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MONEY AND BANKING, 1935/36

PREFACE

This publication, *Money and Banking, 1935/36*, is a continuation of the memoranda on *Commercial Banks*, issued in 1931, 1934 and 1935. The title has been changed in order to provide a more accurate description of the contents, which cover general monetary developments as well as purely commercial banking. The general approach remains, however, along the avenue of commercial banking.

The present edition is issued in two volumes. The first volume, *Monetary Review*, replaces the Introduction contained in earlier editions. It consists of an outline sketch of the main types of monetary policy pursued in various countries in recent years, together with an examination of the relationship between monetary and banking phenomena and the general course of economic developments. The nature of that relationship is, however, often difficult to determine with precision and such conclusions as are suggested must be regarded as tentative and provisional.

The second volume, *Commercial Banks*, gives a detailed analysis of banking developments in forty-eight countries in 1934/35. The Summary Tables, in which the national statistics are adapted to a standard balance-sheet form, are carried in most cases up to the end of 1934. Where monthly statistics are available, the analysis of individual countries covers, in addition, part or the whole of the year 1935. The scope of this part of the work has been somewhat extended in order to relate the changes in commercial banking to a more general monetary background.

Chapters have been added on China, Egypt, Luxemburg and Paraguay.

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and Economic Intelligence Service.*

League of Nations,
Geneva, June 1936.

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**A broad analysis of the different types of monetary
 policy pursued in recent years and their
 connection with general economic
 activity will be found
 in the companion
 volume
 "MONETARY REVIEW".**

ARGENTINE.

The most important recent development in Argentine banking was the enactment of the Banking and Currency Reform Laws. The former banking system¹ has been completely altered. The bank reform, based on Sir Otto Niemeyer's recommendations² as framed by the Finance Minister at the end of 1934, was passed by Congress at the beginning of 1935. The enactments embodying the reform, which were issued on March 28th, 1935, comprised five closely connected groups of measures for :

- (1) The creation of a central bank ;
- (2) The control by the central bank of banking activities ;
- (3) The establishment of the Instituto Movilizador de Inversiones Bancarias ;
- (4) The reorganisation of the Banco de la Nación and of the Banco Hipotecario Nacional ; and
- (5) The general organisation of the currency system.

The Banco Central is in the form of a joint-stock company with a capital of 30 million pesos, divided into three blocks. The first block of 10 million pesos was subscribed by the Government, which utilised a portion of the profit resulting from the revaluation of the gold reserve for the purpose. The second block was reserved for subscription by the Argentine banks, national and foreign, in amounts proportional to the total of their fully-paid-up capital. The balance of 10 million pesos will be subscribed later by banking establishments with a capital exceeding 1 million pesos. The central bank thus established assumes certain functions hitherto exercised by a number of different bodies. In particular, it is responsible for the gold reserve and the note circulation, and for rediscounting operations and the control of the exchanges and of the value of the national currency. In addition, it acts as financial agent and adviser to the Government, administers the reserves of the member banks and conducts clearing operations. Its rediscounting activities are limited to short-term commercial bills. Advances on securities may not exceed the amount of the capital and reserves. Its open-market operations are restricted to the Consolidated Treasury Bills created by the transformation of the Patriotic Loan of the Caja de Conversión and of the Treasury bonds in circulation. The bank is not allowed to immobilise its funds or to make advances on current account to the Government to the extent of more than 10 % of the Government's receipts for the last three years.

The note issue privilege of the Caja de Conversión, which was terminated by the Banking Reform Laws, passed to the Banco Central as from May 31st, 1935. The nature of the transactions which led up to the abolition of the Caja de Conversión and the transfer of its assets and liabilities to the Banco Central will be apparent from the following table of the different elements of the former's note issue :

	Dec. 31st, 1931	Dec. 31st, 1932	Dec. 31st, 1933	Dec. 31st, 1934	May 31st, 1935
	Paper pesos (000,000's)				
<i>Fiduciary circulation</i> (Conversion Law of 1899)	293.0	293.0	293.0	293.0	293.0
<i>Note issue against :</i>					
Gold reserve (at the rate of 1 paper peso = 44 gold centavos)	592.9	583.9	561.0	561.0	561.0
Rediscounted bills	359.2	295.3	206.5	172.2	216.4
Advances on Patriotic Loan bonds (85 % of nominal amount)	—	166.5	153.4	145.3	145.3
Total note issue	1,245.1	1,338.8	1,213.9	1,171.5	1,215.7

The notes in circulation transferred to the Banco Central were replaced by new notes issued by the latter. The Government is responsible for the circulation of small coin and notes not exceeding 5 pesos ; but this subsidiary note issue, against which there is no reserve cover, may not exceed the total in circulation on May 31st, 1935 (viz., 212 million pesos), unless the Banco Central asks for an increase and the total circulation of such subsidiary currency does not exceed 20 pesos per head of the population. On the other hand, the Banco Central's note issue and other sight liabilities have to be covered by a gold and foreign exchange reserve of not less than 25 %. The foreign exchange reserve may not exceed one-tenth of the total reserve ; nor may the total foreign exchange holdings of the bank in any circumstances exceed an amount equivalent to 20 % of the reserve.

The assets of the former Caja de Conversión which served as cover for the former note issue were transferred to the Banco Central, subject to the following changes. The advances on Patriotic Loan bonds were transformed into Consolidated Treasury bonds. The fiduciary issue, dating from before the 1899 Conversion Law, amounting to

¹ See *Commercial Banks, 1913-1929*, page 352 ; *1925-1933*, page 268 ; *1929-1934*, page 155.

² See *Commercial Banks, 1925-1933*, page 269.

293 millions, was taken over by the Government, which in return guaranteed 174 millions of subsidiary currency and gave the bank guaranteed non-interest-bearing bonds to a total of 119 million pesos to cover the balance of the subsidiary currency in circulation. The gold reserve of the Caja de Conversión was revalued on its transfer to the new bank at the rate of 25 paper pesos to 1 gold £, which represents a rate of approximately 15 paper pesos to the £ sterling. The profit of 702 million pesos resulting from the revaluation of the reserve was utilised by the Government for certain financial operations.¹

In addition to the transfer of the assets and liabilities of the Caja de Conversión, other assets (in particular, those of the Exchange Control Office) were handed over to the Banco Central. Similarly, the clearing accounts of the commercial banks with the Banco de la Nación were handed over to the Banco Central. The effect of these transfers of the assets and liabilities of the Caja de Conversión and of the other independent institutions are shown in the first balance-sheet of the Banco Central as follows :

	May 31st	Sept. 30th	Nov. 30th
	Pesos (000,000's)		
<i>Assets :</i>			
Gold reserve	1,224.4	1,224.4	1,224.4
Foreign exchange	122.6	111.3	125.3
Subsidiary currency	11.0	19.0	19.5
Guarantee bonds without interest	118.9	118.9	118.9
Consolidated Treasury bonds . .	400.0	150.0	227.7
<i>Liabilities :</i>			
Note circulation	964.4	932.2	940.0
Deposits on current account :			
Banks	578.5	241.1	203.6
Government	136.3	145.8	186.7
Other deposits	1.9	109.9	196.0
Capital of the Instituto Movili- zador de Inversiones Bancarias	10.0	10.0	10.0
Reserve of the Instituto Movili- zador de Inversiones Bancarias	163.6	145.8	163.6
Government Fund for future redemption of Treasury bonds	11.6	—	—
Variations in the rates of Conso- lidated Treasury bonds	—	17.6	15.7
Gold and foreign-exchange cover :	%	%	%
(a) For note circulation . . .	139.7	143.3	143.6
(b) For note circulation and sight liabilities	72.2	83.3	79.4

¹ The 702 millions were employed as follows :

	Pesos (000,000's)
1. Banco Central shares subscribed by Government	10
2. Capital (10 millions) and reserves of Instituto Movilizador de Inversiones Banca- rias (380 millions), 216 millions of which were for cover for rediscounted bills transferred from the Caja de Conversión	390
3. Redemption of Treasury bonds	140
4. Reduction of Government debt to Banco de la Nación	150
5. Fund for further redemption of Treasury bonds	12
	<u>702</u>

² It will be apparent from consideration of the corresponding items in this table and in the Summary Table that the Buenos Aires banks are almost the only banking establishments in the country.

In addition to the provisions with regard to the constitution of the Banco Central, the Banking and Currency Reform Laws contain a variety of regulations, of which the following are the chief. The commercial banks are required to deposit a proportion of their liquid assets equivalent to 16 % of their sight deposits and 8 % of their time deposits with the Banco Central, which is given a right of control over all banking institutions. The cash holdings of the majority of banks are incidentally above the legal minimum.

The law for the foundation of the Instituto Movilizador de Inversiones Bancarias stipulates that the institution, the purpose of which is to liquidate the frozen assets of the banks, is to be purely provisional and that its capital and reserves are to be formed (as stated above) out of a part of the profit derived from the revaluation of the gold reserve.

The laws amending the organisation of the Banco de la Nación and the National Mortgage Bank (Banco Hipotecario Nacional) are mainly concerned with the management of the two institutions in question. They limit the amount of the advances by the Banco de la Nación to 15 % (in lieu of 25 %) of the bank's capital and reserves.

The organisation law establishes a committee of experts to assist the Government in its financial and currency reforms.

The above reform has had important effects on the banking situation, which will be apparent from the balance-sheet of the Banco Central given above, and further from the following summary of the principal accounts of the Buenos Aires banks :²

	Dec. 1933	Dec. 1934	June 1935	Nov. 1935
	Paper pesos (000,000's)			
Deposits	3,605	3,534	3,487	3,358
Discounts and advances	3,099	3,073	2,588	2,496
Cash in hand	793	615	759	853

The high degree of liquidity of the banks and the reduction in discounts and advances are explained primarily by the fact that the Government was recently enabled to reduce the floating debt with the aid of the profit resulting from the revaluation of the gold reserve. Such was the glut on the money market that the Banco Central was enabled

to embark on open-market operations whose extent and effects are apparent in the balance-sheet shown above. On the other hand, the deposits of the commercial banks with the Banco Central (originally due to transfer of the credit balances of the banks previously held for clearing transactions at the Banco de la Nación, and also to the redemption of Treasury bonds) fell from 579 millions — a sum much too large for the clearing operations of the Banco Central and for the legal reserves of the latter — to 204 million pesos. The cash holdings of the banks, after a marked drop in 1934, rose rapidly under these circumstances in 1935.

In addition to the reduction of the Government's floating debt, it was found necessary, in connection with the reform of the banking position, to reduce the credits accorded by the Banco de la Nación to the commercial banks. In 1935, the Instituto Movilizador de Inversiones Bancarias took over from the Banco de la Nación some 315 millions of frozen credits, handing to the latter more than half that amount (178.4 millions) in cash. The Instituto, which thus took over the claims of the commercial banks, established a new bank in December 1935 known as the Banco Español del Rio de la Plata Limitada, with a capital of 20 million pesos, to take over the liquid assets and deposits of the four banking institutions — Banco Español del Rio de la Plata, Banco el Hogar Argentino, Ernesto Tornquist y Cia, and Banco Argentino Uruguayo — while reserving for future use such assets as did not admit of immediate realisation. The Instituto, founded with a capital of 10 million pesos and a reserve of 380 millions, used up almost the whole (368.4 millions) of its liquid reserves by the transfer of 178.4 millions to the Banco de la Nación and by a payment of 190 millions to the Banco Español. The financial reforms are now officially regarded as complete.

The Banking and Currency Reform Laws further modified the control of foreign exchange and foreign trade.¹ The Exchange Committee was abolished, and the Banco Central was made responsible for the exchange control and, in particular, for fixing the official purchase and sale rate of the peso. The peso auctions instituted in November 1933 ceased, and the Banco Central was authorised, as from January 2nd, 1936, to fix the official sale rate of the peso. The three rates on that day in £ sterling were — official purchase rate 15, official sale rate 17.02, and free-market rate 18.27 paper pesos per £ sterling.

The legislation of March 29th, 1935, further modified the import trading system. As from April 22nd, 1935, goods from countries, like the United States of America and Japan, having no commercial treaty or payment agreements with the Argentine, which were imported without a previous exchange permit, were made subject to a variable surtax fixed daily at a rate bringing the free-market rate of the peso up to an amount sufficient to make the rate actually paid by the importer equal to 20% more than the official sales rate. At the same time, a number of payment agreements were concluded with countries with which the Argentine had an unfavourable trade balance — e.g., the United Kingdom, Germany, Spain, the Netherlands, Belgium and Switzerland.

The exchange system before the abolition of the foreign-exchange auctions left the Government with a profit drawn mainly — apart from such sales as it might effect on the free market — from the spread between the official purchase and official sale rates. This profit, which on August 15th, 1935, amounted to 197.8 million pesos, was used to constitute an Exchange Equalisation Fund of 112.8 millions, to keep up minimum prices for certain agricultural products (15.5 millions) and to reduce the service of the public debt (69.5 millions).

Balance-sheet Summary.

Note. — For detailed notes on various items of the Balance-sheet Summary, see preceding edition of this volume.

I. Cash.

The amounts shown under (a) consist entirely of gold. Those shown under (b) consist of :

Pesos (000,000's)	1929	1931	1932	1933	1934
Notes	292	383	552	376	321
Banco de la Nación	(97)	(114)	(166)	(110)	(99)
Ordinary banks	(195)	(269)	(386)	(266)	(222)
Clearing-house balances of ordinary banks	84	124	86	135	82
Total	376	507	635	511	403

3. Bills discounted and bought.

The sums shown in the Summary Table consist of bills discounted for the public. They do not include the Banco de la Nación's rediscounts for the ordinary banks, which are given outside the balance-sheet (see note to group 22 below). The amounts discounted by the Banco de la Nación and by the ordinary banks are shown below :

Pesos (000,000's)	1929	1931	1932	1933	1934
Banco de la Nación	681	675	633	569	523
Ordinary banks	1,003	1,035	925	872	876
Total	1,684	1,710	1,558	1,441	1,399

¹ For the organisation of the market and the legislative position before January 1934, see *Commercial Banks, 1929-1934*, page 155.

ARGENTINE.

COMMERCIAL BANKS

Table 1 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks	26	26	26	26	.
	Pesos (ooo,ooo's omitted)				
ASSETS.					
1. Cash	470	514	643	516	403
(a) Gold, silver and small coins	94	7	5	5	3
(b) Inland notes and balances with Central Bank	376	507	638	511	400
2. Other Items of a Cash Nature	93	77	121	136	122
3. Bills discounted and bought	1,684	1,710	1,558	1,441	1,399
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	211	271	262	242	233
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	92	—	—	22	20
(a) At home	—	—	—	—	—
(b) Abroad	92	—	—	22	20
7. Loans and Advances	2,032	2,014	1,933	2,030	2,059
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	4,582	4,586	4,517	4,387	4,236
LIABILITIES.					
12. Capital paid up	522	554	557	.	.
13. Reserve Funds	169	176	178	.	.
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	2	3	3	.	.
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	46	27	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	46	27	—	—
17. Deposits	3,945	3,555	3,554	3,512	3,484
(a) Current accounts and sight deposits	1,218	1,009	1,112	1,216	1,168
(b) Savings accounts	1,771	1,648	1,570	1,533	1,589
(c) Time or fixed deposits	710	667	654	537	504
(d) Other deposits	246	231	218	226	223
18. Rediscounts	—	359	295	207	172
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	—	—	—	—	—
21. Total Liabilities	4,884	4,693	4,614	.	.
22. Other Borrowings	404	524	490	480	508
23. Value of currency (official rate) in Swiss francs at the end of each year	2.10	1.30	1.09	1.07	1.02

6 and 16. *Due from and to Banks (Correspondent Accounts).*

Pesos (000,000's)	1929	1931	1932	1933	1934
Banco de la Nación . . .	+55	0	+10	+12	+32
Ordinary banks	+37	-46	-37	+10	-12
Total	+92	-46	-27	+22	+20

7. *Loans and Advances.*

Pesos (000,000's)	1929	1931	1932	1933	1934
Loans	1,058	748	650	645	669
Banco de la Nación	(143)	(126)	(130)	(140)	(128)
Ordinary banks	(915)	(622)	(520)	(505)	(541)
Advances on Government securities . . .	528	691	673	686	696
Banco de la Nación	(197)	(247)	(248)	(259)	(272)
Ordinary banks	(331)	(444)	(425)	(427)	(424)
Other loans and advances	446	575	610	699	695
Banco de la Nación	(96)	(120)	(146)	(205)	(205)
Ordinary banks	(350)	(455)	(464)	(494)	(490)
Total loans and advances	2,032	2,014	1,933	2,030	2,059
Banco de la Nación	(436)	(493)	(524)	(604)	(605)
Ordinary banks	(1,596)	(1,521)	(1,409)	(1,426)	(1,455)

17. *Deposits.*

Pesos (000,000's)	1929	1931	1932	1933	1934
Current accounts	1,218	1,009	1,112	1,216	1,168
Banco de la Nación	(448)	(320)	(363)	(440)	(433)
Ordinary banks	(770)	(689)	(749)	(776)	(735)
Savings deposits	1,771	1,648	1,570	1,533	1,589
Banco de la Nación	(956)	(847)	(805)	(801)	(846)
Ordinary banks	(815)	(801)	(765)	(732)	(742)
Time deposits	710	667	654	537	504
Banco de la Nación	(53)	(57)	(134)	(94)	(89)
Ordinary banks	(657)	(610)	(520)	(443)	(417)
Other deposits	246	231	218	226	223
Banco de la Nación	(112)	(103)	(102)	(100)	(109)
Ordinary banks	(132)	(128)	(116)	(126)	(114)
Total deposits	3,945	3,555	3,554	3,512	3,484
Banco de la Nación	(1,569)	(1,327)	(1,404)	(1,435)	(1,477)
Ordinary banks	(2,376)	(2,228)	(2,150)	(2,077)	(2,008)

18. *Rediscounts.*

The amounts shown under this heading in the Summary Table represent rediscounts of commercial paper which the Banco de la Nación effected with the Caja de Conversión.

The ordinary banks rediscount commercial paper with the Banco de la Nación and borrow from it against Government securities. As these borrowings represent neither a net asset nor liability of the commercial banking system as a whole, they have been excluded from the Summary Table and are shown separately outside the balance-sheet proper: See following note.

22. *Other Borrowings.*

As stated above, the Banco de la Nación's rediscounts of commercial paper for the ordinary banks and its advances to them against Government securities have been excluded from groups 3 and 7 under assets and from group 18 under liabilities. They are shown in the present group and were composed in the years under review as follows:

Pesos (000,000's)	1929	1931	1932	1933	1934
Rediscounts of commercial paper	138	252	287	267	268
Borrowings against Government securities	266	272	203	213	240
Total	404	524	490	480	508

AUSTRALIA AND NEW ZEALAND.

General Note.

On account of the very close connection existing between the commercial banking systems of Australia and New Zealand, the two Dominions are here dealt with under a joint heading. As in the previous issues, the plan has been followed of first treating the Australian and New Zealand banking systems individually, and then as a whole. The summary tables and detailed notes given in the individual sections are based on official statistics as reproduced in the *Australasian Insurance and Banking Record*. These statistics refer exclusively to the assets and liabilities of the banking offices within each Dominion and exclude completely capital and reserve accounts. After the individual sections, a separate summary table is presented for

Australia and New Zealand together; this table, which is based on a summary prepared by the *Australasian Insurance and Banking Record* of the complete balance-sheets of all important banks as published in their annual reports, covers all business in Australia, New Zealand, London and elsewhere, and includes capital and reserve accounts. The summary table for the combined profit and loss accounts of these banks is based on statistics published in *The Economist*. The tables based on the official statistics relate to the June quarter and those based on the banks' annual reports to twelve-month periods ending at varying dates round the middle of each year.

AUSTRALIA.

Banking developments in Australia during 1934/35 reflect principally the alteration in the overseas trade and the continued improvement in internal business conditions. Whereas a considerable increase in export values, a relatively small rise in import values, and a favourable trade balance of £ stg. 30.5 million had characterised Australian overseas trade during the twelve months ended June 1934, foreign trade in the year under review discloses a decline of £ stg. 8.3 million in exports, a rise of £ stg. 13 million in imports, and a favourable trade balance of only £ stg. 9.3 million. This change in the character of overseas trade is due to the fall in export prices,¹ and to the expenditure in 1934/35 of the increased income accruing from the high export values of 1933/34. The effect of these changes in banking conditions may be seen from the following summary of the principal accounts of the ten leading trading banks and deposit figures of savings banks:

	June Quarter		
	1933	1934	1935
	£A (000,000's)		
<i>Trading banks.</i>			
1. Cash	41.3	53.3	38.5
Of which. — Balances with Commonwealth Bank . . .	(23.6)	(38.4)	(23.7)
2. Government and municipal securities	52.8	52.1	52.0
3. Discounts, advances, etc. . .	234.1	237.0	253.7
4. Deposits	277.6	299.7	294.4
Of which. — Non-interest bearing	(89.0)	(101.4)	(106.5)
<i>Savings banks deposits in:</i>			
5. Commonwealth Savings Bank	117.5	123.7	128.7
6. Other savings banks	84.8	87.0	89.3

The relatively heavy increase in imports and the consequent strain on the balance of payments is reflected in a fall of £A.5.3 million in total deposits with the trading banks and in a decrease of £ stg. 12.7 million in the London funds of the trading banks and the Commonwealth Bank, which are shown below²:

	June quarter	June quarter
	1934	1935
	£ stg. (000,000's)	
Australian trading banks	26.4	19.4
Commonwealth Bank	24.7	19.0
Total	51.1	38.4

The increase of £A.16.7 million in loans (item 3, above) in the year ending June 1935 (accompanied by a decrease, very similar in amount, in the trading banks' balances with the Commonwealth Bank) is due both to increased imports and increased business activity in Australia. Evidence of the latter is to be found in the fall in the recorded number of unemployed from 88,000 in May 1934 to 68,890 in August 1935. The ratio of current, or non-interest bearing, accounts to time accounts with trading banks rose from 51 to 57% between the middle of 1934 and the middle of 1935 and savings deposits with the Commonwealth Savings Bank and with other savings banks (items 6 and 7 of the above table) increased by £A.7.3 million during the same period. Bank clearings in the six capital cities show the same tendency; they rose from a monthly average of £A.34.5 million in the first six months of 1934 to a monthly average of £A.35.6 million in the first half of the following year. This increase in bank clearings took place

¹ The export price index, 1927 = 1000, fell from an average of 739 in the twelve months ended June 1934 to an average of 609 in the following twelve months.

² The London *Economist*, Banking Supplement, October 12th, 1935, page 13.

AUSTRALIA.

COMMERCIAL BANKS

Table 2 (a)

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :					
	1930	1931	1932	1933	1934	1935
Number of Banks.	II	II	IO	IO	IO	IO
ASSETS.						
	£A (000,000's omitted)					
I. Cash.	37.6	53.2	49.8	41.3	53.3	38.5
(a) Gold, silver and small coins.	4.6	2.0	2.0	1.9	1.9	1.9
(b) Inland notes and balances with Central Bank	33.0	51.2	47.8	39.4	51.4	36.6
2. Other Items of a Cash Nature.	1.9	1.3	1.3	1.4	1.6	1.8
3. Bills discounted and bought.	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—	—
4. Investments and Securities.	19.3	21.5	43.7	52.8	52.1	52.0
(a) Government	—	—	—	—	—	—
(b) Others.	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents).	4.1	2.9	3.8	3.7	3.5	2.2
(a) At home.	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances.	262.8	241.3	229.3	234.1	237.0	253.7
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	7.6	8.0	8.0	8.0	8.2	8.4
10. Sundry Assets	—	—	—	—	—	—
II. Total Assets	333.3	328.2	335.9	341.3	355.6	356.6
LIABILITIES.						
12. Capital paid up	—	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—	—
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—	—
15. Notes in Circulation	0.2	0.2	0.2	0.2	0.2	0.2
16. Cheques and Drafts in Circulation	2.8	2.3	2.1	2.1	2.4	2.5
17. Due to Banks (Correspondents)	2.7	1.5	1.3	1.2	1.3	1.0
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	270.0	262.8	280.0	277.6	299.7	294.4
(a) Current accounts and sight deposits	89.8	81.1	87.1	89.0	101.4	106.5
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	180.2	181.7	192.9	188.6	198.3	187.9
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—
21. Sundry Liabilities.	—	—	—	—	—	—
22. Total Liabilities.	275.7	266.8	283.6	281.1	303.6	298.1
23. Value of currency in Swiss francs at the end of June of each year.	23.60	19.26	14.93	14.00	12.38	11.97

despite a heavy decrease in the value of total wool transactions consequent on the fall in the price of wool in the latter period.

Though total security holdings remained the same, there was a decline of £A.5.25 million in the Commonwealth Treasury bills held by the banks as compared with the June quarter of 1934. This decline was due to redemptions, which are likely

to continue as a result of an internal loan of £A.10.8 million raised in July 1935 for this object and for providing funds for public works. Conversion loans continued to be issued in London during 1934/35, bringing the total of London conversions on account of various Australian States from October 1932 to July 1935 to a sum of £ stg. 138 million.

Balance-sheet Summary.

1. Cash.

The amounts shown under (a) are made up as follows :

June quarter £ A (000,000's)	Coin	Bullion	Total
1930	4.5	0.1	4.6
1931	1.8	0.2	2.0
1932	1.7	0.3	2.0
1933	1.6	0.3	1.9
1934	1.6	0.3	1.9
1935	1.6	0.3	1.9

The sums shown under (b) consist of Australian notes issued by the Commonwealth Bank and deposits held by the joint-stock banks with that Bank. The amounts due by the Commonwealth Bank to other banks are shown below :

June quarter	£ A (000,000's)
1930	16.9
1931	32.2
1932	29.1
1933	23.6
1934	38.4
1935	23.7

2. Other Items of a Cash Nature.

These consist of the banks' holdings of cheques and drafts on other banks.

4. Investments and Securities.

These include the banks' holdings of Treasury bills.

11 and 22. Total Assets and Liabilities.

As the official statistics do not cover the complete balance-sheets, the totals of the assets and liabilities shown do not correspond.

12, 13 and 14. Capital, Reserves and Undivided Profits.

The paid-up capital and reserves, etc., of all the Australian trading banks with head offices in either Australia or London were as follows :

End of June £ (000,000's)	Capital	Reserves and undivided profits
1930	44.6	36.2
1931	44.9	36.8
1932	44.0	35.4
1933	44.0	35.4
1934	44.0	35.4
1935	43.5	35.4

These figures do not include the capital and reserves of the foreign banks operating in Australia.

NEW ZEALAND.

Banking developments in New Zealand in the course of 1934/35 were influenced by the establishment and operations of the Reserve Bank, and by changes in overseas trade. In the following statement, the principal assets and liabilities within New Zealand of the six trading banks for the period under review are given twice so as to bring out the broad trends of commercial banking as well as the changes following the establishment of the

Central Bank ; columns 1 to 3 show the accounts for the June quarter of 1933, 1934 and 1935 respectively according to the method of presentation employed prior to the establishment of the Reserve Bank, columns 4 and 5 give respectively the first and the most recent monthly returns of the banks published in the *New Zealand Gazette* in accordance with Section 46 of the Reserve Bank Act. These two series are not strictly comparable.

	Averages for June quarter			4	5
	1933	1934	1935	27.VIII 1934	26.VIII 1935
	£N.Z. (000,000's)				
1. Cash	5.2	5.1	4.0	23.8	8.3
Of which					
(a) Gold, silver and coin	(5.1)	(5.0)	(0.8)	(1.8)	(0.6)
(b) Notes of Reserve Bank	—	—	(1.6)	(5.5)	(3.2)
(c) Balances with Reserve Bank	—	—	(1.6)	(16.5)	(4.5)
2. Overseas Assets in respect of New Zealand Business	—	—	—	20.4	23.2
Of which. — In London	—	—	—	(11.1)	(17.2)
3. Discounts and Advances	46.8	41.3	43.9	41.3	46.3
4. Government Securities	14.4	27.2	5.8	—	—
5. Notes in circulation	6.3	6.4	0.8	3.6	0.7
6. Deposits	55.8	63.8	61.2	67.5	61.2
(a) Free	(18.9)	(22.9)	(24.4)	(27.2)	(24.8)
(b) Fixed	(36.9)	(40.9)	(36.8)	(40.3)	(36.4)
7. Demand and time liabilities abroad in respect of N.Z. business	—	—	—	5.8	1.6

The principal changes which occurred in the accounts of the trading banks after the Reserve Bank had begun operations related to their cash assets, their Government security holdings and their note issues. The cash reserves, consisting mainly of gold coin and amounting to £NZ.5.1 million in the June quarter of 1934, shot up to £NZ.23.8 million one month after the establishment of the Reserve Bank. Reserve Bank Balances and notes amounting to £NZ.16.5 and £NZ.5.5 million respectively at the end of August 1934 were acquired by the sale of about £3 million of gold coin at face value to the Reserve Bank and by the redemption on the part of the Government of £NZ.22 million of Treasury bills held by the six trading banks. This latter transaction, which the Government effected with the proceeds of the sale of its sterling balances to the Reserve Bank, reduced the Government security holdings of the trading banks from an average of £NZ.27.2 in the June quarter of 1934 to an average of £NZ.5.8 million in the same quarter of 1935.

The huge cash holdings acquired in August 1934 were reduced gradually in the course of the next eleven months; they fell to £NZ.8.3 million at the end of July 1935. This reduction of £NZ.15.3 million was achieved by drawing on balances with

the Reserve Bank to the extent of £NZ.12 million, by diminishing Reserve notes held as till money by £NZ.2.3 million, and by selling the remaining stock of gold coin, £1.2 million at face value, to the Reserve Bank.

This decrease in cash assets was accompanied by a reduction in the note issues of the banks, following redemptions amounting to £NZ.2.9 million, and by an increase in overseas assets and in discounts and advances. In the year ended August 26th, 1935, the former (item 2 less item 7 of the table above) rose by £NZ.7 million to a total of £NZ.21.6 million, having been as high as £NZ.24.3 million at the end of April 1935. This substantial increase in net overseas assets cannot be attributed to the favourable trade balance, which amounted to £NZ.10 million in the twelve months ending June 1935 as against £NZ.22 million in the previous twelve months and which was just sufficient to meet commitments for debt and other services due abroad. It would appear to be due to the gradual transfer abroad by the trading banks of their excess reserves with the Reserve Bank.¹ The issue of a loan of £4 million by the New Zealand Government in London during July 1934 enabled this transfer to take place without any substantial reduction occurring in the sterling assets of the Reserve Bank.² In fact, total net overseas assets, as the following statement of the overseas funds of the trading banks and Reserve Bank shows, increased by over £NZ.3 million between the end of August 1934 and the end of August 1935.

	Reserve Bank sterling exchange	Trading banks' net assets abroad	Total
	£N.Z. (000,000's)		
1934			
August 27th	24.5	14.6	39.1
September 24th	24.5	15.8	40.3
December 31st	22.1	18.4	40.5
1935			
March 25th	22.4	22.7	45.2
June 24th	22.8	23.2	46.0
August 26th	20.8	21.6	42.4

These large overseas funds, accumulated principally since 1932 as a result of favourable balances of trade and an inward flow of capital to New Zealand, are very much in excess of those held from 1921 to 1932, which are estimated³ to have ranged between £10 and £20 million sterling.

¹ Part of this transfer seems to have been due to the return to London of funds that had been placed in New Zealand in the hope of a larger depreciation of the £NZ. in relation to sterling than actually took place.

² The decline in the sterling assets of the Reserve Bank during July 1935 was due to the partial payment out of these reserves of the unconverted part, £2.1 million, of the New Zealand Government stock of £10 million at 5% offered for conversion at 3% in London during July 1935.

³ *Bulletin of the Canterbury Chamber of Commerce*, September 1935.

NEW ZEALAND.

COMMERCIAL BANKS

Table 3 (a).

ACCOUNTS	SUMMARY OF POSITION : AVERAGES FOR QUARTER ENDING JUNE 30TH :					
	1930	1931	1932	1933	1934	1935
Number of Banks	6	6	6	6	6	6
ASSETS.						
	£N.Z. (ooo,ooo's omitted)					
1. Cash	6.9	7.0	6.3	5.2	5.1	4.0
(a) Gold, silver and small coins	6.8	6.9	6.2	5.1	5.0	0.8
(b) Inland notes and balances with Central Bank	0.1	0.1	0.1	0.1	0.1	3.2
2. Other Items of a Cash Nature	0.7	0.5	0.4	0.3	0.5	2.5
3. Bills discounted and bought	1.2	0.9	0.7	0.6	1.9	0.5
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	6.3	5.0	9.5	14.8	27.6	6.0
(a) Government	5.6	4.6	9.1	14.4	27.2	5.8
(b) Other	0.7	0.4	0.4	0.4	0.4	0.2
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	0.7	1.7	1.3	1.7	0.8	2.5
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	52.9	52.5	49.9	46.1	39.4	43.4
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	1.2	1.3	1.3	1.3	1.3	1.4
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	69.9	68.9	69.4	70.0	76.6	60.3
LIABILITIES.						
12. Capital paid up	—	—	—	—	—	—
13. Reserve Funds	—	—	—	—	—	—
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Notes in Circulation	6.4	5.8	6.0	6.3	6.4	0.8
16. Cheques and Drafts in Circulation	0.3	0.2	0.2	0.1	0.2	0.2
17. Due to Banks (Correspondents)	0.7	1.6	1.3	1.7	0.8	0.1
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	58.8	55.0	54.0	57.5	64.8	61.8
(a) Current accounts and sight deposits	23.2	18.1	16.8	18.9	22.9	24.4
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	30.5	33.1	35.4	36.9	40.9	36.8
(d) Other deposits	5.1	3.8	1.8	1.7	1.0	0.6
19. Rediscounts and Other Borrowings	—	—	0.1	0.1	0.2	0.3
20. Acceptances and Endorsements	—	—	—	—	—	—
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	66.2	62.6	61.6	65.7	72.4	63.2
23. Value of currency in Swiss francs in June of each year	24.01	22.90	17.07	14.06	12.41	12.04

The increase in imports by £NZ.7.5 million and the further improvement in business activity in New Zealand during the twelve months ending June 1935 are reflected by the recovery of loans and advances, by the shift in deposits from time to current accounts, and by the movement of bank debits. Loans and advances, which had reached their lowest level since 1923 in the June quarter of 1934, rose by £NZ.4 million to £NZ.43.4 million in the June quarter of 1935. The percentage of free to fixed deposits with the trading banks rose from 56% in the middle of 1934 to 66.3% in the middle of 1935, and the fall of £NZ.2.6 million in the total private deposits with the banks was more than made up, as the following table shows, by the increase in savings accounts with the Post Office and the private savings banks :

	£N.Z. (000,000's)		
	End of March		
	1933	1934	1935
Post Office Savings Bank	42.0	44.9	49.4
Private savings banks	10.5	10.8	11.3
Total	52.5	55.7	60.7

The index of bank debits for private accounts, 1929 = 100, which had risen from an average of 60.5 in the first six months of 1933 to 76.5 in the first six months of 1934, fell to 74.5 during the first half of 1935. Considering, however, that the movement of bank debits are heavily affected by changes in wool prices, which fell considerably in the first half of 1935, this figure represents a high level and suggests that the reduction in the receipts and transactions recorded on account of export trade was offset by a corresponding increase in transactions on account of internal business activity.

The evolution of the accounts of the Reserve Bank during its first year of existence may be seen from the following summary of its weekly returns for August 6th, 1934, and for August 5th, 1935 :

	August 6th,	August 5th,
	1934	1935
	£N.Z. (000,000's)	
<i>Liabilities.</i>		
1. Paid-up Capital and Reserves	1.5	1.5
2. Note Circulation	7.8	8.8
3. Demand Liabilities		
(a) State	2.5	11.5
(b) Banks	14.5	4.1
<i>Assets.</i>		
4. Reserves		
(a) Gold (at face value)	0.3	2.5
(b) Sterling exchange	24.5	21.1
5. Investments	1.5	2.1
6. Total balance-sheet	26.4	26.1

Apart from the movement of the balances of the trading banks and of the sterling exchange reserves referred to above, the most striking change in the course of the year ended August 5th, 1935, was the substantial increase in State balances with the Reserve Bank. These balances are very much in excess of those formerly kept with the trading banks (see item 18(d) of the adjoining Summary Table), and this excess appears to be due principally to the favourable budgetary position. The gold reserves of the Bank are shown at face value and consist of the gold coins bought from the trading banks. The total amount of gold coin transferred by the banks to the Reserve Bank amounted to approximately £4.4 million at face value, but a third of this amount was sold at market prices in the first quarter of 1935. The investments shown in the above statement consist entirely of New Zealand Government securities.¹ The Reserve Bank's discount rate, 4% up to the end of July 1935, when it was reduced to 3.5%, is not of great significance, as a bill market has not yet been developed in New Zealand, and as no applications for rediscounts have been made to the Reserve Bank.

Balance-sheet Summary.

1. Cash.

For explanation of the changes in 1935, see text above.

2. Other Items of a Cash Nature.

Mainly cheques and drafts on other banks.

3. Bills discounted and bought.

Part of discounts may be included under advances in the official returns. Treasury bills issued in connection with the taking over of the exchange reserves of the banks are included under securities.

11 and 22. Total Assets and Liabilities.

As the official statistics do not cover the complete balance-sheets, the totals of the assets and liabilities do not correspond.

15. Notes in Circulation.

The ordinary banks are required to redeem their outstanding notes only in Reserve Bank notes or subsidiary coin, and on August 1st, 1936, must pay over an account equal to the value of their then outstanding notes to the Reserve Bank, which will assume liability for their redemption.

¹ See speech of the Governor of the Reserve Bank before a meeting of shareholders reported in the *Australasian Insurance and Banking Record* of August 21st, 1935.

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS
Table 4 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE MIDDLE OF :					
	1929	1931	1932	1933	1934	1935
Number of Banks	12	12	12	11	11	11
	£ sterling (000,000's omitted)					
ASSETS.						
1. Cash	85.8	74.8	79.8	74.9	74.2	82.5
(a) Gold, silver and small coins	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature	43.2	21.7	22.2	22.5	29.4	24.8
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	54.5	41.1	59.8	72.8	82.7	75.4
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
7. Loans and Advances	298.8	308.1	290.0	287.2	289.3	293.9
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	6.0	4.7	4.4	4.6	6.0	6.6
9. Premises, etc.	8.5	9.5	9.7	9.8	9.8	9.9
10. Sundry Assets	—	—	—	—	—	—
11. Total Assets	496.8	459.9	465.9	471.8	491.4	493.1
LIABILITIES.						
12. Capital paid up	46.1	46.4	46.4	45.4	45.5	45.5
13. Reserve Funds	35.7	37.0	37.1	36.0	36.0	35.5
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	4.5	3.9	3.1	2.7	2.6	2.8
15. Notes in Circulation	7.5	6.4	6.5	7.0	7.1	1.4
16. Cheques and Drafts in Circulation	31.2	22.2	19.0	19.8	21.6	21.7
17. Due to Banks (Correspondents)	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	365.8	339.3	349.4	356.3	372.6	379.6
(a) Current accounts and sight deposits	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—
20. Acceptances and Endorsements	6.0	4.7	4.4	4.6	6.0	6.6
21. Sundry Liabilities	—	—	—	—	—	—
22. Total Liabilities	496.8	459.9	465.9	471.8	491.4	493.1

AUSTRALIA AND NEW ZEALAND. COMMERCIAL BANKS

Table 4 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING AT THE MIDDLE OF:					
	1929	1931	1932	1933	1934	1935
Number of Banks	12	12	11	11	11	10
	£ sterling (000,000's omitted)					
Capital and Reserves	86.6	89.4	86.2	87.5	87.3	77.2
1. Gross Profits	6.76	4.85	3.11	2.48	2.69	2.37
<i>To be deducted:</i>						
2. Expenses	—	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	0.02	0.02	0.02
4. Written off on (Depreciation Accounts for)	0.25	0.13	0.01	0.07	0.07	0.04
(a) Premises, etc.	0.25	0.13	0.01	0.07	0.07	0.04
(b) Investments and securities	—	—	—	—	—	—
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit	6.49	4.70	3.08	2.39	2.60	2.31
6. Carried forward from Preceding Year	1.79	1.97	1.96	1.60	1.08	1.09
7. Taken from Reserves or Capital	—	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	8.28	6.67	5.04	3.99	3.68	3.40
9. Carried to Reserves	1.07	0.30	0.11	0.55	0.10	0.12
10. Dividends	5.36	4.41	3.33	2.36	2.49	2.18
11. Directors' Fees, etc.	—	—	—	—	—	—
12. Carried forward to Following Year	1.85	1.96	1.60	1.08	1.09	1.10
13. Total as above	8.28	6.67	5.05	3.99	3.68	3.40

Balance-sheet Summary.

The table covers the ten trading banks operating in Australia and, in addition, the National Bank of New Zealand, which carries on business only in New Zealand, apart from its London head office. Table 41(a) therefore represents a combination of Tables 39(a) and 40(a) plus the accounts of Australian and New Zealand banks held in London. For the composition of each item in the Summary Table, reference may be made to the detailed notes to the Summary Tables for Australia and New Zealand above. The amounts shown under "1. Cash" include coin and bullion, cash balances, Australian notes, notes of the

Reserve Bank of New Zealand and other banks, money at short call and some relatively small amounts of Government and other securities held by the Bank of New Zealand in London; "2. Other Items of a Cash Nature" refer to bills receivable in London and remittances in transit, including a certain amount of remittances in transit between branches. For the middle of 1935 the Commercial Banking Co. of Sydney, Ltd., is omitted from the profit-and-loss accounts table as the accounts of that bank are not yet available. Its dividends amounted to £0.24 million.

AUSTRIA.

The most important changes in the position of the National Bank of Austria during 1934/35 were the considerable increases in its foreign exchange assets and its sight deposit liabilities, as may be seen from the following summary of the Bank's principal accounts :

End of :	Dec. 1933	June 1934	Dec. 1934	June 1935	Oct. 1935
	Schillings (ooo,ooo's)				
<i>National Bank.</i>					
Gold	189	241	242	242	242
Foreign exchange	13	36	35	82	137
Bills discounted	275	254	236	232	229
Note circulation	952	955	964	937	963
Sight deposit liabilities	142	156	154	237	254

The gold and exchange holdings of the National Bank were written up by about 27% in April 1934.¹ Valued at the new rate, the gold and exchange held at the end of 1933 would have been worth 240 and 16 millions respectively. Thus, while the gold stock remained practically unchanged, the Bank's foreign exchange actually increased by nearly 20 million schillings in the course of 1934. This increase continued at a greatly accelerated rate in 1935; foreign exchange holdings rose by over 100 million schillings in the first ten months of that year.

The expansion of the National Bank's exchange reserve is to some extent a reflection of the decrease in the import surplus and the revival of the tourist traffic. Particularly in the second quarter of 1935, however, it was largely due to repatriation of capital owing partly to apprehensions regarding certain foreign currencies and partly to the improvement in economic conditions at home. The diminished requirements of foreign exchange resulting from the conversion, in December 1934, of the Foreign Guaranteed Loan, 1923-1943,² also contributed to relieve the exchange situation. The conversion, moreover, involved the release of a deposit of about 40 million schillings, previously held abroad as security for the service of the loan. This item, however, was nearly set off by the liquidation of transfer arrears in May and June 1935 (see below). Substantial amounts of foreign exchange have also been used for repatriation of bonds, particularly in connection with the conversion of the Foreign Guaranteed Loan, half of the American tranche of 15 million dollars being taken up in Austria (which probably accounts for the increase in the banks' security holdings in 1934, as shown by the attached Summary Table).

In view of the improvement in the exchange position, the exchange control was considerably relaxed in 1934 and 1935. At the suggestion of the Austrian parties concerned, the standstill

agreement with the American and British bank creditors was terminated on December 10th, 1934, when, of the 34 million dollars of liabilities covered by the agreement at the beginning of 1932, only a balance of 8 million dollars remained outstanding, for which individual arrangements were made between the creditors and debtors. As for long-term foreign debts, all schilling amounts on account of interest and amortisation paid into the Foreign Debt Fund at the National Bank during 1932 were released by the National Bank on May 5th, 1935, for transfer in foreign exchange. At the end of May 1935, transfer facilities were extended to the 1933 and 1934 payments and, as from June 24th, 1935, the National Bank allowed full transfer of the current service of foreign debts. In principle, however, foreign payments remained subject to supervision and approval by the National Bank.

As will be noticed from the above statement, the National Bank's bill portfolio has declined steadily since the end of 1933, a fact which illustrates the growing cash liquidity of the commercial banks. The Creditanstalt had completely redeemed its indebtedness to the National Bank by April 1934, and the rediscount liabilities of the Bankverein were liquidated soon after its amalgamation with the Creditanstalt. At the end of 1934, practically the whole of the National Bank's rediscount portfolio consisted of "frozen" bills of the Industriekredit A.G. (the former Escompte-Gesellschaft) of which the National Bank itself is the sole shareholder. In closing its accounts for 1934, the National Bank decided to apply part of its profits to the writing-off of about 10 million schillings of these bills. The virtually complete independence of the commercial banks proper from the rediscount facilities of the National Bank in 1935 is confirmed by the fact that the bill holdings of the latter showed practically no fluctuation in the first ten months of 1935.

Since the latter part of 1934, therefore, the growing liquidity of the Austrian banking system is mainly reflected in the remarkable increase of sight deposits with the National Bank. This item now represents almost exclusively cash balances of banks and other financial institutions, as the "blocked accounts" which it contained due to the exchange control declined from 88 millions at the end of 1932 to only 12 million schillings at the end of 1934. As will be seen from the accompanying Summary Table, the bank's cash assets showed a large increase in 1934; this increase appears to have been even more pronounced in the following year. The fact that the National Bank's exchange holdings and sight liabilities both increased by almost exactly the same amount in the

¹ See *Commercial Banks, 1929-1934*, page 2.

² For a brief description of this conversion, see *Balances of Payments, 1934* (League of Nations), page 33.

first ten months of 1935 suggests that at least a substantial part of the increase in the liquid resources of the banking system was due to the inflow of foreign exchange. A special factor increasing the cash resources of the banks was the Employment Loan of 175 million schillings issued in May 1935; of this, a balance of 20 millions not subscribed by the public was taken over by a banking syndicate; but about 80 millions of the proceeds were used for the redemption of Treasury bills largely held by the banks. To a certain extent, the improvement in the cash position of the banks may also be attributed to the gradual liquidation of frozen assets and to the increase in deposits received from the public. As shown by the Summary Table, deposits other than current accounts with the commercial banks rose by nearly 20 million schillings in 1934 and, according to figures published in the National Bank's *Mitteilungen*, this increase appears to have continued in the first half of 1935. Aggregate deposits with all Austrian savings institutions rose from 2,056 million schillings at the end of 1933 to 2,113 millions at the end of 1934 and to 2,245 millions at the end of June 1935. As some of these institutions, especially the Post Office Savings Bank, hold their free balances at the National Bank, this increase probably also accounts for part of the expansion of the latter's sight deposit liabilities.

On June 28th, 1934, the National Bank lowered its discount rate from 5 to 4½%; the rate was further reduced to 4% on February 23rd, 1935, and to 3½% on July 10th, 1935, which is the lowest bank rate in the history of the National Bank of Austria. On several occasions, the Bank has recently taken the initiative in securing reductions in the interest rates of other financial institutions.

Balance-sheet Summary.

The significance of the changes shown in the Summary Tables can only be understood in the light of the events recorded in the corresponding chapters in *Commercial Banks, 1925-1933* and *1929-1934*. This information is not repeated here, nor do the following notes contain the general information on certain items which was given in the two preceding editions.

The last four columns in the Summary Tables cover the following banks: Creditanstalt, Bankverein, Länderbank, Merkurbank and Industriekredit A.G. (the former Escompte-Gesellschaft). The reduction in the number of banks in 1934 is due to the merger of the two first-named banks. The Industriekredit A.G., although since April 1934 it is

an industrial holding company rather than a bank, had to be included in order to secure comparability (see the account of the banking reconstruction of April 1934 given in the preceding edition).

On July 1st, 1934, the Viennese banks and savings banks reduced their deposit rates by ½%; after two further reductions of ½% each on March 13th and July 1st, 1935, respectively, the deposit rates of these banks were as follows: on current account deposits 2%; savings accounts 2½%; deposits at three months' notice, 2¾%. Interest rates on bank advances appear to have been correspondingly reduced in this period. Long-term interest rates have likewise declined as a result of the stock-exchange revival.¹

From the balance-sheets published by the Revisionsgesellschaft at the end of 1934 and June 1935, it appears that this institution has completed its functions in connection with the bank reconstructions of 1933 and 1934.² The frozen assets taken over by the Revisionsgesellschaft from the banks in exchange for rediscount facilities at the National Bank were handed back to the banks in 1934 (in the case of the Bankverein and the Creditanstalt) and in the first half of 1935 (in the case of the Industriekredit A.G.) without any compensation to the Revisionsgesellschaft, so that the Guarantee Fund of 140 million schillings accorded to it by the Government and National Bank had to be written off as lost.

After the amalgamation of the Creditanstalt and the Bankverein in April 1934, the concentration process in the Austrian banking system continued in the provinces. Thus the Creditanstalt, having already obtained control over certain local banks such as the "Bank für Oberösterreich und Salzburg" and the "Hauptbank für Tirol", carried out the fusion of its affiliates, the "Steirerbank" and the "Steirische Escomptebank" at Graz in December 1934.

As the Creditanstalt published no balance-sheet in 1931 and only a composite profit-and-loss account covering the two years 1931-1932, summary figures for the four other banks for 1930-1932 are given in the first three columns of the Summary Tables in order to facilitate year-by-year comparison.

In the following notes, the term "Creditanstalt", whenever it refers to 1934, stands for "Oesterreichische Creditanstalt-Wiener Bankverein".

Since 1932, the Creditanstalt has published its accounts in greater detail than the other banks.

¹ The index of bond quotations, published by the "Institut für Konjunkturforschung" (1927=100), which rose from 88 in December 1933 to 109 in December 1934, reached a high level of 116 in March 1935 (probably in consequence of the repatriation of capital from abroad), after which, however, it receded to 102 in September 1935, while the share index (1923-1932=100) showed a consistent rise from 55 in December 1934 to 68 in September 1935.

² See the Chapter on Austria in *Commercial Banks, 1925-1933* and *1929-1934*.

AUSTRIA.

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Table 5 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1930	1931	1932	1930	1932	1933	1934
Number of Banks	4	4	4	5	5	5	4
ASSETS.							
	Schillings (ooo,ooo's omitted)						
1. Cash	59.7	51.4	37.9	88.8	45.7	71.6	97.8
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—	—	—
3. Bills discounted and bought	234.8	169.2	106.8	326.5	147.3	143.9	159.6
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	30.5	23.2	17.9	101.3	57.4	59.1	82.8
(a) Government	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
5. Participations	178.8	158.7	136.7	281.4	145.2	136.5	93.9
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
7. Loans and Advances	1,062.4	851.3	807.7	2,443.0	1,265.2	1,071.3	949.9
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
8. Cover for Acceptances	0.5	0.4	0.2	2.0	0.2	0.2	0.3
9. Premises, etc.	10.7	10.0	9.9	33.1	13.1	15.3	11.3
10. Sundry Assets	0.5	0.5	0.1	186.4	78.0	88.9	88.8
11. Total Assets	1,577.9	1,264.7	1,117.2	3,462.5	1,752.2	1,586.8	1,484.4
LIABILITIES.							
12. Capital paid up	129.0	114.0	74.0	381.1	221.0	198.8	193.8
13. Reserve Funds	74.6	48.3	5.0	—	—	—	—
14. Profit-and-Loss Accounts, Undivided Profits, etc.	11.7	4.4	0.3	11.7	0.5	1.0	0.8
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
17. Deposits	1,361.3	1,096.8	1,037.4	3,036.5	1,400.7	1,302.9	1,215.8
(a) Current accounts and sight deposits	1,095.3	878.0	821.3	2,454.2	1,149.5	1,059.3	953.0
(b) Savings accounts	—	—	—	—	—	—	—
(c) Time or fixed deposits	266.0	218.8	216.1	582.3	251.2	243.6	262.8
(d) Other deposits	—	—	—	—	—	—	—
18. Rediscounts and Other Borrowings	—	—	—	—	—	—	—
19. Acceptances and Endorsements	0.5	0.4	0.2	2.0	0.2	0.2	0.3
20. Sundry Liabilities	0.8	0.8	0.3	31.2	129.8	83.9	73.7
21. Total Liabilities	1,577.9	1,264.7	1,117.2	3,462.5	1,752.2	1,586.8	1,484.4
22. Guarantees (<i>Avale</i> and <i>Bürgschaften</i>)	—	34.8	46.1	—	114.8	118.6	98.2
23. Other Contingent Liabilities	—	—	—	—	212.2	207.5	211.5
24. Value of currency in Swiss francs at the end of each year	0.73	0.61	0.61	0.73	0.61	0.58	0.57

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Table 5 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS FOR THE YEARS :							
	1930	1931	1932	1929	1930	1931 and 1932	1933	1933
Number of Banks	4	4	4	5	5	5	5	4
	Schillings (ooo,ooo's omitted)							
Capital paid up	129.0	114.0	74.0	239.1	381.3	—	196.5	192.0
Reserves and Undivided Profits	74.8	49.6	5.2	97.3			—	2.3	1.8
I. Gross Profits	60.8	52.6	37.4	107.6	124.0	145.3	59.7	51.0
<i>To be deducted:</i>								
2. Expenses	43.6	40.9	35.0	77.9	77.4	117.9	39.5	35.3
(a) Salaries, etc.	27.8	26.2	24.0	50.0	49.6	82.7	27.3	24.5
(b) Other working expenses	6.7	6.4	5.6	9.8	11.1	19.7	7.7	7.6
(c) Taxes, etc.	9.1	8.3	5.4	18.1	16.7	15.5	4.5	3.2
3. Reserved for Pension Funds, etc.	6.1	7.2	7.3	10.3	16.1	40.8	16.8	15.0
4. Written off:								
(a) Ordinary depreciation accounts	0.1	0.1	0.1	0.5	0.6	1.4	0.1	0.1
(b) Extraordinary accounts . . . . .	...	60.4	102.6	...	159.0	977.0	38.5	46.0
5. Net Profit or Loss :								
(a) Including extraordinary offwritings.	11.0	-56.0	-107.6	18.9	-129.1	-991.8	-35.2	-45.4
(b) On current transactions.	11.0	4.4	-5.0	18.9	20.6	-14.8	-2.9	0.6
6. Carried forward from preceding year	0.7	1.1	4.0	1.1	1.2	5.1	—	0.2
7. (a) Taken from Reserves or Capital	—	59.3	103.8	—	76.5	272.5	36.1	30.0
(b) Contributions à fonds perdus	—	—	—	—	63.1	722.7	—	16.0
8. Total Amount disposed of for Divi- dends, etc.	11.7	4.4	0.3	20.0	11.7	0.6	0.9	0.8
9. Carried to Reserves	0.1	0.1	0.2	1.9	0.1	0.3	0.5	0.1
10. Dividends	9.4	—	—	15.3	9.4	—	—	—
11. Directors' Fees, etc.	0.4	—	—	0.9	0.4	—	—	—
12. Carried forward to following year	1.0	4.1	—	1.0	1.0	—	0.2	0.4
13. Transferred to Head Office account	0.8	0.2	0.1	0.9	0.8	0.3	0.2	0.3
14. Total as above	11.7	4.4	0.3	20.0	11.7	0.6	0.9	0.8
15. Value of currency in Swiss francs at the end of each year.	0.73	0.61	0.61	0.73	0.73	0.61	0.58	0.57

The figures in the notes below thus mainly reproduce the additional information available for the Creditanstalt. It must be noted, however, that, owing to the amalgamation of the Bankverein with the Creditanstalt in 1934, these figures are not comparable as between 1932 and 1933 on the one hand and 1934 on the other.

3. Discounts.

	1932	1933	1934
Schillings (ooo,ooo's)			
<i>Creditanstalt:</i>			
Home bills	35	39	54
Foreign bills	6	2	9
Total	41	41	63

6 and 7. Correspondent Accounts and Loans and Advances.

	1930	1931	1932	1933	1934*
Schillings (ooo,ooo's)					
<i>Banqueverein, Länderbank and Merkurbank:</i>					
Correspondent accounts	83	33	30	20	12
Loans and Advances	572	472	464	420	202
Total	655	505	494	440	214

* Länderbank and Merkurbank only.

The figures in the Summary Table represent almost exclusively the item *Debitoren* shown in the bank balance-sheets. The following details under this item are shown by the Creditanstalt :

	End of : 1932	1933	1934
	Schillings (ooo,ooo's)		
"Nostro" accounts with foreign banks	8.8	8.5	10.1
Domestic bank accounts	36.2	14.5	37.5
Advances to associated industrial concerns	141.5	129.6	141.0
Public bodies	49.4	30.1	43.6
Loans on current bank account	211.5	150.3	248.7
Other accounts (transitory, etc.)	10.1	12.0	26.8
Total	457.5	345.0	507.7
Of which in foreign currencies	271.4	61.4	91.8

9. Sundry Assets.

Includes the following :

	1932	1933	1934
	Schillings (ooo,ooo's)		
<i>Creditanstalt</i> :			
Mortgage loans	40.4	38.3	34.8
Building loans	37.5	46.7	48.9

12 and 13. Capital and Reserves.

Excluding capital and reserves of the Länderbank, which are held abroad.

16 and 17. Correspondent Accounts and Deposits.

Item 17(a) represents the aggregate of a number of different accounts which, in the balance-sheets of the banks, are combined under the general heading *Kreditoren*. The *Creditanstalt* shows the following details :

	1932	1933	1934
	Schillings (ooo,ooo's)		
Current account deposits of :			
Savings banks	263.7	56.9	105.4
Public bodies		9.8	14.5
Financial institutions		34.2	86.0
Others		101.5	167.9
Other creditors ^a	64.6	50.7	69.2
Total	328.3	253.2	443.0
Of which in foreign currencies	54.6	36.1	70.6

^a Bills payable, pension funds, transitory items, special reserves, etc.

Items 17(b) to (d) represent *Kassenscheine*, deposits and savings accounts of the public.

18. Rediscounts.

	1932	1933	1934
	Schillings (ooo,ooo's)		
<i>Creditanstalt, 1932-1934</i> :			
Rediscounted finance bills	61	68	—
Rediscounted commercial bills	21	9	—
Total	82	77	—

Rediscounted finance bills are shown under the balance-sheet liabilities (included in group 20, below) ; rediscounted commercial bills, given below the balance-sheet of the bank, are excluded entirely from the Summary Table.

20. Sundry Liabilities.

	1932	1933	1934
	Schillings (ooo,ooo's)		
<i>Creditanstalt, 1932-1934</i> :			
Rediscounted finance bills	61.0	8.0	—
Mortgage bonds	30.6	29.0	26.8
Bonds covered by building loans	37.9	46.7	46.9
Total	129.5	83.7	73.7

22. Guarantees.

For 1933 and 1934, this item includes the Government guarantee of 20 million schillings accorded to the *Industriekredit A.G.* in April 1934. The *aval* liabilities of the *Creditanstalt* amounted to 68.7 millions at the end of 1932, 51.8 millions in 1933 and 71.0 millions in 1934.

23. Other Contingent Liabilities.

The figures for 1932 and 1933 represent "live claims" of the foreign creditors of the *Creditanstalt*. The figure for 1934 includes, besides the "live claims", a contingent liability of 15.3 millions of the *Creditanstalt* to the *Industriekredit A.G.*

Summary of Profit-and-Loss Accounts.

The 1934 figure for gross profits of the *Creditanstalt* (31.2 million schillings) is obtained by deducting from interest, commissions, etc., received (35.2 millions) both the interest paid on deposits (3.3 million schillings) and the payment made to the *Industriekredit A.G.* (0.7 million) in accordance with the bank reorganisation of April 1934.

The extraordinary off-writings (item 4(b)) in 1934, which have their counterpart in items 7(a) and (b), are due to the *Bankverein*, as described in *Commercial Banks, 1929-1934*, page 1.

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

BELGIUM.

The outstanding developments in Belgian banking in the course of 1934/35 were the extensive reorganisation of the credit and banking structure and the devaluation of the belga in March 1935. Despite the Government's efforts since the summer of 1934 to help industry, commerce and the banks by a series of legislative measures¹ the strain on the latter increased as economic conditions, in particular foreign trade, failed to improve. In the absence of recent commercial banking returns (see below), the continued pressure on the banks is illustrated by the decline in the sight liabilities of the National Bank on private account, mainly bankers' balances, from 1,921 million francs at the end of December 1933 to 1,143 and 975 millions at the end of June and December 1934 respectively, and the increase in advances on public securities from 258 million francs at the end of 1933 to 635 millions at the end of 1934. The pressure on the banks persisted in the first two months of 1935 and assumed alarming proportions in the last two weeks of March 1935, when the bill portfolio of the National Bank shot up from 3,392 to 4,665 million francs (as the foreign assets of the Bank are also included under this heading, the domestic bill holdings must have increased by even more), its advances on public securities rose from 1,120 to 1,629 millions, and the note circulation from 18,206 to 18,851 millions. No figures for the withdrawals of funds from the commercial banks have been published, but they are known to be considerable and to have been made largely for the purchase of foreign currencies. This flight from the franc resulted in a loss of gold by the National Bank amounting to 1,361 million francs in the four weeks ending March 28th. A strict exchange control was instituted on March 18th, centralising all gold and exchange dealings in the hands of the National Bank and the newly established *Office Central des Changes*, and ten days later the stock exchanges and banks were closed for a period of three days. On March 30th, Article 8 of the Stabilisation Law of October 25th, 1926, was suspended, the devaluation of the belga by 25 to 30% was authorised, an Exchange Equalisation Fund was created, and the National Bank was authorised to write up the book value of its gold reserves as on March 29th by 25%, the profits of revaluation being ceded to the Treasury. The Decree of March 31st fixed the

gold content of the belga at 0.150632 gramme, or 28% below its old gold content (one belga is equal to five Belgian francs). The effects of these measures on the monetary and banking structure may be judged from the following summary of the weekly returns of the National Bank at certain selected dates :

	28.XII. 1933	28.VI. 1934	27.XII. 1934	28.III. 1935	4.IV. 1935	27.VI. 1935	26.XII. 1935
	Francs (ooo,ooo's)						
1. Gold	13,668	13,265	12,524	11,293	12,997	17,951	17,286
2. Domestic bills and foreign gold exchange	3,932	3,283	3,366	4,665	4,873	7,228	6,466
3. Advances on public securities	258	227	635	1,629	1,223	562	430
4. Note circulation	17,993	17,408	17,650	18,850	19,125	20,153	20,583
5. Other sight liabilities :							
(a) On Treasury account	1,085	441	193	127	133	147	342
(b) On private account	1,921	1,143	975	928	1,155	6,722	4,563

It is estimated² that the gold losses of the National Bank from the beginning of 1934 to the date of devaluation amounted to 5 milliard francs, which would imply that the gold reserve of the National Bank on March 30th was less than 9 milliard francs. The first return after devaluation, that of April 4th, places the gold reserve at 12,997 million new francs, or 9,748 million francs of the former parity.

The repatriation of capital which followed the devaluation of the belga and the consequent improvement in the position of the banks are reflected in the returns of the National Bank. At the end of December 1935, the gold reserve stood at 17,286 million francs, or 12,964 million francs of the old gold content. This represented an increase of 440 million francs of old gold content over the reserve as at the end of 1934, and a decline of 704 millions compared with the end of 1933. The difference between 1933 and 1935 in gold reserves appears to be more than made up by the increase in foreign exchange holdings, which, in view of the probable decline in domestic bills, must have risen very much more than is suggested by the increase in the joint figure shown by the bank returns. The improvement in the position of the commercial banks is brought out by the decrease in the advances of the National Bank, and the very considerable expansion of its sight liabilities on private account.

¹ The measures taken by the Government between August and October 1934 to cheapen the cost of credit to commerce and industry, to relieve the banks of their frozen industrial assets, and to extend credit to the middle and artisan classes were described on pages 8-9 of *Commercial Banks, 1929-1934*. Further measures were taken by the State in the last quarter of 1934 and at the beginning of 1935. Among the more important were the extension during October of the limits of the State guarantee for credits granted to the artisan, professional and middle classes, the extension of State guarantee from 600 to 1,000 million francs for credits granted to exporters, the creation on December 7th of an *Office Central de la Petite Épargne* with a fund of one milliard francs, the reduction of interest rates on mortgage loans to a maximum of 6 to 7% on January 28th, 1935, and the extension of the control of the State of the long-term capital market, money-changers and stockbrokers on January 30th.

² BAUDHUIN : *La dévaluation du franc belge*, Brussels, 1935, page 90.

The restoration of confidence permitted the abolition of exchange restrictions by the end of April, and a reduction in the National Bank's discount rate from $2\frac{1}{2}\%$ to 2% on May 15th. Though the Exchange Equalisation Fund remained in existence, it has been stated¹ that it has never had to intervene in the market. In May, the Government converted all of its internal loans into a unified 4% loan; and created a fund of 1 milliard francs out of the profits of revaluation of the gold stock² with which to support the quotations of the new loan. On June 13th, a law was passed for the creation of an *Institut de réescompte et de garantie* for a period of five years with the object of aiding banks, industrial, commercial and agricultural enterprises to mobilise their assets and to satisfy their special credit requirements. The capital of the *Institut*, 200 million francs, is to be subscribed by individuals or institutions subject to the legislation on banking, and the guarantee of the State on its operations is fixed at 2,000 million francs. The President and two out of the six members of the Board of Directors are nominated by the Government. The *Institut* is authorised to do discount and acceptance business, and to guarantee medium-term financial operations likely to promote the objects for which it was established. The bills accepted by it can be rediscounted at the National Bank.

A new and detailed banking law was passed on July 9th, 1935, supplementing that of August 22nd, 1934, which had provided for the separation of industrial from deposit banking. The present law establishes detailed regulations regarding deposit banks which are defined as institutions receiving funds on deposit either at sight or for a period not exceeding two years. Among the principal provisions of the new law may be noted the following: (1) joint-stock banks are to have a paid-up capital of 10 million francs, private banks of 2 millions, and foreign banks or branches must allocate 10 million francs in paid-up capital to their operations in Belgium; (2) banks are required to maintain certain ratios, determined by

experience, between their deposits and their liquid assets on the one hand, and between their deposits and capital and reserves on the other — the Banking Commission may, if it sees fit, fix these ratios in individual cases or in general; (3) they may not invest, except for a maximum period of six months, in industrial securities and they are not allowed either directly, or through their directors, to have connections with companies other than deposit and mortgage banks and insurance companies; (4) the banks are required to invest their legal reserves in Belgian public securities; (5) an independent banking commission, composed of the representatives of the National Bank, *Institut de réescompte* and the commercial banks, is charged with the foreswearing and the setting-up of a list of accountants whom the banks must employ for the examination of their books, the surveying of public issues through the intermediary of banks for which detailed regulations are provided, and the exercise of such other control as may become necessary; (6) the banks are required to submit to the National Bank monthly returns and annual balance-sheets and profit-and-loss accounts. The general provisions of the law came into force on January 1st, 1936, and by October 8th, 1935, 150 establishments had applied for registration as controlled banks.

A further step towards the reform of banking was taken on January 7th, 1936, by the publication of three decrees on mortgage credit and banks. These institute a control over mortgage companies, aim at protecting borrowers from high interest rates, and create an *Office central de crédit hypothécaire* the principal object of which is to facilitate the mobilisation of mortgage debts.

Due to the banking reform, the balance-sheets of the commercial banks for the end of 1934 are not available. The publication of monthly returns which was required by the Law of August 22nd, 1934, will not be made obligatory till January 1936.

For detailed notes on the Summary Table, see *Commercial Banks, 1929-1934*, page 9.

¹ Speech of the Governor of the National Bank on August 26th, 1935.

² These are estimated — BAUDHUIN, *op. cit.*, page 135 — at 3,700 million francs. They have been used as follows: 870 million francs were paid to the National Bank as partial settlement of the old State debt of 1,370 millions, 150 million francs were credited to the Grand-Duchy of Luxemburg for its share in the revaluation profits, 1,125 millions were granted to the Exchange Equalisation Fund, 1,000 millions were used for the support of *rentes*, and the remainder was put in charge of the *Office de redressement économique* created on April 19th.

BELGIUM.

COMMERCIAL BANKS

Table 6 (a).

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

BOLIVIA.

The monetary and banking position in Bolivia in 1934 and the first half of 1935 is characterised by Government inflation as a result of the continuance of hostilities with Paraguay. The Chaco war, which was financed from the outset by funds placed at the disposal of the Government by the Banco Central,¹ necessitated an increase in currency circulation which is reflected by the increase in the cash of the commercial banks and in their sight deposits with the Banco Central. The methods of financing the war are shown by the balance-sheet summary of the commercial banks and the summary of the principal accounts of the Banco Central.²

	Dec. 1931	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935
	Bolivianos (000,000's)					
<i>Banco Central:</i>						
Gold	16.2	27.0	7.9	8.8	9.5	14.2
Foreign exchange	9.8	2.3	5.6	19.4 ^a	3.2	6.8
<i>Securities:</i>						
Government . .	8.7	69.7	119.3	190.3	242.2	326.5
Other	4.6	4.8	5.3	4.5	3.8	3.3
Note circulation .	26.6	37.6	53.8	64.1	83.6	120.0
Deposits	11.2	42.3	54.0	121.0	139.0	195.8

^a Including 11.1 millions of claims on foreign countries.

On examining this table, the following facts may be noted: (1) The circulation of notes issued by the Banco Central has constantly increased since 1932, in which year hostilities broke out with Paraguay. In addition, the circulation of silver and nickel currency issued by the State was estimated in December 1934 at 6 million bolivianos. (2) Similarly, the deposits with the Banco Central constantly increased on account of the direct discounting of Government bills. (3) While the deposits on current account with the commercial banks constantly increased owing to the monetary inflation, the total amount of their loans and investments and the private portfolio of the Banco Central reflected the general stoppage of business by the fact that they were at a standstill or even on the decline. (4) As a result of this contrary movement of loans and investments and deposits, the cash of the commercial banks increased in 1934 by more than five times in comparison with 1932. The recent increase in the gold holding of the Banco Central is connected with the fresh measures taken in January 1935 to regulate the purchase and sale of gold. The Banco Central was authorised to pay for the total value of recently acquired gold in foreign currency

at the London rate. The seller of the gold must employ 70% of the currency thus obtained in order to import goods of prime necessity, or he must sell it back to the Banco Central in exchange for bolivianos. If the person concerned desires to sell in Bolivia the 30% of foreign currency still remaining, he must offer it to the Banco Central at the export rate of the boliviano.

Foreign-exchange control and the system of foreign trade³ have been changed on several occasions and have constantly become stricter. For instance, the Decree of January 24th, 1935, cancelled the provisions of the Decree of November 5th, 1934, which authorised exchange operations on the free market. The former system of foreign-exchange control based on the principle that all transactions in foreign currency and in gold must be carried out through the Banco Central has been reorganised and some important innovations have been introduced.

The decree provided in the first place two legal rates of exchange. As a result of the prohibition of transactions on the free market, the boliviano must be negotiated either at the official rate or at the export rate. All foreign currency purchased by the Banco Central at the official rate must be placed at the disposal of the Minister of Finance in order to meet State requirements; any foreign currency not used by the Government is allocated to payments for imports of raw materials, machinery and goods of prime necessity and to the payment of certain duly authorised expenditure abroad. On the other hand, the foreign currency purchased by the Banco Central at the export rate is placed at the disposal of the foreign-exchange control authority for use as a means of payment for general trade and for the public. The decree also provided that the export rate must not exceed 80 bolivianos per pound sterling. The official rate was fixed in February 1933 at 20 bolivianos per pound and has only undergone slight variations. Other provisions of the Decree of January 1935 fix the percentages of foreign currency which the exporters must sell to the Banco Central at the official rate and at the export rate of the boliviano. These percentages vary according to the different export products, the proportion of the percentage offered at the export rate being generally greater than that offered at the official rate. The exporter-producers of tin, who, under the January decree remitted 52% of the foreign currency to the Banco Central at the official rate, and the non-producing exporters, who had to

¹ See *Commercial Banks, 1929-1934*, page 159.

² As regards banking organisation in Bolivia, see *Commercial Banks, 1925-1933*, page 274.

³ See *Commercial Banks, 1929-1934*, page 161.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1929	1932	1933	1934 ¹	1932	1933	1934 ¹
Number of Banks.	3	3	3	3	2	2	2
ASSETS.							
	Bolivianos (000,000's omitted)						
1. Cash.	20.9	14.4	38.6	49.1	6.9	30.4	48.0
(a) Gold, silver and small coins.	15.0	9.2	11.8	1.1	1.7	3.6	—
(b) Inland notes and balances with Central Bank	5.9	5.2	26.8	48.0	5.2	26.8	48.0
2. Other Items of a Cash Nature.	—	—	—	—	—	—	—
3. Bills discounted and bought.	22.2	12.0	13.9	9.7	7.3	6.7	6.8
(a) Treasury bills	16.7	11.7	9.5	8.1	—	—	—
(b) Commercial bills, Inland.	5.5	0.3	4.4	1.6	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—	—	—
4. Investments and Securities.	19.1	85.1	136.3	257.7	10.5	11.8	11.6
(a) Government	—	—	—	—	—	—	—
(b) Others.	—	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents).	47.0	29.5	4.8	20.1	6.6	2.6	1.8
(a) At home.	—	2.5	—	—	2.5	—	—
(b) Abroad	47.0	27.0	4.8	20.1	4.1	2.6	1.8
7. Loans and Advances.	47.1	41.8	38.2	39.7	28.3	26.0	30.9
(a) On current account	26.1	16.5	13.6	—	11.9	9.6	—
(b) Other	21.0	25.3	24.6	—	16.4	16.4	—
8. Cover for Acceptances	0.5	0.2	0.2	—	0.2	0.2	—
9. Premises, etc.	6.4	7.1	7.1	5.7	4.1	4.4	3.7
10. Sundry Assets	4.8	4.7	5.4	7.2	1.2	2.2	0.9
11. Total Assets	168.0	194.8	244.5	389.2	65.1	84.3	103.7
LIABILITIES.							
12. Capital paid up	45.6	47.3	48.3	48.3	23.5	24.5	24.5
13. Reserve Funds	20.3	20.1	19.7	22.8	13.8	12.8	15.3
14. Profit-and-Loss Accounts, Undivided profits, etc.	3.1	4.5	3.7	3.7	2.6	1.5	0.9
15. Notes in Circulation	43.0	37.7	53.8	83.6	0.1	—	—
16. Cheques and drafts in Circulation	1.7	—	—	—	—	—	—
17. Due to Banks (Correspondents)	5.7	5.4	25.7	48.2	0.9	0.3	—
(a) At home	5.7	4.5	21.6	47.7	—	0.1	—
(b) Abroad	—	0.9	4.1	0.8	0.9	0.2	—
18. Deposits	45.3	60.2	64.9	145.0	23.8	39.8	58.3
(a) Current accounts and sight deposits	26.3	48.6	47.9	137.3	13.2	23.8	51.9
(b) Savings accounts	4.8	3.4	3.5	3.3	3.3	3.5	3.2
(c) Time or fixed deposits	12.9	7.3	12.5	3.2	7.3	12.4	3.2
(d) Other deposits	1.3	0.9	1.0	1.2	—	0.1	—
19. Rediscounts and Other Borrowings	—	—	—	—	—	—	—
20. Acceptances and endorsements	0.5	0.2	0.2	—	0.2	0.2	—
21. Sundry Liabilities.	2.8	19.4	28.2	37.6	0.2	5.2	4.7
22. Total Liabilities.	168.0	194.8	244.5	389.2	65.1	84.3	103.7
23. Value of currency in Swiss francs at end of each year	1.85	0.95	0.84	0.74	0.95	0.84	0.74

¹ The annual reports of all the banks not being available, the figures for 1934 and provisional.

offer 65 % of the foreign currency to the Bank at the official rate, are compelled by a new Decree of October 1935 to sell 55 % of the foreign currency to the Banco Central at the official rate. On the other hand, the Decree of October 1935 practically cancelled all restrictions on exports of tin.¹

The Decree of January 20th, 1935, placed foreign trade under the control of the Dirección General de Consumes Nacionales, which is under the direction of the Minister of National Defence. This

institution, which is responsible for regulating the imports and exports of the country, in agreement with the Minister of Finance, has very wide powers in all spheres of economic activity.

The summary table, which is drawn up on the same principles as that in the preceding edition of this volume, furnishes, not only particulars for all the banks in the country, including the Banco Central, but also the special figures relating to the two purely commercial banks.

Balance-sheet Summary.

3. Bills discounted and bought.

	1929	1931	1932	1933
	Bolivianos (000,000's)			
Bills discounted ^a	12.8	5.4	4.7	3.4
Bills overdue	1.4	6.2	3.9	3.2
Due bills at sight	0.2	0.4	0.4	0.2
Bills in process of collection	1.3	4.3	2.7	2.7
Bills in liquidation	1.0			
Total	16.7	16.3	11.7	9.5

^a Excluding rediscounts at the Banco Central.

6. Due from Banks (Correspondents).

Amounts due from domestic banks are not shown separately in the balance-sheets, except for the Banco Mercantil in 1932.

Sums shown for foreign correspondents consist of sight deposits held with banks abroad by the Banco Central as backing for its note circulation, and sight deposits and balances accruing to this and other banks in the ordinary course of business.

15. Notes in Circulation.

The division of the note circulation among the Banco Central and the other banks, and the latter's holdings of Banco Central notes are shown as follows :

	1929	1931	1932	1933
	Bolivianos (000,000's)			
Note circulation of :				
Banco Central	42.5	26.6	37.6	53.8
Associated Banks	0.5	0.4	0.1	—
Total net circulation	43.0	27.0	37.7	53.8
Notes of Banco Central held by				
Associated Banks	0.9	0.7	0.7	2.5
Net circulation in hands of public	42.1	26.3	37.0	51.3

17. Due to Banks (Correspondents).

Mainly balances of associated banks with the Banco Central.

18. Deposits.

	1929	1931	1932	1933
	Bolivianos (000,000's)			
Current accounts	23.6	17.2	46.7	43.7
Sight deposits	2.7	2.0	1.9	4.2
Total (a)	26.3	19.2	48.6	47.9
Ordinary savings deposits	3.6	2.9	2.5	2.9
Workmen's savings deposits	1.2	1.0	0.9	0.6
Total (b)	4.8	3.9	3.4	3.5
Time deposits (c)	12.9	10.8	7.3	12.5
Judicial deposits	1.2	0.8	0.8	0.9
Deposits in foreign money	0.1	0.3	0.1	0.1
Total (d)	1.3	1.1	0.9	1.0
Grand total	45.3	35.0	60.2	64.9

¹ These provisions were again changed on April 1st, 1936, when the Government fixed the definite official rate of exchange of the boliviano by linking it to the pound sterling (50 bolivianos=£1). The export rate was abolished. Under an agreement between the Government and the tin producers, 42½% of the foreign exchange produced by exports of tin are to be handed to the Government at the rate of 37.50 bolivianos per pound sterling.

BRAZIL.

The chief feature of banking and monetary development in Brazil during the period January 1934-June 1935¹ was an expansion of credit and currency accompanying the revival of business activity.

The movements of the circulation are shown in the following table.

	Note issue of Federal Treasury	Note issue of Stabili- sation Office	Total of cols. a+b	Note issue of Banco do Brasil	Aggre- gate total of cols. c+d
	a	b	c	d	e
	Milreis (000,000's)				
Dec. 1931 . . .	2,683	89	2,772	170	2,942
Dec. 1932 . . .	3,004	65	3,069	170	3,239
Dec. 1933 . . .	2,978	39	3,017	20	3,037
July 1934 . . .	3,030	32	3,062	20	3,082
Dec. 1934 . . .	3,108	30	3,138	20	3,158
Dec. 1935 . . .	3,567	25	3,592	20	3,612

The circulation of the notes of the Banco do Brasil shows no change, although, under the Decree of November 21st, 1930, the bank was still entitled to increase its note issue to 100 million milreis. The note issue of the Stabilisation Office, which latter was closed down at the end of 1930, again shows a decrease as the notes are gradually withdrawn from circulation and replaced by Federal Treasury notes. The Federal Treasury also made new issues, primarily with the object of meeting the Federal Government's budget deficits. There is no gold reserve cover for the notes: but, under a Decree dated December 4th, 1934, the Banco do Brasil was instructed to make gold purchases for the Federal Government's account, and the purchases so made amounted in December 1934 to 97 million paper milreis, which in December 1935 had increased to 254 millions. These figures, which are equivalent to 37 and 82 millions of the former gold milreis, represent the prices paid for 6,683 and 14,845 kg. of fine gold respectively. For the purpose of these purchases, the Banco do Brasil advanced the necessary funds to the Federal Government. The bank is responsible for the custody of the gold purchased on Government account.

