board of Trade estimates.

<sup>c</sup> Includes silver bullion and coin.

<sup>d</sup> Sir Robert Kindersley's estimates.

<sup>e</sup> Estimates for 1929 and 1930 are based on those given to the Macmillan Committee, for later years the estimates are our own modified by those of the Bank for International Settlements.

<sup>f</sup> From figures supplied to the Macmillan Committee.

<sup>g</sup> These are our own estimates.

<sup>h</sup> Published figures of exports and imports.

<sup>i</sup> Less approximately £1 millions saved from the S.S. *Egypt*.

<sup>j</sup> A 'plus' sign indicates an export of gold, i.e. a purchase of foreign currency.

In the case of Great Britain there is always a surplus of imports, and this is indicated by a minus sign in the foregoing table. The value of the merchandise which actually passes through the customs in a calendar year may not, however, correspond exactly to the cash payments made between countries on account of merchandise trade during the same period. The information is not available to enable such calculations to be made, but the error involved over a period of years must usually be very small. As has already been mentioned, however, a considerable error may arise if exports are not paid for within the normal period of a few weeks or months. Unfortunately, we cannot calculate the extent to which British exporters have not received payment in recent years, but the amounts involved are considerable, and this item is, therefore, underestimated in the years 1933 and 1934.

2. *Government transactions.* The principal items under this heading are receipts and payments on account of inter-governmental debts and the charges which the Indian Government must meet in London. Also of importance are the receipts and payments made on account of the external activities of various government departments. Finally, payments on account of war debts, &c., which would more properly appear in the 'capital account', are also included.

3. *Shipping services.* Information regarding the proportion of British trade which is carried in British ships is not available for the years under review.<sup>1</sup> Since the value of imports used in the calculation of the 'balance of merchandise trade' (item 1) includes freight charges from the overseas countries from which the goods came, the extent to which sterling was sold to pay for the imports is overestimated by the amount of the freight which was due to British shipowners. In the case of exports, freight charges to their overseas destination are not included, and the claims of British residents on the rest of the world are underestimated by the amount of the freight due to British ships. Even approximate estimates of the correction which should be made to item 1 on this account cannot be made. The Board of Trade, therefore, estimates the net income earned by British ships in another way.

They attempt to assess the gross earnings of British shipping and to deduct therefrom the amounts paid by British residents for the services of foreign ships and the expenses of British ships in foreign ports; to this is added the expenditure of foreign ships in British ports, and the total is the net income received by Great Britain on account of shipping services. These estimates are based upon the known figures of passengers travelling to and from the United Kingdom and of British and foreign tonnage entered and cleared from United Kingdom ports. Allowance is made for changes in passenger fares and freight rates and for sales of bunker fuel. This does not, however, take account of all the factors to be considered. The final figure given by the Board of Trade may usually be regarded as a conservative estimate.

<sup>1</sup> This information will be available in future. *B.O.T.J.*, 20 Feb. 1936, p. 259.

4. *Income from long-term overseas investments.* This item 'includes all income from overseas investments, whether of a joint-stock or private character, and the figures given allow for the deduction of income paid to overseas residents in respect of their investments in the United Kingdom; further, they do not include receipts and payments between Governments in respect of War Debts settlements, which have already been taken into account'.<sup>1</sup>

These estimates are based in part on those of Sir Robert Kindersley; but they are intended to include sums put to reserve and other expenses which he does not consider, and to allow for the sums paid abroad to persons who have invested money in the United Kingdom. The two sets of estimates are given below for comparison. The income from British overseas investments in shipping are included in Sir Robert Kindersley's estimates, but, presumably, they appear under 'shipping services' in the Board of Trade's figures.

*United Kingdom: Income from Overseas Investments*  
(£ millions)

	<i>Sir Robert Kindersley's estimates of interest and dividends paid to British residents in respect of their long-term investments abroad<sup>a</sup></i>	<i>The Board of Trade's estimates of the net national income from overseas investments</i>
1929 . . . . .	230·9	250
1930 . . . . .	209·0	220
1931 . . . . .	168·7	170
1932 . . . . .	156·4	150
1933 . . . . .	149·7	160
1934 . . . . .	159·2	175
1935 <sup>b</sup> . . . . .	167·9	185

<sup>a</sup> Cf. *Economic Journal*, Dec. 1936, p. 659.

<sup>b</sup> Provisional estimates.

It will be noted that the Board of Trade's estimates tend to give a higher figure than those of Sir Robert Kindersley. The Board, in other words, estimates that the amounts put to reserve, &c., by British companies operating abroad usually exceed the interest payments which have to be made to overseas owners of long-term investments in Great Britain. In 1931 and 1932, however, it was apparently assumed that the amounts put to reserve were very small. The Board's estimates are probably reasonably accurate.

5. *Interest on short-term investments, commissions, &c.* Under this heading are included 'charges in respect of acceptance credits, discount on foreign bills, bank interest (i.e. short interest and commissions), commissions and other charges on new issues paid by overseas borrowers, merchanting commissions on overseas produce, brokers' commissions, insur-

<sup>1</sup> *B.O.T.J.*, 20 Feb. 1936, p. 260.

ance remittances from abroad and earnings on exchange transactions'.<sup>1</sup> Deductions are made on account of payments by British residents to foreigners for similar services. This item can, unfortunately, be regarded as little more than a guess.

6. *Other services.* Under this heading are included such items as the expenditure of British tourists abroad and of foreign tourists in the United Kingdom (only approximate data are available, and even this was lacking before 1932),<sup>2</sup> payments and receipts in respect of motion picture royalties, sales and purchases of second-hand ships, emigrants' remittances, the savings of returning migrants, the expenditure of foreign governments on their diplomatic and consular services in Great Britain, the profits of British speculators on Wall Street, &c.<sup>3</sup> The final figure given in the Board of Trade's estimates is merely conventional.

7. *Balance on current account.* The sum of all the items discussed above shows the extent to which sterling is due to or owed by foreigners as the result of the year's transactions. Normally, this item is positive, i.e. foreigners owe to Britain a sterling balance, but the decline of British exports both visible and invisible during the depression caused the balance to become negative in several of the years under review. When the balance is positive, it is offset by imports of gold or exports of capital and vice versa. Such transactions are shown in the capital account; their magnitude must be such that they exactly equal in sum the balance on current account.<sup>4</sup>

#### 'Capital Account'

Various attempts have been made to amplify the estimates of the balance of payments which are made annually by the Board of Trade. The Board's figures refer entirely to the current items in the balance of payments; they do not attempt to include the capital items. The data on which an analysis of these items may be based are very incomplete for two main reasons. First, the highly complex natures of the London money and capital markets, though increasing the efficiency with which international transactions may be carried on, renders very difficult the compilation of accurate figures of the total magnitude of such transactions. By reason both of their multiplicity and of the large number of different ways in which capital movements which have an identical effect on the balance of payments may be carried out in practice, the preparation of comprehensive statistics is impossible. In the second place, it is natural that individual firms in the City should desire to keep their business secret, and they are therefore unwilling to disclose the relevant figures to any but official bodies, and even then certain conditions as to their use are agreed upon between the parties. The veil was partly removed by the Macmillan Committee and, as the result of the findings of that Committee,

<sup>1</sup> *B.O.T.J.*, 20 Feb. 1936, p. 261.

<sup>2</sup> *Ibid.*, 20 Feb. 1936, p. 262.

<sup>3</sup> *Ibid.*, 21 Feb. 1935, p. 275.

<sup>4</sup> See above, Chapter V, *passim*.

the Bank of England now collects considerable information about foreign short-term funds in London from a large number of bankers and acceptance houses. This information is not published, however, and the size of foreign short-term balances in London remains secret. A further complicating factor in recent years has been the Exchange Equalization Account. The operations of the Account have never been disclosed and, although attempts have been made from time to time to estimate the distribution of the assets of the Account, such estimates are unreliable and have therefore been ignored in compiling the balance of payments.

8. *Subscription to new issues for overseas borrowers.*<sup>1</sup> This excludes the amounts, if any, subscribed by residents of other countries. It also excludes conversion operations, 'but not new issues, the proceeds of which are used wholly or in part to effect redemption of existing loans'. New

*New Capital raised in London by Overseas Borrowers*  
(£ millions)

	<i>The Midland Bank</i> <sup>a</sup>	<i>The Economist</i> <sup>b</sup>	<i>Sir Robert Kindersley</i> <sup>c</sup>
1920 . . .	59.7	..	..
1921 . . .	155.7	..	..
1922 . . .	135.2	130.1	..
1923 . . .	136.2	137.5	..
1924 . . .	134.2	124.7	..
1925 . . .	87.8	77.2	..
1926 . . .	112.4	101.6	..
1927 . . .	138.7	148.3	..
1928 . . .	143.4	105.5	..
1929 . . .	94.3	87.2	96
1930 . . .	108.8	97.1	98
1931 . . .	46.1	47.6	41
1932 . . .	29.2	25.8	37
1933 . . .	37.8	34.6	83
1934 . . .	43.4	31.4	63
1935 . . .	20.9	15.5	..

<sup>a</sup> Cf. Dec.-Jan. numbers of *The Midland Bank Monthly Review*.

<sup>b</sup> Cf. *The Economist*, 28 Dec. 1935, p. 1305, and the supplement, 'Commercial History and Review of 1935', 15 Feb. 1936, p. 69.

<sup>c</sup> Cf. *The Economic Journal*, Dec. 1936, p. 659.

issues of this latter type were large in 1933 and 1934, which accounts for the relatively large size of the figures for these years. No deduction from the figures for new overseas issues has been made in respect of commissions, &c., paid to firms in the City and not remitted to the foreign borrower as part of the proceeds of his issue. No estimates of the amount of these commissions are available, since they are not shown separately in the Board of Trade's figures for the current account although they are included there;

<sup>1</sup> Estimates of this item are those of Sir Robert Kindersley which are published in *The Economic Journal*, March 1929, June 1930, Sept. 1931, June 1932, June 1933, Sept. 1934, Sept. 1935, and Dec. 1936.



they have, therefore, been included twice in our estimates, which are inaccurate to this extent.

Mainly because they are compiled on a somewhat different basis, Sir Robert Kindersley's estimates differ from those made by the Midland Bank and *The Economist*. The foregoing table gives the estimates of these three authorities.

9. *Capital repayments.* This item also follows Sir Robert Kindersley's estimates. It represents the sinking fund and amortization receipts of British investors from overseas borrowers. The amount of debt which is written off in this way every year is, as one might expect, fairly constant. It diminished in 1931 during the crisis and rose sharply in 1933 when interest rates in London were favourable to refunding operations.

10. *Change in other long-term investments abroad.* Sir Robert Kindersley gives estimates, which he admits are not very accurate, of the extent to which British investors have lent capital abroad on long-term which is not represented by securities quoted on United Kingdom stock exchanges. The major part of such investment consists of foreign (chiefly American) securities, but mortgages and other sorts of investments are also included. The figures quoted in our estimates of the balance of payments show the change in the amount of this investment from year to year.

The following table gives Sir Robert Kindersley's estimates of the total of such investment at the end of each year:

*British Investments Overseas (excluding investment in securities quoted in the United Kingdom)\**

	£ millions
1929 . . .	300
1930 . . .	300
1931 . . .	290
1932 . . .	285
1933 . . .	280.
1934 . . .	300

\* 'No great accuracy is claimed for this figure, since it is intended to cover not only security investments, but also a large number of miscellaneous assets of companies and individuals to which in any case a nominal value can only be arbitrarily assigned.' (*Economic Journal*, Sept. 1935, p. 453.)

11. *Changes in London's short-term liabilities to foreigners.* The figures given under this item have been derived from the table on p. 340, and they must, unfortunately, be regarded as of very doubtful accuracy.

The figures for the years 1927 to 1930 are those furnished to the Macmillan Committee and published by it.<sup>1</sup> Those figures very considerably under-estimate the size of foreign short-term balances in London (they omit, for example, the balances held by foreign banks in London), and some authorities place the total in 1930 at as much as £700 millions. Since,

<sup>1</sup> Cmd. 3897 of 1931, p. 301.

*London's Liabilities to Foreigners on Short-term*  
(£ millions)

	<i>Total at end of year</i>	<i>Change during year</i>
1927 . . .	419	..
1928 . . .	503	+84
1929 . . .	451	-52
1930 . . .	435	-16
1931 . . .	235	-200
1932 . . .	302	+67
1933 . . .	435	+133
1934 . . .	450	+15

for our present purpose, it is not the absolute size of these balances, but the change from year to year which is of interest, and since no authority has volunteered more accurate figures, we have had to use them.

It has been publicly stated by competent authorities that the extent of the withdrawal of London balances by foreigners during 1931 was about £200 millions, and the Bank for International Settlements estimates that the short-term liabilities of London at the end of 1933 were about the same as at the end of 1930, i.e. that the losses of 1931 had been completely retrieved.<sup>1</sup> It has been said that the officials of the Bank for International Settlements had access to the secret figures in the possession of the Bank of England when they made these estimates. This is not the case; but it is generally conceded that their estimates are exceedingly good guesses, and they have, therefore, been accepted.

It seems reasonable to assume that the net increase during 1932 was considerably smaller than in 1933 and we have therefore placed the total liabilities at the end of 1932 at £302 millions, or an increase of one third of the total increase between 1931 and 1933. Some estimates place the rise during 1932 at a much higher figure than this,<sup>2</sup> but it is difficult to see how the net increase over the year can have been on a much larger scale. The rise in foreign balances in London in 1932 must have been due to the increase in American balances, although this was partly offset by the withdrawal of balances by nationals of some other countries. In 1933 balances in London were built up by the flight from the dollar in the first quarter of the year (though a part of these balances were repatriated between October and December) and by the rise in the London balances of South Africa, Australia, India, and certain Scandinavian countries. £133 millions seems to be, if anything, an under-estimate of the increase in London's liabilities during this period, and it is possible that this figure should be slightly increased and that for 1932 correspondingly diminished. The

<sup>1</sup> Cf. *Midland Bank Monthly Review*, May-June, 1935.

<sup>2</sup> See, for example, Professor N. F. Hall, *The Exchange Equalisation Account* (London, Macmillan, 1935), p. 50. His estimates cover only the first part of the year, after which there was a considerable withdrawal.

Bank for International Settlements estimated that there was little change in the amount of London's external liabilities during 1934, i.e. that they remained between £400 and £450 millions. We have chosen the upper of these two figures, because there is some evidence that the sterling balances of various countries continued to increase during that year.

12. *Changes in the amount of acceptances held in the United Kingdom for the account of foreigners.* Against its short-term liabilities, London holds short-term foreign assets, and these must also be considered in computing the balance of payments. Published statistical data relating to these assets are very meagre; they consist, in fact, only of the figures given to the Macmillan Committee of the volume of acceptances on foreign account which were held by banks and acceptance houses in the years 1927 to 1931. These figures are given below:

*London: Acceptances on Foreign Account\**

(£ '000)

	<i>By clearing banks and Scottish banks</i>	<i>By accepting houses</i>	<i>Total acceptances</i>
30 June 1927 . . . . .	31,445	91,504	122,949
31 Dec. 1927 . . . . .	31,678	107,954	139,632
30 June 1928 . . . . .	38,467	126,907	165,374
31 Dec. 1928 . . . . .	51,278	149,231	200,509
30 June 1929 . . . . .	51,615	150,883	202,498
31 Dec. 1929 . . . . .	39,978	135,699	175,677
30 June 1930 . . . . .	43,165	132,111	175,276
31 Dec. 1930 . . . . .	35,667	125,282	160,949
31 Jan. 1931 . . . . .	34,799	120,846	155,645
28 Feb. 1931 . . . . .	34,468	120,942	155,410
31 Mar. 1931 . . . . .	32,301	120,616	152,917

\* Cmd. 3897 of 1931, p. 301.

The figures for 1931 relate only to the first quarter of the year. We have assumed that the rate at which the total volume of outstanding acceptances declined during this quarter was continued throughout the year, and that the total decline for the year was therefore £35 millions. We have made no attempt to estimate the changes in more recent years, but we have indicated the direction in which we believe the changes took place.

13. *Bank and Treasury advances, 1931.* During the summer of 1931, every effort was made to keep Great Britain on the gold standard. Some of these efforts took the form of short-term credits raised in Paris and New York. These amounted to £130 millions gold. About 30 per cent. of this amount was repaid during December 1931. At that time the dollar-sterling exchange rate was about \$3.374 per £, so that a payment of £39 millions gold involved an actual expenditure of about £56 millions sterling. The remainder of these credits were repaid during the first six months of 1932. The average dollar sterling rate during this period was \$3.599 per £, so

that the repayment of £91 millions gold required the transfer of about £123 millions sterling. Actually, therefore, the Bank and the Treasury borrowed £130 millions gold and repaid £179 millions sterling, a 'loss' of £49 millions. In fact, the actual loss was £30 millions because a part of the repayment was done by the sale of gold and foreign assets in the possession of the Bank on which an exchange 'profit' was made. From the point of view of the balance of payments, therefore, there was an inflow of £74 millions in 1931 and an outflow of £123 millions in 1932.

14. *Balance of 'known' capital items.* This item is, of course, merely the sum of items 8 to 13. There are two sorts of capital movements which have not been included in our estimates, because we consider the data to be too unreliable.

The first concerns the purchase and sale of long-term securities. In so far as these are securities which are not quoted in the United Kingdom, they have been included under 'other long-term investments abroad'; but we have nowhere made any allowance for the movements of quoted securities. It has been suggested that some idea of the magnitude of the sums involved might be gained from Sir Robert Kindersley's estimates. These may be conveniently arranged as in the two following tables:

*Nominal Amount of British Overseas Investment in Quoted Securities*

(£ millions)

	<i>Total at end of year</i>	<i>Change during year</i>
1929 . . .	3,438	..
1930 . . .	3,425	+13
1931 . . .	3,410	+15
1932 . . .	3,356	+54
1933 . . .	3,385	-29
1934 . . .	3,414	-29

*Changes in Nominal Amount of British Overseas Investment in Quoted Securities*

(£ millions)

	<i>British subscription to new overseas issues</i>	<i>Capital repayments</i>	<i>Other changes</i>	<i>Total</i>
1930 . . . . .	-98	+39	+72	+13
1931 . . . . .	-41	+27	+29	+15
1932 . . . . .	-37	+48	+43	+54
1933 . . . . .	-83	+67	-14	-29
1934 . . . . .	-63	+42	- 8	-29

The 'other changes' in the second table are due partly to changes in the methods of inquiry and the accuracy of the estimates and partly to the liquidation of unprofitable enterprises and purchases and sales of quoted

securities. These 'other changes' are greatest in 1930, and Sir Robert Kindersley believes that during this year there was a net sale of quoted securities to foreigners to the extent of about £35 millions.<sup>1</sup> He has made no later estimates of the changes due to this factor, and since we have no other data we have made no mention of it in our own estimates.

Secondly, we have made no estimate of the Bank of England's or the Exchange Equalization Account's dealings in foreign exchange. It is assumed that the Bank's holdings of non-sterling securities are included under 'other securities' in the Issue Department, and these are shown below:

*Bank of England: 'Other Securities' in the Issue Department. Amount on the last Wednesday of each quarter*

		(£ millions)		
1929	March . . .	9.0	Sept. . . . .	9.7
	June . . . . .	9.1	Dec. . . . .	5.1
	Sept. . . . .	8.4	1933 March . . .	10.5
	Dec. . . . .	10.8	June . . . . .	1.5
1930	March . . . . .	11.5	Sept. . . . .	2.4
	June . . . . .	11.6	Dec. . . . .	2.3
	Sept. . . . .	11.6	1934 March . . .	0.1
	Dec. . . . .	11.5	June . . . . .	1.6
1931	March . . . . .	13.5	Sept. . . . .	0.9
	June . . . . .	12.7	Dec. . . . .	1.0
	Sept. . . . .	24.5	1935 March . . .	0.2
	Dec. . . . .	17.2	June . . . . .	0.3
1932	March . . . . .	19.3	Sept. . . . .	1.1
	June . . . . .	50.6	Dec. . . . .	1.4

It will be seen that the fluctuations on this account are most important during 1931 and the first six months of 1932. They become almost negligible after the establishment of the Exchange Equalization Account. We have not thought it desirable to attempt to include these figures in our estimates of the balance of payments, because we know of no way in which it can be determined whether increases or decreases in this item represent actual purchases from or sales to foreigners or merely transfers of foreign assets from the Bank of England to some other British holder and vice versa. The decline of £40 millions during the third quarter of 1932 represents, for example, not a sale of foreign securities from the point of view of the balance of payments, but merely a transfer of assets from the Bank to the Exchange Equalization Account.

That Account publishes no record of its dealings, and any estimates made of them must be based on assumptions which are very risky indeed. The most complete of such estimates are those made by Mr. F. W. Paish, and they are given in part in the table on the next page. The non-sterling assets of the Account consist, it is generally admitted, only of gold in London or of ear-marked gold abroad, and changes in Mr. Paish's figures

<sup>1</sup> *Economic Journal*, June 1932, p. 195.

should show the extent to which sterling was bought or sold by the Account. We cannot accept these figures, however, because the assumptions on which their author has based his estimate do not appear to us to be justified.<sup>1</sup>

*Exchange Equalization Account: Non-sterling Assets in Actual Possession of the Account at the End of the Month<sup>a</sup>*

		Francs, milliards			Francs, milliards
1932	July	5.97	1934	March	9.63
	Sept.	0.34		June	8.99
	Dec.	2.83		Sept.	5.76
1933	March	4.96		Dec.	2.46
	June	6.75	1935	March	3.34
	Sept.	3.68		June	6.77
	Dec.	10.66		Sept.	8.60 <sup>b</sup>
				Dec.	10.81

<sup>a</sup> *Economica*, Feb. 1935, p. 70, and Feb. 1936, p. 82.

<sup>b</sup> On another assumption, he also gives an alternative estimate of francs 7.55 milliards for this date.