The balance-sheets of the banks show considerable expansion over the eighteen months under consideration.

	Deposits		Cash	Loans and Advances	
	Sight	Time		Bills discoun- ted	Advances on current account
	Milreis (000,000's)				
<i>National banks:</i>					
Dec. 1933 . . .	3,687	1,193	597	2,492	3,028
June 1934 . . .	4,380	1,391	694	2,389	3,235
Dec. 1934 . . .	4,452	1,507	567	2,502	3,458
June 1935 . . .	4,404	1,430	506	2,995	3,324
Dec. 1935 . . .	4,301	1,903	538	2,736	3,465
<i>Foreign banks:</i>					
Dec. 1933 . . .	1,163	301	204	478	881
June 1934 . . .	1,221	277	211	481	910
Dec. 1934 . . .	1,170	290	209	456	990
June 1935 . . .	1,178	313	205	488	1,080
Dec. 1935 . . .	1,186	376	222	468	1,083

The total volume of deposits in all Brazilian banks showed a continual increase during the last four years, rising from 5,962 million milreis in December 1931 to 7,419 millions in December 1934 and 7,580 millions in September 1935. Similarly with loans and advances. The total volume of discounts, loans and advances, which amounted in December 1931 to 5,892 million milreis, increased to 7,406 millions in December 1934 and 8,184 millions in September 1935. A considerable part of these fresh credits represented, however, advances by the Banco do Brasil to the Federal Treasury and the National Coffee Department, the Federal Treasury having been compelled to appeal to the bank for assistance in meeting the budget deficits. The Finance Minister was authorised accordingly on December 31st, 1934, to borrow a further 300 million milreis to cover the deficit of the financial year 1934 and to regularise the Federal Treasury's position.

One provision of this decree stipulated that banks taking up these issues of Treasury bonds should be entitled to present them for rediscount to the Rediscount Department of the Banco do Brasil, which was authorised to ignore the legal limit fixed for its bill holdings in the case of these rediscount operations.

In December 1934, the Federal Treasury's debt² to the Banco do Brasil totalled 384 million milreis. The debts of the different States and municipalities to the Bank at the same date totalled 504 millions, and that of the National Coffee Department totalled 611 millions. The limit of 600 millions fixed by the Decree of December 7th, 1931, as the maximum total of rediscounts of Coffee Department bills was thus

¹ See the analysis of the Brazilian banking organisation and the record of events previous to 1934 in *Commercial Banks, 1913-1929*, page 362, *1925-1933*, page 280, and *1929-1934*, page 162.

² At the end of 1934, the Federal Government's floating debt totalled 1,839 million milreis.

exceeded by 11 million milreis, and the maximum was accordingly provisionally increased by 20 millions. In July 1934, the Banco do Brasil gave the Coffee Department a further credit of 105 millions, the amount being earmarked for the liquidation of the balance resulting from the adjustment of accounts between the Coffee Department and the Federal Treasury, as also for certain special transactions undertaken by the Department with the Federal Government's permission. The Law of December 31st, 1935, stipulated, however, that the 600 million maximum fixed in 1931 was not to be exceeded. The same law fixed 300 million milreis as the maximum limit to the Banco do Brasil's rediscounts of commercial bills, 100 millions of this amount being reserved for the cotton industry's bills alone.

Another indication of the banking activities of the country is to be noted in the increase in clearing transactions, which rose from 12,000 million milreis in 1931 to 19,000 millions in 1934. The index number (calculated on the basis of the 1929 figure = 100) rose from 78 to 118.

The Banking Mobilisation Fund¹ is fulfilling expectations in the sense of facilitating the progressive "mobilisation" of frozen bank assets. The credits given to banks amounted to 54 million milreis on December 31st, 1934. The volume of the Fund's transactions does not adequately reflect its full importance, as the mere existence of the Fund increases public confidence in the banks.

The position in regard to foreign trade and foreign exchange control, which appeared in 1934 to point towards increasing freedom and relaxation of existing restrictions on international trade,² suffered considerable vicissitudes in 1935. Under the new exchange control introduced in December 1934 — the last measure of the kind to which the previous edition of this publication referred — the foreign exchange received by the Banco do Brasil at the official rate was to be allocated to imports by countries of origin in proportion to the amount of coffee exported to the different countries concerned. The decree, however, only remained in force for one month. On January 14th, 1935, the new exchange control was, in practice, terminated by the decision of the Banco do Brasil to suspend all sales of foreign exchange at the official rate.

On February 11th, 1935, the Banco do Brasil published a new circular reorganising the exchange control and the foreign trading system. The circular, by which all foreign exchange operations are at present governed, stipulates that all foreign exchange derived from Brazilian exports (with certain minor exceptions) are to be sold at the "free" rate to the banks authorised to deal in

foreign exchange, the latter being required to hand over at the official rate 35% of the foreign exchange received to the Banco do Brasil as the bank responsible for exchange operations on Government account. The banks were, however, allowed to sell the remaining 65% of the foreign exchange on the free market.

The allocation of the foreign exchange thus rendered available is governed by the provisions concerning the import trade. Import goods are at present divided into three different categories :

(1) In the case of goods imported before September 10th, 1934, the Banco do Brasil, in principle, makes the necessary foreign exchange available at the official rate.

(2) In the case of goods imported after September 11th, 1934, and before February 11th, 1935, the debtor has to obtain the necessary foreign exchange by purchasing 60% of the total at the official rate and 40% on the free market.

(3) In the case of goods imported after February 12th, 1935, the debtor has to purchase the whole of the foreign exchange required on the free market.

Special provisions were included in the Payments Agreements concluded by Brazil with the United Kingdom, Italy and Norway to govern the allocation of foreign exchange at the official rate for payment of goods imported from these countries before February 11th, 1935.

The foreign trade system was again appreciably altered by restrictions on the free market imposed on June 28th, 1935. Purchases of the 65% of foreign exchange available on the free market, which from February 11th to June 28th, 1935, were unrestricted, were again made subject, as from the latter date, to the previous authorisation of the Exchange Control. The position thus represented a reversion to the system in force before May 1934, when all foreign payments were subject to the approval of the Exchange Control.

The milreis, the depreciation of which continued without ceasing from 1929 onwards,² has two rates — the official rate and the "free" rate. The official rate, which is determined by the Banco do Brasil on the basis of a fixed relation (subject to temporary fluctuations) to the French franc — the rate in December 1935 was 780 milreis for 1,000 French francs — is purely nominal, since the bank suspended all sales of foreign exchange at the official rate in January 1935. The allocation of foreign exchange at the official rate, for which certain of the foreign trade regulations indicated above provide, is limited by the amounts at the disposal of the Banco do Brasil, which has itself

¹ For the institution and organisation of the Banking Mobilisation Fund, see *Commercial Banks, 1929-1934*, page 163.

² See *Commercial Banks, 1929-1934*, page 162.

BRAZIL.

COMMERCIAL BANKS

Table 8 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1931	1932	1933	1934
Number of : Banks					
Branches and Sub-Branches					
ASSETS.					
Milreis (ooo,ooo's omitted)					
I. Cash	1,550	1,228	1,845	1,473	1,410
(a) Gold, silver and small coins	17	30	2	3	5
(b) Bank notes, State notes and balances with Central Bank	1,533	1,198	1,843	1,470	1,405
2. Other Items of a Cash Nature	204	166	114	136	143
3. Bills discounted and bought	3,070	2,538	3,144	3,255	3,211
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	254	398	410	423	398
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	677	401	459	459	400
(a) At home	108	73	98	105	121
(b) Abroad	569	328	361	354	279
7. Loans and Advances	3,588	3,609	3,781	3,937	4,448
(a) On current account	3,588	3,609	3,781	3,937	4,448
(b) Others	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc	—	—	—	—	—
10. Sundry Assets	2,987	3,557	3,561	3,792	4,400
II. Total Assets	12,330	11,897	13,314	13,475	14,410
LIABILITIES.					
12. Capital paid up	851	848	864	853	885
13. Reserve Funds	509	587	627	643	668
14. Profits and Loss, Undivided Profits, etc.	21	39	35	52	59
15. Cheques and Drafts, etc., in circulation	45	49	285	818	663
16. Due to Banks (Correspondents)	706	402	991	277	450
(a) At home	78	86	872	98	109
(b) Abroad	628	316	119	179	341
17. Deposits	5,925	5,962	6,843	6,484	7,419
(a) Current accounts	3,487	3,490	4,732	4,447	5,056
(b) Savings accounts	431	451	510	524	566
(c) Time or fixed deposits	2,007	2,021	1,601	1,513	1,797
(d) Other deposits	—	—	—	—	—
18. Rediscounts	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	4,273	4,010	3,669	4,348	4,266
21. Total Liabilities	12,330	11,897	13,314	13,475	14,410
22. Value of currency in Swiss francs at the end of each year	0.58	0.32	0.40	0.28	0.25

incidentally been reduced to making purchases on the free market to meet certain earlier obligations. The free rate is some 50 % lower than the official rate of the Banco do Brasil. The depreciation of the milreis continued in 1935, particularly during the months of March and April, when the sterling rate rose from 74 to 89 milreis, at which latter figure it remained until the close of the year.

The measures taken in February 1934 to regulate the service of the public debt¹ were not modified in 1935. New agreements, on the other hand, were

concluded for the liquidation of frozen debts, the total amount of which was estimated in December 1934 at £10,000,000. The negotiations for these agreements were conducted principally in the United Kingdom, the United States of America, France, Italy, Norway, Sweden, Denmark and Spain. In Germany, owing to the vicissitudes of the Verrechnungsmark, the position is reversed, Brazil being now a creditor with considerable frozen claims in the German banks.

Balance-sheet Summary.

1. Cash.

The sums shown under (b) are composed as follows :

Milreis (ooo,ooo's)	1929	1931	1932	1933	1934
Bank and State notes	1,269	925	1,029	821	775
Balances with Banco do Brasil	264	273	814	649	630
Total	1,533	1,198	1,843	1,470	1,405

2. Other Items of a Cash Nature.

This item consists of funds "at call" in other banks.

3. Bills discounted and bought.

The composition of the sums shown in this group of the Summary Table is as follows :

Milreis (ooo,ooo's)	1929	1931	1932	1933	1934
Bills discounted	2,488	2,284	2,916	3,017	2,958
Bills receivable for own account :					
Inland	429	196	217	220	228
Foreign	153	58	11	18	25
Total	3,070	2,538	3,144	3,255	3,211

7. Loans and Advances.

According to the nomenclature adopted in the official statistics, practically all the loans of the Brazilian banks would appear to be granted in the form of current account advances. In fact, a considerable proportion of the sums shown represent long-term credits.

In addition, some banks grant mortgage loans against the issue of mortgage bonds. But, as these operations do not fall within the field of commercial banking proper, mortgage loans and corresponding bond issues, which as a rule are handled by separate mortgage departments, have been included under sundry assets and liabilities in the Summary Table.

10. Sundry Assets.

The sums shown in the table are composed as follows :

Milreis (ooo,ooo's)	1929	1931	1932	1933	1934
Assets in liquidation	29	99	66	49	49
Mortgage loans	1,081	1,256	1,610	1,319	1,521
Net balance of collection guarantee and safe deposit accounts	—	160	275	178	22
Accounts of Note Issue Department of Banco do Brasil	353	54	—	68	76
Other accounts	1,524	1,988	1,610	2,178	2,732
Total	2,987	3,557	3,561	3,792	4,400

20. Sundry Liabilities.

The sums shown in the table are composed as follows :

Milreis (ooo,ooo's)	1929	1931	1932	1933	1934
Mortgage bonds	943	1,275	846	1,491	1,543
Net balance of branches' and agencies' accounts	642	491	333	321	343
Net balance of collection guarantee and safe deposit accounts	209	—	—	—	—
Accounts of Note Issue Department of Banco do Brasil	715	170	170	20	20
Other accounts	1,764	2,074	2,320	2,516	2,360
Total	4,273	4,010	3,669	4,348	4,266

¹See *Commercial Banks, 1929-1934*, page 162.

BULGARIA.

The outstanding developments in Bulgarian banking during 1934/35 have been, as the following summary of the principal accounts of the National Bank, commercial banks,¹ and other credit institutions shows, a contraction in central and commercial bank credit, and an increase in deposits with the Agricultural and Co-operative Bank, the Popular banks and the Post Office.

End of :	Dec. 1933	June 1934	Dec. 1934	June 1935	Sept. 1935
Leva (ooo,ooo's)					
A. National Bank.					
1. Gold	1,545	1,547	1,547	1,583	1,583
2. Net foreign assets	141	33	121	174	93
3. Discounts and advances	473	367	373	281	589
4. Treasury Bills	818	693	655	670	605
5. Note circulation	2,984	2,664	2,449	2,152	2,408
6. Sight liabilities other than notes	1,565	1,645	1,758	2,204	1,911
Of which—Bankers' balances	(586)	(736)	(689)	(734)	(493)
B. Subsidiary Coins.					
1. Coins held by the National Bank	254	299	354	507	380
2. Coins in circulation	987	942	1,287	1,134	1,261
3. Total amount issued	1,241	1,241	1,641	1,641	1,641
C. Deposits in :					
1. Commercial banks	3,294	3,217	3,230	3,136	3,145
Of which—					
(a) Savings deposits	(1,256)	(1,268)	(1,239)	(1,230)	(1,213)
(b) Trade deposits	(1,639)	(1,354)	(1,400)	(1,381)	(1,362)
(c) Other creditors	(399)	(595)	(591)	(525)	(570)
2. Agricultural and Co-operative Bank	6,028	6,230	6,581	6,633	6,586
3. Post Office	1,171	1,323	1,382	1,452	1,477
4. Popular banks	1,793	.	1,950	.	.
D. Commercial Banks.					
1. Cash, etc.	534	515	523	351	394
2. Bill portfolio	1,202	1,135	.	1,127	1,359
3. Advances	1,953	1,904	1,785	1,975	1,801
4. Contested accounts and protested bills	662	651	.	652	656
5. Rediscounts	353	304	258	266	401

The decline in the note circulation from 2,984 to 2,152 million leva, or by 27%, in the eighteen months ended June 30th, 1935, was compensated for in part by an increase of 147 million leva in subsidiary coins in circulation. (The amount of subsidiary coin held by the National Bank increased simultaneously by 253 millions.) The decrease in the monetary circulation was particularly severe between the end of September 1934 and the end of June 1935, when the total note and coin circulation fell by 860 million levas, or 21%. This contraction in the means of payment was a reflection of the stagnation in foreign trade, and the shrinkage of domestic private trade consequent, *inter alia*, on the increase in the economic activities

of the State through monopolies or otherwise. These conditions are reflected also in a decline in the commercial bill portfolio of the National Bank (item A 3 above) and an increase in its sight liabilities other than notes (item A 6 above). The latter is not due entirely to an accumulation of idle balances, as part of the expansion in sight liabilities shown as bankers' balances represents an increase in various blocked accounts resulting from clearing and compensation agreements, and the rise in other sight liabilities is partly due to an increase in the State current account during negotiations with foreign creditors.

Though trade deposits continued to fall, the decline in savings deposits was arrested, and the accounts of other creditors increased. Hence the fall in total commercial bank deposits was relatively small by comparison with previous years, total deposits declining by 158 million leva in the eighteen months ended June 30th, 1935, as against a fall of 654 million leva in the eighteen months ended June 1934. This fall was due almost entirely to a decline in deposits with the foreign banks operating in Bulgaria :

	Dec. 31st, 1933	Dec. 31st, 1934	June 30th, 1935
Leva (ooo,ooo's)			
Four foreign banks	1,557	1,522	1,366
Two large Bulgarian banks	898	957	1,031
Other joint-stock banks	839	751	739
All joint-stock banks	3,294	3,230	3,136

The decline in deposits in the course of 1934 was met principally by a reduction in loans and advances, whereas the fall during the first half of 1935 was accompanied by a decrease in cash assets.

The improvement which is brought out by the September 1935 returns of the National Bank and the commercial banks is partly seasonal and partly a consequence of a recovery in foreign trade which set in as from April 1935. Imports and exports, which had amounted to 1,330 and 1,256 million leva respectively in the seven months April to October 1934, rose to 1,814 and 2,091 million leva during the same months of 1935. This is reflected in the expansion of the net foreign assets of the National Bank,² in a considerable increase in the note and coin circulation, in a reduction in the Bank rate from 7% (at which it had stood

¹ These accounts, which are taken from the reports of the Commissioner of the League of Nations, are classified on a different basis from those published annually by the National Bank in its *Bulletin* and reproduced in the attached Summary Table.

² The increase in the gold reserve in June is due to the incorporation in the reserves of gold previously purchased on the domestic market and which until then had been shown under "Other assets".

BULGARIA.

COMMERCIAL BANKS

Table 9 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1930	1931	1932	1933	1934
Number of Banks, Branches and Sub-branches. . .	135	138	131	129	118	106
ASSETS.						
	Leva (000,000's omitted)					
1. Cash.			708	721	526	523
(a) Gold, silver and small coins.			—	—	—	—
(b) Inland notes and balances with Central Bank	714	870	—	—	—	—
2. Other Items of a Cash Nature			260	163	136	132
3. Bills discounted and bought.			1,400	1,117	850	893
(a) Treasury bills.			—	—	—	—
(b) Commercial bills, Inland.			—	—	—	—
(c) Commercial bills, Foreign.	3,056	2,293	—	—	—	—
4. Investments and Securities.			207	205	184	214
(a) Government			46	17	11	78
(b) Other			161	188	173	136
5. Participations			51	48	44	31
6. Due from Banks (Correspondents).			57	61	39	22
(a) At home.			—	—	—	—
(b) Abroad	3,938	3,489	—	—	—	—
7. Loans and Advances.			2,564	2,040	1,953	1,785
(a) On current account			—	—	—	—
(b) Other			—	—	—	—
8. Cover for Acceptances	—	—	29	36	32	25
9. Premises, etc.	223	215	275	297	271	257
10. Sundry Assets	511	545	1,133	1,173	1,037	1,047
11. Total Assets	8,442	7,412	6,684	5,861	5,072	4,929
LIABILITIES.						
12. Capital paid up	1,002	1,085	1,129	1,107	1,041	875
13. Reserve Funds	155	162	174	182	204	198
14. Profit-and-Loss Account, Dividends Account, etc.	118	114	62	30	22	16
15. Cheques and Drafts, etc., in circulation	—	—	20	19	16	22
16. Due to Banks (Correspondents)			96	78	54	48
(a) At home			—	—	—	—
(b) Abroad			—	—	—	—
17. Deposits, etc.			4,449	3,918	3,293	3,230
(a) Current account and sundry deposits	6,959	5,887	—	—	—	—
(b) Savings accounts			—	—	—	—
(c) Time and fixed deposits			—	—	—	—
(d) Other deposits			—	—	—	—
18. Rediscounts and Other Borrowings			—	—	—	—
19. Acceptances and Endorsements	—	—	29	36	32	25
20. Sundry Liabilities.	208	164	725	491	410	515
21. Total Liabilities.	8,442	7,412	6,684	5,861	5,072	4,929
22. Rediscounts	—	—	400	277	352	258
23. Guarantees	—	—	408	361	307	283
24. Value of currency in Swiss francs at the end of each year	0.037	0.037	0.037	0.037	0.036	0.03

since January 1934) to 6% in August 1935, and in a fall in the average premium for free compensation *devisen* from 38% in June to 27% in October 1935. This improvement had not spread to the commercial banks by the end of September 1935,

when — apart from an increase in the bill portfolio which was made possible by additional rediscounts with the National Bank — the level of deposits and of the principal earning assets of the banks remained below those of September 1934.

Balance-sheet Summary.

9. Sundry Assets.

This item includes, in addition to sundry accounts, the following sums :

Leva (000,000's)	1931	1932	1933	1934
Credits in litigation	391	448	511	511
Protested bills :	134	169	151	126
Total	525	617	662	637

14. Profit-and-Loss Account, etc.

The net losses incurred by some banks are included under sundry assets, and amounted to

54, 31, 29, and 37 million leva in 1931, 1932, 1933, and 1934 respectively.

17. Deposits.

Leva (000,000's)	1931	1932	1933	1934
Savings deposits, up to one month	1,640	1,436	1,127	1,133
Savings deposits, more than one month	226	165	128	106
Commercial deposits	2,001	1,929	1,639	1,400
Other creditors	582	388	399	591
Total deposits	4,449	3,918	3,293	3,230

Important changes have recently taken place in the Canadian banking system¹ as a result of the establishment of the Bank of Canada in March 1935. The Statutes of the Bank of Canada and the new regulations with regard to the commercial activities of the chartered banks were analysed in the last edition of this publication. The changes in the monetary and banking position resulting from the foundation of the central bank and the application of the regulations of the Bank of Canada Act are apparent in the Balance-sheet Summary of the chartered banks shown on page 42, and in the following summary of the principal accounts of the Bank of Canada as at March 13th, 1935 (when the Bank was established), July 3rd, 1935 (just before the revaluation of the gold reserve), July 10th, 1935 (just after the revaluation of the gold reserve), and December 31st, 1935.

	March 13th, 1935	July 3rd, 1935	July 10th, 1935	Dec. 31st, 1935
	\$ (000,000's)			
Reserve	108.0	121.7	195.5	186.4
Gold coin and bullion	(106.6)	(106.7)	(180.2)	(180.5)
Silver bullion	(1.0)	(1.1)	(1.2)	(1.6)
Foreign assets	(0.4)	(13.9)	(14.1)	(4.2)
Discounts	—	—	—	—
Advances	—	5.2	5.2	3.5
To Dominion Go- vernment	—	(4.2)	(4.2)	(3.5)
To chartered banks	—	(1.0)	(1.0)	(—)
Investments	149.9	150.4	98.9	114.3
In Dominion Go- vernment short- term bonds	(34.9)	(30.5)	(19.0)	(30.9)
In other Dominion Government bonds	(115.0)	(119.9)	(79.9)	(83.4)
Note circulation	97.8	76.8	76.9	99.7
Deposits	156.4	196.4	219.5	200.3
Dominion Govern- ment	(4.2)	(24.6)	(35.4)	(17.9)
Chartered banks	(151.9)	(171.3)	(183.2)	(181.6)
Other deposits	(0.3)	(0.5)	(0.9)	(0.8)

The first balance-sheet of the central bank is the outcome of the application of the provisions of the

Bank of Canada Act regarding the transfer of certain assets and liabilities of the chartered banks and of the Finance Ministry to the newly founded bank of issue. The Finance Ministry transferred to the Bank of Canada the gold and silver and State bonds representing the cover for the Dominion notes in circulation, while the chartered banks transferred to it their gold reserves held in Canada² and the Dominion notes in their cash holdings. In exchange for these assets, the chartered banks were given sight deposits and notes of the Bank of Canada.³ The Bank of Canada undertook to guarantee the Dominion notes in circulation (those of small denominations only).

The balance-sheets of the Bank of Canada of July 3rd and 10th show the results of the revaluation of the gold reserve effected under the Act of July 1935 establishing an Exchange Fund. Under this Act, the gold reserve of the Bank of Canada was revalued on the basis of the current selling price of gold in the London or New York market, converted into Canadian dollars at the rate of exchange of the day. As, however, no statutory price was fixed, the valuation of the gold reserve in the weekly returns of the Bank of Canada is based solely on the current market price, with the result that this item shows slight variations from week to week. In the balance-sheets previous to July 10th, its value was based on a rate of \$20.67 per ounce of fine gold, whereas the price at which it was revalued was fixed at \$35 per ounce.

The resulting profit of \$74 million was used as follows. As the first balance-sheet of the Bank of Canada after the revaluation shows, a sum of over \$10 million was credited to the chartered banks, which were entitled, under the Bank of Canada Act, to the profit on the revaluation of the gold held by them (as determined with the approval of the Governor in Council) as cover for their obligations abroad. The remainder of the profit was credited to the Dominion Government. The Exchange Fund Act (see above) authorised the Finance Minister to convert this profit into gold and foreign exchange

¹ See the description of the banking organisation in Canada and the summary of recent events and analysis of the Statutes of the Bank of Canada, in *Commercial Banks, 1913-1929*, page 310; *1925-1933*, page 227; and *1929-1934*, page 139.

² The following table shows the gold reserves held by the chartered banks in Canada and elsewhere just before and just after the transfer of their gold holdings in Canada to the new central bank:

	Feb. 28th, 1935	March 31st, 1935
	\$ (000,000's)	
Gold held in Canada	39.5	0.4
Subsidiary coin held in Canada	—	6.6
Gold held elsewhere	11.7	4.0
Subsidiary coin held elsewhere	—	5.4

³ In the monthly returns of the balances of the chartered banks published in the *Canada Gazette*, these various operations, according to the balances as at the end of February and March 1935, were as follows:

	Feb. 28th, 1935	March 31st, 1935
	\$ (000,000's)	
Metallic reserve	56.4	16.4
Current gold and subsidiary coin in hands of banks	(51.1)	(16.4)
Gold deposits in central gold reserves	(5.2)	(—)
Dominion notes in hands of banks	178.5	—
Dominion notes deposited in central gold reserves	6.6	—
Bank of Canada notes in hands of banks	—	51.2
Deposits at Bank of Canada	—	149.0

for the purpose of creating an Exchange Equalisation Fund to control the foreign value of the Canadian currency unit and prevent unjustified fluctuations in its exchange value. It appears, however, that the Fund undertook no transactions in foreign currencies in 1935. The greater part of the profit going to the Government was utilised to redeem Dominion Government bonds held by the Bank of Canada (over \$50 million), while the Dominion Government's deposit with the bank was increased by \$10.8 million.

The revaluation of the gold reserve of the Bank of Canada had the effect of increasing the cover for notes in circulation and deposits. The proportion between the reserve and the liabilities of the bank, which the Act fixed at 25%, was thus increased from 43 to 65%.

The other items of the Bank of Canada's "Reserve" showed only minor changes. The silver reserve increased, but only within the limits laid down by the Act.¹

The changes in the item "Foreign Assets" were due to fluctuations in the amount of United States dollar bills held by the bank.

The increase in the item "Investments" during the period July-December was due largely to purchases of three-month Treasury bills made by the Bank of Canada, either to neutralise the deflationary effects of certain transactions arising out of the establishment of the bank, or else in order to influence the short-term interest rate.

The chartered banks had no recourse to the Bank of Canada in 1935. They neither presented bills for rediscount nor applied for advances, except in one case where the advance was for a trifling amount over a short period. The independence

of the chartered banks in relation to the Bank of Canada was a consequence of the abundance of funds at their disposal. Compelled to maintain amounts representing 5% of their deposit liabilities in Canada in the form of non-interest-bearing deposits at the Bank of Canada or notes of that bank, the chartered banks, held in July 1935, a cash reserve at the Bank of Canada representing 9% of their commitments.

Examination of the chartered banks' accounts as shown in the Summary Table to December 31st, 1935, reveals no important change in the banking position. The resumption of business activity in Canada since 1932 has not had the effect of expanding credit. The total volume of loans and advances, including discounts and purchases of bills, has remained stationary during the past two years, the tendency being rather in the direction of further reduction. This continuous decline in the total of loans and advances was not, however, a consequence of any reduction of the cash holdings; on the contrary, the chartered banks had considerable funds which remained unutilised, and they took no steps to rediscount their bill holdings either with the Treasury Board (a Committee of the Cabinet) or later with the Bank of Canada. Deposits of the chartered banks, indeed, showed a tendency to increase; and the banks were compelled, in order to employ the funds at their disposal, to increase their holdings of State paper. These accordingly show an increase of \$157 million, representing a rise from \$861 million in December 1933 to \$1,018 million in June 1935.

Bank debits to individual accounts fell from \$32.9 milliard in 1934 to \$31.5 milliard in 1935 — *i.e.*, by 4%.

Balance-sheet Summary.

Note. — For detailed notes on various items of the Balance-sheet Summary, see preceding edition of this volume.

I. Cash.

\$ (000,000's)	Circul. Redemp. Fund	Central Gold Reserves	Total
1929.	6.4	56.6	63.0
1931.	6.8	25.7	32.5
1932.	6.6	19.9	26.5
1933.	6.5	17.8	24.3
1934.	6.7	18.6	25.3
1935.	6.9	—	6.9

\$ (000,000's)	1929	1931	1932	1933	1934	1935
1. Current gold and subsidiary coin in hands of banks . . .	73.3	65.8	53.2	49.9	50.1	15.8
At home . . .	(46.9)	(46.0)	(38.0)	(39.3)	(39.1)	(5.4)
Abroad. . .	(26.4)	(19.8)	(15.2)	(10.6)	(11.0)	(10.4)
2. Gold deposits in central gold reserves	14.6	10.7	11.1	5.2	5.2	—

¹ See *Commercial Banks, 1929-1934*, page 139, note 4.

\$ (000,000's)	1929	1931	1932	1933	1934	1935
3. Total metallic reserve (1+2) . . .	87.9	76.5	64.3	55.1	55.3	15.8
4. Dominion notes in hands of banks . . .	130.9	128.9	153.2	139.7	169.8	40.6 ^a
5. Dominion notes deposited in central gold reserves	41.5	15.1	8.8	12.6	13.4	181.6 ^b
6. Bank circulation redemption fund	6.4	6.8	6.6	6.5	6.7	6.9
7. U. S. and other foreign notes	23.7	14.7	17.9	18.6	19.7	24.3
8. Total non-metallic reserve (4-7) . .	202.5	165.5	186.5	177.4	209.6	253.4

^a Bank of Canada notes.

^b Deposits with the Bank of Canada.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1931	1932	1933	1934	1935
Number of : Banks	11	10	10	10	10	10
Branches and Sub-Branches	4,069	3,970	3,772			
ASSETS.						
	Dollars (ooo,ooo's omitted)					
1. Cash	290.4	242.0	250.9	232.5	264.9	269.2
(a) Gold, silver and small coins	87.9	76.5	64.3	55.1	55.3	15.8
(b) Inland notes and balances with Central Bank	202.5	165.5	186.6	177.4	209.6	253.4
2. Other Items of a Cash Nature	172.2	114.0	92.5	97.1	115.1	127.4
3. Bills discounted and bought	—	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—
4. Investments and Securities	448.4	694.0	778.2	861.1	966.6	1,154.6
(a) Government	391.0	632.0	729.3	809.2	927.0	1,101.4
(b) Other	57.4	62.0	48.9	51.9	39.6	53.2
5. Participations	9.8	14.3	13.2	13.0	13.0	10.8
6. Due from Banks (Correspondents)	107.9	113.8	117.0	86.2	90.3	117.0
(a) At home	6.3	4.1	4.3	3.5	4.6	5.3
(b) Abroad	101.6	109.7	112.7	82.7	85.7	111.0
7. Loans and Advances	2,282.5	1,659.6	1,450.2	1,369.8	1,311.9	1,237.3
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	112.6	55.5	42.6	49.4	50.8	58.2
9. Premises, etc.	75.2	79.8	78.7	78.3	77.6	76.0
10. Sundry Assets	22.1	24.7	28.8	28.3	29.1	28.6
11. Total Assets	3,521.1	2,997.7	2,852.1	2,815.7	2,919.3	3,079.1
LIABILITIES.						
12. Capital paid up	142.9	144.5	144.5	144.5	145.5	145.5
13. Reserve Funds	158.1	162.0	162.0	132.5	132.8	132.8
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	17.7	15.9	10.1	10.0	9.8	9.9
15. Notes in circulation	175.5	141.0	127.1	132.0	136.4	118.9
16. Cheques and Drafts, etc., in circulation	8.2	3.2	0.6	0.9	1.0	1.5
17. Due to Banks (Correspondents)	122.9	58.5	61.1	51.4	44.6	50.2
(a) At home	14.9	11.4	12.3	13.1	15.1	14.3
(b) Abroad	108.0	47.1	48.8	38.3	29.5	35.9
18. Deposits	2,606.9	2,367.6	2,244.5	2,242.2	2,360.7	2,559.0
(a) Current accounts and sight deposits	820.9	697.5	538.3	563.1	628.1	693.5
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits	1,434.4	1,360.0	1,377.5	1,356.9	1,407.2	1,486.0
(d) Other deposits	441.6	310.1	328.7	322.2	325.4	379.5
19. Rediscounts and other Borrowings	81.7	46.5	57.0	50.4	35.2	—
20. Acceptances and Endorsements	112.6	55.5	42.6	49.4	50.8	58.2
21. Sundry Liabilities	4.6	3.0	2.6	2.4	2.5	3.1
22. Total Liabilities	3,521.1	2,997.7	2,852.1	2,815.7	2,919.3	3,079.1
23. Value of currency in Swiss francs at the end of each year	5.18	4.21	4.47	3.32	3.10	3.05

2. *Other Items of a Cash Nature.*

\$ (000,000's)	Notes of other banks	Cheques on other banks	Total
1929	20.0	152.2	172.2
1931	11.9	102.1	114.0
1932	12.1	80.4	92.5
1933	11.4	85.7	97.1
1934	12.9	102.2	115.1
1935	7.9	119.5	127.4

4. *Investments and Securities.*

The sums shown for Government securities (item (a) of present group) are composed as follows :

\$ (000,000's)	Dom. and Prov. Gov. Securities	Mun. and other Public Securities	Total
1929	297.0	94.0	391.0
1931	477.9	154.1	632.0
1932	562.4	166.9	729.3
1933	651.1	158.1	809.2
1934	780.8	146.2	927.0
1935	955.9	145.5	1,101.4

The other investments (b) consist of railways and other bonds, debentures and stocks.

6. *Due from Banks (Correspondents).*

\$ (000,000's)	U.K.	Elsewhere	Total
1929	5.2	96.4	101.6
1931	5.0	104.7	109.7
1932	7.8	104.9	112.7
1933	12.2	70.5	82.7
1934	26.9	58.8	85.7
1935	17.2	94.5	111.7

7. *Loans and Advances.*

The sums given in this group of the Summary Table are composed of the following items shown separately in the official statistics :

\$ (000,000's)	1929	1931	1932	1933	1934	1935
(1) Call and short (up to 30 days) loans :						
In Canada.	262.3	134.7	103.2	105.9	102.7	83.0
Elsewhere.	245.1	83.1	91.5	90.1	98.8	64.7
Total (1).	507.4	217.8	194.7	196.0	201.5	147.7
(2) Other current loans and discounts :						
In Canada.	1,402.8	1,082.1	964.0	898.2	838.8	819.5
Elsewhere.	250.6	188.4	151.7	138.0	133.9	145.0
Total (2).	1,653.4	1,270.5	1,115.7	1,036.2	972.7	964.5
Total (1+2)	2,160.8	1,488.3	1,310.4	1,232.2	1,174.2	1,112.2
(3) Loans to Public Bodies :						
Provincial Govts.	25.0	45.6	28.3	28.8	30.2	19.4
Others . .	96.7	125.7	111.5	108.8	107.5	105.7
Total (3).	121.7	171.3	139.8	137.6	137.7	125.1
Grand total (1+2+3)	2,282.5	1,659.6	1,450.2	1,369.8	1,311.9	1,237.3

15. *Notes in Circulation.*

\$ (000,000's)	1929	1931	1932	1933	1934	1935
Gross circulation . .	175.5	141.0	127.1	132.0	136.4	118.9
Less notes in tills of other banks	20.0	11.9	12.1	11.4	12.9	7.9
Net circulation . . .	155.5	129.1	115.0	120.6	123.5	111.0

17. *Due to Banks (Correspondents).*

\$ (000,000's)	U.K.	Elsewhere	Total
1929	26.7	81.3	108.0
1931	4.8	42.3	47.1
1932	7.4	41.4	48.8
1933	4.9	33.4	38.3
1934	6.5	23.0	29.5
1935	8.5	27.4	35.9

18. *Deposits.*

The detailed composition of the amounts shown under current accounts (a) in the Summary Table is given below :

\$ (000,000's)	Sight Deposits made by the public in Canada	Balances due to Governments :			Grand Total
		Dom. Govt.	Prov. Govt.	Total	
1929	729.3	60.0	31.6	91.6	820.9
1931	566.6	111.1	19.8	130.9	697.5
1932	466.2	53.1	19.0	72.1	538.3
1933	501.9	33.3	27.9	61.2	563.1
1934	575.5	24.3	28.3	52.6	628.1
1935	640.9	11.9	40.7	52.6	693.5

CHILE.

An analysis of the banking movement and economic activity in Chile shows that the recovery in business which followed the depression of 1931 and 1932 has developed into a real national boom. The accounts of the bank of issue and the commercial banks, which are summarised in the following table and in the balance-sheet summary, indicate the recent variations in the monetary and banking position of the country.¹

	Dec. 1931	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935
Pesos (000,000's)						
BANCO CENTRAL.						
Gold (rate: 1 peso = 6d. gold)	67	77	85	86	127	141
Gold earmarked abroad	33	7	10	84	13	—
Foreign exchange	95	70	72			
Loans and advances	214	636	793	799	763	800
Rediscounts of member banks	(80)	—	(1)	(3)	(3)	(9)
Loans to the public	(6)	(27)	(3)	(2)	(4)	(8)
Advances to the Treasury	(82)	(507)	(673)	(708)	(704)	(701)
Advances to the Reparticiones Públicas	(46)	(11)	(10)	(9)	(10)	(9)
Other loans and advances ^a	—	(91)	(106)	(77)	(42)	(73)
Note circulation	319	488	515	500	516	523
Deposits	86	313	346	372	346	358
Deposits of the member banks	(76)	(219)	(208)	(226)	(190)	(220)
Deposits of the public	(5)	(74)	(84)	(105)	(88)	(77)
Deposits of the Treasury, of the Reparticiones Públicas and of the Caja de Amortización	(5)	(20)	(54)	(41)	(68)	(61)

^a Advances to the Caja de Empleados Particulares, to the Caja de Crédito Popular, to the Instituciones Hipotecarias, the Instituciones de Fomento, rediscounts of bills of the nitrate industry, etc.

The balance-sheet of the Banco Central shows that the Government inflation, which was obvious from the increase in advances to the Treasury, was arrested in December 1933. Under the Law of November 11th, 1933, the Government debt to the Banco Central was consolidated into a single advance of 672.5 million pesos and the Treasury undertook to pay an annual amount to the Bank equivalent to 2% interest and 1% amortisation of the total amount of this debt. The Law of

December 27th, 1933, moreover, authorised the Bank to grant the Treasury a further advance of 14 million pesos, which, when added to a former credit of 24.3 million pesos supplied by the Bank to the Caja de Crédito Minero, represents an additional State debt to the Bank of Issue.

The rediscounts of the member banks, which were small during the period of Government inflation, greatly increased in May 1935²; for instance, the rediscounts of ordinary bills amounted on May 31st to 22.3 million pesos. In addition, the rediscounts of commercial bills of the nitrate industry² amounted to 31.8 million pesos. This recourse by the commercial banks to the Banco Central is explained by the tendency of the cash of the commercial banks to decline as a result of the expansion of credit; this tendency, moreover, made itself felt even in 1934.

At the same time, some commercial banks raised their discount rates and began to impose more difficult conditions for the granting of credit. The results of this policy were shown by an increase in direct discounting by the public with the Central Bank. In spite of these changes, the position of the Banco Central has remained practically the same. The bank, moreover, only reflects the course of commercial activity indirectly, since more than 90% of its advances consist of loans to the Government and to the official or semi-official institutions. The note circulation of the Banco Central has not undergone any considerable change since the end of 1933, except for a temporary decrease in the summer of 1934 as a result of the repayment of credits by the nitrate industry. The deposits of the member banks with the Banco Central have been comparatively stable; they have only varied in harmony with the rediscounts mentioned above. On the other hand, the gold holding of the Banco Central rose from 95 million pesos in December 1933 (including 10 millions earmarked at New York) to 141 millions, as a result of the conversion of foreign currency into gold and imports of the yellow metal.

The position of the commercial banks is characterised in particular by a steady increase in loans and advances. The total amount of the credits granted by the commercial banks in June 1935 exceeded 1,582 million pesos, representing an increase of 351 millions as compared with December 1933. The deposits of the commercial banks increased by 288 million pesos, rising from 1,197 millions in December 1933 to 1,485 millions in June 1935.³ The composition of the deposits

¹ See, in respect of the history of the depression of 1931 and banking organisation in general, *Commercial Banks, 1913-1929*, page 371, *1925-1933*, page 283, and *1929-1934*, page 166.

² These rediscounts, which were authorised by a special law, are included in the balance-sheet of the Banco Central under the item "Other loans and advances".

³ The commercial banks are no longer authorised to receive savings deposits. On the other hand, the National Savings Bank and two other establishments showed an increase of deposits from 278 million pesos in December 1933 to 362 millions in June 1935.

changed in the sense that the time deposits remained practically unchanged in 1934, while the sight deposits increased after the period of inflation. The cash of the banks considerably exceeded the minimum amount required by law¹; for instance, in July 1935 the cash of the banks was 350 million pesos, while the legal minimum amount was only 221 millions. The excess of the available funds of the banks (129 million pesos) consisted of 84 millions of ordinary assets and 45 millions of bills of the nitrate industry, which, under Law No. 5185, are included in securities forming part of the legal cash holding of the banks and which may be rediscounted by the Banco Central and thus converted into means of payment at any moment.

The rates of interest of the Banco Central did not change during the year 1934. On the other hand, on January 23rd, 1935, the rediscount rate of the member banks was lowered from $4\frac{1}{2}$ to 4%, while the direct discount rate of the public was reduced from 6 to $5\frac{1}{2}$ %. The average rate for loans and advances granted by the commercial banks (which is controlled under the Law of November 22nd, 1929, by the Superintendencia de Bancos) dropped from 9.60% in 1931 to 7.07% in the first half and 7.21% in the second half of 1934.

Foreign-exchange control, which was instituted in July 1931,² has remained in force. The ratio between the various rates of the peso has, however, been changed as a result of the fresh devaluation of the currency. The official rate of the peso, which was reduced in April 1932 from 6*d.* gold to 3*d.* gold, underwent a further reduction of 50% on January 2nd, 1935. The difference between the official rate and the commercial rate of the peso was reduced to about $\frac{1}{4}$ *d.* gold. This fixing of the official rate of the peso at $1\frac{1}{2}$ *d.* gold is, moreover, of very small importance, since commercial transactions are carried out at the export rate or at the compensation rate of the peso.

The official rate of exchange is used for the following transactions: purchase or sale of foreign currency by the Central Bank, payment of compensation by insurance companies, payment of Customs duties, etc. In order, however, not to increase Customs duties by the application of this new gold premium to the original tariff, the Decree of December 31st, 1934, reduced the tariff of 1,567 items (out of a total of 1,955 items) by an amount corresponding exactly to the appreciation of the gold as a result of the new fixing of the official rate. Only articles of luxury have been liable to Customs duties calculated on the basis of the gold premium of 400%.

On the other hand, the reduction in the official rate of the peso has had an important effect on the exports of national products, with the exception of

nitrate, copper, iodine and iron; the exporters of these goods — who are obliged to give up a certain percentage of the exchange derived from exports of 1 to 20%, according to the commodities, to the Banco Central at the official rate of the peso — will, as a result of the lowering of the official rate of the peso, receive twice the amount that they formerly received for foreign currency sold to the Central Bank.

The reduction in the official rate of the peso has had no effect on the deposits which debtors residing in Chile are compelled to pay to the Banco Central for discharging the arrears of their debts, since the exchange rate applicable to the transfers of these assets has been fixed by compensation agreements concluded with the various countries and is scarcely dependent on the official rate of the peso. On the other hand, deposits abroad, as a result of the retention of a certain percentage of the purchases of nitrates by certain countries in order to pay for the exports of those countries to Chile, were sold to the Banco Central at a compensation rate equal to the official rate multiplied by 2.5; under the Decree of December 31st, 1934, these compensation rates will henceforward be equal to the official rate multiplied by 1.25, so that they are, in fact, not changed as a result of the devaluation of the peso.

As transactions at the official rate of the peso are few in number, the export rate and the various compensation rates of the peso are of special importance for the economic relations of Chile with foreign countries. The export rate of the peso is the rate at which the exporters of national products compensate foreign currencies with the importers of goods the import of which has been authorised by the Exchange Commission. The advantage obtained by exporters from the export rate depends on the difference between the official rate and the export rate of the peso; at the beginning of January 1936, the official rate was 95.81 pesos per pound sterling (47.48 at the end of December 1934 before the new devaluation of the peso), and the export rate 128 pesos per pound sterling (119.50 at the end of December 1934).

The export rate is chiefly used for transactions with countries, such as the United States or the United Kingdom, which have no compensation agreement with Chile. On the other hand, numerous States have concluded compensation agreements with Chile fixing special rates of exchange known as compensation rates for current transactions and for the liquidation of frozen credits. The payment of frozen credits in Chile depends, in general, on purchases of nitrates by creditor countries, which are authorised to retain a percentage of the import value of nitrates from Chile.

¹ See *Commercial Banks, 1913-1929*, page 371.

² See *Commercial Banks, 1929-1934*, page 167.

The service of the foreign debt of Chile was resumed under the Law of January 31st, 1935, at the beginning of the year 1936. In order to ensure the interest service of the foreign debt, the Government has allocated to the Caja Autonoma de Amortización de la Deuda Pública the yield of taxes on the revenue of the copper mines and 25 % of the yield of taxes on the profits of producers of

nitrate and iodine. Half the yield of these taxes is to be used for the interest service of the public debt, while the remainder is intended for redeeming bonds.

The summary table published below was drawn up in accordance with the statistics of the Superintendencia de Bancos for the years 1929/1934.

Balance-sheet Summary.

Note. — For detailed notes on various items of the Balance-sheet Summary, see preceding editions of this volume.

1. Cash.

The sums given under (a) include gold and token coins as below :

	Gold	Token coins	Total
	Pesos (000,000's)		
1929	11	3	14
1931	5	2	7
1932	6	1	7
1933	6	1	7
1934	6	1	7

The sums given under (b) consist of notes and sight balances with the Central Bank, as shown below :

	Bank-notes	Balances with Central Bank	Total
	Pesos (000,000's)		
1929	71	81	152
1931	99	80	179
1932	133	214	347
1933	132	209	341
1934	92	187	279

2. Other Items of a Cash Nature.

	Foreign bank-notes	" Ex-change " (canjes)	Total
	Pesos (000,000's)		
1929	25	39	64
1931	11	19	30
1932	9	25	34
1933	13	39	52
1934	9	72	81

4 and 5. Securities and Participations.

The commercial banks do not practise participation in industrial or other business undertakings.

The figures for Government securities also include municipal bonds. The greater part of "other securities" has, in recent years, consisted of shares in the Central Bank of Chile, as shown below :

	1929	1931	1932	1933	1934
	Pesos (000,000's)				
Shares in Central Bank	62	65	64	56	57
Other shares and bonds	42	18	30	40	80
Securities in possession of " Superintendencia de Bancos "	9	5	4	4	5
Total	113	88	98	100	142

6. Due from Banks.

The sums under (b) include deposits with head offices and branches abroad.

7. Loans and Advances.

(a) Advances on Current Account:

	1929	1931	1932	1933	1934
<i>In national currency :</i>					
Against security	245	162	131	153	181
Without special security	205	146	128	139	193
	450	308	259	292	374
<i>In foreign currency :</i>					
Against security	73	35	49	32	18
Without special security	55	100	115	88	12
	128	135	164	120	30
Total (a)	578	443	423	412	404

(b) Other Loans and Advances:

	1929	1931	1932	1933	1934
<i>In national currency :</i>					
Against security	322	201	250	284	348
Without special security	93	78	95	136	186
	415	279	345	420	534
<i>In foreign currency :</i>					
Against security	24	14	8	7	6
Without special security	10	5	4	4	16
	34	19	12	11	22
Credits to directors and staff	22	14	6	4	3
Other loans	69	276	253	178	188
	91	290	259	182	191
Total (b)	540	588	616	613	747
Grand total	1,118	1,031	1,039	1,025	1,151

Thereof:

In national currency	956	851	801	846	1,051
In foreign currency	162	180	238	179	100

16. Due to Banks (Correspondents).

The sums shown under (b) include certain amounts due to banks at home in foreign currency, which amounts are not shown separately in the official balance-sheet summary.

17. Deposits.

	1929	1931	1932	1933	1934
<i>Sight deposits (less than 30 days) :</i>					
	Pesos (000,000's)				
In national currency	464	357	640	828	1,003
In foreign currency	48	62	66	65	49
Total (a)	512	419	706	893	1,052
<i>Savings accounts (b)</i>	41	12	—	—	—
<i>Time deposits (more than 30 days) :</i>					
In national currency	582	348	308	330	349
In foreign currency	127	113	115	63	39
Total (c)	709	461	423	393	388
Other deposits (d)	13	4	3	4	1
Grand total	1,275	896	1,132	1,290	1,441

Thereof:

In national currency	1,100	719	950	1,161	1,353
In foreign currency	175	177	182	129	88

CHILE.

COMMERCIAL BANKS

Table 11 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1931	1932	1933	1934
Number of: Banks	23	22	22	22	21
Branches and Sub-branches	105	85	79	79	75
ASSETS.					
	Pesos (ooo,ooo's omitted)				
I. Cash	166	186	354	348	286
(a) Gold, silver and small coins	14	7	7	7	7
(b) Bank-notes, State notes and balances with Central Bank	152	179	347	341	279
2. Other Items of a Cash Nature	64	30	34	52	81
3. Bills discounted and bought.	495	153	138	307	365
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland	462	—	—	—	—
(c) Commercial bills, Foreign	33	—	—	—	—
4. Investments and Securities.	129	118	159	128	150
(a) Government	16	30	61	28	8
(b) Other	113	88	98	100	142
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	151	90	72	72	69
(a) At home.	14	13	10	14	18
(b) Abroad	137	77	62	58	51
7. Loans and Advances.	1,118	1,031	1,039	1,025	1,151
(a) On current account	578	443	423	412	404
(b) Other	540	588	616	613	747
8. Cover for Acceptances, etc.	94	65	44	49	84
9. Premises, etc.	80	94	96	96	86
10. Sundry Assets	422	78	123	135	96
11. Total Assets	2,719	1,845	2,059	2,212	2,368
LIABILITIES.					
12. Capital paid up.	423	418	406	386	374
13. Reserve Funds	215	200	166	165	171
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	18	7	4	4	5
16. Due to Banks (Correspondents)	158	48	68	67	55
(a) At home.	6	17	5	2	2
(b) Abroad	152	31	63	65	53
17. Deposits	1,276	896	1,132	1,290	1,441
(a) Current accounts and sight deposits	512	419	706	893	1,052
(b) Savings accounts	41	12	—	—	—
(c) Time or fixed deposits	709	461	423	393	388
(d) Other deposits	14	4	3	4	1
18. Rediscounts and other Borrowings	47	77	1	1	3
19. Acceptances and Endorsements, etc.	95	61	46	52	88
20. Sundry Liabilities.	487	138	236	247	231
21. Total Liabilities	2,719	1,845	2,059	2,212	2,368
22. Value (official rate) of currency in Swiss francs at the end of each year	0.63	0.63	0.31	0.32	0.32

Most of the savings deposits in the country are held by the National Savings Bank, which also holds considerable amounts of other deposits, as will be seen from the following comparison :

Pesos (000,000's)	SAVINGS DEPOSITS				SIGHT DEPOSITS			TIME DEPOSITS			GRAND TOTAL
	National Savings Bank	Com-mercial banks	Other credit institutions	Total	National Savings Bank	Com-mercial banks	Total	National Savings Bank	Com-mercial banks	Total	
1929	228	41	9	278	201	512	713	68	723	791	1,782
1931	158	12	6	176	132	419	551	68	465	533	1,260
1932	192	—	7	199	193	706	863	59	426	485	1,547
1933	268	—	10	278	287	893	1,180	48	397	445	1,903
1934	325	—	13	338	301	1,052	1,353	50	389	439	2,130

Coined money, circulating as currency, has been known in China for almost 3,000 years, and symbolic money representing valuable commodities such as swords, spades and bells for centuries before that. Paper money, known as "fei-ch'ien" (flying money) and later as "h'ien chuen" (convenient money), originally issued shortly after A.D. 800 as certificates of specie deposits, came into use as a credit instrument combining the functions of bills of exchange and fiduciary notes. Even earlier, according to some authorities, about A.D. 600, the Shansi merchants had begun to develop banking institutions. In the early nineteenth century, these Shansi banks were very active and centralised many banking functions under the Tsing (Manchu) dynasty. In course of time, these merchant-bankers had evolved most of the apparatus of modern banking, including the use of the principal credit instruments — banknotes, bills of exchange, promissory notes and cheques — a widespread system of remittances, official and market rates of discounts, Government deposits and loans, bankers' banks and money-market centres.

There is still a confusion of currencies and paper issues. Since the development of foreign contacts after 1840, there has been superimposed on the original organisation a series of modern influences in both banking and currency. Foreign coins were introduced and widely circulated. The first foreign bank was established in 1843. For about half-a-century afterwards, the developing foreign trade and the introduction of Western methods of industry and commerce into China were financed largely by foreign institutions, which still remain important in the economic life of the country. But the major part of the domestic commerce and finance of China remains in the hands of local systems of "native banks".

About the beginning of the twentieth century, the first national institutions of a modern style began to make their appearance. After the Boxer Rebellion of 1900, a series of treaties was signed which, *inter alia*, contained clauses similar to that in the Sino-British (Mackay) Treaty of 1902, making provision for early reforms in the regulation of currency and other matters affecting foreign traders. The year 1897 saw the formation of the first modern Chinese bank (the Commercial Bank of China). In 1904, the second Chinese bank, which later became the Bank of China, made its appearance. In the same year, an American commission, headed by Professor Jeremiah W. Jenks, submitted to the Chinese Government the first plan for a gold-exchange standard. Reforms were delayed for some years by the break-up of the Chinese Empire and the confusion that followed in the first years of the republican revolution.

Modern banking institutions, both Chinese and foreign, developed in the Treaty ports, notably

Shanghai. Steady progress was also made with the establishment of rural co-operative credit societies. Measures to regulate the principal coinage — the silver dollar — were initiated. The first attempt to create a Central Bank of China ended in an inflation of paper currency; but, after the establishment of the National Government at Nanking, a new Central Bank of China was founded by a grant of \$Ch.20 million from the budget of 1928/29. On February 28th, 1931, the Legislative Yuan promulgated the text of a new and comprehensive Banking Law, which, *inter alia*, required reserves to be kept of 60% specie and 40% negotiable bonds against paper money issues.

In 1917, the modern banks in Shanghai formed a Bankers' Association, admittance to which was carefully regulated. In 1932, this association organised a Joint Reserve Board, on which the foreign banks are represented. Dealings in produce and securities were organised in modern exchanges which increasingly took the place of the former guilds. The foreign Shanghai Stock Exchange had been formally organised in 1905 and the Chinese Merchants' Stock Exchange some years later. In 1921, the Gold Exchange, which conducts large dealings in gold bars, replaced the Shanghai Gold Guild. In March 1930, the Postal Remittances and Savings Bank was organised as a separate institution to take over the remittance and savings branches of the Chinese Post Office. On June 22nd, 1934, a law was promulgated to regulate private savings banks. About a month earlier, on May 31st, 1934, it was announced that the China Finance Development Corporation, with a capital of \$Ch.10 million, had been founded by a number of modern Chinese banks to assist and collaborate in enterprises, public and private, for the development of commerce and industry for which long-term credits are required.

At the present time, therefore, China has many of the elements of modern monetary and financial organisation, and the money market of the chief financial centre, Shanghai, is very active. Institutions have been created, legislation has been passed and business has developed rapidly; but currency regulation and central banking control has hitherto been lacking.

The principal currency circulating in China has been the silver dollar; but alongside the silver dollar a number of supplementary currencies have been in wide use, which has caused some difficulty in determining what is in fact the standard of value. For over 2,000 years the holed copper cash was the common medium for small transactions, but in recent years cash have been increasingly melted and the quantities in circulation have greatly diminished.

The main trading currency (as distinct from the currency used in smaller personal transactions) has long been silver. In addition to the sycee, various silver coinages have been in common use because

of their uniformity of silver content. The Spanish Carolus dollar, Mexican dollars, the Maria Theresa thaler, and many other foreign coins achieved wide circulation at various times. In 1933, the Shanghai Mint began coining the new national silver dollar, which came rapidly into general circulation. At the same date, effective measures were taken to abolish the tael, which had formerly been used as a unit of account and the value of which changed with the price of silver. On March 9th, exchange rates began to be quoted in terms of dollars, and after April 6th contracts made in taels were not upheld by Chinese courts, while Chinese banks ceased to accept deposits or cheques in taels. At the same time, an export duty of $2\frac{1}{4}\%$ was imposed on sycee or foreign bars.

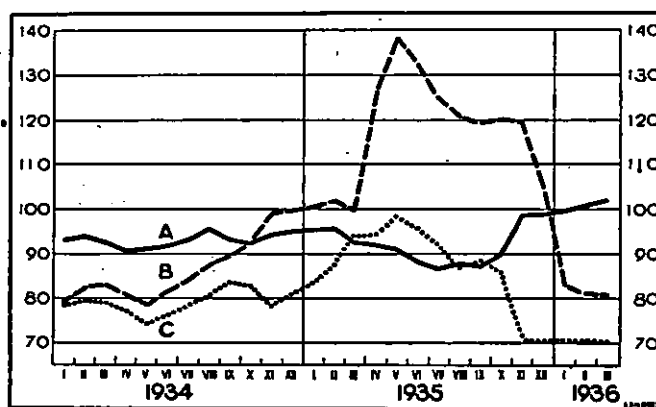
There is a very active market in Shanghai for gold bars, but gold does not circulate as currency. On the other hand there is a long history, extending back over many centuries, of paper issues most of which have depreciated. Until the present National Government took steps to regulate note issues by the Banking Law of 1931, the maintenance of parity depended solely upon the wisdom and good faith of the issuing authority. Issues were made, not only by responsible banks, Chinese and foreign, but also by temporary Governments, local banks, pawnshops and traders. Partly by increased Government control, but largely also by sound banking on the part of the leading financial institutions, there has been a notable improvement of this situation in many areas in recent years.

Apart from these domestic problems, the exchange rates with the outside world have fluctuated widely. Until 1935, China remained on a bullion, or rather several bullion standards, the chief of which is silver. Shanghai, the chief financial centre, is one of the most active exchange markets in the world, gold bars, silver bullion and copper being continuously bought and sold against commodities and foreign exchange. Until the abandonment of the gold standard by the United Kingdom in September 1931, the price of silver in terms of foreign currencies had been falling for many years, with the result that Chinese commodity prices showed a continuous upward tendency, while real estate values in such centres as Shanghai rose much faster. The abrupt reversal of this trend, while affording some relief in external debt payments and enhancing the value of silver stocks, brought severe deflationary pressure upon domestic prices and caused acute depression. When the silver purchase policy of the United States Government began at the end of 1933, and became more effective after the Presidential approval of the Silver Purchase Act on June 19th, 1934, it became necessary for the Chinese Government to take steps to prevent both the deflationary pressure upon domestic prices and the heavy export drain of silver. In October 1934, an export duty of 10% (less $2\frac{1}{4}\%$ minting charges) was imposed, and in addition an

equalisation charge was levied "equal to the deficiency, if any, between the theoretical parity of London silver and a rate of exchange officially fixed by the Central Bank of China, after making allowance for the export duty". As will be seen from the following diagram, however, these measures proved ineffective in preventing a further sharp fall of Chinese commodity prices when the United States Government purchases raised the price of silver. Between February and July 1935, wholesale prices in Shanghai declined by almost 10%.

WHOLESALE PRICES IN SHANGHAI.
PRICE OF SILVER IN LONDON, AND SHANGHAI EXCHANGE
RATE ON LONDON.

- A Wholesale prices in Shanghai.
B Price of silver in London.
C Exchange value of Chinese dollar in London.
(1929 = 100.)



The rise in the price of silver was aggravated by speculative purchases in anticipation of further increases in the buying price of the United States Treasury until it reached a peak in May 1935, having risen by over 36% in three months. About half of this rise was subsequently lost when the speculative positions were liquidated after the United States' buying price was kept steady from May onwards.

The fact that China remained on a modified silver bullion standard is demonstrated by the diagram, which shows that the exchange rate on London fell as the price of silver rose. It is evident that the equalisation tax did not peg the Chinese dollar to sterling and was not effective in preventing the rising price of silver from forcing down both the exchange rate and Chinese commodity prices. The exchange rate naturally shows a quicker reaction to changes in silver prices than does the index of commodity prices.

The aim of the equalisation charge imposed in October 1934 was to control the exchange rate and prevent the export of silver, which had amounted to 200 million Chinese dollars between the beginning of July and October 15th, 1934, thus reducing the known stocks to 329 million dollars. The measures taken had some effect, but, as may be seen from the diagram, the exchange rate remained high and therefore deflation continued. Moreover, there was a considerable amount of export smuggling

encouraged by the difference between the domestic and foreign price of silver, and this smuggling was difficult to check. A period of acute exchange difficulty was experienced in October 1935 and action became imperative. As from November 4th, 1935, therefore, measures were taken to place China on an exchange standard with legal tender paper currency.

The currency reforms introduced on that date constitute a very important step in the reorganisation of the currency and banking system. Not only is the central banking function to be separated from Government and private financing, but exchange is to be stabilised at a devalued level, note circulation is to be centralised, and silver reserves nationalised, and the various forms of "big" and "small" subsidiary money are to be replaced by a standard issue.

The following is an official summary of the decree :

1. Commencing from November 4th, 1935, the banknotes issued by the three Government banks — the Central Bank of China, the Bank of China, and the Bank of Communications — shall be full legal tender. Payment of taxes and discharge of all public and private obligations shall be effected by legal tender notes. No use of silver dollars or bullion for currency purposes is permitted and any contravention of this provision is punishable by confiscation of the whole amount of silver seized. Any individual found in illegal possession of silver shall be punishable in accordance with the law governing acts of treason against the nation.

2. Banknotes of issuing banks other than those of the three Government banks, which have received previous authorisation by the Ministry of Finance, shall remain in circulation, but the total outstanding banknotes of each bank shall not exceed the amount in circulation on November 3rd, 1935. The outstanding banknotes of these banks shall be gradually retired and exchanged for Central Bank of China banknotes within a period to be determined by the Ministry of Finance. All reserves held against the outstanding banknotes, together with unissued or retired notes of these banks, shall be handed over at once to the Currency Reserve Board. Notes in process of printing shall also be handed over to the said Board upon taking delivery by the Banks.

3. A Currency Reserve Board created under special ordinance shall be formed to control the issue and retirement of legal tender banknotes, and to keep in custody of reserves against outstanding banknotes.

4. Commencing November 4th, 1935, banks, firms and all private and public institutions and individuals holding standard dollars, other silver dollars, or silver bullion shall hand over same to the Currency Reserve Board or its agent banks in exchange for legal tender notes, at face value in the case of standard silver dollars, and in accordance with the net silver content in the case of other silver dollars or silver bullion.

5. All contractual obligations expressed in terms of silver shall be discharged by the payment of legal tender notes in the nominal amount due.

6. For the purpose of keeping the exchange value of the Chinese dollar stable at its present level, the three Government banks shall buy and sell foreign exchange in unlimited quantities.

At the same time as this decree was issued, it was announced that measures had been prepared to strengthen the commercial banking system, establish a mortgage credit bank, balance the

budget within eighteen months and check speculation and an unjustified rise in commodity prices. It is too soon to measure the effect of these changes, which virtually imply the abandonment of the silver standard. The official exchange rate for sterling was immediately reduced from 20 $\frac{23}{32}$ d. to 14 $\frac{1}{2}$ d. and the export duty on silver raised from 14 $\frac{1}{2}$ to 65%. With this relief from the deflationary pressure of an overvalued currency, wholesale prices rose from an index of 90 in October to 100.9 in February 1936 (1929 = 100) and retail prices from 96.3 to 103.8. It was recognised that there would be difficulties in carrying through the proposed reorganisation. The local authorities at Canton, however, endorsed the National Government's action and put it into force as from November 7th. The British Ministry at Peiping also issued instructions requiring British subjects to conform to the new law, and after a few weeks the British, United States and European banks accepted the proposals of the Government to purchase their silver stocks. On February 12th, it was announced that a sum of approximately \$U.S.10 million of gold had been earmarked in New York on account of the Central Reserve Bank, presumably against the sale of silver.

The nationalisation of silver and the replacement of banknotes by the new legal tender currency was more difficult for the provincial banks in the interior, many of whom had large note issues with small reserves, than for the metropolitan banks. There is a considerable distrust of paper currency in China and confidence in the new system can only be won gradually.

The Chinese banking system consists of three principal divisions — "native banks", modern Chinese banks, and foreign banks. The numerous "native banks" are private institutions. A recent statement tabulates about 1,300 of these banks in various parts of China, with paid-up capital ranging from \$Ch.600 to \$Ch.840,000, and averaging from less than \$Ch.9,000 in a small town such as Shasi to nearly \$Ch.320,000 in Shanghai.¹ No statistics are available concerning their financial operations. Their aggregate paid-up capital amounts to some \$Ch.100 million and their total assets are estimated at approximately eight times this figure. Certain trade organisations have grown up — the Union of Native Banks, the Native Bankers' Association of Shanghai, the Clearing-house and the Joint Reserve Board — all with headquarters in Shanghai and for the most part consisting of the stronger native banks.

Despite their declining importance in recent years, these banks remain a vital part of the Chinese economic organisation. Indeed, a prominent official of one of the largest modern banks has recently stated that "if all the Chinese modern banks suspended operations to-morrow, the effect

¹ *Chinese Year Book 1935/36*, pages 1445-6, published by Commercial Press Ltd., Shanghai.

on commerce would be insignificant ; but if the native banks closed their doors, commerce in Shanghai, and everywhere else, would come to a complete standstill".¹

These banks accept deposits both on demand and for fixed periods ; there are no legal reserve requirements. Advances are in the nature of personal transactions, being based on commercial confidence rather than collateral security. The " native banks " provide the credit instruments known as " native orders " and also the bills of exchange which finance a great proportion both of foreign imports and of payments for trade within China. Before the abolition of the tael, the native banks were the dominant factor in determining the various domestic exchange rates and domestic short-term interest rates, besides providing the principal mechanism for local and national clearings. With the falling-off of remittances from overseas Chinese, the loss of the profitable exchange business consequent upon the abolition of the tael and progressive currency unification, and with general economic depression as the price of silver rose, there have been numerous failures. The number of banks members of the Native Bankers' Clearing Association in Shanghai fell from 87 in 1928 to 64 in 1935.

The modern banks of China date only from the end of the nineteenth century, the Commercial Bank of China having been formed in 1897. This pioneer venture was followed in 1904 by a semi-Governmental bank (the Taching Bank), which in 1912 established a branch in Shanghai and became the Bank of China. In 1907, the Bank of Communications was established. It is significant that these first banks were intimately connected with Government finance. Their development was somewhat chequered during the revolutionary period, and it is only within very recent years that the National Government has been strong enough to plan differentiation of functions as between central banking, special banking and commercial banking.

The Central Bank of China was founded in 1924 by the revolutionary Government at Canton and was transferred to Hankow in 1926. In 1928, it was reorganised at Shanghai with a capital of \$Ch.20 million. Since then, its capital has been increased to \$Ch.100 million. As part of the new currency policy announced in November 1935, it is to become the Central Reserve Bank of China. It will be an independent institution owned principally by banks and the general public. It is to hold the reserves of the banking system, act as depository of Government funds, and provide centralised rediscount facilities. After two years, it will have the sole right of note issue. A Currency Reserve Board has been constituted to control the issue and retirement of legal tender banknotes and

to keep custody of the note reserve. The Currency Reserve Board is to consist of three representatives of the Ministry of Finance, two representatives each of the Central Bank, the Bank of China, the Bank of Communications, the Bankers' Association, the Native Bankers' Guild, and the Chamber of Commerce, together with five representatives of the former issuing banks, specially designated by the Minister of Finance. The Board is to be presided over by the Governor of the Central Bank.

The Bank of China referred to above discharged some of the duties of a national bank before the reorganisation of the Central Bank of China in 1928. In October 1928, it was given a special charter to engage in foreign exchange. In consequence, it set up branch offices in London and Osaka and at the same time began to establish numerous branches throughout China. By the beginning of 1935, it had 200 such branches. Its activities developed rapidly, not only in the field of foreign trade, but also in the encouragement of commercial and industrial enterprises within China.

The Bank of Communications, another important semi-Government institution, was originally established to facilitate railway construction and chartered as an industrial bank in 1928. Its functions were then defined as the issue and redemption of bonds on behalf of industrial organisations, the handling of revenues and expenses of communication enterprises, and the promotion and development of industry, as well as assistance to the national treasury. At the beginning of 1934, it had over ninety branches in various parts of the country and its note issue was second only to that of the Bank of China among Chinese banks. Like the Central Bank and the Bank of China, its notes are to be legal tender during the transition period until the new Central Reserve Bank of China takes over the monopoly of note issue.

The following consolidated balance-sheet and profit-and-loss statement refers to the principal Chinese modern banks, including the three mentioned in the preceding paragraphs :

CHINESE MODERN BANKS.					
<i>Balance-Sheet Summary.</i>					
Chinese dollars (000,000's)					
	31.XII.	31.XII.		31.XII.	31.XII.
	1932	1933		1932	1933
<i>Assets.</i>			<i>Liabilities.</i>		
Cash in hand . . .	277	303	Capital paid up . .	235	261
Cover for notes in circulation . . .	487	527	Reserves and undiv. profits	63	77
Cover for notes applied for circulation	61	69	Notes in circulation	488	533
Investments and securities	232	261	Notes applied for circulation	72	81
Loans and advances	1,947	2,366	Drafts and remittances	27	25
Current accounts (768)	(1,100)		Deposits	2,184	2,625
Fixed loans	(566)	(672)	Current accounts (993)	(180)	(251)
Other	(613)	(594)	Savings accounts	(602)	(751)
Bank premises, furniture, etc.	94	88	Other deposits . . .	(409)	(597)
Other assets	47	83	Other liabilities . .	45	62
Total assets	3,145	3,697	Net profits for current year	31	33
			Total liabilities	3,145	3,697

¹ *Far-Eastern Survey*, Vol. IV, No. 12 : " The Crucial Rôle of the Chinese Native Banks ", June 19th, 1935.

Summary of Profit-and-Loss Accounts.

Expenditure.	1932		1933	
	1932	1933	1932	1933
Total expenses	45.2	52.1	Gross profits .	76.2
Net profits . .	31.4	32.8	Net loss . . .	0.4
Total . .	76.6	84.9	Total . .	76.6

The increase in the banks' paid-up capital in 1933 was due in part to banking legislation, which laid down certain minimum capital requirements. In part it was the continuance of a steady growth in progress for many years, as the following figures relating to the paid-up capital and reserve funds of a somewhat smaller number of modern Chinese banks show :

	Paid-up capital		Reserve funds	
	Chinese dollars (ooo,ooo's)			
1921	95.5	25.3		
1931	155.8	47.3		
1932	156.8	51.9		
1933	173.9	60.9		

Of the total note circulation outstanding at the end of 1933, it would appear that about 60% was issued by Shanghai banks. The combined note issue of the Bank of China, the Bank of Communications and the Central Bank of China was about 350 million Chinese dollars, or well over half the total. The banks of issue are required to maintain a 60% silver cover reserve against their note circulation; the rest of the "cover for notes in circulation", as shown in the above statement, consists chiefly of Chinese Government bonds. The following statement shows the changes in the silver stocks of Chinese and foreign banks since the end of 1931 :

End of :	Chinese banks		Foreign banks	
	Chinese dollars (ooo,ooo's)			
1931	179.3	86.9		
1932	253.3	185.0		
1933	271.8	275.7		
1934	280.3	54.7		
May 1935	290.2	50.8		

These figures refer to visible stocks in Shanghai. The sharp fall in agricultural prices in recent years led to a drain of silver stocks from the interior to the ports. The silver exports of the foreign banks to take advantage of the artificially enhanced price of the metal in world markets in 1934 emerge clearly from the above figures. After the very rapid rise in the price of silver in London in April 1935, an agreement was arranged between the Chinese and the foreign banks under which all export of silver was to be stopped. A large profit was to be made by the export of silver, however, and smuggling developed on a large scale.

In May, the Chinese banks refused to redeem their notes in silver unless they were satisfied that the silver was required for legitimate business purposes and not for export.

Of the total loan portfolio of the Chinese modern banks, a very high proportion consists in advances to the Government. The following table shows the percentage distribution of the Bank of China's loans in 1933 and 1934 :

	1933		1934	
	%			
Government organisations . .	43.9	41.9		
Commercial houses	27.0	29.8		
Industrial enterprises	12.1	13.2		
Agriculture	4.8	5.4		
Individuals	2.5	3.2		
Communications	1.4	2.2		
Other banks	6.6	2.2		
Private organisations	0.7	1.1		
Public utilities	1.0	1.0		
	100.0	100.0		

Since its establishment in 1927, the National Government has issued twenty-seven local loans totalling \$Ch.1,130 million, the greater part of which has been taken up by the modern banks. A high proportion of the proceeds of these loans has been used for military purposes. Their flotation has been carried out in many cases at a heavy discount and rates of interest are high, so that bank profits have been considerable in recent years. On the other hand, the supply of funds for commercial purpose has been restricted.

The ability of the banks to lend to the Government has depended upon a very rapid expansion of their deposits. It is significant of their close connection with Government finance that, whereas in 1925, of 141 modern banks in existence, twenty-three were located in Peiping and fourteen in Tientsin, in 1934, of 170 modern banks, fifty were in Shanghai, ten in Tientsin and only two in Peiping.

Of the Bank of China's loans to domestic industry, included in the above statement, those to the cotton-spinning industry were most important, accounting for over 55% in 1933; the flour industry followed with 12½% and the silk reeling and weaving industry accounted for a further 10%.

In the absence of more profitable channels of investment, the banks have tended to invest their funds in Government securities, as already indicated, and in real estate. The rise of Shanghai as a trading centre and the nearest financial centre to the new seat of Government led to a great inflow of funds from the interior. Land values rose rapidly and formed a profitable field of investment, thus attracting a further inflow of funds. Political insecurity in the interior and finally deflation forced by rising silver prices aggravated the concentration of funds in Shanghai. It is not surprising, therefore, that capital for private enterprise has been scarce and rates of interest high, secured overdrafts ranging from 10% upwards.

With the monetary crisis of the spring of 1935, several institutions encountered serious difficulties in meeting withdrawals of deposits. The Government then took over control of the Bank of China and the Bank of Communications, and these two institutions, along with the Central Bank of China, granted accommodation to the native banks.

Certain other elements in the Chinese credit structure are worthy of particular mention. By

an order of the Ministry of Finance to the Provincial Bureaux of Finance, People's Banks are to be established in the various districts of each province, with the District magistrate as Governor of the Bank.

The capital of the People's Bank in each district is to be between \$100,000 and \$200,000 subscribed from the public funds of the respective districts, and the Board of Directors will consist of prominent citizens and officials. The main function of the banks will be the extension of credit facilities to local agriculture and industry.

There are also a large number of banks founded for special purposes. Agricultural and industrial banks with or without Government capital have been formed to finance agricultural development and co-operation, forestry, land reclamation, irrigation and water conservancy, pastoral development, mining and industrial factories. Among them are the Agricultural and Industrial Bank, and the Manufacturers' Bank of China. The latter was established at the initiative of the Government in 1929 with an authorised capital of \$Ch.20,000,000, of which \$Ch.5,000,000 has been paid up (\$Ch.2,000,000 by the Government and \$Ch.3,000,000 by private individuals). The Board consists of business-men, and the control and administration are in the hands of the private shareholders. While it engages in commercial banking, its main function is investment banking, to give aid to home manufacturers and merchants, and generally to finance industrial enterprises.

Frontier and land banks have been established for settlement enterprises, but engage also in land transactions in the cities. Trade banks have also been set up to finance particular industries.

In February 1935, five of the leading banks in Shanghai formed a trust, known as the China Agricultural Investment Company, for the purpose of advancing money to assist agrarian development in general and cotton cultivation in particular. The sum of \$Ch.5,000,000 was set aside by these banks to be advanced to co-operative societies in the Provinces of Shansi, Honan, Shantung, Hopei, Kiangsu and Chekiang, for the improvement of methods of agricultural production and marketing, and especially the cultivation of cotton. Farmers have been forced to pay very high rates of interest to local moneylenders ranging from 25% to 40%, but, under this arrangement, the Chinese banks will make advances to co-operative societies at 9%, and they in turn will make loans to their farmer members at considerably less than half the rates hitherto paid for such accommodation.

Almost every province has a semi-official bank. A century or so ago they functioned as Government cash-shops, but at the beginning of the present century they were reorganised on more or less modern lines. As these banks neither publish

balance-sheets nor inform the public of their operations, very little is known of them except that they issue notes, and, to quote one critic, "they have not always adhered to the best traditions of conservative banking".

The distribution of banking functions among these various institutions and among the commercial banks proper has not been clear cut. Note issue has been widely spread, there is no clear line between industrial and deposit banking, and all the banks have participated in the financing of Government expenditures. Many institutions also have savings departments. There are, in addition, a growing number of trust companies, finance companies, savings societies and rural co-operatives.

While the Chinese banks, "native" and modern, play the predominant rôle so far as domestic trade and financial transactions are concerned, the foreign banks operating in China are more important with regard to foreign business. During the closing years of the Manchu dynasty, their position was strengthened by the handling of foreign loans and indemnity payments and by the custody of important revenues such as those derived from the Maritime Customs and the Salt Gabelle, which had been hypothecated for debt service. It was not until China regained her tariff autonomy in 1929 that the balances of these Government accounts were handled by the Chinese banks. With the development of national institutions, some of the functions formerly discharged by the foreign banks have passed to the Chinese modern banks and the Central Bank of China.

Thirty-three foreign banks are at present operating in China, mostly in the Treaty ports. Of this number, all but five smaller institutions have their head offices outside Chinese territory and these five are located in foreign concessions in various Treaty ports. The biggest foreign bank as far as Chinese business is concerned is the Hong-Kong and Shanghai Banking Corporation, with a capital of \$20 million (Hong-Kong), reserve funds of over \$100 million and deposits of nearly \$900 million. It will be seen that this single foreign bank, the bulk of whose business lies in China, has own funds greater than the total estimated capital of all the native banks, and about half as great as the total capital of all the Chinese modern banks.

Unfortunately, the only statistics available for foreign banks give the total figures for their whole business, and none for their business in China alone. Since many of them — such, for example, as the leading Japanese banks (Mitsui, Mitsubishi, Sumitomo, Yokohama Specie Bank, etc.), the Chase National Bank and the National City Bank of New York — do most of their business outside China, there is little use in reproducing their balance-sheets. The full list of foreign banks operating in China is given on the following page.

PRINCIPAL FOREIGN BANKS AND BANKS WITH FOREIGN CAPITAL.

Name of Bank	Established	Head Office	Branches in China
<i>British.</i>			
Chartered Bank of India, Australia and China	1857	London	Canton, Hankow, Harbin, Hong-Kong, Peiping, Shanghai, Tientsin, Tsingtao
E. D. Sassoon Banking Corporation	1930	Hong-Kong	Shanghai
Finance Banking Corporation	1932	Shanghai	—
Hong-Kong and Shanghai Banking Corporation	1867	Hong-Kong	Amoy, Canton, Chefoo, Dairen, Foochow, Hankow, Harbin, Kowloon, Mukden, Peiping, Shanghai, Tientsin, Tsingtao
Mercantile Bank of India	1915	London	Hong-Kong, Shanghai
P. & O. Banking Corporation	1922	London	Hong-Kong, Shanghai
<i>Japanese.</i>			
Bank of Chosen	1918	Seoul	Autung, Changchun, Dairen, Fuchiatien, Harbin, Kaiynan, Liauyang, Lungchingsun, Mukden, Port Arthur, Shanghai, Szeping kai, Tieling, Tientsin, Tsingtao, Yinkow
Bank of Taiwan	1899	Taifeh	Amoy, Canton, Foochow, Hankow, Hong-Kong, Shanghai, Swatow
Bank of Tientsin	1920	Tientsin	Peiping
Hankow Bank	1920	Hankow	Shanghai
Mitsui Bank Ltd.	1917	Tokyo	Dairen, Shanghai
Mitsubishi Bank	1917	Tokyo	Shanghai
Seiryu Bank	1906	Dairen	Anshan, Autung, Changchun, Fushin, Harbin, Kaiynan, Kungchuling, Mukden, Newchwang, Port Arthur, Shakako, Szeping kai, Tientsin, Tsingtao
Shanghai Bank	1917	Shanghai	—
Sumitomo Bank	1916	Osaka	Shanghai
Yokohama Specie Bank	1890	Yokohama	Canton, Changchun, Dairen, Hankow, Harbin, Hong-Kong, Kaiynan, Mukden, Newchwang, Peiping, Shanghai, Tientsin, Tsingtao
<i>American.</i>			
American Express Co., Inc.	1917	New York	Hong-Kong, Peiping, Shanghai, Tientsin
American Oriental Banking Corporation	1917	Shanghai	Tientsin
Chase National Bank	1921	New York	Hong-Kong, Shanghai, Tientsin
Commerce Bank, Tientsin Commercial and Credit Corporation	1932	Tientsin	—
National City Bank of New York	1902	New York	Canton, Dairen, Hankow, Harbin, Hong-Kong, Mukden, Peiping, Shanghai, Tientsin
Thrift and Investment Finance and Trust Corporation	1929	Harbin	Hailar, Shanghai
Underwriters' Savings Bank	1930	Shanghai	—
<i>French.</i>			
Banque de l'Indochine	1899	Paris	Canton, Hankow, Hong-Kong, Mengtez, Peiping, Shanghai, Tientsin, Yunnanfu, Tientsin
French Banking and Investment Corporation	1921	Shanghai	Tientsin
<i>Other.</i>			
Nederlandsche Handel Maatschappij	1902	Amsterdam	Hong-Kong, Shanghai
Nederlandsche Indische Handelsbank	1920	Amsterdam	Amoy, Hong-Kong, Shanghai, Swatow
Banque belge pour l'étranger	1902	Brussels	Hankow, Shanghai, Tientsin
Italian Bank for China	1920	Shanghai	Tientsin
Deutsche Asiatische Bank	1889	Berlin	Canton, Hankow, Peiping, Shanghai, Tientsin, Tsingtao
Far-Eastern Bank of Harbin	1923	Harbin	Hailar, Shanghai
Crédit Foncier d'Extrême-Orient	1907	Brussels	Hankow, Hong-Kong, Shanghai, Tientsin
Banque franco-chinoise pour le commerce et l'industrie	1923	Paris	Hong-Kong, Shanghai, Peiping, Tientsin

Complete statistics comparable to those given elsewhere in this volume are not available for the Chinese banks.

COLOMBIA.

The main features of the monetary and banking situation in Colombia will be clear from a study of the table summarising the balance-sheets of commercial banks, and from the following outline of the balance-sheets of the Banco de la República, the bank of issue.¹

	Dec. 1931	Dec. 1932	Dec. 1933	Dec. 1934	June 1935
Pesos (ooo,ooo's omitted)					
Gold and foreign exchange (sight deposits)	13.7	17.2	16.8	16.1	30.5 ^a
Loans and discounts . . .	19.5	8.9	6.7	10.2	8.4
To affiliated banks . . .	(18.2)	(7.4)	(4.9)	(8.1)	(5.3)
Other	(1.3)	(1.5)	(1.8)	(2.1)	(3.1)
Advances to the Government	8.0	24.0	35.8	41.4	42.5
Participation in the Central Mortgage Bank . . .	—	4.0	12.0	12.0	12.0
Notes in circulation . . .	20.6	22.5	31.8	40.1	39.1
Deposits	10.8	19.0	22.2	24.8	25.5
Government	(2.1)	(6.4)	(5.6)	(5.2)	(5.0)
Associated banks	(6.6)	(10.9)	(12.3)	(14.8)	(15.9)
Other	(2.1)	(1.7)	(4.3)	(4.8)	(4.6)
Special exchange account	—	—	—	—	18.8

^a Revalued in April 1935.

Currency inflation, due to budget deficits and the expenditure involved by the frontier dispute with Peru, reached its climax in May 1934, when the Central Bank's advances to the Government exceeded 47 million pesos. On June 30th, 1935, the Government's debt to the Bank of Issue amounted to 42.5 million pesos.² Under a contract of October 31st, 1935, between the Government and the Banco de la República, the loans granted by the Bank of Issue for national defence requirements, which then amounted to 9.5 million pesos, must be repaid within five years and, in addition, ceased to bear interest after January 1st, 1935. Fewer bills were offered for discount to the Banco de la República by the commercial banks in 1935 than in 1934, and the slight increase in loans granted by the Bank of Issue direct to the public was insufficient to prevent a fall in the total amount of loans and discounts.

The Central Bank's discount rate was 4%.

The rise in the gold and foreign exchange holding was only apparent, being due to the revaluation of the gold reserve and foreign assets, consequent on

the Decree of April 6th, 1935, authorising the Banco de la República to value its gold reserve and foreign currency holdings on the basis of the New York price for gold and the peso exchange rate. This rise in the gold and foreign exchange which is shown in the bank's balance-sheet as from April 30th, 1935, is offset on the liabilities side by the constitution of a reserve fund called "Special Exchange Account" (Cuenta Especial de Cambio).

The gold holding of the Banco de la República, moreover, fell between June 1934 and June 1935 by 8 million U.S. dollars, while deposits in foreign banks rose slightly by 224,000 dollars. There is no change in the Banco de la República's participation in the Banco Central Hipotecario, another large item of the Central Bank's assets. The liabilities side of the Central Bank's balance-sheet has not substantially changed, apart from the introduction of the special exchange account above mentioned, the slight rise in deposits being offset by a fall in the banknote circulation.

The position of the commercial banks has not substantially altered in the eighteen months under review. The larger figure for discounts (27.2 million pesos in June 1935) is offset by a fall in loans and advances (15.3 million pesos on the same date). Investments and securities fell in the spring of 1935 by 4.5 million pesos as a result of the purchase of Government bonds by the Banco de la República, and the cash balances of the commercial banks rose in consequence. The deposits of the commercial banks increased slightly (63.3 million pesos in June 1935); deposits on current account rose, while savings and time or fixed deposits showed the opposite tendency. The clearing operations of commercial banks reached the highest figure since 1929; between July 1934 and June 1935, they exceeded 606 million pesos (469 millions in 1933/34).

The currency circulation of Colombia has risen, independently of fluctuations in the circulation of bank-notes issued by the Banco de la República, owing to the issue of 5 million pesos in silver coin to cover the Government's military expenditure, under a contract concluded in March 1934 between the Government and the Central Bank. In this way, the ratio of silver coin to the total currency circulation has considerably increased. As this rise in the circulation of silver coin coincided with the new silver policy adopted by the United States

¹ For the banking organisation of Colombia and a brief account of events previous to 1934, see: *Commercial Banks, 1913-1929*, page 378; *1925-1933*, page 287; and *1929-1934*, page 172.

² This debt was composed as follows:

	Pesos (ooo,ooo's)
1. Loans granted for national defence requirements	6.9
2. Advances secured on the salt-mine concessions	18.3
3. Public debt stock	17.2
4. Loans to official institutions	0.1
	42.5

of America in consequence of the Silver Purchase Act of June 19th 1934, and with the rise in the price of silver, Colombia's currency circulation has undergone certain important changes. These have taken the form, chiefly, of domestic hoarding of silver coin, fresh action, first, to prevent and then to organise exports of silver, and, lastly, the demonetisation of silver.¹

Under these circumstances, the Government, in order to meet the shortage of subsidiary coinage, issued half-peso notes and new nickel coins.² Silver exports were prohibited in May 1935. The demonetisation of silver was effected by a Law of August 1st, 1935, enacting that silver coins should be withdrawn from circulation and replaced by paper money and nickel coinage. The Decree of September 23rd instructed the Exchange-Control Office to authorise the exportation of silver bullion freshly extracted from domestic mines. The sale of old Colombian silver coins and foreign silver coinage circulating in Colombia was regulated by a Decree of November 4th, 1935. The Banco de la República was empowered to buy silver coins for Government account, up to December 31st, 1935, at the commercial price of the metal, and to export to international markets the bar silver thus obtained. According to a statement by the Minister of Finance, the Government is estimated to have made 2,800,000 pesos profit from demonetising silver.

The restrictions on exchange operations³ remain in force, but have been somewhat amended. Thus, under the Law of September 28th, 1935, the percentage of foreign exchange which must be sold to the Central Bank at the official rate has been reduced to 12% (15% since July 1st, 1934). Furthermore, under a new arrangement concluded in January 1935, the Government has waived its right to buy foreign exchange from the Banco de la República at the official rate of 113 pesos per 100 dollars, but reserves the right to share in the profits earned by the Bank from the sale of foreign exchange. A Law of October 31st, 1935, empowers the President of the Republic to amend, up to August 31st, 1937, all legislation relating to exchange control and foreign trade, and, in particular, to tighten the restrictions on imports into Colombia, should the position of the balance of payments or the protection of the Central Bank's gold reserve require it.

The value of the peso fluctuated considerably during 1934. Although the Banco de la República tried to stabilise the official buying rate at 1.50 pesos per U.S. dollar, the commercial rate of the peso began to fall again early in 1935, and by March had dropped to 1.94 pesos. In the following months, the peso rate improved, and in December 1935 stood at 1.75 pesos per U.S. dollar. The foreign exchange bought on the open market by licensed importers represented, in December 1935, 88% of the proceeds of Colombia's exports.

Balance-sheet Summary.

I. Cash.

	1929	1930	1931	1932	1933	1934
	Pesos (000,000's)					
Gold coins, bank-notes, State notes, other currency . .	6.4	5.9	2.8	3.8	2.7	2.7
Reserve balances with Banco de la República	3.9	3.0	6.2	11.0	12.1	14.7
Grand total . . .	10.3	8.9	9.0	14.8	14.8	17.4

3. Bills discounted and bought.

The official statistics make no distinction between discounts, loans and advances, nor is Government paper shown separately from commercial paper. Distinction is made, however, between paper eligible for rediscount at the Banco de la República and non-eligible paper. The former category is shown under discounts in the Summary Table, and

¹ The following table shows the fluctuations in the currency circulation :

	June 1931	June 1932	June 1933	June 1934	June 1935
	Pesos (000,000's)				
Notes of the Banco de la República	23.9	19.2	26.1	39.6	38.5
National notes	7.9	7.9	7.9	7.9	7.9
Silver coin, silver certificates, and nickel coin	11.6	13.6	13.6	13.8	18.9
Other forms of payment (Treasury bonds and schedules, Bank bonds and schedules)	0.1	0.1	0.1	0.1	0.1
Gross currency circulation	43.5	40.8	47.7	61.4	65.4
Deduct—Currency tokens held by the Banco de la República	0.3	2.4	0.7	0.3	3.7
Currency tokens held by other banks	5.5	2.9	4.1	3.1	3.1
Net public currency circulation	38.7	35.5	42.9	58.0	58.6

² The total circulation of nickel coins on June 30th, 1935, was 2,221,000 pesos.

³ See *Commercial Banks, 1929-1934*, page 174.

COLOMBIA.

COMMERCIAL BANKS

Table 12 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks	16	16	16	16	16
ASSETS.					
Pesos (000,000's omitted)					
1. Cash	10.3	9.0	14.8	14.8	17.4
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	53.7	31.4	19.5	18.0	25.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	12.9	14.7	19.8	26.9	29.5
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	8.6	4.0	3.7	5.7	6.1
(a) At home	0.4	0.4	0.6	0.7	0.9
(b) Abroad	8.2	3.6	3.1	5.0	5.2
7. Loans and Advances	44.4	38.2	30.3	26.1	16.1
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	5.2	1.1	0.4	0.8	1.3
9. Premises, etc.	4.1	6.1	4.1	5.3	6.6
10. Sundry Assets	4.7	10.6	9.5	10.2	9.3
11. Total Assets	143.9	115.1	102.1	107.8	112.1
LIABILITIES.					
12. Capital paid up	24.8	25.0	20.3	20.3	20.3
13. Reserve Funds	11.8	16.0	10.4	12.3	11.1
14. Profit-and-Loss, Undivided Profits, etc.	2.5	0.1	0.6	0.9	1.2
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	16.1	5.6	4.9	4.8	4.0
(a) At home	—	—	—	—	—
(b) Abroad	16.1	5.6	4.9	4.8	4.0
17. Deposits	60.6	48.0	55.4	58.8	62.6
(a) Current accounts	39.6	26.5	34.4	39.4	48.5
(b) Savings accounts	6.5	8.0	6.8	5.9	4.7
(c) Time or fixed deposits	14.5	13.5	14.2	13.5	9.4
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	17.8	17.3	7.1	4.5	6.6
19. Acceptances and Endorsements	5.2	1.1	0.4	0.8	1.3
20. Sundry Liabilities	5.1	2.0	3.0	5.4	5.0
21. Total Liabilities	143.9	115.1	102.1	107.8	112.1
22. Value of currency in Swiss francs at the end of each year	4.96	4.96	4.95	2.11	1.99

the latter under group (7). The composition of the sums given under (3) is shown below :

	Bills eligible for rediscount		
	Actually redis- counted	Other	Total
	Pesos (000,000's)		
1929	16.8	36.9	53.7
1930	13.3	31.9	45.2
1931	15.3	16.1	31.4
1932	4.9	14.6	19.5
1933	3.4	14.6	18.0
1934	2.5	23.3	25.8

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

	1929	1930	1931	1932	1933	1934
Ordinary investments :	Pesos (000,000's)					
Shares in the						
Banco de la						
República . . .	4.9	4.9	4.9	3.8	3.5	3.5
Other securities .	1.7	1.8	2.6	9.9	17.9	21.9
Total	6.6	6.7	7.5	13.7	21.4	25.4
Investments of sa- vings departments	6.3	7.0	7.2	6.1	5.5	4.1
Thereof investments of " immediate convertibility "	(5.7)	(6.4)	(6.0)	(5.9)	(5.5)	(4.1)
Grand total . . .	12.9	13.7	14.7	19.8	26.9	29.5

17. *Deposits.*

Deposits include amounts due to domestic banks. The sums shown under (a) represent deposits payable within thirty days ; time deposits (c) are those payable after thirty days. The statistics show separately deposits in national and in other currencies as follows :

	1929	1930	1931	1932	1933	1934
(a) Sight deposits :	Pesos (000,000's)					
In national cur- rency	31.6	25.2	22.5	32.0	37.9	46.3
In other curren- cies	8.0	5.0	4.0	2.4	1.5	2.2
Total sight de- posits	39.6	30.2	26.5	34.4	39.4	48.5
(b) Savings deposits	6.5	7.3	8.0	6.8	5.9	4.7
(c) Time deposits :						
In national cur- rency	11.6	12.7	10.7	12.6	12.6	9.1
In other curren- cies	2.9	3.4	2.8	1.6	0.9	0.3
Total time de- posits	14.5	16.1	13.5	14.2	13.5	9.4
Grand total . . .	60.6	53.6	48.0	55.4	58.8	62.6

18. *Rediscounts and Other Borrowings.*

Under this heading are given the rediscounts of the commercial banks with the Banco de la República and other borrowings from that bank.

CZECHOSLOVAKIA

The devaluation which was carried out on February 17th, 1934,¹ was followed by an increase in the gold and foreign exchange reserve of the National Bank from 2,675 million Kč. to 2,910 millions during the second half of 1934. This increase was partly due to some voluntary repatriation of capital and a perceptible revival of the export trade, but in the main it appears to have been the consequence of a Decree of September 10th, 1934, which provided for the compulsory delivery to the National Bank, before October 15th, 1934, of precious metals and sight claims in foreign currencies and for a census of all foreign securities held in Czechoslovakia. In accordance with this Decree, regulations were issued on January 7th, 1935, requiring foreign bonds (except bonds of countries practising exchange control) to be sold abroad and the exchange proceeds to be transferred to the National Bank before March 8th, 1935. The Bank's gold and foreign exchange reserve rose to 3,015 million Kč. on June 30th, 1935, attaining its highest level since the devaluation.

During the second half of 1935, the National Bank's foreign-exchange holdings rapidly declined from 325 million Kč. to 80 millions, the gold stock remaining practically constant. The export surplus in 1935 amounted to 684 million Kč. as against 889 millions in 1934, and arose, moreover, largely in the trade with countries where the proceeds, owing to exchange restrictions, were not freely available.² Countries with free exchange, on the other hand, increasingly paid for their imports from Czechoslovakia by means of Czechoslovak bank notes, of which during 1935 substantial amounts had found their way abroad, presumably through illicit capital exports induced by expectations of a further devaluation of the currency, and which could be obtained in foreign centres at a discount of some 6 to 10%. To stop this practice, a Decree was issued in December 1935 forbidding the payment of exports in Czechoslovak bank notes, but permitting the importation of such notes by foreign tourists.

The development of internal monetary and banking conditions in Czechoslovakia during 1934/35, influenced in large measure by the

above-mentioned changes in the foreign-exchange situation, may be summarised by the following table of the principal accounts of the National Bank and the commercial banks³ and of deposits in savings banks:

	End of:				
	Dec.	June	Dec.	June	Dec.
	1933	1934	1934	1935	1935
<i>National Bank.</i>					
	Kč (000,000's)				
Gold	1,708 ^a	2,663	2,680	2,691	2,690
Foreign exchange	918 ^a	13	229	325	80
Bill portfolio	1,234	895	892	757	602
Advances on securities	461	546	422	346	731
Note circulation	5,906	5,524	5,640	5,780	5,761
Sight deposits	871	630	766	742	411
Sept.					
1935					
<i>Commercial banks' assets.</i>					
Cash	2,194	2,079	2,417	2,705	2,562
Bills discounted	2,053	1,784	1,991	1,941	2,184
Investments and securities	3,100	2,958	2,971	3,224	3,287
Loans and advances	13,461	13,572	13,505	13,231	13,369
<i>Deposits in:</i>					
Commercial banks	19,608	19,431	19,618	20,002	20,363
Savings banks ^b	32,239	31,915	32,200	32,594	32,538

^a 2,048 and 1,112 million Kč. respectively, if calculated at new parity.

^b Savings banks in Bohemia, Moravia-Silesia and Slovakia; people's credit and savings associations in Bohemia and Moravia-Silesia; district agricultural credit and savings associations in Bohemia. Excluding deposits with the Schultze-Delitsch and Raiffeisen co-operative credit associations.

The expansion of the National Bank's exchange holdings during the year ending June 30th, 1935, resulted in a marked alleviation of credit conditions in that period: the National Bank's discounts and advances declined by 338 million Kč., its note circulation and sight deposit liabilities rose by 368 millions, and commercial banks' cash assets increased by 626 million Kč. The activity of the Rediscount and Lombard Institute⁴ and the banking syndicate formed by it with the object of stabilising the prices of Government securities appears also, in some measure, to have contributed to this increase in monetary liquidity; it is believed that the greater stability of bond values improved the confidence of the investing public and led to a return flow of private currency hoards to the stock exchange. Though during 1935 rumours of further

¹ See *Commercial Banks, 1929-1934*, page 14.

² Arrangements were made whereby the Zemská Banka made advances to exporters against "frozen" sale proceeds in such countries (particularly Germany). This bank, in turn, was granted special borrowing facilities for this purpose at the National Bank.

³ The figures relating to commercial banks published in the *Monthly Bulletin* of the National Bank are not fully comparable with those given in the attached Summary Table, which is based on the more detailed but less up-to-date reports of the Official Bureau of Statistics.

⁴ See *Commercial Banks, 1929-1934*, page 14. The balance-sheet of the Institute as at September 30th, 1935, shows resources amounting to 628 million Kč. (of which 100 millions capital fund, 295 millions obligatory deposits of financial institutions, and 185 millions "other liabilities") invested in stocks and bonds (116 millions), bills (20 millions), advances on collateral (45 millions), other loans (160 millions), cash (95 millions) and other assets (192 millions).

devaluation repeatedly led to sharp advances in share prices, the percentage yield of public bonds continued to fall, the weighted average yield of all Government bonds standing at 5% in September 1935 as against 6% a year earlier and 5.5% in December 1934. The decline in bond yields during 1934/35 was probably aided by reductions — effected on January 25th, 1934, and March 26th, 1935 — of the National Bank's interest rate for advances on securities from 5½-6% to 4¼-5½%.

The sharp fall in the National Bank's foreign exchange reserve in the second half of 1935 was accompanied by an increase of 230 million Kč. in the Bank's discounts and advances and a contraction by over 300 millions in its sight deposit liabilities, while the note circulation showed a declining tendency as against an increase of over 100 millions during the corresponding period in 1934. The open-market discount rate on commercial paper, which declined from 4% in January to 3¼% in March 1935, rose again to 4% in August 1935.

Apart from a fall in cash reserves in the third quarter of 1935 — as against an increase of some 50 millions in the corresponding quarter of 1934 —

this incipient stringency of monetary conditions found little, if any, reflection in the latest commercial bank returns available — *i.e.*, those for September 30th, 1935. Indeed, the expansion of deposits with commercial banks, which had set in about the middle of 1934 after a steady decline since 1930, continued in the third quarter of 1935.

A Government Decree came into force on January 1st, 1936, providing for a compulsory reduction of interest rates in all groups of credit institutions. Maximum deposit rates were reduced by ¼-¾% to 3-3½%, and rates on loans, discounts and advances by 1-1½% to legal maxima of 4½-7¼% (for mortgage loans, 4½-5½%), varying according to the nature of the debt contract, the category of institutions concerned and also according to certain geographical divisions of the country. The National Bank reduced its discount rate, which had been unchanged at 3½% since January 1933, to 3% as from January 1st, 1936, and also lowered its rates for advances on collateral by ½%. These interest reductions were partly intended to prepare the ground for a general conversion of the internal public debt.

Balance-sheet Summary.

1 and 2. Cash and Other Items of a Cash Nature.

Kč. (000,000's)	1929	1930	1931	1932
Cash (Kassabarschaft) . . .	1,039	967	1,715	2,630
Sight balances with the Central Bank and the Post-cheque Clearing Office	971	869		
Total (1)	2,010	1,836	1,715	2,630
Money on call with domestic banks ^a	530	725	—	—
Notes, bills and cheques, etc. in foreign currency ^b	514	598	218	68
Total (2)	1,044	1,323	218	68

^a Included in (1) as from 1931.

^b Notes transferred to (1) as from 1931.

7. Loans and Advances.

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

10. Sundry Assets.

Kč. (000,000's)	1929	1930	1931	1932
Mortgage, municipal, land improvement and railway loans	272	368	485	173
Real estate	82	65	68	80
Temporary and sundry accounts	402	435	300	274
Total	756	868	853	527

17. Deposits.

The combined figures for (b) and (c) are composed as follows :

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

20. Sundry Liabilities.

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

CZECHOSLOVAKIA.

COMMERCIAL BANKS

Table 13 (a).

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

CZECHOSLOVAKIA.

COMMERCIAL BANKS

Table 13 (b).

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

Summary of Profit-and-Loss Accounts.

I. Gross Profits.

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

3. Reserved for Pension Funds, etc.

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

FREE CITY OF DANZIG.

For the first time since 1929, deposits with the commercial banks increased in 1934; deposits in savings banks, however, declined, as shown by the following table:¹

End of	Commercial banks Deposits	Savings banks		Bills discounted by commercial banks and savings banks
		Deposits	Of which current accounts and deposits in foreign currency	
Gulden (000,000's)				
1929 . . .	154.1	89.1	33.7	54.7
1931 . . .	97.5	75.6	29.5	14.3
1932 . . .	96.7	73.4	26.0	12.2
1933 . . .	82.7	73.5	20.0	14.1
1934 . . .	88.5	69.7	18.1	18.6

The movement of the main accounts of the Bank of Danzig during 1934/35 may be observed from the statement below:

End of:	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935
Gulden (000,000's)					
Gold ^a	29.9	27.0	23.6	15.8	20.7
Foreign exchange ^a	9.9	17.6	2.9	7.5	2.0
Bills discounted	14.1	16.9	22.0	26.3	15.9
Note circulation	40.2	41.7	38.9	31.8	29.2
Other sight liabilities	10.9	14.3	3.8	3.6	3.3

^a New parity since May 2nd, 1935 (see text).

The marked increase in bills discounted by the Bank of Danzig in 1934 was mainly concentrated on the latter part of the year, in spite of an increase of the official discount rate from 3% to 4% on September 21st, 1934. This expansion of the Bank's bill portfolio, which reached its maximum at 31 million gulden on April 30th, 1935, was partly due to advances made against export proceeds which had become "frozen" in Germany, and partly to the fact that bills of the newly established State Bank for the financing of the Government's employment programme increasingly found their way to the central bank. The gold and exchange reserve of the Bank of Danzig declined from 39.8 million gulden to 26.5 millions

in 1934, and thus the note circulation and other sight liabilities of the Bank actually contracted from 51.1 to 42.7 million gulden during the year, despite the increase in central bank lending.

As the gold and foreign exchange reserve of the Bank of Danzig declined to 13.5 million gulden on April 30th, 1935, thus falling appreciably below the statutory reserve ratio of 40% of total sight liabilities, a devaluation of the gulden (by 42.37%) to the level of the Polish zloty was carried out on May 2nd, 1935, the gold and exchange reserve being written up by 73%. At the same time, the legal reserve ratio of the Bank of Danzig was reduced to 30% and the discount rate raised to 6%.

Fears of further depreciation of the currency led to a run on the banks and savings institutions at the beginning of June 1935, and on June 4th a general banking moratorium was declared, which remained in effect till July 1st, 1935. In order to protect the banks after that date and to check the continued outflow of gold,² exchange regulations were introduced by two Decrees of June 11th and 26th, 1935, under which the exchange of Danzig gulden into foreign currency and *vice versa* was entrusted exclusively to the Bank of Danzig and seven private banks authorised by it, and an Exchange Office set up at the Bank of Danzig to allocate available exchange. Special facilities, however, were granted to the transit and *entrepôt* trade. A Decree of July 17th, 1935, brought certain relaxations of the exchange control; and an agreement with Poland, concluded on September 21st, 1935, exempted Polish trade from the operation of Danzig's exchange restrictions.

The devaluation of the currency was followed by a drastic reversal of the preceding expansion of credit. The central bank's bill portfolio was nearly halved in the last eight months of 1935,³ and the note circulation and other sight liabilities of the Bank of Danzig declined from 39.2 million gulden on April 30th, 1935, to 31.9 millions on September 30th, 1935. The fact that prices, nevertheless, rose sharply⁴ is mainly to be attributed to the devaluation, but to a certain extent it was probably also due to panic purchases of commodities on the part of the public in the summer of 1935.

On October 21st, 1935, the Bank of Danzig lowered its discount rate from 6 to 5%.

¹ Source: Bank of Danzig annual reports. The publication of the commercial bank accounts which appeared in the *Danziger statistische Mitteilungen* up to the end of 1932 seems to have been discontinued.

² During the first fortnight of June 1935, the gold and exchange reserve of the Bank of Danzig fell from 24.5 million to 17.7 million gulden (new parity).

³ Part of this contraction of discounts appears, however, to have been due to the Bank of Danzig taking over the "frozen" foreign assets on which it had previously made gulden discounts to customers: foreign exchange not eligible for reserve purposes (not included in the table above) rose from 1.5, at the end of July 1935, to 7.3 millions at the end of December 1935, while the bill portfolio declined from 23.6 to 15.9 million gulden in the same period.

⁴ The index of wholesale prices (1913/14 = 100) rose from 87.3 in September 1934 and April 1935 to 126.7 in July 1935. The cost-of-living index (same base) rose from 107 in September 1934 and 107.3 in April 1935 to 127.8 in September 1935.

DENMARK.

Danish monetary conditions in 1934 continued to be dominated by the conversion problem of agricultural debts. With a view to facilitating conversion operations, the National Bank had bought nearly 100 million kroner of bonds in the course of 1932, and in 1933 the commercial banks purchased bonds amounting to 54 millions. During 1934, the bond market was supported, on the one hand, by the "Crisis Fund", set up under the Law of May 1st, 1933, whose loans from the National Bank rose by 138 million kroner in the first nine months of 1934 and, on the other, by further acquisition of securities on the part of the National Bank and the commercial banks, as may be seen from the following statement summarising the main accounts of the Danish banking system between the end of 1933 and September 30th, 1935¹:

	End of:	Dec. 1933	Sept. 1934	Dec. 1934	Sept. 1935
		Kroner (000,000's)			
<i>National Bank.</i>					
Gold		133	133	133	118
Loans and discounts		301	238	263	243
Advances to "Crisis Fund"		14	152	145	138
Securities		120	145	141	122
Note circulation		375	369	386	368
Current account and sight deposits		78	159	123	71
Net foreign assets (+) or liabilities (-)		- 27	- 40	- 68	- 79
<i>Commercial Banks.</i>					
Cash assets		199	184	199	155
Loans and discounts		1,638	1,636	1,676	1,701
Securities		588	648	673	681
Deposits		1,982	2,042	2,059	2,080
Net foreign assets (+) or liabilities (-)		+ 24	.	- 14	.

As a result of the Law of May 1st, 1933, which decreed maximum deposit rates of 3 to 3½%,² the average (weighted) interest rate on all deposits held by commercial banks declined from 3.75% in April 1933 to 2.89 and 2.87% at the end of 1933 and 1934 respectively.³ (The average rate of interest on banks' advances, loans and discounts showed a corresponding reduction from 6.35% at the end of April 1933 to 5.49 and 5.32% on the dates mentioned.) In so far as this measure led to the direct investment of savings on the capital market, shares, however, rather than bonds appear to have been favoured by the investor in view of the increase in industrial profits.⁴ The piecemeal

conversion process aided by the Crisis Fund thus came to a halt in August 1934, when altogether only about 10% of the total bonds amounting to approximately 5,000 million kroner outstanding in 1934 on account of agricultural credit and mortgage societies had been converted to a 4% basis.

After September 1934, the National Bank reduced its loans to the Crisis Fund as well as its own security holdings, and credit conditions became gradually rather less easy in the first part of 1935. The expansion of industrial activity, which had been stimulated by the preceding credit expansion designed to benefit the agricultural debtor, entailed greater demands for loan accommodation at the commercial banks. At the same time, the rise of prices accompanying the industrial revival attracted an increased volume of imports, and led to an expansion of the National Bank's net foreign liabilities at the expense of its domestic sight liabilities. As from January 1st, 1935, the system of exchange and import restrictions was made considerably more stringent, and later in the year some further restrictions (*e.g.*, on imports of building materials) were introduced, particularly with a view to curtailing the excessive volume of building activity and the demand for credit arising therefrom. These measures, however, produced their effects but slowly, owing to the large amount of exchange certificates relating to unutilised import licences outstanding at the dates when the restrictions were introduced. Thus, the net foreign liabilities of the National Bank rose from 68 million kroner at the end of 1934 to 105 millions at the end of June 1935. The reduction in that item during the third quarter of 1935 was merely due to the fact that a Swiss bank credit equivalent to about 30 million kroner, taken up by the National Bank in 1932, was repaid in August 1935 by means of a gold deposit at the Bank for International Settlements (hence the 15 millions reduction, apparent from the above table, in the gold reserve of the National Bank, which — unlike the foreign liabilities — is still valued at the old parity).

The National Bank raised its discount rate from 2½ to 3½% on August 22nd, 1935. A corresponding increase took place in the interest rates of the commercial banks, the Law on deposit rates (mentioned above) having been allowed to expire on July 15th, 1935. The movement of the principal banking accounts during the twelve

[Continued at foot of page 67.]

¹ In this statement, the figures for commercial banks are reproduced from the monthly returns published in *Statistiske Efterretninger*. These figures — partly because they cover a smaller number of banks — are not fully comparable with the end-of-year statements made up by the Bank Inspectorate, on which the attached Summary Table is based.

² See *Commercial Banks, 1929-1934*, page 21.

³ See *Statistiske Efterretninger*, March 12th, 1935.

⁴ The index for bond quotations (July 1914 = 100) rose from 95.9 in April 1933 to 100.9 a year later, while shares rose from 77.4 to 96.7 during the same period.

DENMARK.

COMMERCIAL BANKS

Table 14 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1929	1931	1932	1933	1934
Number of : Banks	180	179	175	174	173
Branches and Sub-Branches	550	582	590	603	632
ASSETS.					
Kroner (000,000's omitted)					
I. Cash.	77.2	76.6	140.7	102.7	132.5
(a) Gold, silver and small coins.	2.5	2.9	2.6	2.8	3.2
(b) Inland notes and balances with Central Bank	74.7	73.7	138.1	99.9	129.3
2. Other Items of a Cash Nature	24.6	26.6	31.7	97.1	67.6
3. Bills discounted and bought	403.2	428.8	351.3	347.8	348.9
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	386.1	424.4	346.1	341.6	344.3
(c) Commercial bills, Foreign	17.1	4.4	5.2	6.2	4.6
4. Investments and Securities.	583.0	577.3	577.3	630.6	700.7
(a) Government	102.8	79.2	89.2	116.2	160.4
(b) Other	480.2	498.1	488.1	514.4	540.3
5. Participations.	—	—	—	—	—
6. Due from Banks (Correspondents)	216.9	120.1	147.3	186.9	174.8
(a) At home.	79.3	77.6	90.5	102.6	129.1
(b) Abroad	137.6	42.5	56.8	84.3	45.7
7. Loans and Advances.	1,454.6	1,423.0	1,281.7	1,301.0	1,350.1
(a) On current account	1,160.2	1,100.1	984.1	994.3	1,029.7
(b) Other	294.4	322.9	297.6	306.7	320.4
8. Cover for Acceptances.	2.5	4.1	0.9	0.8	1.5
9. Premises, etc.	79.7	84.7	84.9	81.1	79.9
10. Sundry Assets	71.9	119.8	86.8	86.2	93.4
11. Total Assets	2,913.6	2,861.0	2,702.6	2,834.2	2,949.4
LIABILITIES.					
12. Capital paid up.	279.4	280.3	281.4	282.5	284.0
13. Reserve Funds	138.9	126.2	141.6	158.3	177.9
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	38.6	23.3	20.9	23.0	22.8
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	383.4	353.5	297.8	307.9	315.5
(a) At home.	265.1	285.7	219.9	237.3	248.9
(b) Abroad	118.3	67.8	77.9	70.6	66.6
17. Deposits	1,992.1	1,959.7	1,888.9	1,990.5	2,082.3
(a) Current accounts and sight deposits	550.6	544.9	533.2	569.1	575.0
(b) Savings accounts	543.3	535.8	476.2	521.0	581.7
(c) Time or fixed deposits	898.2	879.0	879.5	900.4	925.6
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	19.9	20.8	27.7	20.2	12.2
19. Acceptances and Endorsements.	2.5	4.1	0.9	0.8	1.5
20. Sundry Liabilities.	58.8	93.1	43.4	51.0	53.2
21. Total Liabilities.	2,913.6	2,861.0	2,702.6	2,834.2	2,949.4
22. Value of currency in Swiss francs at the end of each year	1.39	0.95	0.88	0.75	0.68

DENMARK.

COMMERCIAL BANKS

Table 14 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks	180	179	175	174	173
	Kroner (ooo,ooo's omitted)				
Capital paid up	279.4	280.3	281.4	282.5	284.0
Reserves and Undivided Profits	156.3	137.3	149.9	168.5	190.8
1. Gross Profits	75.9	80.3	87.4	102.0	96.2
<i>To be deducted:</i>					
2. Expenses	33.3	34.6	33.9	37.4	39.9
(a) Salaries, etc.	21.4	21.5	22.2	22.7	23.4
(b) Other working expenses	9.5	10.8	10.4	11.2	11.5
(c) Taxes, etc.	2.4	2.3	1.3	3.5	5.0
3. Reserved for Pension Funds, etc.	0.8	0.9	1.3	1.4	1.4
4. Written off on (Depreciation Accounts for)	13.8	52.9	18.9	18.6	8.6
(a) Premises, etc.	1.2	1.0	1.9	2.4	2.0
(b) Investments and securities	0.2	40.7	1.4	2.1	0.5
(c) Other assets	12.4	11.2	15.6	14.1	6.1
5. Remaining Net Profit (+) or Loss (-)	+ 28.0	- 8.1	+ 33.3	+ 44.6	+ 46.3
6. Carried forward from Preceding Year	17.4	11.1	8.3	10.2	12.9
7. Taken from Reserves or Capital	6.9	24.3	2.5	3.0	2.8
8. Deficit left uncovered	—	0.4	0.4	—	—
9. Total Amount disposed of for Dividends, etc.	52.3	27.7	44.5	57.8	62.0
10. Carried to Reserves	12.7	3.2	9.4	14.6	11.3
11. Dividends	18.7	13.4	18.0	19.0	19.3
12. Directors' Fees, etc.	3.9	2.4	4.2	5.3	4.7
13. Other Purposes	0.3	0.4	2.7	5.3	3.7
14. Carried forward to Following Year.	16.7	8.3	10.2	15.6	23.0
15. Total as above	52.3	27.7	44.5	57.8	62.0
16. Value of currency in Swiss francs at the end of each year	1.39	0.95	0.88	0.75	0.68

months ending September 30th, 1935, suggests an appreciable slowing-down, if not reversal, of the credit expansion inaugurated by the vigorous open-market operations of the National Bank in 1932. The cash reserves of the commercial banks at the end of September 1935 were 29 million kroner lower than at the same date in 1934. The downward movement of current account and sight deposits at the National Bank as between these two

dates was even more pronounced.¹ At the same time, the loans and discounts of the National Bank increased by 5 million kroner in the year ending September 30th, 1935, whereas they had shown a decline of 38 millions during 1934. Aggregate deposits with the commercial banks increased only by 38 million kroner in the year ending September 30th, 1935, as compared with an increase of 77 millions in the course of 1934.

¹ The increase in this item as between December 1933 and 1934, unaccompanied by any rise in the aggregate cash holdings of the commercial banks, was merely due to the fact that a large part of the banks' cash reserves had been transferred to the Postal Clearing Office in 1933 and returned to the National Bank in the course of 1934.

Balance-sheet Summary.

1. *Cash.*

The composition of item (b) is given below :

Kroner (000,000's)	1929	1931	1932	1933	1934
Notes of the National Bank	31.5	25.1	24.6	33.7	31.2
Sight balances with the National Bank	43.2	48.6	113.5	66.2	98.1
Total	74.7	73.7	138.1	99.9	129.3

3. *Discounts.*

Including rediscounts which are included in the balance-sheet proper in the official banking statistics and are given separately in group 18 of the Summary Table. Foreign notes and coins are included in the figures for foreign bills.

4. *Investments and Securities.*

Kroner (000,000's)	1929	1931	1932	1933	1934
Government bonds	84.3	79.2	89.2	116.2	160.4
Municipal bonds	18.5	29.3	47.2	53.3	68.2
Bonds of credit associations, etc.	196.9	170.0	148.1	184.1	196.3
Mortgage bonds (<i>Pante-obligationer</i>)	153.0	168.8	169.9	167.0	170.8
Other Danish bonds	54.1	53.4	47.9	46.6	46.9
Shares	71.0	71.7	70.7	59.2	55.6
Foreign bonds and shares	5.2	4.9	4.3	4.2	2.5
Total	583.0	577.3	577.3	630.6	700.7

The Government and municipal bonds are shown under 4 (a) in the Summary Table.

6. *Due from Banks (Correspondents).*

The sums due by foreign correspondents are as follows :

Kroner (000,000's)	1929	1931	1932	1933	1934
Foreign currency	128.0	32.1	46.4	75.0	36.7
Danish currency	9.6	10.4	10.4	9.3	9.0
Total	137.6	42.5	56.8	84.3	45.7

7. *Loans and Advances.*

The current account advances of the Danish banks are granted mainly in the form of "cash credits". The sums shown under (b) consist of loans against collateral or personal guarantee.

8. *Cover for Acceptances.*

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

10. *Sundry Assets.*

Kroner (000,000's)	1929	1931	1932	1933	1934
Sundry debtors	39.1	87.4	56.7	57.8	67.4
Interest accounts	4.3	4.6	4.3	4.4	3.7
Deficit	28.5	27.8	25.8	24.0	22.3
Total	71.9	119.8	86.8	86.2	93.4

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

16. *Due to Banks (Correspondents).*

The sums due to foreign correspondents are as follows :

-Kroner (000,000's)	1929	1931	1932	1933	1934
Foreign currency	70.6	41.7	44.6	43.4	35.9
Danish currency	47.7	26.1	33.3	27.2	30.7
Total	118.3	67.8	77.9	70.6	66.6

17. *Deposits.*

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

Summary of Profit-and-Loss Accounts.

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

1. *Gross Profits.*

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

The first item represents the net balance of interest earned on discounts, loans and advances after deduction of all interest paid on the various

deposit accounts. The third item represents the yield (including appreciation) of the bonds and shares in the possession of the banks.

Kroner (000,000's)	1929	1931	1932	1933	1934
Net interest from discounts and loans	24.7	28.9	34.0	31.2	32.8
Interest on foreign assets	10.5	8.6	5.2	7.6	5.2
Profits from investments	22.8	23.9	31.4	46.2	37.7
Commissions	15.6	16.0	15.0	14.2	14.9
Recovered from assets previously written down	0.7	1.1	0.7	1.5	4.5
Sundry profits	1.6	1.8	1.1	1.3	1.1
Total gross profits	75.9	80.3	87.4	102.0	96.2

ECUADOR.

The principal changes which have occurred in the money and banking position in Ecuador during the period December 1933—June 1935¹ are brought out by the summary table of the balance-sheets of the commercial banks and the following abstract of the accounts of the Banco Central :

	Dec. 1933	June 1934	Dec. 1934	June 1935
	Suces (ooo,ooo's)			
Gold	14.3	15.2	15.8	17.3
Foreign exchange	4.0	9.0	10.4	4.4
Loans and advances	50.3	49.4	51.1	55.5
Member banks	(1.5)	(0.6)	(0.8)	(2.8)
Public	(15.4)	(13.0)	(14.6)	(17.0)
Government	(33.4)	(35.8)	(35.7)	35.7
Note circulation	35.6	41.1	46.6	42.8
Deposits	20.4	20.2	27.7	18.8
Member banks	(15.1)	(13.4)	(11.1)	(5.0)
Public	(2.5)	(3.2)	(2.8)	(2.9)
Government	(2.7)	(3.5)	(11.0)	(9.4)
Other deposits	(0.1)	(0.1)	(2.8)	(1.5)
Conversion Fund	—	—	—	10.7

The Government inflation consequent upon budgetary deficits was stopped in June 1934. Since that date, the amount of the Banco Central's loans and advances to the Government has remained constant at 35.7 million sucres. That figure represents practically the whole of the internal public debt, which at the same date totalled 38.2 million sucres. In December 1934, the bank note circulation and deposits at the Banco Central, including Government deposits, reached their highest totals since the Bank's foundation in 1927. The same applies to the Banco Central's gold and foreign assets, which, in December 1934, totalled more than 26.2 million sucres. That amount was the highest recorded since 1930. Since last April, the Conversion Fund, which has been constituted out of the Bank's profits on the sale of gold and which has been shown on the liabilities side of its balance-sheet since February 1935, has remained in the neighbourhood of 10.7 million sucres.

During this same period, the commercial banks have recorded an increase of 13 million sucres

(approximately 25%) in the total amount of discounts, loans and advances and an increase of 10 millions (20% approximately) in the total amount of deposits, whereas their cash has decreased by 9 million sucres (more than 40%). In these circumstances, they have been obliged to make good this decrease by rediscounting their securities with the Banco Central. At the same time, the latter has increased its direct loans to the public by approximately 5 million sucres so as to meet the demands for credit with which the commercial banks were unable to cope.

The most important development in regard to money during 1934/35 was the abolition of exchange control² and the legal stabilisation of the sucre. Under the Decree of October 7th, 1935, the official control of exchange operations was abolished and exporters, who had been obliged to hand over to the Banco Central at the official rate 25% of the foreign exchange brought in by export transactions, were authorised to dispose of all their foreign exchange upon the open market.

On December 19th, 1935, the *de facto* stabilisation of the sucre, the United States dollar exchange rate of which had fluctuated since January in the neighbourhood of 10.50, was followed by *de jure* stabilisation at the rate of 9.968331 sucres to 1 gramme of fine gold. The gold reserve of the Banco Central was revalued at this new parity and the profit of 40 million sucres accruing from this operation and also from the liquidation of the Conversion Fund was credited to the Government. This profit was used to pay off a part (17.1 million sucres) of the Government's debt to the Banco Central, to the payment of the Government's subscription to the newly founded Caja Agricola (10 million sucres) and the balance to the repayment of the foreign debt. The legal reserve to cover the bank note circulation and sight deposits at the Banco Central was increased from 25 to 40%. Since revaluation, the Banco Central's notes and sight liabilities are covered to the extent of 50% by its gold reserve.

¹ See the description of banking organisation and the outline of events prior to 1934 in *Commercial Banks, 1925-1933*, page 291, and *1929-1934*, page 175.

² See the description of the regulations regarding foreign trade and exchange control in *Commercial Banks, 1929-1934*, page 175.

ACCOUNTS	SUMMARY OF POSITION AT END OF :					
	1929	1931	1932	1933	1934	June 1935
Number of Banks.	16	12	12	11	11	11
ASSETS.						
	Suces (ooo,ooo's omitted)					
1. Cash.	8.8	3.9	13.4	22.2	19.8	13.0
(a) Gold, silver and small coins.	0.6	0.1	0.1	0.1	0.2	0.4
(b) Inland notes and balances with Central Bank	8.2	3.8	13.3	22.1	19.6	12.6
2. Other Items of a Cash Nature.	0.5	0.4	0.6	2.4	2.4	1.9
3. Bills discounted and bought.	13.9	10.1	11.7	27.0	37.1	39.3
(a) Treasury bills.	—	—	—	—	—	—
(b) Commercial bills, inland	12.8	8.2	10.8	26.7	36.6	38.4
(c) Commercial bills, foreign	1.1	1.9	0.9	0.3	0.5	0.9
4. Investments and Securities.	6.3	5.0	4.9	4.7	4.8	5.1
(a) Government	0.1	0.1	0.1	0.1	0.1	0.1
(b) Others	6.2	4.9	4.8	4.6	4.7	5.0
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents).	4.0	2.0	0.3	0.9	5.1	6.7
(a) At home.	—	—	—	—	—	—
(b) Abroad	4.0	2.0	0.3	0.9	5.1	6.7
7. Loans and Advances.	43.1	31.5	31.5	28.7	31.1	29.3
(a) On current account	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
8. Cover for Acceptances	0.4	0.5	0.8	0.8	0.3	0.5
9. Premises, etc.	3.6	3.0	4.2	3.9	4.3	4.2
10. Sundry Assets	0.7	0.8	0.7	0.6	3.1	3.1
11. Total Assets	81.3	57.2	68.1	91.2	108.0	103.1
LIABILITIES.						
12. Capital paid up	21.1	16.3	16.2	15.9	17.0	17.0
13. Reserve Funds	7.8	3.7	3.9	4.0	4.9	6.4
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	0.9	0.9	0.8	1.6	1.0
15. Notes in Circulation	—	—	—	—	—	—
16. Cheques and Drafts in Circulation	—	—	—	—	—	—
17. Due to Banks (Correspondents)	2.8	3.1	3.9	4.2	5.7	3.9
(a) At home	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—
18. Deposits	34.1	19.3	30.4	50.2	64.8	60.1
(a) Current accounts and sight deposits	24.3	12.6	24.9	42.7	49.8	40.7
(b) Savings accounts	—	—	—	—	—	—
(c) Time deposits.	6.5	4.7	5.4	7.3	9.1	11.5
(d) Other deposits	3.3	2.0	0.1	0.2	5.9	7.9
19. Rediscounts and Other Borrowings	14.5	13.1	11.7	9.7	9.6	11.8
20. Acceptances and Endorsements	0.4	0.5	0.8	0.8	0.3	0.5
21. Sundry Liabilities.	0.6	0.3	0.3	5.6	4.1	2.4
22. Total Liabilities.	81.3	57.2	68.1	91.2	108.0	103.1
23. Value of currency in Swiss francs at the end of each year	1.04	1.04	0.83	0.55	0.26*	0.29**

* From 1934, free rate.

** End of June.

Balance-sheet Summary.

Note. — For detailed notes on various items of the Balance-sheet Summary, see preceding edition of this volume.

1. Cash.

The amounts shown under (b) are composed as follows :

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Notes of Banco Central	4.2	2.0	3.2	5.7	6.7	4.7
Deposits with Banco Central	4.0	1.8	10.1	16.4	12.9	7.9
Total	8.2	3.8	13.3	22.1	19.6	12.6

2. Other Items of a Cash Nature.

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Cheques, etc.	—	—	0.2	0.6	0.7	1.1
Sight deposits with other banks	0.4	0.3	0.4	1.7	1.3	0.7
Foreign currencies	0.1	0.1	—	0.1	0.4	0.1
Total	0.5	0.4	0.6	2.4	2.4	1.9

3. Bills discounted and bought.

Amounts shown under (a) consist of bills eligible for rediscount with the Banco Central ; amounts shown under (b) represent discounts of bills payable in foreign currencies. For rediscounts, see group 19.

4. Investments and Securities.

The sums shown under (b) are composed as follows :

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Mortgage bonds of other banks	2.1	1.2	1.2	0.9	0.9	1.1
Shares of Banco Central	3.5	2.4	2.4	2.4	2.6	2.9
Other securities	0.6	1.3	1.2	1.3	1.2	1.0
Total	6.2	4.9	4.8	4.6	4.7	5.0

7. Loans and Advances.

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Mortgage loans	13.9	14.2	13.1	11.4	11.3	11.3
Short-period loans	8.0	5.7	5.4	6.4	6.8	7.0
Other loans not eligible for rediscount	21.2	11.6	13.0	10.9	13.0	11.0
Total	43.1	31.5	31.5	28.7	31.1	29.3

9. Premises, etc.

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Buildings	2.9	2.5	3.7	3.3	4.0	3.9
Furniture	0.7	0.5	0.5	0.6	0.3	0.3
Total	3.6	3.0	4.2	3.9	4.3	4.2

10. Sundry Assets.

Under this heading are grouped the balance of inter-branch accounts, and other accounts due in national and foreign currencies.

17. Due to Banks (Correspondents).

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Due to banks at home and abroad	1.6	1.0	2.8	3.8	4.6	2.8
Overdrafts with foreign banks :	1.2	2.1	1.1	0.4	1.1	1.1
Total	2.8	3.1	3.9	4.2	5.7	3.9

18. Deposits.

Sight deposits (a) include deposits of the public and Government, as follows :

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Public	23.9	12.4	24.7	42.3	49.5	40.5
Government	0.4	0.2	0.2	0.4	0.3	0.2
Total	24.3	12.6	24.9	42.7	49.8	40.7

Other deposits (d) consist of deposits in foreign currencies.

19. Rediscounts and Other Borrowings.

This item consists of rediscounts with the Banco Central, other domestic banks and foreign banking institutions, and of mortgage bonds issued by the mortgage sections of the commercial banks outstanding at the end of each year under review, as follows :

	1929	1931	1932	1933	1934	June 1935
	Suces (ooo,ooo's)					
Rediscounts with Banco Central	3.4	2.5	2.0	1.2	0.8	2.8
Rediscounts with other domestic banks	0.1	0.1	0.3	—	0.2	0.1
Rediscounts abroad	0.2	0.1	—	—	—	—
Total rediscounts	3.7	2.7	2.3	1.2	1.0	2.9
Mortgage bonds outstanding	10.8	10.4	9.4	8.5	8.6	8.9
Grand total	14.5	13.1	11.7	9.7	9.6	11.8

21. Sundry Liabilities.

Sundry liabilities consist of unearned interest received, balance of inter-branch accounts and other accounts payable in suces and foreign currencies.

EGYPT.

The banking system¹ of Egypt is composed of three main elements : the National Bank of Egypt, the joint-stock banks and agricultural and mortgage banks. There is, in addition, a well-developed Post Office Savings banking system.

The National Bank is both the bank of issue, as well as the most powerful commercial bank. It was founded in 1898 by a group of British capitalists and was granted the sole right of note issue and the privilege of acting as Government banker. The note issue is under the control of the Government. Since 1916, the assets, which serve as cover for the notes issued and which must be deposited in the Issue Department or, subject to the authorisation of the Minister of Finance, in approved banks in London, are held mainly in the form of British Treasury Bills or Treasury Bonds, the exchange value of the Egyptian pound being regulated by means of telegraphic transfers on London. The statutes of the National Bank place no restrictions on its banking activities, with the single exception of dealings in real estate,² and its Banking Department carries on extensive commercial banking operations in Egypt and the Sudan.³

The paid-up capital and reserves of the Bank amount to over £E.6 million, and its deposits by far exceed the aggregate deposit liabilities in Egypt of the other commercial banks which publish separate figures for their operations in Egypt.

Apart from the National Bank, whose central

banking functions are but little developed,⁴ there are to-day some eighteen commercial banking institutions operating in Egypt. All of these, with the single exception of the Banque Misr, are preponderantly foreign, both in ownership and management. Of these, six are incorporated as Egyptian joint-stock companies⁵ and the remainder are branches or agencies of foreign banks.⁶

Modern commercial banking began comparatively early in Egypt ; the Bank of Egypt, liquidated in 1911, was established in 1856,⁷ the Anglo-Egyptian Bank, now Barclays Bank (D.C. and O.) was founded in 1864, and the Ottoman Bank and Crédit Lyonnais established branches in 1867 and 1875 respectively. Development was slow, however, until the years 1896-1906. During that decade, the influx of foreign capital was particularly rapid and the total capital of Egyptian joint-stock companies, exclusive of the Suez Canal Co., rose from £E.14 to £E.87 million. About £E.33 million of this increase went to agriculture and mortgage companies and about £E.5 million to commercial banks. The most important bank established in this period was the National Bank of Egypt. The inflow of funds resulted in a sharp rise in security and real estate values. The boom broke in 1907 and for seven years credit was tight, but, apart from a temporary crisis following the declaration of war, the Egyptian banking system developed steadily from 1914 until recently, deposits in the banks incorporated

¹ For a general description and history of monetary conditions in Egypt, see M. A. RIFAAT'S "Monetary System of Egypt", London, 1934.

² An affiliate, the Agricultural Bank of Egypt, was created in 1902 to take over the agricultural lending activities of the National Bank.

³ In 1926, the National Bank took over the Egyptian branches and agencies of Lloyds Bank.

⁴ None of the commercial banks appear to keep deposits with the National Bank, nor do they borrow from it. The National Bank has, however, established clearing houses at its offices in Cairo and Alexandria, twelve commercial banks being members of the former, and nineteen being members of the latter. The following figures show the development of cheque clearance since 1929 :

	£E. (000,000's).	
	Cairo	Alexandria
1929	75.4	—
1930	61.8	47.8
1931	54.3	43.5
1932	55.4	47.0
1933	57.6	44.8

⁵ These banks are (in order of the importance of their paid-up capital, which is given in parentheses in thousands of £E.) : Banque belge et internationale en Égypte (1,000), controlled mainly by the Banque belge pour l'Étranger, the Banque commerciale de Bâle and the Chase National Bank ; Banca Commerciale per l'Égitto e il Levante (1,000), an affiliate of the Banca Commerciale Italiana ; Banco Italo-Egiziano (975), an affiliate of the Banco di Roma ; Cassa di Sconto e di Risparmio (347) ; Commercial Bank of Egypt (150), a French institution ; and the Banque Misr Ish, an affiliate of the Turkish Ish Bankasi, whose capital is 100,000 Turkish pounds.

⁶ These are : Barclays Bank (D.C. and O) ; Ionian Bank (British) ; Commercial Bank of the Near East (British) ; Ottoman Bank (Anglo-French incorporated in Turkey, but working under British administration in Egypt) ; Crédit Lyonnais ; Comptoir national d'Escompte de Paris ; Banque d'Orient (Greek administration) ; Dresdner Bank ; Yokohama Specie Bank ; National Bank of Greece ; Banque d'Athènes ; and the Arabian National Bank of Hejaz.

The large number of foreign banks and the variety in their national character reflect the capitulations régime existing in Egypt and the fact that trade between Egypt and other countries is financed largely by banks belonging to or with head offices in the countries in question.

⁷ Prior to 1856, trade, both local and foreign, was a State monopoly.

in Egypt rising from £E.7 million in 1913 to £E.47.3 million in 1928, and Post Office savings deposits¹ from £E.0.6 to £E.2.2 million. The index number of wholesale prices (Cairo) rose from 100 to 120 during this period.

The leading joint-stock banks in Egypt generally confine their operations to purely commercial banking; their principal function is to finance the cotton crop, which represents about 75% of the country's exports. They depend only to a small degree on local deposits for their working capital and are in the habit of importing funds from abroad during the business season — *i.e.*, September to March. The Banque Misr is the only important commercial bank engaging in long-term financing. It was established in 1920 as a purely Egyptian institution, both as regards ownership and management, with the object of fostering national industrial enterprise. The Government has favoured the Banque Misr with various concessions and privileges; it has transferred to it the accounts of the Department of Municipalities, local commissions and private trusts, it has entrusted to it the handling of Government advances on cotton and loans to co-operative societies, and has exempted from Customs dues imports for the bank's subsidiary companies. The bank is directly interested in about thirteen concerns, with a total paid-up capital of over £E.1½ million, including cotton works, air and water transport, printing and theatre and cinema entertainment. The rapid development of the bank is illustrated by the increase in its paid-up capital from £E.80,000 in 1920 to £E.1,000,000 in 1927 and the uninterrupted growth in its deposits from £E.200,960 in 1920 to £E.8,898,966 in 1932.²

In addition to the commercial banks proper, the Egyptian credit system comprises a variety of companies specialising in financial operations not undertaken by the former. At the end of 1931, the following companies (whose paid-up capital and outstanding debentures are shown in parentheses in £E. million) were engaged in long-term credit

operations: seven mortgage and agricultural banks (44.6); four finance companies (0.3); nine rural development (foncier) companies (4.1); sixteen urban development companies (3.4), and twenty-three mixed urban and rural development companies (4.9). The oldest and most important of these long-term institutions are the agricultural and mortgage banks.³ The largest — the Crédit foncier égyptien — was established in 1880, the others were founded at the beginning of the century. The loans of the Crédit foncier have been largely limited to the big landowners, while those of the other agricultural banks have been more widely diffused. Their paid-up capital rose from £E.3.8 in 1883 to £E.10.5 and £E.39.7 million in 1902 and 1907 respectively. Both paid-up capital and mortgage loans reached their peak in 1924, when they amounted to £E.54.6 and £E.45.8 million respectively. Since that date, the mortgage and agricultural banks have tended to decline in importance. In 1931, their paid-up capital stood at £E.44.6 million and their mortgage debts (loans and arrears) at about £E.29 million. This decline has been partly due to the liquidation of certain mortgage institutions and to the absorption of others by the ordinary commercial banks. A new mortgage bank, the Crédit hypothécaire, was established in 1932 with a capital of £E.1 million entirely provided by the Government with the object of assisting small landholders.

There is no special banking legislation in Egypt, and banks are subject merely to the provisions of the charters or conventions under which they were established and to the regulations relating to commercial enterprises. Only a few of the banks publish separate accounts for their operations in Egypt, and official publications do not contain any data relating to banks. The official register of joint-stock companies, *Statistique des Sociétés anonymes par actions travaillant principalement en Égypte*, publishes figures of capital and reserves only.

¹ Savings deposits at the Post Office and ordinary banks incorporated in Egypt have developed as follows since 1924:

£E. (000,000's).			
1924	3.0	1929	4.1
1925	3.1	1930	4.3
1926	3.0	1931	4.3
1927	3.2	1932	5.2
1928	3.8	1933	7.1
		1934	8.0
		1935	9.1

² The total deposits of the National Bank at these two dates were £E.17.3 and £E.19.3 million respectively.

³ These are (in order of importance of their paid-up capital which is given in parentheses in £E. thousand): Crédit foncier égyptien (3,875); Agricultural Bank of Egypt (3,740); Mortgage Company of Egypt (1,250); Crédit agricole d'Égypte (1,000); Land Bank of Egypt (975); Crédit immobilier suisse-égyptien (112); and Crédit foncier d'Orient "Égypte" (50). Half of the capital of Crédit agricole was subscribed by the Government, and its policy has been to organise co-operative societies, and to encourage the diversification of agricultural production.

ESTONIA.

The foreign-exchange control introduced in the autumn of 1931 has not been formally discontinued. After the devaluation of the Estonian kroon in June 1933,¹ however, the system has been so managed as to bring about considerable alleviations; applications for exchange to the Foreign Exchange Committee at the Bank of Estonia have been satisfied to a constantly increasing extent, except where private capital exports and tourist requirements are concerned. The object of the system of exchange control is now not so much to restrict imports generally as to divert trade in accordance with commercial treaties and with clearing agreements. The Bank of Estonia remained the sole centre of foreign exchange transactions until December 1934, when the commercial banks were authorised to deal freely in the currencies of countries with which Estonia has an export surplus. In addition, the Bank of Estonia has agreed to purchase at a slight premium the foreign currencies which banks are still obliged to re-sell to it, thus offering them some compensation for their loss of foreign business.

The recent steady increase in the export surplus (from 6.6 million krooni in 1933 to 13.7 million in 1934) is reflected in the expansion of the central bank's gold and foreign exchange reserve, which rose from 19.7 million in August 1933 to 30.3 and 35.3 million krooni in the same month of 1934 and 1935 respectively. (Of this amount, 19 million krooni, or the gold held at the date of devaluation, is still entered at the former official parity.) Moreover, the increase in central bank reserves has been accompanied by a substantial amount of debt repatriation. Thus it is estimated that, in August 1935, about 10 million krooni out of a total nominal amount of approximately 25 million krooni of the Banking and Currency Reform 7% Loan of 1927 was held by the Bank of Estonia and other financial institutions in Estonia. Similarly, the Bank has acquired out of its unsettled clearing balances in Berlin about 2 million krooni of certain Estonian bonds previously held in Germany.

The following statement shows the expansion during 1934/35 of the sight liabilities (items 4 and 5 below) of the central bank as a result of its purchases of gold and foreign exchange, and the consequent increase in the liquidity of the commercial banks :

	End of :	Aug. 1933	Dec. 1933	Aug. 1934	Dec. 1934	Aug. 1935
<i>Bank of Estonia.</i>						
1. Gold		19.2	20.1	20.5	27.7	32.8
2. Foreign exchange . .		0.5	2.3	9.8	4.4	2.5
3. Loans and discounts .		19.5	23.4	12.8	16.6	10.4
(a) <i>Of which</i> — Loans to Government		(4.1)	(4.0)	(1.0)	(3.3)	(—)
4. Notes in circulation .		30.3	32.2	32.8	36.7	37.3
5. Current account lia- bilities		12.5	14.6	14.5	20.1	23.2
(a) <i>Of which</i> — Go- vernment account		(2.9)	(4.7)	(4.4)	(7.7)	(12.8)
<i>Joint-stock and Prin- cipal Co-operative Banks.</i>						
6. Cash assets		5.0	7.8	8.4	12.9	12.7
7. Loans and discounts.		73.7	73.5	74.9	76.4	79.7
8. Deposits		50.1	51.4	59.1	64.9	72.4
9. Rediscounts and bor- rowings		17.0	18.9	12.4	13.5	9.9

The favourable development of the public finances in the period under review exercised considerable influence on the accounts of the Bank of Estonia. At the end of August 1933, the Bank's loans to the Government (item 3 (a) above) amounted to 4.1 millions; they were entirely repaid in the course of the following two years. On the other hand, the Government's current account with the Bank of Estonia (item 5 (a)), which stood at 2.9 millions on August 30th, 1933, increased to 12.8 million krooni at the same date in 1935.

The fall in private loans and discounts and the rise of private current accounts of the central bank have their counterpart in the expansion of cash reserves and the contraction of rediscounts and borrowings of the commercial banks. The sharp rise in deposits with the commercial banks deserves particular notice. As the principal co-operative banks accounted for deposits amounting to 20.4 millions and 31.6 millions at the end of August in 1933 and 1935 respectively, this rise was proportionately somewhat larger in the case of the co-operative banks than with the joint-stock banks, indicating that the expansion of purchasing power was fully shared by the agricultural population, which is dependent in a relatively high degree on the export trade. As may be seen from the accompanying Summary Table, the increase in

¹ Since September 1933, the kroon has been pegged to sterling at the old rate of 18.11 (buying rate of Bank of Estonia) krooni to the pound.

deposits in 1934 was particularly large in the category of current account deposits. Bank clearings in 1934 totalled 105.6 million krooni, as compared with 91 millions in 1933 and 84.5 millions in 1932. The note circulation increased by 4.5 million krooni, or 14%, in the year ending August 30th, 1935. If account is taken of the fact that, since the autumn of 1933, prices in Estonia have on the whole been stable, the expansion of the general monetary circulation which has taken place indicates a marked recovery of production and business activity.

On October 1st, 1934, the Bank of Estonia lowered its rate on discounts to the public from $5\frac{1}{2}$ to 5%. This rate was further reduced to $4\frac{1}{2}$ % on October 1st, 1935, when the rate on bankers' rediscounts, which had been unchanged at $4\frac{1}{2}$ % since November 1st, 1933, was also reduced by $\frac{1}{2}$ %. The commercial banks have likewise reduced their loan and discount rates: in October 1934, the leading joint-stock banks lowered their discount rate from 7 to $6\frac{1}{2}$ %, and further reductions — in most cases to 6% — took place in the summer of 1935.

Balance-sheet Summary.

1. Cash.

Coins and notes are not shown separately. Balances with the Central Bank are given for the joint-stock banks and, since 1933, the co-operative banks, as follows:

	Krooni (000,000's)
1930	1.3
1931	1.5
1932	1.2
1933	2.3
1934	2.9

2. Other Items of a Cash Nature.

Foreign bank-notes and sight claims on credit institutions other than the Eesti Pank.

3. Bills discounted and bought.

The official statistics distinguish between total discounts and rediscounts of all the banks and discounts and rediscounts of bills payable at home of the joint-stock banks only. As in practice the co-operative banks discount almost exclusively inland bills, the difference between the two sets of figures is taken to represent bills payable abroad as follows:

Krooni (000,000's)	1929	1931	1932	1933	1934
<i>Inland bills:</i>					
Discounted	37.0	31.8	27.9	28.7	32.3
Rediscounted	6.4	4.9	4.4	5.1	3.4
Net balance	30.6	26.9	23.5	23.6	28.9
<i>Bills payable abroad:</i>					
Discounted	9.5	4.4	3.1	3.7	4.9
Rediscounted	9.7	3.9	3.0	3.6	4.8
Net balance	-0.2	0.5	0.1	0.1	0.1
<i>All bills:</i>					
Discounted	46.5	36.2	31.0	32.4	37.2
Rediscounted	16.1	8.8	7.4	8.7	8.2
Net balance	30.4	27.4	23.6	23.7	29.0

7. Loans and Advances.

The current account loans are almost entirely those of the joint-stock banks. Item 7 (b) represents in the main the longer term advances of the co-operative banks.

10. Sundry Assets.

Krooni (000,000's)	1929	1931	1932	1933	1934
Protested bills	0.3	0.4	0.3	0.3	0.2
Current expenses, interest and commissions paid	0.1	0.1	0.1	0.1	0.1
Transitory accounts	1.1	0.9	0.9	0.4	0.5
Other accounts	4.3	7.8	2.7	4.4	2.3
Total	5.8	9.2	4.0	5.2	3.1

11 and 21. Total Assets and Liabilities.

The totals given do not include guarantees which, though shown inside the balance-sheet proper in the Estonian statistics, are given outside the balance-sheet as item 22 of the Summary Table.

14. Profit-and-Loss Accounts, etc.

The official balance-sheet does not show the net balance of profit-and-loss accounts, but current expenses, including interest and commissions paid, are given under sundry assets; and interest and commissions received, under sundry liabilities. The sums given under the heading profit and loss in the Summary Table represent only undivided profits, etc., shown separately in the official statistics.

18. Rediscounts and Borrowings.

Krooni (000,000's)	1929	1931	1932	1933	1934
<i>Rediscounts:</i>					
Inland bills	6.4	4.9	4.4	5.1	3.4
Bills payable abroad	9.7	3.9	3.0	3.6	4.8
Total	16.1	8.8	7.4	8.7	8.2
<i>Borrowings:</i>					
At home	8.4	8.4	8.9	10.2	5.3
Abroad	1.9	1.3	—	—	—
Total	10.3	9.7	8.9	10.2	5.3
Grand total	26.4	18.5	16.3	18.9	13.5

ACCOUNTS	END OF YEAR :					
	1929	1930	1931	1932	1933	1934
Number of Banks.	40	44	41	41	41	38
	Krooni (ooo,ooo's omitted)					
ASSETS.						
1. Cash.	3.8	3.7	4.1	3.1	4.4	5.1
(a) Gold, silver and small coins.	—	—	—	—	—	—
(b) Bank notes, State notes and balances with Central Bank	—	—	—	—	—	—
2. Other Items of a Cash Nature.	2.3	3.6	3.1	3.2	3.4	7.8
3. Bills discounted and bought.	46.5	45.4	36.2	31.0	32.4	37.2
(a) Treasury bills.	—	—	—	—	—	—
(b) Commercial bills, Inland.	37.0	37.1	31.8	27.9	28.7	32.3
(c) Commercial bills, Foreign.	9.5	8.3	4.4	3.1	3.7	4.9
4. Investments and Securities.	1.5	2.1	1.7	2.2	2.6	3.4
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents).	4.8	5.6	3.7	2.9	2.2	3.0
(a) At home.	3.7	3.9	2.3	1.6	1.4	1.2
(b) Abroad	1.1	1.7	1.4	1.3	0.8	1.8
7. Loans and Advances.	55.3	61.4	51.2	42.3	41.1	39.2
(a) On current account	47.4	53.3	44.1	36.2	35.6	34.5
(b) Other	7.9	8.1	7.1	6.1	5.5	4.7
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	7.3	7.9	7.4	8.1	9.2	8.5
10. Sundry Assets	5.8	8.8	9.2	4.0	5.2	3.1
11. Total Assets	127.3	138.5	116.6	96.8	100.5	107.3
LIABILITIES.						
12. Capital paid up	9.0	9.1	7.5	7.8	8.0	7.6
13. Reserve Funds	2.2	2.5	2.5	2.6	2.7	2.8
14. Profit-and-Loss Accounts, Undivided Profits, etc.	2.5	2.2	1.8	1.3	1.2	1.3
15. Cheques and Drafts, etc., in Circulation	—	—	—	—	—	—
16. Due to Banks (Correspondents)	12.9	15.9	15.5	12.9	12.4	12.0
(a) At home	4.1	4.6	8.8	9.3	9.7	8.7
(b) Abroad	8.8	11.3	6.7	3.6	2.7	3.3
17. Deposits	65.6	72.7	59.8	51.5	51.4	64.9
(a) Current accounts	41.5	45.8	37.8	34.7	36.4	48.6
(b) Savings accounts	—	—	—	—	—	—
(c) Time or fixed deposits.	21.1	23.4	20.2	15.1	13.4	14.0
(d) Other deposits	3.0	3.5	1.8	1.7	1.6	2.3
18. Rediscounts and Borrowings	26.4	25.1	18.5	16.3	18.9	13.5
19. Acceptances and Endorsements	0.3	0.1	0.5	—	—	—
20. Sundry Liabilities.	8.4	10.9	10.5	4.4	5.9	5.2
21. Total Liabilities.	127.3	138.5	116.6	96.8	100.5	107.3
22. Guarantees.	18.0	12.6	7.6	5.2	4.6	6.7
23. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94	0.84

¹ Joint-stock banks and larger co-operative banks.

ESTONIA.

JOINT-STOCK BANKS

Table 16 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS OF THE JOINT-STOCK BANKS:					
	1929	1930	1931	1932	1933	1934
Number of Banks	19	16	16	15	14	13
	Krooni (ooo,ooo's omitted)					
Capital paid up	6.92	6.81	5.47	5.78	5.93	5.53
Reserves and Undivided Profits	1.72	1.83	1.79	1.89	1.92	1.86
1. Gross Profits	4.3	3.5	3.2	2.5	2.5	2.8
<i>To be deducted:</i>						
2. Expenses	2.4	1.9	1.8	1.6	1.4	1.4
(a) Salaries, etc.	1.4	1.2	1.2	0.8	0.9	0.9
(b) Other working expenses	0.7	0.6	0.5	0.6	0.3	0.3
(c) Taxes, etc.	0.3	0.2	0.2	0.2	0.2	0.2
3. Reserve for Pensions Fund, etc.	—	—	—	—	—	—
4. Written off on (Depreciation Accounts)	1.2	1.2	1.1	1.0	0.9	0.9
(a) Premises, etc.	0.1	0.1	0.1	0.1	0.1	0.1
(b) Investments and securities.	1.1	1.1	1.0	0.9	0.8	0.8
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit (+) or Loss (—)	+0.7	+0.4	+0.3	-0.1	+0.2	+0.5
6. Carried forward from Preceding Year	—	—	—	—	—	—
7. Taken from Reserves or Capital.	0.4	0.1	—	0.3	0.1	—
8. Total Amount disposed of for Dividends, etc.	1.1	0.5	0.3	0.2	0.3	0.5
14. Value of currency in Swiss francs at the end of each year	1.39	1.39	1.39	1.39	0.94	0.84

The difference between total creditors and creditors at home of the joint-stock banks as shown in the official statistics has been taken to represent borrowings abroad by these banks. The co-operative banks do not borrow abroad to any significant extent. See also note to item 3 of the Summary Table.

20. *Sundry Liabilities.*

Krooni (ooo,ooo's)	1929	1931	1932	1933	1934
Interest and commissions received.	0.6	0.5	0.3	0.4	0.4
Transitory accounts	1.2	1.3	1.0	0.7	0.8
Other liabilities, including net balance of inter-branch accounts	6.6	8.7	3.1	4.8	4.0
Total	8.4	10.5	4.4	5.9	5.2

Summary of Profit-and-Loss Accounts.

1. *Gross Profits.*

Total receipts from interest and commissions, foreign exchange, real estate and security transactions, etc., less interest and commissions paid. These items are all given in detail in the official statistics.

2. *Expenses.*

The sums shown for salaries (a) include remuneration of directors, members of the board and of advisory committees, etc., in addition to salaries of the staff.

FINLAND.

The exceptional liquidity of the Finnish banking position which had developed during 1933 continued to prevail in 1934 and 1935. This situation was in large part a direct consequence of the favourable development of the country's balance of payments. The foreign-exchange proceeds on account of the greatly increased export surplus being sold — directly or, more normally, through the commercial banks — to the Central Bank, the note circulation of and the sight balances held with the Bank of Finland were correspondingly increased, *pari passu* with the increase in the volume of commercial-bank deposits and cash reserves, while the current rates of interest declined.

In order adequately to follow this process, the commercial banking figures given in the attached Summary Table must be considered in conjunction with the principal accounts of the Bank of Finland, which during the period 1932-1935 are shown as follows :

	End of :	1932	1933	1934	Sept. 1935
		Markkaa (000,000's).			
Gold		304	323	323	460
Foreign exchange		743	1,327	1,447	1,343
Discounts, loans and advances (to customers other than banks)		917	716	672	748
Rediscounts (to commercial banks)		301	—	—	—
Bonds in Finnish currency		65	70	85	220
Bonds in foreign currency		236	246	273	208
Note circulation		1,085	1,184	1,277	1,336
Current account liabilities ^a		63	327	181	396
Discount rate (per cent)		6½	4½	4 ^b	4

^a To others than the Treasury.

^b Since December 3rd, 1934.

Already at the end of 1933, the gold and foreign-exchange reserves of the Bank of Finland exceeded its note circulation and current account liabilities other than those on Treasury account. During 1934, the foreign-exchange reserve increased further — though at a considerably slower rate than in the previous year. In considering these figures, it should be borne in mind, moreover, that the gold stock, which is valued at the old legal par, contains a considerable potential reserve. Similarly, the foreign-exchange holdings of the Bank are entered at par ; but the hidden reserve in this case is probably less important, as the exchange holdings are believed to consist mostly of depreciated currencies such as the pound sterling and the dollar,

and as the difference between the depreciation of these currencies and the Finnish mark is not considerable.¹

The commercial banks have likewise increased their exchange holdings considerably. Their foreign-exchange position appears from the adjoining Summary Table by deducting item 16(b)² from items 3(c) and 6(b). A net balance of 2.5 million markkaa of foreign liabilities existing at the end of 1932 is seen to have been converted in the course of 1933 into a net credit balance of 143 millions. This balance of foreign short-term assets rose further to 372 million markkaa at the end of 1934 ; it declined, however, to 207 millions at the end of September 1935, as compared with 208 millions at the corresponding date in 1934. Thus the total foreign assets of the Bank of Finland and the commercial banks combined increased from 1,045 million markkaa at the end of 1932 to 1,793 millions in 1933 and to 2,142 millions at the end of 1934, and receded to 2,010 million markkaa during the first nine months of 1935.

The foreign short-term position of the Finnish banking system would have been still more favourable but for the considerable amount of debt repatriation — mainly on long-term account — which has taken place in recent years. It is estimated that the country's total net foreign indebtedness, amounting to about 8,000 million markkaa in 1930, was reduced — chiefly during 1933 and 1934 — to less than 4,000 millions at the end of 1934.³ In the latter part of 1934 and in the first half of 1935, the State, for example, carried out extensive loan operations by which certain dollar loans were liquidated by means of funds raised mostly at home at lower rates of interest. The decline in total foreign-exchange holdings in the first part of 1935 would appear to be connected with transactions of this kind. These operations are reflected in a marked change in the composition of the Bank of Finland's security holdings : out of a total of 428 million markkaa of bonds at the end of September 1935, over half were bonds issued in Finnish currency, while at the same date in 1934 total bonds held by the Bank amounted to 373 millions, of which only 135 millions represented bonds expressed in Finnish currency.

As the Summary Table shows, the commercial banks, in view of their high cash reserves in conjunction with the continued fall in loans and discounts, were led in 1934 to invest heavily in securities. While their cash declined in 1934, their holdings of bonds and shares rose from

¹ The Finnish currency is pegged to sterling at a rate of 227 markkaa to the pound sterling, as compared with the par rate of 193 markkaa to the pound.

² The increase in the debit item 16(b) from 132 to 247 millions between 1932 and 1934 reflects, of course, the expansion in the turnover of foreign trade.

³ See *Monthly Bulletin* of the Bank of Finland, No. 1, 1935, page 33.

486 million to 894 million markkaa in the course of that year and expanded further to a total of 994 millions at the end of September 1935. The domestic stock market, in consequence, was unusually active, new bond issues in 1934 attaining a total of 1,350 million markkaa, of which about 600 millions represented conversions to lower interest rates.

The continued fall in domestic discounts, loans and advances in 1934 represents a mere substitution of bonds for direct bank loans, to the extent that the stock-exchange revival permitted industrial concerns to pay off bank debts by marketing long-term capital issues. A large part of the decline in bank loans and advances was, however, due to the writing-off of doubtful assets and losses the bulk of which was covered by reductions in capital and reserve funds, the remainder being financed out of current income, as shown in the Summary Table of profit-and-loss accounts. Of the decrease in capital and reserves in 1934, one of the three largest commercial banks alone accounts for reductions (carried out in January 1934) of 131 millions and 35 millions in capital and reserve funds respectively.

Balance-sheet Summary.

The figures for 1934 include two small banks in liquidation, the combined balance-sheet total of which amounted to 74 million markkaa at the end of 1934.

1. Cash.

The figures under (b) are made up as follows :

Markkaa (000,000's)	1929	1931	1932	1933
Notes and small coins.	219.4	180.1	165.8	214.5
Sight balances with Bank of Finland and other banks.	19.0	51.7	47.6	319.2
Total	238.4	231.8	213.4	533.7

No details are given for 1934 ; the total shown in the Summary Table appears to include the items previously shown under group 2, except "Post bills of private banks" ; on the other hand, it appears to exclude sight balances with private banks, which are now shown separately (see note to group 6, below).

2. Other Items of a Cash Nature.

Markkaa (000,000's)	1929	1931	1932	1933
Foreign banknotes	9.1	7.2	6.1	3.6
Post bills of the Bank of Finland	0.7	0.5	0.4	0.9
Post bills of private banks	56.6	34.8	24.9	41.3
Miscellaneous	1.1	0.8	0.9	0.8
Total	67.5	43.3	32.3	46.6

Commercial-bank deposits continued to rise during 1934. This is partly a reflection of the increase in aggregate deposits held by savings banks, the post-office savings bank, co-operative credit societies and consumers' co-operatives from 5,577 millions at the end of 1933 to 6,052 millions a year later,¹ as a large number of these institutions habitually re-deposit a certain proportion of their funds with the commercial banks. The decline shown in the Summary Table in commercial banks' current account and sight deposits in 1934 is merely apparent : in consequence of certain changes which have been introduced in the official banking statistics as from 1934 and which are referred to in the detailed notes below (see particularly note to item 16(a)), the time deposits of other credit institutions, shown separately for the first time in the official statistics for 1934, have been excluded from current accounts and placed under savings and time deposits. The increase in the activity of bank deposits which actually occurred in 1934 is reflected in the fact that the total volume of bank clearings, which had risen from 17,146 million markkaa in 1932 to 18,007 millions in 1933, expanded to 21,243 millions in 1934.