15. *Movements of gold coin and bullion.* The Board of Trade's returns of the amount of gold coin and bullion imported and exported include sovereigns at their face value and other coins and bullion at their market value. We have, therefore, for 1932, 1933, and 1934, revalued the sovereigns at their market value in order to obtain the net movement of gold in terms of sterling. From the net imports calculated by this method for the year 1932, a deduction of £1 million has been made in respect of gold salvaged from the S.S. *Egypt*, which did not involve a purchase of foreign currency.

16. *Hoarding in London for account of foreigners.* It is known that a large part of the gold imported into Great Britain in recent years has been sent by foreigners, who have merely held it in London. The import of such gold does not involve a sale of sterling, and it should, therefore, be deducted from the imports shown in the Board of Trade returns. We have made the quite arbitrary assumption that sixty per cent. of those net imports of gold into London which were not absorbed by the Bank of England have been hoarded for the account of foreigners. The result of this calculation is shown in the table on the opposite page.

Our arbitrary assumptions of the proportion of the gold imports which were hoarded by foreigners may be justified by the result. During the four years, 1932 to 1935, the net increase in supplies of gold in the United Kingdom outside the Bank of England was £301 millions valued at the average market prices ruling at the time that the import was made. If £191 millions of this was 'hoarded', the remainder must have been in the possession of the Exchange Equalization Account at the end of 1935. Valued at 140 shillings an ounce, this would have amounted to about £120

<sup>1</sup> In this we are supported by other observers. Cf. *The Economist*, 10 March 1934, p. 520; 16 Feb. 1935, p. 368; 23 Feb. 1935, p. 420.

millions. This figure coincides very nearly with independent estimates of the amount of gold in the hands of the Account at the beginning of 1936 and our figures may therefore be accepted as correct for the period as a whole. For individual years, however, our estimates may be very far wrong. If we assume that hoarding took place on the largest scale when the price of gold was highest, they seem to be fairly consistent. There is, unfortunately, no other means of checking them.

*United Kingdom: Gold Movements*  
(£ millions sterling)

<i>Quarterly increase (+) or decrease (-) in amount of gold in:</i>				
	<i>The United Kingdom</i>	<i>The Bank of England</i>	<i>The U.K. outside the Bank</i>	<i>Hoards for account of foreigners</i>
1932				
I . . .	- 8.3	+ 0.1	- 8.4	
II . . .	+20.1	+16.5	+ 3.6	
III . . .	+ 7.6	+ 8.3	- 0.7	
IV . . .	- 4.6	-14.2	+ 9.6	
			+ 4.1	+ 2.5
1933				
I . . .	+13.3	+48.6	-35.3	
II . . .	+67.7	+34.8	+32.9	
III . . .	+47.6	+ 3.9	+43.7	
IV . . .	+66.8	+ 0.5	+66.3	
			+107.6	+64.6
1934				
I . . .	+70.8	+ 0.5	+70.3	
II . . .	+23.0	+ 0.6	+22.4	
III . . .	+15.2	+ 0.7	+14.5	
IV . . .	+24.5	+ 0.7	+23.8	
			+131.0	+78.6
1935				
I . . .	+ 4.4	+ 0.5	+ 3.9	
II . . .	+59.8	+ 0.3	+59.5	
III . . .	+ 2.7	+ 1.3	+ 1.4	
IV . . .	+ 3.7	+10.0	- 6.3	
			+ 58.5	+35.1
			+301.2	+190.7

It has been suggested that some error may have arisen from the assumption that all the gold which entered the Bank of England came from abroad and that none was withdrawn from private hoards within Great Britain. It is certain that some jewellery and a considerable number of sovereigns have been melted down since 1931; but the error involved may be partly offset by the fact that no allowance has been made for the consumption of gold by industry.

19. *Errors and omissions.* This item is merely the difference between the sum of all the 'known' items of gold and capital movements and the

'balance on capital account'. The latter, it will be remembered, is always equal in value but opposite in sign to the 'balance on current account'. The 'errors and omissions' are largest in 1931 and 1932. It has been suggested, and, we believe, with some justice, that the error in 1931 consists for the most part in an under-estimation of the extent to which British investors repatriated the capital which they had lent abroad in previous years. In 1932, it is possible that the largest part of the errors and omissions item is the result of too low an estimate of the withdrawal of short-term funds from London. It should also be remembered that we believe the 1931 estimate of item 12 ('acceptances for account of foreigners') to be very conservative and that no estimate of this item is available for 1932.

The estimates which we have presented here must be regarded as merely tentative. They are an attempt to show what can be done with the meagre information available. More accurate data regarding the capital items is in the possession of the Bank of England. When that is made public much better estimates of Great Britain's trading position *vis-à-vis* the rest of the world will be possible.



## APPENDIX II

### THE TERMS OF INVESTMENT CONTRACTS

ONCE it has been decided that an international investment shall be made, the ingenuity of legal draftsmen is devoted to the task of making that investment as secure for the investor as possible. Where the investment is a loan, and therefore fortified by definite promises by the borrower regarding the payment of interest and the repayment of principal, considerable scope is offered for devising safeguards designed to ensure that those promises shall be kept, and that if they are not kept the lenders shall ultimately recover what is due to them. If the loan is offered for public subscription, these safeguards figure prominently in the prospectus and form part of the inducement on the faith of which investors part with their money. It is therefore worth while to examine the nature of these safeguards and the limits of their efficacy.

To what extent does the security of a foreign loan depend on the provisions of the loan contract?

Those who frame a foreign loan contract are primarily concerned to minimize two different risks: the risk that money obligations will not be met, and the risk that these money obligations will have depreciated in value when the time for payment arrives. It is convenient to examine the second of these risks first.

The loan must be expressed in money, and the possibilities of its depreciation are two:

- (a) that the money in which it is expressed may be worth less in terms of the lender's currency at the time when payment is made than it was when the loan was advanced, and
- (b) that the lender's currency may itself have depreciated in terms of other currencies or in terms of goods or in terms of gold.

The intention of a contract of loan is that ultimately the borrower shall pay back what he borrowed and the lender shall recover what he lent. If, while the loan is outstanding, the monetary unit in which it is expressed depreciates, the parties' intention may be defeated. But there are two quite distinct senses in which it may be defeated, one of which is peculiar to foreign loans, whilst the other applies equally to domestic loans.

It is a peculiarity of foreign loans that borrower and lender probably keep their books in different currencies. Each keeps them in his own. If the relation between those currencies changes, the original intention of the parties cannot possibly be wholly fulfilled. Unless the borrower repays more (or less) than he borrowed, the lender must receive less (or more) than he lent. Nothing which is written into the loan contract can do justice to both sides. The most which can be done is to determine on which side the loss shall fall or the profit shall be made.

The loss or profit which is here discussed is an ascertainable sum in

money. If the loan is expressed in the debtor's currency and the debtor's currency depreciates, the sum which the lender is entitled to claim will be insufficient to buy as much of his own currency as went to the making of the loan. If in the same circumstances the loan is expressed in the creditor's currency, the debtor must spend more of his depreciated currency than he originally received in order to buy the currency with which to pay the debt.

If a lender asks no more than to be protected against such money loss, it is sufficient for him to insist on the loan being expressed in his own currency, and this was in fact the British pre-war practice. A promise to pay sterling was sufficient.

There is, however, another sense in which payment in a depreciated currency may be held to involve loss. The depreciated currency may have—and probably has—less purchasing power. Its 'real' value may be—and probably is—less. This loss of 'real' value may be measured in terms of other currencies or of gold or (theoretically at least) of goods. And the possibility of such loss of real value has led lenders to fortify loan contracts still further by adding safeguards against the depreciation of their own currencies also. Such measures have been most fully worked out in 'international' loans, that is, loans subscribed in several creditor countries, but it is clear that the risk so far as it exists applies to all loans alike.

Now the 'reality' of this kind of loss in certain cases is undeniable. During the inflation in Germany the relation of money to goods changed so rapidly that borrowers were enabled to pay off large loans by payments whose real value was trifling. On the other hand, the depreciation of sterling after the suspension of convertibility in 1931 was not accompanied by any corresponding drop in its internal purchasing power. Its depreciation in terms of gold and of currencies linked to gold was apparent and ascertainable, but this formed no reliable index even of its average external purchasing power in view of the number of currencies which moved with it. Similarly, the relative appreciation of currency experienced by a borrower in a country whose currency rises in value relatively to others by no means measures the increase in its purchasing power.

If changes in purchasing power were constant over all commodities and in all countries, and if these changes were capable of exact and instantaneous measurement, it would be possible to measure and provide for changes of 'real' value such as have been discussed. The extreme remoteness of the time when such conditions could be expected to be realized indicates how difficult and how inexact must be efforts made to-day to meet them. This, however, has not deterred lenders from devising provisions to ensure that however much currencies depreciate, lenders at least shall receive the same 'real' value in money as if the depreciation had not taken place. Where neither the borrower's nor the lender's own currency is considered sufficiently stable, loans have been expressed to be payable in the currency of some third country or, at the option of the lender, in more than one currency at a fixed rate of exchange. This device is adequate so

long as the sponsors of the loan are successful in selecting the currency or currencies on which to 'put their money'. The history of the last seven years has provided little opportunity for guessing right; and wrong guesses sometimes have an unlooked-for effect. Between 1925 and 1930 sterling and U.S. dollars were selected as the currencies for various loans issued in Germany and elsewhere; and for some years prior to 1936 Swiss and Dutch holders had the privilege of selecting in which of these two depreciated currencies they would receive payment. Thus whilst both debtor and creditor were (nominally or actually) in their original positions, the calculation of the sum payable was made by reference to a standard which had changed, presenting an unexpected profit to the borrower and an unexpected loss to the lender with every payment made.

A wider protection may be given by fortifying the currency selected by the addition of a so-called 'gold' or 'valuta' clause. These are attempts not merely to define the currency but to fix its value. A new standard must be invoked whereby the standard itself may be measured; and this standard is found either in gold or in some other currency.

The best-known form of gold clause is that which has for many years figured in American loan contracts both internal and external, and which defines the currency of payment as 'gold dollars of the standard of weight and fineness existing on' a specified date. The expression '*franc or*' in pre-war French loan contracts affords a similar example.

Both the 'gold dollar' and the '*franc or*' have been the subject of litigation in their countries of origin as well as in other lands. Both France and the United States when devaluing their currencies have sought to relieve their citizens of contractual obligations to pay more in discharge of a money debt than its nominal amount in the currency which is actually 'current'. Both have sought to some extent to retain the right to demand from foreigners payment according to the letter of the bond. Borrowers, on the other hand, have shown great reluctance to pay the equivalent of a no longer existent currency in satisfaction of a debt. It would not be appropriate here to summarize either the legislation or the judicial decisions on this complex subject. It is sufficient to point out that a promise to pay a debt in a currency of a certain value cannot mean more than a promise to pay a sum in the currency which is legally in force in the country indicated at the time when payment is made, the amount payable being adjusted if the currency has been devalued. Contracts of this kind have been somewhat roughly handled both by courts and legislatures, but where they have been upheld, this is the meaning which has been attributed to them, the amount payable being computed by reference to the current value of the gold content of the original currency.