The sum of 35.9 millions shown for 1934 seems to represent "Post bills of private banks", the other three items given for the preceding years being included under cash.

4(b). Investments and Securities.

Markkaa (000,000's)	1929	1931	1932	1933	1934
Bonds :					
In foreign currency.	33.2	54.0	56.6	30.2	87.0
Of municipalities.	23.1	27.2	27.3	27.9	44.9
Of bank and mortgage institutions	16.6	35.3	45.0	62.8	302.6
Other.	70.6	69.0	69.3	87.5	147.6
Total bonds	143.5	185.5	198.2	208.4	582.1
Shares :					
In credit and insurance institutions	66.4	61.9	56.2	56.1	58.5
Other.	24.5	53.3	120.7	137.2	148.2
Total shares	90.9	115.2	176.9	193.3	206.7
Total "Other securities".	234.4	300.7	375.1	401.7	788.8

6(a). Due from Banks at Home (Correspondents).

Until 1933 inclusive, the balance-sheets, as summarised in the official banking statistics, contained an item, "Inland Correspondents", which, however, represented almost entirely ordinary current accounts of private clients of the banks. These accounts, which were shown separately in a special statement, have been included under "Loans and Advances" in the present Summary Table (see note 7 below). The

[Continued at foot of page 81.

¹ Of these totals, the private savings banks alone accounted for 4,409 and 4,754 millions in 1933 and 1934 respectively.

FINLAND.

COMMERCIAL BANKS

Table 17 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of : Banks	17	14	12	11	11
Branches and Sub-Branches.	611	566	499	478	477
ASSETS.					
Markkaa (000,000's omitted)					
1. Cash	238.4	231.8	213.4	533.9	399.3
(a) Gold, silver and small coins	—	—	—	0.2	—
(b) Inland notes and balances with Central Bank	238.4	231.8	213.4	533.7	—
2. Other Items of a Cash Nature	67.5	43.3	32.3	46.6	35.9
3. Bills discounted and bought.	3,356.4	2,395.1	1,853.3	1,435.5	1,387.6
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland	3,297.3	2,273.1	1,828.5	1,355.3	1,251.9
(c) Commercial bills, Foreign	59.1	122.0	24.8	80.2	135.7
4. Investments and Securities.	266.1	339.9	415.7	485.8	893.6
(a) Government	31.7	39.2	40.6	84.1	104.8
(b) Other	234.4	300.7	375.1	401.7	788.8
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	236.0	192.7	137.4	371.9	607.3
(a) At home.	61.2	16.8	32.4	124.7	124.1
(b) Abroad	174.8	175.9	105.0	247.2	483.2
7. Loans and Advances.	6,222.8	6,422.9	6,366.8	6,173.4	6,027.6
(a) On current account	3,586.8	3,394.9	3,140.4	2,952.4	2,776.0
(b) Other	2,636.0	3,028.0	3,226.4	3,221.0	3,251.6
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	262.5	286.4	287.6	262.9	251.9
10. Sundry Assets	243.9	407.3	203.1	294.3	319.5
11. Total Assets	10,893.6	10,319.4	9,509.6	9,604.3	9,922.7
LIABILITIES.					
12. Capital paid up.	1,115.0	1,115.5	928.5	914.0	754.8
13. Reserve Funds	568.1	584.0	546.2	531.2	481.0
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	240.4	186.8	141.1	127.8	125.1
15. Cheques and Drafts, etc., in circulation	169.1	151.3	116.2	131.5	138.2
16. Due to Banks (Correspondents)	482.4	196.2	132.3	184.1	247.3
(a) At home.	—	—	—	—	—
(b) Abroad	482.4	196.2	132.3	184.1	247.3
17. Deposits	7,481.3	7,378.5	7,154.7	7,498.0	7,663.8
(a) Current accounts and sight deposits	1,486.1	1,635.0	1,607.2	1,765.8	1,524.9
(b) Savings accounts	766.7	793.0	786.4	837.8	—
(c) Time or fixed deposits	5,228.5	4,950.5	4,761.1	4,894.4	6,138.9
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	530.3	487.5	314.4	30.0	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities.	307.0	219.6	176.2	187.7	512.5
21. Total Liabilities	10,893.6	10,319.4	9,509.6	9,604.3	9,922.7
22. Contingent Liabilities	1,078.9	988.9	846.3	1,015.8	819.9
23. Value of currency in Swiss francs at the end of each year	0.131	0.087	0.075	0.075	0.067

FINLAND.

COMMERCIAL BANKS

Table 17 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks	17	14	12	11	11
	Markkaa (000,000's omitted)				
Capital paid up	1,115.0	1,115.5	928.5	914.0	754.8
Reserves and Undivided Profits	606.0	633.9	589.0	572.1	511.0
1. Gross Profits	498.1	431.1	355.2	317.9	298.5
<i>To be deducted</i>					
2. Expenses	241.6	211.5	185.4	170.2	161.9
(a) Salaries, etc.	123.6	111.3	99.8	98.3	95.1
(b) Other working expenses	48.0	43.0	37.0	32.5	32.7
(c) Taxes, etc.	70.0	57.2	48.6	39.4	34.1
3. Reserved for Pension Funds, etc.	1.2	2.1	—	—	2.0
4. Written off on (Depreciation Accounts for)	69.6	305.2	97.5	151.5	43.8
(a) Premises, etc.	6.6	0.3	0.2	6.9	2.5
(b) Investments and securities	10.2	8.1	3.4	5.5	3.1
(c) Other assets	52.8	296.8	93.9	139.1	38.2
5. Remaining Net Profit or Loss (—)	185.7	— 87.7	72.3	— 3.8	90.8
6. Carried forward from Preceding Year	37.9	55.4	42.8	40.9	30.0
7. Taken from Reserves or Capital.	14.8	205.3	22.3	86.6	3.9
8. Total Amount disposed of for Dividends, etc.	238.4	173.0	137.4	123.7	124.7
9. Carried to Reserves	30.5	9.4	1.0	2.2	2.5
10. Dividends	159.2	119.7	94.8	91.5	85.0
11. Directors' Fees, etc.	0.8	0.6	0.3	—	—
12. Other Purposes.	4.7	0.6	0.4	—	0.2
13. Carried forward to Following Year	43.2	42.7	40.9	30.0	37.0
14. Total as above	238.4	173.0	137.4	123.7	124.7
15. Value of currency in Swiss francs at the end of each year.	0.131	0.087	0.075	0.075	0.067

sums shown in group 6(a) of the table represent — for the years 1929 to 1933 — the remainder of the item "Inland Correspondents", plus a small item, "Deposit Certificates of Other Banks", shown separately in the official statistics.

The figure shown for 1934 in the Summary Table is given in the official statistics as a separate item of sums due from "Domestic credit institutions" (including savings and mortgage banks, etc.), of which 11.9 millions and 77.2 millions are described as "Cheque accounts" and "Domestic correspondents" respectively, representing presumably commercial banks only, the remainder

consisting of loans (5.9 millions), deposit certificates (4.4 millions), miscellaneous accounts (22.1 millions), and sums due to the two banks in liquidation (2.6 millions), for which no detailed specification is given.

7. Loans and Advances.

Before 1934, the sums shown under (a) were subdivided into "Cash credits", other current accounts and "Personal accounts", while the figure for 1934 is given under the heading "Cheque accounts". These sums represent in all cases amounts actually drawn. The unutilised balances

of the total credits opened are shown outside the balance-sheet under "Contingent liabilities" at the bottom of the Summary Table (item 22).

The composition of 7(b) according to the character of the cover is shown below :

Markkaa (000,000's)	1929	1931	1932	1933	1934
Loans and advances against :					*
Mortgages . . .	1,937.7	2,379.4	2,270.6	2,390.4	2,256.4
Bonds and bank deposit certificates	85.8	90.5	65.3	112.9	35.1
Shares	1,108.5	930.5	770.3	699.7	644.7
Goods	10.8	20.2	16.2	17.3	8.5
Guarantee	1,886.2	1,532.6	1,314.3	1,084.5	970.6
Single signature	2,272.6	2,458.6	2,776.4	2,884.4	2,911.3
Total	7,301.6	7,411.8	7,213.1	7,189.2	6,826.6

* Excluding the two banks in liquidation.

10. Sundry Assets.

Markkaa (000,000's)	1929	1931	1932	1933	1934
Mortgage loans, etc.	5.3	2.6	1.0	1.8	.
Interest receivable	92.9	95.9	77.1	66.2	50.4
Sundries	145.7	308.8	125.0	226.3	269.1
Total	243.9	407.3	203.1	294.3	319.5

In connection with the changes introduced at the beginning of 1934 in the presentation of the banking statistics, it is stated that 92 million markkaa included in sundry assets at the end of 1934 would, under the previous system, have appeared under home correspondents.

15. Cheques and Drafts in Circulation.

The figures shown represent bank post bills issued.

16(a). Due to Banks at Home (Correspondents).

The item "Inland correspondents" of the Finnish banking statistics prior to 1934 consisted almost exclusively of current accounts of private clients of the banks. As the sums due to banks at home were not shown separately, the whole of the item "Inland correspondents" was included in the current accounts in the Summary Table (see note to group 17 below).

For 1934, however, sums due to "Domestic credit institutions" are shown separately, amounting to 753.9 million markkaa, of which 251.4 millions are cheque accounts and other sight liabilities, 474.9 millions fixed deposits and other time liabilities, and 27.6 millions liabilities of the two liquidating banks, for which no subdivision is given. But to secure comparability with the earlier years, and particularly as sums due to commercial banks are not separated from liabilities to savings institutions, etc., which probably account for the bulk of these sums (see introductory note above), they have been grouped under

item 17 in the Summary Table, the first of the above-mentioned figures being included in 17(a) and the other two under 17(c).

17. Deposits.

The current account deposits and the home correspondents' accounts forming together item 17(a) of the Summary Table are shown separately in the following statement, which includes, in addition, the unutilised balances of the "Cash credits" and other current account credits accorded to the clients.

Markkaa (000,000's)	1929	1931	1932	1933	1934
Deposits on current account	724.0	667.1	626.0	756.4	1,273.5
Inland correspondents *	762.1	967.9	981.2	1,009.4	251.4
Total (item 17(a))	1,486.1	1,635.0	1,607.2	1,765.8	1,524.9
Unutilised balances of credits opened	1,078.9	988.9	846.3	1,015.8	819.9
Total (including credit balances)	2,565.0	2,623.9	2,453.5	2,781.6	2,344.8

* See note to 16(a) above.

18. Rediscounts and Other Borrowings by the Banks.

Markkaa (000,000's)	1929	1931	1932	1933	1934
Bills re-discounted	490.5	461.3	296.2	—	—
Borrowings against security of premises	4.2	3.5	3.3	0.6	0.6
Other borrowings	35.6	22.7	14.9	29.4	29.4
Total	530.3	487.5	314.4	30.0	30.0

At the end of 1934, rediscounts were nil. The other two items of group 18 appear to have been included in the Sundry Accounts of group 20 in 1934.

20. Sundry Liabilities.

Markkaa (000,000's)	1929	1931	1932	1933	1934
Pension funds	52.3	57.1	53.5	54.2	55.5
Unpaid dividends	2.2	2.2	2.6	1.8	1.8
Interest payable	84.3	56.4	44.7	34.1	19.1
Bills collected for third parties	21.7	12.7	7.7	7.0	5.0
Sundry accounts	146.5	91.2	67.7	90.6	431.1
Total	307.0	219.6	176.2	187.7	512.5

Together with the other changes in the bank statistics effected in 1934, it is stated that 299.9 millions have been transferred from the previous item "Home correspondents" to sundry liabilities at the end of 1934, which accounts for most of the increase in the latter.

22. Contingent Liabilities.

See note to item 7, above.

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

Markkaa (000,000's)	1929	1931	1932	1933	1934
Net interest and commissions from discounts, loans and advances. . .	424.2	328.4	269.8	231.5	195.4
Profit on securities and exchange	46.5	65.5	62.1	60.6	66.9
Recovered from assets written off	1.8	4.2	2.3	4.0	4.0
Sundry profits	25.6	33.0	21.0	21.8	32.2
Total	498.1	431.1	355.2	317.9	298.5

In conformity with the banking practice in most countries, net figures for interest earned are given above. These figures have been calculated by

deducting interest paid shown under expenses in the official Finnish banking statistics from the total of the interest earned as given in these statistics.

4. *Depreciation Accounts.*

The amounts included under (c) in this group of the Summary Table were written down as follows :

Markkaa (000,000's)	1929	1931	1932	1933	1934
Written off on :					
Discounts, loans and advances	51.9	285.1	90.2	135.0	34.4
Assets not specified. . .	0.9	11.7	3.7	4.1	3.8
Total	52.8	296.8	93.9	139.1	38.2

FRANCE.

The French banking position remained strained during 1934-35. Domestic hoarding, the withdrawal of foreign balances, the use for consumption purposes of accumulated savings consequent on the continued deterioration of economic conditions, and the reduction in the cash resources of traders due to the accumulation of blocked balances in clearing accounts¹ continued to exercise their depressing influence. Banking conditions were further aggravated by the efflux of French capital in the second and fourth quarters of 1935, the exceptionally large withdrawals of gold from the Bank of France in May and November 1935, and the consequent hardening of money rates. Commercial banking developments² during this period are illustrated by the movement of the principal accounts of the four deposit banks — the Crédit Lyonnais, Comptoir National d'Escompte, Société Générale, and Crédit Industriel et Commercial — which are given below :

End of :	Dec. 1933	June 1934	Dec. 1934	June 1935	Nov. 1935
Francs (000,000's)					
1. Cash in hand	6,514	6,118	6,394	5,606	5,707
2. Commercial portfolio and national defence bonds	19,698	18,420	18,162	17,854	16,425
3. Correspondents and debtors on current account	8,253	8,063	8,009	7,762	7,787
4. Advances	1,250	1,354	1,347	1,401	1,326
5. Deposits	32,635	30,819	30,943	29,521	28,110
<i>Of which :</i>					
(a) Sight deposits	(13,827)	(13,204)	(12,979)	(12,339)	(11,767)
(b) Current account debtors	(17,946)	(16,711)	(17,060)	(16,416)	(15,639)
(c) Fixed deposits	(862)	(904)	(904)	(766)	(704)
6. Acceptances	273	208	193	312	329

The fall in the deposits of the four leading banks from 32.8 milliard francs at the end of January 1934 to 30.4 milliards at the end of March 1934 which followed the stabilisation of the U.S. dollar and the political disturbances of February was almost made up in the course of the next six months, deposits rising gradually to 32.5 milliard francs at the end of September 1934. Withdrawals, however, were resumed in October and became considerable during the Cabinet crisis of November. In the latter month alone, the deposits of the four big banks fell by 1.7 milliard francs. Though

deposits began to recover in the course of the next month, the end-of-the-year position of the banks discloses a net decline of 1.7 milliard francs over the previous year. During 1934, deposits with 21 banks³ other than the four large *établissements de crédit* fell by 1 milliard francs from 20.7 to 19.7 milliards. The extent to which the decline in deposits during 1934 represents the continuation of the hoarding tendencies⁴ of previous years is suggested by the available data on the composition of the note circulation and of gold movements. Of the increase of 2.3 milliard francs in the total note and subsidiary coin circulation during that year, 1.5 milliard francs was on account of the rise in the issue of 1,000-franc notes, the medium most frequently used for hoarding purposes. During 1934 there was a net export of gold amounting to 6,228 million francs, and at the same time the gold reserves of the Bank of France rose by 5,025 millions, mainly as a result of purchases from earmarked gold in France. The British Exchange Equalisation Fund is estimated⁵ to have sold some 7,500 to 8,000 million francs' worth of such gold, and to this should be added some hundreds of millions of earmarked gold sold by the central banks of the gold-bloc countries, thus bringing the total of gold acquired by the Bank of France to some 8,000 to 8,500 million francs. The difference between this total and the actual increase in the reserves of the central bank, some 3,500 millions, should represent the amount of gold withdrawn from the Bank of France for hoarding, for arbitrage transactions or for the account of the central banks. The difference between total net exports during the year and the amount withdrawn from the Bank of France for hoarding or arbitrage transactions, some 2,500 million francs, presumably represents the amount taken from private gold hoards in France and exported abroad, particularly to London, for safe custody.

While the movement of deposits in the course of 1934 appears to have been influenced mainly by internal political factors, deposit withdrawals during 1935 seem to have been chiefly actuated by fears relating to the stability of the franc.

¹ These blocked balances are significant in that they affect the cash resources of industrialists or traders which are kept in current account with the banks. Balances to the credit of French exporters in the clearing accounts of thirteen countries which remained to be settled at the end of December 1934 amounted to 792.4 million francs and represented 30% of total exports to those countries during that year. Despite great efforts to speed up their settlement, arrears still remain very high ; on April 1st, 1935, they stood at 700 million francs.

² During 1934 ten provincial banks failed, five local banks effected increases in their capital, and six new banking institutions were established with an aggregate capital of 13.3 million francs.

³ Pierre DIETERLIN : " Les Banques " in *Revue d'Economie Politique*, May-June 1935, page 702.

⁴ The part played by the withdrawal of foreign balances in the first quarter of 1934 was described on pages 35-37 of *Commercial Banks, 1929-1934*. Capital exports on French account are estimated at 5.6 milliard francs for 1934 in *Revue d'Economie Politique*, May-June, 1935, page 662.

⁵ Leonard RIST and Philippe SCHWOB : " La Balance des Comptes ", in *Revue d'Economie Politique*, May-June, page 627.

The decline in deposits set in during April 1935 — that is, immediately after the devaluation of the belga — and was followed by large gold withdrawals from the Bank of France up to June. Total deposits with the four big deposit banks, which had risen from 30.9 milliard francs at the end of 1934 to 31.7 milliards at the end of March 1935, fell suddenly to 30.2 milliards during April, and this decline continued gradually up to the end of August, when they stood at 28.6 milliards. The gold reserve of the Bank of France, which had dropped from 82.6 to 71 milliards from between the end of March and the end of June, recovered subsequently to 72 milliards by the end of October. A slight recovery in deposits also occurred during September and October, when total deposits of the "big four" rose to 28.7 and 28.8 milliard francs respectively; but withdrawals both of commercial bank deposits and gold were resumed in November, coinciding in time with renewed activity in the financial market in New York. By the end of December, the gold reserve of the Bank of France stood at 66.3 milliard francs (end of January 1936, 65.2 milliards) and total deposits of the four leading commercial banks at 27.6 milliards.

The withdrawal of deposits and the decline in the gold reserves of the Bank of France during 1935 appear to have been due principally to the outflow of French capital, and only in small part to increased domestic hoarding. During the first eleven months of 1935, the Bank of France lost, on balance, 15.9 milliard francs of gold, and French net gold exports amounted to some 11 milliard francs. As foreign balances in France are too insignificant¹ to explain the large movements of deposits and gold, it may be presumed that a considerable part of the gold withdrawals and exports were on account of the exodus of French capital and of the increase in the stocks of private gold hoards. Some of the gold exports were no doubt due to that part of the deficit in the French balance of trade which was not settled out of invisible exports. Private gold hoards are estimated¹ to have risen by 2 milliard francs during 1935. The fresh hoarding of notes appears to have ceased, and there are indications that a contrary movement set in during 1935. The note circulation of the Bank of France, which in the past had not been influenced by the gold losses of the Bank, showed a decided decline during 1935, the total circulation falling by 2.3 milliard francs by comparison with the end of the previous year. Of this total decline, about 1 milliard francs is on account of 1,000-franc notes.

Deposits with the Caisse Nationale d'Épargne and the ordinary savings banks, which had increased without interruption since 1916, also became affected in 1933. During that year, withdrawals exceeded fresh deposits with these institutions by 103 million francs. During 1934, this excess rose to 695 millions, and it would appear to have risen further during 1935, for which year, however, complete data are not yet available. If in spite of these excess withdrawals the total amount to the credit of depositors as shown below was almost 2 milliard francs larger at the end of October 1935 than at the end of December 1930, this is accounted for by the accumulation of interest amounting to 1,950 million francs in 1934.

End of :	Dec. 1933	June 1934	Dec. 1934	June 1935	Oct. 1935
Francs (000,000's)					
1. Caisse Nationale d'Épargne	24,120	23,794	24,606	24,962	25,019
2. Private savings banks	35,364	34,770	36,040	36,443	36,386
Total	59,484	58,564	60,736	61,407	61,405

The withdrawal of deposits caused large reductions, principally in the bill portfolio and cash reserves, in the case of the leading deposit banks, and a contraction of cash reserves, investments, and loans and advances, in the case of the two important *banques d'affaires*. During 1934, the total bill holdings of the four leading deposit banks declined by 1,536 million francs, and fell by another 1,737 millions in the first eleven months of 1935. The contraction of the bill portfolio was due, as in previous years, chiefly to commercial bills, Treasury bill holdings apparently remaining relatively constant.² Loans on correspondent or debtor account, which may be largely immobilised, have shown a comparatively small downward movement during the period under review, while guaranteed advances and contango loans of the five big deposit banks have risen steadily from 1,058 million francs at the end of November 1932 to 1,326 millions at the end of November 1935. The cash assets of the leading deposit banks, after falling by 1,631 million francs during the political disturbances of February 1934, were replenished in the course of the next eight months, rising to 8,120 millions at the end of October 1934. Since that date, apart from seasonal variations, they have tended to decline, in spite of a very large increase in borrowings at the Bank of France. At the end of November 1935, the ratio of cash to total deposits stood at 20.3%, as against 23.3% a year earlier. The decline in the deposits of the two largest *banques d'affaires* — the Banque de Paris et des Pays-Bas and the Banque de l'Union

¹ Annual report of the Bank of France for 1935.

² The Treasury bill holdings of the big four deposit banks at the end of 1934 are estimated (Pierre DIETERLIN, *op. cit.*, page 691) at 13 to 14 milliard francs, which would imply that commercial bills amounted to 3 to 4 milliards, as against some 6 milliards in the previous year.

Parisienne, amounting to 474 million francs during 1934,¹ was accompanied (see adjoining Table 8(a) II, on page 40) by a contraction of investments and participations, loans and advances, cash assets and bill holdings amounting to 153, 151, 143 and 97 million francs respectively. The heavy decline in investments and participations is entirely due to the extensive reorganisation of the Banque de l'Union Parisienne,² which applied 100 million francs of its own capital to the writing-down of the value of its assets. The general revision of assets carried out by other banks out of their hidden reserves in the last few years was continued during 1934, and their reports state that the securities held had, by the end of 1934, been written down to their market or realisation value.

The strain put on the banking and monetary structure of France by the outward movement of capital, which set in after the devaluation of the belga in March 1935, is brought out more fully by the accounts of the Bank of France, whose weekly returns are summarised below :

End of :	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935
Francs (000,000's)					
1. Gold	77,098	79,548	82,124	71,017	66,296
2. Sight balances abroad, foreign bills and other short-term foreign assets	1,157	1,157	963	1,210	1,319
3. Domestic bill portfolio .	4,739	4,386	3,971	8,021	9,712
4. Advances on securities .	2,921	3,076	3,211	3,277	3,253
5. Advances on short-term Government securities .	—	—	—	735	573
6. Negotiable securities of the Caisse autonome d'amortissement	6,122	5,929	5,837	5,805	5,800
7. Notes in circulation . . .	82,613	82,057	83,412	82,099	81,150
8. Other sight liabilities . .	15,736	18,750	19,076	13,951	11,578
Of which :					
(a) On Treasury ac- count	(261)	(256)	(962)	(166)	(64)
(b) On caisse auto- nome account. (2,061)	(3,035)	(2,755)	(2,816)	(2,797)	
(c) On private ac- count	(13,193)	(14,951)	(15,109)	(10,721)	(8,497)

The gold reserve, which, in the course of 1934, had risen by some 5 milliard francs, fell gradually to 79.8 milliards on May 17th, 1935. In the three weeks ending June 7th, gold withdrawals took

alarming proportions and amounted to 9.1 milliards, losses on certain days during May exceeding 1 milliard francs per day. In the next five months there was an increase of over 1 milliard francs, but withdrawals were resumed on a heavy scale during November, and between October 30th and December 6th the Bank of France lost a further 6.1 milliards of gold. Most of the gold withdrawn from the Bank of France in the second and last quarters of 1935 was sent abroad, principally to the U.S.A. and the United Kingdom.³ The extent to which these withdrawals were financed out of funds deposited with credit institutions, and the consequent strain on these establishments, is brought out by the decline in the sight liabilities on private account of the Bank of France, mainly bankers' balances. Private balances with the central bank fell from 14.9 milliard francs at the end of April to 11.1 milliards on June 7th, 1935, and the fall continued, though at a much slower pace, during the next five months. They recovered to 11.3 milliards by November 22nd, but in the following two weeks declined again to 8.6 milliards. At the end of 1935 they were 6.6 milliard francs less than at the end of the preceding year. Moreover, the commercial banks were driven to borrow very heavily at the Bank of France. The latter's bill portfolio, which, on January 4th, 1935, stood at only 3.3 milliard francs and remained below 4 milliards until May 17th, rose to 8.1 milliards in the three weeks ending June 7th. It fell gradually to 6 milliards by the middle of August, thereafter rising steadily to 8 milliards on November 15th. In the last two weeks of November, the bill portfolio shot up to nearly 11 milliard francs. Since the stabilisation of the franc, this level had never been reached, except in October 1931, when the Bank of France granted a large temporary loan to the Bank of England. The advances of the Bank of France also rose during this period. Advances on securities, which have been on the increase throughout the depression,

¹ For these two banks only annual figures are available.

² See *Commercial Banks, 1929-1934*, pages 37-38.

³ The gold movements in and out of France during 1934-35 and their origin or destination may be seen from the following quarterly figures — monthly figures for October and November — compiled from the Federal Reserve Bulletin :

Millions of U.S. \$ of old gold content	U.S.A.	U.K.	Belgium	Netherlands	Switzerland	All other countries	Total net imports or net exports (—)
1934 :							
I-III	— 142.0	— 207.7	— 10.4	44.3	14.0	61.5	— 240.3
IV-VI	— 100.1	— 191.8	— 0.1	44.3	— 4.0	3.0	— 248.5
VII-IX	— 5.1	— 8.8	— 6.4	0.6	33.7	7.3	— 21.2
X-XII	— 2.5	— 6.4	— 0.3	— 0.1	— 15.2	1.7	— 10.1
	— 34.2	— 13.6	— 3.7	— 0.5	— 0.6	49.5	— 3.0
1935 :							
I-III	— 38.4	— 12.1	— 4.3	—	— 12.5	14.9	— 3.3
IV-VI	— 194.6	— 74.3	— 113.3	1.1	90.1	1.6	— 289.4
VII-IX	— 13.7	— 0.3	— 15.4	14.8	— 1.1	22.8	— 38.4
X	— 92.8	— 0.1	— 2.7	3.1	— 0.7	47.2	— 40.6
XI	— 152.4	— 8.4	— 4.9	— 6.6	0.7	30.5	— 141.2

It should be noted that the greater part of the gold imported into France in the last quarter of 1934 and during 1935 from countries other than those for which separate figures are given represents imports from Italy.

continued to rise during 1935. As from February 21st, the Bank of France consented to grant loans for a maximum period of thirty days against public securities with a maturity not exceeding two years at a rate lower than that charged for ordinary advances on securities. This represents a new departure¹ in the credit policy of the Bank, which may be of great significance for the Paris money market. Though still in its experimental stage, this new implement enabled the Bank of France, during the May and November crises, to extend to the market supplementary credits of about 1 milliard francs.

Money rates during this period of strained conditions in the money market and in the position of the commercial banks ruled very high. The exodus of capital and gold withdrawals obliged the Bank of France to alter its discount rates eleven times in the course of the year. The bank rate, which had been maintained at 2½% since May 31st, 1934, was raised to 3% on May 23rd, 1935, 4% on May 25th, and 6% on May 28th. From June 20th to August 8th, the bank rate was successively reduced to 3%. It had to be raised again, however, to 4% on November 14th, 5% on November 21st, and 6% on November 25th, at which rate it remained till the last week of the year, when it was brought down to 5%. The effect of these movements in the bank rate on money rates may be seen from the following table :

	March	June	September	December
	Per cent.			
Bank rate	{ 1935 2.50	6 and 5	3.00	6 and 5
	{ 1934 3.00	2.50	2.50	2.50
Treasury bill discount rate	{ 1935 2.02	5.34	2.80	5.96
	{ 1934 3.17	1.91	1.19	1.48
Private discount rate (fine bills)	{ 1935 2.13	5.59	2.92	5.91
	{ 1934 2.88	2.16	1.63	1.50
Yield of 3% <i>rentes</i>	{ 1935 4.00	3.79	3.87	4.18
	{ 1934 4.56	3.87	4.20	3.82

The Government was particularly affected by the hardening of money rates, its total indebtedness, exclusive of its foreign commercial debt and the debt of the P.T.T., showing the following movement during 1934-35 :

	Dec. 31st, 1933	Aug. 31st, 1934	Dec. 31st, 1934	Aug. 31st, 1935
	Francs (ooo,ooo's)			
<i>Consolidated debt:</i>				
Perpetual	52,134	51,933	51,640	50,962
Amortisable	185,457	178,884	196,192	182,934
Medium- and short-term	16,523	22,302	24,639	31,083
<i>Floating debt</i>	49,424	53,929	49,909	55,854
Total	303,537	307,048	322,380	320,833

The cash position of the Treasury induced the Government to raise the upper limit of Treasury bill issues from 10 to 15 milliard francs, as from January 31st, 1935. Issues increased gradually from 9.7 milliard francs in January to 14.6 milliards in August.

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The amounts given under item 2 for deposit banks in 1931-1934 and for investment banks throughout consist chiefly of balances with banks and sums due from correspondents ; they also include small amounts of coupons due for payment.

3. *Bills discounted and bought.*

The sums in this group of the Summary Tables include chiefly Treasury bills (*Bons de la Défense nationale*).

7. *Loans and Advances.*

Current accounts include correspondents. In

the case of banks which do not show cover for acceptances as a separate item, an amount equivalent to their acceptances has been deducted from current accounts and carried to group 8 of the Summary Table. The other loans and advances (7b) consist of guaranteed advances (*avances sur garanties*) and contangos (*reports*).

17. *Deposits.*

Current and cheque accounts (17a) also include correspondent accounts. The sums given under "other deposits" (17d) represent "accounts payable after collection", etc., where shown separately.

¹ Another step, though less significant, should also be noted. This was the Agreement of August 15th, 1935, between the Government and the Bank of France, whereby the latter consented to assist the financing of the grain harvest by rediscounting warrants that co-operatives or agriculturists have received from the *Caisses agricoles* and which have already been discounted.

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 18 (a) I.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of : Banks	6	6	6	6	6
Branches and Sub-Branches	2,069	2,202	2,161	2,127	2,111
ASSETS.					
Francs (ooo,ooo's omitted)					
1. Cash		11,759	9,666	6,387	6,422
(a) Gold, silver and small coins		—	—	—	—
(b) Inland notes and balances with Central Bank	6,422	—	—	—	—
2. Other Items of a Cash Nature		1,584	1,527	1,463	1,372
3. Bills discounted and bought	25,907	20,911	25,425	22,957	21,209
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	135	182	126	134	132
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	138	177	150	151	153
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	13,966	13,473	10,206	10,890	10,788
(a) On current account	10,833	11,811	8,664	9,110	8,931
(b) Other	3,133	1,662	1,542	1,780	1,857
8. Cover for Acceptances	1,742	718	357	350	259
9. Premises, etc.	260	297	187	202	206
10. Sundry Assets	189	159	132	143	186
11. Total Assets	48,759	49,260	47,776	42,677	40,727
LIABILITIES.					
12. Capital paid up	1,643	1,383	1,490	1,491	1,491
13. Reserve Funds	1,897	1,884	1,897	1,905	1,910
14. Profit-and-Loss Accounts, Undivided Profits, etc.	379	305	295	292	291
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	42,608	44,568	43,385	38,310	36,467
(a) Current accounts and sight deposits	39,502	41,800	40,886	36,340	34,655
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,890	2,500	2,292	1,780	1,631
(d) Other deposits	216	268	207	190	181
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	1,742	718	357	350	259
20. Sundry Liabilities	490	402	352	329	309
21. Total Liabilities	48,759	49,260	47,776	42,677	40,727
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 18 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks	3	3	2	2	2
ASSETS.					
	Francs (000,000's omitted)				
1. Cash	414	543	602	545	402
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	660	420	364	268	185
3. Bills discounted and bought	1,678	1,383	1,611	1,080	983
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	601	793	761	702	607
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	297	269	270	244	185
6. Due from Banks (Correspondents).	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	2,855	1,310	947	1,141	1,039
(a) On current account	2,683	1,291	939	1,097	1,013
(b) Other	172	19	8	44	26
8. Cover for Acceptances	217	207	92	60	46
9. Premises, etc.	67	72	79	79	79
10. Sundry Assets	75	92	105	112	104
11. Total Assets	6,864	5,089	4,831	4,231	3,630
LIABILITIES.					
12. Capital paid up.	600	600	600	600	500
13. Reserve Funds	421	433	418	292	318
14. Profit-and-Loss Accounts, Undivided Profits, etc.	158	110	50	36	6
15. Cheques and Drafts, etc., in circulation	397	206	100	112	96
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	4,917	3,442	3,472	3,023	2,549
(a) Current accounts and sight deposits	2,823	2,228	2,448	1,747	1,544
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,029	1,164	976	1,221	912
(d) Other deposits	65	50	48	55	93
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	217	207	92	60	46
20. Sundry Liabilities	154	91	99	108	115
21. Total Liabilities	6,864	5,089	4,831	4,231	3,630
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE.

PRINCIPAL COMMERCIAL BANKS

Table 18 (a) III.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of : Banks	9	9	8	8	8
Branches and Sub-Branches	2,069	2,202	2,161	2,127	2,111
ASSETS.					
Francs (000,000's omitted)					
1. Cash		12,302	10,268	6,932	6,824
(a) Gold, silver and small coins		—	—	—	—
(b) Inland notes and balances with Central Bank	7,496	—	—	—	—
2. Other Items of a Cash Nature		2,004	1,891	1,731	1,557
3. Bills discounted and bought	27,585	22,294	27,036	24,037	22,192
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	736	975	887	836	739
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	435	446	420	395	338
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	16,821	14,783	11,153	12,031	11,827
(a) On current account	13,516	13,102	9,603	10,207	9,944
(b) Other	3,305	1,681	1,550	1,824	1,883
8. Cover for Acceptances	1,959	925	449	410	305
9. Premises, etc.	327	369	266	281	285
10. Sundry Assets	264	251	237	255	290
11. Total Assets	55,623	54,349	52,607	46,908	44,357
LIABILITIES.					
12. Capital paid up	2,243	1,983	2,090	2,091	1,991
13. Reserve Funds	2,318	2,317	2,315	2,197	2,228
14. Profit-and-Loss Accounts, Undivided Profits, etc.	537	415	345	328	297
15. Cheques and Drafts, etc., in circulation	397	206	100	112	96
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	47,525	48,010	46,857	41,333	39,016
(a) Current accounts and sight deposits	42,325	44,028	43,334	38,087	36,199
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	4,919	3,664	3,268	3,001	2,543
(d) Other deposits	281	318	255	245	274
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	1,959	925	449	410	305
20. Sundry Liabilities	644	493	451	437	424
21. Total Liabilities	55,623	54,349	52,607	46,908	44,357
22. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

FRANCE.

PRINCIPAL DEPOSIT BANKS

Table 18 (b) I.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1931	1932	1933	1934
Number of Banks	6	6	5	6	6
	Francs (000,000's omitted)				
Capital paid up.	1,643	1,702	1,490	1,491	1,491
Reserves and Undivided Profits	1,949	2,113	1,969	1,972	1,980
I. Gross Profits					
<i>To be deducted:</i>					
2. Expenses.					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for).					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	316.4	— 266.7	216.9	217.7	213.7
6. Carried forward from preceding year.	51.6	69.2	69.9	66.3	69.7
7. Taken from Reserves or Capital.	—	494.7	—	—	—
8. Total Amount disposed of for Dividends, etc.	368.0	297.2	286.8	284.0	283.4
9. Carried to Reserves	22.1	13.8	9.4	4.7	7.3
10. Dividends	271.6	206.0	204.8	203.7	204.0
11. Directors' Fees, etc.	13.2	7.5	6.3	5.9	5.6
12. Carried forward to following year	61.1	69.9	66.3	69.7	66.5
13. Total as above	368.0	297.2	286.8	284.0	283.4
14. Value of currency in Swiss francs at the end of each year.	0.203	0.203	0.203	0.203	0.203

Summary of Profit-and-Loss Accounts.

No profit-and-loss accounts were published for the Banque nationale pour le Commerce et l'Industrie until the end of 1933. Summary Table 8 (b) I therefore covers only five deposit banks for 1932. Most of the deposit banks show their net profits only after deduction of working expenses, depreciation, provision for doubtful claims, allocations to staff funds, and sometimes even directors' fees.

This policy obviously allows the directors to make whatever statement of net profits they wish and facilitates the setting aside of hidden reserves.

The investment banks publish more or less detailed profit-and-loss accounts. No statement was published relating to the Crédit Mobilier Français in 1931. Figures are accordingly not given in Summary Table 8 (b) II for that year.

FRANCE.

PRINCIPAL INVESTMENT BANKS

Table 18 (b) II.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1930	1932	1933	1934
Number of Banks.	3	3	2	2	2
	Francs (000,000's omitted)				
Capital paid up.	600	600	600	600	500
Reserves and Undivided Profits	465	477	437	437	323
1. Gross Profits	246.0	251.2	146.6	128.8	98.9
<i>To be deducted :</i>					
2. Expenses	117.0	125.0	102.1	93.9	86.9
(a) Salaries, etc.	92.2	94.4	85.2	78.9	72.7
(b) Other working expenses	24.8	28.6	16.9	15.0	14.2
(c) Taxes, etc.	2.6	4.8	4.9	4.3	4.3
3. Reserved for Pension Funds, etc.	2.6	4.8	4.9	4.3	4.3
4. Written off on (Depreciation Accounts for)	10.5	11.3	8.1	141.5	6.6
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit or Loss	115.9	110.1	31.5	-110.9	1.1
6. Carried forward from preceding year.	44.1	49.1	18.5	18.4	5.2
7. Taken from Reserves or Capital.	—	—	—	128.6	—
8. Total Amount disposed of for Dividends, etc.	160.0	159.2	50.0	36.1	6.3
9. Carried to Reserves	8.1	8.3	1.6	0.8	—
10. Dividends	96.0	95.0	30.0	30.0	—
11. Directors' Fees, etc.	6.8	6.3	—	—	—
12. Carried forward to following year	49.1	49.6	18.4	5.3	6.3
13. Total as above	160.0	159.2	50.0	36.1	6.3
14. Value of currency in Swiss francs at the end of each year	0.203	0.203	0.203	0.203	0.203

* Profit-and-loss account for Crédit Mobilier Français not available.

1 and 2. Gross Profits and Expenditure.

The figures for salaries and other working expenditure shown in the table of investment banks include a large proportion of the fees and remunerations of directors.

3. Reserved for Pension Funds, etc.

The sums given in the investment bank table refer solely to the Banque de Paris et des Pays-Bas.

4. Depreciation.

Including sums used in or reserved for building and construction purposes.

5. Net Profit or Loss.

The figures in Tables 8 (b) I and III for 1931 are chiefly affected by inclusion of the net disclosed loss of the Banque nationale de Crédit, amounting to 500 million francs. This loss was covered out of capital, reserves and undivided profits, which are included in the figures given at the top of those tables for 1931.

The capital and reserves (114 million francs) of the Crédit Mobilier Français are also included in the figures shown at the top of 8 (b) III in 1931, although no profit-and-loss accounts of the bank were published for that year.

FRANCE.

PRINCIPAL COMMERCIAL BANKS

Table 18 (b) III.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks.	9	9	7	8	8
	Francs (ooo,ooo's omitted)				
Capital paid up.	2,244	2,302	2,090	2,091	1,991
Reserves and Undivided Profits	2,414	2,592	2,406	2,409	2,303
I. Gross Profits.					
<i>To be deducted :</i>					
2. Expenses					
(a) Salaries, etc.					
(b) Other working expenses					
(c) Taxes, etc.					
3. Reserved for Pension Funds, etc.					
4. Written off on (Depreciation Accounts for)					
(a) Premises, etc.					
(b) Investments and securities					
(c) Other assets					
5. Remaining Net Profit or Loss	432.3	— 259.8	248.4	106.8	214.8
6. Carried forward from preceding year	95.7	114.8	88.4	84.7	74.9
7. Taken from Reserves or Capital.	—	562.9	—	128.6	—
8. Total Amount disposed of for Dividends, etc.	528.0	417.9	336.8	320.1	289.7
9. Carried to Reserves.	30.2	80.0	11.0	5.5	7.3
10. Dividends	367.6	242.0	234.8	233.7	204.0
11. Directors' Fees, etc.	20.0	7.5	6.3	5.9	5.6
12. Carried forward to following year.	110.2	88.4	84.7	75.0	72.8
13. Total as above	528.0	417.9	336.8	320.1	289.7
14. Value of currency in Swiss' francs at the end of each year	0.203	0.203	0.203	0.203	0.203

10. *Dividends.*

The banks do not follow a common practice with regard to the dividend tax ; some include it in their dividend figures, while others do not.

11. *Directors' Fees, etc.*

The sums shown in this group of the Summary Tables include a small sum representing dividends or "Founders' shares". Some banks do not disclose directors' fees, but include them wholly or in part in the expenses which they deduct before showing profits.

be added some several hundred millions as a result of increased borrowings between public bodies, which rose by about RM. 700 million. Of the total increase, about RM. 900 million was on account of the deposit with the Reichsbank of employment Treasury certificates (*Arbeitsbeschaffungsschatzanweisungen*) as guarantee for the rediscounting of employment-creation bills (*Arbeitsbeschaffungswchsel*) and about RM. 1,000 million was on account of the increased issue of ordinary Treasury bills.

Available estimates regarding the public floating debt emanating from the issue of various kinds of medium- and short-term bills for the financing of public works, rearmament and the special needs of the Reich and public bodies are very divergent. The Finance Minister¹ put the circulation of bills, inclusive of those issued by the Reichsbahn and Reichspost, for the middle of 1935 at not more than RM. 5,000 million. This estimate comprises advance tax certificates (*Steuer-gutscheine*), of which there were RM. 913 million in circulation at the end of June 1935, *Arbeitsbeschaffungswchsel* and other special bills. It excludes the Treasury certificates deposited with the Reichsbank. If the *Steuer-gutscheine* and the *Arbeitsbeschaffungswchsel* of the Reichsbahn and Reichspost, amounting to some RM. 1,000 million at the same date, are excluded, a total of a little over RM. 3,000 million is left as the sum of the circulation of *Arbeitsbeschaffungswchsel* in the narrower and wider sense of the term² and of such bills as *Zinsvergütungs-scheine* and *Bedarfsdeckungsscheine*.

This estimate would suggest a marked decline in the rate of issue of these bills during 1934/35, and appears to put at a very low figure the circulation of bills other than public works bills proper. The circulation of public works bills proper was estimated³ by E. Wildermuth, of the Deutsche Bau- und Bodenbank, at RM. 1,200 million for

the end of 1933 and at 2,000 millions for the end of the first quarter of 1934, and appears to have increased at the rate of some RM. 270 million a month during that period. The circulation of public works bills in the narrow sense of the term accepted by the four leading public works banks⁴ alone is estimated by the *Statistisches Reichsamt* at RM. 2,144 million for the end of June 1935.

Another estimate, that of the *Frankfurter Zeitung*,⁵ places the circulation of *Arbeitsbeschaffungswchsel* and special bills at RM. 5,000 to 6,000 million for the end of 1934, and considers that their circulation during 1935 rose by 2,500 to 3,000 millions, which would suggest a total of some 7,500 to 9,000 millions as the sum of these bills circulating at the end of 1935. The *Institut für Konjunkturforschung*⁶ arrives at a relatively high estimate by placing the circulation of public bills (*Oeffentliche Kreditpapiere*) at RM. 10,000 to 10,500 million for the end of August 1935. It is not clear from the context whether this estimate excludes the floating debt of the Reich made up of *Reichsschatzwechsel* and *Reichsschatzanweisungen*, which for that date is officially put at RM. 2,900 million. Even on the assumption that the official floating debt is included, the remaining public floating debt comes out according to this source at RM. 7,100 to 7,600 million at the end of August 1935. Non-German estimates⁷ of the public floating debt place it at a much higher level and occasionally give details of its composition which are absent in the German estimates.

The expansion in the issue of public bills, though influencing the bill tax considerably, does not appear to have affected to the same degree the total of public and commercial bills in circulation. The following table, showing on the one hand the quarterly movement of the amount of bills on which the bill tax has been paid (*versteuerte Wechsel*) and on the other the official estimates of the total

¹ *Deutsche Volkswirtschaft*, September 2nd, 1935.

² This distinction is now being made by the *Statistisches Reichsamt* to contrast public works proper and rearmament works of all kinds. This distinction seems at best a theoretical one, as it is admitted that a clear line can no longer be drawn between the two types of work.

³ *Deutsche Volkswirt*, June 15th, 1934.

⁴ *Wirtschaft und Statistik*, 2nd issue of December 1935. These banks are the Gesellschaft für Oeffentliche Arbeit, Bau- und Bodenbank, Rentenbank-Kreditanstalt, and the Verkehrs-Kredit-Bank.

⁵ December 29th, 1935. No. 662: "Das alles zusammen ergibt einen Betrag in der Grösserordnung von etwa 2½-3 Milliarden. Um etwa die Hälfte des vorjährigen Standes hat sich also im Laufe des Jahres der Umlauf an Arbeitsbeschaffungs- und Sonderwechseln netto erhöht, nachdem die Erlöse der Konsolidierungsanleihen zur Abdeckung eines entsprechenden Betrages benützt worden waren."

⁶ *Vierteljahrshefte zur Konjunkturforschung*, 1935, Heft 3, Teil A, page 312. The estimate is given in a section discussing the financing of public works and other public needs.

⁷ Of the numerous non-German estimates, the following may be noted:

The *Bulletin Quotidien* of August 24th and 26th, 1935, Nos. 192-193, estimates the total public floating debt in the summer of 1935 at RM. 17,200 million. This total, according to this source, is made up as follows (in million RM.): 3,000 ordinary official floating debt, 3,500 *Arbeitsbeschaffungswchsel* proper, 3,000 rearmament bills, 1,200 *Steuer-gutscheine*, 3,500 the floating debt of the States and municipalities, and 3,000 approximately floating debt to finance other public needs and projects. The Berlin correspondent of the London *Economist* states in his weekly report, August 10th, 1935, page 280, that the market places the circulation of rearmament and/or work creation bills at RM. 15,000 to 20,000 million. In an article appearing in the *Neue Zürcher Zeitung*, of January 26th, 1936, entitled "Deutschlands Schuldenbilanz Ende 1935", the floating debt of the Reich other than that represented by the Treasury bills and certificates is estimated to have amounted to at least RM. 9,000 million at the end of 1935, and to have grown in the second half of the year at the rate of some RM. 400 million per month.

bill circulation, brings out the striking and growing divergence in the movement of these two series since the first quarter of 1933 :

Quarters	Bills taxed				Bill circulation			
	I	II	III	IV	I	II	III	IV
	RM. (thousands of millions)							
1930 . .	11.1	10.3	10.1	10.2	10.6	10.0	9.6	9.6
1931 . .	9.5	9.3	12.2	11.4	9.1	8.6	9.8	10.5
1932 . .	9.6	9.4	8.4	8.8	9.8	9.3	8.7	8.8
1933 . .	8.7	9.3	11.3	13.9	8.4	8.5	8.7	9.0
1934 . .	15.0	17.5	19.8	21.1	9.3	9.4	10.3	10.7
1935 . .	22.3	22.3	.	.	11.4	12.4	12.2	.

Both series exclude non-interest-bearing Treasury bills and *Steuergutscheine* which are not subject to the bill tax. The explanation for this divergence, according to the *Statistisches Reichsamt*,¹ seems to lie in the peculiarity of the prefinancing of employment creation — *i.e.*, most *Arbeitsbeschaffungswechsel*, though originally of a three months' currency, can be extended up to fifty-four months, and the tax on their future renewal is paid in advance, so that the extended bills do not come into circulation until after the bill tax on them has been collected. In other words, the amount of *Arbeitsbeschaffungswechsel* in circulation remains the same, those falling due being replaced by each renewal of the bill. According to this explanation, one would therefore expect the amount of bills on which the tax has been paid to decline if no new issues of bills have been made. As the amount of bills on which the tax has been paid has grown rapidly since the first quarter of 1933, it may be supposed that this was made possible only by successive new issues of bills of the type which can be extended several times after the original three months for which all bills must be current according to law. This increase in public bills issued is reflected in the estimated circulation of all bills, which has risen from RM. 8,400 million in the first quarter of 1933 to RM. 12,200 million in the third quarter of 1935 and has almost reached the level attained at the height of the boom period at the end of 1928, when the total circulation stood at RM. 12,300 million.

The extent to which this increase in the total bill circulation represents a net increase in bills other than purely commercial bills cannot be determined, as few details are available regarding its composition. The following table, prepared on the basis of information issued by the *Statistisches Reichsamt*² and given in other sources³ shows the movement in the circulation of various types of short-term paper since December 1932 :

	End of :			
	Dec. 1932	Dec. 1933	Dec. 1934	Sept. 1935
	RM. (ooo,ooo's)			
1. Non-interest-bearing Treasury bonds	979	1,314	1,863	2,365
2. Bonds of the German States	590	640	620	639
3. Tax exemption certificates ^a	200	1,215	1,183	896
4. Other bills	6,812	7,426	9,147	10,927
<i>Of which—</i> Employment-creation bills issued by four leading public banks . . . . .	.	.	.	(2,012)
5. "Solawechsel" of the Golddiskontobank	—	—	—	495
6. Bank acceptances	1,938	1,624	1,553	1,073
Total	10,519	12,219	14,366	16,395

^a Excluding those deposited with Reichsbank as security for the rediscounting of *Arbeitsbeschaffungswechsel*.

In the course of the thirty-three months ended September 30th, 1935, the volume of short-term paper has risen by some RM. 6,000 million. The increase has been particularly noticeable in the non-interest-bearing Treasury bonds (*unverzinsliche Schatzanweisungen*), *Steuergutscheine* and other bills. The first represent the home issues of such bonds to cover the current needs of the Treasury and do not include the rest of the Reich floating debt, consisting of *Reichswechsel* and other loans amounting to RM. 400 and 57 million respectively at the end of September 1935. The *Steuergutscheine* or advance tax certificates issued gratis by the State in return for the prompt payment of certain taxes, after rising to some RM. 1,363 million at the end of March 1934, declined gradually in the subsequent months. The volume of commercial bills, employment-creation bills, rearmament bills, and other special bills to finance other public expenditure, which is not given separately but shown together as "Other bills", has increased uninterruptedly since the end of 1932. The *Solawechsel* of the Golddiskontobank were created as a result of a decision of the Reichsbank of May 20th, 1935, whereby the bank's capital was raised by RM. 200 million, and it was authorised to issue three months' bills drawn on itself. These bills, which can be rediscounted at the Reichsbank, are sold to credit institutions at the private discount rate at the moment of sale, and the proceeds are employed for the purchase of *Arbeitsbeschaffungswechsel* from the Reichsbank or in the market. As a result of this measure, the Golddiskontobank's total bill holdings, which formerly consisted largely of foreign bills, rose rapidly from RM. 464 million at the end of May to 1,443 millions at the end of November 1935. The decline in bank acceptances has been continuous. If these are excluded from the total bill circulation,

¹ *Wirtschaft und Statistik*, 1st issue for August 1935, page 564.

² See *Wirtschaft und Statistik*.

³ Report of the Reichs-Kredit-Gesellschaft entitled "Germany's Economic Situation at the Turn of 1935/36".

the increase in the volume of short-term paper between the end of 1932 and September 1935 will be seen to be some RM. 6,700 million. Of this increase, some RM. 2,600 million was on account of public bills (items 1, 2, 3 and 5 above) and some 4,100 millions was on account of "other" bills (item 4 above). The rise in the circulation of other bills would appear to be due exclusively to the increase in public bills such as *Arbeitsbeschaffungswechsel*, rearmament bills, and other special public bills. In fact, considering that during this period inactive bills arising from the slump, bills representing book-keeping adjustment of advances, and medium-term bills for financing trade with Russia have disappeared and that the volume of foreign bills not held as exchange and of purely commercial bills has declined considerably, the increase in public bills included under "Other bills" must have been much greater than the net rise in the total circulation of "Other bills". Consequently, it may be presumed that the expansion in the circulation of various forms of public bills was of the order of at least some RM. 6,700 million.

The proportion in which the bills issued have been taken over by the various types of credit institutions is brought out by the following table¹ showing the changes that have occurred in the total bill holdings of the majority of credit institutions since the end of 1932 :

End of :	Dec. 1932	Dec. 1933	Dec. 1934	Sept. 1935
	RM. (ooo,ooo's)			
1. Reichsbank ^a	2,806	3,436	4,511	4,530
2. Golddiskontobank	312	245	200	1,183 ^b
3. Konversionskasse für deutsche Auslands- schulden	—	—	—	191
4. Private banks of issue	137	187	126	68
5. Four public works banks	254	421	588	800
6. Public banks, savings banks, and Giro- zentralen	863	1,191	2,188	2,553
7. Five large Berlin banks	1,719	1,746	2,004	2,036
8. Other joint-stock banks	197	238	272	757
Total	6,288	7,463	9,889	12,118 ^b
Total circulation of public medium-and short-term bills, commercial bills, and "special" bills	10,519	12,219	14,366	16,395

^a Including since December 1933 securities "eligible as note cover", mainly tax exemption certificates.

^b This total may involve double counting to the extent that the institutions given above hold the *Solawechsel* of the Golddiskontobank. The Reichs-Kredit-Gesellschaft in its report on "Germany's Economic Situation at the Turn of 1935/36", page 43, estimates *Solawechsel* so held at some RM. 600 million.

The bill holdings of the reporting credit institutions nearly doubled between the end of 1932 and September 1935, and continued to increase in subsequent months. (In September and, to a lesser extent, October 1935, bills in circulation declined as a result of redemptions carried out with the proceeds of the 4½% loan of RM. 1,000 million raised during these two months. Financing by means of bills was resumed in November, and the bill holdings of the institutions for which reports are available rose again.) Practically the whole of the increase was concentrated with credit institutions of a public character. The bill portfolio of the Reichsbank, inclusive of securities "eligible as note cover", rose rapidly since the end of 1932, and that of its sister organisation, the Golddiskontobank, increased greatly since May 1935. At the end of September 1935, the two institutions held together some RM. 5,713 million in bills, or over 34% of the officially estimated total bill circulation. The Conversion Office for Foreign Debts began in the course of 1935 to invest unused balances to the credit of foreigners in *Arbeitsbeschaffungswechsel*. The four leading public works banks, the State and provincial banks, savings banks and Girozentralen together trebled their bill holdings since the end of 1932. The absolute rise in the bill holdings of the joint-stock banks, though not considerable, is significant in view of their declining resources and the continued fall in their commercial portfolio. The remaining bills are held by non-reporting banks, insurance companies and private firms. The security holdings of the Public Old-age Insurance Institutes and of the Private Life Insurance Companies nearly doubled during this period, their total holdings rising by RM. 574 and 424 million respectively in the three years ended June 30th, 1935. Private industrial, manufacturing and commercial concerns, particularly those coming under the direct influence of public orders, are said to be investing their rising surplus reserves in public bills, particularly *Arbeitsbeschaffungswechsel*.

The extent to which these bill holdings represent genuine commercial paper is difficult to estimate. Of the total held by the institutions covered by the table above at the end of September 1935, RM. 2,867 million consisted of Treasury bills and bonds of the Reich and States. These were distributed as follows (in million RM.) : Reichsbank 40, exclusive of 346 millions of public "securities" eligible as note-cover ; Golddiskontobank 140 ; special banks 161 ; State and provincial banks 434 ; Girozentralen 744, and joint-stock banks 678. The remainder, some 9,000 millions, consisted of commercial and public short-term bills. Of all the seven types of institutions, only the Reichsbank and the joint-stock banks are important holders

¹ Source : *Wirtschaft und Statistik* and the report of the Reichs-Kredit-Gesellschaft, *op. cit.*

of genuine commercial bills, the other organisations holding principally public short-term paper or at least the increase in their portfolio since the end of 1932, being due chiefly to the acquisition of public bills other than Treasury bills. For the reasons already stated, it would appear that the commercial bill holdings of the joint-stock banks have declined considerably since the end of 1932, and that their place has been taken by public short-term paper. Similarly, in view of the disappearance of slump bills and of frozen municipal bills and of the general decline in genuine commercial bills, the public bills held by the Reichsbank must have risen by very much more than is suggested by the net increase in the total portfolio.

The effects of the continued expansion of public expenditure on the development of commercial banking during 1934/35 may be judged from the following summary of the principal accounts of the five big Berlin banks :

	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935
	RM. (ooo,ooo's)					
1. Cash and balances with Reichsbank, etc.	254	254	210	245	194	257
2. Bill portfolio :						
(a) Treasury bills	497	548	459	495	590	613
(b) Other bills	1,221	1,200	1,370	1,508	1,674	1,582
3. Sight claims on other banks	249	189	147	149	154	123
4. Securities :						
(a) Government	475	386	401	301	409	401
(b) Other	147	135	268	297	317	366
5. Participations	314	292	279	285	233	205
6. Loans on current account :						
(a) To banks	340	290	276	239	209	182
(b) Other	3,275	3,009	2,865	2,751	2,659	2,535
7. Reimbursement credits, etc.	963	583	536	391	311	282
8. Deposits, etc.	4,945	4,582	4,722	4,727	4,757	4,677
9. "Loro" correspondents	1,095	637	565	469	440	417
10. Due to German credit institutions	1,286	1,289	1,133	1,078	1,128	822
11. Acceptances	769	765	732	772	735	720
12. Rediscounts, etc.	843	914	817	730	678	560
13. Total balance-sheet	8,803	7,917	7,795	7,686	7,663	...

The decline in the activity of the big Berlin banks was due, as in previous years, to two principal causes. First, foreign deposits have continued to

fall, partly as a result of the depreciation in terms of Reichsmarks of dollar and pound deposits, and partly on account of the withdrawal of standstill credits for purposes such as tourist expenditure. The short-term indebtedness of Germany is estimated¹ to have declined by some RM. 4,000 million in the two years ended February 28th, 1935, and by another 700 millions in the following year, standstill credits falling by 2,100 and 600 millions respectively in the two periods. There appears to have been at the same time withdrawal of business deposits accumulated in previous years, deposits payable within three months declining by RM. 329 million during 1934 and by some 388 millions in the first eleven months of 1935.² The repayment of industrial credits³ and the increase that has taken place in domestic deposits, particularly those on current account, since December 1933 has more than made up for withdrawals on foreign and domestic account, and total deposits at the end of 1934 stood at RM. 240 million higher than at the end of the previous year. The absence of any marked expansion in the first half of 1935 and the decline disclosed by the returns for the second half of 1935 are probably due to the temporary effects of the Government loans in the course of the year. Secondly, "loro" correspondents and its counterpart, reimbursement credits, which constituted one of the important items in the balance-sheets of the big Berlin banks, continued to fall as a result of the decline in foreign trade or the increasing control of it by the State.

This decline in their principal liabilities to the public was accompanied by a continued reduction in all assets other than public bills and securities and cash assets. Government securities, after falling in the second half of 1934, increased again, and the rate of expansion in other securities was maintained, probably on account of the purchase of public securities and *Steuerergutscheine*. Their bill portfolio continued its uninterrupted rise until November 1935, when bill holdings other than Treasury bills declined by RM. 143 million in comparison with the level reached at the end of June 1935. The absence of any recent increase in bill holdings other than Treasury bills, and the heavy decline in the cash assets of the banks, reflect the fall in deposits that occurred in the latter part of 1935.

The position of the big Berlin banks has

¹ The London *Economist*, February 15th, 1936, page 364. No official estimates of Germany's foreign indebtedness have been issued since 1933.

² As the classification of accounts was changed during 1935, this figure is only approximate.

³ The reduction in industrial debts is illustrated by the following table, showing the movement in the indebtedness of 1,756 industrial companies in the course of 1932-1934 (year beginning July 1st and ending June 30th) :

	1932/33	1933/34
	RM. (ooo,ooo's)	
Long-term debt	2,230	1,928
Short-term debt	5,013	4,774
Of which—Bank loans	(1,448)	(1,205)

been strengthened, despite the contraction in operations suggested by their balance-sheets. This improvement may be seen from the decline in their debts due to German credit institutions and in their rediscounts and borrowings (items 10 and 12 above), and in their profit-and-loss accounts (see adjoining table on page 54). The five banks, after applying RM. 35 million to writing off assets as against 68 millions in 1933, distributed profits for the first time since 1930 amounting to 19 millions.¹ The Commerz- und Privatbank met its contractual sinking fund obligations towards the three State institutions which had taken over its frozen assets, and the Deutsche Bank und Diskonto-Gesellschaft bought

back an amount in excess of its obligations. The latter also purchased from the Golddiskontobank the shares which it had taken up in 1931 and placed them on the market. The Dresdner Bank's debt to the Akzeptbank, which had amounted to RM. 400 million, was reduced to 40 millions in 1934, and its other debts were redeemed to the extent of 327 millions.²

In contrast to the slow improvement in the position of the commercial banks, the development of the savings banks, the State and Provincial banks and Girozentralen has been rapid, as may be seen from the following summary of their principal accounts :

	Savings Banks			Staats- and Landesbanken and Girozentralen				
	Dec. 1932	Dec. 1933	Dec. 1934	June 1935	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935
	RM. (000,000's)							
1. Cash and bank balances	1,166	1,694	2,019	2,128	29	30	33	33
2. Bill portfolio :								
(a) Treasury bills . . .	55 ^a	92 ^a	191 ^a	421	431	570	1,125	1,145
(b) Other bills	95	104	115		441	712	928	1,274
3. Loans and advances :								
(a) Current account . . .	2,196 ^b	2,086 ^b	1,870 ^b	1,840	2,655	2,466	1,445	1,270
(b) Long term	5,472 ^c	5,639 ^c	6,434 ^c	6,501 ^c	3,910	3,789	3,858	4,052
4. Securities	3,230 ^d	3,465 ^d	4,097 ^d	4,620 ^d	350	295	1,083	1,217
5. Deposits	10,978	12,412	13,757		3,908	4,744	5,640	5,697
6. Rediscount and other borrowings	910	496	291		2,171	1,150	3,429	3,700
7. Total balance-sheet . . .	13,885	14,548	15,875		8,565	9,239	10,170	10,837

^a Including bills of municipalities.

^b Including short-term loans to municipalities.

^c Mortgage loans.

^d Including bonds of municipalities.

The deposits, of the ordinary savings banks, exclusive of giro accounts, have risen very considerably since the end of 1932. They expanded by RM. 891 million in 1933 and by a further 1,548 millions during 1934 and, at the end of June 1935, stood at 1,490 millions higher than at the corresponding date in 1934. This rapid increase in deposits, in addition to enabling the banks to improve their liquidity — *i.e.*, augment their cash assets and reduce their rediscounts and other borrowings — made possible a marked expansion in their security holdings and in their mortgage loans. Their security holdings proper, exclusive of the bonds of municipalities, rose by about RM. 1,000 million from 2,139 millions at the end of 1933 to 3,193 millions at the end of June 1935. Half of this increase occurred in the first quarter of 1935, when the Reich asked the savings banks to take up a Funding Loan of RM. 500 million. The Reich called upon the banks again in September of the same year to take up half of the 4½% loan of 1,000 million RM. issued in the form of Treasury bonds redeemable in seventy

years. In order to permit them to do so, the provisions of the Banking Law were suspended and their cash ratio was allowed to fall to 10%. The Reichsbank was further authorised to accept the Treasury bonds as collateral for advances against securities.

The non-commercial assets of the public banks also showed a sharp expansion during 1934/35. Treasury bill holdings nearly doubled during 1934 and rose slightly during 1935. Other discounts, principally public works bills, increased steadily and at the same rate as in previous years. The large increase in security holdings in 1934 was due mainly to the conversion of the floating debt of the municipalities in the first half of the year, whereas the increase during 1935 appears to be due to subscriptions to the Reich loans issued in September 1935. This increase in the assets of the public banks during 1934 was made possible partly by an increase in deposits and partly by a large increase in rediscounts and other borrowings. During 1935, deposits failed to increase appreciably, mainly as a result of the withdrawals of funds by

¹ A Government decree, passed on December 4th, 1934, required banks not to distribute dividends in excess of 4%. The remaining profits were to be used for the purchase of public securities. Private enterprises were similarly prohibited from distributing more than 6 to 8% in dividends, and were required to deposit the remainder with the Golddiskontobank, which is to invest them in public securities.

² See *Commercial Banks, 1925-1933*, pages 116-120.

the savings banks, for taking up the two Reich Savings Banks' Loans, and the increase in assets was accompanied by further borrowings.

The recent accounts of the Reichsbank, a summary of the weekly returns of which is given below, do not disclose any remarkable changes other than the expansion in its bill portfolio and security holdings described above and the accompanying increase in its sight liabilities.

	Dec. 1932	Dec. 1933	Dec. 1934	June 1935	Dec. 1935
RM. (ooo,ooo's)					
A. Reichsbank.					
1. Gold	806	386	79	86	82
2. Foreign exchange	114	9	5	4	5
3. Treasury bills	580	49	45	53	53
4. Other bills and cheques	2,806	3,177	4,021	3,879	4,498
5. Loans against securities	176	183	146	89	84
6. Securities	398	581	763	661	664
Of which—Eligible as note cover	—	(259)	(445)	(336)	(349)
7. Note circulation	3,560	3,645	3,901	3,895	4,258
8. Other sight liabilities	539	640	984	819	1,032
B. Monetary Circulation (end of year).					
1. Reichsbank notes	3,545	3,633	3,888	3,895	4,282
2. Notes of other note-issuing banks	183	174	175	.	150
3. Rentenbank notes	413	391	385	373	398
4. Subsidiary coins	1,501	1,516	1,524	.	1,544
Total circulation	5,642	5,714	5,972	5,968 ^a	6,373

^a Provisional figures.

The expansion in the Reichsbank's total sight liabilities, though gradual, was substantial in amount, notes in circulation and current account deposits rising by RM. 1,181 million, or by more than 28%, in three years ended December 31st, 1935. The increase in the total means of payment other than current account deposits (B 1 to 4 above) rose by over 11% during the same period, the major part of this increase being due to Reichsbank notes in circulation. The index of wholesale prices (1913 = 100), after falling from an average of 96.5 to 93.3 during 1933, rose in the following two years to 98.4 and 101.6 respectively. This expansion in the means of payment occurred during a period of falling foreign trade, decreasing gold and foreign exchange reserves, and increasing restrictions concerning foreign exchange transactions. The gold and foreign exchange reserves, after falling precipitously during 1929-1931, were depleted still further during 1932-1934, so that at the end of 1934 they constituted but 3% of the amount outstanding at the end of 1928. During 1935 they varied little. In the course of 1936, they are likely to increase by some RM. 73 million, as a result of the acquisition of the gold reserves of the private note-issuing banks whose note-issue privilege expired at the end of 1935 and whose notes will be withdrawn from circulation by April 2nd, 1936.

Balance-sheet Summary.

As in the previous edition, three separate summary balance-sheets are given in the following tables. Table 9 (a) I summarises (1) the statistics of the *Statistisches Jahrbuch* covering all the commercial banks of the country and (2) the interim reports of the *Kreditbanken* (excluding the Deutsche Golddiskontobank), as published in the *Reichsanzeiger*. The former include the big Berlin banks, provincial banks having branches, other commercial banks and special banks for building, etc. The *Kreditbanken* covered appear to account for about 95 per cent of the total balance-sheet of all commercial banks in 1931. Table 9 (a) II summarises the annual balance-sheets of the big Berlin banks.

For reasons of space, the following notes show the detailed composition of the statistics only of the *Kreditbanken* and the big Berlin banks, and not of all the commercial banks, as shown in the first part of Table 9 (a) I. A comparison of the details given in the first edition of this volume will show, however, that the *Kreditbanken* are fully representative of all the banks. The returns of the big Berlin banks for the end of 1935 are provisional.

1 and 2. Cash and Cash Assets.

The detailed composition of this item is as follows :

RM. (ooo,ooo's)	<i>Kreditbanken</i>					Big Berlin banks				
	No- vember 1929	No- vember 1932	No- vember 1933	No- vember 1934	No- vember 1935	1929	1931	1932	1933	1934
Cash, foreign money and coupons	133	92	96	81	95	166	128	111	119	120
Balances with banks of issue	91	81	63	59	78	252	264	143	135	125
Balances with clearing institutions	34	14	25	18	—	8	8	—	—	—
Not specified	—	—	—	—	—	—	—	—	—	—
Total	258	187	184	158	173	426	400	254	254	245

[Continued at foot of page 103.]

GERMANY.

COMMERCIAL BANKS

Table 19 (a) I.

ACCOUNTS	Source: " Official Statistics " (Statistisches Reichsamt)			Source: Reichsanzeiger Balanzübersichten.				
	SUMMARY OF POSITION AT THE END OF:							
	1929	1932	1933	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935
Number of Banks	406	265	249	96	70	71	69	88
ASSETS.		RM. (ooo,ooo's omitted)						
1. Cash								
(a) Gold, silver and small coins								
(b) Inland notes and balances with Central Bank	634	411	428	258	187	184	158	173
2. Other Items of a Cash Nature								
3. Bills discounted and bought	4,180	2,736	2,760	3,363	1,865	1,970	2,378	2,501
(a) Treasury bills	646	747	861	491	500	580	584	701
(b) Commercial bills, Inland								
(c) Commercial bills, Foreign	3,534	1,989	1,899	2,872	1,365	1,390	1,794	1,800
4. Investments and Securities	731	1,073	851	430	748	716	838	1,051
(a) Government	23	512	432	29	502	436	362	527
(b) Other	708	561	419	401	246	280	476	524
5. Participations	389	374	352	408	408	376	331	278
6. Due from Banks (Correspondents)	2,706	1,399	1,283	1,948	712	596	567	500
(a) At home	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
7. Loans and Advances	11,014	6,165	5,457	10,252	6,762	5,847	5,540	4,955
(a) On current account	7,490	4,513	4,419	6,442	4,363	3,860	3,610	3,445
(b) Other	3,524	1,652	1,038	3,810	2,399	1,987	1,930	1,510
8. Cover for Acceptances	700	976	1,399	624	859	850	848	819
9. Premises, etc.	389	357	342	292	302	326	307	312
10. Sundry Assets	110	357	338	89	55	46	45	57
11. Total Assets	20,853	13,848	13,210	17,664	11,898	10,911	11,012	10,646
LIABILITIES.								
12. Capital paid up	1,408	1,370	1,325	982	783	699	679	647
13. Reserve Funds	551	365	409	450	198	188	167	210
14. Profit-and-Loss Accounts, Undivided Profits, etc.	156	44	40	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	3,600	3,013	2,459	3,270	2,506	2,082	1,765	1,665
(a) At home	—	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—	—
17. Deposits	13,831	7,575	6,953	10,965	6,159	5,642	6,029	6,014
(a) Current accounts and sight deposits	—	—	—	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—	—	—	704
(c) Time or fixed deposits	—	—	—	—	—	—	—	—
(d) Other deposits	—	—	—	—	—	—	—	—
18. Borrowings	524	411	474	1,159	1,332	1,361	1,399	1,134
19. Acceptances and Endorsements	700	976	1,399	624	859	850	848	819
20. Sundry Liabilities	83	94	151	214	61	89	125	157
21. Total Liabilities	20,853	13,848	13,210	17,664	11,898	10,911	11,012	10,646
22. Guarantees, etc. (<i>Avale und Bürgschaften</i>)	1,000	939	802	828	502	454	468	467
23. Rediscunts	1,728	1,512	2,307	1,816	1,031	1,232	1,496	764
24. Value of currency (Official rate) in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.23	1.23	1.24	1.24

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN) Table 19 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1929	1931	1932	1933	1934	1935	
Number of Banks	6	5	5	5	5	5	
ASSETS.		RM. (ooo,ooo's omitted)					
I. Cash							
(a) Gold, silver and small coins							
(b) Inland notes and balances with Central Bank	426	400	254	254	245	257	
2. Other Items of a Cash Nature							
3. Bills discounted and bought	3,038	1,478	1,718	1,748	2,003	2,202	
(a) Treasury bills	380	374	497	548	495	613	
(b) Commercial bills, Inland							
(c) Commercial bills, Foreign	2,658	1,104	1,221	1,200	1,508	1,589	
4. Investments and Securities	211	170	213	206	598	767	
(a) Government	15	56	66	78	301	401	
(b) Other	196	114	147	128	297	366	
5. Participations	279	289	313	293	285	205	
6. Due from Banks (Correspondents)	1,674	664	586	479	388	305	
(a) At home	—	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	—	
7. Loans and Advances	7,407	4,788	4,270	3,615	3,164	2,867	
(a) On current account	4,769	3,518	3,275	3,009	2,751	2,535	
(b) Other	2,638	1,270	995	606	413	332	
8. Cover for Acceptances	513	919	770	765	772	720	
9. Premises, etc.	213	208	235	215	212	215	
10. Sundry Assets	4	321	444	340	19	.	
11. Total Assets	13,765	9,237	8,803	7,915	7,686	.	
LIABILITIES.							
12. Capital paid up	588	429	442	426	427	428	
13. Reserve Funds	330	115	100	80	93	114	
14. Profit-and-Loss Accounts	79	7	7	9	13	.	
15. Cheques and Drafts in circulation	—	—	—	—	—	—	
16. Due to Banks (Correspondents)	2,809	2,161	2,380	1,926	1,547	1,482	
(a) At home	—	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	—	
17. Deposits	9,228	5,398	4,946	4,581	4,727	4,677	
(a) Current accounts and sight deposits	—	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	205	475	
(c) Time or fixed deposits	—	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	—	
18. Rediscounts and Other Borrowings	189	189	128	86	58	48	
19. Acceptances and Endorsements	513	919	770	765	772	720	
20. Sundry Liabilities	30	19	30	42	49	.	
21. Total Liabilities	13,765	9,237	8,803	7,915	7,686	.	
22. Guarantees (<i>Avale und Bürgschaften</i>)	676	528	448	395	373	.	
23. Value of currency (Official rate) in Swiss francs at the end of each year	I.23	I.23	I.23	I.23	I.24	I.24	

GERMANY. PRINCIPAL COMMERCIAL BANKS (BERLINER GROSSBANKEN). Table 19 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:					
	1929	1931	1932	1933	1934	1935
Number of Banks	6	5	5	5	5	5
	RM. (ooo,ooo's omitted)					
Capital paid up	588	429	442	426	427	428
Reserves and Undivided Profits	338	125	104	83	98	122
1. Gross Profits	480	368	320	300	300	283
<i>To be deducted :</i>						
2. Expenses	394	300	255	229	226	257
(a) Salaries, etc.	340	270	231	212	209	234
(b) Other working expenses	54	30	24	17	17	23
(c) Taxes, etc.	19	16	16	17	19	3
3. Reserved for Pensions Funds, etc.	19	16	16	17	19	3
4. Written off on (Depreciation Accounts for)	2	706	131	69	36	2
(a) Premises, etc.	2	—	1	1	1	2
(b) Investments and securities	—	706	130	68	35	—
(c) Other assets	—	—	—	—	—	—
5. Remaining Net Profit or Loss	+ 65	- 654	- 82	- 15	+ 19	+ 21
6. Carried forward from Preceding Year	9	10	4	3	5	7
7. Taken from Reserves or Capital	—	651	85	20	—	—
8. Total Amount disposed of for Dividends, etc.	74	7	7	8	24	28
9. Carried to Reserves	—	—	—	—	13	2
10. Dividends	61	3	4	3	4	18
11. Directors' Fees, etc.	3	—	—	—	—	—
12. Other Purpose	—	—	—	—	—	—
13. Carried forward to Following Year	10	4	3	5	7	8
14. Total as above	74	7	7	8	24	28
15. Value of currency (Official rate) in Swiss francs at the end of each year	1.23	1.23	1.23	1.23	1.24	1.24

3. Discounts.

No distinction is made in the balance-sheets between domestic and foreign bills. The following details are available regarding the bill portfolio of the *Kreditbanken*:

RM. (ooo,ooo's)	x1/1929	x1/1932	x1/1933	x1/1934	x1/1935
Treasury bills :					
Rediscountable at					
Reichsbank	245	110	120	87	599
Other	246	390	460	497	102
Total 3 (a)	491	500	580	584	701

RM. (ooo,ooo's)	x1/1929	x1/1932	x1/1933	x1/1934	x1/1935
Commercial bills :					
Cheques and bills (ordinary discounts)	2,863	1,327	1,369	1,773	1,787
Own acceptances	5	15	8	8	6
Own drawings	3	3	2	9	2
Promissory notes drawn by customers to bank's order	1	20	11	4	5
Total 3 (b)	2,872	1,365	1,390	1,794	1,800
Grand total	3,363	1,865	1,970	2,378	2,501

Treasury bills are non-interest-bearing and are issued by the States as well as by the Reich. The commercial bill portfolio as shown above excludes bills rediscounted, which are not included under liabilities, but are shown separately outside the balance-sheet.

4. Investments and Securities.

The sums shown under (a) consist of "Loans and

interest-bearing bonds of the Reich and the States". The Treasury certificates given to the big Berlin banks by the Reich in 1931 and 1932 pending their reorganisation have not been included in the present group of the Summary Table, but are shown under "Sundry Assets" in group 10. Other securities (b) are classified in the official statistics as follows :

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
Pledgeable at Reichsbank and other central banks.	57	26	30	223	251	12	7	8	175	210
Other quoted securities.	273	157	162	141	180	152	99	69	76	98
Sundry securities.	71	63	88	112	93	32	41	51	46	58
Total	401	246	280	476	524	196	147	128	297	366

5. Participations.

The sums given in the summary tables are composed of permanent participations in banks

and banking firms and syndicate participations (*Konsortialbeteiligungen*) as follows :

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
Bank participations.	187	187	190	147	119	111	144	121	97	91
Syndicate participations.	221	221	186	184	159	168	169	172	188	114
Total	408	408	376	331	278	279	313	293	285	205

6. Due from Banks (Correspondents).

In the official statistics, the banks' "advances to banks, banking firms, savings banks and other credit institutions" are included with other advances on current account. In the Summary

Tables, this item has been carried to group 6 and added to "nostro" balances, which represent balances accruing in the ordinary course of banking transactions. (They do not include sums due after more than three months.) This division is shown below :

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
"Nostro" balances.	1,507	354	282	273	283	1,305	249	189	149	123
Advances to credit institutions.	441	358	314	294	217	369	337	290	239	182
Total	1,948	712	596	567	500	1,674	586	479	388	305

The bulk of the "nostro" balances are due within seven days.

7. Loans and Advances.

The sums given under (a) in the Summary Tables represent "debtors in current account", less cover for acceptances. The latter item is not shown separately by the banks, but amounts equal to the acceptance liabilities shown in the balance-sheets have been deducted from "debtors" and carried

to group 8 of the Summary Tables. Current-account debtors, as shown in the official statistics, include advances to credit institutions ; these advances have been carried to group 6 of the Summary Tables.

The amounts shown under (b) represent contangos and other advances to the Stock Exchange, reimbursement credits and other loans and advances. The detailed composition of loans and advances in the years under review is shown in the following table :

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
<i>Debtors in current account:</i>										
1. Covered by:										
Stock-Exchange security	1,587	744	689	660	596	1,363	618	610	581	.
Other security	3,993	3,624	3,309	3,020	2,821	2,863	2,753	2,463	2,316	.
2. Uncovered	1,927	1,212	1,026	1,072	1,064	1,425	1,011	992	865	.
3. Total	7,507	5,580	5,024	4,752	4,481	5,651	4,382	4,065	3,762	3,438
<i>Less:</i>										
Advances to credit institutions	441	358	314	294	217	369	337	291	239	183
Cover for acceptances	624	859	850	848	819	513	770	765	772	720
4. Total 7 (a)	6,442	4,363	3,860	3,610	3,445	4,769	3,275	3,009	2,751	2,535
<i>Other loans and advances:</i>										
5. Advances on Stock-Exchange securities:										
Contangos	318	1	1	1	—	298	1	—	1	.
Lombards	284	40	32	26	18	264	31	24	21	.
Total	602	41	33	27	18	562	32	24	22	13
6. Reimbursement credits:										
Secured by shipping or warehouse warrants	238	130	64	57	...	211	89	70	45	.
Otherwise secured	859	543	329	226	...	791	486	279	169	.
Unsecured	966	407	226	161	...	799	326	192	119	.
Total	2,063	1,080	619	444	236	1,801	901	541	333	282
7. Other short-term credits on pledge of marketable goods	185	65	95	125	82	171	62	42	58	.
8. Total short-term loans and advances (5+6+7)	2,850	1,186	747	596	336	2,534	995	606	413	295
9. Long-term loans	960	1,213	1,240	1,334	1,174	104	—	—	—	37
10. Total 7 (b)	3,810	2,399	1,987	1,930	1,510	2,638	995	606	413	332
Grand total (4+10)	10,252	6,762	5,847	5,540	4,955	7,407	4,270	3,615	3,164	2,867

8. *Cover for Acceptances.*

See note to previous group.

10. *Sundry Assets.*

The amounts shown under this heading for the Berlin banks in 1931, 1932 and 1933 include 300, 410, and 313 million RM. respectively of Treasury certificates given by the Reich in connection with their reorganisation.

12, 13 and 14. *Capital, Reserves and Undivided Profits.*

The capital account involves double counting in

respect of the bank participations included under assets.

16. *Due to Banks (Correspondents).*

Sums due to foreign banks are not shown separately, but the bulk of the credits obtained with other banks for the account of customers (*seitens der Kundschaft bei Dritten benutzte Kredite*) probably represents liabilities to foreign banks.

The detailed composition of the sums shown in the Summary Tables is given below:

RM. (000,000's)	Kreditbanken					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
Credits obtained with other banks for the account of customers	2,122	1,223	709	540	458	1,872	1,095	637	469	417
Due to German banks, banking firms, etc.	1,148	1,283	1,373	1,225	1,207	937	1,285	1,289	1,078	1,062
Total	3,270	2,506	2,082	1,765	1,665	2,809	2,380	1,926	1,547	1,482

17. *Deposits.*

The official statistics include balances due to German credit institutions (which have been shown

under group 16 of the Summary Table) along with other *Kreditoren* and show the time distribution of the whole as follows :

RM. (000,000's)	<i>Kreditbanken</i>					Big Berlin banks				
	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935	1929	1932	1933	1934	1935
Deposits	10,965	6,159	5,642	6,029	5,310	9,228	4,946	4,581	4,522	4,202
Due to German banks	1,148	1,283	1,373	1,225	883	937	1,285	1,289	1,078	822
Total	12,113	7,442	7,015	7,254	6,193	10,165	6,231	5,870	5,600	5,024
<i>Thereof:</i>										
Payable within seven days	4,490	3,494	3,155	3,372	3,297	4,247	3,002	2,779	2,890	2,585
Payable after seven days and up to three months	6,679	2,948	3,041	3,052	2,180	5,419	2,621	2,516	2,187	2,439
Payable after three months	944	1,000	819	830	716	499	608	575	523	
Total, as above	12,113	7,442	7,015	7,254	6,193	10,165	6,231	5,870	5,600	5,024
Savings deposits	—	—	—	—	704	—	—	—	205	475

18. *Borrowings.*

The sums shown in the Summary Table for *Kreditbanken* are composed as follows :

RM. (000,000's)	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935
Mortgage and municipal bond issues	861	1,086	1,059	1,033	1,074
Other long-term borrowings	298	246	302	366	60
Total	1,159	1,332	1,361	1,399	1,134

Rediscounts are shown by the German banks as contingent liabilities outside the balance-sheet. They are therefore excluded from the present group in the Summary Tables and given as an independent group (23) outside the balance-sheet proper.

22 and 23. *Guarantees and Rediscounts.*

These items are classified as contingent liabilities

Summary of Profit-and-Loss Accounts of the Principal Berlin Banks.

No official profit-and-loss statistics are published in Germany. Table 9 (b) is based on the annual reports of the leading Berlin banks.

I. *Gross Profits.*

The composition of gross profits according to the sources from which they are derived is shown below:

RM. (000,000's)	1929	1932	1933	1934	1935
Net interest from discounts and loans	227	160	134	133	133
Commissions	244	157	163	163	139
Profits from investments and participations	9	3	3	4	11
Total	480	320	300	300	283

and excluded from the balance-sheet. Rediscount liabilities arise in respect of bank acceptances and other bills, shown separately by the *Kreditbanken* as follows :

RM. (000,000's)	Nov. 1929	Nov. 1932	Nov. 1933	Nov. 1934	Nov. 1935
Rediscount liabilities in respect of :					
Bank acceptances	974	348	335	294	386
Other bills	842	683	897	1,202	378
Total	1,816	1,031	1,232	1,496	764
<i>Thereof</i> due within fifteen days	562	246	252	362	...

The interim reports on which the Summary Table is based also show under contingent liabilities small amounts of the banks' own drawings, both for their own account and for the account of customers.

The first item represents the net balance of interest earned on discounts, loans and advances after deduction of interest paid on deposit accounts; some banks include this latter item under expenses. The sums for total gross profits as shown above may be incomplete in certain years in so far as the banks follow the practice of making allowance for depreciation of their investments, participations and outstanding credits before disclosing their profits.

II. *Directors' Fees, etc.*

This item consists only of the directors' share in profits (*Gewinnanteil des Aufsichtsrates*). Their salaries (*Bezüge des Vorstandes*) are included under expenses in item 2 of the Summary Table.

GREECE.

Banking developments in Greece during 1934/35 are characterised by an expansion of credit which is reflected in the accounts of the Central Bank, in total deposits and in the principal earning assets of the commercial banks¹ which are summarised below :

	31.XII. 1933	30.VI. 1934	31.XII. 1934	30.VI. 1935
Drachmæ (000,000's)				
A. Bank of Greece.				
1. Gold and foreign exchange	4,019	4,209	4,105	3,527
2. Commercial loans and dis- counts	708	822	1,209	1,256
3. Note circulation	5,449	5,131	5,686	5,417
4. Other sight liabilities	5,424	7,110	4,165	3,920
Of which—				
(a) To Government	(184)	(127)	(215)	(129)
(b) To banks	(1,221)	(1,569)	(1,671)	(757)
(c) Other	(4,019)	(5,414)	(2,279)	(3,034)
B. Deposits in:				
1. Commercial banks	14,817	15,090	16,209	15,770
Of which—Sight and savings deposits	(11,181)	(11,512)	(12,689)	(12,514)
2. Agricultural banks	1,350	655	928	788
3. Mortgage banks	2,183	2,146	2,239	2,201
4. P.O. Savings Bank	1,695	1,775	2,043	...
C. Commercial Banks' Assets.				
1. Cash	1,915	2,169	2,435	1,431
Of which—With the Bank of Greece	(1,416)	(1,750)	(1,876)	(1,016)
2. Bill portfolio	2,483	2,167	2,503	2,498
3. Securities	1,537	1,570	1,642	1,723
4. Loans and advances	8,648	8,984	9,681	10,416
Of which—Under 3 months.	(5,863)	(6,079)	(6,493)	(7,107)

The expansion of the volume of credit does not appear to have been due as in previous years principally to the repatriation of funds or to an improvement in other items of the balance of payments. The repatriation of capital,² which was estimated at some 60 million Swiss francs during 1933, dwindled to 23 millions during 1934, and seems to have practically ceased by the second quarter of 1935. Emigrants' remittances² fell from 77.5 million Swiss francs during 1933 to 46 millions in 1934, and income from foreign tourist traffic² declined from 51.9 to 30 million Swiss francs during the same period. The passive balance of commodity trade did not change appreciably in 1934 as compared with 1933, but increased heavily in the course of 1935. The gold and foreign assets reserves of the Bank of Greece, which had increased by 2,356 million drachmæ (70.2 million Swiss francs) in 1933, rose by only 60 million drachmæ during 1934 and declined by 578 million drachmæ during the first half of 1935.

Concurrently with this weakening of the balance-of-payment position of Greece, total bank credit rose during 1934/35. Total deposits (items B: 1-4 above) rose from 20,045 million drachmæ at the end of 1933 to 21,419 millions at the end of 1934. During the first half of 1935 there was a general decline in deposits, and their level at the end of June, though higher than at the corresponding date of 1934, was distinctly lower than that reached at the end of December 1934. The recent fall in deposits does not appear to have been due to seasonal factors, and probably reflects the uncertainty following on the civil strife and political disturbances which took place in March 1935.³

The note circulation of the Bank of Greece (item A: 3 above) rose appreciably during 1934, and at the end of that year reached the level it had attained at the end of 1928. Except for a slight setback in the second quarter, this expansion was maintained in 1935, and the note circulation reached a new record level at the end of October, when it amounted to 6,215 million drachmæ as against 5,919 millions at the end of October 1934. This increase was more than offset, however, by a heavy decline in bankers' sight balances at the Central Bank (item A: 4(b) above). The total of the note circulation and these balances has, since April 1935, ruled lower than in the preceding year and amounted at the end of October to 6.4 milliard drachmæ, as compared with 7.1 milliards in October 1934 and 6.8 milliards in October 1933. The other sight liabilities of the Bank of Greece consist only in a small part of Government current accounts; they are mainly the deposits of the International Financial Commission. These I.F.C. deposits are made up of the sums accruing to the account of that institution from revenues assigned to the service of the foreign debt. In consequence of the suspension of the transfer of part of the foreign debt service at the time of exchange difficulties, these deposits accumulated pending their release by the I.F.C. By special arrangements with the creditors, the State was authorised to obtain certain advances from the Bank of Greece on the basis of the deposits accumulated on the account of the I.F.C. The movement of these advances and of the I.F.C. deposits (shown

¹ These figures published by the Bank of Greece are slightly different from the official figures given in the Summary Table. While the latter statistics, which cover the total balance-sheet of the banks, are published with some delay (as a special supplement to the *Official Gazette*), the former, which only relate to the principal accounts, are more up to date and have therefore been used above. The main discrepancy between the two sets of statistics occurs in the deposit figures, which, as compiled by the Bank of Greece, comprise certain items classed as sundry liabilities in the official summary returns. The movement of the principal accounts shown by the two sources is, however, very similar.

² Estimates of the Bank of Greece; see annual reports for 1933 and 1934.

³ Deposits with the commercial banks again recovered to a certain extent during the third quarter, particularly as compared with the low points reached in April and May.

separately only at sample dates in the annual report of the Bank) has been as follows :

	Advances to Government	I.F.C. deposits (Creditor balance)
	Drachmæ (000,000's)	
December 31st, 1933	2,603	3,444
July 4th, 1934	3,420	4,148
July 26th, 1934	904	1,339
December 31st, 1934	1,361	1,616
June 30th, 1935	1,619	2,191

The putting into effect of the Agreement of 1933 with the foreign creditors in July 1934 reduced the balance of the account "Advances to the Government" to 904 million drachmæ, and reduced the I.F.C. deposit account by a corresponding amount. There has been, on the other hand, an uninterrupted rise in the commercial¹ loans and discounts of the Bank of Greece (item A:2 above) from 708 million drachmæ at the end of 1933 to 1,256 millions at the end of June 1935, and to 1,728 millions at the end of October 1935.

The expansion in commercial bank credit is particularly marked in the loans and advances of

the banks' (item C:4 above). These rose by 1,768 million drachmæ, or by over 24%, in the eighteen months ended June 30th, 1935. Of this total increase, 1,244 millions were on account of loans under three months. The fall of 439 million drachmæ in total commercial bank deposits (item B:1) in the first half of 1935 did not check the expansion of loans and advances, which rose by 730 millions in the same period; as a result, the banks' cash assets, in particular their balances with the Bank of Greece (item C:1 above), shrank by 1 milliard drachmæ. The expansion of commercial bank credit seems, however, to have been arrested during the third quarter of 1933, when the banks' rate for advances rose from 7 to 9%.

The figures in the attached Summary Table for 1931 onwards are based on the statistics published in the *Official Journal*. Though similar to, they are more detailed than those published in the *Monthly Bulletin of the Bank of Greece* and reproduced in the previous editions of this volume. The profit-and-loss accounts have been supplied, as in previous editions, by the Bank of Greece.

Balance-sheet Summary.

I. Cash.

Drachmæ (000,000's)	Notes and coins	Balances with and claims on the Bank of Greece	Total
End of			
1931	382	745	1,127
1932	462	409	871
1933	516	1,456	1,972
1934	560	1,926	2,486

2. Due from Banks (Correspondents).

Sums given under (a) consist of "balances with other banks", and those under (b) of "gold, foreign bank-notes and exchange".

3. Discounts.

Drachmæ (000,000's)	In drachmæ	In foreign currencies	Total
End of			
1931	1,842	212	2,054
1932	1,327	116	1,443
1933	2,443	50	2,493
1934	2,455	47	2,502

7. Loans and Advances.

	End of 1931	1932	1933	1934
	Drachmæ (000,000's)			
Up to 3 months	6,597	6,673	5,800	6,489
Over 3 months	3,129	2,958	2,779	3,192
Total	9,726	9,631	8,579	9,681
Of which—				
In drachmæ	7,282	8,290	7,733	8,855
In foreign currencies	2,444	1,341	846	826

17. Deposits.

	End of 1931	1932	1933	1934
	Drachmæ (000,000's)			
(a) & (b) Sight and Savings Deposits:				
In drachmæ	5,912	7,438	8,888	9,975
In foreign currency	3,372	1,374	1,016	974
Total	9,284	8,812	9,904	10,949
(c) & (d) Time and Other Deposits:				
In drachmæ	1,317	2,839	2,828	2,653
In foreign currency	1,803	418	296	285
Total	3,120	3,257	3,124	2,938

¹ There is a statutory limit of 400 million drachmæ to the discount of Treasury bills, and the total of such bills held by the Bank has varied from 187 million drachmæ at the end of December 1933 to 247 and 272 millions at the end of December 1934 and at the end of June 1935 respectively.

GREECE.

COMMERCIAL BANKS

Table 20 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks	35	32	26	27	26
ASSETS.					
I. Cash	1,109	1,127	871	1,972	2,486
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	3,523	2,054	1,443	2,493	2,502
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	1,906	2,021	1,868	1,998	1,645
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	410	839	710	384	810
6. Due from Banks (Correspondents)	1,627	787	890	855	640
(a) At home	240	74	45	249	196
(b) Abroad	1,387	713	845	606	444
7. Loans and Advances	6,857	9,726	9,631	8,579	9,681
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	439	—	—	—	—
10. Sundry Assets	4,324	3,420	3,912	4,146	4,451
11. Total Assets	20,195	19,974	19,325	20,427	22,215
LIABILITIES.					
12. Capital paid up	688	—	—	—	—
13. Reserve Funds	2,099	2,766	2,551	1,952	1,963
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in Circulation	109	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,235	12,404	12,069	13,028	13,887
(a) Current accounts and sight deposits	8,317	9,284	8,812	9,904	10,949
(b) Savings accounts	3,088	—	—	—	—
(c) Time or fixed deposits	1,830	3,120	3,257	3,124	2,938
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	345	326	324	313	252
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities	3,719	4,478	4,381	5,134	6,113
21. Total Liabilities	20,195	19,974	19,325	20,427	22,215
22. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.028	0.029	0.029

GREECE.

COMMERCIAL BANKS

Table 20 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks	28	23	21	22	20
	Drachmæ (000,000's omitted)				
Capital paid up	662	525	622	644	634
Reserves and Undivided Profits	2,098	1,843	1,571	1,601	1,591
I. Gross Profits	1,563	1,307	1,168	1,136	754
<i>To be deducted :</i>					
2. Expenses	1,214	1,008	903	901	521
(a) Salaries, etc.	512	—	—	—	—
(b) Other working expenses	609	—	—	—	473
(c) Taxes, etc.	93	—	—	—	48
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on Depreciation Accounts for	141	169	167	122	108
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit or Loss (—)	208	130	98	113	125
6. Carried forward from preceding year.	—	—	—	—	—
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	208	130	98	113	125
9. Carried to Reserves.	20	7	4	9	9
10. Dividends	188	123	80	86	96
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	—	—	14	18	20
13. Total as above	208	130	98	113	125
14. Value of currency in Swiss francs at the end of each year	0.067	0.067	0.028	0.029	0.029

HUNGARY.

The fall in deposits, discounts and advances of the Hungarian commercial banks was arrested by the middle of 1934, and was followed by a small increase in the second half of that year or in the first half of 1935, while mortgage loans continued to decline, as shown by the following statement of the banks' main items :

	End of 1933	Dec. 1934	June 1934	Dec. 1934	June 1935
	Pengö (000,000's)				
Cash	167	158	171	154	
Advances and discounts (<i>less</i> rediscunts)	1,990	1,998	2,020	2,081	
Mortgage loans	600	585	568	556	
Deposits	2,099	2,099	2,100	2,156	
Rediscunts	536	565	525	489	

It will be seen that the rise in bank deposits was accompanied by a marked reduction in rediscunts¹ since June 1934. This reduction is partly due to the arrangement outlined in the preceding edition² whereby the State undertook to repay certain private agricultural debts to the banks on condition that the latter, in turn, used the sums to reduce their rediscunt indebtedness. The State was authorised to borrow for this purpose up to 100 million pengö at the National Bank,³ and this accounts for the increase in the Bank's loans to the State in 1935, as shown in the following summary of the principal accounts of the National Bank of Hungary :

	End of 1933	Dec. 1934	June 1934	Dec. 1934	June 1935	Nov. 1935
	Pengö (000,000's)					
Gold	79	79	79	79	79	79
Foreign exchange	12	11	20	21	28	28
Discounts	625	569	620	525	547	547
Loans to State	50	48	50	60	74	74
Note circulation	369	364	381	375	393	393
Sight deposits	103	69	106	101	130	130
<i>Of which</i>						
State	64	29	72	71	105	105
Others	39	40	34	30	25	25

The note circulation has shown a rising tendency in the period under review, while a decline has taken place in the National Bank's non-public sight deposits.

The increase in deposits with other credit institutions,⁴ the improvement in the Treasury

position (reflected in a rise of the State's deposits at the Bank) and the increase in its foreign exchange holdings led the National Bank to lower its discount rate, which had been unchanged at 4½% since October 1932, to 4% on August 29th, 1935. The interest rates on commercial bank loans and deposits were also reduced by ½% as from September 1st, 1935, so that the maximum rate on loans was fixed at 7½% (7% in the case of the big banks) and the maximum allowance on deposits at 2½ to 4½% according to the category of the bank and the type of deposit. The interest rate on the debts of "protected" smallholders⁵ was reduced from 4 to 3½% and that on other agricultural debts from 5½ to 5% on the basis of a Law of October 12th, 1935, which provided for the conversion of short-term agricultural debts to banks into long-term negotiable securities.

By a Decree of February 26th, 1935, the Foreign Creditors' Fund was replaced by a "Cash Office for Foreign Credits" administered by the National Bank. The Office was authorised to invest the pengö amounts received by it on account of the service of foreign long-term debts in such a manner as to be readily available when the possibility of transfer arises. Under this provision, the Office made loans to the State amounting to 46 million pengö on September 30th, 1935.

A Decree of March 6th, 1935, required all gold held by private persons or firms to be reported at the National Bank, but at the same time authorised the Central Corporation of Banking Companies to buy such gold at the price of 6,000 pengö per kilogramme, which represented a premium of 58% on the official parity of 3,794 pengö. At the end of March 1935, the buying price was reduced to 5,840 pengö (53% above parity).

A new Standstill Agreement was concluded on June 25th, 1935, with the British and American banking creditors, providing for a further reduction in interest (by ½% if paid in pengö) and for a compulsory repayment of 3% (as against 5% under the previous agreement) of the outstanding principal.

At the beginning of December 1935, the system of export premiums paid out of the proceeds of surcharges on exchange required for imports was put on a new basis. This system, administered by

¹ It must be noted, however, that the exact amount of commercial banks' rediscunts is not known, as some of the large Budapest banks do not publish their rediscunt figures.

² See *Commercial Banks, 1929-1934*, page 62.

³ It is stated that the total of advances made to the State by the National Bank under this arrangement amounted to 30 million pengö on October 12th, 1935, the date at which a new law on agricultural debts came into operation (see below).

⁴ Total deposits at the Post Office Savings Bank and the twelve leading commercial banks of Budapest stood at 1,294 millions at the end of September 1935 as against 1,224 and 1,200 million pengö at the same date in 1934 and 1933 respectively.

⁵ See *Commercial Banks, 1925-1933*, page 134.

a Compensation Office set up on December 1st, 1932, was characterised by the fact that the export premiums granted and the import surcharges levied varied for every individual transaction according to the nature of the article¹ and according to the country of destination or origin.² In the first eight months of 1935, the average premium on exports fluctuated between 21.7 and 24.8% (as against 17.9 to 18.9% in 1934), while the average surcharge on exchange for imports varied from 24.8 to 28.5% (as against 20.2 to 23.1% in 1934). The main innovation introduced in December 1935 was the fixing of uniform rates of premium and surcharge for all commodities; at the same time, the rates were considerably raised. Differentiation according to countries was not,

however, completely abolished: for countries with which Hungary has clearing arrangements (such as France, Switzerland, Belgium), the export premium was fixed at 38% and the import surcharge at 41% for non-clearing countries (United Kingdom, United States of America, Netherlands, Spain, the Scandinavian countries, etc.) the uniform rates of premium and surcharge are 50 and 53% respectively.³ Thus the margin between premium and surcharge rates is narrowed down to 3%. Finally, a provision by which all foreign exchange not emanating from exports is to be paid for by the National Bank at a premium of 50% above the official exchange rates is expected to be of considerable importance in putting an end to the "black market" in foreign exchange.

Balance-sheet Summary.

3. Bills discounted and bought.

Bills rediscounted are maintained under assets and are shown as a separate item under liabilities.

7. Loans and Advances.

The sums under (a) include participations, while (b) represents mortgage loans.

17. Deposits.

Pengö (000,000's)	1929	1931	1932	1933	1934
Current accounts:					
Budapest	845	765	722	733	630
Provinces	75	65	48	42	44
Total	920	830	770	775	674
Savings accounts:					
Budapest	635	536	499	519	546
Provinces	357	275	220	212	215
Total	992	811	719	731	761
"Creditors":					
Budapest	799	694	600	568	575
Provinces	110	110	111	101	90
Total	909	804	711	669	665
Grand total	2,821	2,445	2,200	2,175	2,100

The discrepancy between these totals and the figures shown in the Summary Table is stated to be "due to reasons of a technical nature in constructing the balance-sheets of some institutes".⁴

18. Rediscounts and Borrowings.

Pengö (000,000's)	1929	1931	1932	1933	1934
1. Rediscounts:					
Budapest	83	206	169	150	151
Provinces	364	415	412	386	374
2. Own bond issues (Budapest banks)	371	450	497	437	402
Total	818	1,071	1,077	973	927

The rediscount figures do not include several big Budapest banks which do not show the amount of rediscounts in their balance-sheets. In the case of the provincial institutions, 54 per cent of their total bill portfolio of 683 million pengö was rediscounted at the end of 1934.

The second item represents the mortgage and "communal" bonds issued in connection with the long-term loans (item 7(b) above) of the banks.

Profit-and-Loss Accounts.

The following figures are available for the eleven large Budapest banks, which — with a combined share capital of 198.2 millions and deposits amounting to 1,228 million pengö at the end of 1934 — account for well over half of the total resources of Hungarian banks.

	1930	1932	1933	1934
	Pengö (000,000's)			
Gross profits	81.3	61.0	56.6	55.9
Expenses (including taxes)	46.6	38.6	36.7	35.6
Net profit	32.6	12.9	10.4	10.8
Dividends	22.7	5.6	3.8	3.8

¹ In the case of imports, the discriminating surcharges represented frequently a method of commercial policy.

² Exports, for example, to those countries were frequently favoured where the foreign exchange proceeds were available without any restrictions.

³ The premiums and surcharges have little or no significance in Hungary's trade with countries like Germany, Italy, Czechoslovakia and Roumania, which is governed by direct barter and compensation agreements.

⁴ *Economic Bulletin of the Central Corporation of Banking Companies*, No. 3, 1933.

HUNGARY.

COMMERCIAL BANKS

Table 21 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of banks.	529	474	450	436	426
ASSETS.					
Peng (000,000's omitted)					
I. Cash					
(a) Gold, silver and small coins.					
(b) Inland notes and balances with Central Bank	301	234	208	167	171
2. Other Items of a Cash Nature					
3. Bills discounted and bought	1,836	1,894	1,714	1,684	1,730
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	123	118	262	258	260
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations . . . . .	.	.	.	.	.
6. Due from Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
7. Loans and Advances	1,974	1,793	1,531	1,442	1,383
(a) On current account	1,310	1,147	892	842	815
(b) Other	664	646	639	600	568
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	118	115	125	136	141
10. Sundry Assets	70	104	197	201	175
11. Total Assets	4,422	4,258	4,037	3,888	3,860
LIABILITIES.					
12. Capital paid up	394	386	383	378	376
13. Reserve Funds	219	249	231	248	254
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	62	35	27	16	25
15. Cheques and Drafts, etc., in circulation.	—	—	—	—	—
16. Due to Banks (Correspondents). . . . .	.	.	.	.	.
(a) At home. . . . .	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.
17. Deposits	2,820	2,413	2,164	2,099	2,100
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits.	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings.	818	1,071	1,077	973	927
19. Acceptances and Endorsements.	—	—	—	—	—
20. Sundry Liabilities.	109	104	155	174	178
21. Total Liabilities.	4,422	4,258	4,037	3,888	3,860
22. Value of currency in Swiss francs at the end of each year.	0.91	0.91	0.91	0.91	0.91

INDIA.

The outstanding banking development in India in the course of 1934/35 was the establishment of the Reserve Bank of India by the Act of February 16th, 1934,¹ and the commencement of its operations on April 1st, 1935. A summary of the Bank's first and most recent weekly returns is given below :

	April 5th, 1935	Oct. 25th, 1935
	Rupees (000,000's)	
A. Issue Department.		
1. Gold	444	444
<i>Of which— In India</i>	(416)	(416)
2. Sterling securities	486	662
3. Rupee coin	499	586
4. Government of India securities .	431	255
5. Note issue	1,861	1,947
B. Banking Department.		
1. Notes	190	345
2. Notes, rupee and subsidiary coin	1	2
3. Balances held abroad	119	103
4. Investments	50	54
5. Capital and reserves	100	100
6. Deposits	262	397
<i>Of which—</i>		
(a) Government	(184)	(102)
(b) Banks	(78)	(295)

The issue department of the Reserve Bank took over from the Government the note issue and the assets held against the issue. At the end of September 1934, the note issue amounted to 1,851 million rupees, and the cover was made up as follows (in million rupees) : gold 415, sterling securities 130, rupee coin 986, and Government of India securities 320. At the same date, the Government of India held in London gold amounting to 29 million rupees, and sterling assets worth some 504 million rupees. The Reserve Bank began operations with the same stock of gold as that held by the Treasury and the Government of India at the end of September 1934, but its holdings of rupee coin and sterling assets were smaller by 487 and 148 million rupees respectively than those held by the Government of India six months earlier. Part of the reduction in silver coins is probably due to the sale of silver by the Government of India in the world market ; the

London Silver Agreement of July 1933 provides for the sale of 35 to 50 million ounces a year, or about 105 to 150 million rupees' worth of silver. The maintenance of the exchange value of the rupee at 1s. 6d.² — despite the relatively low level of the Indian favourable balance of trade³ — and the payment of the foreign debt service has been made possible only by the dishoarding and exports of gold shown below.⁴

	1.	2.	3.	4.
	Millions of dollars of old gold content	Net exports of gold	Gold production in India	Increase in Government reserves of gold
1931	95.7	6.8	33.5	122.4
1932	195.7	6.8	0.1	189.0
1933	126.1	6.9	—	119.2
1934	135.7	6.6	0.1	129.2
First 8 months of 1935	67.4	4.5	—	62.9
Total I.I. 1931- 31.VIII.1935	620.6	31.6	33.7	622.7

The ratio of the Reserve Bank's holdings of gold and sterling securities to its note issue rose from 50% on April 5th to 56.8% on October 25th, as a result of an increase of 176 million rupees in the sterling assets of the Bank. The other changes in the Bank's accounts during this period were a decrease in the Government of India securities — due to a general reduction in Treasury bills outstanding — and an increase in the note issue. The expansion in the note issue was due to the increase of 165 million rupees in the amount of notes held as cash by the banking department, which began to exercise its functions of bankers' bank only as from the beginning of July. Prior to that date, its bankers' deposits consisted entirely of the balances of the Imperial Bank of India, which had transferred its Government banking functions to the Reserve Bank on April 1st.

The banks which are required by the Reserve Bank Act of 1934 to keep balances with the Reserve Bank amounting to 5% of their demand and 2% of their time liabilities are those whose aggregate paid-up capital and reserves are not less than 500,000 rupees. The Bank Act gives a list of fifty such banks in the Second Schedule, and they are officially referred to as "scheduled banks".

¹ See *Commercial Banks, 1925-1933*, page 324, and *Commercial Banks, 1929-1934*, pages 194 and 195.

² Section 40 of the Reserve Bank Act of 1934 requires the Bank to buy sterling at 1s. 5 $\frac{49}{64}$ d. and to sell sterling at 1s. 6 $\frac{3}{16}$ d. per rupee.

³ India's balance of commodity trade has shown the following movement since 1929 (year ended March 31st) :

Rupees (000,000's)						
1929	1930	1931	1932	1933	1934	1935
+ 665	+ 538	+ 371	+ 223	— 55	+ 271	+ 113

Only the service of her foreign debt requires at least 500 million rupees (about £40 million) annually.

⁴ Data of the *Federal Reserve Bulletin*.

Of these fifty banks, nineteen are the branches of foreign banks doing business in India, sometimes designated as the exchange banks. The Imperial Bank of India is also included among the "scheduled" banks; the remaining thirty banks are Indian joint-stock banks. The relative importance of the banks holding balances with the Reserve Bank in the commercial banking system of India may be judged from the following figures relating to the deposits at the end of 1930¹ of institutions other than the Post Office and indigenous bankers, of which there are at least some 1,500,000 :

	Number of banks	Total deposits in India Rupees (000,000's)
1. Exchange banks	18	681
2. Imperial Bank of India	1	766
3. Indian joint-stock banks with paid-up capital and reserves of over 500,000 rupees	30	632
Total ("scheduled-banks")	49	2,079
4. Indian joint-stock banks with paid-up capital and reserves of under 500,000 rupees	54	43
5. Co-operative banks	196	301
Total	299	2,423

The banks coming under the control of the Reserve Bank are those of the first three groups whose deposits represented at the end of 1930 85% of the deposits held by all reporting credit institutions, exclusive of the Post Office, and over 65% of the deposits held by these institutions and the Post Office. (The indigenous bankers work mostly with their own capital.)

The first and the most recent monthly return of the "scheduled" banks, as compiled by the Reserve Bank, are given below :

	August 2nd, 1935	October 25th, 1935
	Rupees (000,000's)	
1. Cash in India	57.5	51.6
Of which—		
(a) Notes	(49.9)	(43.9)
(b) Rupees	(5.1)	(4.9)
(c) Subsidiary coin	(2.5)	(2.8)
2. Balances with Reserve Bank	291.1	290.4
3. Bills discounted in India	33.9	23.0
4. Advances in India	937.9	836.9
5. Liabilities in India	2,087.6	2,169.9
Of which—		
(a) Demand	(1,101.1)	(1,209.7)
(b) Time	(986.5)	(960.2)

It should be noted that the bill portfolio does not include Treasury bills.

¹ More recent figures are not available.

ITALY.¹

The principal changes which occurred in the Italian monetary and banking situation during 1934 and 1935 were the contraction of the volume of commercial bank credit, the expansion in the discounts, loans and sight liabilities of the Bank

of Italy, and the imposition of strict control over exchange operations. The contraction in commercial bank credit may be seen from the following summary of the accounts of the principal commercial banks.²

	End of : Dec. 1929	Dec. 1930	Dec. 1931	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935
Number of banks	337	301	282	251	223	217	211	212
	Lire (ooo,ooo's)							
<i>Assets.</i>								
1. Cash	1,174	1,516	1,096	1,164	1,206	964	1,144	1,008
2. Sight balances with other institu- tions	1,805	1,003	1,444	1,193	1,040	3,814	3,960	3,716
3. Bill portfolio	13,390	13,282	13,058	12,466	12,370	10,149	9,513	9,625
4. Rediscounts (effetti riscontati)	1,485	2,193	2,109	3,714	2,015	1,942	1,962	1,703
5. Loans and advances	6,189	5,544	3,845	3,338	3,587	3,386	3,314	3,186
<i>Of which—</i>								
(a) Current account loans	(2,336)	(2,462)	(1,886)	(1,815)	(1,707)	(1,886)	(1,988)	(1,925)
(b) Contango loans	(3,592)	(2,763)	(1,806)	(1,331)	(1,618)	(1,213)	(1,081)	(1,019)
6. Correspondent debtors	7,997	8,313	6,582	6,235	6,367	4,941	5,289	5,187
7. Securities	4,437	3,978	3,188	3,053	3,531	3,647	3,472	3,419
8. Participations	1,122	1,200	652	608	583	519	488	478
9. Other assets ^a	1,136	744	889	721	706	717	730	634
<i>Liabilities.</i>								
10. Paid-up capital	3,411	3,146	2,988	2,882	2,840	2,828	2,785	2,780
11. Reserves	1,218	1,282	1,277	1,755	1,253	602	599	623
12. Cheques and drafts in circulation	775	703	584	517	555	472	523	472
13. Deposits	9,703	9,444	7,977	7,517	8,205	8,493	8,447	8,601
14. Correspondent creditors	19,919	19,809	17,123	15,561	15,478	14,393	13,642	13,391
15. Rediscounts and borrowings	1,497	1,174	656	1,234	669	1,002	1,414	1,170
16. Acceptances	1,566	1,259	584	448	418	382	435	357
17. Other liabilities ^a	1,056	720	780	690	689	664	597	460
18. Total balance-sheet	44,777	43,506	38,038	37,345	34,960	33,520	33,047	32,154

^a Other assets and liabilities include small amounts designated as "agrarian current accounts", and the interbranch accounts.

It will be seen that the slight recovery which set in during 1933 was not maintained in the subsequent period, and that the principal accounts of the banks have continued to decline, though at a considerably slower pace than during 1929-1932, and still remain below the low level reached at the end of 1932. While ordinary deposits have tended to increase since 1932, correspondent creditor accounts have shrunk very considerably, the combined deposit and correspondent creditor accounts falling by 1,692 million lire in the eighteen months ended June 30th, 1935. At the same time there has been a considerable decline in the banks' own funds, due principally to the offwritings carried out in connection with the transfer of industrial participation to the Istituto per la Ricostruzione Industriale,³ which has been partly

made up by an increase in rediscounts and other borrowings. The decline in the resources of the banks was accompanied by a heavy reduction in their principal earning assets. Total bill holdings, correspondent debtor accounts and contango loans fell by 2,745, 1,180 and 500 million lire respectively in the eighteen months ended June 30th, 1935. In view of the increase in the State floating debt by over 3,000 million lire during this period, it would appear that the decrease in commercial bills was very much more than is indicated by the decline in the total bill portfolio. As the sight liabilities on private account of the Bank of Italy fell from 1,270 million lire at the end of December 1933 to 836 millions at the end of June 1935, it seems that the increase during this period of 2,676 million lire in the sight balances

¹ Since this chapter was written, a radical reform of the banking system has been effected by the Law of March 16th, 1936. The principal provisions of this law are described on pages 67 and 70.

² These have been published since April 1935 in the official *Bollettino Mensile di Statistica dell'Istituto Centrale di Statistica*. Though covering a smaller number of institutions than the returns published in the annual reports of the Bank of Italy, they refer to the most important ordinary joint-stock banks, whose deposit and correspondent creditor accounts represented at the end of 1933 over 95 % of the combined deposit and correspondent creditor accounts of all ordinary joint-stock banks operating in Italy. The accounts published by the *Bollettino Mensile* are more complete and are published bimensually.

³ See *Commercial Banks, 1929-1934*, page 68.

of the commercial banks with other institutions appears to represent an expansion in transactions with the Istituto per la Ricostruzione Industriale in connection with the transfer of industrial assets, and does not signify an increase in liquidity of the banking system as a whole.

As the big three — namely, the Banca Commerciale Italiana, the Credito Italiano, and the Banca di Roma — no longer publish half-yearly returns, it is not possible to gauge accurately their recent development and the extent to which the movement of their accounts influenced those of the whole group of ordinary joint-stock banks. Their accounts for the end of 1934 given in the attached Summary Table do not disclose any remarkable changes over the previous year and suggest that they did not experience the same difficulties as some of the other ordinary joint-stock banks. Their deposit accounts increased by 248 million lire, while their correspondent creditor accounts dropped by 468 millions. In the case of the other joint-stock banks, deposit accounts remained practically unchanged, whereas correspondent creditor accounts shrunk by some 1,370 millions. The significant changes in the principal assets of the big three during 1934 were reductions in cash assets, loans and advances, securities, and bill holdings amounting to 15, 14, 13 and 3 % respectively, and an increase of 10 % in correspondent debtors. Of the total reduction of 2,857 million lire in the bill portfolio of all the ordinary joint-stock banks during this period, only 311 millions were on account of the big three and, whereas the correspondent debtor accounts of all the joint-stock banks declined by 1,078 million lire, those of the big three rose by 420 millions.

The contraction of deposits was not, as in previous years, limited to the ordinary joint-stock banks, but extended to other credit institutions :

	Deposits : Dec. 1933	June 1934	Dec. 1934	June 1935
	Lire (000,000's)			
1. Ordinary joint-stock banks	23,683	22,886	22,089	21,992
Of which—correspondent creditors	(15,478)	(14,393)	(13,642)	(13,391)
2. Regional banks (deposits only)	1,580	1,564	1,585	1,589
Total commercial banks (1-2)	25,264	24,450	23,674	23,581
3. Ordinary savings banks	19,524	19,472	19,573	19,156
4. Postal savings banks.	19,403	19,846	20,432	19,997
5. People's co-operative banks	1,794	1,799	1,799	1,869
6. <i>Monti di Pietà</i>	713	635	665	638
Total savings and other banks (3-6)	41,434	41,752	42,469	41,660
7. Special public credit institutions	4,479	4,631	4,289	4,340
Grand total (1-7)	71,177	70,833	70,441	69,581

Deposits (including current accounts) with the ordinary and postal savings banks, which had increased uninterruptedly from 28,233 million lire in 1929 to 38,926 millions in 1933, rose only by 1,079 millions in the course of 1934 and began to decline during the first half of 1935. Similarly, deposits with the special public credit institutions and the *Monti di Pietà*, which had been on the increase in the previous years, began to fall off during 1934/35.

The same tendencies are brought out by the most recent returns available for the joint-stock banks and the ordinary and postal savings banks, those of August 31st, 1935.¹ The deposit and correspondent creditor accounts of all the ordinary joint-stock banks stood at 8,548 and 13,171 million lire respectively at the end of August 1935 as against 8,586 and 13,849 millions respectively at the corresponding date in 1934. Deposits with the ordinary savings banks fell from 19,518 million lire at the end of August 1934 to 19,164 millions at the end of August 1935, and postal savings deposits show a decline for the first time since 1929, amounting to 301 million lire during the year ending August 31st, 1935.

The gradual deterioration in the position of the joint-stock and other banks occurred during a period in which production and price indices showed a marked tendency to rise and central bank credit was expanding. The general industrial production index of the Ministry of Corporations, 1928=100, rose from a monthly average of 80.5 in 1933 to 88.3 in 1934, and from an average of 82.7 in the first six months of 1934 to 102.7 in the first half of 1935. Bachi's index of wholesale prices, 1928=100, though falling from 60.6 in 1933 to 59.1 in 1934, showed a marked increase in the course of 1935. It rose from 58.8 in August 1934 to 69.9 in August 1935. This rise in the general index was due equally to an increase in the prices of goods produced and consumed in Italy and in the prices of imported products.

The recent expansion in central bank credit may be seen from the following summary of the principal accounts of the Bank of Italy :

	31.XII. 1933	30.VI. 1934	30.X. 1934	31.XII. 1934	30.VI. 1935	30.X. 1935
	Lire (000,000's)					
1. Gold at home	7,092	6,469	6,117	5,812	5,589	3,936
2. Credits and balances abroad	305	34	29	72	295	379
3. Domestic bill portfolio	3,684	3,749	3,267	4,005	3,449	4,593
4. Loans against public securities	1,010	1,554	1,264	2,450	2,116	3,234
5. Advances to IRI	1,138	1,188	1,089	1,091	846	845
6. Note circulation	13,243	12,888	13,036	13,145	13,029	15,278
7. Other sight liabilities	3,329	3,400	2,069	3,541	2,257	1,363
Of which—						
(a) On Treasury account	(2,039)	(2,427)	(1,093)	(2,736)	(1,421)	(368)
(b) On private account	(1,270)	(973)	(976)	(805)	(836)	(995)

¹ The publication of these and other financial and economic data for subsequent dates was stopped by the Decree of November 13th, 1935.

Though loans against securities have been on the increase since December 1933 and discounts began to rise in November 1934, the expansion in central bank credit did not become marked until after June 1935. The last return of the Bank of Italy made available before the Decree of November 13th, 1935, suspending the publication of financial data, that of October 20th, 1935, shows a considerable increase in discounts and loans amounting to 1,326 and 1,970 million lire respectively as compared with October 20th, 1934. This is reflected in a rise of 2,242 millions in the note circulation during the same period. (The note circulation at the end of 1935 stood at 15,457 million lire — *i.e.*, 2,312 millions, or 17% higher than at the end of the previous year.) While bankers' balances increased by 19 millions over the preceding year, Treasury balances were reduced to about a third of the amount outstanding on October 20th, 1934. Despite this latter reduction, total sight liabilities, inclusive of notes, were, on October 20th, 1935, 1,537 million lire, or about 12%, higher than at the corresponding date in 1934.

The accounts of the Bank of Italy were maintained at a high level prior to June 1935 and expanded since that date despite continued reduction in its gold and exchange reserves. The combined gold and exchange reserves fell gradually but continuously from 11,071 million lire at the end of 1928 to 6,702 millions at the end of May 1934. The loss of 4,369 million lire of gold and foreign assets during this period is attributed by the Bank of Italy¹ primarily to Italian investments abroad, in particular the purchase of foreign securities and of Italian securities issued abroad. In order to arrest a further drain of gold on this account, two decrees, published on May 27th, 1934, instituted official exchange control. The first decree limited exchange dealings to the necessities of trade and prohibited the export of bank-notes and cheques payable in Italy. The second decree required that individuals and institutions should have stamped such foreign securities as they possessed in Italy,

and should declare the amount of their exchange and credit balances abroad, whether in the form of balances, foreign securities or Italian securities issued abroad. The loss of gold continued, however, and the Bank's gold and foreign asset reserves fell further by 818 million lire in the seven months ended December 31st, 1934. The exchange control was reinforced in December 1934 and in May 1935, and on July 27th the article of the Stabilisation Law of December 21st, 1927, requiring the Bank of Italy to maintain a minimum gold cover of 40% against notes in circulation was suspended. From the imposition of official control on May 27th, 1934, to four days after the suspension of the gold convertibility of the lira on July 27th, 1935, the Bank of Italy's gold and foreign asset reserves declined by 1,089 million lire. Gold losses continued at the accelerated rate of 400 million lire a month in August, September and October, and between the beginning of August and October 20th the Bank of Italy's gold and foreign asset reserves were reduced by a further 1,298 million lire. According to the annual report of the Bank of Italy for 1935, gold and foreign exchange reserves fell by another 921 million lire between October 20th and December 31st, 1935, gold reserves amounting to 3,027 millions at the latter date as against 3,936 millions at the former date. The average discount on the lira, which had increased from 1.03% in 1933 to 2.98% in 1934, rose to 7% in 1935 and 9.8% in January 1936. Bank-notes in the free market in Paris were, however, dealt in at larger discounts. During August 1935, the lira was quoted at 1 French franc, or at a discount of over 25%, and during November lire were dealt in at 0.80 to 0.88 French franc per lira, or at a discount of over 36%. As from November 27th, the Bank of Italy decided to purchase gold at 15.5 lire per gramme of fine gold instead of at 12.6276 lire fixed by the Stabilisation Law of December 1927. This implies a decline in the gold weight of the lire from 0.079191 to 0.064516 gramme, or a depreciation of 18.53%.

REFORM OF THE BANKING SYSTEM.

A Law passed on March 16th, 1936, regarding the protection of savings and the regulation of credit constitutes an important reform of the credit structure of Italy and a further step in the State control over the banking system.² The present law is essentially a measure designed to increase central control over banking and credit organisations; it centralises all powers hitherto exercised by various organisations into a newly created "Office of Inspection for the Protection

of Savings and the Exercise of Banking Business" (Ispettorato per la Difesa del Risparmio e l'Esercizio del Credito) and increases the power of control and inspection of the new organisation. The Office of Inspection will be constituted by a Ministerial Committee consisting of the Head of the Government, and the Ministers of Finance, Agriculture and Forests, and Corporations, and will have as its administrative head the Governor of the Bank of Italy. The principal

[Continued on page 121.]

¹ Annual report dated March 30th, 1935, page 13.

² The evolution of Italian banking in recent years and the increased rôle of the State in, and its greater control over, the banking and credit structure of the country was described on pages 65 to 67 of *Commercial Banks, 1929-1934*.

ITALY.

PRINCIPAL COMMERCIAL BANKS

Table 22 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1930	1931	1932	1933	1934
Number of : Banks	3	3	3	3	3
Branches and Sub-Branches	360	370	399	397	401
ASSETS.					
Lire (ooo,ooo's omitted)					
1. Cash.					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	1,528.7	1,392.8	1,431.3	1,435.9	1,222.1
2. Other Items of a Cash Nature					
3. Bills discounted and bought	8,967.4	10,216.4	9,535.8	10,444.1	10,132.5
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	1,423.6	983.6	1,148.9	1,050.6	911.7
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations.	901.2	510.8	473.3	474.0	411.3
6. Due from Banks (Correspondents).	6,563.0	4,914.8	5,022.3	4,127.8	4,547.6
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	1,682.5	1,085.5	842.7	850.6	727.3
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	1,100.5	498.4	394.6	362.8	378.2
9. Premises, etc.	119.0	121.8	125.4	125.3	125.2
10. Sundry Assets	483.0	548.0	528.7	311.8	366.4
II. Total Assets	22,768.9	20,272.1	19,503.0	19,182.9	18,822.3
LIABILITIES.					
12. Capital paid up.	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0
13. Reserve Funds	935.0	939.0	942.0	280.0	308.5
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	190.6	154.2	132.8	85.3	23.7
15. Cheques and Drafts, etc., in circulation	545.7	469.6	421.6	449.3	413.9
16. Due to Banks (Correspondents)	14,999.1	13,539.2	12,805.6	12,638.2	12,169.9
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits.	3,226.5	2,904.8	3,019.2	3,648.7	3,896.7
(a) Current accounts and sight deposits	—	—	—	—	—
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements.	1,100.5	498.4	394.6	362.8	378.2
20. Sundry Liabilities.	371.5	366.9	387.2	318.6	231.4
21. Total Liabilities.	22,768.9	20,272.1	19,503.0	19,182.9	18,822.3
22. Guarantees.	1,327.2	1,479.3	1,251.5	738.5	1,020.6
23. Value of currency in Swiss francs at the end of each year	0.27	0.27	0.27	0.27	0.26

PRINCIPAL COMMERCIAL BANKS

Table 22 (b).

ITALY.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1930	1931	1932	1933	1934
Number of Banks.	3	3	3	3	3
	Lire (ooo,ooo's omitted)				
Capital paid up.	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0
Reserves and Undivided Profits.	974.9	983.7	992.8	338.6	314.6
I. Gross Profits.	552.4	461.6	427.1	426.5	367.0
<i>To be deducted :</i>					
2. Expenses.	391.6	343.3	336.8	334.5	323.8
(a) Salaries, etc.	317.6	281.6	269.0	285.5	287.3
(b) Other working expenses	74.0	61.7	67.8	49.0	36.5
(c) Taxes, etc.	4.1	2.8	2.7	2.7	2.7
3. Reserved for Pension Funds, etc.	4.1	2.8	2.7	2.7	2.7
4. Written off on (Depreciation Accounts for)	7.3	6.4	5.8	727.8	3.1
(a) Premises, etc.	—	—	—	4.2	—
(b) Investments and securities.	—	—	—	—	—
(c) Other assets	—	—	—	723.6	—
5. Remaining Net Profit (+) or Loss (—)	+149.4	+109.1	+81.8	—638.5	+37.4
6. Carried forward from preceding year.	39.9	44.7	50.8	58.6	6.1
7. Taken from Reserves or Capital.	—	—	—	665.0	—
8. Deficit left uncovered.	—	—	—	—	—
9. Total Amount disposed of for Dividends, etc.	189.3	153.8	132.6	85.1	43.5
10. Carried to Reserves.	4.0	3.0	3.0	8.5	24.4
11. Dividends	136.0	96.0	70.0	70.0	—
12. Directors' Fees, etc.	4.6	2.4	0.9	0.5	0.1
13. Carried forward to following year.	44.7	52.4	58.7	6.1	19.0
14. Total as above	189.3	153.8	132.6	85.1	43.5
15. Value of currency in Swiss francs at the end of each year.	0.27	0.27	0.27	0.27	0.26

Balance-sheet Summary.

1 and 2. Cash Assets, etc.

Lire (ooo,ooo's)	1931	1932	1933	1934
<i>One bank :</i>				
Cash in hand and with Central Bank	247.1	275.7	286.6	264.5
Sight claims on other banks.	232.9	234.6	147.6	157.1
Total	480.0	510.3	434.2	421.6
<i>Two banks :</i>				
Cash, including sight claims on other banks	912.8	921.0	1,001.7	800.5
Grand total (three banks)	1,392.8	1,431.3	1,435.9	1,222.1

Summary of Profit-and-Loss Accounts.

I. Gross Profits.

Lire (ooo,ooo's)	1931	1932	1933	1934
Net interest from discounts and loans	292.3	309.3	295.3	268.8
Profits from securities and participations	115.9	74.0	82.7	64.0
Commissions and other profits	53.4	43.8	48.5	34.2
Total	461.6	427.1	426.5	367.0

provisions of the new law relate to the statutes of the Central Bank and to the status, operations and control of commercial banks and other credit institutions. The Bank of Italy is proclaimed a public institution, its paid-up share capital of 300 million lire is to be bought from the private shareholders and to be acquired solely by the savings banks, credit institutions and public banks, charity and insurance institutions. Rediscounts are to be limited as from June 30th, 1936, to the banking and credit institutions placed under the control of the Office of Inspection and rediscounts with private persons are to be completely liquidated by that date. Advances against securities are to continue, however, even to private persons. The Bank of Italy is at the same time authorised (Article 99) to effect during a period of three years discounting operations with a view to supplying the extraordinary credit needs of certain branches of national production, this provision coming into force as from March 16th, 1936. The same law declares as public institutions the Bank of Naples, the Bank of Sicily, the Banco Nazionale del Lavoro, the Istituto di S. Paolo di Torino and the Monte dei Paschi di Siena, as well as all credit organisations hitherto organised on a joint-stock basis and having at least thirty agencies

in the provinces. The shares of the joint-stock companies are to be converted into registered shares by September 1936, and only Italian citizens or companies are allowed to acquire them. Bearer shares may be authorised by the Office of Inspection provided that their total does not exceed 45% of all the shares of the company. The Office of Inspection is authorised to issue detailed regulations covering all the activities of the banks and credit institutions — in particular, detailed balance-sheets, the limits of interest rates on deposits and loans and discounts, the range of commissions for various services, liquidity requirements and the building-up of reserves. The present organisation of the savings banks is left more or less intact, except for provisions regarding amalgamations and a more rational system of branches and agencies. The Office of Inspection is authorised to effect such reorganisations, amalgamations and liquidations as it deems necessary in the interests of public economy and of a more rational and economical system of branches and agencies. The Office of Inspection will issue a special bulletin containing all monetary and banking data hitherto published in various publications.

JAPAN.¹

The evolution of the Japanese monetary and banking position during the depression may be divided into two periods. The first, covering the first two years of the depression, is characterised by a heavy contraction in internal and external trade, the flight of foreign as well as of Japanese capital, and large gold withdrawals from the Bank of Japan, culminating in the suspension of the gold standard on December 13th, 1931. These developments are reflected in a contraction in the volume of commercial as well as central bank credit. The second period, extending from the end of 1931 to the present, is characterised by a recovery in business conditions and a large expansion in central and commercial bank credit, consequent mainly on heavy Government borrowing and expenditure in connection with the war in the four eastern provinces of China. Another feature of this period is the rapidly falling exchange rate and the imposition of exchange control.

These developments are illustrated by the movement of deposits since 1929 in five groups of credit institutions which, at the end of 1931, held some 93% of all deposits in Japan :

End of:	1929	1930	1931	1932	1933	1934
Yen (000,000's)						
1. Ordinary banks	9,213	8,659	8,174	8,132	8,727	9,354
2. "Special" banks	1,247	1,228	1,155	1,346	1,331	1,305
3. Savings banks	1,422	1,539	1,636	1,687	1,825	1,881
Total banks (1 to 3)	11,882	11,426	10,925	11,165	11,883	12,540
4. Postal savings	2,058	2,349	2,616	2,694	2,798	2,950
5. Trust companies	1,169	1,179	1,217	1,220	1,387	1,574
Total "Other" credit institutions (4 and 5)	3,227	3,528	3,833	3,914	4,185	4,524
Grand total (1-5)	15,109	14,954	14,758	15,079	16,068	17,064

The movement of deposits discloses the following characteristics. First, the fall in deposits between 1929 and 1931 was limited to the ordinary and "special" banks. Deposits with the savings banks, the Post Office, and the trust companies continued to rise during the severest years of the depression, though part of this increase was no doubt due to the accumulation of interest rather than fresh deposits in old or the opening of new accounts.

Secondly, the fall in deposits was relatively small in view of the marked deterioration in business conditions during these years. Between the end of 1929 and 1931, the deposits of the ordinary banks fell by only 11% and total deposits

of the five types of credit institutions by less than 2½%, whereas total foreign trade declined by over 45% and the index of factory employment as measured by employers' returns fell by 18% during the same period.² A similar inflexibility is shown by the accounts of the Bank of Japan (see below). Whereas its gold reserves fell on balance by 617 million yen, or by over 56%, between the end of 1929 and the end of 1931, its net note circulation declined by only 279 millions, or by 16%.

A third feature of the movement of total deposits is the general increase in deposits beginning in 1932 and becoming particularly marked during 1933 and 1934. During these three years, total deposits rose by 2,306 million yen, or by 16%, and at the end of 1934 were almost 2,000 millions, or 13%, higher than at the end of 1929. The expansion in the deposits of the ordinary banks began only in 1933, but accounted for over 60% of the increase in total deposits during 1933/34. Despite this rapid expansion, the proportion of the deposits of the ordinary banks to total deposits was only 54% at the end of 1934, as against 69% at the end of 1929. This decrease in the relative importance of the commercial banks in the total credit structure of Japan is merely the continuation of a tendency apparent throughout the post-war period, whereby credit institutions under the direct or indirect control of the State, such as the "Special" banks, the Treasury Deposit Bureau, and the savings banks, have obtained an increasing share of the deposit and commercial banking business of the country.³

The expansion in deposits since 1931 appears to have been due mainly to large Government borrowing from the credit institutions in order to finance extraordinary war expenditure,⁴ as well as to bond issues on the part of local authorities to finance public works. The internal indebtedness⁵ of the Government and local authorities nearly doubled during the depression, total internal debt rising from 5,772 million yen at the end of 1929 to 10,678 millions at the end of October 1935. Of this increase of 4,906 million yen, 3,701 millions were on account of Government bonded debt and 366 millions on account of floating debt. About two-thirds of the increase of 4,067 million yen in the internal indebtedness of the State was financed by the credit institutions other than Central Bank,

¹ The history and characteristics of banking in Japan were described on pages 196-205 of *Commercial Banks, 1929-1934*. As it was not possible to give an account of recent developments, the present survey covers the entire period since 1929.

² Total merchandise trade fell from 4,270 million yen in 1929 to 2,324 millions in 1931 and the index of factory employment fell from 100 in 1929 to 81.7 in 1931. Moreover, during the three years ended December 31st, 1931, the net outward movement of capital from Japan on foreign and Japanese account is estimated — Treasury estimates as published in the *Oriental Economist* of February 1935 — at 473 million yen.

³ See *Commercial Banks, 1929-1934*, pages 196-199.

⁴ Extraordinary expenditure rose from 216 million yen in the budget ending March 31st, 1932, to 767 and 942 millions at the end of March 1933 and 1934 respectively. Budgetary estimates for 1935 and 1936 placed such expenditure at 966 and 900 million yen respectively.

⁵ See footnote on the following page.

as may be seen from the following table showing the movement of their Government bond and bill holdings since the end of 1929 :

End of :	Dec. 1929	Dec. 1931	Dec. 1932	Dec. 1933	Dec. 1934	Oct. 1935
Yen (000,000's)						
1. Ordinary banks	1,438	1,144	1,189	1,568	2,017	2,353
2. "Special" banks	387	350	294	281	326	326
3. Savings banks	445	562	696	862	934	1,074
Total banks (1-3)	2,270	2,056	2,179	2,711	3,277	3,753
4. Treasury Deposit Bureau	772	1,087	1,093	1,348	1,614	1,828
5. Trust companies	86	103	105	154	245	277
Total "Other" credit institutions (4 and 5)	858	1,190	1,198	1,402	1,859	2,105
6. Bank of Japan	202	265	565	682	647	452
All banks (1-6)	3,330	3,511	4,042	4,795	5,783	6,333
Total Government internal bonds and bills outstanding	4,529	4,855	5,601	6,711	7,752	8,596

The remaining third of the new Government debt was taken up partly by the Bank of Japan, which underwrites the Government bonds and places them on the market, and partly by insurance companies, the State Insurance Bureau, and other public corporations. The extent to which the various credit institutions other than the Central Bank have invested the funds entrusted to them by the public in Government securities is further brought out in the following table, which shows the percentage which Government bonds and Treasury bills constituted of total deposits since 1929 :

	End of : 1929	Dec. 1930	Dec. 1931	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935
A. All Ordinary Banks.								
Number of banks	881	782	683	538	516	484	484	484
Yen (000,000's)								
1. Cash and deposits with other banks	1,164	983	829	884	978	917	1,096	876
2. Discounts	826	628	563	663	726	675	764	775
3. Advances	6,421	6,190	6,031	5,619	5,360	5,141	5,108	5,111
4. Investments	3,323	3,126	2,929	2,941	3,324	3,904	3,782	4,188
Of which—Government bonds	(1,438)	(1,313)	(1,146)	(1,210)	(1,566)	(2,034)	(2,017)	(2,222)
5. Capital and reserves	1,985	1,886	1,784	1,748	1,702	1,696	1,696	1,696
6. Deposits	9,292	8,379	8,268	8,319	8,816	9,144	9,354	9,544
Of which—Time	(5,175)	(5,004)	(4,847)	(4,727)	(5,006)	(5,230)	(5,417)	(5,680)
B. "Big" Six.								
1. Cash and deposits with other banks	310	296	272	301	449	384	526	366
2. Discounts	274	223	211	254	415	369	436	453
3. Advances	1,739	1,788	1,853	1,820	2,180	2,103	2,145	2,613
4. Investments	1,359	1,277	1,187	1,291	1,870	2,320	2,223	2,410
Of which—Government bonds	(584)	(527)	(471)	(575)	(956)	(1,324)	(1,227)	(1,349)
5. Capital and reserves	587	590	558	567	674	670	694	688
6. Deposits	3,210	3,188	3,169	3,431	4,724	4,964	5,079	5,165
Of which—Time	(1,929)	(1,964)	(1,987)	(2,125)	(2,840)	(2,958)	(3,092)	(3,230)

⁵ The detailed development of Japan's total public indebtedness during 1929-1935 may be seen from the following table :

	End of :	Dec. 1929	Dec. 1930	Dec. 1931	Dec. 1932	Dec. 1933	Dec. 1934	Oct. 1935
<i>Internal Debt.</i>								
Yen (000,000's)								
1. Government :								
(a) Consolidated		4,459	4,462	4,525	5,150	6,400	7,243	8,160
(b) Floating (Treasury bills and Rice Purchase Certificates)		70	190	330	451	311	509	436
2. Local Government		1,243	1,332	1,476	1,650	1,901	2,016	2,082
Total Internal Debt		5,772	5,984	6,331	7,151	8,612	9,768	10,678
<i>External Debt.</i>								
1. Government		1,447	1,567	1,477	1,398	1,421	1,408	1,398
2. Local Government		250	245	241	234	229	224	217
Total External Debt		1,697	1,812	1,718	1,632	1,650	1,632	1,615
Grand total		7,469	7,796	8,409	8,783	10,262	11,400	12,293

	Ordinary banks	"Special" banks	Savings banks	Treasury Deposit Bureau	Trust companies
End of :	%	%	%	%	%
1929	15	32	31	37	7
1930	15	29	32	38	8
1931	14	33	34	42	8
1932	15	26	41	40	8
1933	18	28	47	49	11
1934	22	34	50	55	15

This percentage, for the five groups as a whole, rose from 22% at the end of 1929 to 34% at the end of 1934. The proportion became particularly large in the case of the Treasury Deposit Bureau and the savings banks. The ordinary commercial banks increased their Government security holdings by 915 million yen, or by 63%, between the end of 1929 and the end of October 1935, and the proportion of these to total deposits rose during the same period from 15 to 24%.

The increase in Government security holdings and the simultaneous expansion in deposits constitute the most striking features of Japanese commercial banking during the latter part of the depression. Other points disclosed by the accounts of all the ordinary banks and of the leading commercial banks since 1929, summarised below, are an increase in banking concentration unaccompanied by any radical writing off of assets and the absence of any marked recovery in the principal earning assets of the banks other than investments in public securities :

The increase in banking concentration is brought out both by the continued reduction in the total number of ordinary banks — from 881 at the end of 1929 to 484 at the end of 1934 — and by the growth in the importance of the leading banks. Banking concentration appears to have been achieved mainly through amalgamations involving little revision of the value of assets. Despite the disappearance of 397 banks during the five years ended December 31st, 1934, the banks' capital and reserves showed a decline of only 289 millions, or less than 15%. During the three years 1930/1932, the banks' total balance-sheets (see adjoining Summary Table) declined by only 12%, and their profit-and-loss account (see adjoining summary on page 201) disclose net profits amounting to 9, 3, and 7% of total paid-up capital in 1930, 1931 and 1932 respectively.

The five leading banks of Japan — the Yasuda, the Dai-ichi, the Mitsui, the Mitsubishi, and Sumitomo banks — appear to have weathered the depression successfully; their total deposits showed a comparatively small decline during 1930 and 1931 and actually increased beyond the 1929 level during 1932. In 1933, the number of the principal banks was increased to six by the establishment of the Sanwa bank through the amalgamation of three Osaka banks, with a paid-up capital and reserves of 96 million yen and total deposits amounting at the end of 1933 to 1,025 million yen, or 21% of the deposits of all the six banks. The inclusion of another powerful bank and the rapid expansion in deposits which they experienced since 1932 augmented the rôle of the principal banks considerably. At the end of June 1935, their total deposits represented 54% of the deposits of all commercial banks, as against 34% at the end of 1929. They appear to have been the only banks to expand their purely commercial banking business in the course of the eighteen months ended June 30th, 1935, both their discounts and advances showing appreciable increases over the end of 1933. While the discounts of the remaining banks remained fairly stable during this period, their loans and advances fell by over 21%. The loans and advances of all the ordinary banks have declined without interruption during 1929/1935, and at the end of June 1935 were some 20% less than at the end of 1929. Total discounts, on the other hand, owing to the expansion in those of the leading banks, have increased, though they still remain below the level reached at the end of 1929. It would therefore appear that the great majority of the minor commercial banks were not much affected by the recovery of business conditions that set in during 1932 and which in

the course of 1935 surpassed the levels reached in 1929.¹

The extensive Government borrowing and the rise in deposits was accompanied by an expansion in Central Bank credit, as may be seen from the following summary of the weekly returns (last week of the year) of the Bank of Japan and of total monetary circulation since 1929:

End of:	1929	1930	1931	1932	1933	1934	1935
Yen (000,000's)							
A. Accounts of the Bank of Japan.							
1. Gold at home	1,087	826	470	425	425	466	504
2. Gold abroad and foreign assets	83	52	52	38	30	28	29
3. Advances on foreign bills	28	43	87	140	148	165	164
4. Discounts	705	721	905	632	780	771	672
5. Advances	38	33	33	27	28	28	35
6. Advances to Government	22	25	25	47	24	68	118
7. Government bonds	187	172	218	565	667	647	746
8. Notes issued	1,633	1,409	1,286	1,426	1,598	1,669	1,767
9. Other sight liabilities		215	236	171	231	229	228
(a) Govt. current account		(62)	(125)	(54)	(115)	(137)	(133)
(b) Private deposits	(219)	(153)	(111)	(117)	(116)	(92)	(95)
B. Monetary Circulation.							
1. Bank of Japan's net note circulation	1,591	1,414	1,312	1,374	1,470	1,538	.
2. Fractional Government notes	12	12	11	11	11	11	.
3. Subsidiary coin circulation	425	422	416	414	435	.	.
Total	2,028	1,848	1,739	1,799	1,916	.	.

It will be seen that the most significant change in the Bank of Japan's assets since 1931 has been the rapid expansion of its Government bond holdings and a certain increase in its advances to the Government, both of these developments representing the Bank's share in the financing of the Government's extraordinary expenditure. Its activities as bankers' bank appear to have been restricted during this period mainly to making advances against foreign bills. Discounts, except for a temporary increase during 1931, have not shown much movement during the last three years. These aspects of the Bank's activities are a reflection of both the absence of any extensive recourse on the part of the public to the commercial banks for commercial credit and of the lack of co-ordination and centralisation in the Japanese credit system. Most of the Japanese commercial and other banks have remained independent and have not had recourse to the Central Bank except in times of severe crisis, such as the banking crisis of 1928. As the law does not require the commercial banks to keep any specified proportion of their cash reserves with the Bank of Japan or in its currency notes, as the banks do not make a practice of doing so to any significant degree, and as the resources of the Bank of Japan are relatively small in relation to those of the commercial banks and other credit institutions, the control of the Central Bank over the money market is very limited.

¹ The total foreign trade turnover stood at 4,880 million yen in 1935, as against 4,270 millions in 1929. The industrial production index of the Ministry of Commerce and Industry (recalculated on the basis of 1929=100) rose rapidly from 91.6 in 1931 to 128.7 in 1934, and 148.8 in October 1935. Against these signs of improvement should be set the continually depressed position of agriculture and the persistence of a considerable volume of unemployment.

The development of the gold and foreign asset reserves of the Bank of Japan are not very important from the monetary point of view, for two reasons. First, the Yokohama Specie Bank performs most of the exchange transactions for the Bank of Japan, the Government and private individuals and institutions. Secondly, the foreign exchange control established in July 1932 and vested with the Foreign Exchange Control Bureau of the Ministry of Finance is the principal method of regulating the exchange rate. (The increase in the gold reserve is due mainly to purchases of gold at home. The reserve itself is valued on the basis of the old gold content of the yen — *i.e.*, 750 milligrammes of fine gold per yen.) The average

discount of the yen in relation to its former gold parity increased steadily from 43.3% in 1932 to 59.7 and 64.4% in 1933 and 1934 respectively. During 1935, the percentage discount rose to 65.8.

* * *

The attached balance-sheet summary for 1925-1934 and the profit-and-loss accounts for 1925-1934 for all the "Ordinary" banks operating in Japan are those furnished by the London agent of the Bank of Japan and by the Director of the Economic Research Department of the Bank of Japan. Those for more recent years have been kindly made available by the latter.

Balance-sheet Summary.

I. Cash.

Consists of notes and coins and cheques and coupons due, while balances with the Central Bank are included in the figures given under (2) "Other items of a cash nature".

2. Other Items of a Cash Nature.

The figures shown represent "balances with other banks" (presumably including those with the Central Bank).

3. Bills discounted and bought.

Yen (000,000's)	1929	1931	1932	1933	1934
Discounted bills . . .	761	522	602	662	776
Documentary bills . . .	65	42	61	64	
Foreign bills	201	148	158	165	
Total	1,027	712	821	891	

4 and 5. Investments and Securities.—Participations.

Yen (000,000's)	1929	1931	1932	1933	1934
Central Government bonds	1,438	1,146	1,210	1,567	2,017
Local government bonds	311	302	282	284	309
Bank and corporation bonds	1,151	1,140	1,125	1,097	1,147
Shares	393	304	302	341	383
Foreign securities	30	37	22	36	39
Total	3,323	2,929	2,941	3,325	3,895

7. Loans and Advances.

Loans on :	1929	1931	1932	1933	1934
Government and local government bonds	196	202	188	232	242
Bank and Corporation bonds and other securities	445	518	471	582	731
Shares	1,633	1,343	1,374	1,461	1,562
Total loans on securities.	2,274	2,063	2,033	2,275	2,535

	1929	1931	1932	1933	1934
Loans on :	Yen (000,000's)				
Merchandise	239	188	161	182	165
Land and buildings	1,496	1,421	1,314	1,170	1,057
Other collateral	412	469	471	351	179
Total loans against other collateral	2,147	2,078	1,946	1,703	1,401
Personal credits	2,165	2,045	1,960	1,802	1,592
Grand total	6,586	6,186	5,939	5,780	5,528

The composition of loans and advances, according to the *Monetary Statistics* of the Bank of Japan, is shown in detail below :

Yen (000,000's)	1929	1931	1932	1933	1934
Loans on bills	—	—	—	3,618	3,562
Call loans	165	155	320	420	369
Overdrafts	919	847	800	778	726
Other loans	5,502	5,184	4,819	964	771
Total	6,586	6,186	5,939	5,780	5,428

17. Deposits.

According to the *Monetary Statistics* of the Bank of Japan, deposits are composed as follows :

	1929	1930	1931	1932	1933	1934
Sight deposits :						
Current deposits	1,247	1,104	961	1,012	1,128	1,238
Special current deposits	1,973	1,807	1,655	1,687	1,773	1,814
Time deposits :						
Deposits at notice	545	503	466	477	549	570
Fixed deposits	5,144	4,963	4,821	4,640	4,965	5,418
Other deposits	304	282	271	316	312	314
Total	9,213	8,659	8,174	8,132	8,727	9,354

18. Rediscounts and Other Borrowings.

This item is composed as follows :

Yen (000,000's)	Call money borrowed	Other borrowings	Total
1929	107	782	889
1930	101	726	827
1931	77	740	817
1932	89	623	712
1933	68	597	665
1934	71	505	576

JAPAN.

COMMERCIAL BANKS ("Ordinary Banks").

Table 23 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF						
	1925	1929	1930	1931	1932	1933	1934
Number of : Banks	1,537	881	782	683	538	516	484
Branches	5,357	4,956	4,802	4,582	4,311	4,021	3,893
ASSETS.							
Yen (000,000's omitted)							
1. Cash	666	703	635	537	557	623	747
(a) Gold, silver and small coins	—	—	—	—	—	—	—
(b) Domestic notes and balances with Central Bank	—	—	—	—	—	—	—
2. Other Items of a Cash Nature	323	461	348	292	327	354	352
3. Bills discounted and bought.	1,743	1,027	771	712	821	891	973
(a) Treasury bills	1,573	826	628	564	663	726	776
(b) Commercial bills, Inland	170	201	143	148	158	165	197
(c) Commercial bills, Foreign.	—	—	—	—	—	—	—
4. Investments and Securities	2,051	3,323	3,127	2,929	2,941	3,325	3,895
(a) Government.	1,171	1,750	1,624	1,448	1,492	1,850	2,326
(b) Other	880	1,573	1,503	1,481	1,449	1,475	1,569
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—	—	—
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	—	—	—	—	—	—
7. Loans and Advances.	7,270	6,586	6,393	6,186	5,939	5,780	5,528
(a) On current account	—	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—	—
8. Cover for Acceptances	—	163	84	78	83	85	69
9. Premises, etc.	331	406	426	432	434	418	407
10. Sundry Assets	343	209	159	170	159	205	220
11. Total Assets.	12,727	12,878	11,943	11,336	11,261	11,681	12,191
LIABILITIES.							
12. Capital paid up	1,501	1,381	1,296	1,249	1,217	1,187	1,162
13. Reserve Funds.	627	604	590	536	531	515	541
14. Profit and Loss, Undivided Profits, etc.	171	124	119	104	114	118	134
15. Cheques and Drafts in circulation.	—	—	—	—	—	—	—
16. Due to Banks (Correspondents)	—	146	66	35	36	44	39
(a) At home	—	—	—	—	—	—	—
(b) Abroad	—	146	66	35	36	44	39
17. Deposits	8,727	9,292	8,738	8,269	8,319	8,816	9,438
(a) Current accounts.	1,961	1,794	1,606	—	—	—	3,052
(b) Savings accounts.	1,844	1,973	1,807	—	—	—	—
(c) Time deposits	4,449	5,142	4,963	—	—	—	5,988
(d) Other deposits.	473	383	362	—	—	—	314
18. Rediscounts and Other Borrowings	1,043	889	827	817	712	665	576
19. Acceptances and Endorsements	—	163	84	78	83	85	69
20. Sundry Liabilities	658	279	223	248	249	251	232
21. Total Liabilities	12,727	12,878	11,943	11,336	11,261	11,681	12,191
22. Value of currency in Swiss francs at the end of each year	2.23	2.51	2.56	2.17	1.08	1.01	0.89

JAPAN.

ORDINARY BANKS.

Table 23 (b)

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :						
	1925	1929	1930	1931	1932	1933	1934
Number of Banks	1,537	881	782	683	538	516	484
	Yen (ooo,ooo's omitted)						
Capital paid up	1,501	1,381	1,296	1,249	1,217	1,187	1,162
Reserves	627	604	590	536	531	515	541
I. Gross Profits	1,218	1,022	997	837	829	797	818
<i>To be deducted :</i>							
2. Expenses							
(a) Salaries, etc.							
(b) Other working expenses							
(c) Taxes, etc.							
3. Reserved for Pension Funds, etc.							
4. Written off on (Depreciation Accounts)							
(a) Premises, etc.							
(b) Investments and securities							
(c) Other assets							
	1,031	898	875	801	745	706	713
5. Remaining Net Profit or Loss (—).	187	124	122	36	86	91	105
6. Carried forward from preceding year	93	75	65	128	78	77	88
7. Taken from Reserves or Capital	22	18	30				
8. Total Amount disposed of for Dividends, etc.	302	217	217	164	164	168	193
9. Carried to Reserves	69	42	29	26	32	35	41
10. Dividends	127	95	84	72	68	63	63
11. Other purposes	11	7	5	3	4	4	4
12. Carried forward to following year	96	73	63	63	66	74	90
13. Total as above	303	217	181	164	170	176	198
14. Value of currency in Swiss francs at the end of each year	2.23	2.51	2.56	2.17	1.08	1.01	0.89

Summary of Profit-and-Loss Accounts.

The profit-and-loss Summary Table is compiled from half-yearly data provided by the London agent of the Bank of Japan, and by the Director of the Economic Research Department of the Bank of Japan. The banks covered by this table and by the Summary Balance-Sheet Table are identical.

The Summary Table is established in the following way : By working backwards from items 13 to 9, for each of which individual figures are available, item 8, "Total Amount disposed of for Dividends, etc.", is obtained. Item 11, "Other Purposes", represents the "bonus and allowances"

of the original figures. "Remaining Net Profit or Loss", item 5 of the table, has been obtained by subtracting from item 8 the sum of items 6 and 7, "Carried forward from Preceding Year" and "Taken from Reserves or Capital" respectively, for which separate figures are likewise available. The lump-sum figures for "Expenses", "Depreciation Accounts", "Pensions Fund", etc., have similarly been arrived at by subtracting from the original data on "Gross Profits" the sum representing "Net Profits". The figures so obtained for items 2 to 4 correspond fairly closely to an item given in the Japanese as "Gross Loss for the Year".

LATVIA.

As may be seen from the attached Summary Table, deposits with commercial banks showed a marked expansion in 1934, while their loans and discounts declined slightly. This enabled the banks to increase their cash assets from 5.3 to 9.1 million lats and to reduce their indebtedness to the Bank of Latvia from 10.6 to 9.5 million. There was also a substantial rise in deposits and virtual stability in loans and deposits at other credit institutions during 1934, and, as is shown by the following statement covering all Latvian credit institutions, this movement continued in the first half of 1935 :

	End of	Dec.	June	Dec.	June
	1933	1934	1934	1934	1935
	Lats (000,000's)				
Deposits in State credit institutions	134	142	158	161	
Deposits in private credit institutions	52	55	63	66	
Total deposits	186	197	221	227	
Loans and discounts of State credit institutions	436	435	448	433	
Loans and discounts of private credit institutions	97	97	96	96	
Total loans and discounts	533	532	544	529	

Most of the increase in deposits with State institutions was due to the Post Office Savings Bank, whose deposits rose from 20 millions at the end of 1933 to 42 millions in the middle of 1935. The most important State credit institutions, however, are the State Agricultural Bank and the State Mortgage Bank, whose loans totalled about 300 million lats at the end of June 1935 ; these banks receive a large proportion of their resources from grants made from the national budget for the promotion of agriculture, the financing of municipal enterprise, etc. The private credit institutions covered by the above table include mutual credit associations, communal banks, etc., in addition to the joint-stock commercial banks proper.

The increase in aggregate deposits was accompanied by an expansion — if the seasonal end-of-year increase is taken into account — of the note circulation, as shown below :

	End of	Dec.	Dec.	June	Dec.	June
	1932	1933	1934	1934	1934	1935
	Lats (000,000's)					
Notes of Bank of Latvia	36	37	32	39	35	
Treasury notes	31	38	36	43	41	
Subsidiary coins	29	30	29	30	29	
Total notes and coins in circulation	96	105	97	112	105	

Clearings at the Bank of Latvia totalled 287 million lats in 1934 as compared with 243 and 186 millions in 1933 and 1932 respectively.

The principal accounts of the Bank of Latvia, tabulated below, show relatively little change during 1934/35, except for the considerable non-seasonal fall in loans and discounts, and the decrease of an almost equal amount in the Government's current account, between June and October 1935 :

	End of	Dec.	June	Dec.	June	Oct.
	1933	1934	1934	1934	1935	1935
	Lats (000,000's)					
Gold	45	44	46	46	46	46
Of which— Deposited by						
the Government	(18)	(18)	(18)	(18)	(18)	(18)
Foreign exchange	3	4	4	4	4	6
Loans and discounts	132	127	137	122	106	106
Note issue	37	32	39	35	37	37
Deposit liabilities	165	166	161	155	140	140
Of which—						
Current accounts	(88)	(91)	(95)	(89)	(92)	(92)
Government's account.	(58)	(57)	(46)	(46)	(28)	(28)

A Law of April 11th, 1935, provided for the establishment of the Latvian Credit Bank¹ as a joint-stock institution with a share capital of 10 million lats, of which half was subscribed by the Post Office Savings Bank and half by the Ministry of Finance. In accordance with the purpose for which it was created, this bank took over in the summer of 1935 eight private banks which had been in difficulties for several years. One of these, the Latvian Peasants' Bank, whose share capital was taken over by the Latvian Credit Bank, continued in operation and is to be financed by the State through the Credit Bank, largely for municipal credit requirements and agricultural development. The others, whose combined balance-sheet total amounted to 23 million lats at the end of 1934 (included in the Summary Table), were liquidated, their assets and liabilities being transferred to the Credit Bank. In October 1935, the share capital of the latter was raised to 15 million lats and its functions were extended so as to allow it to take over and liquidate commercial and industrial enterprises as well as credit institutions.

The administration of the exchange control was modified by a Law of June 8th, 1934, which provided for a unification of the exchange restrictions and the import licensing system, the import licences issued by the Exchange Commission of the Ministry of Finance also entitling importers to receive the appropriate amounts of foreign exchange at the Bank of Latvia. This law was replaced by a Law of March 7th, 1935, which, however, apart from certain minor changes, merely confirmed the existing position.

¹ Included under " private credit institutions " in the figures for aggregate deposits and loans given above.

LATVIA.