It is noteworthy that this meaning has also been attached to such contracts, even though the currency concerned had not been officially devalued, though it had depreciated on the foreign market owing to the suspension of its convertibility.

Essentially, therefore, clauses providing for payment in a specified and

valued currency do not differ from the simpler form of gold clause exemplified in the German 'gold mark' mortgage bonds. Here the promise is to pay a certain sum in German legal currency, the sum payable being a sum sufficient at the date of payment to buy a specified quantity of fine gold. Such a clause, when used to fortify a promise to pay in the debtor's currency, protects the lender against depreciation up to the date on which the sum payable is ascertained; but if transfer facilities are not then immediately available, any further risk falls on the lender. When added to an obligation expressed in the creditor's currency it protects the creditor against depreciation of his own currency more effectively than the more common type of clause, but it is less convenient, since the sum payable cannot be ascertained until the date of payment arrives. In the United States of America bonds must secure the payment of a definite sum if they are to be negotiable; and negotiability is necessary to a bearer bond.

Valuta clauses define the amount payable by reference to its value in terms of other currencies. They are more common in short-term than in long-term obligations—except in so far as a provision that a bond shall be payable in alternative currencies at fixed rates may be regarded as a valuta clause. All the foregoing observations regarding the simpler form of gold clause apply equally to valuta clauses.

It is to be observed that gold and valuta clauses, as well as 'double currency' bonds and similar devices, aim not at meeting some disparity between the two currencies concerned but at maintaining the value of one of them by reference to some external standard. Suppose, for example, a loan contracted between a Danish borrower and an English lender whilst both currencies were on gold. Both currencies depreciate, the relation between them remaining unchanged. An effective gold clause will ensure that on every payment the lender shall make a money profit and the borrower shall suffer a money loss.

It would be inappropriate here to discuss the legitimacy of these attempts to secure repayment in currency of a certain value beyond pointing out how uncertain and inexact this measure of value may be. Two important conclusions emerge, however, relative to the efficacy of loan contracts.

First, it is to be noted that none of the devices which have been discussed provide any safeguard against the danger of transfer restriction. It has been a feature of recent experience that, if a country's currency becomes depreciated, the government is unlikely to allow it at once to find its own level. It may suspend not only the convertibility of the currency but also the free purchase of foreign exchange. Foreign exchange then becomes a resource of the state to be collected, preserved, and applied where it is most needed, irrespective of the effect of such control on the fulfilment of private contracts. The foreign lender cannot obtain payment in his own currency, however willing and able his debtor may be to pay. Sometimes, he cannot even accept payment in the debtor's currency and spend the money freely in the debtor country. His gold clauses and valuta clauses are, at least for the moment, entirely useless.

The extreme example of such a policy is seen in Germany to-day. This country's currency is kept on gold by a strict control of the exchanges, although all her principal creditors have undergone heavy currency depreciation. Hence, German borrowers would, in many cases, be glad to repay their foreign loans at par, in order to realize and book the profit due to the depreciation of their creditor's currencies. Their creditors, on the other hand, would be quite willing to receive payment even at a certain loss, yet these complementary desires cannot be satisfied directly, because the German Government controls the exchanges and permits repayment only in so far as it is prepared to allot foreign exchange for that purpose or in so far as it is able to make arrangements with creditor and debtor which it regards as satisfactory.

Secondly, it must be recognized that none of these devices can do more than determine how certain losses are to be measured and by whom they are to be borne. They cannot eliminate the losses themselves nor, in extreme cases, make them supportable by either party. The fundamental fact is that long-term lending assumes long-term stability of currency, just as foreign lending assumes stability of exchange. If either assumption becomes sufficiently doubtful to be a material factor in the decision, lending between responsible parties becomes impracticable.

The other concern of the sponsors of the loan is to secure, so far as may be, that sums due shall be paid. If loss due to currency depreciation falls on the debtor, the chance of his default is increased and the importance of security becomes greater. Here again, however, the limitations of contractual provisions should be noted. No 'security' can do more than secure that the debtor shall pay as much as he can. It may confer precedence over other creditors. It may eliminate the chance of fraud. But it cannot guarantee solvency.

The principal causes of default are three—insolvency, transfer restriction, and unwillingness to pay. The first means that the debtor's resources are insufficient to meet the loan. This may be due to incompetence, to an excessive burden of debt, or to unfavourable trade conditions. The first two may be cured by reorganization with or without a scaling down of debt; but nothing can be done about the third so long as these unfavourable conditions remain. Transfer restrictions are entirely an affair of the central government and affect all the debtors—in theory though not in practice—equally. Unwillingness to pay, unaccompanied by either of the other two causes, can be overcome by legal enforcement of 'security' so far as such steps are possible. It is material to observe that unwillingness to pay seldom occurs in isolation from the other two causes of default; and that sovereign states are subject to legal process only with their own consent both in their own and in other courts.

It is well to consider the various kinds of security in connexion with these three causes of default, since security is of no importance except in the event of default. Security usually consists in the hypothecation of assets or revenues or both; and the hypothecation may be of varying

degrees of efficacy according to the nature of the borrower, the nature of the assets, and the state of the law in the borrower's country.

The security offered by sovereign states has certain peculiarities which need separate consideration. It usually consists in the so-called charging of certain revenues. This is in fact an undertaking by the government concerned to ear-mark certain revenues for certain purposes. It is not a legally enforceable undertaking; still less can representatives of the borrowers by any process of law collect such revenues for themselves. The state is sovereign and cannot irrevocably bind itself or legally pledge its revenue-collecting powers. This fact is in practice of less importance than the fact that a sovereign state is a borrower different in kind from a private corporation. Its assets are negligible in relation to its revenues. Its revenues for the most part do not arise from its assets. Its revenues are elastic. It is difficult to know what they are and impossible to know what they might be. Its obligations are also elastic, and the order in which they are satisfied is determined by considerations different in kind from those which determine or compel the choice of an embarrassed private debtor. Nothing will prevent a government from raiding 'pledged' revenues if its own domestic necessities are sufficiently imperious. The best security for the payment of a foreign loan consists in the continuance of sound finance and a reasonable degree of prosperity in the borrowing state.

It would be wrong, however, to suggest that the security of such loans is unimportant. In the event of disaster it will probably have little effect in determining how much of the national revenue or of the national supply of foreign exchange will be devoted to meeting external debt obligations, but it may be of great importance in determining the treatment of the various loans *inter se*.

Provisions which tend to avert default rather than to provide for it may also be of value to borrowers as well as lenders. Provisions limiting or imposing conditions on future borrowing are of this kind. It is seldom practical to impose such limitations on sovereign states.

An intermediate case between public and private borrowings is afforded by loans raised by public institutions such as the Roumanian Monopolies Institute. A separate corporation is created by law to collect a revenue, exploit a monopoly, or administer an asset. The corporation raises the loan with or without the guarantee of the government. It is subject to the law and its revenues can only be diverted from it by an exercise of the sovereign power of a more high-handed and definite character than is usually involved in the diversion to other uses of revenues 'pledged' by a state but still administered by it. It is probably impracticable for the lenders in case of default to 'enforce their security' either by selling it or by themselves administering it—but it is only in the rarest instances that such rights have any value even where the borrower is a private corporation. The value of the security given by such an institution depends largely on the extent to which the continuance of such revenues is assured and the extent to which they are collected in foreign exchange.

Private corporations can mortgage their assets to secure foreign as well as private loans. The legal rights which usually belong to a mortgage in the event of default—the power to sell, the power to manage, the power to foreclose—are seldom of direct value to lenders. Things must be had indeed if the trustee for a body of bondholders can turn a commercial undertaking in a foreign country to better account than its own proprietors, and the sale of such an undertaking, even if a buyer can be found, has all the difficulties which attend similar operations at home, and in a greater degree. It is rare that a purchaser for a large and unsuccessful undertaking can be found otherwise than in its own former proprietors. None the less, the mortgaging of assets gives to the lenders a measure of negative control and a basis for effective intervention if default should occur. No such security, however, gives any protection against phenomena such as have distinguished recent defaults, namely, changes in the conditions of trade which render whole industries unproductive and compel the debtor state to 'ration' foreign exchange.

An examination of recent history suggests that debtors who earn their revenues in foreign exchange are not only more appropriate but also safer borrowers. Their revenue being earned in foreign currency is protected from some of the effects of currency depreciation. Unless complete transfer control is instituted they have their own resources for paying their foreign currency obligations. And even if control is instituted, they are favourably placed and their importance as 'devisen earning' members of the embarrassed state will certainly create a national interest in their prosperity, even if this does not express itself in giving them, for the purpose of meeting their foreign debts, an undue share of the devisen which they earn.

These advantages, however, though they may make such borrowers preferable to others still worse placed, cannot make them desirable. If the risk of transfer restriction is sufficiently real to need safeguarding, experience suggests that only two safeguards are effective—the pledge of vitally important assets situated outside the debtor country and (to a lesser extent) the pledge of revenues earned outside the country from a vitally important activity.

An example of the former is afforded by a mortgage on ocean-going ships. Shipping services are part of a country's exports. No country is likely to suspend its own shipping services voluntarily. No country can do so without sacrificing their value. Yet so long as these services are operated the ships are subject to seizure in every foreign port and unlike most kinds of security are for the most part saleable, if not profitably saleable, for foreign currency. The loans of the Nord Deutsche Lloyd are unlikely to fall into default whilst the ships mortgaged to secure them ply to foreign ports.

An example of the pledge of revenues is afforded by the German Potash Loan. Indeed, this loan, the first large loan to Germany after the inflation, affords so good an example of the various problems dealt with in

this Appendix that it deserves somewhat detailed consideration. The new Reichsmark was regarded with distrust and the loan was made payable in either of two trustworthy gold currencies—sterling and U.S. dollars—at a fixed rate of exchange. The bondholder might choose whichever he pleased. He was secured by an enormous mortgage registered upon every potash mine in Germany. Finally, the debtor undertook that his foreign receipts should pass through a foreign bank, which was authorized to take the monthly service from this constantly running stream before it reached the debtor.

The lenders' foresight was not wholly justified by events. They attempted to secure themselves against the possibility that the Reichsmark would depreciate; in fact, they have protected themselves against the measures used to keep German currency over-valued. The bondholders, if they were treated like other German bondholders, would be receiving 4 per cent. or 3 per cent. Funding Bonds instead of cash by way of interest; and their mortgage would be useless, since they would be unable to enforce it, or to do anything with the mortgaged properties even if they could enforce their rights. Yet, in fact, this loan is still fully serviced. Though most of the German government's own obligations are in default, the Potash Syndicate still pays its 7 per cent. because the framers of the loan secured it on the one asset whose value could not wholly depreciate: the proceeds of a world-wide trade in an essential commodity.

One touch of irony completes the picture; the service of the Potash Loan has been threatened from an unexpected quarter, namely, by the unlooked-for intervention of the governments of certain countries who, by establishing clearings with Germany, seize potash proceeds to pay German debts to their own nationals, and thus break down the private clearing-in-embryo established by the parties to the loan ten years before.

A parallel case is furnished by the Union Company of Oslo, the largest producer of newsprint and mechanical pulp in Norway, which in August 1934 placed privately in London £1,150,000 5½ per cent. First Mortgage Debentures. According to *The Times*,<sup>1</sup> the debentures are secured by a first charge on the proceeds of the company's exports, the buyers of the company's products receiving irrevocable instructions to pay to a bank in London the entire proceeds of the exports, and the bank retaining in sterling out of the proceeds in every month one-twelfth of the amount required for the debenture service.

The 'security' offered by arrangements such as this is inferior to that provided by the pledge of assets which are situated or which, like ships, sometimes go abroad, in that security of the latter class cannot be impaired by any act of the debtor or his government. Where commodities or the proceeds of sale arising from them are earmarked for creditors, the debtors' government can insist upon such assets being sold or their proceeds being remitted through other channels, and in certain cases this has taken place. Experience seems to show, however, that the task of

<sup>1</sup> 15th August 1934.



upsetting such arrangements is harder, more invidious, and less safe than that involved in setting aside the more imposing securities offered by governments themselves.

Fixed-interest-bearing securities give no latitude to the borrower in times of depression, and it would undoubtedly increase the safety factor in international investment if more of this investment could take the form of investment in 'equities'.

Foreign commercial undertakings can, of course, make share issues. Even if the foreign borrower is a commercial undertaking, however, share issues are less well received than issues made by domestic commercial borrowers of similar standing owing to the difficulty of control and the additional risks which foreign borrowing involves. For government borrowers, any issue on an equity basis is impracticable. Theoretically, it is conceivable that service payments on an issue might be varied according to some index of the internal and external prosperity of the country concerned, but any such indices are at present far too inexact to be used for such a purpose, nor would it be possible to set up adequate machinery for determining questions of doubt. The experience of the Reparations Commission in determining Germany's 'ability to pay' provided a useful but not very encouraging example of what can and cannot be done in this direction.

Public utilities managing specified undertakings such as docks have, however, a more exact and reliable index of their prosperity and might issue obligations carrying variable rights. A more serious practical objection to any such scheme is that it would probably not appeal to the investor. The possibility of an automatic reduction in interest or sinking fund would depress the value of the bond and the value of the security, and its rights in times of prosperity would have to be very heavily weighted in its favour in order to counter-balance this disadvantage. However desirable it might be in the interests of the world at large that some machinery should be provided for the automatic adjustment of debt burdens in times of international depression, there is little doubt that individual borrowers will raise their money more cheaply by issuing obligations with fixed rights in accordance with their present practice.

The extent to which investors are willing that the fruits of their investment should vary with the prosperity of the undertaking concerned is proportionate to the investor's knowledge of and interest in that undertaking and to the extent to which he is able and willing to participate in its control. It would appear, therefore, to be inevitable that the field of foreign equity investment should be principally confined to those direct investments which are referred to elsewhere in this book or to speculation in foreign equities through the medium of the Stock Exchange when circumstances make such action seem attractive either because of a hope of market appreciation or a fear of domestic currency depreciation.

### APPENDIX III

#### BRITISH OVERSEAS INVESTMENT IN 1928 AND ITS SUBSEQUENT HISTORY

THE object of this Appendix is to analyse the new capital issues for overseas borrowers in London in 1928, and to trace their subsequent history down to the beginning of 1935. Investment, even investment overseas, is of many different kinds and encounters many different fates, and the experience of even one typical and active post-war year should be of significance.

The method adopted has been to go through the weekly list of 'New Issues' in the *Economist* and to collect together all issues by governments, public bodies and business concerns in overseas countries and by all British companies (except investment trusts) whose main income appears to be derived from operations abroad. This list covers only new issues offered to the public or to shareholders; thus it excludes refunding operations and issues placed privately. Investment trusts are excluded in order to prevent reduplication. The resulting total does not include *all* new overseas investment during the year; but it does cover the larger and more important part of it.

The issues have been analysed and arranged in groups on the basis of the classifications in the Stock Exchange Official Intelligence. Each issue has

#### *Classes of Overseas Investment, 1928*

	Cash subscribed	
	£ millions	Per cent. of total
Public loans <sup>a</sup> . . . . .	70.3	62
Utilities and services <sup>b</sup> . . . . .	13.9	12
Commodities <sup>c</sup> . . . . .	18.2	16
General enterprise <sup>d</sup> . . . . .	11.4	10
TOTAL	113.9	100

- <sup>a</sup> Empire and foreign governments and corporations.
- <sup>b</sup> Banking, transport, electricity, gas, water.
- <sup>c</sup> Mining, oil, rubber, tea, and coffee.
- <sup>d</sup> Commercial, industrial, land, miscellaneous.

been revalued in terms of the prices ruling at the beginning of January 1935. If the issues were those of governmental bodies and of large concerns, and had maintained their identity, this has proved a simple matter. If a concern had been reconstructed, the value taken has been that of the 'successor' securities corresponding to the original issue. If loan capital was repaid in cash before January 1935, the value of the issue has been taken as the amount of the cash payment. If a company had been wound up, anything recovered by the holders of the issue has been credited under

'value'; if there is no evidence in the Stock Exchange Intelligence of anything having been recovered the value of the issue has been taken as 'nil'. Issues that are not quoted in either of the Stock Exchange Lists have been given an estimated value based on the record and latest dividends (if any) of the company—not a very satisfactory method, but the only one which enables us to fill in the details of the picture without an unreasonable expenditure of time and effort.

The investments whose history we have to follow may be classified under four main heads, as in the table on the previous page. This total includes all the issues which fall within the definition given above.<sup>1</sup>

The next stage must be to analyse each category of lending in detail, and at the same time to show the position reached at the beginning of 1935.

#### *Public Loans.*

The position in regard to loans to governments and public authorities overseas may be set out as follows:

#### *Public Loans, 1928*

	<i>No. of issuers</i>	<i>No. of issues</i>	<i>Nominal</i>	<i>Cash</i>	<i>Value Jan. 1935</i>	<i>Value as per cent. of cash</i>
				(£ '000)		
Empire governments	10	11	41,840	40,223	47,728	119
Empire corporations .	6	8	6,682	6,528	7,602	116
<b>Total Empire .</b>	<b>16</b>	<b>19</b>	<b>48,522</b>	<b>46,751</b>	<b>55,330</b>	<b>118</b>
Foreign governments	8	11	20,624	19,234	5,980	31
Foreign corporations	4	4	4,575	4,332	1,537	35
<b>Total foreign .</b>	<b>12</b>	<b>15</b>	<b>25,199</b>	<b>23,566</b>	<b>7,518</b>	<b>32</b>
<b>TOTAL</b>	<b>28</b>	<b>34</b>	<b>73,721</b>	<b>70,317</b>	<b>62,848</b>	<b>89</b>

More than half the borrowings of Empire governments were destined for Australia and New Zealand; of the rest, the most substantial item is a loan to the Government of India; the remainder was divided between Kenya, Southern Rhodesia, Tanganyika, Newfoundland, and Fiji. All the loans had appreciated by January 1935, thanks to the fall in gilt-edged rates and to the improved position of primary producers. All the borrowings by Empire corporations were by cities in Australia and New Zealand, with the solitary exception of a loan (cash subscribed £1,261,668) floated on behalf of the City of East London, and the market value of these had also risen. Perhaps it is not always realized that over a quarter of the

<sup>1</sup> The only exceptions are an issue by the city of Dublin (cash subscribed, £768,000), and three minor company issues whose origins and history are obscure.

British capital sent overseas in 1928 was borrowed by public authorities in Australia and New Zealand, which together have only a little over seven million inhabitants, and that in 1928 alone new borrowings amounted to approximately £4 per head. When one considers the fall in the prices of wheat and wool during the depression, the efforts of these two countries in the face of economic crisis represent a remarkable achievement.

But the story is a less happy one when we come to loans to foreign countries. A third of the borrowings by foreign governments went to the Brazilian States, another third to Greece, and the remainder was divided between Chile, Peru, Bulgaria and the Free State of Hamburg. One Brazilian and three German borrowers account for the item 'foreign corporations'. Government and corporation loans alike had depreciated to one-third of their original cost by January 1935; foreign corporations loans had fallen slightly less than those of governments only because one of the three German borrowers happened to be Saarbrücken.<sup>1</sup>

#### *Utilities and Services.*

The position under this head is as follows:

#### *Issues on Behalf of Utilities and Services Overseas, 1928*

	<i>No. of issuers</i>	<i>No. of issues</i>	<i>Nominal</i>	<i>Cash</i>	<i>Value Jan. 1935</i>	<i>Value as per cent. of cash</i>
				(£'000)		
Banks . . . .	5	5	3,183	4,181	2,412	58
Electricity . . . .	6	7	6,520	6,095	4,810	76
Others* . . . .	5	5	3,671	3,669	1,557	42
<b>TOTAL</b>	<b>16</b>	<b>17</b>	<b>13,374</b>	<b>13,945</b>	<b>8,579</b>	<b>62</b>

\* 3 railway, 1 gas, 1 waterworks.

As regards banks, two Australian banks offered ordinary shares which had depreciated slightly by January 1935; a South African bank offered ordinary shares which had appreciated by some 50 per cent., a London banking institution established to do business on the continent offered ordinary shares which had lost two-thirds of their value, and a Brazilian bank offered sterling bonds which had lost four-fifths of their value. This is very similar to the history of the public loans discussed above.

The history of the electric lighting and power concerns is at first sight a little more pleasant. But nearly half the cash subscribed was in the form of two debenture issues of a Hungarian concern; one issue is guaranteed under the Trade Facilities Act; its price in January 1935 was 107; the other is not; its price was 26, so that the Trade Facilities Act is to some extent responsible for the apparent success of this category. Other bond and debenture issues were those of a German concern (heavily depreciated),

<sup>1</sup> Which was still under League control in January 1935.

a Canadian concern (appreciated), a Belgian concern (doubled in value, a remarkable achievement for a fixed interest issue, but the fall in interest rates and a gold clause made it possible), and a Japanese concern (slightly depreciated). The only issue of shares (Indian) was a small one, but it had trebled in value.

The third category is an omnibus item; the two large railways were Argentine and the waterworks Brazilian. Only one smallish issue (gas, connected with Australia) had maintained its value.

Most of the losses on 'public loans' and 'utilities and services' can be traced to South America and Central and Eastern Europe.

#### Commodities.

The position is as follows:

#### Issues for Commodity Production Overseas, 1928

	No. of issuers	No. of issues	Nominal	Cash	Value Jan. 1935	Value as per cent. of cash
				(£'000)		
Tin mining . . .	19	20	2,648	3,634	1,757	48
Gold mining . . .	7	7	1,100	1,907	3,186	167
Copper mining . . .	4	4	1,050	1,087	1,470	135
Other mining . . .	8	9	2,686	3,080	2,828	92
Total mining . . .	38	40	7,484	9,708	9,241	95
Oil . . . . .	4	4	5,543	5,623	4,244	75
Rubber . . . . .	10	11	1,881	2,665	1,708	64
Tea and coffee . . .	7	8	145	252	207	82
Total, other com- modities . . . . .	21	23	7,569	8,540	6,159	72
TOTAL	59	63	15,053	18,249	15,400	84

Gold-mining calls for no comment; the copper issues were mainly associated with developments in Rhodesia. The oil figures are slightly deceptive as they include a £4 millions debenture issue by one concern, which was repaid in 1934. 'Tea and coffee' were relatively successful.