COMMERCIAL BANKS

Table 24 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS					
	1929	1930	1931	1932	1933	1934
Number of Banks.	20	20	19	18	17	17
	Lats (ooo,ooo's omitted)					
Capital paid up.	30.3	30.4	29.6	27.7	24.7	24.7
Reserves and Undivided Profits.	3.4	4.0	4.2	3.6	3.4	2.9
1. Gross Profits	9.3	9.3	6.3	3.7	4.5	3.5
<i>To be deducted:</i>						
2. Expenses.	5.6	5.6	4.8	3.4	2.4	2.6
(a) Salaries, etc.	(3.6)	(3.7)	(3.1)	(2.1)	(1.6)	(1.6)
(b) Other working expenses	(2.0)	(1.9)	(1.7)	(1.3)	(0.9)	(1.0)
(c) Taxes, etc.	—	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	—	—	—	—	—	—
4. Written off on (Depreciation Accounts).	1.6	3.8	4.9	1.8	3.3	2.1
(a) Premises, etc. . . . .	.	.	.	.	.	.
(b) Investments and securities . . . . .	.	.	.	.	.	.
(c) Other assets . . . . .	.	.	.	.	.	.
5. Remaining Net Profit (+) or Loss (-)	+2.1	-0.1	-3.4	-1.5	-1.3	-1.2
6. Carried forward from preceding year. . . . .	.	.	.	.	.	.
7. Taken from Reserves or Capital. . . . .	.	.	.	.	.	.
8. Total Amount disposed of for Dividends, etc. . . . .	.	.	.	.	.	.
9. Carried to Reserves . . . . .	.	.	.	.	.	.
10. Dividends	1.2	0.4	—	—	—	—
11. Directors' Fees, etc. . . . .	.	.	.	.	.	.
12. Carried forward to following year . . . . .	.	.	.	.	.	.
13. Total as above . . . . .	.	.	.	.	.	.
14. Value of currency in Swiss francs at the end of each year.	1.00	1.00	1.00	1.00	1.00	0.99

Balance-sheet Summary.

1. Cash.

Lats (ooo,ooo's)	1929	1931	1932	1933	1934
Notes and coins	5.3	1.4	1.6	1.7	2.2
Balances with Bank of Latvia	1.9	3.5	3.3	3.3	6.4
Total	7.2	4.9	4.9	5.0	8.6

2. Other Items of a Cash Nature.

Sight claims on credit institutions other than the Bank of Latvia.

3. Bills discounted and bought.

Item (b) includes rediscounts, shown separately under liabilities (group 18). The net balance of domestic discounts is given below.

(Item (c) includes foreign cheques and bank-notes.)

Lats (ooo,ooo's)	1929	1931	1932	1933	1934
Inland Bills :					
Discounted	49.2	21.7	16.5	16.2	16.6
Rediscounted	14.2	9.4	8.7	7.8	7.4
Net balance	35.0	12.3	7.8	8.4	9.2

7. *Loans and Advances.*

The advances under (a) consist almost exclusively of "special current accounts". The sums under (b) are long-term loans.

10. *Sundry Assets.*

Lats (000,000's)	1929	1931	1932	1933	1934
Branch accounts	4.6	3.1	2.8	2.4	2.0
Transitory items	3.1	3.4	2.7	3.2	2.7
Expenditure accounts	0.7	0.6	—	—	0.1
Protested bills	0.1	0.2	0.1	0.6	0.8
Other accounts	1.2	4.0	2.5	2.0	2.2
Total	9.7	11.3	8.1	8.2	7.8

13. *Reserve Funds.*

Lats (000,000's)	1929	1931	1932	1933	1934
Ordinary reserve funds	1.2	1.6	0.6	0.6	0.4
Special reserves	0.5	0.6	1.3	0.7	0.6
Other capital accounts	1.7	2.0	1.8	2.1	1.9
Total	3.4	4.2	3.7	3.4	2.9

17. *Deposits.*

The sums under (a) are composed as follows :

Lats (000,000's)	1929	1931	1932	1933	1934
Current accounts	56.6	24.0	24.8	26.0	32.8
Demand deposits	1.3	1.1	0.9	0.8	0.7
Total	57.9	25.1	25.7	26.8	33.5

18. *Rediscounts and Borrowings.*

Lats (000,000's)	1929	1931	1932	1933	1934
<i>Bills rediscounted:</i>					
With the Bank of Latvia	14.1	9.3	8.5	7.6	7.2
With other credit institutions	0.1	0.1	0.2	0.2	0.2
Total rediscounts	14.2	9.4	8.7	7.8	7.4
<i>Borrowings on special current accounts:</i>					
With the Bank of Latvia	8.4	3.6	2.1	3.0	2.3
With other credit institutions	—	—	—	—	0.3
Total special current accounts	8.4	3.6	2.1	3.0	2.6
<i>Borrowings abroad</i>	35.0	12.9	5.2	2.9	2.5
<i>Other borrowings</i>	0.2	0.5	0.4	0.7	0.6
Total rediscounts and borrowings	57.8	26.4	16.4	14.4	13.1
Thereof with:					
Bank of Latvia	22.5	12.9	10.6	10.6	9.5
Other credit institutions	0.1	0.1	0.2	0.2	0.5

20. *Sundry Liabilities.*

Lats (000,000's)	1929	1931	1932	1933	1934
Branch accounts	4.5	3.1	2.7	2.4	2.0
Transitory items	2.6	2.6	2.2	3.1	3.2
Other accounts	9.5	2.2	1.9	1.3	1.1
Total	16.6	7.9	6.8	6.8	6.3

Summary of Profit-and-Loss Accounts.

I. *Gross Profits.*

Lats (000,000's)	1929	1931	1932	1933	1934
Interest received	13.8	8.8	4.8	3.1	3.3
Less interest paid	8.1	5.3	3.2	2.2	2.0
Net interest from discounts and loans	5.7	3.5	1.6	0.9	1.3
Commissions	1.9	0.9	0.6	0.6	0.5
Profit on exchange	1.0	0.9	0.6	2.0	0.7
Profit from real estate	0.3	0.4	0.3	0.3	0.3
Profit from securities	0.1	0.2	0.2	0.1	0.1
Sundry profits	0.3	0.4	0.4	0.6	0.6
Total	9.3	6.3	3.7	4.5	3.5

5. *Net Profit or Loss.*

The figures represent the net balance of the banks as a whole. Even in years when there was a loss, certain banks made a net profit which, however, was exceeded by the loss of the others, as shown below :

Lats (000,000's)	1929	1931	1932	1933	1934
Aggregate net profits	2.2	0.1	0.2	0.2	0.3
Aggregate loss	0.1	3.5	1.7	1.5	1.5
Balance	+2.1	-3.4	-1.5	-1.3	-1.2

LITHUANIA.

Deposits with the commercial banks of Lithuania (including Memel Territory) continued to fall in 1934; and, at the end of June 1935, deposits with the seven commercial banks of "Great Lithuania"¹ totalled only 53 million litas as against 58 and 63 millions at the same date in 1934 and 1933 respectively. As in previous years, this decline appears to have been due to some extent to transfers of deposits to such State-controlled institutions as the Land Bank and the State Savings Bank, whose deposit liabilities increased from 60 million litas in the middle of 1933 to 62 and 65 millions in the middle of 1934 and 1935 respectively. But, as appears from the statement below covering all Lithuanian credit institutions except co-operative credit societies, aggregate deposits continued to decline; and the fall was particularly sharp in the first half of 1935 owing, it would appear, largely to withdrawals from the Bank of Lithuania. The following statement, distinguishing between private deposits on the one hand and public deposits (*i.e.*, those of Government departments and public institutions) on the other, shows that the two classes of deposits, which as a rule tended to move in opposite directions in previous years, both declined heavily in the first half of 1935:

End of :	Dec. 1932	Dec. 1933	June 1934	Dec. 1934	June 1935
	Litas (000,000's)				
Private deposits	173	158	152	145	132
Public deposits	63	69	72	81	68
Total	236	227	224	226	200

Loans and discounts, on the other hand, showed a distinctly upward tendency in 1934/35, owing partly to a "freezing" of old loans outstanding. In the case of the seven commercial banks of "Great Lithuania", loans and discounts rose from 69 million litas at the middle of 1934 to 72 millions a year later; those of the Land Bank and the State Savings Bank increased from 157 million litas to 165 millions in the same period.

A similar movement is observable in the accounts of the Bank of Lithuania. The Bank's loans and discounts ruled at an appreciably higher level in 1935 than in the previous year, while its current account and other deposit liabilities, after showing a moderate expansion in 1934, declined sharply in the first ten months of 1935. In consequence, there was a marked expansion of the note circulation in 1934/35, as shown in the following table:

End of :	Dec. 1933	June 1934	Dec.* 1934	June 1935	Oct. 1935
	Litas (000,000's)				
<i>Bank of Lithuania.</i>					
Gold	52.0	55.3	52.1	43.4	35.3
Foreign exchange . . .	15.3	9.3	8.4	6.4	10.3
Discounts and advances.	83.8	83.2	101.0	97.0	97.3
Note circulation	87.6	83.6	88.2	92.6	104.1
Current accounts	25.6	27.5	31.7	25.4	18.6
Deposits	35.2	35.4	36.8	25.2	19.9

The changes in these items of the Central Bank represent only to a small extent a reflection of the difficulties of the commercial banks (the rediscounts and borrowings of the latter rose from 8.2 to 16.0 millions in 1934, and their cash reserves declined from 6.3 to 5.0 millions in 1934, while total current accounts at the Bank of Lithuania actually increased in that year), as the great bulk of the Bank's business is with other credit institutions and with the general public direct.

As may be seen from the statement given above, a sharp decline in the Central Bank's gold and exchange reserves took place in 1934/35.² As the export surplus increased during that period (from 3.8 million litas in the first nine months of 1934 to 17.5 millions in the same months of 1935) *pari passu* with a fall in domestic prices (the general price index [1913 = 100] fell from 57 in September 1934 to 50 a year later), this decline appears to have been mainly due to an outflow of capital.

To check further losses of gold and foreign exchange, a system of exchange control was introduced by law as from October 1st, 1935. All foreign exchange transactions were centralised with the Bank of Lithuania, which was authorised to sell foreign exchange only to persons in possession of permits issued by an Exchange Commission set up at the Ministry of Finance. All banks and traders were required to surrender their holdings of foreign exchange to the Bank of Lithuania. The last-mentioned regulation probably accounts for the increase in the foreign exchange reserve of the Bank of Lithuania apparent from the statement shown above. This item, which was shown at 5.8 million litas in the Bank's return for September 30th, 1935, rose to 9.6 millions at the date of the following return (October 15th), while notes in circulation rose from 95.7 to 102.1 millions in the same fortnight.

¹ Corresponding figures for the Memel Territory are not available.

² At the same time, the net foreign liabilities of all other Lithuanian banks (including mutual credit associations) declined from 6 million to 2.5 million litas during 1934, but rose to 3 million litas on June 30th, 1935. No corresponding figures are available for the Bank of Lithuania, and it is not known to what extent its deposits — which fell very sharply in 1935 — include foreign liabilities.

Balance-sheet Summary.

1 and 2. *Cash and Other Items of a Cash Nature.*

The composition of the cash assets of the Memel banks is not shown. These appear to hold very small balances, if any, with the Bank of Lithuania. The balances held with that institution by the banks in "Great Lithuania" are as follows:

Litas (ooo,ooo's)	1931	1932	1933	1934
Inland notes and coins . . .	4.1	2.6	2.6	3.1
Balances with the Central Bank	1.6	1.3	2.3	1.1
Total	5.7	3.9	4.9	4.2

The sums under (2) consist of foreign banknotes and cheques.

3. *Bills Discounted.*

The bill portfolio includes rediscounts. The liability of the banks of "Great Lithuania" for bills rediscounted is given in group 18; their net portfolio is shown below:

Litas (ooo,ooo's)	1929	1931	1932	1933	1934
Bills discounted	21.7	24.9	21.3	22.4	19.7
Bills rediscounted.	2.4	3.2	1.2	1.7	1.8
Net portfolio.	19.3	21.7	20.1	20.7	17.9

Rediscounts are not shown separately in the statistics relating to the Memel banks, which do not rediscount much with the Bank of Lithuania.

10. *Sundry Assets.*

This includes protested bills of the "Great Lithuanian" banks amounting to over one million in 1931-1933.

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

The 1929 figure for the banks of "Great Lithuania" represents aggregates of the net profits

made by individual banks, while the net losses incurred by other banks are included under sundry assets and are not shown separately.

17. *Deposits.*

Litas (ooo,ooo's)	1931	1932	1933	1934
<i>"Great Lithuania":</i>				
Sight and time deposits:				
National currency	22.8	20.8	20.8	19.6
Foreign currency	8.8	6.3	3.5	1.6
Total	31.6	27.1	24.3	21.2
Current accounts:				
National currency	29.0	33.1	32.0	32.2
Foreign currency	3.6	3.4	2.8	1.8
Total	32.6	36.5	34.8	34.0
Grand total	64.2	63.6	59.1	55.2
Thereof:				
National currency	51.8	53.9	52.8	51.8
Foreign currency	12.4	9.7	6.3	3.4
<i>Memel Territory:</i>				
Deposits.	32.0	27.8	22.3	15.2
Creditors	9.2	10.5	8.7	10.0
Total	41.2	38.3	31.0	25.2

For the Memel Territory, foreign currency deposits are not shown separately.

18. *Rediscounts and Other Borrowings.*

The composition of this item, for the banks of "Great Lithuania", is shown below:

Litas (ooo,ooo's)	1929	1931	1932	1933	1934
Rediscounts	2.4	3.2	1.2	1.7	1.8
Borrowings.	5.1	6.7	4.0	6.5	14.2
Total	7.5	9.9	5.2	8.2	16.0

The above sums represent in part foreign credits, which, however, are not shown separately.

Profit-and-Loss Accounts.

The following figures are available for the seven commercial banks of "Great Lithuania" in existence at the end of 1934:

^a Including interest received.

^b Excluding interest paid.

^c Calculated from the percentage rate of dividend and the paid-up share capital of each bank.

	Gross profits ^a	Expenses ^b	Net profits	Dividends ^c
	Litas (ooo,ooo's).			
1929	12.5	4.7	1.0	0.6
1930	13.2	4.8	1.0	0.7
1931	14.0	4.9	0.7	0.4
1932	10.6	4.4	0.4	0.1
1933	9.9	3.7	0.9	0.1
1934	7.7	3.6	0.3	...

LUXEMBURG.

The monetary history of the Grand-Duchy of Luxemburg is marked by an effort to establish a national currency. Two recent events are specially characteristic of this development of the Luxemburg currency — the definition of the Luxemburg currency given in the Law of December 19th, 1929, and the creation of the Luxemburg franc after the devaluation of the Belgian franc in March 1935.

The Convention of Economic Union between Luxemburg and Belgium, which came into force on May 1st, 1922,¹ and which defined the composition of the Grand-Duchy's currency circulation, did not entail the unification of the Belgian and Luxemburg currencies. First, the right of issue of the International Bank at Luxemburg remained intact, though its notes are not legal tender. Secondly, the circulation of Treasury notes issued by the Government of the Grand-Duchy, which should not have exceeded 25 million francs, never fell below 40 millions. Thirdly, the Law of December 19th, 1929, "to stabilise the Luxemburg currency", defined the Luxemburg franc by fixing its weight in fine gold at 0.209211 gramme (one-fifth of a belga) in order "to stabilise our franc *de jure* at its present *de facto* rate — *i.e.*, at the rate of the Belgian franc legally stabilised — and to ensure the maintenance of this rate even should the Belgian franc depreciate" (Opinion of the Council of State, January 20th, 1928).

This contingency did occur in March 1935, when the Belgian franc was devalued. Under the Grand-Ducal Decree of April 1st, 1935, the parity of the Luxemburg franc relative to the Belgian franc was fixed at 1 Luxemburg franc = 1.25 Belgian francs. This inequality between the devaluation rate of the Luxemburg franc — 10% — and that of the Belgian franc — 28% — has had important effects on the currency situation of the Grand-Duchy.

In the first place, Belgian notes, which, prior to devaluation, were equivalent to Luxemburg notes, are only accepted by the Treasury Offices at the rate newly fixed by law, though they are still legal tender in the Grand-Duchy. The same is true of obligations expressed and payable in Luxemburg francs, and of claims expressed in "francs" and held by Luxemburg citizens or persons domiciled in the Grand-Duchy at the time when the obligation was contracted.

Secondly, in order to increase the domestic fiduciary circulation in accordance with the Convention regarding Financial and Monetary Questions concluded on May 23rd, 1935, between

the Grand-Duchy of Luxemburg and Belgium, the Government of the Grand-Duchy has issued fresh currency totems expressed in Luxemburg francs and has raised the amount of these notes, known as "bons de caisse", to 125 million Luxemburg francs.²

The currency circulation of Luxemburg, therefore, now consists of Belgian notes, 1 Belgian franc being equal to 80 Luxemburg centimes, and the following Luxemburg currency tokens (position as at October 15th, 1935):

	Luxemburg francs
(1) Currency tokens issued by the Grand-Duchy and regarded as part of the Treasury's floating debt:	
(a) Luxemburg "bons de caisse"	125,000,000
(b) Nickel tokens for 1 franc and 50 centimes	3,524,000
(c) Copper coin in circulation	1,368,000
(2) Notes issued by the International Bank, Luxemburg	6,250,000

The relations between the Grand-Duchy of Luxemburg and the National Bank of Belgium are governed by the Convention of May 23rd, 1935, regarding Financial and Monetary Questions of the Economic Union of Belgium and Luxemburg. Under this Convention, the Belgian Government must allocate to the Luxemburg Government an amount of 133 million Belgian francs out of the additional assets derived from the revaluation of the National Bank of Belgium's holding of gold and foreign exchange. This proportion, which is calculated on the basis of the ratio between the populations of the two countries, is earmarked for the repayment of the Belgian-Luxemburg Loan of 1922. Further, the Belgian Government must give the Luxemburg Government a share of the profits paid over by the National Bank of Belgium to the Belgian Treasury. Computed according to the same rules as the profit on the aforesaid revaluation of the gold holdings, this share will at the outset be earmarked for writing off the 1922 Loan. Further, the National Bank of Belgium is to open an agency in Luxemburg, to which a discount office will be attached.

As the balance-sheets of commercial banks do not appear to be given in any official publication and as it has proved impossible to collect in due time a complete set of recent annual reports published by the banks in Luxemburg, no analysis of the banking organisation or the activity of commercial banks can be embodied in the present edition of this volume.

¹ See the brief account of the Luxemburg currency prior to 1922 in the *Memorandum on Currency and Central Banks, 1913-1924*, Volume II, page 112.

² This limit of 125 million francs is only provisional, since, under the Convention of May 23rd, 1935, the Luxemburg fiduciary circulation, consisting of denominations not exceeding 100 francs, has been fixed at 100 million francs. This limit, however, can be temporarily exceeded by 25 millions, on the express understanding that the maximum amount in circulation will be reduced to 100 million francs by October 1st, 1942, at the latest.

MEXICO.

The marked improvement in the economic and banking situation of Mexico which set in during 1933 was maintained in the course of 1934 and 1935. The total monetary circulation,¹ which had risen from an average of 218 million pesos in 1931 to 310 and 391 million pesos in 1932 and 1933 respectively, rose to an average of 415 million pesos during the first nine months of 1934. The net circulation as estimated by the Banco de México¹ also shows a marked increase during the same period; it rose from 186 million pesos in 1931 to 199 and 240 millions in 1932 and 1933 respectively, and increased to an average of 263 million pesos during the first nine months of 1934. Foreign trade improved further during 1934 and the first half of 1935, the value of exports increasing by 76% in the former and by a further 7% in the latter period and the value of imports by 36 and 16% respectively. The Six-year Plan, which was announced late in 1933, was put into effect in the first quarter of 1934, and gave added impetus to the domestic trade revival.

These developments are not fully reflected in the returns of all the commercial banks for the end of 1934 given in the adjoining Summary Table. The number and importance of the institutions covered by these returns has altered in the course of 1934. Two deposit and discount banks with a total balance-sheet at the end of 1933 of 2 million pesos closed during 1934, and ten new ones with a total end-of-year balance-sheet of 32 million pesos came into existence in the same year. Of the six foreign banks in existence at the end of 1933, only two — the German Bank for South America and the National City Bank of New York — continued to operate on the same scale during 1934. The Anglo-South American Bank and the Chase National Bank closed their Mexican offices in 1934, and the Canadian Bank of Commerce and the Bank of Montreal were in process of liquidating their Mexican accounts.² The composition of the other two groups of banks, industrial and agricultural banks and national banks, remained the same during 1934. If no account is taken of the evolution of the four foreign banks which were constrained³ to liquidate their Mexican branches, the growth of deposits and of the relative

importance of each of the four groups of banks since the end of 1933 has been as follows:

	Deposits pesos (000,000's)		Per cent of total accounts of each group in the ag- gregate balance- sheet of all banks	
	1933	1934	1933	1934
Industrial and agricultural banks	123	126	55	46
Deposit and discount banks	63	70	25	29
Foreign banks (two)	24	29	12	16
National banks	5	7	8	9
Total	215	232	100	100

The total balance-sheet of all banks, exclusive of the four foreign banks in process of liquidation, increased during 1934 by 50 million pesos.

It should also be noted that the statements of the banks published by the *Comision Nacional Bancaria* and summarised in the adjoining Summary Table do not include the accounts of the "Nacional Financiera S.A.", a "national" bank established in the first quarter of 1934. This institution was organised at the instance of the Government with the object of granting long-term credits for development purposes and of taking over from private credit organisations and national credit institutions such credits and securities as they are not allowed to keep by the Banking Law of 1932. Half its capital, 50 million pesos, was to be provided by the State. A statement of the operations of this institution is not available.

An even more important factor in preventing the improvement in economic activity from making itself fully felt in the end-of-year returns of the commercial banks was the uncertainty with regard to the general monetary situation consequent on the effects of the U.S. Silver Purchase Act of June 1934.⁴ Silver was, by virtue of the Currency Law of July 1931, the sole metallic legal tender in Mexico, and silver coins of a high silver content⁵ constituted during 1933/34 on the average 75-80% of the total monetary circulation in Mexico. In view of the decision of the Banco de México to maintain the exchange value of the peso at 3.60 pesos per U.S. dollar, the rise in the price of silver during the second half of 1934 had disturbing effects

¹ *Boletín* of the Banco de México, No. 3, December 1934, page 16. The estimates for total monetary circulation and for the net circulation — the amount of coins issued and the note-issue of the Banco de México less the amount of coins and notes held as reserves by all banks — are new, and differ from those given in the previous issue of the *Boletín* and reproduced in *Commercial Banks, 1929-1934*. More recent figures are not available at the time of writing. October 1935.

² The total balance-sheet of the Bank of Montreal amounted to 3.5 million pesos at the end of 1934, as against 11.8 millions at the end of the previous year, and that of the Canadian Bank of Commerce amounted to 0.8 million pesos, as against 8.8 millions at the end of 1933.

³ See *Commercial Banks, 1929-1934*, page 179.

⁴ See *Commercial Banks, 1929-1934*, pages LXXV-LXXVI.

⁵ These were in denominations of 1 peso, 50, 20 and 10 centavos, all of 720/1000 fineness. The 2-peso pieces, of which three million pieces of 900/1000 fineness were issued in 1921, began to be withdrawn in the course of 1933.

on depositors and banks. This uncertainty was accentuated during December 1934, when the Executive obtained extraordinary powers from the Legislature with regard to currency and credit. These developments are reflected in the accounts of the commercial banks for the end of 1934. Sight deposits and current accounts rose by 11 million pesos. As the bank clearings available for the most recent months since the beginning of the rise in the price of silver — June to October 1934 — averaged 140 million pesos as against 171 millions for the same months in 1933, this increase in sight deposits appears to have been due merely to the desire of some depositors to keep their funds in the most liquid form possible. Time deposits in foreign currencies in institutions other than foreign banks, however, fell by 12 million pesos. At the same time, borrowings from the Banco de Mexico increased by 16 millions. The only considerable increase in the principal earning assets of the banks is due to the rise of 20 million pesos in the bill portfolio. Loans other than those on current account declined by 33 million pesos. This fall was set off to the extent of 24 million pesos by a rise in current account loans, so that total loans and advances were only 9 million pesos less than in the previous year. Cash reserves were 14 million pesos in excess of those at the end of 1933.

The Government did not use its special powers with regard to currency until April 27th, 1935. In the two days prior to that date, the price of silver in New York rose to 77.25 and 80.50 cents per fine ounce, and the Mexican peso appreciated to 3.45 and 3.30 pesos per dollar respectively. On April 27th, all banks were provisionally closed, the Government decreed all silver and silver coins in the hands of the public and commercial banks as State property and ordered their exchange against notes issued by the Banco de México. Subsidiary coins of bronze, nickel, and of silver of 420/1000

fineness, were ordered at local and U.S. mints. The Banco de México was authorised to discontinue the conversion of notes into metal, and to sell exchange to any place abroad at the rate of 3.60 pesos per U.S. dollar. It was also announced that existing metal reserves and those accruing to the Banco de México as a result of the forced conversion of coins were to be utilised for maintaining the peso at a fixed rate with the U.S. dollar. The banks reopened on April 30th, after having ceded their silver reserves to the Central Bank. In consequence of these measures the note circulation* and the gold, silver and foreign exchange reserves of the Banco de México rose to 254* and 332 million pesos respectively on June 1st, 1935.¹ The most recent detailed figures available for purposes of comparison are those for the end of October 1934.² At that date, the total monetary circulation* amounted to 428 million pesos and was made up as follows: silver coins 311 millions, nickel coins 8 millions, and notes of the Banco de México 109 millions. The total reserve, on the other hand, amounted to 55 million pesos, made up of 29 millions gold, 24 millions silver, and 2 millions foreign exchange.

Soon after the monetary reform, two important measures were put into effect. The first was a revision of Article 10 of the Statutes of the Banco de México authorising this institution to demand, whenever necessary, the transfer to it at market rates of that part of the gold and foreign assets of the Commercial Banks which is in excess of their foreign liabilities. The second measure provides for a broadening of the basis of credit by allowing banks to discount 180 days industrial bills up to 5% of their total sight deposits and by authorising the Banco de México to rediscount such bills. This limit may be extended to 15% if the monetary authorities deem it necessary.

Balance-sheet Summary.

General Note.

It should be noted that, in consequence of the banking reorganisation in 1932, the summary statistics for 1932, 1933 and 1934 are not comparable with those for previous years.

I. Cash.

Composition of the metallic cash holdings:

Pesos (000,000's)	Gold	Silver and small coins	Total
1929	30.2	20.3	50.5
1930	27.1	36.4	63.5
1931	3.7	23.1	26.8
1932	2.2	35.2	37.4
1933	2.0	35.4	37.4
1934	9.3	35.6	44.9

4 and 5. Investments and Securities; Participations.

Pesos (000,000's)	1929	1932	1933	1934
Approved securities	6.5	8.3	1.9	12.9
Other investments	25.1	13.1	26.7	18.0
Total	31.6	21.4	28.6	30.9

6. Due from Banks (Correspondents).

Pesos (000,000's)	1929	1932	1933	1934
Inter-banks deposits	7.1	5.6	11.1	7.9
Balances due from banks . .	12.8	1.2	8.3	2.1
Total	19.9	6.8	19.4	10.0

The sums shown under (b) are officially described as "assets held in foreign banks".

¹ "Agence économique et financière", June 21st, 1935.

² *Boletín* of the Banco de México, No. 3.

* Gross circulation including notes and coins held in the banking department of the Banco de México.

ACCOUNTS	SUMMARY OF POSITION AT END OF :				
	1929	1931	1932	1933	1934
Number of Banks	53	58	48	63	69
ASSETS.					
Pesos (ooo,ooo's omitted)					
1. Cash	54.5	30.0	62.1	79.2	91.6
(a) Gold, silver and small coins	50.5	26.8	37.4	37.4	44.9
(b) Bank notes, State notes and balances with Central Bank	4.0	3.2	24.7	41.8	46.7
2. Other Items of a Cash Nature	8.3	3.5	5.9	7.1	8.2
3. Bills discounted and bought	92.4	41.6	46.9	68.4	88.3
(a) Government bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	31.6	18.9	21.4	28.6	30.9
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	49.9	29.4	18.7	32.7	24.9
(a) At home	19.9	5.8	6.8	19.4	10.0
(b) Abroad	30.0	23.6	11.9	13.3	14.9
7. Loans and Advances	130.8	135.8	115.7	156.5	147.1
(a) On current account	37.1	33.3	33.9	62.4	86.1
(b) Other	93.7	102.5	81.8	94.1	61.0
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	24.1	17.5	20.5	12.3	14.4
10. Sundry Assets	23.9	31.9	29.2	34.0	31.4
11. Total Assets	415.5	308.6	320.4	418.8	436.8
LIABILITIES.					
12. Capital paid up	100.9	98.6	95.8	97.3	85.4
13. Reserve Funds	28.1	19.9	14.6	23.8	11.0
14. Profit and Loss, Undivided Profits, etc.	—	—	—	—	—
15. Notes in circulation	11.2	5.5	5.2	—	—
16. Cheques and Drafts, etc., in circulation	14.7	5.0	4.8	7.0	9.6
17. Due to Banks (Correspondents)	11.8	7.7	11.9	12.5	27.1
(a) At home	10.1	2.0	8.2	12.3	26.1
(b) Abroad	1.7	5.7	3.7	0.2	1.0
18. Deposits	218.5	145.4	162.1	233.6	234.7
(a) Current accounts and sight deposits	175.6	102.0	135.2	182.4	193.1
(b) Savings accounts	—	—	—	—	—
(c) Time deposits	42.9	43.4	26.9	51.2	41.6
(d) Other deposits	—	—	—	—	—
19. Rediscounts and other Borrowings	8.2	5.5	14.5	20.9	41.5
20. Acceptances	—	—	—	—	—
21. Sundry Liabilities	22.1	21.0	11.5	23.7	27.5
22. Total Liabilities	415.5	308.6	320.4	418.8	436.8
23. Value of currency in Swiss francs at the end of each year	2.47	2.00	1.66	0.92	0.86

7. *Loans and Advances.*

The sums given under (a) are as follows :

Pesos (000,000's)	1929	1932	1933	1934
On current account	8.5	2.0	16.9	11.1
Against collateral	26.0	31.0	45.4	75.0
To Federal Government	2.6	0.9	0.1	—
Total (a)	37.1	33.9	62.4	86.1

The sums given under (b) are as follows :

Pesos (000,000's)	1929	1932	1933	1934
1. Promotion loans	15.2	9.2	9.6	11.6
2. Sundry debtors	60.8	66.4	77.0	43.1
3. Other loans	1.2	0.9	3.2	6.1
Total 1-3	77.2	76.5	89.8	60.8
Subject to moratoria :				
4. "Constitutional Government" debt	0.3	—	—	—
5. Other old loans	16.2	5.3	4.3	0.2
Total 4-5	16.5	5.3	4.3	0.2
Grand total (b)	93.7	81.8	94.1	61.0

10. *Sundry Assets.*

Pesos (000,000's)	1929	1932	1933	1934
Mortgage loans	16.3	12.9	15.2	10.5
Miscellaneous	7.6	16.3	18.8	20.9
Total	23.9	29.2	34.0	31.4

12 and 13. *Capital and Reserves.*

For foreign banks, only the capital assigned to the branches in Mexico is included.

16. *Cheques and Drafts, etc., in circulation.*

Pesos (000,000's)	Provisional bonds	Cash bonds	Total
1929	13.2	1.5	14.7
1930	3.7	1.5	5.2
1931	4.0	1.0	5.0
1932	4.2	0.6	4.8
1933	0.3	6.7	7.0
1934	0.2	9.4	9.6

18. *Deposits.*

Pesos (000,000's)	1929	1932	1933	1934
A. Sight deposits :				
In national currency	123.5	97.5	143.2	152.5
In foreign currency	35.2	26.4	22.0	22.6
Total :	158.7	123.9	165.2	175.1
B. Undrawn balances of current account credits opened	2.4	0.5	0.4	1.0
Sundry creditors	14.5	10.8	16.8	17.0
Total	175.6	135.2	182.4	193.1
C. Time deposits :				
In national currency	34.1	20.3	29.9	32.3
In foreign currency	8.8	6.6	21.3	9.3
Total	42.9	26.9	51.2	41.6
Grand total	218.5	162.1	233.6	234.7

21. *Sundry Liabilities.*

Pesos (000,000's)	1929	1931	1932	1933	1934
Federal notes, etc.	—	0.1	—	—	—
Miscellaneous liabilities	15.3	15.9	11.2	23.6	27.4
"Old accounts"	6.8	5.0	0.3	0.1	0.1
Total	22.1	21.0	11.5	23.7	27.5

The miscellaneous liabilities include, in addition to transitory accounts, the profits of the banks, which are not shown separately.

NETHERLANDS.

The principal banking developments in the Netherlands during 1934/35 have been the continued contraction of banking activity, additional realisation of floating foreign assets (in particular in countries with exchange restrictions) and the large efflux of funds in the second and third quarters of 1935.

The contraction of banking activity may be seen from the following table, which summarises the returns of the six leading banks for 1933 to 1934 and brings out in the last column that part of the contraction which was due to the extensive reorganisation¹ of the most important bank, the Nederlandsche Handel-Maatschappij, in the course of 1934 :

	End of 1933	1934	Increase (+) or decrease (—) during 1934 in respective accounts of Nederlandsche Handel-Mij.
	Gulden (000,000's)		
1. Cash assets	215	169	— 13
2. Bill portfolio	269	272	— 3
3. Loans and advances	665	617	— 34
Of which—Current account	(457)	(385)	(— 64)
4. Investments and securities	71	65	— 5
5. Participations	84	44	— 43
6. Capital and reserves	365	282	— 75
7. Deposits	996	944	— 29
Of which on—			
(a) Current account	(551)	(538)	(+ 4)
(b) Deposit account	(255)	(233)	(— 12)
(c) Other account	(190)	(173)	(— 20)
8. Total balance-sheet	1,429	1,288	— 101

Despite the reorganisation of the principal bank, the 1934 accounts of the six banks disclose a slower rate of contraction than in the previous year. As against a fall of 116 in 1933, total deposits fell by 52 million gulden during 1934. Of this decrease, 20 million gulden are due to a reduction in certain liabilities of the Nederlandsche Handel-Mij., which, though classified as "other deposits", represent liabilities to contango customers and for securities borrowed for the bank's own use, and certain other unspecified creditor accounts, and may therefore have been affected by the reorganisation. The total deposits of the other five banks² fell by

23 million gulden in 1934 as against a fall of 53 millions in 1933. The heavy reduction in the banks' own funds (item 6 above) by 83 million gulden during 1934 is due to the extent of 75 millions to the Nederlandsche Handel-Mij., which applied 60 million gulden of its capital and 15 millions of its reserves to writing off assets.

It is the amortisations of this institution which account for the heavy reduction in the principal earning assets of the six banks, particularly in loans and advances,³ securities and participations. The fall in the deposits and own funds of the banks other than the Nederlandsche Handel-Mij., 23 and 8 million gulden respectively, was accompanied by a corresponding decrease in cash reserves. The rise in the bill portfolio of the same banks during 1934 was due to purchases of Treasury bills. For those banks (the Amsterdamsche Bank, the Twentsche Bank, and the Bank Associatie) which show their holdings of Treasury bills separately, the composition of the bill portfolio has been as follows at the end of each year :

	1931	1932	1933	1934
	Gulden (000,000's)			
Treasury bills	59.3	62.7	52.1	64.0
Commercial bills, inland and foreign	68.2	34.6	31.5	31.1
Total	127.5	97.3	83.6	95.1
Total portfolio of all six banks	341.1	334.3	268.6	271.8

The Nederlandsche Handel-Mij., in its 1933 and 1934 reports, shows its Treasury bill holdings at 49.9 and 39.1 million gulden respectively, and its commercial bills at 27.9 and 35.1 millions respectively.

The decline in the loans and advances of the six banks has been due, as in past years, largely to the mobilisation and subsequent calling-in of credits, in particular in Germany. The extent of this mobilisation during 1934 is brought out by the following table⁴ showing the changes in the floating foreign assets and liabilities of forty-one banks in 1933 and of forty-four banks in 1934, inclusive in both periods of the Central Bank and the Amsterdam branch of the Java Bank :

¹ See *Commercial Banks, 1929-1934*, page 83, and the 1934 annual report of the bank.

² The Amsterdamsche Bank, Rotterdamsche Bankvereniging, Twentsche Bank, Incasso Bank, and Bank Associatie.

³ The heavy decline in the current account loans of the Nederlandsche Handel-Mij. is due to the extent of 30 million gulden to a change in book-keeping, the loans and advances other than those on current rising from 23 millions at the end of 1933 to 53 millions at the end of 1934.

⁴ Data compiled by the Netherlands Central Statistical Bureau, and published in its *Maandschrift*, No. 10, 1935, and reproduced in the League of Nations *Balance of Payments, 1934*.

	End of 1933	Increase(+) or decrease(-) during 1934	
		1934	1934
	Gulden (000,000's)		
Floating foreign assets	567	501	- 66
<i>Of which—</i>			
(a) Correspondent current accounts	(128)	(130)	(+ 2)
(b) Foreign bills of exchange	(49)	(50)	(+ 1)
(c) Other assets	(390)	(320)	(- 70)
Floating foreign liabilities	393	325	- 68
<i>Of which—</i>			
(a) Correspondent current accounts	(96)	(63)	(- 33)
(b) Bills of exchange	(16)	(9)	(- 7)
(c) Other liabilities	(281)	(253)	(- 28)
Net foreign assets	174	176	+ 2

As the total foreign assets of the Netherlands Bank amounted to 2 and 1.2 million gulden at the end of the first quarter of 1933 and 1934 respectively, the decline in the floating foreign assets during 1934 is on account of the commercial banks. This reduction was almost entirely due, as may be seen from the following statement of the geographical distribution of the assets and liabilities shown above, to the liquidation of assets in Germany :¹

	Floating assets		Floating liabilities	
	1933	1934	1933	1934
	Gulden (000,000's)			
Germany	239	178	66	51
United Kingdom	84	86	44	36
France	69	59	42	27
U.S.A.	32	30	38	27
Other countries	143	148	203	184
Total	567	501	393	325

The credit structure which had attained a relative stability during 1934 was severely disturbed in the course of 1935 as a result of a large efflux of funds in the second and third quarters of the year. The magnitude of the exodus of capital and of its deflationary effects may be judged from the following summary of the weekly returns of the Netherlands Bank :

	End of Dec. 1933	June 1934	Dec. 1934	June 1935	Oct. 1935
	Gulden (000,000's)				
1. Gold	922	842	842	627	589
2. Domestic bills	32	28	23	35	51
3. Current account loans	145	150	151	148	140
4. Note circulation	912	882	912	808	789
5. Other sight liabilities	230	173	146	48	54
<i>Of which—On non-Government account (223)</i>	(136)	(116)			

The Netherlands Bank's gold reserves and its sight liabilities declined appreciably during 1934, the former falling by 80 and the latter by 84 million gulden during the year. The total net exports of gold from the Netherlands amounted to 180 million gulden during 1934, as against 168 millions in 1933. The exodus of gold continued during the first quarter of 1935 and became particularly marked in the month following the devaluation of the belga towards the end of March 1935. During April, the Netherlands Bank's gold reserve fell by 168 million gulden, and the total net exports of gold from the Netherlands amounted to about 180 millions. The non-Government current account deposits at the Central Bank fell by 73 million gulden during the same month. The Bank rate was raised successively from 2½%, at which it had stood since September 1933, to 3½ and 4½% in the first two weeks of April. There were no substantial withdrawals of gold during May and June and the Bank rate was reduced from 5%, to which it had been raised on June 1st, to 3% on July 18th. The Netherlands Bank lost gold again in July amounting to 69 million gulden and raised its rate to 6% on the 26th of that month. During August, the Bank was able to reconstitute part of its depleted reserves and reduced its discount rate to 5% as from August 3rd. In the following month, withdrawals were resumed, the Bank lost another 55 million gulden of gold and raised its discount rate to 6% as from September 17th. By the end of September, the decline in the gold reserve ceased, the Bank acquired 53 million gulden of gold during October and reduced its discount rate to 5 and 4½% in the third and fourth weeks of that month, and to 4% on November 8th.

[Continued at foot of page 143.]

¹ This liquidation was achieved at heavy loss, the banks often accepting registered marks which could only be sold at a discount of some 50%.

The 1934 reports of five of the leading banks disclose the following information with regard to the mobilisation of their foreign assets. The Nederlandsche Handel-Mij. gives its assets in Germany and other countries with transfer restrictions at 2.8 million gulden ; its 1933 report showed total assets in Germany at 11 million gulden, 6.3 millions of which were under the "Stillhalte" agreement. The advances of the Amsterdamsche Bank to countries with transfer restrictions declined from 24.7 million gulden at the end of 1933 to 9 millions at the end of 1934. The Rotterdamsche Bankvereniging states in its 1934 report that the total of its German assets, exclusive of those covered by guarantees outside Germany, amounted to 4.5 million gulden at the end of the year. The Twentsche Bank's German "debitoren" accounts, exclusive of those covered by guarantees outside Germany, fell from 7 million gulden at the end of 1933 to 5 millions at the end of 1934. While the Incasso Bank does not disclose the actual amount of its German assets, it states that, by the end of 1934, these had been reduced to 50% of the level at which they stood on July 15th, 1931, when the German Transfer Moratorium was decreed. At this latter date, according to the 1932 report of the Bank, its foreign assets were as follows : German debtors under Standstill Agreement, 5.8 million gulden ; other German debtors, 1.2 millions ; Austrian debtors, 1 million ; and Hungarian debtors, 1.3 million gulden.

In this connection, it is interesting to compare the figures shown above with the action taken by the Swiss banks to liquidate their German assets described on page 169.

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 27 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of banks	6	6	6	6	6
ASSETS.					
Gulden (ooo,ooo's omitted)					
1. Cash					
(a) Gold, silver and small coins					
(b) Inland notes and balances with Central Bank	93.0	120.6	211.7	214.8	168.5
2. Other Items of a Cash Nature					
3. Bills discounted and bought	414.1	341.1	334.3	268.6	271.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	101.1	110.8	91.6	70.5	65.2
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	41.2	96.4	89.9	84.2	43.9
6. Due from Banks (Correspondents)	110.5	91.7	78.4	57.0	64.8
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	1,062.8	875.7	686.8	664.8	616.8
(a) On current account	582.9	593.3	476.8	456.7	385.1
(b) Other	479.9	282.4	210.0	208.1	231.7
8. Cover for Acceptances	128.8	65.2	40.2	31.7	24.3
9. Premises, etc.	29.1	35.5	36.1	34.6	30.9
10. Sundry Assets	2.1	1.7	1.4	2.9	1.9
11. Total Assets	1,982.7	1,738.7	1,570.4	1,429.1	1,288.1
LIABILITIES					
12. Capital paid up	258.3	262.8	262.4	257.4	197.4
13. Reserve Funds	139.7	116.8	113.8	107.3	84.3
14. Profit-and-Loss Accounts, Undivided Profits, etc.	27.5	7.1	10.2	7.6	8.5
15. Cheques and Drafts, etc., in circulation	45.2	25.0	14.5	10.5	11.3
16. Due to Banks (Correspondents)	19.2	10.1	6.0	7.0	5.0
(a) At home	—	—	—	—	—
(b) Abroad	19.2	10.1	6.0	7.0	5.0
17. Deposits	1,355.2	1,241.2	1,112.0	996.0	944.2
(a) Current accounts and sight deposits	634.4	584.0	605.8	550.9	537.8
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	458.1	381.9	311.1	255.0	233.0
(d) Other deposits	262.7	275.3	195.1	190.1	173.4
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	128.8	65.2	40.2	31.7	24.3
20. Sundry Liabilities	8.8	10.5	11.3	11.6	13.1
21. Total Liabilities	1,982.7	1,738.7	1,570.4	1,429.1	1,288.1
22. Guarantees	42.2	38.2	35.7	37.4	41.0
23. Value of currency in Swiss francs at the end of each year	2.08	2.08	2.08	2.08	2.08

NETHERLANDS.

LEADING COMMERCIAL BANKS

Table 27 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks.	6	6	6	6	6
	Gulden (ooo,ooo's omitted)				
Capital paid up.	258.3	262.8	262.4	257.4	197.4
Reserves and Undivided Profits.	141.2	118.2	115.1	108.2	84.9
1. Gross Profits	81.2	60.8	60.7	53.8	50.1
<i>To be deducted :</i>					
2. Expenses.	37.4	33.3	31.3	30.5	29.8
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pensions Funds, etc.	2.2	1.6	1.5	2.1	1.9
4. Written off on (Depreciation Accounts for)	17.3	27.8	19.8	15.2	11.4
(a) Premises, etc.	4.8	2.2	3.1	2.4	1.3
(b) Investments and securities	—	—	—	—	—
(c) Other assets	12.5	25.6	16.7	12.8	10.1
5. Remaining Net Profit (+) or Loss (-)	24.3	-1.9	8.1	6.0	7.0
6. Carried forward from preceding year.	1.5	1.4	1.3	0.9	0.6
7. Taken from Reserves or Capital.	1.4	6.0	—	—	—
8. Total Amount disposed of for Dividends, etc.	27.2	5.5	9.4	6.9	7.6
9. Carried to Reserves	2.1	0.2	1.2	0.6	0.3
10. Dividends	20.5	4.0	6.8	5.6	5.8
11. Directors' Fees, etc	3.0	—	0.5	0.1	0.1
12. Carried forward to following year	1.6	1.3	0.9	0.6	1.4
13. Total as above	27.2	5.5	9.4	6.9	7.6
14. Value of currency in Swiss francs at the end of each year.	2.08	2.08	2.08	2.08	2.08

These large gold movements, which appear to have been induced largely by the efflux of Dutch capital, have been accompanied by a particularly heavy shrinkage in the credit structure of the country. This shrinkage is brought out, not only by the fall in the note circulation, but also by the heavy reduction in the other sight liabilities of the Central Bank. The latter, which consist primarily of bankers' balances, were reduced in the first ten months of 1935 by about a third of their amount at the end of 1934. As the Netherlands Bank's bill portfolio has not shown any appreciable

increase, the commercial banks appear during this period, for which no commercial banking statistics exist, to have reduced their earning assets as heavily as their cash reserves.

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For explanations regarding the nature and composition of the various items of the attached Balance-sheet Summary and Profit-and-Loss Accounts, see *Commercial Banks, 1925-1933*, pages 161-164.

NORWAY.

The position of the Bank of Norway and the commercial banks¹ between the end of 1933 and September 30th, 1935, is illustrated by the following table :

	End of : 1933	Dec. 1934	Sept. 1934	Dec. 1934	Sept. 1935
Kroner (ooo,ooo's)					
<i>Bank of Norway.</i>					
Gold	143	135	135	135	185
Foreign exchange	5	19	40	40	28
Loans and discounts	258	234	251	251	184
Note circulation	327	322	333	333	331
Sight deposits	64	62	79	79	65
<i>Commercial Banks.</i>					
Net foreign assets (+) or liabilities (-)	- 8	- 2	+ 10	+ 10	+ 17
Loans and discounts	958	958	924	924	928
Deposits	765	736	764	764	816
<i>Of which—</i>					
Sight deposits	(81)	(82)	(96)	(96)	(109)
Time and savings deposits	(684)	(654)	(668)	(668)	(707)

The recent expansion of the gold and foreign-exchange reserves of the Norwegian banking system is remarkable, particularly as it was accompanied by a steady increase of the import surplus.² It appears to be due partly to increased income from shipping services and partly to certain loans raised abroad. Of the latter, mention may be made of a loan of £1.15 million issued in London in September 1934 on behalf of a Norwegian industrial concern, the proceeds of which were used to liquidate the indebtedness of the concern to the Bank of Norway and thus served to increase the Bank's exchange holdings. In November 1934, the Norwegian municipalities raised a 15-million-kroner loan in Sweden and, in the spring of 1935, the Norwegian Government also took up a loan on the Swedish market amounting to 20 million kroner.

The Exchange Committee of the Norwegian banks set up at the end of 1931 by informal agreement between the Bank of Norway and the private banks³ continued in operation during the period under review. The Committee intervened, for example, at the end of 1933 and in May and June of 1934, to check tendencies to a flight of capital due in some cases to certain apprehensions connected with domestic politics. In the second half of 1934, however, and still more in 1935, its

functions became increasingly insignificant in view of the improved exchange position, and there was no difficulty in maintaining the currency pegged to sterling at the rate of 19.90 kroner to the pound.

The commercial-bank accounts summarised in the above statement and in the attached Summary Table cover only the "free" banks.⁴ The figures for deposits shown in these tables appear to have been appreciably influenced during 1934/35 by transfers of deposits from banks under liquidation or administration to the free banks. The aggregate time and savings deposits held by all banks together fell from 1,019 million kroner at the end of 1933 to 963 millions a year later, and declined further to 947 millions in September 1935. The marked expansion of time and savings deposits in the free banks in the first nine months of 1935 is largely due to the fact that the number of banks under liquidation was reduced from seventeen to twelve in that period. The increase in deposits with the free banks in the year ending September 30th, 1935, and the simultaneous fall in their loans and discounts would appear to have been compensated — apart from the increase in foreign assets — mainly by a decrease in the banks' indebtedness to the Bank of Norway, which (estimated on the method described below in the note to item 16 of the Summary Table) declined by roughly the same amount as the loans and discounts of the Bank of Norway.

In the first part of 1934, banks were repeatedly invited by the Bank Inspectorate to adjust their interest rates downwards and, by a law of June 29th, 1934, provision was made for compelling individual banks to reduce their interest rates on savings accounts to the prevailing general level of 2½ to 3%. The continued fall in aggregate bank deposits, particularly in 1934, appears to have been partly due to the spread between deposit rates on the one hand and bond yields on the other, which induced depositors to invest their savings directly in securities. Although the banks, in consequence, found it necessary to reduce their own holdings of securities in the course of 1934 by over 20 million kroner, this movement brought, on balance, a considerable stimulus to the domestic bond market, and facilitated certain conversion operations carried out by the Government in the latter part of 1934. The actual percentage yield of Government bonds declined from 4.75 in January 1934 to 4.48 in

¹ The commercial-bank figures in this table are based on monthly statements published in *Statistiske Meddelelser*. As they cover a smaller number of banks, they are not fully comparable with the complete end-of-year returns on which the Summary Table is based.

² For the first nine months of 1935, the import surplus totalled 153 million kroner, as compared with 121 and 84 millions in the corresponding periods in 1934 and 1933 respectively.

³ See *Commercial Banks, 1929-1934*, page 84.

⁴ See *Commercial Banks, 1913-1929*, pages 209-210, and *1925-1933*, page 165.

December ; it declined further to 4.40 in May, since when, however, the tendency has been distinctly upward, mainly as a result of a progressive redistribution of investible funds in favour of shares. (The revival of business activity, which became marked in 1935, was reflected in a rise of the share index of the Central Bureau of Statistics from 72 in December 1934 to 92 in September 1935, following a rise of only 4 points during 1934.)

In contrast to aggregate time and savings accounts, sight deposits — of which the banks under liquidation hold practically none — have shown a consistent expansion since the end of

1933. Bank clearings in Oslo totalled 2,018 million kroner in the first nine months of 1935, as compared with 1,731 and 1,894 in the same months in 1934 and 1933 respectively. Though clearings were higher in 1933 than in 1934, the note circulation in the latter year was on the average over 5 % higher than in 1933 — a fact which in part is probably connected with the fall in aggregate bank deposits. The increase in the note circulation as between September 30th, 1934, and September 30th, 1935, corresponded approximately to the rise of the general level of prices which took place in the same period.

Balance-sheet Summary.

1. Cash.

Kr. (000,000's)	1929	1931	1932	1933	1934
Gold, subsidiary coins and notes	23.3	28.2	20.7	23.2	27.4
Balances with Central Bank	33.2	17.1	33.0	24.0	26.6
Total	56.5	45.3	53.7	47.2	54.0

2. Other Items of a Cash Nature.

Coins and notes in foreign currency.

3. Bills discounted and bought.

Rediscounts, also shown in group 18, are included in the inland bill portfolio as follows :

Kr. (000,000's)	1929	1931	1932	1933	1934
Discounted	334.5	335.8	328.8	316.8	317.9
Rediscounted	3.6	10.1	3.9	3.4	4.1
Total	338.1	345.9	332.7	320.2	322.0

4 and 5. Investments and Securities ; Participations.

Group 4 (b) is composed as follows :

Kr. (000,000's)	1929	1931	1932	1933	1934
<i>Norwegian securities :</i>					
Municipal bonds	64.7	45.7	42.3	36.7	34.0
Bonds of Mortgage and Fisher Banks, etc.	45.1	37.7	35.9	38.8	44.1
Other bonds	38.9	40.6	35.3	32.7	27.4
Shares	40.1	37.7	40.4	37.9	34.3
Total	188.8	161.7	153.9	146.1	139.8
<i>Foreign securities :</i>					
Government	7.8	7.4	7.2	7.0	5.7
Other	5.2	7.3	7.0	6.9	3.5
Total	13.0	14.7	14.2	13.9	9.2
Grand total	201.8	176.4	168.1	160.0	149.0

6. Due from Banks (Correspondents).

Group 6 (b) includes debtors in foreign currency :

Kr. (000,000's)	1929	1931	1932	1933	1934
Due from banks abroad	57.9	21.7	19.3	17.5	29.9
Debtors in foreign currency	25.8	35.8	33.2	36.5	52.1
Total	83.7	57.5	52.5	54.0	82.0

7. Loans and Advances.

The sums under (a) represent sundry debtors, cash credits, etc. An amount equal to the acceptances has been deducted from this and carried to group 8. The figures under (b) represent collateral loans.

8. Cover for Acceptances and Reimbursement Credits.

Kr. (000,000's)	1929	1931	1932	1933	1934
Cover for acceptances	1.0	0.5	0.6	0.5	0.6
Current reimbursements	16.8	8.9	9.8	9.4	11.6
Total	17.8	9.4	10.4	9.9	12.2

10. Sundry Assets.

Kr. (000,000's)	1929	1931	1932	1933	1934
Real estate	4.1	3.6	4.2	4.5	4.3
Protested bills	2.6	2.1	1.8	1.5	1.0
Branch accounts	3.1	6.3	11.9	13.1	13.0
Other assets	26.8	21.0	16.0	14.6	13.0
Total	36.6	33.0	33.9	33.7	31.3

13. Reserve Funds.

Kr. (000,000's)	1929	1931	1932	1933	1934
Ordinary reserve funds	57.1	40.1	43.0	41.4	45.1
Other reserve funds	9.5	11.2	10.1	12.9	13.4
Total	66.6	51.3	53.1	54.3	58.5

15. Cheques and Drafts in Circulation.

The sums given in this group of the Summary Table consist of post bills and notified cheques.

[Continued at foot of page 147.]

NORWAY.

COMMERCIAL BANKS

Table 28 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks	112	112	105	105	105
ASSETS.					
Kroner (000,000's omitted)					
1. Cash	56.5	45.3	53.7	47.2	54.0
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	0.6	0.4	0.4	0.3	0.5
3. Bills discounted and bought	357.8	357.2	343.7	329.3	331.8
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	338.1	345.9	332.7	320.2	322.0
(c) Commercial bills, Foreign	19.7	11.3	11.0	9.1	9.8
4. Investments and Securities	285.9	248.6	232.0	223.9	201.3
(a) Government	84.1	72.2	63.9	63.9	52.3
(b) Other	201.8	176.4	168.1	160.0	149.0
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	176.8	138.9	158.5	137.8	179.2
(a) At home	93.1	81.4	106.0	83.8	97.2
(b) Abroad	83.7	57.5	52.5	54.0	82.0
7. Loans and Advances	754.7	755.4	708.2	696.6	686.9
(a) On current account	674.6	668.0	627.4	610.5	597.9
(b) Other	80.1	87.4	80.8	86.1	89.0
8. Cover for Acceptances	17.8	9.4	10.4	9.9	12.2
9. Premises, etc.	23.1	23.5	22.7	23.3	23.1
10. Sundry Assets	36.6	33.0	33.9	33.7	31.3
11. Total Assets	1,709.8	1,611.7	1,563.5	1,502.0	1,520.3
LIABILITIES.					
12. Capital paid up	196.1	170.5	183.3	181.9	180.0
13. Reserve Funds	66.6	51.3	53.1	54.3	58.5
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	12.0	—	—	—	—
15. Cheques and Drafts, etc., in circulation	13.1	9.6	10.4	10.1	10.2
16. Due to Banks (Correspondents)	321.0	348.3	399.9	388.3	402.8
(a) At home	263.3	306.2	348.8	330.7	338.0
(b) Abroad	57.7	42.1	51.1	57.6	64.8
17. Deposits	1,058.2	993.7	883.2	836.6	839.6
(a) Current accounts and sight deposits	124.1	112.7	99.5	82.6	99.0
(b) Savings accounts	894.4	835.4	752.1	718.9	699.9
(c) Time or fixed deposits	39.7	45.6	31.6	35.1	40.7
(d) Other deposits	9.8	15.7	10.0	9.0	9.7
18. Rediscounts and Other Borrowings	17.0	9.2	12.3	10.9	11.8
19. Acceptances and Endorsements	16.0	13.4	11.3	10.9	7.7
20. Sundry Liabilities	16.0	13.4	11.3	10.9	7.7
21. Total Liabilities	1,709.8	1,611.7	1,563.5	1,502.0	1,520.3
22. Value of currency in Swiss francs at the end of each year	1.39	0.94	0.87	0.85	0.76

NORWAY.

COMMERCIAL BANKS

Table 28 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
	Free banks	Free banks	Free banks	Free banks	Free banks
Number of Banks.	112	112	105	105	105
	Kroner (000,000's omitted)				
Capital paid up.	196.1	170.5	183.3	181.9	180.0
Reserves and Undivided Profits	67.4	52.3	53.8	56.1	60.3
1. Gross Profits	42.6	44.8	43.2	42.9	44.0
<i>To be deducted :</i>					
2. Expenses	21.2	23.9	22.7	22.6	23.1
(a) Salaries, etc.	13.4	14.3	13.4	13.7	13.9
(b) Other working expenses	4.5	4.6	4.4	4.3	4.3
(c) Taxes, etc.	3.3	5.0	4.9	4.6	4.9
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts for)	8.8	63.8	12.5	14.2	11.6
(a) Premises, etc.	0.7	—	—	—	—
(b) Investments and securities	1.4	—	—	—	—
(c) Other assets	6.7	—	—	—	—
5. Remaining Net Profit (+) or Loss (-).	+12.6	-42.9	+8.0	+6.1	+9.3
6. Carried forward from preceding year.	0.8	1.0	0.7	1.8	1.8
7. Taken from Reserves or Capital.	3.6	22.9	0.5	2.2	0.6
8. Deficit left uncovered.	—	32.6	4.2	2.7	2.4
9. Total Amount disposed of for Dividends, etc.	17.0	13.6	13.4	12.8	14.1
10. Carried to Reserves	5.8	6.9	5.5	4.3	4.4
11. Dividends	10.1	6.0	6.1	6.7	7.5
12. Directors' Fees, etc.	—	—	—	—	—
13. Carried forward to following year	1.1	0.7	1.8	1.8	2.2
14. Total as above	17.0	13.6	13.4	12.8	14.1
15. Value of currency in Swiss francs at the end of each year	1.39	0.94	0.87	0.85	0.76

16. *Due to Banks (Correspondents).*

The amounts shown as due to banks at home include indebtedness to the Central Bank. (Rediscounts, under group 18 below, usually constitute but a small part of that indebtedness.) This can be isolated as follows. The mutual indebtedness of the banks is eliminated by subtracting 6 (a) from 16 (a). Of the balance, part is due to the savings banks and part to the Norges Bank. The net deposits of the savings banks with commercial banks can be calculated

from the reports of the Bank Inspector (which, however, cover only 81% of the total balances of the savings banks). Deducting these deposits from the difference between 16 (a) and 6 (a), one obtains a balance which represents borrowings of the commercial banks from the Norges Bank. Calculated in this way, these borrowings, at the end of the years 1929 to 1934, stood at about 50, 75, 150, 160, 180 and 170 million kroner respectively; the exact figures cannot be arrived at owing to the incompleteness of the savings banks' statistics.

The sums shown as due to banks abroad include creditors in foreign currency as follows :

Kr. (000,000's)	1929	1931	1932	1933	1934
Due to banks abroad	41.3	17.3	15.0	14.4	11.9
Creditors in foreign currency	16.4	24.8	36.1	43.2	52.9
Total	57.7	42.1	51.1	57.6	64.8

The greater part of sums due to creditors in foreign currency represents balances received from customers for deposit on exchange account with foreign banks. These balances are included in the assets under debtors in foreign currency (group 6), and thus represent operations for third parties.

17. Deposits.

Savings accounts are not shown separately from time deposits. Other deposits (group 17 (d)) are shown in the statistics as "Sundry creditors".

18. Rediscounts and Other Borrowings.

Kr. (000,000's)	1929	1931	1932	1933	1934
Capital borrowings	5.0	5.0	5.0	5.0	5.0
Rediscounts :					
At home	3.6	10.1	3.9	3.4	4.1
Abroad	0.7	0.5	0.4	0.4	0.4
Acceptances for own account	0.5	0.1	0.7	0.2	0.2
Total	9.8	15.7	10.0	9.0	9.7

19. Acceptances and Reimbursement Credits.

Kr. (000,000's)	1929	1931	1932	1933	1934
Acceptances	1.0	0.5	0.6	0.5	0.4
Current reimbursements	16.0	8.7	11.7	10.4	11.2
Total	17.0	9.2	12.3	10.9	11.6

20. Sundry Liabilities.

Kr. (000,000's)	1929	1931	1932	1933	1934
Mortgage debts	1.2	0.7	0.9	1.1	1.0
Interest accounts	3.6	4.4	2.9	2.6	2.4
Branch accounts	1.6	4.6	0.3	4.4	2.1
Other accounts	9.3	3.7	7.2	2.8	2.2
Total	16.0	13.4	11.3	10.9	7.7

Summary of Profit-and-Loss Accounts.

1. Gross Profits.

According to details given in the official statistics, 75 to 80% of gross profits is derived from net interest on loans and discounts, the remainder from commissions, securities, foreign exchange, etc.

2. Expenses.

The sums shown under the heading "Salaries, etc." include directors' fees, which are not shown separately in the statistics.

PARAGUAY.

Banking operations in Paraguay are performed to-day¹ by three types of credit institutions: the Oficina de Cambios, agricultural and mortgage banks, and commercial banks. The Oficina de Cambios is a Government institution performing both central and commercial banking operations. It was established in 1916 for the purpose of regulating the exchange value of the Paraguayan paper peso.² It took over certain central banking functions exercised until its establishment by the Banco de la República, and in particular the note issue, the right to act as Government banker, and the privilege of receiving on deposit the funds of the municipalities and the Banco Agrícola del Paraguay. With the establishment of a Paraguayan Exchange Control Commission in June 1932, the activities of the Oficina de Cambios were extended to the control of imports and exports. In the early part of 1933, the Oficina de Cambios was empowered by law to undertake commercial banking transactions such as receiving deposits, discounting bills and making advances. The Banco Agrícola del Paraguay is also a Government institution. It was founded in 1887 with the object of financing and supervising agricultural production and export. This bank has played an important rôle in the development of agriculture in Paraguay. It has also sponsored various constructional works of a public or municipal character.

Of the joint-stock banks operating in Paraguay, two — the Banco el Hogar Argentino and the Banco Constructor del Paraguay — are preponderantly mortgage institutions. Though the other banks are interested in real estate, their activities are confined principally to commercial banking. The most important of these banks — the Banco de la República, the Banco de Londres y America del Sud, and the Banco de la America del Sud — are essentially foreign banks. The latter two are affiliates of important institutions — British and German respectively — which have branches throughout South America. The Banco de la República was created in 1908 by the Government

with the assistance of the Banco Francés del Rio de la Plata. Until 1916, it performed the central banking functions now exercised by the Oficina de Cambios. It continued to perform certain operations for the Government until 1930.

The following table is a summary of the accounts of the private banks at the end of 1931, 1932 and 1933, as given in the official *Boletín Trimestral de Estadística*:³

	1931		1932		1933	
	Paper	Gold	Paper	Gold	Paper	Gold
Paraguayan pesos (000,000's)						
ASSETS.						
1. Cash	20.1	0.5	25.0	0.2	73.7	0.1
2. Balances with banks	24.2	0.6	17.6	0.5	34.4	0.2
3. Discounts	16.6	0.6	13.6	0.9	12.2	0.7
4. Current-account creditors	51.6	0.6	40.6	0.5	46.8	0.3
5. Mortgage loans	—	0.7	—	0.7	—	0.6
6. Other loans	6.2	0.4	6.1	0.4	6.5	0.4
7. Other assets	51.0	2.9	39.5	2.9	29.3	2.7
LIABILITIES.						
8. Capital	1.0	0.9	1.0	0.9	1.0	0.9
9. Reserves, etc.	0.6	—	0.5	—	—	—
10. Deposits	119.8	1.9	102.7	1.5	156.3	0.8
Of which—						
(a) On current account	(78.5)	(0.8)	(73.1)	(0.7)	(123.7)	(0.4)
(b) Savings deposits	(34.2)	(0.7)	(23.1)	(0.5)	(24.4)	(0.2)
(c) Fixed deposits	(7.1)	(0.4)	(6.5)	(0.3)	(8.2)	(0.2)
11. Other liabilities	48.4	3.5	38.2	4.0	45.6	3.3
Total balance-sheet	169.8	6.5	142.4	6.4	203.0	5.0

No details are available with regard to the number of institutions covered by the above table. The accounts of the two Government institutions — the Oficina de Cambios and the Banco Agrícola del Paraguay — are, however, excluded. The banks keep two separate accounts, one in Paraguayan gold pesos and one in Paraguayan paper pesos. The fall in deposits during 1932 is due to heavy withdrawals at the beginning of the war with Bolivia, and the subsequent increase in paper peso deposits reflects the increase in the means of payment. Deposits in paper pesos at the end of September 1934 amounted to 201 million pesos, as compared with 174 and 92 millions at the end of September 1933 and 1932 respectively.

¹ For a detailed historical account of the development of banking in Paraguay, see "La Materia bancaria en e-Paraguay", by C. ACOSTA, in the *Revista de Derecho y Ciencias Sociales* (Asuncion), October 1928.

² The unit of account is both the Paraguayan gold and paper peso. The gold peso is used in official statistics and in certain banking transactions, and has the theoretical par value of the Argentine gold peso — i.e., 1.6129 grammes of 900/1000 fine gold and equivalent to 0.9648 U.S. gold dollar. The circulating medium, however, consists of Paraguayan peso notes and coins issued by the Government and the Oficina de Cambios. The Argentine currency is recognised as legal tender and is used in certain commercial transactions. The exchange value of the Paraguayan paper peso fluctuated freely until 1923, when it was officially pegged to the Argentine gold peso at the rate of 42.61 Paraguayan paper pesos, or 18.75 Paraguayan paper pesos to 1 Argentine paper peso. The Oficina de Cambios has tried since that date to maintain this ratio by the purchase and sale of Argentine pesos. A severe exchange control was established in June 1932.

³ This publication arrives with a delay of about a year, and the most recent issue at hand at the time of writing, November 1935, relates to the second quarter of 1934. It has therefore not been possible to include more recent figures than those for the end of 1933.

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The heavy Government borrowing on account of the conflict with Colombia concerning the Leticia territory and the consequent uncertainty relating to the future of the sol which had characterised the banking situation in Peru during 1933/34 came to end with the definite settlement of the dispute in May 1934. The exchange rate of the sol became steadier and repatriations of capital occurred. Foreign trade continued to improve, the total value of imports and exports increasing from 360 million sols in 1933 to 470 in 1934, and from 206 million sols in the first six months of 1934 to 211 millions in the first six months of 1935. Bank clearings rose from a monthly average of 37 million sols in 1933 to 44 millions in 1934, and from a monthly average of 39 millions in the first six months of 1934 to 44 millions in the first half of 1935.

The improvement in the monetary and banking situation which followed the settlement of the Leticia dispute may be seen from the following table, which summarises the principal accounts of the Banco Central de Reserva and of the nine leading commercial banks of Peru from the end of 1933 to June 1935 :

		Sols (000,000's)			
		Dec.	June	Dec.	June
		1933	1934	1934	1935
A. Banco Central de Reserva.					
1. Gold at home and abroad		43	39	42	42
2. Treasury bills*		14	19	26	28
3. Government Debt for National Defence		27	34	34	33
4. Note circulation		67	67	74	74
5. Other sight liabilities		20	25	28	28
B. Money in Circulation.					
1. Total notes and coins		110	115	126	127
Thereof in the hands of the public		(76)	(79)	(83)	(86)
C. Commercial Banks.					
1. Cash		34	33	38	38
2. Treasury bills in legal cash reserve		18	34	26	23
3. Other bill portfolio		36	46	47	57
Of which — Foreign Bills		(5)	(14)	(11)	(14)
4. Due from banks abroad		12	11	13	13
5. Loans and advances		59	68	72	83
6. Deposits		127	155	164	174
Of which — In foreign currency.		(20)	(26)	(28)	(26)

* Rediscounted with the Banco Central by the Commercial Banks, cf. *Commercial Banks 1929-1934*, p. 182.

The Government's floating debt to the banks (items A 2 and 3 and C 2 above), which reached a total of 88 million sols at the end of May 1934, had declined to 84 millions by June 1935, when a commission for its consolidation was set up. In the twelve months ended June 30th, 1935, deposits

increased by 19 million sols. This increase in the resources of the commercial banks was accompanied by an increase of 15 millions in loans and advances, mainly due to loans on current account in Peruvian currency. An expansion of 11 millions in the inland commercial bill portfolio was offset in the balance-sheets by an equal decline in the Treasury bill portfolio, a substantial part of which was rediscounted with the Banco Central (cf. item A 2 above). Cash reserves (excluding Treasury bills) and balances abroad increased by 5 and 2 million sols respectively. The foreign exchange net position of the banks improved considerably in the course of 1934/35 ; at the end of 1934, there was an excess of 6.3 million sols of assets over total liabilities on account of correspondents abroad, as against an excess of 2.3 million at the end of 1933 ; at the end of June 1935 there was an excess of assets of 6.3 millions, as against a net balance of liabilities of 3.7 millions on foreign correspondents' accounts at the end of the first half of 1934.

Despite the increase in the commercial earning assets of the banks, their ordinary cash reserves replenished by the re-discounting of Treasury bills referred to above remain very high ; at the end of June 1935, the ratio of ordinary cash reserves to total deposits was 21.8%. Inclusive of the special Treasury bills which the banks are allowed to count as part of their legal cash reserves, this ratio was 35%. To remedy this situation, a revision of the Banking Law of 1931 was effected in March 1935. The new law, No. 8050, provides, *inter alia*, for an extension in the nature and extent of securities which the banks may purchase, a reduction in legal cash reserve requirements, the development of branch banking through a reduction in legal requirements for capital and reserves, and for the acceptance of savings banks deposits on the part of the commercial banks.

The Industrial Bank of Peru, established in January 1933, did not begin its operations till the second half of 1935. That part of the capital of the bank which is being formed by a special 1% *ad valorem* tax on imports amounted to 1.4 million sols at the end of 1934. Another bank, the Banco Minero del Peru, is to be established in the course of 1935 with the object of exploiting directly and indirectly the mineral resources of the country. It is to have a capital of 50 million sols, of which the State is to subscribe 30 millions by a levy of 2% *ad valorem* on all mineral exports and by contributing half of its royalties on mines.

The rapid rise in the price of silver at the end of April 1935 led to the disappearance from circulation of silver coins of 1 sol and 50 centavos of 500/1,000 fineness and estimated to have amounted to 18-20 million sols. To meet this situation, the

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COMMERCIAL BANKS

Table 29 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1931	1932	1933	1934
Number of banks	11	9	9	9
	Sols (ooo,ooo's)			
ASSETS.				
I. Cash	17.4	17.8	34.4	37.7
(a) Gold, silver and small coins	4.1	4.6	2.0	2.0
(b) Bank-notes, State notes and balances with Central Bank	13.3	13.2	32.4	35.7
2. Other Items of a Cash Nature	0.4	0.4	0.2	0.4
3. Bills discounted and bought	38.0	52.6	35.5	47.2
(a) Treasury bills	4.6	4.8	0.9	0.4
(b) Commercial bills, Inland.	29.6	27.6	30.1	36.2
(c) Commercial bills, Foreign	3.8	20.2	4.5	10.6
4. Investments and Securities.	17.3	17.9	17.5	17.8
(a) Government	1.5	3.4	3.3	3.8
(b) Other	15.8	14.5	14.2	14.0
5. Participations	—	—	—	—
6. Due from Banks (Correspondents).	14.1	9.7	12.2	13.9
(a) At home.	1.4	0.1	0.7	0.8
(b) Abroad	12.7	9.6	11.5	13.1
7. Loans and Advances	80.2	81.7	59.2	72.1
(a) On current account	57.4	57.9	42.6	56.7
(b) Others.	22.8	23.8	16.6	15.4
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	5.8	4.5	4.9	5.1
10. Sundry Assets	17.5	23.3	33.5	67.4
II. Total Assets	190.7	207.9	215.4	287.6
LIABILITIES.				
12. Capital paid up.	26.5	25.9	25.9	25.9
13. Reserve Funds	13.8	13.0	13.3	14.2
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.7	1.3	1.9	1.9
15. Cheques and Drafts, etc., in circulation	—	—	—	—
16. Due to Banks (Correspondents)	19.4	23.7	9.3	6.8
(a) At home.	0.2	0.8	—	2.7
(b) Abroad	19.2	22.9	9.3	4.1
17. Deposits.	103.4	102.6	127.4	163.7
(a) Current accounts and sight deposits	50.5	53.8	70.4	97.7
(b) Savings accounts	18.3	20.1	26.4	32.9
(c) Time or fixed deposits	34.3	28.5	30.5	32.9
(d) Other deposits	0.3	0.2	0.1	0.2
18. Rediscounts and other Borrowings	6.5	17.4	3.2	6.3
19. Acceptances and Endorsements.	—	—	—	—
20. Sundry Liabilities.	19.4	24.0	34.4	68.8
21. Total Liabilities.	190.7	207.9	215.4	287.6
22. Value of currency in Swiss francs at the end of each year	1.43	0.90	0.73	0.73

Government decreed an embargo on silver exports and authorised the Banco Central to issue notes of 50 centavos pending the coinage of brass and nickel pieces of small denominations. Dealings

in foreign exchange, however, have continued to be free of any restrictions, and the discount on the sol has, since June 1934, settled around 50% of the gold parity adopted in April 1931.

Balance-sheet Summary.

1. Cash.

Sols (000,000's)	1931	1932	1933	1934
Gold	2.9	3.8	1.5	1.3
Silver, nickel, etc.	1.2	0.8	0.5	0.7
Total 1 (a)	4.1	4.6	2.0	2.0
Notes	7.0	8.0	12.0	13.4
Balances with Central Bank	6.3	5.2	20.4	22.3
Total 1 (b)	13.3	13.2	32.4	35.7

2. Other Items of a Cash Nature.

This item consists of foreign notes and coins as well as small balances due from other banks.

3. Bills discounted and bought.

Sols (000,000's)	1931	1932	1933	1934
Treasury Bills :				
Discounted	4.6	4.8	0.9	0.4
Rediscounted	—	6.1	—	—
Inlands Bills :				
Discounted	29.6	27.6	30.1	36.2
Rediscounted	6.5	0.3	—	—
Foreign Bills :				
Discounted	3.3	20.1	4.2	10.4
Bought	0.5	0.1	0.3	0.2
Rediscounted	—	11.0	3.2	6.3
Total { Discounts	38.0	52.6	35.5	47.2
{ Rediscounts	6.5	17.4	3.2	6.3
{ Net bill portfolio	31.5	35.2	32.3	40.9

Treasury bills, as shown above, do not include the special issues of 1933, amounting to 18 and 26 million sols at the end of 1933 and 1934 respectively.

4. Investments and Securities.

The sums shown under (a) include municipal securities ; the composition of (b) is given below :

Sols (000,000's)	1931	1932	1933	1934
Shares of Central Bank	1.8	1.7	1.7	1.8
Other shares	9.6	12.6	12.3	12.0
Securities in savings department	4.3	—	—	—
Securities pledged with Banking Superintendent	0.1	0.2	0.2	0.2
Total	15.8	14.5	14.2	14.0

7. Loans and Advances.

Sols (000,000's)	1931	1932	1933	1934
(a) On current account :				
In Peruvian currency :				
Against collateral	26.5	18.7	23.0	27.4
Without collateral	15.2	14.5	11.7	21.5
In foreign currency :				
Against collateral	13.6	17.9	4.8	5.0
Without collateral	2.1	6.8	3.1	2.8
Total	57.4	57.9	42.6	56.7

Sols (000,000's)	1931	1932	1933	1934
(b) Other loans :				
In Peruvian currency :				
Against collateral	7.3	6.4	5.8	6.3
Without collateral	0.9	1.1	1.6	0.7
To Government	4.5	3.6	1.0	0.9
In foreign currency :				
Against collateral	1.5	1.6	1.6	0.8
Without collateral	1.6	0.3	—	0.3
To Government	—	1.0	0.6	0.5
Certificates of deposit	0.2	0.2	0.2	0.9
Other loans	6.8	9.6	5.8	4.8
Total	22.8	23.8	16.6	15.4
Grand total	80.2	81.7	59.2	72.1

10. Sundry Assets.

Sols (000,000's)	1931	1932	1933	1934
Branch accounts	0.4	0.3	0.3	0.9
Exchange operations	10.7	15.5	24.0	53.7
Profit-and-loss account	—	0.1	—	—
Other accounts	6.4	7.4	9.2	12.8
Total	17.5	23.3	33.5	67.4

18. Rediscounts.

Excluding special Treasury bills of 1933 rediscounted with Banco Central amounting to 14 and 26 million sols at the end of 1933 and 1934 respectively.

20. Sundry Liabilities.

Sols (000,000's)	1931	1932	1933	1934
Branch accounts	0.8	—	0.5	0.7
Mortgage departments	0.6	0.4	—	—
Exchange operations	10.1	15.4	23.9	53.9
Other accounts	7.9	8.2	10.0	14.2
Total	19.4	24.0	34.4	68.8

Profit-and-Loss Accounts.

The following statement of the banks' profit-and-loss accounts is available for the second half of 1932, 1933 and for 1934.

Sols (000,000's)	1932	1933	1934
Interest { Income	9.6	9.0	9.9
{ Outlay	4.3	4.2	4.8
{ Net income	5.3	4.8	5.1
Commissions, etc. { Income	3.2	4.2	3.8
{ Outlay	2.2	1.7	1.9
{ Net income	1.0	2.5	1.9
Gross profits	6.3	7.3	7.0
Salaries, etc.	3.1	3.1	3.2
Taxes	0.3	0.2	0.3
Written-off assets	1.4	1.8	1.0
Net profits	1.5	2.2	2.5

POLAND.

For the first time since 1930, aggregate deposits with the Polish commercial banks increased in 1934 and 1935. As will be seen from the following summary of the banks' principal accounts, the rise in deposits was concentrated on time and savings deposits in 1934 and on current account and sight deposits in 1935.

	End of :			
	Dec. 1933	Sept. 1934	Dec. 1934	Sept. 1935
	Zloty (000,000's)			
Cash assets	70	37	71	43
Discounts	367	342	337	336
Securities	91	131	122	162
Current account loans	448	425	431	408
Other loans	189	212	216	218 ^a
Deposits	572	596	596	635
<i>Of which—</i>				
Current account and sight.	313	312	315	349
Time and savings deposits.	259	284	281	286
Rediscunts	193	171	173	177

^a June 30th, 1935.

As loans and discounts continued to fall, the expansion of deposits resulted in a slight increase in cash assets, a reduction of rediscount liabilities and a marked rise in security holdings.

The decline in commercial bank loans during 1935 was largely due to off-writings, in May and September, in connection with the balance-sheet reconstructions ¹ of the two largest commercial banks — viz. : the Commerce Bank of Warsaw and the Co-operative Bank of Poznań (the latter representing the central bank of the co-operative societies of Western Poland) — which, at the end of 1934, accounted for balance-sheet totals of over 150 million zloty each.

The movement of deposits in the main groups of Polish credit institutions in 1934 and the first half of 1935 is shown below :

	End of :			
	Dec. 1933	June 1934	Dec. 1934	June 1935
	Zloty (000,000's)			
<i>Deposits in :</i>				
Joint-stock banks	572	572	596	617
State banks	332	378	424	376
Postal Savings Bank	713	748	858	877
Communal savings banks	612	631	663	714
Co-operative credit societies	286	263	275	262
Total	2,515	2,592	2,816	2,846
Joint-stock banks— percentage of total	23	22	21	22

¹ The Commerce Bank, besides appropriating 3 millions from reserves and 2 million zloty from current profits, wrote down its share capital from 30 to 15 millions, and issued new shares to an amount of 10 million zloty, of which 2.5 millions were used in exchange for the shares of the Anglo-Polish Bank ; the latter was amalgamated with the Commerce Bank. The Poznań Co-operative Bank reduced its share capital from 20 to 5 million zloty, and issued 15 millions of new shares, which were taken over mainly by the State banks.

² Though the Acceptance Bank, set up in 1933, is a State institution, it is included — since the early part of 1934 — in the statistics relating to the joint-stock commercial banks. In October 1934, it was authorised to issue bonds up to 100 million zloty. Its balance-sheet total at the end of 1934 was 154 million zloty. Its share capital was raised from 7.5 to 20 millions at the beginning of 1935.

³ The banks' rediscounts of these acceptances rose steadily from 10 million zloty to 37 millions in the eighteen months ended June 30th, 1935, while their rediscounts of commercial bills fell from 183 to 140 millions.

Deposits with the State Banks (*i.e.*, the National Economic Bank and the State Land Bank), after a sharp increase in 1934, declined in the first six months of 1935. They do not include State deposits and Treasury funds administered by these banks, which fell from 697 to 628 millions in 1934, but rose to 659 millions at the middle of 1935. The discounts and loans (in cash) of these two banks — whose combined balance-sheet total (3,006 million zloty at the end of 1934) far exceeds that of the joint-stock banks — rose from 1,811 millions at the end of 1933 to 1,869 a year later, and to 2,189 millions at the end of June 1935. Their loans granted in the form of their own mortgage and other bonds declined, however, from 1,106 to 1,046 millions in the eighteen months ended June 30th, 1935. The chief buyer of these bonds appears to be the Postal Savings Bank ; of its security portfolio, amounting to 615 millions at the end of 1934 (as against 485 millions a year earlier), 57% represented bonds of the State Banks, the remainder consisting mainly of Government securities.

Important measures were taken by the State in 1934 and 1935 to alleviate the burden of agricultural indebtedness. By a Decree of October 1st, 1935, a moratorium, extending to January 1st, 1938, was declared on amortisation payments on all agricultural debts contracted before July 1932. Interest charges were reduced in 1934/35 by conversions, compulsory for certain classes of debt. In the case of commercial bank loans, conversion was to a large extent effected by the transfer of the banks' agricultural assets to the Acceptance Bank ² in exchange for acceptances bearing a lower rate of interest, but eligible for rediscount at the Bank of Poland. ³

With a view chiefly to stimulating the market for agricultural bonds, the statutes of the Bank of Poland were modified in February 1935 so as to allow it to purchase securities up to 150 million zloty, instead of only 10% of its share capital and reserve fund (or about 25 millions) as formerly. Accordingly, the security holdings of the Bank rose steadily from 11 millions at the end of 1934 to 50 millions at the end of September 1935.

By a Law of March 18th, 1935, the maximum issue of Treasury bills was raised from 200 million

to 300 million zloty. The amount of Treasury bills held by the Bank of Poland increased to 59 millions at the end of September 1935, as compared with 18 millions at the same date in 1934.

The other principal accounts of the Bank of Poland in 1934/35, along with coins and total currency in circulation, are shown below :

	End of :			
	Dec. 1933	Sept. 1934	Dec. 1934	Sept. 1935
Zloty (000,000's)				
<i>Bank of Poland.</i>				
Gold	476	495	503	467
Foreign exchange	88	38	28	27
Loans and discounts	767	718	708	739
Sight deposit liabilities	262	220	241	158
Note circulation	1,004	975	981	981
Coins in circulation	342	380	384	406
Total currency circulation.	1,346	1,355	1,365	1,387

As a result largely of the increased issue of coins by the Treasury, the total currency circulation

shows a moderate but steady expansion during the period reviewed.

The fall in prices, which continued in 1934, was arrested in the early part of 1935 and was even succeeded by a distinctly upward tendency. The export surplus fell off sharply to 47 million zloty in the first nine months of 1935 as compared with 121 millions in the corresponding period in 1934. The fall in the gold and foreign exchange reserve of the Bank of Poland from 564 millions at the end of 1933 to 494 millions at the end of September 1935 would probably have been still greater had not considerable internal hoards of gold and particularly of United States dollar notes, which before the devaluation of the dollar circulated extensively in Poland, found their way to the central bank. The net foreign short-term liabilities of all other banks combined rose from 154 million zloty at the end of 1933 to 172 millions at the end of 1934, and stood at 136 millions on June 30th, 1935, as compared with 125 millions at the same date in 1934.

Balance-sheet Summary.

1 and 2. *Cash Assets.*

Item 2 represents foreign currency holdings.

3. *Discounts.*

Net figures excluding rediscounts are given below :

Zloty (000,000's)	1929	1931	1932	1933	1934
Total discounts	935	528	407	367	337
Less rediscounts	353	268	204	183	141
Net portfolio	582	260	203	184	196

6. *Due from Banks (Correspondents).*

Zloty (000,000's)	1929	1931	1932	1933	1934
Due from banks :					
At home. { Loro.	17	18	20	17	15
{ Nostro.	29	27	22	28	23
Abroad . { Loro.	10	9	10	10	4
{ Nostro.	66	54	60	38	31
Total . . { Loro.	27	27	30	27	19
{ Nostro.	95	81	82	66	54

7. *Loans and Advances.*

The composition of (b) is as follows :

Zloty (000,000's)	1929	1931	1932	1933	1934
Time loans	46	57	67	64	71
Mortgage loans	142	159	154	125	145
Total (b)	188	216	221	189	216

14. *Profit-and-Loss Accounts.*

The difference, shown below, between working expenses and earnings (interest and commissions only), included in the Summary Table under sundry assets and liabilities respectively, constitutes a rough measure of profits :

Zloty (000,000's)	1929	1931	1932	1933	1934
Interest and commissions	135	94	60	47	48
Expenditure	105	84	63	52	47
Balance	30	10	-3	-5	1

16. *Due to Banks (Correspondents).*

Zloty (000,000's)	1929	1931	1932	1933	1934
Due to banks :					
At home. { Loro.	53	35	38	33	31
{ Nostro.	49	29	50	45	46
Abroad . { Loro.	83	59	36	27	29
{ Nostro.	378	221	183	152	138
Total . . { Loro.	136	94	74	60	60
{ Nostro.	427	250	233	197	184

17. *Deposits.*

Item (a) is composed as follows :

Zloty (000,000's)	1929	1931	1932	1933	1934
Sight deposits	259	166	147	137	157
Current accounts	277	209	175	176	158
Total (a)	536	375	322	313	315

18. *Rediscounts and Other Borrowings.*

Zloty (000,000's)	1929	1931	1932	1933	1934
Bills rediscounted :					
At home	292	257	198	188	169
Abroad	61	11	6	5	4
Total	353	268	204	193	173
Mortgage and other bonds issued	142	159	157	125	118
Grand total	495	427	361	318	291

POLAND.

COMMERCIAL BANKS

Table 30 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks.	63	64	60	54	51
ASSETS.					
Zloty (ooo,ooo's omitted)					
1. Cash	106	76	66	62	
(a) Gold, silver and small coins	—	—	—	—	
(b) Inland notes and balances with Central Bank	—	—	—	—	71
2. Other Items of a Cash Nature	28	14	12	8	
3. Bills discounted and bought	935	528	407	367	337
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.					
(a) Government	112	98	93	91	122
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	122	108	112	93	73
(a) At home.	46	45	43	45	38
(b) Abroad	76	63	69	48	35
7. Loans and Advances.	1,092	872	754	637	647
(a) On current account	904	656	533	448	431
(b) Other loans and advances	188	216	221	189	216
8. Cover for Acceptances.	—	—	—	—	—
9. Premises, etc.	134	126	122	102	98
10. Sundry Assets	449	430	405	395	582
11. Total Assets	2,978	2,252	1,971	1,755	1,930
LIABILITIES.					
12. Capital paid up.	239	250	243	216	218
13. Reserve Funds	66	72	68	62	63
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Cheques and Drafts, etc., in circulation	—	—	—	—	—
16. Due to Banks (Correspondents).	563	344	307	257	244
(a) At home.	102	64	88	78	77
(b) Abroad	461	280	219	179	167
17. Deposits	1,090	730	646	572	596
(a) Current accounts and sight deposits	536	375	322	313	315
(b) Savings accounts	141	87	78	72	80
(c) Time or fixed deposits	413	268	246	187	201
(d) Other deposits	—	—	—	—	—
18. Rediscounts and Other Borrowings	495	427	361	318	291
19. Acceptances and Endorsements.	—	—	—	—	—
20. Sundry Liabilities.	525	429	346	330	518
21. Total Liabilities.	2,978	2,252	1,971	1,755	1,930
22. Value of currency in Swiss francs at the end of each year.	0.58	0.58	0.58	0.58	0.58

PORTUGAL.

The continued improvement of the banking position in Portugal during 1934/35 is brought out by the following summary of the principal accounts of the Bank of Portugal and the commercial banks, and of aggregate deposits with the Caixa Geral de Depósitos and the savings banks :

	End of :		Escudos (000,000's)	
	Dec. 1933	June 1934	Dec. 1934	June 1935
<i>Bank of Portugal.</i>				
Gold	770	893	903	909
Foreign exchange	327	350	456	439
Bill portfolio	332	314	317	313
Note circulation	1,989	1,932	2,137	2,026
Treasury deposits	189	255	322	445
Bankers' deposits	305	482	398	397
<i>Deposits with :</i>				
1. Commercial Banks	732	721	805	769
<i>Of which—</i>				
Sight deposits	(521)	(518)	(585)	(569)
Time deposits	(211)	(203)	(220)	(200)
2. Caixa Geral de Depósitos	1,929	2,135	2,113	2,206
3. Savings Banks	935	924	980	937
<i>Commercial Bank Assets.</i>				
Cash	170	163	195	155
Inland bills	374	433	484	499

The increase in deposits with commercial banks in 1934 was almost entirely due to the expansion of sight deposits, which is reflected in a rise of the clearing turnover from 6,685 million escudos in 1933 to 7,405 millions in 1934. In spite of a marked rise in discounts, the commercial banks' cash reserves increased appreciably during the year. The bill portfolio of the Bank of Portugal showed a slight downward tendency ; the Bank's discount rate, which had been 5½% since December 11th,

1933, was lowered to 5% on December 13th, 1934.

The increasing liquidity of the banking system in 1934 appears to have been partly due to the continued redemption of the floating debt of the State, which, in fact, was completely liquidated in the course of the year. After the extinction of the floating debt, however, it was the further improvement, of the Treasury position and the consequent remarkable growth of State deposits at the central bank which seems to have been partly responsible for the considerably heavier decrease in the note circulation and in commercial banks' cash assets and deposit liabilities in the first half of 1935 than in the corresponding period of 1934. Another factor accounting for the rise in banking liquidity in 1934 was the substantial increase of the gold stock (entered at the official parity established in 1931) and the exchange reserve of the Bank of Portugal. In the first half of 1935, however, a slight decrease in foreign assets may have contributed to the relative contraction of commercial-bank deposits noted above.

The exchange restrictions in force, dating in some cases as far back as 1914, are of little significance for commodity trade and are mainly designed to check abnormal exports of capital. Export of foreign exchange up to an amount of £100 or its equivalent in other currencies requires no permit ; in June 1934, this limit was also established for tourist purposes, where the free quota had previously been £10.

The currency continues to be pegged to sterling at the rate of 110 escudos to the pound.

Balance-sheet Summary.

1 and 2. *Cash and Other Items of a Cash Nature ;*
3 and 7. *Bills, Loans and Advances.*

Escudos (000,000's)	1929	1931	1932	1933
Cash in hand	80	126	77	77
Deposits in other banks	82	82	89	92
Foreign notes and coin	—	2	2	1
Total (1 and 2)	162	210	168	170
Bills discounted	470	292	323	358
Bills receivable	95	16	10	16
Total (3)	565	308	333	374
Secured loans and advances	203	221	194	180
Sundry debtors :				
In national currency	231	112	110	74
In foreign currency		29	25	17
Total (7)	434	362	329	271

17. *Deposits.*

Escudos (000,000's)	1929	1931	1932	1933
Demand deposits :				
National currency	—	433	451	492
Foreign currency	—	31	30	29
Total (a)	481	464	481	521
Time deposits :				
National currency	—	221	205	209
Foreign currency	—	4	2	2
Total (c)	277	225	207	211
Sundry creditors :				
National currency	—	81	74	62
Foreign currency	—	41	56	44
Total (d)	290	122	130	106
Grand total	1,048	811	818	838

PORTUGAL.

COMMERCIAL BANKS ^a

Table 31 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1930	1931	1932	1933
Number of Banks.	23 ^a	22 ^a	23 ^a	25 ^a	19 ^a
ASSETS.					
Escudos (ooo,ooo's omitted)					
I. Cash.					
(a) Gold, silver and small coins.					
(b) Notes of inland banks, State notes and balances with the Central Bank	162	145	210	168	170
2. Other Items of a Cash Nature.					
3. Bills discounted and bought.	581	386	320	343	381
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	565	371	308	333	374
(c) Commercial bills, Foreign.	16	15	12	10	7
4. Investments and Securities.	91	85	72	70	122
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	131	139	107	114	130
(a) At home.	—	76	58	42	44
(b) Abroad	—	63	49	72	86
7. Loans and Advances.	434	407	362	329	271
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	40	51	50	51
10. Sundry Assets	588	197	263	444	243
II. Total Assets	1,987	1,400	1,385	1,518	1,368
LIABILITIES.					
12. Capital paid up	198	198	223	237	195
13. Reserve Funds	50	81	84	102	94
14. Profit-and-Loss Balances, etc.	23	17	15	17	17
15. Cheques and Drafts, etc., in circulation.	14	17	16	11	8
16. Due to Banks (Correspondents)	119	76	62	44	50
(a) At home	—	39	32	21	21
(b) Abroad	—	37	30	24	29
17. Deposits	1,048	883	811	818	838
(a) Current accounts and sight deposits	481	389	464	481	521
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	277	255	225	207	211
(d) Other deposits	290	239	122	130	106
18. Rediscounts and Other Borrowings	—	—	—	—	—
19. Acceptances and Endorsements	—	—	—	—	—
20. Sundry Liabilities.	535	128	174	289	166
21. Total Liabilities.	1,987	1,400	1,385	1,518	1,368
22. Value of currency in Swiss francs at the end of each year	0.23	0.23	0.17	0.16	0.14

^a Source: *Anuario Estatístico*, 1929, and *Situação Bancária*, 1931-1933. Excluding the Banco Nacional Ultramarino and the Banco de Angola.

ROUMANIA.

The outstanding development in Roumanian banking in the course of 1934/35 has been the beginning of banking reorganisation in virtue of the Law of May 4th, 1934.¹ Of 939 banks existing at the end of 1934, only about 400 are likely to survive after the reorganisation.² Of the 115 banks registered at Bucharest, only eight big banks have refused to avail themselves of the facilities granted by the law, twenty banks have obtained substantial reductions in their liabilities by various agreements with their creditors, and the remaining eighty-five are to be liquidated. The total number of banks registered outside Bucharest amounted to 824. Of these, twenty-nine are able to meet their obligations in full, 155 have concluded agreements with their creditors, seventy-three have appealed to the Board of Arbitration, seventy are to be liquidated, thirty-seven have already applied for liquidation without bankruptcy procedure, and some 360 banks are to be closed down. No figures are yet available for gauging correctly the relative importance of the banks to be liquidated or closed; their importance, however, is not proportionate to their number.³

The National Bank and the Government have come to the assistance of distressed banks in a generous way. The total bill portfolio⁴ of the National Bank shot up as a result of the banking crisis from 11.2 milliard lei at the end of June 1931 to 18.9 milliard lei at the end of December 1931, and has since then, as may be seen from the following summary of the principal accounts of the National Bank, risen to 19.2 milliard lei at the end of 1934 :

	31.XII 1932	31.XII 1933	31.XII 1934	30.VI 1935
	Lei (000,000's)			
1. Gold and foreign assets	10,021	10,153	10,376	10,653
2. Total bill portfolio	18,712	18,554	19,198	
Of which—				
(a) Commercial bill portfolio	(9,958)	(8,823)	(5,961)	(5,009)
(b) Agricultural and urban bills	(3,004)	(3,166)	(2,946)	(2,758)
(c) Special Treasury bills	—	—	(4,013)	(4,540)
3. Note circulation	21,594	21,219	22,307	21,261
4. Sight liabilities on private account	4,241	5,592	5,840	5,714
5. Sight liabilities on account of State and autonomous enterprises	613	1,192	1,092	2,553

This increase was primarily due to rediscounts

of bills held by the commercial banks. The bills rediscounted were mainly illiquid agricultural and urban bills, shown separately since the last quarter of 1932, which rose rapidly from 3 milliard lei at the end of 1932 to 5.3 milliard lei at the end of June 1934. Since the latter date, both illiquid agricultural and urban bills and bills designated as "commercial" have fallen, so that by the end of 1934 they amounted together to 9.8 milliard lei as against 12 milliards at the end of 1933. This fall, however, is only apparent, as the difference has been transferred to other items of the balance-sheet — namely, "Sundry assets" and "Treasury bills for losses on agricultural and urban assets" (item 2 (c) above). The Treasury bills were acquired by the Bank by virtue of the Convention¹ of April 7th, 1934, between the Bank and the State, whereby the former was to be compensated for its losses on agricultural and urban bills by means of 17½ annuities of 450 million lei each. The equivalent of these was given by the State in the form of Treasury bills amounting to 7,875 million lei, of which only 4,013 millions figured under the heading of losses at the end of 1934. Commercial bills and agricultural and urban bills fell by 952 and 188 million lei respectively during the first half of 1935, whereas Treasury bills held as cover against losses rose by 527 million lei. The difference between the total amount of Treasury bills given by the State and the amount used by the Bank as cover against losses is to be applied to banking reconstruction, in particular for the reorganisation of co-operative credit.

The effect of these transactions on total monetary circulation was a substantial increase in the aggregate means of payment. The index of the means of payment, as measured by the total sight liabilities of the National Bank — items 3, 4 and 5 above — and subsidiary coin in circulation, with December 31st, 1929, as base, rose rapidly from 100.3 at the end of 1930 to 121.7, 126.0, 132.3 and 137.2 at the end of 1931, 1932, 1933 and 1934 respectively. This expansion occurred during a period in which there was a steady decrease in foreign trade, and a decline in gold and foreign assets reserves of the National Bank — the increase since 1932 being due mainly to the purchase of locally produced gold — and has been accompanied by an increasing stringency in foreign-exchange regulations.

The development of commercial banks during 1934/35 cannot be ascertained from figures available

¹ See *Commercial Banks, 1929-1934*, page 96.

² See Annual Report of the National Bank of Roumania for 1934.

³ At the end of 1933, the balance-sheet totals of thirty-nine banks with a capital of 100 million lei or more accounted for 61.6% of the combined balance-sheets of 913 reporting banks.

⁴ For detailed statement, see Report of the Adviser to the National Bank, dated February 1935, page 65.

at the time of writing.¹ The following table gives a summary of the balance-sheets of the leading banks for 1932-1934 as published by the National Bank of Roumania:²

	31.XII 1932	31.XII 1933	31.XII 1934
	Lei (000,000's)		
1. Cash assets	1,221	1,544	1,621
2. Bill portfolio	5,800	5,971	2,810
3. Securities and participations	2,960	2,047	1,942
4. Loans and advances	8,990	8,471	7,803
5. Deposits	10,427	9,543	8,163
Of which—			
(a) Current accounts	(6,592)	(5,230)	(2,730)
(b) Time deposits	(3,835)	(3,225)	(4,020)
6. Rediscounts	4,722	4,501	2,907
7. Total balance-sheet	21,016	19,504	15,595

The figures for 1933 and 1934 are not strictly comparable, first because the number of banks covered is different, and secondly because the

balance-sheets for 1934 were established according to a new model prepared by the Supreme Banking Council. The figures relate to twelve leading Banks³ in 1932 and 1933, and to nine banks in 1934. The combined balance-sheets of the three banks for which no 1934 figures are available accounted for 21% of the aggregate balance-sheets of the twelve banks at the end of 1932. Despite these shortcomings, the accounts of the nine banks for 1934 reveal the following tendencies. The level of deposits is high in comparison with 1933 and would suggest an increase in savings deposits with these banks. This rise in deposits was accompanied by a reduction in rediscounts and by an increase in cash assets. The expansion in the latter seems due to the higher reserve requirements established by the banking law. The reduction in the bill portfolio is due to the extent of 1,179 million lei to the transfer of agricultural and urban bills to a new item of the balance-sheet.

Balance-sheet Summary.

1 and 2. Cash Assets.

Lei (000,000's)	1929	1930	1931	1932
"Cash"	3,510	3,742	1,739	1,683
"Banks"	3,119	4,268	1,321	839
Total	6,629	8,010	3,060	2,522

No particulars are available for 1933.

7. Loans and Advances.

The sums under (a) are "current-account debtors", and those under (b) are "sundry advances". Current accounts include inter-bank accounts.

10. Sundry Assets.

Lei (000,000's)	1929	1932	1933
Merchandise	622	55	—
Collection accounts	1,440	146	—
Transitory accounts	114	163	75
Expenditure relating to following year	26	17	—
Losses	155	658	794
Net balance of guarantee accounts and sundries	—	480	—
Total	2,357	1,519	869

14. Profit and Loss, etc.

The total of the losses incurred by the banks and included in group 10 should be deducted in order

to arrive at the net profits or losses of the banking system as a whole, as is done below:

Lei (000,000's)	1929	1932	1933
Net profit of individual banks	1,947	188	195
Losses of individual banks	155	658	794
Balance of net profits or losses of banking system	1,792	—470	—599

17. Deposits.

Distinction is made only between current-account creditors and other deposits as shown below:

Lei (000,000's)	1929	1932	1933
Current-account creditors	19,561	11,714	11,270
Deposits	31,753	14,469	13,653
Total	51,314	26,183	24,923

20. Sundry Liabilities.

Lei (000,000's)	1929	1932	1933
Depositors of bills for collection	1,575	340	—
Transitory accounts	683	222	243
Net balance of guarantee accounts and sundries	1,060	—	—
Unclaimed dividends	84	80	—
Earnings relating to following year	323	59	56
Total	3,725	701	299

¹ End of November 1935.

² Bulletin No. 4, 1935, pages 151-157. The figures for the end of 1932 were compiled from the official *Statistica Societatilor pe Actiuni* relating to that year.

³ These are Crédit roumain, Banque Romaneasca, Banque commerciale roumaine, Banque d'agriculture et d'exportation, Société bancaire roumaine, Banque centrale coopérative, Société nationale de Crédit industriel, Banque Marmarosch Blank et Cie, Banques Réunies de Banat, Banque Chrissoveloni, Banque Victoria of Arad, and the Caisse générale d'Épargne of Sibin. The last three were excluded from the 1934 review of the National Bank on the grounds that they do not belong to the group of banks having a capital of over 100 million lei.

ROUMANIA.

COMMERCIAL BANKS

Table 32 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :			
	1929	1931	1932	1933
Number of Banks	1,097	1,037	953	913
ASSETS.				
Lei (ooo,ooo's omitted)				
1. Cash				
(a) Gold, silver and small coins				
(b) Inland notes and balances with Central Bank	6,629	3,060	2,522	3,129
2. Other Items of a Cash Nature				
3. Bills discounted and bought	31,826	25,815	21,985	20,915
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	2,781	2,625	2,227	1,862
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	3,582	3,667	2,535	1,671
6. Due from Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
7. Loans and Advances	34,504	24,952	21,880	20,205
(a) On current account	28,907	21,047	18,083	18,472
(b) Other	5,597	3,905	3,797	1,733
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	2,601	3,478	3,533	3,125
10. Sundry Assets	2,357	1,862	1,519	869
11. Total Assets	84,280	65,459	56,201	51,776
LIABILITIES.				
12. Capital paid up	10,411	10,652	10,060	9,361
13. Reserve Funds	4,433	4,919	4,459	4,195
14. Profit-and-Loss Account, Undivided Profits, etc.	1,947	493	188	139
15. Cheques and Drafts in circulation	280	122	156	39
16. Due to Banks (Correspondents)	—	—	—	—
(a) At home	—	—	—	—
(b) Abroad	—	—	—	—
17. Deposits	51,314	30,206	26,183	24,923
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
18. Rediscounts and Other Borrowings	12,170	16,258	14,454	12,820
19. Acceptances and Endorsements	—	—	—	—
20. Sundry Liabilities	3,725	2,809	701	299
21. Total Liabilities	84,280	65,459	56,201	51,776
22. Value of currency in Swiss francs at the end of each year	0.031	0.031	0.031	0.030

SPAIN.

The improvement in the Spanish banking situation which was in evidence during 1932/33 became more marked in the course of 1934/35, as the following summary of the principal accounts of the Bank of Spain and of the "inscribed" commercial banks shows :

	31/XII/ 1933	30/VI/ 1934	31/XII/ 1934	30/VI/ 1935
	Pesetas (ooo,ooo's)			
<i>Bank of Spain.</i>				
1. Note circulation	4,825	4,533	4,696	4,541
2. Deposits	934	948	866	898
3. Gold, silver and foreign assets	3,184	3,231	3,226	3,257
4. Loans and discounts	2,760	2,372	2,525	2,381
<i>"Inscribed" Commercial Banks :</i>				
5. Cash balances with the Bank of Spain	1,152	1,201	1,082	1,031
6. Commercial bill portfolio	1,474	1,486	1,573	1,575
7. Securities	4,038	4,071	4,514	4,629
Of which. — Public	(2,586)	(2,524)	(2,961)	(3,128)
8. Loans and advances	1,950	1,934	1,957	1,890
Of which. — On current account	(491)	(490)	(559)	(559)
9. Deposits	6,077	6,284	6,556	6,731
Of which. — Sight	(2,978)	(3,066)	(3,244)	(3,145)

The note circulation and the total loans and discounts of the Bank of Spain, which, in consequence of the banking crisis in the summer of 1931, had risen to 5,457 and 3,000 million pesetas respectively at the end of July 1931, were restored by the end of June 1935 to their normal pre-crisis levels. The return flow of deposits to the commercial banks continued at a rapid rate, so that total deposits with the "inscribed" banks at the end of June 1935 were only 125 million pesetas less than at the end of June 1930, when they had reached their highest recorded level. This return of deposits to commercial banks took place, as is shown by the following table, simultaneously with an increase in deposits with Savings Banks, so that aggregate deposits¹ reached the high level of 1930 at the end of 1933, and were considerably in excess of that level at the end of 1934 :

	End of : 1930	1931	1932	1933	1934
	Pesetas (ooo,ooo's)				
1. Ordinary Savings Banks	1,882	2,014	2,158	2,307	2,778
2. Postal Savings Banks	265	278	298	309	338
3. <i>Montes de Piedad</i>	370	409	423	443	...
4. Total deposits in Savings Banks	2,517	2,701	2,879	3,059	...
5. Total deposits in "inscribed" commercial banks	6,568	5,376	5,812	6,077	6,556
6. Aggregate deposits ¹	9,085	8,077	8,691	9,136	...

The substantial increase in the resources of the commercial banks has not been accompanied, however, by any considerable expansion of their principal commercial assets. Though the commercial bill portfolio and current account loans and advances have risen jointly by 169 million pesetas — an amount corresponding to the reduction in cash balances with the Bank of Spain — in the twelve months ended June 30th, 1935, the bill portfolio and total loans and advances are still 133 and 394 million pesetas respectively less than they were at the end of 1930. The additional resources of the banks have been used principally to increase their holdings of securities, in particular of Government securities. Between the end of December 1931 and the end of June 1935, public security holdings rose by 832 million pesetas, and of this amount 604 millions were acquired in the course of the twelve months ended June 30th, 1935. The preference of the banks for public securities seems to reflect the relatively stagnant business conditions prevailing in Spain² and also the extent to which the Government had recourse to the banks to finance the budgetary deficits.

Apart from certain changes decreed in June 1935 with a view to attracting capital (Spanish and foreign) from abroad, there have been no important modifications in the foreign exchange control instituted in May 1931. The *Centro Oficial de Contratacion de Moneda*, an independent organisation operating with funds provided jointly by the State and the Bank of Spain, continues to centralise all foreign exchange transactions, and has since

¹ This does not include deposits with non-inscribed banks, which at the end of 1930 represented about 8% of the deposits held by all deposit-receiving institutions.

² The combined industrial and commercial activity index prepared by the Consejo Superior de las Camaras de Comercio, Industria y Navegacion, 1926 = 100, which had fallen from 134.9 in 1930 to 95.2 in 1933, recovered only to 102.4 in the course of 1934. Total commodity-trade turnover continued to fall, due to a reduction of exports ; it declined from 1,504 million gold pesetas in 1933 to 1,472 millions in 1934, and from 757 millions in the first six months of 1934 to 717 millions in the first half of 1935.

May 1934 pegged the peseta in relation to the French franc at 42.1% of the legal gold parity. It has been able to maintain this rate despite the increase in the unfavourable balance of trade¹ in the period under review and without recourse to the metallic and foreign assets reserves of the Bank of Spain (item 2 of first table).

As the balance-sheets (summarised in the previous issues of this chapter) of all the banks operating in Spain are published with a delay of about eighteen months, the present Summary

Table covers only the accounts of the "inscribed" banks, which are published quarterly by the Supreme Banking Council in the *Balances trimestrales de la Banca inscrita*. At the end of 1933, the deposits and total balance-sheets of the "inscribed" banks represented 91 and 90% respectively of all the deposits and aggregate balance-sheets of the entire commercial banking system. The classification and composition of the accounts are identical with those of the more complete figures.

Balance-sheet Summary.

1. Cash.

The amounts shown consist of "cash and balances with the Bank of Spain".

2. Other Items of a Cash Nature.

These consist of cheques, etc., on other banks and small amounts of foreign money.

3. Bills discounted and bought.

These consist entirely of commercial bills which are almost exclusively of a maturity of under ninety days.

7. Loans and Advances.

These are composed as follows :

Pesetas (000,000's)	1929	1931	1932	1933	1934
Sight advances	448	375	414	491	559
Loans in foreign currencies	412	211	168	185	123
Total (a)	860	586	582	676	682
Time advances	633	493	546	566	580
Collateral advances	729	640	669	708	695
Total (b)	1,362	1,133	1,215	1,274	1,275
Grand total	2,222	1,719	1,797	1,950	1,957

11 and 22. Total Assets and Liabilities.

Not including unpaid capital or banks' holdings of own shares, which were as follows :

Pesetas (000,000's)	Unpaid capital	Holding of own shares	Total
1929	154	401	555
1930	128	571	699
1931	154	547	701
1932	143	547	690
1933	141	546	687
1934	138	547	685

13. Reserve Funds.

Since 1931 this item includes a special fund for currency fluctuations shown below :

	Pesetas (000,000's)
1931	95
1932	125
1933	123
1934	118

18. Deposits.

These are composed as follows :

Pesetas (000,000's)	1929	1931	1932	1933	1934
Sight deposits	3,197	2,708	2,922	2,978	3,244
Deposits in foreign currencies	408	307	275	287	218
Total (a)	3,605	3,015	3,197	3,265	3,462
Time deposits :					
Up to one month	1,192	1,339	1,589	1,695	1,904
Over one month	1,287	1,022	1,026	1,117	1,190
Total (c)	2,479	2,361	2,615	2,812	3,094
Grand total (a)+(c)	6,084	5,376	5,812	6,077	6,556

¹ This rose from 177 million gold pesetas in 1933 to 250 millions in 1934, and from 116 millions in the first half of 1934 to 131 millions in the first half of 1935.

SPAIN.

COMMERCIAL BANKS

Table 33 (a).

ACCOUNTS	SUMMARY OF POSITION AT END OF:				
	1929	1931	1932	1933	1934
Number of banks	123	122	122	124	122
ASSETS.					
	Pesetas (ooo,ooo's omitted)				
I. Cash	965	1,049	1,057	1,152	1,082
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	577	563	580	547	581
3. Bills discounted and bought	1,662	1,397	1,515	1,474	1,573
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, inland	—	—	—	—	—
(c) Commercial bills, foreign	—	—	—	—	—
4. Investments and Securities	3,550	3,740	3,867	4,038	4,514
(a) Government	2,117	2,296	2,441	2,586	2,961
(b) Other	1,433	1,444	1,426	1,452	1,553
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	2,222	1,719	1,797	1,950	1,957
(a) On current account	860	586	582	676	682
(b) Other	1,362	1,133	1,215	1,274	1,275
8. Cover for Acceptances	114	95	79	74	123
9. Premises, etc.	243	262	276	290	303
10. Sundry Assets	1,446	1,307	2,049	2,158	1,493
II. Total Assets	10,779	10,132	11,220	11,683	11,626
LIABILITIES.					
12. Capital paid up	896	908	933	934	932
13. Reserve Funds	411	508	515	534	539
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—
15. Notes in Circulation	—	—	—	—	—
16. Cheques and drafts, etc., in Circulation	185	164	141	154	180
17. Due to Banks (Correspondents)	1,548	1,836	1,774	1,880	1,829
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	6,084	5,376	5,812	6,077	6,556
(a) Current accounts and sight deposits	3,605	3,015	3,197	3,265	3,462
(b) Savings accounts	—	—	—	—	—
(c) Time or fixed deposits	2,479	2,361	2,615	2,812	3,094
(d) Other deposits	—	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	107	96	80	76	123
21. Sundry Liabilities	1,548	1,244	1,965	2,028	1,467
22. Total Liabilities	10,779	10,132	11,220	11,683	11,626
23. Value of currency in Swiss francs at the end of each year	0.71	0.43	0.42	0.42	0.42

SWEDEN.

During 1934/35, the Swedish monetary and banking system continued to be dominated by the conditions of exceptional liquidity which had developed since 1932, though in 1935 there were signs of increasing demands for credit arising from the continued advance in production and investment. The monetary expansion was mainly based on further increases in gold and foreign-exchange reserves, which, along with the other principal accounts of the Riksbank and the commercial banks during 1934/35, are shown below :

End of:	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935
	Kronor (000,000's)				
<i>Riksbank :</i>					
Gold	370	370	351	355	408
Foreign exchange . .	446	445	553	614	629
Loans and discounts .	56	48	44	50	42
Securities	227	151	149	129	29
Note circulation . .	648	653	708	718	786
Sight deposits . . .	469	396	405	452	383
<i>Commercial Banks :</i>					
Cash assets	391	307	349	298	351
Net foreign assets . .	106	170	225	175	230
Loans and discounts .	3,905	3,823	3,794	3,908	3,827
Deposits	3,628	3,559	3,553	3,606	3,632

In 1935, the Riksbank's gold stock, which was fed in part by receipts from domestic mines, increased by 57 million kronor as against a decline of 19 millions in the preceding year, while its foreign-exchange holdings rose by 76 million as compared with an increase of 107 million kronor in 1934, so that the gold and exchange reserve combined showed an increase of 133 millions in 1935 as against 88 millions in 1934. The actual increase during 1935 was even larger, as gold is still entered at the old legal parity, while foreign assets, which are likewise calculated at the old parities, consist mainly of sterling, for which currency the actual pegged rate of exchange of 19.40 kronor to the £ is only slightly above the official parity of 18.16. It is stated that, at the current exchange rates, the Riksbank's exchange holdings at the end of 1935 would have been 48 million kronor above their book value, while the gold stock, if valued at the market price of gold at the same date, contained a potential reserve of as much as 316 million kronor.

In contrast to 1934, when their acquisitions of foreign exchange exceeded those of the Riksbank, the commercial banks' net foreign assets showed,

on balance, little change in 1935. Among the factors which induced the banks in that year to pass on their foreign-exchange receipts to the central bank, mention may be made of the monthly issues, since October 1934, of three-months' Treasury bills, which were increased from 15 million to 20 million kronor per month at the beginning of 1935 and which were taken up almost exclusively by the commercial banks. In addition, the persistent downward movement of aggregate loans and discounts appears to have come to a halt in 1935, and the demand for banking credit on the part of private borrowers showed signs of revival ; on June 30th, 1935, banks' loans and discounts were 85 million kronor higher than at the corresponding date in 1934, though the end-of-year figure for 1935 was only 33 millions in excess of that for 1934.¹ The remarkable increase in building activity which developed after the settlement, in February 1934, of a prolonged labour conflict in the building trade was mainly financed by the savings banks. The latter, however, gradually reduced the free balances which they are in the habit of holding with the commercial banks. These balances (net) declined steadily from 167 million kronor at the end of June 1934 to 76 millions at the end of December 1935 ; at the same time, their composition showed a marked change : at the former date, the gross liabilities of commercial banks to savings banks (included in item 16 in the adjoining Summary Table) consisted of 42 million kronor on current account and 127 millions on time deposit, while, at the latter, current accounts amounted to 79 million and time deposits only to 2 million kronor. The cash reserves of commercial banks in 1935 ruled, on the whole, at a somewhat lower level than in the previous year, though even in 1935 they were abnormally high. During the whole period 1934/35, rediscounts of commercial banks with the Riksbank were nil or negligible.

As may be seen from the Summary Table, the fall in aggregate commercial-bank deposits in 1934 was made good in 1935, chiefly by a marked expansion of current-account and sight deposits. The note circulation during the two years 1934 and 1935 increased by 21 %, reaching at the end of 1935 the highest figure recorded since 1920. From the table given above, it might appear that the Riksbank, by sales of securities, has attempted to check an undue expansion of its outside liabilities resulting from the increase in gold and foreign-exchange reserves. This may have been the case

¹ These figures have been affected by the amortisations carried out in January 1935 by the fourth largest bank, Göteborgs Bank, which wrote down its share capital of 43.75 millions by one-half and appropriated 2 millions and 4 millions respectively out of reserves and profits, in order to cover losses and depreciation of assets amounting to about 28 million kronor. The bank's share capital was replenished by an issue of 22 million kronor of new shares.

to a certain extent ; but a considerable part of the decrease in the Riksbank's security portfolio appears to have been connected with repayments of the advances made to the Skandinaviska Kreditaktiebolaget in 1932¹ and partly also with transfers to the State of part of the Riksbank's claims on that bank. (Thus, at the end of 1935, 50 million kronor of State securities were transferred from the Riksbank to the National Debt Office along with an equivalent amount of claims on the bank in question, while the current account of the State at the Riksbank was reduced by a similar amount.)

The abundance of investible funds maintained interest rates at the low level to which they had fallen in the latter part of 1933. Commercial banks' deposit, discount and loan rates underwent practically no change during 1934/35, but a

reduction of the rate on deposits at the Post Office Savings Bank from 2½ % to 2 % on January 1st, 1935, was followed by similar reductions on the part of private savings institutions. The average tender rate of discount on the Treasury-bill issues mentioned above has been extremely low, fluctuating between 0.60 % (November 1934) and 0.35 % (September 1935). The favourable conditions obtaining on the Stockholm capital market during the period under review attracted foreign bond-issues from Denmark, Finland, Iceland and Norway. In 1935, however, a small but perceptible rise took place in the long-term rate of interest ; the average percentage yield on seven Government bonds, which had stood at 3.71 % in December 1933, rose from 3.01 % in December 1934 to 3.32 % in December 1935.

Balance-sheet Summary.

General Note.

It is stated that, at the beginning of 1935, certain changes were effected in the official banking statistics. The classification of items remains the same, but accounts of individual banks have in some cases been placed under different headings. In particular, a large part of the sums previously included under "Sundry assets" has been transferred to other groups of assets. The figures for 1935, therefore, are not entirely comparable with those for the preceding years.

3. Bills discounted and bought.

Treasury bills are included under group 4. Group 3(b) excludes bills rediscounted, which, in conformity with the procedure adopted in the Swedish statistics until 1934, are given in a special account (item 23) outside the balance-sheet proper. In the following statement, total inland discounts are shown, including rediscounts :

Kronor (000,000's)	1929	1931	1932	1933	1934	1935
Inland bills :						
In portfolio	966	976	1,169	1,103	1,045	1,065
Rediscounted	254	327	116	1	—	—
Total	1,220	1,303	1,284	1,104	1,045	1,065

4. Investments and Securities.

Kronor (000,000's)	1929	1931	1932	1933	1934	1935
Government securities and interest-bearing bonds :						
Inland	162	177	199	217	173	177
Foreign	135	126	98	63	126	116
Shares	98	108	129	182	341	355
Total	395	411	426	462	640	648

7. Loans and Advances.

Kronor (000,000's)	1929	1931	1932	1933	1934	1935
Credits opened in current account :						
Actually drawn	732	792	650	542	509	481
Undrawn balances ^a	310	257	238	254	238	250
Loans	2,471	2,600	2,381	2,260	2,240	2,281
Total	3,513	3,649	3,269	3,056	2,987	3,012
Thereof granted against :						
1. Mortgages	1,468	1,398	1,419	1,427	1,496	1,546
2. Shares	1,123	1,183	888	707	597	546
3. Bonds, goods or other real security	384	589	495	495	460	480
4. Personal guarantees	538	479	467	427	434	440
Total as above	3,513	3,649	3,269	3,056	2,987	3,012

^a Item 22 of Summary Table.

17. Deposits.

The potential sight liability represented by the unutilised balances of credits granted are not included under deposits, but are shown as a separate account outside the balance-sheet. Had they been included, the sums under (a) would have been as follows :

Kronor (000,000's)	1929	1931	1932	1933	1934	1935
Giro and cheque accounts	409	438	406	437	497	567
Unutilised balances of credits opened	310	257	238	254	238	250
Deposits under one month	250	172	219	237	199	199
Total	969	867	863	928	934	1,016

[Continued at foot of page 167.]

¹ See *Commercial Banks, 1925-1933*, page 193, and *Commercial Banks, 1929-1934*, page 103.

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Table 34 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1931	1932	1933	1934	1935
Number of : Banks	30	30	30	29	29	28
Branches and Sub-Branches	1,015	1,016	1,012	1,011	1,008	...
ASSETS.						
Kronor (000,000's omitted)						
1. Cash	84	88	133	333	287	281
(a) Gold, silver and small coins	1	1	1	1	1	1
(b) Inland notes and balances with Central Bank	83	87	132	332	286	280
2. Other Items of a Cash Nature	43	47	47	58	62	70
3. Bills discounted and bought	1,047	1,066	1,239	1,166	1,117	1,141
(a) Treasury bills	—	—	—	—	—	—
(b) Commercial bills, Inland	966	976	1,169	1,103	1,045	1,065
(c) Commercial bills, Foreign	81	90	70	63	72	76
4. Investments and Securities	395	411	426	462	640	648
(a) Government	—	—	—	—	—	—
(b) Other	—	—	—	—	—	—
5. Participations	—	—	—	—	—	—
6. Due from Banks (Correspondents)	302	170	266	229	215	252
(a) At home	89	83	172	140	128	128
(b) Abroad	213	87	94	89	87	124
7. Loans and Advances	3,203	3,392	3,031	2,802	2,749	2,762
(a) On current account	732	792	650	542	509	481
(b) Other	2,471	2,600	2,381	2,260	2,240	2,281
8. Cover for Acceptances	—	—	—	—	—	—
9. Premises, etc.	89	88	94	98	96	92
10. Sundry Assets	220	230	453	506	221	176
11. Total Assets	5,383	5,492	5,689	5,654	5,387	5,422
LIABILITIES.						
12. Capital paid up	514	525	525	505	486	480
13. Reserve Funds	312	309	293	204	202	203
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—
15. Cheques and Drafts in Circulation	93	76	61	72	78	78
16. Due to Banks (Correspondents)	319	320	334	354	309	311
(a) At home	208	257	287	245	249	225
(b) Abroad	111	63	47	109	60	86
17. Deposits	3,481	3,553	3,556	3,628	3,553	3,632
(a) Current accounts and sight deposits	659	610	625	674	697	766
(b) Savings accounts	688	686	648	643	656	674
(c) Time or fixed deposits	2,134	2,257	2,283	2,311	2,200	2,192
(d) Other deposits	—	—	—	—	—	—
18. Borrowings by the Banks	297	325	532	487	421	360
19. Acceptances and Endorsements	6	2	1	3	7	8
20. Sundry Liabilities	361	382	387	401	331	350
21. Total Liabilities	5,383	5,492	5,689	5,654	5,387	5,422
22. Unutilised balances of credits granted	310	257	238	254	238	250
23. Rediscounts	254	327	116	1	—	9
24. Borrowings against own or pledged securities	41	25	129	91	13	14
25. Guarantees . . . . .	...	(265) ^a	151	156	134	135
26. Value of currency in Swiss francs at the end of each year	1.39	0.95	0.93	0.87	0.78	0.78

^a January 30th, 1932.

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COMMERCIAL BANKS

Table 34 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks	30	30	30	29	29
	Kronor (000,000's omitted)				
Capital paid up	514	525	525	505	486
Reserves and Undivided Profits	348	353	325	231	231
1. Gross Profits	160.4	169.9	162.2	135.7	136.1
<i>To be deducted:</i>					
2. Expenses	74.4	75.6	70.5	70.6	65.8
(a) Salaries, etc.	46.1	46.9	46.4	46.6	45.4
(b) Other working expenses	19.0	21.2	19.9	19.5	16.3
(c) Taxes, etc.	9.3	7.5	4.2	4.5	4.1
3. Reserved for Pension Funds, etc.	1.2	0.5	0.3	0.5	3.7
4. Written off on (Depreciation Accounts for)	19.8	61.9	236.8	47.1	56.1
(a) Premises, etc.	1.9	0.8	0.8	0.5	1.0
(b) Investments and securities	1.4	28.1	43.9	10.9	8.9
(c) Other assets	16.5	33.0	192.1	35.7	46.2
5. Remaining Net Profit (+) or Loss (—)	+ 65.0	+ 31.9	—145.4	+ 17.5	+ 10.5
6. Carried forward from preceding year	35.9	44.2	31.7	27.2	28.7
7. Taken from Reserves or Capital	—	1.7	160.4	8.7	23.9
8. Total Amount disposed of for Dividends, etc.	100.9	77.8	46.7	53.4	63.1
9. Carried to Reserves	8.8	11.4	0.4	0.3	10.5
10. Dividends	51.0	34.7	19.1	23.9	27.6
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year	41.1	31.7	27.2	29.2	25.0
13. Total as above	100.9	77.8	46.7	53.4	63.1
14. Value of currency in Swiss francs at the end of each year	1.39	0.95	0.93	0.87	0.78

18. *Rediscounts and Other Borrowings by the Banks.*

Rediscounted bills and the liability incurred in respect of them are not included in the balance-sheet proper in the banking statistics. The borrowings of the banks against their own securities or securities received as collateral for loans are likewise excluded and are shown outside the balance-sheet. If these two items be added, the following totals are obtained :

Kronor (000,000's)	1929	1931	1932	1933	1934	1935
Borrowings from other than banks :						
Mortgage bonds	135	160	151	147	1	157
Förlagsbevis	156	159	258	256	256	197
Other borrowings	6	6	123	84	.	6
Total (group 18)	297	325	532	487	421	360
Rediscounts	254	327	116	1	—	9
Borrowings against own or pledged securities	41	25	129	91	13	14
Grand total	592	677	777	579	434	383

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The contraction of commercial bank credit, which had so strongly characterised the banking situation in Switzerland during 1931, 1932 and 1933, continued in the course of 1934/35. As in previous years, this contraction was almost entirely due to the big banks; this may be seen from the following statement showing the principal accounts of the various groups of banks at the end of 1930, 1933 and 1934:

	1. Big banks	2. Cantonal banks	3. Local banks	4. Savings and Raiffeisen banks	5. Total credit in- stitutions (1-4)
	Francs (000,000's)				
Deposits.					
1930 . . .	5,644	5,993	3,082	1,424	16,143
1933 . . .	3,860	6,195	3,134	1,656	14,845
1934 . . .	3,358	6,294	2,991	1,687	14,330
Discounts, loans, etc.					
1930 . . .	6,081	6,175	3,205	1,260	16,721
1933 . . .	3,877	6,597	3,420	1,495	15,389
1934 . . .	3,588	6,782	3,334	1,542	15,246
Total balance- sheet.					
1930 . . .	8,578	7,465	3,943	1,533	21,519
1933 . . .	5,547	7,767	4,032	1,792	19,068
1934 . . .	4,998	7,912	3,899	1,825	18,634

At the end of 1934, the total balance-sheets of banks other than the big banks were larger than at the end of 1930, the year in which the accounts of the big banks were at their highest level. As a result of these developments, the relative importance of the two categories of banks in the total credit structure changed considerably. The share of the cantonal banks in total bank deposits rose from 37% at the end of 1930 to 44% at the end of 1934, while that of the big banks dropped from 35 to 23%, and, whereas the share of the former in the aggregate balance-sheet of all the banks covered by the above table rose from 35 to 42%, that of the latter shrunk from 40 to 27% between these dates. The contraction in the accounts of the local banks which occurred in 1934 was due to the closing of four such banks¹ with a combined balance-sheet of 97 million francs at the end of 1933.

The deterioration in the position of the seven big banks during 1934/35, which is brought out by

the following summary of their principal accounts, was again largely due to foreign withdrawals.

	31.XII. 1933	30.VI. 1934	31.XII. 1934	30.VI. 1935	30.IX. 1935
	Francs (000,000's)				
1. Cash, etc.	818	605	689	319	344
2. Bill portfolio	644	613	617	465	461
3. Securities, etc.	202	195	183	266	249
4. Correspondent debtors	392	427	351	411	421
5. Current account loans	2,026	1,978	1,855	1,458	1,305
6. Capital, reserves, etc.	1,001	988	957	958	958
7. Correspondent creditors	321	300	334	237	239
8. Deposits	3,860	3,457	3,358	2,793	2,727
<i>Of which —</i>					
(a) Current accounts	(1,306)	(1,179)	(1,106)	(863)	(887)
(b) Time deposits	(1,205)	(1,129)	(1,112)	(904)	(854)
(c) Cash bonds	(1,349)	(1,239)	(1,140)	(1,026)	(986)
9. Total balance-sheet (includ- ing unpaid capital)	5,547	5,193	4,998	4,349	4,250

The withdrawal of deposits continued during 1934 at the same rate as in the previous year, deposits falling by 502 million francs as against a decline of 488 millions during 1933. During the first quarter of 1935, the decline was small, 87 million francs, but withdrawals were resumed on a very large scale in the second quarter of 1935, when the seven banks lost another 425 million francs. Withdrawals on such an unprecedented scale were largely due to misgivings with regard to the future of the Swiss franc and occurred principally in the two months prior to the referendum of June 2nd on the *Initiative de crise*.² During the same quarter of 1935, the gold reserve of the National Bank of Switzerland fell by 513 million francs. There appear to have been no further foreign withdrawals in the course of the third quarter of 1935. The continued reduction in savings accounts and in cash bonds (items 8(b) and (c) above) reflects the unwillingness of the depositor to renew these forms of time deposit as they fall due.

The decline of 1,067 million francs in deposits in the eighteen months ended on June 30th, 1935, was accompanied principally by a reduction in current account loans and cash assets, which fell by 568 and 499 million francs respectively. The reduction in the principal earning assets of the banks was achieved mainly by cutting down credit facilities at home. Though some of the foreign assets of the banks were realised, even at a great loss,³ the major part of the big banks' foreign investments are, as may be seen from the following statement of the foreign investments of

¹ These were two "bigger" local banks, the Bank für Graubünden, Chur, and Bank in Zofingen, Zofingen, and two "smaller" local banks, Spar- und Leihkasse, Entlebuch, and J. Töndury & Co. Engadinerbank, Samaden.

² This referendum related to a number of proposals involving, *inter alia*, the raising of a large loan by the State for financing various projects and for supporting the price and wage structure of the country. The proposal was defeated.

³ "Das Schweizerische Bankwesen im Jahre 1934" (published by the Statistical Service of the National Bank of Switzerland), page 22.

six big banks at the end of 1934,¹ in countries with foreign transfer restrictions and cannot therefore be readily mobilised. The relative size of these investments may be judged from the figures for the total balance-sheet of each bank given in the last column.

	Foreign investments subject to transfer restrictions	Total foreign investments	Balance-sheet total
Francs (000,000's)			
Banque commerciale de Bâle	153	224	416
Banque fédérale	143	172	435
Crédit suisse	200	...	1,146
Leu & Co.	100	102	307
Société de Banque suisse	150	...	1,199
Union de Banques suisses	108	190	558

The foreign investments of the banks do not figure exclusively under current account loans. Some are shown under correspondent debtors and some, which figured before principally as bills, are now included among sundry assets. The decline in the bill portfolio during 1934/35 seems, therefore, to be partly due to changes in bookkeeping.

The reduction in cash reserves in 1934 was effected only in small part by drawing on balances with the National Bank. Bankers' balances with the National Bank (according to "Das Schweizerische Bankwesen im Jahre 1934"), comprising the balances of all Swiss banks as well as small balances on the part of foreign banks, declined by 65 millions, from 521 million francs at the end of 1933 to 456 million at the end of 1934. The reduction in the total cash reserves of the big banks amounted to 129 million francs during the same period. According to the same

source, there was a net reduction in private gold holdings during 1934 of at least 211 million gold francs. (During 1932 and 1933, there were net additions to private holdings amounting to 140 and 278 million francs respectively.) As it is not improbable that a large part of this gold is held by the big banks, it would appear that deposit withdrawals during 1934 were met principally by a reduction in their gold reserves.² On the other hand, the fall of 370 million francs in the cash reserves of the big banks in the first half of 1935 was accompanied by almost a corresponding reduction in the sight liabilities³ other than notes of the National Bank, which fell from 624 million francs at the end of December 1934 to 313 millions at the end of June 1935.

The heavy strain of the deposit withdrawals in the spring of 1935 and the immobilisation of a large part of its foreign assets induced one of the big banks, the Banque commerciale de Bâle, to apply for a moratorium. This moratorium was granted under certain conditions for the period June 12th, 1935, to June 30th, 1937. Towards the end of December 1935, another big bank, Leu & Co., also applied for a moratorium. These moratoria are granted in virtue of Article 25 of the Federal Law of November 8th, 1934, for the Protection of Savings and for the Control of Banks, which came into effect on March 1st, 1935. This article of the Banking Law provides that a moratorium can only be declared if the creditors of the bank are fully covered and if, during the time of the moratorium, the interest service can be maintained. The other provisions of this law were summarised in the 1934 edition of this volume.

Balance-sheet Summary.

I. Cash.

Figures of bankers' balances with the central bank are only available from the reports of the Banque Nationale and they are compared in the following statement with the total cash resources shown by all Swiss banks (including savings and co-operative banks) :

Francs (000,000's)	1. Total cash holdings of all Swiss banks	2. Balances with the National Bank	3. Difference between 1 and 2
1930	467	203	264
1931	1,290	813	477
1932	1,254	825	429
1933	1,040	521	519
1934	923	456	467

[Continued at foot of page 171.]

¹ Source: Annual reports of the six banks. No such information is available for the Banque populaire. The greater part of the investments shown above are in Germany, and these can be realised only at a very heavy loss, as the discount on registered marks amounts to about 50%. Interest payments have, however, been received by the banks, thanks to the various Swiss-German payment agreements.

² The gold reserves and the note circulation of the National Bank have shown the following movement since the end of 1930 (the comparisons relate to the end of each year) :

	1931	1932	1933	1934
Francs (000,000's)				
1. Increase or decrease in gold holdings abroad . . .	+ 784	- 574	+ 63	- 135
2. Increase or decrease in gold holdings at home . .	+ 850	+ 698	- 536	+ 47
3. Increase or decrease in total gold holdings . . .	+ 1,634	+ 124	- 473	- 88
4. Increase or decrease in total note circulation . .	+ 547	+ 4	- 110	- 70

³ These include other accounts besides bankers' balances, but, in the absence of more detailed monthly or half-yearly figures, the sight liabilities, exclusive of notes of the National Bank, may be taken to indicate the movement in bankers' balances.

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COMMERCIAL BANKS

Table 35 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of banks	212	217	216	223	222
ASSETS.					
Francs (ooo,ooo's omitted)					
1. Cash	367	1,278	1,236	1,018	903
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	—	—	—	—	—
3. Bills discounted and bought	1,915	1,382	1,154	948	921
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities					
(a) Government	1,165	1,405	1,409	1,274	1,201
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents)	2,177	1,114	842	716	613
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	13,056	13,203	13,161	12,945	12,783
(a) On current account	5,947	4,475	4,113	3,700	3,444
(b) Other	7,109	8,728	9,048	9,245	9,339
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	171	187	197	197	213
10. Sundry Assets	214	207	189	178	176
11. Total Assets	19,065	18,776	18,188	17,276	16,810
LIABILITIES.					
12. Capital paid up	1,850	1,897	1,883	1,699	1,725
13. Reserve Funds	541	569	577	537	534
14. Profit-and-Loss and Dividend Accounts, etc.	—	10	10	3	5
15. Cheques and Drafts, etc., in circulation	—	35	28	28	27
16. Due to Banks (Correspondents)	1,346	692	563	567	529
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	13,678	14,229	13,909	13,189	12,643
(a) Current accounts and sight deposits	3,756	2,449	2,418	2,191	1,954
(b) Savings accounts	3,294	4,575	4,680	4,591	4,553
(c) Time or fixed deposits	1,283	1,453	1,123	1,035	1,068
(d) Other deposits	5,345	5,752	5,688	5,372	5,068
18. Rediscounts and Other Borrowings	665	734	789	871	1,003
19. Acceptances and Endorsements	702	385	235	165	170
20. Sundry Liabilities	283	225	194	217	174
21. Total Liabilities	19,065	18,776	18,188	17,276	16,810

SWITZERLAND.

COMMERCIAL BANKS

Table 35 (b).

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS:				
	1929	1931	1932	1933	1934
Number of banks	212	217	216	223	222
	Francs (ooo,ooo's omitted)				
Capital paid up	1,849.8	1,897.3	1,882.3	1,698.5	1,724.4
Reserves and Undivided Profits	551.9	578.9	586.8	540.2	539.3
I. Gross Profits	360.7	361.0	322.8	294.4	281.5
<i>To be deducted:</i>					
2. Expenses	173.6	179.0	165.5	151.7	147.6
(a) Salaries, etc.	150.2	154.3	144.9	134.3	129.2
(b) Other working expenses	23.4	24.7	20.6	17.4	18.4
(c) Taxes, etc.	—	1.0	1.2	0.4	0.3
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Written off on (Depreciation Accounts for)	23.4	91.7	117.8	174.6	73.4
(a) Premises, etc.	—	—	—	—	—
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit or Loss (—)	163.7	89.3	38.3	—32.3	60.2
6. Carried forward from preceding year	10.9	9.9	9.7	2.7	5.0
7. Taken from Reserves or Capital	—	30.2	70.9	138.5	29.0
8. Total Amount disposed of for Dividends, etc.	174.6	129.4	118.9	108.9	94.2
9. Carried to Reserves	26.3	8.4	10.6	10.9	9.1
10. Dividends	131.5	108.8	102.7	90.6	81.7
11. Directors' Fees, etc.	3.6	1.7	1.2	1.1	0.5
12. Other purposes	2.0	0.8	1.7	1.9	1.1
13. Carried forward to following year	11.2	9.7	2.7	5.0	1.8
14. Total as above	174.6	129.4	118.9	108.9	94.2

The last column represents the Swiss banks' holdings of small coin, notes and gold. The net purchase of gold by the Swiss and foreign banks for their own account and for that of customers amounted to 140 and 278 million francs during 1932 and 1933 respectively. During 1934 there was a net reduction of over 211 million francs in private gold holdings.

4 and 5. Investments and Participations.

The composition of the investment portfolio of

all cantonal banks, all big banks, and most local banks is as follows :

Francs (ooo,ooo's)	1931	1932	1933	1934
<i>Swiss securities:</i>				
Bonds	951	979	921	903
Shares	190	202	182	156
Total	1,141	1,181	1,103	1,059
<i>Foreign securities:</i>				
Bonds	74	60	41	36
Shares	60	56	35	30
Total	134	116	76	66
Grand total	1,275	1,297	1,179	1,125

The composition of the Swiss portfolio is shown in the following statement, which includes all cantonal banks, but a smaller number of big banks and local banks than the preceding statement :

Francs (000,000's)	1931	1932	1933	1934
<i>Bonds of:</i>				
Federal Government and Railways	200	225	214	226
Cantons	186	174	180	176
Municipalities	89	88	84	82
Public Authorities total	475	487	478	484
<i>Bonds of:</i>				
Banks	372	352	312	289
Trust companies	23	19	15	11
Other enterprises	81	121	116	119
Private undertakings total	476	492	443	419
Total bonds	951	979	921	903
<i>Shares in:</i>				
Banks	67	78	69	50
Trust companies	46	48	43	41
Other enterprises	77	76	70	65
Total shares	190	202	182	156
Grand total	1,141	1,181	1,103	1,059

7. Loans and Advances.

The following statement, covering all banks (inclusive of savings banks, Raiffeisen banks' association), enables an estimate to be made of the importance of overdrafts in the total of current accounts and fixed loans and advances :

Francs (000,000's)	Current accounts and fixed loans		
	Covered	Uncovered	Total
1930 ^a	5,763	1,491	7,254
1931 ^a	5,466	1,259	6,725
1932	5,200	1,224	6,424
1933	4,842	1,161	6,003
1934	4,570	1,131	5,701

^a Excluding Raiffeisenkassen.

Loans on current account include cover for acceptances.

The following is the composition of the amounts shown under (b) :

Francs (000,000's)	1931	1932	1933	1934
Contangos	15	19	29	36
Long-term advances :				
Ordinary	1,479	1,384	1,340	1,366
Against mortgages	679	754	754	684
Mortgage loans	6,555	6,891	7,122	7,253
Total	8,728	9,048	9,245	9,339

17. Deposits, etc.

The sums given under (d) in this group of the Summary Table represent bank cash bonds (*Obligationen*) which, in Switzerland, largely take the place of time deposits.

18. Rediscounts and Other Borrowings.

The sums given in this group of the Summary Table consist of bonds representing "fixed loans" raised by the banks (*feste Anleihen*) and of the long-term mortgage bonds issued since 1931.

Summary of Profit-and-Loss Accounts.

I. Gross Profits.

The composition of gross profits by sources of revenue is shown opposite.

4, 5 and 7. Depreciation Accounts, Net Profit or Loss, and taken from Reserves or Capital.

The 1933 figures for these items are affected principally by the reorganisation of the Banque populaire, whose losses amounted to 130.5 million francs.

Francs (000,000's)	1931	1932	1933	1934
Discounts	73.6	59.0	50.0	45.8
Net interest and commissions	196.8	172.5	160.0	157.7
Securities and participations	74.3	69.0	61.9	55.9
Other sources	15.8	21.6	22.3	21.6
Recovered from assets previously written down	0.5	0.7	0.2	0.5
Total	361.0	322.8	294.4	281.5

TURKEY.¹

The sharp fall in agricultural prices and the effects of the economic depression, though affecting Turkey comparatively early and still continuing to exercise their influence,² did not have disturbing repercussions on the Turkish commercial banking structure for two reasons. At the beginning of the depression, the process of economic reorganisation and reorientation towards industrialisation which started in 1926 was under way and, secondly, during the depression this process was maintained largely with the help of the State. The majority of Turkish joint-stock banks were founded with the principal object of undertaking or facilitating industrial financing. Purely commercial banking operations, such as discounting, have continued to occupy a secondary place in their operations, as may be seen from the following summary of the principal accounts of the Turkish "national" joint-stock banks:

End of:	1929	1930	1931	1932	1933	1934
Number of banks	41	42	44	42	42	40
	£T (000,000's)					
Cash, etc.	57	46	39	40	44	39
Bill portfolio	18	20	19	20	24	18
Investments and participations	7	8	12	12	18	23
Loans and advances	73	95	91	88	92	101
Deposits	114	114	113	110	119	122

Total deposits remained relatively stable during 1929-1932, and have tended to increase since the beginning of 1933. The principal earning assets of the banks have shown a corresponding movement. The bill portfolio, principally commercial bills, has varied little from year to year, and both investments and loans have tended to expand and remain at a considerably higher level than at the end of 1929. Even the Agricultural Bank, which as the repository of the deposits of the agricultural classes and as the most important institution financing agriculture was particularly exposed to the effects of the fall in agricultural prices and exports, has been able to maintain a relatively high level of activity. This may be seen from the movement of its discounts and advances and total deposits since 1929:

	Discounts and advances	Deposits
	£T (000,000's)	
1929	37.6	55.3
1930	56.8	50.9
1931	53.3	56.5
1932	53.3	49.3
1933	54.5	53.2
1934	60.3	56.0

The Central Bank of the Republic of Turkey, whose principal accounts are summarised below, has expanded its activities considerably since its establishment in October 1931 and has provided the commercial banking system with rediscounting facilities which they did not hitherto enjoy:

	31.XII. 1932	31.XII. 1933	31.XII. 1934	28.XII. 1935
	£T (000,000's)			
1. Gold at home and abroad	20.6	24.9	27.5	29.5
2. Foreign assets	—	5.7	22.2	9.7
3. Bill portfolio	2.6	7.9	13.0	25.6
Of which—				
Commercial bills	(2.3)	(3.7)	(9.3)	(24.9)
4. Advances on securities	—	1.8	2.5	4.6
5. Notes in circulation	163.5	160.7	164.6	169.8
6. Sight deposits in £T	13.3	18.9	17.9	17.2
7. Deposits in <i>devisen</i>	1.5	10.2	22.1	12.3
Of which— At sight				(12.2)

Its commercial bill holdings have risen from £T2.3 million at the end of 1932 to £T24.9 million on December 28th, 1935, and its advances on securities have increased from £T16,342 to £T4.6 million during the same period. Though its gold reserves have increased through purchases abroad, the increase in its net foreign liabilities (item 7 less item 2 of above table) has been, except at the end of 1934, in excess of the increment in its gold reserves.

The attached Summary Table showing the accounts of joint-stock banks in Turkey has been prepared from data published in the *Bulletin* of the Central Bank of the Republic of Turkey, and the explanations regarding the nature and the composition of various items given in the notes have been kindly provided by the Intelligence Department of the Central Bank of Turkey. The accounts prior to 1933 refer exclusively to the Turkish "national" banks, and those for 1933 and 1934 include the accounts of foreign banks publishing separate balance-sheets for their operations in Turkey, available only for these two years.

¹ The history and characteristics of banking in Turkey were described on pages 112-116 of *Commercial Banks, 1929-1934*. As it was not possible to give an account of recent developments, the present survey covers the entire period since 1930.

² The total trade turnover declined rapidly from £T411 million in 1929 to 170 millions in 1933, imports falling from 256 to 74 millions and exports declining from 155 to 96 millions. The price index for twenty-four export articles, 1913-1914 = 100, as calculated by the Istanbul Chamber of Commerce, fell during the same period from 1087 to 476. During 1934 there was a slight recovery in total trade to £T179 million, due to an increase of £T13 million in imports.

TURKEY.

COMMERCIAL BANKS

Table 36 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1926	1929	1930	1931	1932	1933	1934
Number of : Banks	21	41	42	44	42	48	47
Branches	329	311	319	347	352	354	.
ASSETS.							
	£T (000,000's)						
1. Cash							
(a) Gold, silver and small coins							
(b) Inland notes and balances with Central Bank	20.8	57.4	46.1	38.9	39.7	55.1	48.7
2. Other Items of a Cash Nature							
3. Bills discounted and bought	9.1	18.0	20.3	18.6	20.2	23.9	18.4
(a) Treasury bills . . . . .	.	.	.	.	.	.	.
(b) Commercial bills, Inland . . . . .	.	.	.	.	.	.	.
(c) Commercial bills, Foreign . . . . .	.	.	.	.	.	.	.
4. Investments and Securities							
(a) Government							
(b) Other	2.0	7.2	8.3	11.5	11.9	19.5	24.6
5. Participations							
6. Due from Banks (Correspondents)							
(a) At home . . . . .	.	.	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.	.	.
7. Loans and Advances	37.5	72.8	95.1	91.0	87.7	108.6	121.1
(a) On current account . . . . .	.	.	.	.	.	.	.
(b) Other loans and advances . . . . .	.	.	.	.	.	.	.
8. Cover for Acceptances							
9. Premises, etc.	1.1	11.0	13.2	14.4	12.8	13.5	12.6
10. Sundry Assets . . . . .	.	.	.	.	.	.	.
11. Total Assets							
LIABILITIES.							
12. Capital paid up	28.0	42.0	46.6	48.2	48.2	56.8	58.0
13. Reserve Funds	0.9	2.6	4.1	4.8	5.1	4.3	4.2
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	2.7	2.9	0.7	2.0	1.7	1.8	1.5
15. Cheques and Drafts, etc., in circulation . . . . .	.	.	.	.	.	.	.
16. Due to Banks (Correspondents)							
(a) At home . . . . .	.	.	.	.	.	.	.
(b) Abroad . . . . .	.	.	.	.	.	.	.
17. Deposits	40.0	114.2	114.0	113.4	110.1	140.4	140.7
(a) Current accounts and sight deposits . . . . .	.	.	.	.	.	(116.1)	(120.3)
(b) Savings accounts . . . . .	.	.	.	.	.	—	—
(c) Time or fixed deposits . . . . .	.	.	.	.	.	(23.8)	(20.3)
(d) Other deposits . . . . .	.	.	.	.	.	(0.5)	(0.1)
18. Rediscounts and Other Borrowings . . . . .	.	.	.	.	.	.	.
19. Acceptances and Endorsements . . . . .	.	.	.	.	.	.	.
20. Sundry Liabilities . . . . .	.	.	.	.	.	.	.
21. Total Liabilities							
22. Value of currency in Swiss francs at the end of each year	2.60	2.41	2.43	2.43	2.45	2.45	2.49

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

In addition to banknotes, silver and gold coins, gold bullion, foreign currencies, and (since 1932) balances with the Central Bank, this item includes cheques and other assets with correspondents at home and abroad. The Central Bank of the Republic of Turkey was established in October 1931, and total bankers' balances with it at the end of 1932, 1933, and 1934 were 8.2, 10.4, and 9.2 million pounds respectively. These balances no doubt include important deposits on the part of the public banks.

3. *Discounts.*

These consist principally of commercial bills of under three months and Treasury bills. The proportion of foreign bills is not known. The following details are available for 1934 with regard to the commercial bill portfolio of four Turkish banks and seven foreign banks which held some 80% of the commercial bills of all the commercial banks :

	£T (000,000's)
Bills under three months	8.2
Bills over three months	0.9
Bills whose maturity is not indicated	0.6
Bills in litigation	0.6
Total	10.3

Treasury bills held by the banks at the end of 1934 amounted to £T5.3 million, or 29% of the total bill portfolio. Of this amount £T4.7 million were held by the Agricultural Bank and the Ish Bankasi.

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

The detailed composition of these items is not known. The following specifications are available for 1934 with regard to three Turkish banks : the Ish Bankasi, the Agricultural Bank, and the Banque immobilière et des orphelins, which together held 50% of the investments and participations of all banks :

	£T (000,000's)
Securities quoted on the Stock Exchange	11.7
Securities not quoted on the Stock Exchange	3.9
Participations	6.7
Total	22.3

6. *Due from Banks.*

Correspondents are not shown separately and are given under "Cash assets".

7. *Loans and Advances.*

Details of the composition of this item are available only for the end of 1934 with regard to four Turkish banks and four foreign banks, whose combined loans and advances represented 93% of the loans and advances of all banks.

£T (000,000's)

<i>Current account loans :</i>	
Against collateral	13.7
" no collateral	18.2
" guaranteed	16.9
<i>Advances :</i>	
Against mortgages	28.9
" goods	13.2
" securities	2.4
" bills and other guarantee	18.8
<i>Contango (Report) Loans</i>	<u>0.4</u>
Total	112.5

11 and 20. *Total Assets and Liabilities.*

As full data regarding the various items of the balance-sheets are not available, no totals have been given for either assets or liabilities. The amount of the balance-sheet totals as given by the Central Bank of the Republic of Turkey and exclusive of unpaid capital have been as follows :

	£T (000,000's)		£T (000,000's)
1926	114.5	1932	312.6
1929	378.3	1933	401.9
1930	381.9	1934	399.4
1931	371.6		

These include important *comptes d'ordre*.

12. *Capital paid up.*

The amount of uncalled capital of the Turkish banks is shown below :

	£T (000,000's)		£T (000,000's)
1926	12.6	1932	17.0
1929	22.5	1933	15.0
1930	19.5	1934	14.7
1931	18.2		

The capital which the foreign banks are required to allocate to their Turkish business is paid up.

13. *Reserve Funds.*

The foreign banks are not required to, and do not, keep reserve funds in Turkey.

17. *Deposits.*

The detailed composition of deposits is not available for the years prior to 1933. The following table shows the composition of deposits at the end of 1933 and 1934 of the banks covered by the Summary Table (Groups 1 and 2) and of the Caisse d'épargne d'Istanbul, the Sümer Bank, and of two foreign banks not publishing detailed returns for their operations in Turkey :

	Current accounts and sight deposits		Time deposits		Other deposits		Total deposits	
	1933	1934	1933	1934	1933	1934	1933	1934
End of :	1933	1934	1933	1934	1933	1934	1933	1934
	£T (000,000's)							
1. National banks	96.1	102.9	22.4	18.6	0.5	0.1	119.0	121.6
2. Foreign banks publishing separate returns	20.0	17.4	1.4	1.7	—	—	21.4	19.1
Total (1 and 2)	116.1	120.3	23.8	20.3	0.5	0.1	140.4	140.7
3. Caisse d'épargne d'Istanbul	1.9	2.1	18.7	18.6	—	—	20.6	20.7
4. Sümer Bank	1.4	1.2	0.9	1.2	—	—	2.3	2.4
5. Ottoman Bank	15.0	13.5	—	—	7.7	5.1	22.7	18.6
6. Bank of Salonica	2.8	2.7	0.2	0.1	2.7	2.4	5.8	5.2
Grand total	137.2	139.8	43.6	40.2	10.9	7.6	191.7	187.6

Other deposits represent funds whose period of deposit has not been ascertained.

UNION OF SOUTH AFRICA.

The outstanding developments in South-African banking in the course of 1934/35 have been, as the following summary of the principal accounts of the Reserve Bank and of the trading banks¹ within the Union shows, an increase in the gold reserves of the Central Bank, the maintenance of a high level of deposits with the trading banks and the Post Office, and an expansion in the loans and advances of the trading banks.

	31/xii/ 1933	30/vi/ 1934	31/xii/ 1934	30/vi/ 1935
	£ (000,000's)			
<i>Reserve Bank.</i>				
1. Note circulation	9.7	10.6	10.8	11.6
2. Gold	17.2	19.6	22.3	26.3
3. Foreign bills	18.9	21.0	10.5	5.7
4. Bankers' deposits	26.5	29.0	24.6	27.3
<i>Deposits with banks and P.O.</i>				
5. Commercial banks	81.2	87.6	85.2	85.6
Of which. — Demand deposits	(52.2)	(61.3)	(55.3)	(59.7)
6. Post Office	10.2	12.3	13.7	14.6
<i>Commercial banks.</i>				
7. Cash	29.4	31.6	25.2	27.9
8. Bill portfolio	7.1	7.4	8.5	7.9
9. Loans and advances	30.8	32.8	38.6	38.8
Of which. — On current account	(30.2)	(32.3)	(38.1)	(38.5)
10. Securities	7.6	7.2	8.6	5.5
Of which. — Government.	(7.2)	(5.8)	(7.0)	(4.2)

The gold and foreign bill holdings (British Treasury bills) of the Reserve Bank had risen to £19.6 and £21 million respectively at the end of June 1934 as a result of the return flow of capital and the trade improvement of 1933/34. They declined by £0.7 and £10.5 million respectively at the end of August 1934, mainly in consequence of the South-African Government's repayment to the British Government of the outstanding balance of its war debt. In the following ten months, the Reserve Bank proceeded to retain a larger proportion of its purchases of locally produced gold and used its London balances, principally British Treasury bills, to meet demands for exchange. This change in the policy of the Reserve Bank

with regard to its reserves is reflected in an increase of £7.4 million in its gold reserve and a decline of £5.2 million in its foreign bill holdings in the ten months ended June 1935.

Total deposits with the banks and the Post Office (items 5 and 6 of the table above) at the end of June 1935 were £0.4 million higher than a year before. Commercial bank deposits, which fell by £6.4 million following the South-African war-debt payment at the end of August 1934, increased in the course of the next ten months by £4.4 million, and were £2 million lower than at the end of June 1934. This decline in commercial bank deposits was the natural consequence of an adverse trade balance of £12.1 million in the twelve months under review, as against a favourable balance of £15 million in the twelve months ended June 1934.

The rise in imports and the expansion of business activity during the period under review² led to an increase of £6.5 million in loans, advances and discounts within the Union. This expansion in loans was achieved by a corresponding reduction in other assets. Cash, mainly balances with the Reserve Bank, was reduced by £3.7 million, and security holdings, mainly South-African Government securities, by £1.7 million, as compared with the end of June 1934. The remaining difference of £1.1 million, as well as the decline in deposits referred to above, appears to have its counterpart in a reduction of the balances outside the Union. Despite the shrinkage of cash reserves, their ratio to total demand deposits remains very high — 44% at the end of June 1935 as against 51% a year earlier.

The attached Summary Table, based on official statistics, gives double columns for 1929 and 1934. The columns marked A in these years, and the single columns in other years, show the complete assets and liabilities, within and outside the Union, of all banks operating in South Africa; the columns marked B include only the accounts of offices situated within the Union. It should also be noted that the number of banks has risen in 1934 by the inclusion of the accounts of the Union Bank of South Africa.

¹ The accounts of the trading banks covered by the above table refer to seven banks for December 1933, June 1934 and June 1935, and to eight banks for the end of December 1934. The comparisons in the above analysis between the end of June 1934 and the end of June 1935 are therefore not vitiated by the change in the number of banks. The statements of the banks for the end of 1934 as published by the *Monthly Bulletin of Union Statistics* include the accounts of a new bank — the Union Bank of South Africa — with a paid-up capital of £90,000.

² Visible imports were £14.5 million higher than in the twelve months ended June 1934, and the index of employment in manufacturing industries, July 1925 = 1,000, rose from 1,141 in June 1934 to 1,275 in June 1935.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :						
	1929		1931	1932	1933	1934	
	A	B				A	B
Number of : Banks	7	7	7	8	7	8	8
Branches and Sub-Branches . . . . .	.	666	690	671	.	.	...
ASSETS.		£ (000,000's)					
1. Cash	11.7	8.8	9.1	8.8	31.6	28.0	25.2
(a) Gold, silver and small coins	3.1	1.5	2.4	2.5	1.8	2.1	0.6
(b) Inland notes and balances with Central Bank	8.6	7.3	6.7	6.3	29.8	25.9	24.6
2. Other Items of a Cash Nature	4.1	—	3.0	5.8	3.9	4.6	—
3. Bills discounted and bought	21.5	13.1	11.8	13.3	14.7	13.7	8.5
(a) Treasury bills	—	—	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—	—	—
4. Investments and Securities	17.4	4.1	21.7	37.4	42.4	42.6	8.6
(a) Government	16.2	3.5	20.9	36.1	41.2	40.0	7.0
(b) Other	1.2	0.6	0.8	1.3	1.2	2.0	1.6
5. Participations	—	—	—	—	—	—	—
6. Due from Banks (Correspondents)	5.7	0.1	5.3	8.9	6.6	8.0	1.0
(a) At home	0.1	0.1	0.1	0.2	0.3	1.0	1.0
(b) Abroad	5.6	—	5.2	8.7	6.3	7.0	—
7. Loans and Advances	57.8	37.9	49.9	46.7	45.0	55.2	38.6
(a) On current account	55.9	36.8	47.7	43.8	43.5	53.7	38.1
(b) Other	1.9	1.1	2.2	2.9	1.5	1.5	0.5
8. Cover for Acceptances	—	—	—	—	—	—	—
9. Premises, etc.	3.7	2.1	3.6	4.1	4.4	4.4	3.1
10. Sundry Assets	9.4	1.2	2.6	4.1	4.8	4.4	3.9
11. Total Assets	131.3	67.2	107.0	129.1	153.4	160.3	88.9
LIABILITIES.							
12. Capital paid up	8.0	—	5.9	7.5	8.2	8.3	0.1
13. Reserve Funds	5.0	0.1	3.7	4.7	4.5	4.7	0.1
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	—	—	—	—	—	—	—
15. Notes in circulation	1.5	—	0.9	1.0	1.2	1.3	—
16. Cheques and Drafts, etc., in circulation	2.4	0.1	1.2	1.7	1.7	2.1	0.6
17. Due to Banks (Correspondents)	1.2	0.5	1.0	1.5	1.3	1.3	0.4
(a) At home	0.5	0.5	0.3	0.4	0.5	0.4	0.4
(b) Abroad	0.7	—	0.7	1.1	0.8	0.9	—
18. Deposits	101.4	60.6	85.6	101.1	124.0	129.4	85.2
(a) Current accounts and sight deposits	50.2	30.5	39.7	47.7	76.5	80.5	55.3
(b) Savings accounts	6.9	3.5	6.6	7.8	8.7	8.8	4.4
(c) Time or fixed deposits	43.3	26.2	38.8	45.2	37.7	37.5	25.2
(d) Other deposits	1.0	0.4	0.5	0.4	1.1	2.6	0.3
19. Rediscounts and other Borrowings	—	—	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—	—	—
21. Sundry Liabilities	11.8	3.9	8.7	11.6	12.5	13.2	2.6
22. Total Liabilities	131.3	65.2	107.0	129.1	153.4	160.3	89.0
23. Value of currency in Swiss francs at the end of each year	25.22		25.22	19.22	16.85	15.10	

Balance-sheet Summary.