But the most interesting figures are those dealing with the Malayan products—tin and rubber. The prices of these moved as follows:

	Tin, Standard cash, £ per ton	Rubber, Plantation sheet, pence per lb.
1925 . . .	261 $\frac{1}{2}$	34 $\frac{1}{2}$
1929 . . .	203 $\frac{1}{2}$	10 $\frac{1}{2}$
1930 . . .	142 $\frac{1}{2}$	5 $\frac{1}{2}$ *
1931 . . .	118 $\frac{1}{2}$	3 $\frac{1}{2}$
1932 . . .	136 $\frac{1}{2}$	2 $\frac{1}{2}$
1933 . . .	194 $\frac{1}{2}$	3 $\frac{1}{2}$
1934 . . .	230	6 $\frac{1}{2}$

Thus, tin, after a heavy fall, rose to above the 1929 level, in 1934, whereas rubber, though it had risen from the depths of 1932, still remained very low judged by pre-depression figures. But investment in rubber has been successful compared with investment in tin, and both were better than investment in South American and Central European bonds. On the whole, investment in commodity production proved satisfactory, even if allowance is made for the fact that the figures are distorted by the enhanced profitability of gold mining.

Certainly investment in commodities was more successful, as we shall see, than investment in many types of commercial and industrial activity. In this connexion, the various restriction schemes must not be forgotten, and it is worth mentioning that tin, rubber, and tea issues for the most part were small issues to shareholders only.

*General Enterprise.*

The position may be set out as follows:

*Issues for General Enterprise Overseas, 1928*

	<i>No. of issuers</i>	<i>No. of issues</i>	<i>Nominal</i>	<i>Cash</i>	<i>Value Jan. 1935</i>	<i>Value as per cent. of cash</i>
Financial trusts, land, property . . . . .	8	14	2,513	£ '000 2,645	1,269	48
Commercial and in- dustrial . . . . .	18	26	5,002	6,137	4,197	68
'Foreign rights' . . . . .	17	20	2,676	2,595	60	2
<b>TOTAL</b>	<b>43</b>	<b>60</b>	<b>10,190</b>	<b>11,377</b>	<b>5,526</b>	<b>49</b>

A word of explanation is needed concerning this category, which includes many different sorts of issues. 'Financial trusts, land, and property' covers all the companies under that head in the Official Intelligence, and the classification has been strictly adhered to, but it must be remembered that the border-line between mining or tea or rubber production, on the one hand, and the possession of estates in tropical countries, on the other, may be rather an arbitrary one, so that this item is not as clearly defined as some of the others. The other two items consist of concerns classified under the Intelligence heading 'Commercial and Industrial',<sup>1</sup> but they have been divided into two in order to isolate companies formed to exploit certain patents, &c., overseas; the reasons for this will be explained below. It must be added that the process of revaluing the issues in this category is far more a matter of guesswork than in the other categories; consequently the figures must be taken as very approximate.

The figures for 'financial trusts, land, and property' are somewhat deceptive. If the capital raised by one unfortunate concern interested in

<sup>1</sup> And also two concerns, one officially classified under 'Breweries and Distilleries' and the other under 'Iron, Coal, Steel', which fit in most appropriately here.

timber trading in Germany were excluded, the figure in the last column would be raised from 48 to 75 per cent. The remaining concerns were mainly property-owning companies. The properties varied considerably in character: they included mining rights over certain areas, plantations, and urban real estate. No generalizations can be applied to the category as a whole.

'Commercial and industrial' is an even more indeterminate category. The more normal concerns (those formed to exploit 'foreign rights' of British gramophone companies, &c., are treated separately) had, as a class, depreciated by about one third (or perhaps even more) by January 1935. They were of the most diverse character. Companies interested in wood-pulp were unfortunate, as were also a number of concerns of rather a speculative kind. The older, established companies showed better results. Conditions in Germany, Central Europe, and South America do not seem to have been an important cause of the fall in value of these issues.

Of the twenty issues by companies formed to exploit 'foreign rights', ten represented foreign rights in gramophones, four foreign rights in snapshot photography, and the remainder include Ner-Sag (Overseas), Blue Bird Petrol (Foreign), and Continental Waste Food Products. The careers of these concerns—though interesting—are irrelevant here. Almost all of them have been liquidated. It must be pointed out, however, that their 'value' in 1935 may have been understated, as no serious attempt has been made to discover what, if anything, shareholders received when the concerns were wound up. But even if liberal allowance is made for this possibility, the story is unfortunately only too clear, and the principal cause of this sad result was certainly the condition of the London new issue market in 1928.

The only question which really arises is whether we are entitled to include such concerns under 'overseas investment'. It is doubtful, of course, how far any substantial proportion of the capital raised ever found its way overseas; most of it probably went straight to the parent companies. On the other hand, according to the strict letter of their prospectuses, the intention of the promoters of these concerns is clear and unambiguous, and we are hardly entitled to count these concerns as 'home investment' on the ground that subsequent history leads us to suspect that only a small part of this capital did ultimately find its way abroad. One must call them 'overseas investment', and very unfortunate overseas investment at that.

#### *Conclusions.*

To draw the picture together, we may summarize the foregoing tables. The story of British overseas lending in 1928 may be roughly described in a few sentences as follows. Two-fifths of the total went to state and local authorities in Australia and New Zealand, and other parts of the Empire, and proved exceedingly successful. Another fifth went to authorities in South America and in Central and Eastern Europe—with most

unfortunate results. Rather less than a fifth went to companies producing commodities—to Malaya, for the production of rubber, tin, and tea; to Rhodesia, for the production of copper; to Africa and Australia, for the production of gold; to Burma and South America, for the production of oil. These investments have varied a good deal in character, but considering the nature of the economic depression, cannot be considered unsatisfactory. Finally, the balance is made up by investment in utilities and services (which, in general, were successful or not according to their geographical situation) in property-owning companies and in general enterprise, which on the whole was moderately fortunate although some of it was very bad indeed.

*Summary: British Overseas Lending, 1928*

	<i>No. of issuers</i>	<i>No. of issues</i>	<i>Nominal</i>	<i>Cash</i>	<i>Value Jan. 1935</i>	<i>Value as per cent. of cash</i>
			<i>£ millions</i>			
Public loans . . . . .	28	34	73·7	70·3	62·8	89
Utilities and services . . . . .	16	17	13·4	13·9	8·6	62
Commodities . . . . .	59	63	16·1	18·2	15·4	84
General enterprise . . . . .	43	60	10·2	11·4	5·5	49
<b>TOTAL</b>	<b>146</b>	<b>174</b>	<b>112·4</b>	<b>113·9</b>	<b>92·3</b>	<b>81</b>

When we examine the details, it is clear that the fortunes of the new issues made in 1928 varied greatly. The most unsuccessful were those on behalf of borrowers in Latin America and Central and Eastern Europe. Smaller in amount, but equally unfortunate, were those dubious issues by firms which desired to exploit 'foreign rights'. The proof of this generalization is simple. Eliminate from the total of new issues all loans to foreign governments and municipalities, all utilities and services situated in South America or Central and Eastern Europe, and all concerns in the 'foreign rights' category. The result is:

Cash subscribed (£'000)	. . . . .	79,588
Value Jan. 1935 (£'000)	. . . . .	81,132
Value as per cent. of cash	. . . . .	102

The last figure would be 81 per cent. if all overseas investment were included. The favourable result is due in the main to the rise in value of Empire government and corporation securities; nevertheless, when we bear in mind the economic history of the world in the years since 1928, the resulting picture is a satisfactory one.

Even in cases in which losses have been heavy, extenuating circumstances may be urged. The Greek and Bulgarian loans, for example, were reconstruction loans floated under the auspices of the League of Nations, and they did serve their purpose, which was to reconstruct countries suffering from the war. The problem of reconstruction lending may have been faced wrongly—but it had to be faced. British investors may have



lent too much to Germany and probably did to Brazil; but Brazil with her enormous natural resources and Germany with her enormous technical resources must both have appeared to be countries to whom it would not be unreasonable to lend, and no unbiased judge would suggest that either of those countries is entirely responsible for its own difficulties.

But the complete collapse of the concerns classified under 'foreign rights'—and the none too prosperous fortunes of the 'commercial and industrial' concerns generally—cannot be treated so lightly, even though the sums involved are much smaller. After all, the world probably enjoys an excess and not a deficiency of commodity production,<sup>1</sup> and—on *a priori* grounds at least—one would expect the most profitable new developments to lie in the direction of popular luxuries such as gramophone records and the rest. It is easy to dismiss the investor who put his money into snapshot machines as a fool who got what he deserved—but his instinct was right. The world was likely to want more snapshot machines and gramophones rather than more rubber or tin—and yet rubber and tin have proved much the more successful investment. The only conclusion that can be fairly drawn is that the machinery for financing new inventions was deficient, while that for financing new mines or new plantations was not. By now it has probably improved—and in any case, as far as 'foreign rights' are concerned, the defect is one of home investment machinery alone, and had nothing to do with overseas operations. It may be added that 1928 was an exceptional year in regard to both the number and quality of issues of this sort.

What conclusions can we draw? They are prosaic ones. British overseas investment in 1928 was not as unfortunate as some of the more extreme pessimists would have us believe. Some of the losses were a secondary result of the war; others of too optimistic estimates of the pace at which a country rich in natural resources (Brazil) could develop itself. The failures under the head 'commercial and industrial' are accounted for largely by a boom in which company promoters appealed to the imaginative instinct of the public, an instinct as old as the South Sea Bubble.

<sup>1</sup> *The Economist* of 30th November, 1929, told me in three successive paragraphs that there was too much tin in the world, too much tea, and too much oil; and of course I knew already that there was too much coal, too much rubber, and too many ships.' (D. H. Robertson in *The International Gold Problem*, p. 23.)

## INDEX

References to statistics are shown in heavy type.

- Africa:**  
*See also* under individual countries.  
 Investments in, 127, 142-3, 166, 186.  
 Africa, South, *see* South Africa.  
 Africa, West, *see* West Africa.
- Agriculture:**  
 Depression, 14, 26.  
 Present outlook, 29, 30, 34-5, 103-4.  
 Protection, 31-3.  
 Technological progress, 30, 103.
- Albania, investments in, 248.**
- America, Central, *see* Latin America.**
- America, Latin, *see* Latin America.**
- America, North, *see* United States,**  
 Canada, Newfoundland, &c.
- America, South, *see* Latin America.**
- Angell, Prof. J. W., *quoted*, 179-80.**
- Argentina:**  
 Conversion operations, 78.  
 Investments in, 17, 24 n., 223, 225, 269-72.  
 American, 187, 270, 306-7.  
 British, 121, 142-3, 270.
- Asia:**  
*See also* under individual countries.  
 Investments in, 125, 127, 142-3, 166, 186, 263-7.
- Australia:**  
 Balance of payments, 260, 292.  
 Conversions, 64 n., 78, 292, 313-14, 315.  
 Investments in, 17, 19, 121, 142-3, 186, 223, 225, 260-1, 291-3, 306.  
 Railways, 229, 230.  
 Wool prices, 292, 293.
- Australian Loan Council, the, 85.**
- Austria:**  
 Investments in, 24 n., 186, 223, 225, 239-42, 242, 306.  
 League Loan, 21, 73, 78, 184, 232, 239-41, 240, 287.
- Austria-Hungary, investments in, 121, 125, 127.**
- Balances of international payments, 53-68, 104-6; definition, 53-4; limitations imposed on international investment, 55-60, 67-8, 146.**
- American, 65-7, 105-6, 174-9, 174-5, 283-5, 309, 327-9, 328.**
- British, 60-5, 104-5, 138-42, 139-40, 283-5, 324-6, 333-46, 334.**
- French, 105, 199-207, 200-1.**
- Balkans, the:**  
*See also* separate countries.  
 Investments in, 121, 125, 127.
- Bank of England: Pre-war policy, 70-2; Control of new issues, 76-82; Estimates, *quoted*, 313-14; 'Other securities in issue department', 343**
- Banks, as investment intermediaries, 45-6.**
- Belgium, investments in, 24 n., 125, 186, 306.**
- Birth-rate, decline of, 27-30.**
- Bolivia, investments in, 187, 276, 306-7.**
- Bonds, government, investments in, 224-7, 225, 253.**  
 American, 19, 186-7, 189, 307, 308.  
 British, 18, 122, 143, 148, 149, 152, 153-4, 155, 157, 303, 356 ff.
- Brazil, investments in, 17, 24 n., 223, 225, 272-4.**  
 American, 187, 273, 306-7.  
 British, 121, 142-3, 273.
- British Empire, the:**  
*See also* under individual members.  
 Gold production, 254-5, 258 n., 262, 293, 295 n.  
 Investments in:  
 Pre-war, 115, 121; post-war, 17-19, 142 ff., 142-3, 145-6, 252-63, 278.  
 Investments in railways, 228-9, 230.  
 Low cost of borrowing in London, 135, 136-7.
- British India, *see* India.**
- British Malaya, *see* Malaya, British.**
- British North Borneo, investments in, 121.**
- British West Africa, *see* West Africa.**
- British West Indies, investments in, 142-3, 166, 186.**

- Bulgaria:**  
 Investments in, 23, 24 *n.*, 186, 247-8, 306-7.  
 League Loans, 21, 184, 232, 247-8, 297.
- Canada:**  
 Balance of payments, 294.  
 External investments, 226, 230 *n.*, 258, 310.  
 Investments in, pre-war, 121, 125, 127; 128; post-war, 223, 225, 255-9, 256-8, 293-7.  
   American, 19, 166, 182, 184-5, 186, 189, 190, 256-7, 306-7.  
   British, 17, 142-3, 144-5, 256-7.  
 Not a member of 'sterling bloc', 74, 79 *n.*, 259.  
 Railways in, 229, 230, 295 *n.*  
 Tendency to borrow in New York, 137, 259, 295.
- Central America, see Latin America.**
- Ceylon, investments in, 142-3.**
- Chile, investments in, 24 *n.*, 223, 225, 275-6, 320.**  
 American, 187, 275, 306-7.  
 British, 121, 142-3, 275.
- China:**  
 Export credits to, 90-1.  
 Investments in, 24 *n.*, 121, 128, 142-3, 186, 223, 225, 263-5, 306-7.
- Colombia, investments in, 24 *n.*, 187, 223, 225, 306-7.**
- Colonial Development Act, 1929, 97 *n.***
- Colonial Stock Acts, 1877-1934, 97-8, 136-7.**  
 Borrowers under, 97 *n.*  
 Value of securities issued, 98.
- Colonies:**  
*See also* British Empire, the; France, external investments, in French colonies.  
 Investments in, 278-9.
- Consols, yield, 1870-80, 118; 1900-10, 119; 1921-30, 135.**
- Contracts, 'The terms of Investment Contracts', Appendix II, 347-55.**
- Conversions, 311-21.**
- Corporation of Foreign Bondholders, Council of, quoted, 100, 320.**
- Costa Rica, investments in, 24 *n.*, 187, 306-7.**
- Cotton, decline in British exports of piece goods, 61-4.**
- Cuba, investments in, 17, 24 *n.*, 121, 128, 187, 223, 225, 277-8, 306-7.**
- Cyprus, investments in, 186.**
- Czechoslovakia, investments in, 24 *n.*, 186, 223, 225, 248, 249, 306-7.**
- Danzig, League Loans, 21, 23, 94, 232, 250-1, 297, 306.**
- Dawes Loan, the, 9, 21, 94, 237, 304.**
- Defaults, 22-4, 285-9, 298-311, 301, 303, 305-7.**
- Denmark, investments in, 24 *n.*, 121, 186, 223, 225, 306-7.**
- Depression, the, 1930-4, 10-15, 22-5, 281-329.**
- 'Direct' investments, 43-5, 106-7.**  
 American, 43, 185, 186-7, 188, 192-4.  
 Direct investment by a state, 86, 94.
- Dominican Republic, investments in, 187, 306.**
- Dutch East Indies, investments in, 186, 223, 225.**
- Economic nationalism, 31-4, 104.**  
*Economist, the, quoted, 47.*
- Ecuador, investments in, 24 *n.*, 187.**
- Egypt, investments in, 24 *n.*, 121, 125, 186.**
- El Salvador, see Salvador.**
- England, see Great Britain.**
- Estonia:**  
 Investments in, 24 *n.*, 249, 250, 306.  
 League Loan, 21, 23, 94, 184, 232, 249-50, 297.
- Europe:**  
*See also* under individual states.  
 Defaults in 23-4, 301-2, 306-7, 308.  
 Investments in, 19-22, 231-52.  
   American, 20, 128, 166, 182, 183-4, 186, 190, 306-7.  
   British, 20, 121, 142-4, 145.  
   French, 20, 125.  
   German, 127.  
 Population trends, 28, 103.
- Exchange Equalization Account, the, 344.**
- Export credits, 50-1, 87-94, 107.**
- Export Credits Guarantee Dept., the; methods, &c., 88-90; credit to Russia, 90; business in China, 90-1; criticisms, 91-4.**

- Federal Reserve Board, the, 137, 195-6.
- Federated Malay States, *see* Malaya, British.
- Finland, investments in, 24 *n.*, 186, 306.
- Foreign Transactions (Advisory) Committee, the, 79-80.
- France:
- Balance of payments, 105, 199-207, 200-1.
  - Control of new issues, 204.
  - External Investments:
    - See also* under individual debtor countries.
    - Pre-war, 123, 126.
      - Increase 1870-1914, 123-4.
      - Geographical distribution 1908 and 1914, 125.
    - Post-war, 16, 207-16, 214-15.
      - In Europe, 20, 125.
      - In French colonies, 124, 125, 214, 219-20, 278-9.
      - Government influence, 216-20.
  - Investments in, 20 *n.*, 24 *n.*, 121, 127, 186, 306.
  - New issues for external borrowers, 214, 282.
  - War-time borrowing, 129-31, 202.
- Germany:
- Advisory Foreign Loans Council, the, 85-6.
  - Balance of payments, 238, 291.
  - Control of new issues, 82-3.
  - Dawes and Young Loans, 9, 21, 94, 290, 304.
  - Debt moratoria, 10, 99-100, 290-1, 304, 306-7, 308, 320.
  - External investments, 126-8; 1883-1914, 127.
    - Loss of, 131.
  - Investments in, 16, 21, 24 *n.*, 121, 223, 225, 234-9, 237-8, 290-1.
    - American, 16, 186, 237-8, 306-7.
    - British, 16, 24 *n.*, 237-8.
  - Konversionskasse für Deutsche Auslandsschulden, 304.
  - Potash Loan, the, 353-4.
- Gold:
- Imports into the U.K., 345.
  - Imports into the U.S., 175, 177..
  - Production in the British Empire, 254-5, 258 *n.*, 262, 293, 295 *n.*
- Gold clauses, 349-50.
- Government bonds, *see* Bonds, government.
- Great Britain:
- Balances of payments, 60-4, 104-5, 138-42, 139-40, 283, 284-5, 324, 326, 333-46, 334.
  - Control of new issues, method, 77; history, 78, 134-5; Foreign Transactions (Advisory) Committee, 79; defects, 81-2.
  - Conversions in London, 313-15, 314.
  - Cotton piece goods, exports, 61-4.
  - Export Credits Guarantee Dept., the, *see* that heading.
  - External investments:
    - See also* under individual debtor countries.
    - Pre-war, 113-23; 1825-30, 114; 1843, 114; 1854, 114; 1880, 115; 1825-1913, 115; 1860-76, 116; 1870-80, 117-18; 1913, 121-2.
    - Classes, 153-4.
    - Geographical distribution, 115-21.
      - Income from: 1870-80, 117-18; 1900-9, 119; 1875-1911, 120; 1907-8, 160.
    - Post-war, 16, 132 *ff.*
      - Defaults on, 22-4, 300-2, 301, 303.
      - Income from, 159-63, 160, 301-2, 336.
      - In the British Empire, 17, 142-4.
      - In Europe, 20, 142-4.
      - In Latin America, 17, 142-4, 303.
      - In companies operating abroad, 148, 150, 152-4, 157, 356 *ff.*
      - In government bonds, 18, 122, 143, 148, 149, 152, 153, 154, 155, 157, 303, 356 *ff.*
      - In mining, 114, 122, 143, 152-4.
      - In railways, 18, 122, 143, 152-4, 157, 228-9, 303.
  - Gold movements, 1932-5, 345.
  - Interest, rates of, pre-war, 116-19; post-war, 135-8, 135, 138, 160, 161 *n.*, 162, 303.

Great Britain (*contd.*):

- Investments in, 127, 186, 306.
- Investment trusts, 46, 47, 146.
- Issuing houses, 11, 132-3.
- 'Lending long and borrowing short', 60, 140-1.
- New issues for overseas borrowers, 1860-76, 116; 1913-35, 133-4, 145-8; 1923-34, 157, 282-3; 1920-35, 339; 1928; 356-63.
- Population trends, 27, 103.
- Subscription to League Loans, 95-6, 232, 240, 243.
- Trustee securities, 97-8, 147.
- War-time borrowing, 129-31.

## Greece:

- Investments in, 23, 24 n., 186, 223, 247, 306-7.
- League Loans, 21, 184, 232, 247, 297.

## Guatemala, investments in, 24 n., 187, 306-7.

## Haiti, investments in, 187, 306.

Harvey, Sir Ernest, *quoted*, 69.Holland, *see* Netherlands, the.

## Honduras, investments in, 24 n., 187.

## Hongkong, investments in, 121.

Hull, Mr. Cordell, *quoted*, 197.

## Hungary:

- Investments in, 23, 24 n., 186, 223, 225, 243, 244, 306-7.
- League Loan, 21, 95, 184, 232, 243, 297.

## Iceland, investments in, 24 n.

## India:

- Cotton piece goods, imports, 62.
- Investments in, pre-war, 121, 228; post-war, 17, 142-3, 186, 223, 225, 228, 261-2.
- Railways in, 229.
- Trustee securities of, 97, 98.

## Indo-China, investments in, 186.

## Insurance companies:

- As investment intermediaries, 48-50.
- British, investments of, 48.

## International investment:

- See also* Export credits, New issues, 'Direct' investments, &c., &c., and under the names of the countries concerned.
- Balance of payments and, 53-68.
- Depression, effects of, 10-15.

## Exchange stability and, 69-76.

## Extent of, 1930, 16, 221-4, 223.

## Future of, 34-9, 102-9.

## In the 19th century, 3-5, 113-31.

## British, 113-23.

## French, 123-6.

## German, 126-8.

## American, 128.

## Post-war (general summary), 16-25.

## 'Productive' and 'unproductive', 226.

## 'Self-liquidating' and 'non-self-liquidating', 227.

State control of, *see* that heading.

## Terms of investment contracts, 347-55.

## War, the, effects of, 6-8, 129-31.

## Investment Trusts:

## As investment intermediaries, 46-8.

## British, investments of, 46-7.

Iran, *see* Persia.

## Iraq, investments in, 186.

## Irish Free State, investments in, 186, 306.

Issues, new, *see* New issues.

## Issuing houses:

## American, 11, 12, 133, 167-70.

## British, 11, 132-3.

## Italy, investments in, 24 n., 121, 125, 186, 306.

## Jamaica, investments in, 187.

## Japan:

## Cotton piece goods, exports, 61-3.

## External investments, 265-6.

## Investments in, 24 n., 121, 128, 142-3, 186, 223, 225, 265-7, 266, 306.

## Johnson Act, 1934, the, 82, 196 n.

Jones, Prof. J. H., *quoted*, 34.

## Kennet Committee, the, 79-80.

Keynes, J. M., *quoted*, 12, 32, 69.

## Konversionskasse für Deutsche Auslandsschulden, 304.

## Latin America:

*See also* under individual states.

## Investments in: 17-19, 23-4, 267-78.

## American: 19, 23, 128, 166, 182, 187, 306-7, 308.

## British, 17, 23, 121, 142-4, 303.

## French, 125.

- Latin America: Investments (*contd.*):  
 German, 127.  
 Defaults on, 23-4, 302, 303, 306-7, 308.
- League of Nations:  
 Economic Committee, *quoted*, 32.  
 League Loans, 9, 21, 94-6, 183, 184, 231-4, 232, 297-8.
- Loan councils, 85-6.
- London, a capital market, 132-3.
- Luxembourg, investments in, 186, 306.
- Lytton Report, the, *quoted*, 264 a.
- Macmillan Committee, the, *quoted*, 50, 132-3.
- Malaya, British, investments in, 121, 142-3, 186.
- Manchuria, investments in, 264-5.
- Marshall, Alfred, *quoted*, 53.
- Medium-term credits, *see* Export credits.
- Mexico, investments in, 24 a., 121, 128, 142-3, 166, 187, 306-7.
- Mining, investments in, American, 189; British, 114, 122, 143, 152-4.
- Municipal bonds, *see* Bonds, government.
- Nationalism, economic, 31-4, 104.
- Netherlands, the:  
 External investments, 230 a., 232, 237-8, 246, 282, 310.  
 Investments in, 24 a., 125, 186, 306.
- Newfoundland, investments in, 24, 121, 143, 186, 259, 306.
- New issues:  
 For statistics *see* Great Britain, new issues; France, new issues, &c.  
 As a method of international investment, 40-2.  
 Control of, 76-85.  
 Criticism, 84-5.  
 In France, 204.  
 In Great Britain, 76-82.  
 In Germany, 82-3.  
 In the U.S., 82, 180-1, 195-6.
- New York, an international capital market, 167-70.
- New Zealand, investments in, 17, 19, 121, 142-3, 186, 223, 225, 260-1.
- Nicaragua, investments in, 24 a., 187.
- North America, *see* under individual countries.
- Norway, investments in, 24 a., 186, 223, 225, 306.
- Oceania:  
*See also* under individual countries.  
 Investments in, 166, 186.
- Palestine, investments in, 186.
- Palmerston, Lord, *quoted*, 98, 99.
- Panama, investments in, 187, 306-7.
- Paraguay, investments in, 24 a., 187.
- Peck, George N., *quoted*, 53.
- Perma, investments in, 24 a., 186.
- Peru, investments in, 24 a., 121, 187, 223, 225, 276-7, 306-7.
- Philippine Islands, investments in, 128, 186.
- Poland, investments in, 24 a., 186, 223, 225, 244, 245-6, 306.
- Population, modern trends, 27-30, 103.
- Porto Rico, investments in, 128.
- Portugal, investments in, 24 a., 121, 125, 127, 186.
- Potash Loan, the, 353-4.
- Prices, decline in during depression, 287-9, 288.
- Public utilities:  
*See also* Railways.  
 Investments in: American, 19, 189; British, 18, 122, 143, 152-4, 356 ff.
- Railways, investments in, 227-31.  
 American, 19, 189.  
 British, 18, 122, 143, 152-4, 157, 228-9, 303.
- Relief loans, *see* Stabilization and relief loans.
- Robertson, D. H., *quoted*, 363 a.
- Roumania, investments in, 23, 24 a., 223, 225, 248, 306-7.
- Russia:  
 Export credits to, 90.  
 Investments in:  
 American, 23, 306-7.  
 British, 24 a., 90, 121.  
 French, 125, 125-6.  
 German, 127.
- Saar Territory, investments in, 186.
- Salter, Sir Arthur, *quoted*, 11.

- Salvador, investments in, 24 n., 187, 306-7.
- Shaw, Bernard, *quoted*, 36 n.
- Siam, investments in, 24 n., 186.
- Smith, Adam, *quoted*, 102.
- South Africa:  
Investments in, 121, 125, 142-3, 145, 223, 225, 262-3.  
Railways in, 229, 230.
- South Africa, Union of, Colonial Stock Acts, applicability, 97 n.
- South America, *see* Latin America.
- Spain, investments in, 24 n., 121, 125, 127, 186.
- Stabilization and relief loans, 7-10, 21, 42, 94-6, 103.
- State control of international investment, 76-101; by taxation, 76; control of new issues, 76-85; loan councils, 85-6; export credits, 87-94; direct state investment, 94; stabilization and relief loans, 94-6; loans to colonies, &c., 96-8; state intervention for the collection of private debts, 98-100; in France, 216-20.
- 'Sterling bloc', loans to, 78-9.
- Sterling loans, defaults on, 23, 24 n., 299-304, 301, 303.
- Stock Exchange, the New York, 187-8.
- Stock Exchange Committee, the, London, control of new issues, &c., 77, 81.
- Stock exchange securities, international trade in, 60, 73-4, 80, 107-8, 328.
- Straits Settlements, *see* Malaya, British.
- Suez Canal, investments in, 86, 125.
- Sweden, investments in, 23, 24 n., 186, 306-7.
- Switzerland, investments in, 24 n., 125, 186.
- Syria, investments in, 186.
- Tariffs, U.S., 177-9.
- Terms of investment contracts, 347-55.
- Times, The, quoted*, 95.
- Treasury, His Majesty's, control of new issues, 76-82, 134-5.
- Trustee securities, 97-8, 147.
- Turkey, investments in, 24 n., 121, 125, 127, 186.
- Union of Socialist Soviet Republics, *see* Russia.
- United Kingdom, *see* Great Britain.
- United States:  
Balance of payments, 65-7, 105-6, 174-9, 174-5, 283, 284-5, 309, 327-9, 328.  
Banking Act, 1933, the, 195.  
Control of new issues, 82, 180-1, 195-6.  
Conversions in New York, 316-17.  
'Direct' investments, 43, 185, 186-7, 188, 192-4.  
External investments:  
*See also* under individual debtor countries.  
Pre-war, 65, 128, 166.  
Post-war, 16, 65, 166, 186-8.  
Defaults on, 22-4, 304-11, 305-7.  
Types of, 18-19, 185-94.  
In the British Empire, 17, 166, 306-7.  
In Europe, 20, 166, 182-4, 186, 190, 306-7.  
In Latin America, 17, 166, 184, 187, 191-2, 306-7.  
In government bonds, 19, 186-7, 189, 307, 308.  
Federal Reserve Board, 137, 195-6.  
Gold imports, 1934-6, 175, 177.  
Interest, rates of, 135, 170.  
Investments in: 1854, 114; 1880, 115; 1870-80, 117; 1896-1933, 65; 1913, 121, 166; 1900, 1914, 125; 1914, 127; 1914-18, 129-31; 1930, 142-4; 1935, 310.  
Investments in U.S. railways, 116, 118, 122, 153-4, 160, 227, 228, 230 n.  
Issuing houses, 11, 12, 133, 167-70.  
Johnson Act, 1934, the, 82; *text*, 196 n.  
New issues for foreign borrowers, 171-2, 182, 282-3, 317.  
Population trends, 28, 103.  
Securities Act, 1933, the, 195.  
Securities Exchange Act, 1934, the, 196.  
Subscription to League Loans, 183, 184, 232, 243.  
Tariffs, 177-9.  
War debts receipts, 176.  
War, the, effects of, 6-8, 166.

## INDEX

371

- |   |   |
|---|---|
| <p>United States National Monetary Commission, <i>quoted</i>, 70-1.</p> <p>Uruguay, investments in, 24 n., 121, 187, 223, 225, 306-7.</p> <p>Utilities, public, <i>see</i> Public utilities.</p> <p>Venezuela, investments in, 24 n., 187, 223, 225, 277.</p> <p>War, the, 1914-18, effects, 6-8, 129-31.</p> | <p>War debts, 129-30, 176.</p> <p>West Africa, investments in, 121, 142-3.</p> <p>West Indies, <i>see</i> British West Indies.</p> <p>Wool, prices, 288, 292, 293.</p> <p>Young Loan, the, 21, 94, 237, 290, 304.</p> <p>Yugoslavia, investments in, 23, 24 n., 186, 223, 248, 306-7.</p> |
|---|---|



PRINTED IN  
GREAT BRITAIN  
AT THE  
UNIVERSITY PRESS  
OXFORD  
BY  
JOHN JOHNSON  
PRINTER  
TO THE  
UNIVERSITY

11123

Royal Institute of  
International Affairs  
The Problems of Interna-  
tional investment

Name of borrower

Lent on

Received  
on

... B.M.E.P.

15/3/58

**SERVANTS OF INDIA SOCIETY'S LIBRARY  
POONA 4.**

1. Books drawn from the library may not be retained for longer than a fortnight.
2. Borrowers will be held strictly responsible for any damage done to books while they are in their possession.