1. *Cash.*

The amounts under (b) are as follows :

£ (000,000's) End of	Notes of Reserve Bank	Balance with Reserve Bank	Notes of other banks outside the Union	Total
1929	2.4	4.9	1.3	8.6
1930	1.9	5.0	1.0	7.9
1931	1.6	4.3	0.8	6.7
1932	1.7	3.9	0.7	6.3
1933	2.4	26.5	0.9	29.8
1934	2.8	21.7	1.4	25.9

3. *Bills discounted and bought.*

The following statement shows the amount of paper under discount in the Union and abroad :

£ (000,000's) End of	In the Union	Elsewhere	Total
1929	13.1	8.4	21.5
1930	8.9	8.7	17.6
1931	7.6	4.2	11.8
1932	7.5	5.8	13.3
1933	7.1	7.6	14.7
1934	8.5	5.2	13.7

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

The division of Government securities is shown below :

£ (000,000's) End of	Union Govern- ment	British and Colonial Govern- ments	Total
1929	4.1	12.1	16.2
1930	6.1	23.4	29.5
1931	6.0	14.9	20.9
1932	8.1	28.0	36.1
1933	7.8	33.4	41.2
1934	7.2	32.8	40.0

7. *Loans and Advances.*

The division of loans into "secured" and "unsecured" in the years under review is shown below :

£ (000,000's) End of	Secured	Unsecured	Total
1929	46.2	9.7	55.9
1930	41.5	8.5	50.0
1931	39.9	7.8	47.7
1932	38.4	5.4	43.8
1933	39.4	4.1	43.5
1934	48.7	5.0	53.7

10. *Sundry Assets.*

£ (000,000's) End of :	1929	1931	1932	1933	1934
Due by head offices and branches	9.6	3.4	5.5	6.2	3.1
Due to head offices and branches	3.9	2.7	4.2	4.0	1.2
1. Balance due by head offices and bran- ches	5.7	0.7	1.3	2.2	1.9
2. Landed property other than bank premises	0.3	0.4	0.6	0.5	0.5
3. Other assets	3.4	1.5	2.2	2.1	2.0
Total (1+2+3).	9.4	2.6	4.1	4.8	4.4

UNION OF SOVIET SOCIALIST REPUBLICS.

The development of the currency circulation of the Union of Soviet Socialist Republics since October 1st, 1928 — *i.e.*, since the inception of the first Five-Year Plan — is shown in the following table :

	Bank notes	Treasury notes	Coins	Total
	Roubles (000,000's)			
Oct. 1st, 1928 . . .	1,090	711	197	1,998
Oct. 1st, 1929 . . .	1,466	983	231	2,680
Oct. 1st, 1930 . . .	2,146	1,859	274	4,279
Oct. 1st, 1931 . . .	2,527	2,339	306	5,172
July 1st, 1932 . . .	2,925	2,922	336	6,183
Jan. 1st, 1933 . . .	...	...	...	8,400 ^a
July 1st, 1933 . . .	3,356	3,103	366	6,825
Jan. 1st, 1934 . . .	3,432	3,061	368	6,861
July 1st, 1934 . . .	3,422	...	...	...
Jan. 1st, 1935 . . .	3,838	3,499	397	7,734
Apr. 1st, 1935 . . .	3,978	3,501	400	7,879
Oct. 1st, 1935 . . .	4,999	...	...	...
Apr. 1st, 1936 . . .	5,935	...	...	...

^a Estimate based on official sources.

During the period covered by the first Five-Year Plan (ending on January 1st, 1933), the aggregate volume of bank and Treasury notes and subsidiary coins in circulation expanded by over 6 milliard roubles, as against an increase of only 1.25 milliard roubles foreseen in the Plan. The inflation was particularly severe in the second half of 1932, when there was considerable pressure to complete the Plan and when the currency circulation jumped by over 2 milliard roubles to a figure which — on the basis of official statements on the subsequent development of the note circulation — may be put at approximately 8.4 milliard roubles. At the same time, the banking reforms of 1930 and 1931, described in the last issue of this publication, practically abolished the use of cash except for wage and retail payments. It appears, moreover, that, in this period, the individual State enterprises and organisations issued considerable amounts of various forms of auxiliary means of payment, such as money orders, vouchers, bills, receipts, etc., which, having been prohibited under a Decree of February 29th, 1924, were reintroduced by a Decree of June 3rd, 1930, subject to authorisation of the Commissariat of Finance.

In the first half of 1933, the note circulation fell sharply, and seems to have remained practically constant during the year ending July 1st, 1934. This contraction of the currency, which is stated to have been reflected in a decrease in aggregate current accounts at the State Bank, was probably effected in part by means of the budgetary surpluses realised in this period.¹ It appears to have been

also due partly to an increase in the velocity of cash circulation, accompanied by a speeding-up of the turnover of commodities and a reduction of idle stocks. It is not possible to judge to what extent, if at all, the contraction in the volume of legal tender was offset by issues of auxiliary means of payment.

The contraction of currency in circulation appears to have been reversed during the second half of 1934; the expansion became very marked in 1935, bank notes alone increasing by over 1 milliard roubles between April and October 1935.² Possibly part of this increase was due to the Decree of May 31st, 1935, prohibiting all forms of issues of auxiliary means of payment. The main factor accounting for the expansion of currency was, however, doubtless the reconstruction of the price system which was carried out during 1934/35. Already in 1933 there had been a tendency towards a unification of retail prices by reductions in prices charged in the State "commercial" shops and by increases in prices of rationed goods. In 1934 — it is stated³ — commercial prices declined by about 15%. The price of rationed bread, on the other hand, was raised in the spring of 1934, and, to compensate for this, the wages of lower-paid workers were, by a Decree of May 27th, 1934, increased by from 5 to 30%, as from June 1st, 1934. By a Decree of December 7th, 1934, the system of rationing, which had been reintroduced — after its abolition under the New Economic Policy — with the inception of the first Five-Year Plan in 1928, was abolished for bread, flour and cereals as from January 1st, 1935, uniform prices (about midway between the former "commercial" and "rationed" prices) being fixed for all consumers, only a certain degree of regional differentiation being maintained. A similar measure, taken under a Decree of September 25th, 1935, which also lowered the new uniform price of bread, came into effect for meat, fats, fish, sugar and potatoes as from October 1st, 1935. The abolition of bread-rationing on January 1st, 1935, and the fixing of the price of bread above the old "rationed" prices was accompanied by a general increase — by some 10% on the average — in the wages of industrial workers. Since cash is almost solely used for wage payments, returning to the State Bank chiefly through the retail trade, it was natural that an expansion of the currency should have ensued as a result of these measures. It is officially stated that a very substantial expansion of the State Bank's credit and debit accounts also took

¹ The budget surpluses realised in 1933 and 1934 have been estimated at 3.2 and 1.6 milliard roubles respectively. (Cf. *Economic Review of the Soviet Union*, 1934, page 47, and 1935, page 30.)

² The legal proportion of Treasury notes to bank notes, which had originally been 50%, was raised to 75% in 1928 and to 100% in 1930. For the Treasury-note issue, no figures are as yet available for the latter part of 1935; if it be assumed that, as in previous years, the two note issues moved roughly parallel, the increase in total currency circulation during the six months ending October 1st, 1935, cannot have been much less than 2 milliard roubles.

³ *Sovjetskoye Stroitel'stvo*, November 1935, page 40.

place during 1935. This was due to the fact that all stocks and materials in progress had to be re-valued in proportion to the new wage rates and retail prices. In order, on the one hand, to offset the book-keeping profits arising from this operation to the State enterprises on their existing stocks, and, on the other, to supply them with increased funds to finance new stocks at higher costs and prices, this revaluation of goods entailed a corresponding writing-up of debts to, and current accounts at, the State Bank.¹

A further step towards the unification of the price system was taken by a Decree of November 14th, 1935, which fixed new exchange rates on the basis of 3 French francs to 1 rouble (as against the official gold parity of 13.20 francs to the rouble), at which, as from January 1st, 1936, foreign tourists and others could obtain roubles for purchases of commodities in the Union of Soviet Socialist Republics at the ordinary uniform prices. Under the same Decree, the widespread organisation of "Torgsin" stores, which, in effect, offered preferential prices for purchases in foreign currencies and precious metals, was abolished as from February 1st, 1936.² The fixing of the new "tourist" rate could only have limited significance, if any, as a measure of "devaluation"; the old official gold parity of the rouble remains nominally in force for all other than tourist purposes; but its effective operation is limited to such minor international accounts as railway and postal settlements, etc. As regards foreign commodity trade, the State trade monopoly — which may cover nominal losses, if any, on exports by corresponding profits on imports, and which is not, in any case, a profit-making institution — renders any foreign exchange rate in practice a matter of indifference. The currency structure of the Union of Soviet Socialist Republics remains, in effect, a closed system; exports and imports of Russian currency remain legally prohibited since 1926 and 1928 respectively. The emphasis laid in the second Five-Year Plan on the production of consumption goods, and the consequent reduction anticipated in the level of retail prices, is expected gradually to remove the

considerable "over-valuation" which at present attaches even to the reduced exchange value of the "tourist" rouble.³

The short-term commercial indebtedness of the Union of Soviet Socialist Republics, which is officially estimated to have amounted to 1,400 million roubles (gold) at the end of 1931, was reduced during the next four years to about 120 millions at the end of 1935. This reduction was achieved by commodity export surpluses (aggregating about 450 million roubles for the three years 1933-1935), gold exports, foreign tourists' expenditure, and some medium- or long-term credits taken up in certain countries (such as Czechoslovakia and Germany in 1935). The liquidation of the country's floating indebtedness was largely prompted by the high interest charges involved, and efforts have recently been made to secure financing of imports through cheaper long-term credits.

The book value of the gold stock of the State Bank rose steadily from 638 million roubles at the end of 1931 to 808 millions at the end of 1933 and to 963 millions on October 1st, 1935,³ while the Bank's comparatively unimportant foreign-exchange holdings declined from 51 millions to 45 and 35 millions at the same dates. The legal gold and foreign-exchange reserve prescribed is 25% of the total amount of bank notes in circulation, and the actual reserve was maintained slightly above that ratio during the years 1931-1934. In 1935, however, owing to the marked expansion of the note circulation, the ratio fell to 23% on April 1st and to 20% on October 1st, although in absolute terms the gold reserve continued to increase. In view of the virtual independence of the country's foreign trade from internal monetary conditions, the fall in the reserve ratio appears of less significance than its absolute increase, the accumulation of gold reserves being probably intended to provide a substitute for the foreign short-term credits, which were formerly used, in part, as a means of adjustment of the fluctuations of the balance of payments arising from the seasonal nature of a large proportion of the country's exports.

¹ The expansion of the State budget from 48.9 in 1934 to 65.9 milliard roubles in 1935 is to a large extent merely a reflection of this general writing-up of values in terms of the monetary unit of account. It will be remembered that most of the replacement and extension of fixed capital equipment is financed through the State budget.

² Apart from the policy of price unification, another motive for this measure seems to have been the fact that the Torgsin organisation was considered to have completed one of its main objects — viz., that of attracting domestic hoards of precious metals. During the five and a half years of its existence, the total receipts of Torgsin amounted to approximately 300 million roubles, of which 15% was received in foreign currencies from tourists, 16% in foreign money orders payable to U.S.S.R. citizens, and as much as 69% from the domestic population in the form of old coins, gold and silver ornaments, precious stones, etc.

³ After the above was written, the new "tourist" rate of exchange was extended to all other foreign-exchange operations by a Decree of February 29th, 1936, coming into effect on April 1st, 1936. Although the theoretical gold content of the rouble (0.775 gramme) was not changed, the State Bank was instructed by that Decree to revalue its gold and foreign-exchange holdings on the basis of the new rate as from April 1st, 1936. The Bank's gold stock at that date was shown at 1,404 million roubles, which, at the new rate, represents about 250,000 kilogrammes of fine gold, as against the 740,000 kilogrammes represented by the figure shown for October 1st, 1935, at the old parity. No explanation is as yet available for this sharp reduction.

UNITED KINGDOM AND IRISH FREE STATE.

Banking developments in the United Kingdom during 1935 were characterised by a marked expansion in total deposits at the London Clearing Banks, which, in December 1935, reached a record monthly average of £2,091 million, and exceeded the corresponding figure of December 1934 by £120 million. A sharp rise in bank deposits had already taken place in the latter part of 1934, when aggregate deposits, which had fallen by £110 million between August 1933 and August

1934, increased from £1,855 million in August 1934 to £1,971 million in December 1934.

The recent expansion of bank credit may be analysed on the basis of the following figures, which refer to the ten London Clearing Banks. In addition to the absolute figures for the banks' principal accounts, the table gives the percentage which each of the items shown constituted of total deposit liabilities in the months covered.

Average weekly figures	June 1934	Dec. 1934	June 1935	Dec. 1935	June 1934	Dec. 1934	June 1935	Dec. 1935
	£ (000,000's)				Per cent of total deposits			
1. Cash	199	216	217	221	10.7	11.0	10.8	10.6
2. Money at call, etc.	140	151	143	159	7.5	7.6	7.1	7.6
3. Discounts	228	255	244	322	12.2	12.9	12.2	15.4
4. Investments	549	594	624	605	29.4	30.2	31.2	28.9
5. Advances, etc.	757	754	775	779	40.5	38.2	38.7	37.2
6. Deposits, etc.	1,870	1,971	2,003	2,091	100.0	100.0	100.0	100.0
<i>Of which:</i>								
(a) Current accounts	954	1,044	1,072	1,140	51.8	53.4	54.1	55.2
(b) Deposit accounts	888	910	907	924	47.5	46.2	45.3	44.2

The ratio of current accounts to total deposits increased steadily from 51.8% in June 1934 to 55.2% in December 1935. The average level of current accounts in 1935 was £1,054 million, which represents an increase of 10.6% over the corresponding figure of the previous year (£953 million). This considerable rise in current-account deposits was not accompanied by a fully proportionate advance in the clearing turnover, just as the decline in deposits in the preceding period had not prevented an expansion of clearings.¹ The returns of the London Clearing House indicate an increase of 5.8% in total clearings during 1935 as compared with 1934, town clearings having risen by 5.6% and metropolitan and country clearings by 7.2% and 8.1% respectively.² As the clearing banks added, on balance, only £5 million to their cash reserves between December 1934 and December 1935, their ratio of cash to total deposits declining from 11.0% to 10.6%, practically the whole of the increase in currency which took place in this period appears to have passed into private circulation; the estimated net circulation of notes and coins in the hands of the public in Great Britain and Ireland rose by 5.7% from £384.4 million in December 1934 to £406.5 million in December 1935.

Of the changes in the banks' earning assets underlying the rise in deposits, the movement of aggregate advances in 1934/35 contributed but little to the expansion of credit and failed to reflect the substantial measure of trade recovery which

took place in this period. Advances rose — it is true — by £21 million between December 1934 and April 1935, having shown a similar increase in the corresponding months a year earlier; but in the following eight months of 1935 they remained practically constant. Though there was a slight upward tendency towards the end of 1935, the ratio of advances to total deposits fell in December 1935 to its lowest level during the period under review.

The widest movement in the banks' assets between June 1934 and December 1935 took place in their bill portfolio. The rise in this item from £213 million in September 1934 to £284 million in January 1935 was no doubt partly due to the breakdown, in October 1934, of the informal agreement of September 1933, by which the banks had arranged not to bid for Treasury bills below certain minimum rates of discount. Although a new agreement was arrived at in February, discounts showed, on balance, a sharp advance during 1935. From the returns of the three banks which publish their holdings of commercial bills separately, it would appear that there was a perceptible revival in commercial discounts in 1935. The bulk of the banks' bill portfolio consists, however, of Treasury bills, and the main factor accounting for the rise in discounts in 1935 was the increase in the outstanding tender issues of Treasury bills from £450 million at the end of 1934 to £565 million at the end of 1935. Just as the decrease of nearly £150 million in tender issues of

¹ See *Commercial Banks, 1929-1934*, page 122.

² Provincial clearings in 1935 were lower than in 1934, but the figures are insufficiently comparable, as, in the first place, the operation of the Liverpool Clearing has been restricted since April 1935 and as, secondly, the absorption of the County Bank by the District Bank in August 1935 reduced the Manchester Clearing figures. (The District Bank was admitted to the London Clearing as from January 1st, 1936.)

Treasury bills during 1934 had partly been due to funding operations of the Government, so the expansion of the floating debt in 1935 was partly (to the extent of some £40 million) due to the redemption of certain medium-term Treasury bonds. Thus, the shift in banks' resources from discounts to gilt-edged securities, which had accompanied the funding of part of the floating debt, was no longer in evidence in 1935. The aggregate security holdings of the clearing banks showed no marked trend in that year, the figure for December 1935 standing only £11 million higher than that for December 1934. At the same time, prices of gilt-edged securities somewhat declined during 1935, and the quarterly average of the percentage yield of 2½% Consols, which had been 3.20% in the first quarter of 1934, rose from 2.79% in the first quarter of 1935 to 2.96% in the last quarter of the year.

Despite the increase in Treasury-bill issues, short-term money remained abnormally cheap during 1935. As was mentioned above, the banks' agreement regulating their bidding for bills broke down in October 1934, following a steady contraction in the volume of Treasury bills outstanding, and the banks' competition for bills drove the average tender rate down to a record low level of 0.2% in January 1935. In the following month, however, the banks agreed to refrain from purchasing, or tendering for, Treasury bills below a minimum rate of ½%. After February 1935, the rate was, in fact, maintained consistently above ½%, and it may be presumed that the success of the new agreement was in some measure due to the expansion of the floating debt. The Treasury-bill rate even took a slightly upward trend during the last three quarters of 1935, as will be seen from the table below, showing quarterly averages of the allotment rate for Treasury bills and of the market rate for fine three-months' bank bills during 1934 and 1935. (The official discount rate of the Bank of England, the London bankers' deposit rate and the rate on Stock Exchange loans remained unchanged throughout this period at 2%, ½% and 2¾% respectively.)

Quarter	Treasury bills %	Fine bank bills %
1934: I	0.87	0.97
II	0.87	0.93
III	0.69	0.80
IV	0.49	0.59
1935: I	0.35	0.45
II	0.56	0.63
III	0.58	0.60
IV	0.62	0.64

It is generally believed that the expansion of Treasury-bill issues in 1935, like the contraction in 1934, was to a considerable extent due to the operations of the Exchange Equalisation Fund. During 1934, the gold value of the pound sterling depreciated by over 10%, and the Fund appears to have effected substantial sales of gold and foreign exchange in that year to support the sterling exchange, using the sterling proceeds of these sales to acquire Treasury bills — *i.e.*, to redeem, in effect, the Treasury bills it had sold in order to finance its purchases of gold and foreign exchange in the preceding period. In 1935, on the other hand, apart from two short periods of weakness (February/March and September/October), sterling was firm; exchange rates with the gold currencies showed, on the whole, remarkable stability; and the exchange value of the pound in terms of French francs at the end of 1935 was almost exactly the same as that at the end of 1934. London received, on balance, a large inflow of foreign balances, chiefly during the exchange disturbances which certain Continental gold currencies experienced during the year. To offset these inward movements of capital, the Exchange Equalisation Fund appears to have acquired substantial amounts of gold and foreign assets during 1935 in exchange for sterling balances obtained by the sale of Treasury bills on the London money market.¹

It does not seem improbable that the expansion of bank deposits in 1935, like the contraction in the preceding period, may have been influenced to a certain extent by these movements of foreign funds, the corresponding changes in banks' assets being similarly influenced by the amount of Treasury bills issued on the market by the Exchange

¹ The amount of the gold and foreign assets of the Exchange Equalisation Fund is not known. The net import of gold into the United Kingdom in 1935 amounted to some £70 million (calculated at the London market price of gold); but this includes gold imported on private account and excludes, on the other hand, the changes — which are believed to have been considerable — in the "earmarked" gold stocks held by the Fund abroad, and cannot, therefore, be used as a measure of changes in the composition of the Fund's assets. A private estimate by F. W. PAISH (published in *Economica*, February 1936) suggests that the Fund's gold and foreign assets, amounting to about 10 milliard French francs at the end of 1933, had declined to about 2.5 milliard francs (about £33 million) at the end of 1934, rose to 5.5 milliard francs by the middle of February 1935, declined again (owing to an outflow of capital largely connected with the gold-clause judgment in the United States) to 2.5 milliard a month later, and increased thereafter to nearly 11 milliard francs (about £145 million) at the end of 1935. This estimate is based on computations of the sterling assets of the Fund from the published figures regarding Treasury bills held by Government departments. It is assumed that the Fund's sterling assets consist exclusively of Treasury bills, and the Fund's gold and foreign-exchange holdings are obtained by deducting its sterling assets from its total assets of £350 million.

This method of calculation rests on the further assumption — which may not be true — that the changes which occur in the holdings of Treasury bills of other Government departments are unimportant. But the estimate, though it must therefore be treated with all due reserve, seems to agree fairly well with other evidence, such as gold movements, exchange fluctuations, estimates of other private observers, etc.

Equalisation Fund; and this may possibly account for the lack of correlation between the movement of aggregate deposits on the one hand and the clearing turnover on the other. The operations of the Fund would not appear normally to affect directly the amount of central-bank credit available to the commercial banking system. Thus the returns of the Bank of England provide no evidence of sales of Treasury bills by the Fund to the Bank of England during 1935. The gold acquired by the Bank of England in the latter part of 1935 (see below) was, however, presumably purchased from the Exchange Equalisation Fund. Moreover, the Fund appears at times to have held part of its sterling assets in the form of deposits at the Bank of England (included under "Public Deposits" in the Bank's returns). Thus, during September and the first half of October 1935, when the Fund is believed to have sold substantial amounts of gold to offset an outflow of capital to the United States coupled with a seasonal weakness of sterling, the sterling proceeds of these sales seem to have accumulated at the Bank of England instead of being used to repay Treasury bills. Public deposits at the Bank of England rose, for no other known reason, from £6 million on September 4th, 1935, to £36 million on October 9th, remaining at that level until October 23rd, so that the average amount of public deposits amounted to £31 million in October as compared with £14.7 million in the previous and £19.5 million in the succeeding month. Bankers' deposits, on the other hand, fell from an average of £92.6 million in September to £79.2 million in October, and their average ratio of cash to total deposits in the latter month dropped to the unusually low level of 10.0%. In the second half of October, the trend of the exchanges was reversed, and public deposits at the Bank of England rapidly diminished, being

presumably used for renewed acquisitions of gold and foreign exchange by the Exchange Equalisation Fund.

The position of the Bank of England during the period under review may be illustrated by the following table showing monthly averages of the principal items of the Bank's weekly return:

	June 1934	Dec. 1934	June 1935	Dec. 1935
<i>Issue Department:</i>				
	£(000,000's)			
Notes in circulation	379.1	396.5	396.8	415.1
Government securities	254.8	256.5	257.9	257.4
Gold coin and bullion	191.4	192.2	192.7	199.5
<i>Banking Department:</i>				
Total deposits	152.9	143.4	150.9	133.9
<i>Of which:</i>				
Public	19.2	8.7	11.3	9.1
Bankers'	97.7	98.0	102.7	87.5
Other	36.0	36.7	37.0	37.3
Total securities	97.8	105.0	112.2	106.8
<i>Of which:</i>				
Government	80.3	85.5	93.4	84.6
Discounts and ad- vances	6.0	8.6	6.8	9.1
Other	11.5	10.9	12.1	13.1
Reserve of notes and coin	73.0	56.3	56.6	45.0

The gold held by the Bank is still entered at the old statutory parity. The gold stock showed a slight but continuous upward trend during the period in question. In view of the progressive drain of notes into active circulation, and in order to prevent a further consequent fall in the reserve of notes and coin held by the Banking Department against its outside liabilities, the gold purchases of the Bank were accelerated in the last quarter of 1935. The gold stock of the Issue Department rose from £193.5 million on September 18th, 1935, to £200.1 million on December 18th. If valued at the current market price, the gold held at the latter date would have been worth approximately £333 million.

SCOTTISH BANKS.

Deposits in the Scottish banks continued to rise during 1934; the banks added still further to their already large holdings of gilt-edged securities, and, for the first time since 1929, there was an increase in their loan and overdraft accounts. From the reports of certain individual banks it would appear that substantially the same movement — perhaps even at an accelerated rate — continued during 1935. The following table shows the percentage ratio to total deposits of each of the more important

items of the balance-sheets at the end of 1932, 1933 and 1934:

	1932	1933	1934
	%	%	%
Cash	15.1	14.5	15.1
Money at call	9.3	9.1	9.5
Bill portfolio	7.3	7.8	4.0
Investments	49.1	56.0	56.5
Loans and advances	36.9	30.6	33.1
Acceptances	1.8	2.2	3.4

BANKS IN THE IRISH FREE STATE AND NORTHERN IRELAND.

The following table shows the principal accounts of the banks of the Irish Free State; the figures represent averages for three selected dates in each quarter. It should be noted that, of the nine banks operating in the Irish Free State, only two confine their operations to that country. Of the remaining seven, four have their head offices outside

the Irish Free State and two have important offices in London. The statistics published by the Irish Currency Commission show separately, however, assets and liabilities within and outside the Irish Free State.

Deposits continued to fall throughout the period 1933-1935, but the decline slowed down appreciably

£ (000,000's)	December quarter 1933		December quarter 1934		December quarter 1935	
	Within Free State	Elsewhere	Within Free State	Elsewhere	Within Free State	Elsewhere
1. Cash and bank balances	5.2	10.0	5.0	8.8	5.3	9.8
2. Money at call	—	10.7	—	10.5	—	10.3
3. Bills	5.7	2.4	5.4	1.8	5.2	1.2
4. Loans and advances	42.7	25.0	44.7	24.5	43.9	23.7
5. Investments	5.6	85.1	7.4	79.7	7.2	80.4
Total assets	62.7	137.8	66.2	129.8	65.1	130.0
6. Capital and reserves	13.1	3.8	13.2	3.9	13.3	3.9
7. Notes in circulation	5.1	3.1	5.1	3.3	5.1	3.5
8. Deposits	123.8	46.1	119.8	45.1	118.0	46.1
Total liabilities	145.7	54.8	141.6	54.4	139.5	55.5
<i>Excess of assets outside Irish Free State over liabilities outside Irish Free State</i>	83.0		75.4		74.5	

during 1935. Loans and advances rose in 1934, but declined slightly in the succeeding year. There was a further substantial decrease in the net external assets of the banks in 1934, mainly owing to realisations of British Government securities. In 1935, however, the fall in net external assets was almost arrested.

The above figures relate to nine banks and include the accounts of two Northern Irish banks holding shares in the Currency Commission — namely, the Northern Bank, Limited, and the

Ulster Bank, Limited. The following statement shows separately the principal accounts of these two banks and of the Belfast Banking Company, Limited, and therefore gives a more accurate reflection of banking developments in Northern Ireland in recent years :

	End of :	1932	1933	1934
		£ (000,000's)		
Cash in hand, etc.		8.0	5.7	7.2
Discounts and advances		31.8	27.3	25.3
Investments		21.5	25.6	25.8
Deposits		53.9	51.2	50.5

DISCOUNT COMPANIES.

The following table summarises the position of the three leading London discount houses :

£ (000,000's)	1929	1932	1933	1934	1935
ASSETS.					
1. Cash at bankers	2.6	2.7	2.7	2.8	3.0
2. Investments	13.5	20.2	28.4	35.5	37.8
3. Bills discounted	121.6	117.0	111.5	90.6	101.5
4. Loans and sundry accounts	2.5	2.8	1.8	2.9	4.6
5. Total assets	140.2	142.7	144.4	131.8	146.9
LIABILITIES.					
6. Capital and reserves	6.2	7.0	7.0	7.0	7.0
7. Loans, deposits, etc. (including undivided profits)	92.4	105.0	111.7	105.7	113.6
8. Bills rediscounted	40.3	28.9	24.9	18.3	25.5
9. Rebate, etc.	1.3	1.8	0.8	0.8	0.8
10. Total liabilities	140.2	142.7	144.4	131.8	146.9

The unfavourable conditions with which the discount market was faced in 1934 are reflected in a sharp contraction of the combined balance-sheet total shown above for 1934. Up to November 1934, the clearing banks lent to the market only at a minimum rate of 1%. Outside money was available at rates as low as $\frac{1}{4}$ % to $\frac{1}{2}$ % ; but, as the clearing banks constitute the main source of funds to the discount houses, and as the rate on Treasury and fine bank bills ruled appreciably below 1%, the carrying of bills with borrowed money was rendered definitely unprofitable. In consequence, bill portfolios were sharply reduced, while holdings

of securities were further increased. In November 1934, the clearing banks reduced their charge on call and short-term loans against bills eligible for discount at the Bank of England from 1% to $\frac{1}{2}$ % ; but this did not alleviate the position of the discount market, since, at the same time, the banks' competition for bills depressed market rates of discount well below $\frac{1}{2}$ % between October 1934 and February 1935. In February 1935 — as was stated above — the banks agreed not to bid for Treasury bills below a minimum rate of $\frac{1}{2}$ %, and refrained in practice from bidding for bills, covering their requirements by purchases from the discount houses. In consequence, bill rates were maintained slightly above $\frac{1}{2}$ %, and, as the banks' call loan rate remained at $\frac{1}{2}$ %, it became again possible to carry bills at a small profit. Thus the above table shows a marked expansion in 1935 in the bill holdings of the three discount companies included. The rise in their investments during 1935 was comparatively insignificant, especially as the figure for the end of 1935 was probably swollen by a new issue of 1% Treasury bonds made in December 1935, which appealed mainly to the discount market and against which the clearing banks agreed to lend at a rate of $\frac{3}{4}$ % instead of 1%. A further improvement in conditions on the money market took place in January 1936, when the clearing banks agreed to reduce their charge for short-term advances to the market on the security of British Government bonds to $\frac{1}{2}$ %, while for advances on British municipal and colonial securities the rate was fixed at $\frac{3}{4}$ %.

SAVINGS BANKS.

The development of deposits in savings banks is shown in the following table :

£ (000,000's)	Savings Banks			National Savings Certificates
	Trustee Savings Banks	Post Office Savings Banks	Total	
1929	124.5	95.0	409.5	487.9
1930	133.2	290.2	423.4	506.7
1931	142.9	289.4	432.3	489.3
1932	154.7	305.7	460.4	478.9
1933	171.4	326.7	498.1	484.4
1934	181.9	354.8	536.7	495.2

Recent monetary policy, by lowering the rates obtainable on money in the market and the commercial banks, has drawn funds into the savings banks, where a fixed rate of 2½% is still obtainable. In 1933, the downward trend of savings certificates in evidence since 1930 was reversed, and there has since been an appreciable increase in the volume outstanding.

Balance-sheet Summary.

1 and 2. *Cash Assets, etc.*

The combined sums shown for the first two groups of the Summary Table include the following items : (a) "Cash in hand" consisting of coin, bank and currency notes and balances with the Bank of England ; (b) balances with, and cheques in the course of collection on, other banks ; (c) money at call and short notice. The balance-sheet form employed for the statistical summaries of the *Economist* distinguishes between (c) and the total of (a) and (b) wherever (c) is shown separately in the published accounts. It is, in fact, shown separately by all the leading banks throughout the period under review. In the case of the banks not showing money at call as a separate item, the total of (a), (b) and (c) has been included in the first column of the statement below :

£ (000,000's)	Cash in hand and at the Bank of England : Balances with and cheques on other banks		Money at call and short notice		Total (corresponding to the sums shown in Summary Table)				
End of									
I. Joint-Stock Banks in England and Wales.									
1929	328.4	152.9	481.3						
1930	325.6	146.8	472.4						
1931	288.7	125.8	414.5						
1932	296.9	149.3	446.2						
1933	300.8	145.3	446.1						
1934	311.8	165.6	477.4						
II. Scottish Banks.									
1929	40.2	22.1	62.3						
1930	40.2	23.6	63.8						
1931	39.3	21.1	60.4						
1932	42.0	26.1	68.1						
1933	40.9	25.7	66.6						
1934	43.2	27.3	70.5						
III. Irish Banks.*									
	F.	N.	T.	F.	N.	T.	F.	N.	T.
1929	8.9	6.2	15.1	7.2	—	7.2	16.1	6.2	22.3
1930	8.2	5.8	14.0	6.7	—	6.7	14.9	5.8	20.7
1931	7.7	5.8	13.5	9.9	—	9.9	17.6	5.8	23.4
1932	9.7	8.0	17.7	11.8	—	11.8	21.5	8.0	29.5
1933	9.7	5.7	15.4	8.9	—	8.9	18.6	5.7	24.3
1934	10.5	7.1	17.6	9.3	—	9.3	19.8	7.1	26.9

* F.= Irish Free State. N.= Northern Ireland. T.= Total.

3. *Bills discounted and bought.*

The figures given for "bills discounted and bought" in balance-sheet summaries do not represent the total bill holdings of all the banks, because some of the minor banks include Treasury bills in their figures for Government securities (group 4 (a) of the Summary Table). In addition, a few banks do not show discounts separately from loans and advances, and in such cases they are included in group 7 of the Summary Table.

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

The banks do not give full details of the composition of their investments. A few of the minor banks in England and Wales do not show Government securities separately in their published accounts. In such cases these are included under 4 (b) in the Summary Table. As mentioned above, a minor portion of the sums shown under (a) consists of Treasury bills not shown separately by some banks. The "other investments" are mainly gilt-edged and do not, as a rule, include stocks, shares and debentures of industrial companies. The sums shown in group 5 of the Summary Table for England and Wales represent the investments in affiliations of the "Big Five".

They consist mainly of capital participation in Scottish and Irish banks, and to a less extent in foreign and other auxiliary financial institutions. There is practically no direct participation in industry and trade.

6. *Due from Banks.*

Sight balances with, and the cheques in course of collection on, other banks are reported only by the London clearing banks and are included in their cash assets. Correspondent accounts are, as a rule, merged with loans and advances under assets and with deposits under liabilities in the published statements of the joint-stock banks.

[Continued on page 130.]

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Table 38 (a).

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1931	1932	1933	1934	
Number of : Banks	16	16	16	16	16	
Branches and Sub-Branches	9,815	10,178	10,066	10,060	10,086	
ASSETS.		£ (000,000's omitted)				
1. Cash						
(a) Gold, silver and small coins						
(b) Inland notes and balances with Central Bank	481.3	414.5	446.2	446.1	477.4	
2. Other Items of a Cash Nature						
3. Bills discounted and bought.	224.3	234.1	389.2	292.8	255.2	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities.	260.7	304.7	496.6	587.6	611.6	
(a) Government	232.5	275.6	459.0	544.1	566.2	
(b) Other	28.2	29.1	37.6	43.5	45.4	
5. Participations	24.4	24.8	24.3	24.7	25.2	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances.	1,026.5	931.7	799.1	764.2	785.7	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances	179.3	109.7	96.7	122.0	131.2	
9. Premises, etc.	42.3	52.0	50.2	51.5	50.9	
10. Sundry Assets	—	—	—	—	—	
11. Total Assets	2,238.8	2,071.5	2,302.3	2,288.9	2,337.2	
LIABILITIES.						
12. Capital paid up.	78.1	80.0	80.0	80.0	80.0	
13. Reserve Funds	63.5	54.5	55.3	55.4	57.7	
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	6.6	6.0	5.9	6.2	6.3	
15. Notes in circulation	0.1	0.1	0.1	0.1	0.1	
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—	
17. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
18. Deposits	1,911.0	1,821.0	2,064.3	2,025.2	2,061.9	
(a) Current accounts and sight deposits	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	
19. Acceptances and Endorsements.	179.3	109.7	96.7	122.0	131.2	
20. Sundry Liabilities.	0.2	0.2	—	—	—	
21. Total Liabilities	2,238.8	2,071.5	2,302.3	2,288.9	2,337.2	
22. Value of currency in Swiss francs at the end of each year	25.22	17.24	17.02	16.91	15.22	

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Table 38 (a).

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :					
	1929	1931	1932	1933	1934	
Number of : Banks	8	8	8	8	8	
Branches and Sub-Branches	1,633	1,718	1,663	1,826	1,852	
ASSETS.		£ (000,000's omitted)				
I. Cash						
(a) Gold, silver and small coins						
(b) Inland notes and balances with Central Bank	62.3	60.4	68.1	66.6	70.5	
2. Other Items of a Cash Nature						
3. Bills discounted and bought.	21.6	28.8	30.3	22.0	11.5	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities.	83.7	101.4	136.7	157.7	161.1	
(a) Government	76.6	91.5	125.0	143.6	146.5	
(b) Other	7.1	9.9	11.7	14.1	14.6	
5. Participations	—	—	—	—	—	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	132.5	104.3	92.6	86.3	94.8	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances.	6.5	4.8	5.1	6.3	9.9	
9. Premises, etc.	4.8	4.7	4.8	4.7	4.8	
10. Sundry Assets						
II. Total Assets	311.4	304.4	337.6	343.6	352.6	
LIABILITIES.						
12. Capital paid up.	12.0	13.5	13.5	13.5	13.5	
13. Reserve Funds	15.7	17.2	17.3	17.4	17.5	
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.9	1.9	1.9	2.0	2.0	
15. Notes in circulation.	21.4	21.4	21.0	19.2	21.4	
16. Cheques and Drafts, etc., in circulation	3.0	2.1	2.3	1.5	1.6	
17. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
18. Deposits	250.9	243.5	276.5	281.7	286.7	
(a) Current accounts and sight deposits	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits.	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	
19. Acceptances and Endorsements.	6.5	4.8	5.1	6.3	9.9	
20. Sundry Liabilities.	—	—	—	—	—	
21. Total Liabilities	311.4	304.4	337.6	343.6	352.6	
22. Value of currency in Swiss francs at the end of each year	25.22	17.24	17.02	16.91	15.22	

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Table 38 (a).

III. IRISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:					
	1929	1931	1932	1933	1934	
Number of : Banks	9	9	9	9	9	
Branches and Sub-Branches	1,064	1,071	1,079	1,077	1,073	
ASSETS.		£ (ooo,ooo's omitted)				
I. Cash						
(a) Gold, silver and small coins.						
(b) Inland notes and balances with Central Bank	22.3	23.4	29.5	24.3	26.9	
2. Other Items of a Cash Nature						
3. Bills discounted and bought	4.9	26.1	29.0	24.8	4.1	
(a) Treasury bills	—	—	—	—	—	
(b) Commercial bills, Inland	—	—	—	—	—	
(c) Commercial bills, Foreign	—	—	—	—	—	
4. Investments and Securities	85.6	85.5	98.3	94.8	93.8	
(a) Government	—	—	—	—	—	
(b) Other	—	—	—	—	—	
5. Participations	—	—	—	—	—	
6. Due from Banks (Correspondents).	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
7. Loans and Advances	92.1	68.9	63.8	63.7	81.0	
(a) On current account	—	—	—	—	—	
(b) Other	—	—	—	—	—	
8. Cover for Acceptances	0.1	0.1	0.2	0.4	0.4	
9. Premises, etc.	3.0	3.3	3.1	3.0	2.9	
10. Sundry Assets	—	—	—	—	—	
11. Total Assets	208.0	207.3	223.9	211.0	209.1	
LIABILITIES.						
12. Capital paid up.	8.6	8.7	8.6	8.7	8.7	
13. Reserve Funds	9.7	8.9	8.9	9.0	9.2	
14. Profit-and-Loss Accounts, Dividend Accounts, etc.	1.0	0.8	0.9	0.9	0.8	
15. Notes in circulation.	10.2	8.7	8.8	8.9	9.1	
16. Cheques and Drafts, etc., in circulation	—	—	—	—	—	
17. Due to Banks (Correspondents)	—	—	—	—	—	
(a) At home.	—	—	—	—	—	
(b) Abroad	—	—	—	—	—	
18. Deposits	176.4	178.0	196.3	183.0	180.9	
(a) Current accounts and sight deposits	—	—	—	—	—	
(b) Savings accounts	—	—	—	—	—	
(c) Time or fixed deposits	—	—	—	—	—	
(d) Other deposits	—	—	—	—	—	
19. Acceptances and Endorsements	0.1	0.1	0.2	0.4	0.4	
20. Sundry Liabilities.	2.0	2.1	0.2	0.1	—	
21. Total Liabilities	208.0	207.3	223.9	211.0	209.1	
22. Value of currency in Swiss francs at the end of each year.	25.22	17.24	17.02	16.91	15.22	

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Table 38 (b).

I. JOINT-STOCK BANKS IN ENGLAND AND WALES.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks.	12	12	12	12	12
	£ (ooo,ooo's omitted)				
Capital paid up.	74.9	75.8	75.8	75.8	75.8
Reserves and Undivided Profits	67.4	57.6	58.3	58.3	61.0
I. Gross Profits.	13.98	10.89	9.88	10.04	10.53
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.89	0.37	0.37	0.42	0.37
4. Written off on (Depreciation Accounts for)	1.48	0.03	0.25	0.20	0.70
(a) Premises, etc.	1.48	0.03	0.25	0.20	0.70
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	11.61	10.49	9.26	9.42	9.46
6. Carried forward from preceding year	6.19	5.84	5.96	5.89	6.00
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	17.80	16.33	15.22	15.31	15.46
9. Carried to Reserves.	1.28	1.43	0.73	0.73	0.60
10. Dividends	10.46	8.94	8.60	8.58	8.77
11. Directors' Fees, etc.	—	—	—	—	—
12. Carried forward to following year.	6.06	5.96	5.89	6.00	6.09
13. Total as above	17.80	16.33	15.22	15.31	15.46
14. Value of currency in Swiss francs at the end of each year	25.22	17.24	17.02	16.91	15.22

7. *Loans and Advances.*

As already mentioned, this item includes discounts not shown separately by some of the minor banks, and part of the correspondent accounts.

9 and 10. *Premises and Sundry Assets.*

Premises are not shown separately in the statistics of the *Economist*, but they constitute practically the whole of the joint sums shown in the balance-sheet summaries. It is generally recognised that the market value of the premises

of the banks exceeds their book value and that important reserves are therefore concealed in this item of the aggregate balance-sheet.

13. *Reserve Funds.*

In addition to the ordinary reserve fund shown in the Summary Table, other reserves are maintained to meet emergencies. These other reserves are included under deposits in the published statements. Moreover, additional resources are concealed by the fact that the premises and the investments of the banks are booked below their actual market value.

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Table 38 (b).

II. SCOTTISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks.	8	8	8	8	8
	£ (000,000's omitted)				
Capital paid up	12.0	13.5	13.5	13.5	13.5
Reserves and Undivided Profits	17.7	19.3	19.4	19.5	19.2
1. Gross Profits	2.79	2.74	2.73	2.71	2.75
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.23	0.15	0.13	0.16	0.22
4. Written off on (Depreciation Accounts for)	0.26	0.22	0.22	0.16	0.30
(a) Premises, etc.	0.26	0.22	0.22	0.16	0.30
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	2.30	2.37	2.38	2.39	2.23
6. Carried forward from preceding year	2.00	2.09	2.05	2.08	2.12
7. Taken from Reserves or Capital.	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	4.30	4.46	4.43	4.47	4.35
9. Carried to Reserves	0.53	0.57	0.53	0.53	0.37
10. Dividends	1.71	1.84	1.82	1.82	1.86
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	2.06	2.05	2.08	2.12	2.12
13. Total as above	4.30	4.46	4.43	4.47	4.35
14. Value of currency in Swiss francs at the end of each year	25.22	17.24	17.02	16.91	15.22

15. *Notes in Circulation.*

Joint-stock banks do not possess the right of note issue in England and Wales. The small note circulation shown in the Summary Table for England and Wales refers exclusively to the Isle of Man, which is not governed by the English currency legislation. The legislation governing the note issue in Scotland and Ireland was set out in detail in the first edition of this *Memorandum*.

17. *Due to Banks.*

The correspondent accounts as a rule are not

shown separately, but are merged in the deposits in the published statements of the banks.

18. *Deposits.*

The banking statistics as regularly published in English sources do not show current accounts separately from deposit accounts. The report of the Macmillan Committee gave these details for the deposits of the London Clearing Banks for the period January 1919-March 1931, and a continuation of these series is published currently in the Bank of England *Statistical Summary* and in the League of Nations *Monthly Bulletin of Statistics*.

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Table 38 (b).

III. IRISH JOINT-STOCK BANKS.

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS :				
	1929	1931	1932	1933	1934
Number of Banks	9	9	9	9	9
	£ (000,000's omitted)				
Capital paid up	8.6	8.7	8.6	8.7	8.7
Reserves and Undivided Profits	10.1	9.3	9.3	9.4	10.0
1. Gross Profits	1.72	1.62	1.43	1.34	1.34
<i>To be deducted :</i>					
2. Expenses	—	—	—	—	—
(a) Salaries, etc.	—	—	—	—	—
(b) Other working expenses	—	—	—	—	—
(c) Taxes, etc.	—	—	—	—	—
3. Reserved for Pension Funds, etc.	0.02	0.02	0.02	—	0.01
4. Written off on (Depreciation Accounts for)	0.09	0.04	0.03	—	0.03
(a) Premises, etc.	0.09	0.04	0.03	—	0.03
(b) Investments and securities	—	—	—	—	—
(c) Other assets	—	—	—	—	—
5. Remaining Net Profit	1.61	1.56	1.38	1.34	1.30
6. Carried forward from preceding year	0.44	0.44	0.40	0.44	0.48
7. Taken from Reserves or Capital	—	—	—	—	—
8. Total Amount disposed of for Dividends, etc.	2.05	2.00	1.78	1.78	1.78
9. Carried to Reserves	0.40	0.48	0.38	0.35	0.40
10. Dividends	1.16	1.12	0.96	0.95	0.97
11. Director's Fees, etc.	—	—	—	—	—
12. Carried forward to following year	0.49	0.40	0.44	0.48	0.41
13. Total as above	2.05	2.00	1.78	1.78	1.78
14. Value of currency in Swiss francs at the end of each year	25.22	17.24	17.02	16.91	15.22

The division of total deposits into current accounts and deposit accounts for the years covered by the Summary Table is shown below :

£ (000,000's)	Monthly averages, December				
	1929	1931	1932	1933	1934
Current ac- counts . . .	957.7	865.1	991.6	1,015.4	1,044.4
Deposit ac- counts . . .	815.1	845.8	962.8	900.2	909.8
Total . . .	1,772.8	1,710.9	1,954.4	1,915.6	1,954.2

19. *Acceptances and Endorsements.*

The greater part of the sums given represents bills accepted by the banks on behalf of their customers. These are almost entirely foreign bills accepted on behalf of home importers.

The figures shown in the Irish Summary Table refer almost exclusively to the Northern Irish banks, the acceptance business of the Free State banks being insignificant.

Summary of Profit-and-Loss Accounts.

Some of the minor English joint-stock banks are omitted from the profit-and-loss statistics of the *Economist*, on which the Summary Table is based. The banks included are, however, fully representative, the aggregate of their capital and reserves constituting over 99 % of the total capital and reserves of all the banks included in the Balance-sheet Summary Table in 1933. The profit-and-loss statistics for the Scottish and Irish banks are complete.

1 and 2. *Gross Profits and Expenses.*

As most of the banks in the United Kingdom and the Irish Free State adhere to the practice of deducting working expenses and income tax before disclosing their profit, these items have been excluded throughout. In recent years, the banks have disclosed their profits "after making appropriations to contingency accounts out of which provision has been made for bad and doubtful debts". It is impossible to tell from this vague phrase to what extent depreciation of assets has been covered out of earnings and to what extent out of undisclosed reserves. The amount shown as profits is entirely at the discretion of the directors.

It is evident, then, that the sums shown under 1 in the Summary Table do not represent gross profits in a true sense and are not comparable with the corresponding figures given in the profit-and-loss summaries for other countries.

3. *Reserved for Pension Funds.*

This item of the Summary Table is headed "Staff" in the statistics of the *Economist* and includes all allocations for the benefit of the banking staff, which are shown separately by the banks.

4. *Depreciation.*

As mentioned in the note to group 1 above, the banks do not show depreciation of investments in their published accounts.

6 and 12. *Sums carried forward.*

The amounts shown in the summary for Scottish banks include the "Rest" (*i.e.*, the Reserve Funds) of the Royal Bank of Scotland.

10. *Dividends.*

The dividend figures given include a certain proportion of income tax not deducted from the sums distributed to shareholders by a number of banks.

UNITED STATES OF AMERICA.

The improvement in the American monetary and banking situation, which set in during 1933,¹ was maintained in 1934 and 1935, when there was a large expansion in deposits accompanied by an extraordinary increase in liquidity. While the favourable development of the banking position in 1933 was largely due to a series of Governmental measures and to the open-market operations undertaken by the Federal Reserve Banks,¹ the growth of deposits and accumulation of huge reserves in 1934/35 were mainly due to disbursements by the Treasury of the proceeds from the sale of public securities and from the revaluation of the dollar and to a large influx of gold. In the two years ended December 31st, 1935, the total gross indebtedness of the United States Government rose by about \$7,000 million and obligations fully guaranteed by the United States Government rose by about \$4,500 million.² Of this total increase of some \$11,500 million in the direct and indirect obligations of the Federal Government, over half was taken over by the commercial banking system, member banks alone adding about \$4,600 million to their holdings of Federal direct and guaranteed securities. At the same time, there was a net import of gold of about \$2,800 million between February 9th, 1934 — *i.e.*, immediately after the devaluation of the dollar — and the end of December 1935. The total monetary gold stock, exclusive of the \$2,813 million increment resulting from the revaluation of the dollar, rose by \$3,044 million during the same period.

The growth of bank deposits and expansion in the principal earning assets of the banks may be seen from Table 1.

Table 1. — ALL BANKS ^a: LOANS AND INVESTMENTS (A) AND DEPOSITS (B).

	Total		Member banks		Non-member banks	
	\$(000,000's)					
	A	B	A	B	A	B
30.VI.1933	40,075	37,998	24,786	23,338	15,290	14,660
30.XII.1933	40,319	38,505	25,219	23,771	15,110	14,734
30.VI.1934	42,502	41,870	27,175	26,615	15,327	15,255
31.XII.1934	43,458	44,771	28,150	28,943	15,308	15,828
29.VI.1935	44,416	45,766	28,785	29,496	15,631	16,270
31.XII.1935	.	.	29,985	32,159	.	.

^a Including mutual and stock savings banks in addition to national banks, State banks, trust companies and private banks.

Part of the rise in these accounts in 1934, in particular among member banks, was due to an increase in the number of banks operating on an unrestricted basis and to the accessions to active membership in the Federal Reserve System. The total number of banks rose from 15,011 at the end of 1933 to 16,042 at the end of 1934, and the number of banks members of the Federal Reserve System rose from 6,011 to 6,442 during the same period. During 1935, there appear to have been no significant changes in the structure of the commercial banking system. At the end of June 1935, the total number of banks stood at 15,994 and the number of member banks at 6,410. The number of banks suspended, placed in liquidation or receivership also showed a marked decline by comparison with 1934.³ There was also a significant growth in the relative importance of banks members of the Federal Reserve System; their share in total deposits rose from 61% at the end of 1933 to 69% at the end of June 1935. Another factor tending towards greater unification of the commercial banking system and increased Federal control was the increase in membership of the Federal Deposit Insurance Corporation. This Corporation, which was set up as a temporary organisation through the Banking Act of 1933 and made permanent by the Banking Act of 1935 (see below), counted, at the end of June 1935, 14,176 members with total deposits, including inter-bank accounts, amounting to \$40,335 million as against 13,867 members with total deposits amounting to \$35,767 million at the end of June 1934.

During the two years 1934 and 1935, net demand and time deposits of member banks increased by over \$8,400 million — that is, by slightly more than the amount borrowed by the Federal Government to finance budgetary deficits, etc., in these years. This large increase in their deposits, which raised them, at the end of 1935 to a level higher than at the end of 1929 and only \$900 million less than the record figure of 1928, was accompanied by an expansion of only some \$4,700 million in their principal earning assets. The difference was used by the banks to enhance their liquidity both by accumulating large cash reserves and reducing their indebtedness with the Federal Reserve banks.

¹ See *Commercial Banks, 1925-1933*, pages 255-261, and *Commercial Banks 1929-1934*, pages 144-147, for an account of the development of the banking crisis and the events which led to the improvement after the gradual re-opening of the banks.

² This figure includes unissued bonds of the Home Owners' Loan Corporation covering loans in process.

³ Whereas during 1934 fifty-six licensed banks with total deposits amounting to \$37 million were suspended or put on a restricted basis, during 1935 only thirty-four licensed banks with deposits amounting to \$10 million were subjected to the same restrictions. The number and importance of non-licensed banks placed in liquidation, receivership or otherwise absorbed also declined, fifty-eight banks with deposits amounting to \$29 million having so disappeared during 1935 as against 920 banks with deposits amounting to \$647 million during 1934.

Table 2. — EXCESS CASH RESERVES OF MEMBER BANKS AND BILLS DISCOUNTED AT THE FEDERAL RESERVE BANKS, 1934 AND 1935.

(Averages of daily figures.)

	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935
A. Excess Reserves of all Member Banks :					
			\$(000,000's)		
(a) New York City	96	532	556	915	1,350
(b) Other Reserve cities	473	800	800	1,079	1,133
(c) "Country" banks	197	353	392	443	499
Total Excess Reserves	766	1,685	1,748	2,438	2,983
B. Legal Reserves	1,822	2,105	2,289	2,541	2,733
C. Bills Discounted at Federal Reserve Banks	117	28	10	8	6

Of the increase of \$3,128 million in total reserve balances between the end of 1933 and the end of 1935, only \$911 million were required as reserves against fresh deposits. The remaining \$2,217 million were held as excess cash reserves. Not only did excess reserves attain record levels in 1935, but at the end of that year were even \$250 million higher than legal cash reserves. The increase in excess reserves was most marked for New York

City banks, which alone account for over 60% of the total rise in excess reserves. Indebtedness with the Federal Reserve banks was almost entirely liquidated; at the end of 1935, the discounts of the Federal Reserve banks stood at \$6 million as against \$1,432 million at the height of the banking crisis on March 4th, 1933.

Table 3 sets out in more detail the factors affecting member bank reserves.

Table 3. — ITEMS RELATED TO MEMBER BANK RESERVES.

(Averages of daily figures.)

	Dec. 1933	June 1934	Dec. 1934	June 1935	Dec. 1935	Change Dec. 1933 to Dec. 1935
A. Federal Reserve banks' holdings of :						
			\$(000,000's)			
1. U.S. Govt. securities	2,432	2,424	2,430	2,431	2,430	— 2
2. Bills	101	7	6	5	5	—96
3. Monetary gold stock (excluding profits of revaluation)	4,036	5,021 ^a	5,391 ^a	6,225 ^a	7,272 ^a	+3,236
B. Treasury Cash and deposits with F.R. banks	357	3,054 ^b	3,120	2,989	2,869	+2,512
C. Treasury Deposits with all member banks	967	1,658	1,636	779	844	—123
D. Money in circulation	5,523	5,341	5,577	5,522	5,897	+374
Of which— (a) Treasury Notes	(287)	(281)	(266)	(286)	(276)	(—11)
(b) National banknotes	(918)	(902)	(820)	(704)	(458)	(—460)
E. Bills discounted by Federal Reserve banks	117	28	10	8	6	—111
F. Member-bank reserve balances :						
1. Total	2,588	3,790	4,037	4,979	5,716	+3,128
2. Excess	766	1,685	1,748	2,438	2,983	+2,217

^a Excluding profits of revaluation, \$2,813 million.

^b Increase by comparison with December 1933 represents principally increment resulting from the reduction in the weight of the gold dollar, \$2,813 million.

It will be seen that the increase in total member-bank reserve balances in the two years ended December 31st, 1935, was almost equivalent to the total expansion in the monetary gold stock, exclusive of the increment due to the revaluation of the dollar. During 1934/35, the security holdings of the Federal Reserve banks showed practically no variation, so that no additional funds were forthcoming from this source after the important security purchases effected in 1932 and 1933. Treasury notes showed no appreciable increase during this period, whereas national banknotes

declined chiefly as a result of retirement. The cash resources of the Treasury (items B and C of Table 3 above) after being replenished to the extent of \$2,813 million by the profits of the revaluation of the dollar at the end of January 1934, showed a strong tendency to decline, and suggest that some \$500 million of the revaluation profits were disbursed by the Treasury, thus providing an additional factor in increasing further the cash reserves of member banks. Against these factors tending to increase member-bank reserves, certain factors tended to decrease them — namely,

a rise in the total note circulation, the repayment of indebtedness of member banks to the Federal Reserve banks, reduction in the Reserve banks' holdings of bills and acceptances, and increase in non-member bank reserves with the Federal Reserve banks. The increase in money in circulation was — seasonal fluctuations apart — not important until the second half of 1935. By the spring of 1934, the member banks were already practically free of debt to the Federal Reserve banks. Non-member bank deposits with the Federal Reserve banks which influence member-bank reserves because changes in them are brought about by transfers of funds to or from member

banks also rose gradually from an average of \$143 million in December 1933 to an average of \$276 million in December 1935.

The increase in the monetary gold stock, the principal factor in the recent accumulation of cash reserves, was due almost entirely to gold imports which set in with the stabilisation of the dollar at 59.06% of its former gold parity on January 31st, 1934, and continued throughout 1934 and 1935. The movements of gold into the United States since the end of January 1934 are set out in Table 4 below according to the four principal periods during which there were the largest imports of gold :

Table 4. — NET IMPORTS OF GOLD INTO THE UNITED STATES, FEBRUARY 1934 TO DECEMBER 1935.

Net imports from	I	II	III	IV	Total net imports Feb. 1st, 1934, to Dec. 31st, 1935
	Feb. 9th to April 10th, 1934	Nov. 8th, 1934, to Feb. 21st, 1935	April 5th to June 20th, 1935	Sept. 10th, to Dec. 5th, 1935	
	\$(000,000's) of new parity				
United Kingdom	376	146	2	151	820
France	127	152	347	471	1,195
Netherlands	74	42	118	58	329 ^a
India	15	42	3	39	154 ^a
Canada	20	31	17	27	181
All other	36	45	13	19	197 ^a
Total	648	457	501	766	2,876

^a Provisional.

The heavy movement of gold into the United States does not reflect excess payments to that country on ordinary transactions. The favourable balance of trade on merchandise account amounted to \$478 and \$234 million in 1934 and 1935 respectively. In the former year, this excess, together with net income from service items, represented an amount of only \$466 million to the credit of the United States, and in the latter year the export surplus, together with income from foreign investments, appears¹ to have been more than balanced by tourist expenditure abroad, immigrants' remittances, and freight payments to foreign vessels. Gold imports into the United States therefore represent principally movements on capital account induced partly by the repatriation of American capital which had sought refuge abroad prior to the embargo on gold exports in March 1933 and partly by the movement of foreign capital to the United States. The former occurred principally during the first period of large gold movements — namely, between February 9th to April 10th, 1934 — and the movement of foreign capital into the United States, induced largely by disturbed political conditions, fears relating to various currencies, and by increased purchases of American securities, has been the

dominant factor in the imports of gold since April 10th, 1934.²

Apart from the accumulation of huge cash reserves, the other significant developments in American commercial banking during 1934/35 were a large expansion in security holdings, in particular, United States Government securities and the continued reduction of loans and advances. These two developments may be examined on the basis of the total loans and investments of the member banks, whose detailed movement and percentage distribution since December 1933 are set out in Table 5.

The decline in member-bank loans continued uninterruptedly from the stock-market crash of 1929 to the end of 1934; since then, there has been a slight recovery in total loans due to increases in commercial — "all other" — and in open-market loans, more than offsetting the continued decline in security loans. Despite this recent recovery, the relative importance of total loans in the aggregate earning assets of the banks has continued to decline, their place being increasingly taken up by investments in securities — in particular, direct and guaranteed Government securities. At the end of 1935, total loans constituted 41% of total earning assets as against 73% on October 4th,

¹ *Federal Reserve Bulletin*, October 1935, page 641.

² See *Commercial Banks, 1929-1934*, pages LXXVI to XCI, and chapters in the present volume on Belgium, France, the Netherlands and Switzerland.

Table 5. — MEMBER BANK LOANS AND INVESTMENTS BY CLASSES, 1933 TO 1935.

	Amount \$(000,000's)			Percentage distribution			
	Dec. 1933	Dec. 1934	Dec. 1935	Oct. 4th, 1929	Dec. 30th, 1933	Dec. 31st	
						1934	1935
1. Total Loans	12,835	12,027	12,159	72.9	50.9	42.7	40.6
(a) Loans to customers :							
i. Security loans	3,772	3,297	3,087	22.6	15.0	11.7	10.3
ii. Real estate loans	2,359	2,273	2,287	8.8	9.3	8.1	7.6
iii. " All other " loans	5,185	4,940	5,160	33.3	20.6	17.5	17.2
(b) Loans to banks	287	155	98	1.9	1.1	0.6	0.3
(c) Open-market loans	1,232	1,362	1,530	6.3	4.9	4.8	5.1
2. Total Investments	12,386	16,122	17,775	27.1	49.1	57.3	59.4
(a) United States Government securities :							
i. Direct	7,254	9,906	10,500	11.2	28.8	35.2	35.1
ii. Guaranteed . . . . .	...	989	1,768	—	...	3.5	5.9
(b) Other securities	5,132	5,227	5,506	15.9	20.3	18.6	18.4
Total Loans and Investments	25,220	28,150	29,934	100.0	100.0	100.0	100.0

1929, whereas security holdings represented over 59% as against 27% just before the stock-market crash. The contraction in the lending activities of the banks reflects the failure of the commercial demand for credit to revive in spite of a considerable improvement in business conditions which must be largely attributed to the plethora of funds produced by Government borrowing and spending. The repayment of bank loans was no doubt largely

facilitated by the credit extended by Government Corporations and credit agencies, providing credit facilities on long as well as short term. The extent to which such credit was made available may be seen from Table 6, showing the movements since the middle of 1934 in the loans of organisations financed wholly and partly from Government funds :

Table 6. — LOANS OF GOVERNMENT CREDIT CORPORATIONS AND CREDIT AGENCIES, JUNE 30TH, 1934, TO DECEMBER 31ST, 1935.

	June 1934	Dec. 1934	June 1935	Dec. 1935
	\$(000,000's)			
1. Loans of organisations financed wholly from Government funds (inclusive of preferred stock)	3,321	2,904	3,097	3,050
Of which — (a) R.F.C. Loans	(1,887)	(1,436)	(1,380)	(1,401)
(b) Preferred stock, capital notes and debentures held by the R.F.C.	(780)	(834)	(873)	(872)
2. Loans of organisations financed partly from Government and partly from private funds	3,223	5,257	5,798	6,122
Total	6,544	8,161	8,895	9,172

With the exception of the Reconstruction Finance Corporation, most organisations covered by the above table were established after the banking crisis of March 1933. Of the organisations financed wholly from Government funds, the most important is the Reconstruction Finance Corporation.¹ The total loans (inclusive of the preferred stock, capital notes and debenture holdings) of this group rose by \$1,095 million from the proclamation of a general banking holiday on March 4th, 1933, to June 30th, 1934.² Since that date, their total loans have tended to decline; the fall is entirely due to a contraction in loans to

banks by the Reconstruction Finance Corporation and is further evidence of the improvement in the position of the banks. In both 1934 and 1935, repayments by banks and other private credit agencies were substantially larger than new loans made. Total repayments on all accounts in 1935 amounted to \$665 million, as compared with new loans of \$591 million. Of the latter, only some \$130 million constituted loans to banks, the remainder being advances to the Public Works Administration and to industrial, commercial and other enterprises. The slight increase during 1934/35 in the holdings of preferred stock, capital notes and debentures by

¹ The others are the Commodity Credit Corporation, the Export-Import banks, the Public Works Administration, the Regional Agricultural Credit corporations, the Production Credit Corporation, and the U.S. Shipping Board Merchant Fleet Corporation.

² Statement by the Secretary of State on August 28th, 1934.

the Reconstruction Finance Corporation represents sale of capital obligations by the banks not so much for the repayment of debt as for the rebuilding of their capital structure.¹ The second group included in the above table consists of organisations² which derive nearly all their funds by issuing their own securities. Many of these securities are fully guaranteed by the United States Government both as regards interest and capital; of total liabilities of the whole group of organisations at the end of 1935 amounting to \$8,106 million, obligations fully guaranteed by the United States Government constituted over half — *i.e.*, \$4,293 million — and the interests of the United States Government in the form of capital stock, etc., amounted to \$1,157 million. These organisations may therefore be considered as predominantly Government institutions. Their loans, which are largely mortgage loans, rose very rapidly in the second half of 1934 and, at the end of December 1935, were almost twice as high as at the end of June 1934. The growth reflects principally increases in the farm and home mortgage loans made by the Farm Credit Administration and the Home Owners' Loan Corporation.

The only signs of recovery in the lending activities of the commercial banks are the recent increases in member-bank commercial loans — “all other” loans and open-market loans (items 1(a) iii and 1(c) respectively of Table 5 above). The latter rose by \$130 million in 1934 and by another \$168 million in 1935. These small increases represent mainly advances to brokers in New York City in connection with public-debt operations. The increase in stock-exchange activity and rise in security prices took place without any considerable rise in speculative brokers' loans. The expansion of \$220 million in “all other” loans during 1935 represents an increase of less than 2% over the previous year, and is thought to be due principally to temporary requirements in connection with refunding operations. The absence of an effective demand for genuine commercial credit is also reflected by the movement of the industrial advances and commitments of the Federal Reserve banks, which they were authorised to make in virtue of an amendment to their statutes becoming effective as from June 19th, 1934.³ From this date to December 26th, 1934, the Federal Reserve banks received applications for \$188 million, of which they approved \$50 million. By the end of December 1935, total applications were made for \$307 million, of which \$127 million were approved. Total Federal Reserve bank industrial advances

and commitments outstanding totalled \$22 million at the end of 1934, and \$60 million at the end of 1935. The low level of industrial and commercial loans made by the Reconstruction Finance Corporation also reflect the absence of any appreciable demand for commercial credit. At the end of 1934, the total of such industrial and commercial loans stood at less than \$7 million, and at the end of the following year amounted to only \$40 million.

The decline in the principal money rates in New York during 1934/35 is shown in Table 7.

Table 7.

PRINCIPAL MONEY RATES IN NEW YORK, 1934/35.

	March	June	Sept.	Dec.
Federal Reserve Bank of New York discount rate	1934 1½ 1935 1½	1½ 1½	1½ 1½	1½ 1½
Stock Exchange call loans	1934 1 1935 1	1 ½	1 ½	1 ¾
Prime commercial paper, four to six months	1934 1-1½ 1935 ¾	¾-1 ¾	¾-1 ¾	¾-1 ¾
Prime bankers' acceptances, ninety days	1934 ½-¾ 1935 ¾-1	½-¾ ½	½-¾ ½	½ 1
Customers' rate on commercial loans	1934 3.31 1935 2.64	3.30 2.66	3.26 2.72	3.18 2.61
Average yield on Treasury bills	1934 0.27 1935 0.16	0.07 0.13	0.27 0.22	0.15 0.09

The decline in money rates is a reflection of the plethora of funds represented in the growth of deposits and of the absence of any significant revival in the demand for credit. The total volume of monetary transactions rose after the first half of 1933, but even in 1935 the figures remained much lower in relation to 1929 than did the volume of bank deposits. Table 8 below shows the monthly average of bank debits to individual accounts in 140 cities, excluding New York City, by six-monthly periods from 1929 to 1935.

Table 8.

BANK DEBITS TO INDIVIDUAL ACCOUNTS.

Monthly average	January-June	July-December
	\$(000,000's)	
1929	26,725	28,598
1930	24,251	21,969
1931	19,348	16,907
1932	13,710	12,024
1933	11,510	12,785
1934	13,699	16,419
1935	15,235	16,646

¹ See *Commercial Banks, 1929-1934*, page 148.

² These are the Federal Land banks, Federal Intermediate Credit banks, Federal Farm Mortgage Corporation, Banks for Co-operatives, Home Loan banks, Home Owners' Loan Corporation, Federal Savings and Loan Insurance Corporation, Federal savings and loan associations, and the Federal Deposit Insurance Corporation.

³ See *Commercial Banks, 1929-1934*, page 149.

The failure of monetary turnover to keep pace with the growth of deposits is strikingly brought out in the continued low level of the indices of the velocity circulation of deposits as calculated by the Federal Reserve Bank of New York. These are shown in Table 9, together with the movement of deposits in member banks.

Table 9.

DEPOSITS IN MEMBER BANKS AND THEIR
VELOCITY OF CIRCULATION, 1934/35.

Net demand and time deposits in member banks		March	June	Sept.	Dec.
		\$(000,000's)			
(a) New York City	1934	6,671	7,168	7,300	7,512
	1935	8,050	8,565	9,272	9,644
(b) Outside New York City	1934	18,617	19,530	20,315	21,026
	1935	21,536	22,438	22,046	22,836
Index of velocity of circulation of demand deposits (1919-1925=100) for :					
(a) New York City	1934	54	53	45	47
	1935	46	45	44	43
(b) Outside New York City	1934	72	73	66	71
	1935	69	66	68	71

An event of outstanding importance for the development of banking and monetary conditions in the United States was the passage of the Banking Act of 1935 on August 23rd, 1935. It went into effect on March 1st, 1936. This act represents a fundamental revision of the Federal Reserve Act of 1913, the various amendments to which prior to 1935 have been described in the previous issues of this *Memorandum*. The first title of the Banking Act of 1935 contains provisions making the Federal Deposit Insurance Corporation a permanent organisation,¹ the second makes important amendments to the Federal Reserve Act, and the third title contains certain changes of a technical nature. The insurance of deposits to the amount of \$5,000 for any one depositor becomes a permanent feature of the banking system. The assessment rate for such insurance is fixed at $\frac{1}{12}$ %, based on the total of deposits, less uncollected items, of the insured bank. Membership in the Federal Reserve System is made compulsory for most non-member banks by a provision requiring State banks having average deposits of \$1,000,000 or more during the calendar year 1941 or any succeeding year to become members of the Federal Reserve System or lose the right to deposit insurance. The Board of Governors, however, may waive these requirements in order to facilitate the admission of any State bank. This provision extends the time-limit for membership from July 1st, 1937, required by the

temporary insurance scheme, to July 1st, 1942. Among the more important amendments of Title II may be noted the following : (1) The powers of the Board of Governors of the Federal Reserve System (which replaces the old Federal Reserve Board) are increased and broadened in several ways. Open-market operations are put under the control of the Federal Open-market Committee, consisting of seven members of the newly constituted Board of Governors of the System and of five representatives of the Federal Reserve banks. The Board of Governors is therefore given a majority vote in the decisions relating to open-market operation. The Federal Reserve banks are required to submit to the Board of Governors for its approval every fourteen days, or more frequently if necessary, the rates of discount which they wish to establish in their districts. The Board of Governors is given permanent authority to alter member bank reserve requirements. These could be changed formerly only when an emergency existed owing to credit expansion and required the special approval of the President of the United States. Under the new law, changes can be made by a vote of four members of the Board of Governors "in order to prevent injurious credit expansion or contraction", provided that the reserve requirements are not reduced below present requirements or increased to more than twice present requirements. The Secretary of the Treasury and the Comptroller of the Currency ceased to be *ex-officio* members of the Board as from February 1st, 1936. (2) Federal Reserve banks are required to buy and sell the obligations of the United States Government only in the open market. To these obligations are added those which are fully guaranteed by the United States Government as to interest and principal (see above, on page 147). (3) While no changes have been made in the provisions regarding the discount of paper by the Federal Reserve banks for member banks or in the provisions authorising advances to member banks on notes secured by Government obligations or by eligible paper, the new act liberalises and makes permanent the amendment passed in February 1932, which expired in March 1935. Federal Reserve banks are thereby authorised to make advances to their member banks on any security which is deemed satisfactory by the Reserve bank at a rate of interest at least $\frac{1}{2}$ % higher than the highest discount rate in effect at such a Reserve bank, the advances in no case exceeding a period of four months. This authorisation is general, and not limited as previously to emergency conditions or to the provision that the member banks must have exhausted all the other means of obtaining credit

¹ See *Commercial Banks, 1929-1934*, pages 144-148, on the establishment on a temporary basis of the Federal Deposit Insurance Corporation.

at the Federal Reserve banks. (4) The new act permits national banks to make real-estate loans, increase the percentage of the value of real estate that a loan may cover from 50 to 60%, and the term of the loan is raised from five to ten years, provided that at least 40% of the loan be repaid in the course of ten years. Such loans may be made up to 100% of the unimpaired capital and reserves of the bank, or up to 60% of its time and savings deposits, as compared with previous limitations of 25% of capital and reserves and 50% of time and savings deposits.

Of the more important technical and other provisions may be noted the following: (1) The former definitions of demand, time and savings deposits are repealed, and the Board of Governors of the Federal Reserve System is authorized to define such terms for purposes of reserve requirements and to define what is to be considered as payment of interest by member banks. (2) The Federal Deposit Insurance Corporation is authorized to issue regulations with regard to the payment of interest on and the withdrawal of deposits of insured non-member banks similar to the authority of the Board of Governors of the Federal Reserve

System with regard to member banks. Interest payment on demand deposits are thereby generally prohibited. (3) Provision is also made for uniform interest rates payable on savings deposits with the Post Office and with member banks.

* * *

As in previous editions of this *Memorandum*, the attached Summary Tables are based upon statistics published in the Annual Reports of the Comptroller of the Currency. These tables contain certain discrepancies due to the lack of uniform methods of classification of accounts of all banks, particularly those operating under the jurisdiction of the various States. A uniform balance-sheet statement covering the great majority of commercial banks in the United States was for the first time made available in the report of the Federal Deposit Insurance Corporation for the end of June 1934 and was reproduced in the preceding edition of this *Memorandum*. That statement, along with the second one¹ issued for the end of June 1935, is summarised below:

Assets	June 30th, 1934	June 29th, 1935	Liabilities	June 30th, 1934	June 29th, 1935
	\$(000,000's)			\$(000,000's)	
Cash in vault	621	708	Capital stock, notes, debentures . . .	3,311	3,369
Balances with Federal Reserve banks and in course of collection	4,335	5,609	Surplus	1,959	1,894
Due from domestic banks	4,172	5,161	Undivided profits	469	529
Due from foreign banks	237		Reserves	491	426
United States Government securities . . .	10,296	12,360	Demand deposits	14,875	18,042
State and municipal securities	2,278	6,693	Time deposits	11,941	12,272
Foreign securities	334		United States and post. sav. deposits	1,784	1,179
Other securities	3,429	14,509	Other public deposits	2,407	2,914
Stock in Federal Reserve banks	146		Due to domestic banks	4,532	5,928
Loans and discounts	15,161	165	Due to foreign banks	156	
Guarantees and cover for acceptances	261	1,211	Restricted deposits	72	222
Premises	1,208	508	Notes in circulation	695	
Other real estate	424	369	Bills payable and rediscounts	72	38
Other assets	470		Acceptances	293	183
			Other liabilities	317	
Total assets	43,373	47,293	Total liabilities	43,373	47,293

It should be noted that, whereas the statement for the end of June 1934 showed the situation of 13,867 commercial banks members of the Federal

Deposit Insurance Corporation, that for the end of June 1935 covers the accounts of 14,176 commercial banks.

¹ As published in the *Federal Reserve Bulletin* of October 1935, page 695.

UNITED STATES OF AMERICA.

COMMERCIAL BANKS ¹

Table 26 (a) I.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:				
	1929	1931	1932	1933	1934
Number of Banks	23,972	20,817	18,067	13,829	15,000
ASSETS.					
	\$ (ooo,ooo's omitted)				
I. Cash.	3,910	4,124	3,307	3,270	5,039
(a) Gold, silver and small coins	71	91	66	4	.
(b) Inland notes and balances with Central Bank	3,839	4,033	3,241	3,266	.
2. Other Items of a Cash Nature	1,680	1,941	976	1,097	620
3. Bills discounted and bought	—	—	—	—	—
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	13,191	15,220	13,679	13,518	16,679
(a) Government	4,975	7,220	7,524	8,914	12,122
(b) Other	8,216	8,000	6,155	4,604	4,557
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	3,323	3,768	2,544	2,886	3,934
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	34,625	28,398	21,356	16,002	15,387
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	450	938	528	442	297
9. Premises, etc.	1,601	1,652	1,521	1,225	1,128
10. Sundry Assets	1,796	1,655	1,110	1,016	1,105
11. Total Assets	60,576	57,696	45,021	39,456	44,189
LIABILITIES.					
12. Capital paid up.	3,735	3,618	3,274	2,869	3,484
13. Reserve Funds	4,034	4,229	3,644	2,744	2,532
14. Profit-and-Loss Account, Undivided Profits, etc.	936	833	555	497	494
15. Notes in circulation	649	639	652	730	698
16. Cheques and Drafts, etc., in circulation	837	1,083	566	653	352
17. Due to Banks (Correspondents)	3,621	4,823	3,207	3,314	4,367
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	42,985	39,713	30,597	27,047	31,301
(a) Current accounts and sight deposits.	24,032	21,208	16,322	15,212	17,507
(b) Savings accounts	18,654	18,042	13,845	10,956	12,042
(c) Time or fixed deposits	299	463	430	879	1,752
(d) Other deposits	1,624	449	1,214	482	181
19. Rediscounts and other Borrowings	450	939	528	442	297
20. Acceptances and Endorsements.	1,705	1,370	784	678	483
21. Sundry Liabilities.	60,576	57,696	45,021	39,456	44,189
22. Total Liabilities.	60,576	57,696	45,021	39,456	44,189
23. Value of currency in Swiss francs at end of June of each year	5.18	5.18	5.18	4.23	3.08

¹ Abstract of combined reports of : National, State (Commercial) and Private banks, and Loan and Trust Companies.

UNITED STATES OF AMERICA. NATIONAL BANKS

Table 26 (a) II.

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE:				
	1929	1931	1932	1933	1934
Number of Banks	7,536	6,805	6,150	4,902	5,422
ASSETS.					
	\$ (ooo,ooo's omitted)				
I. Cash.	1,643	1,787	1,490	1,700	2,850
(a) Gold, silver and small coins	51	53	39	2	—
(b) Inland notes and balances with Central Bank.	1,592	1,734	1,451	1,698	—
2. Other Items of a Cash Nature	785	854	427	483	312
3. Bills discounted and bought.	—	—	—	—	—
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities.	6,656	7,675	7,197	7,372	9,349
(a) Government	3,561	4,253	4,384	5,100	6,858
(b) Other	3,095	3,422	2,813	2,272	2,491
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	1,854	2,354	1,569	1,936	2,535
(a) At home.	1,777	—	—	—	—
(b) Abroad	77	—	—	—	—
7. Loans and Advances.	14,811	13,185	10,286	8,120	7,698
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances.	393	442	279	229	133
9. Premises, etc.	748	796	760	642	656
10. Sundry Assets	550	550	360	379	369
11. Total Assets	27,440	27,643	22,368	20,861	23,902
LIABILITIES.					
12. Capital paid up.	1,627	1,688	1,569	1,516	1,738
13. Reserve Funds	1,634	1,687	1,458	1,105	1,006
14. Profit-and-Loss Account, Undivided Profits, etc.	488	444	303	236	257
15. Notes in circulation.	649	639	652	730	698
16. Cheques and Drafts, etc., in circulation	373	531	241	244	187
17. Due to Banks (Correspondents)	2,176	2,746	1,800	1,970	2,684
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
18. Deposits	19,049	18,920	15,419	14,561	17,062
(a) Current accounts and sight deposits	10,504	10,106	7,941	7,894	9,281
(b) Savings accounts	8,317	8,579	7,265	6,217	6,891
(c) Time or fixed deposits	228	235	213	450	890
(d) Other deposits	714	154	507	118	16
19. Rediscounts and other Borrowings	393	443	279	229	133
20. Acceptances and Endorsements.	337	391	140	152	121
21. Sundry Liabilities.	27,440	27,643	22,368	20,861	23,902
22. Total Liabilities.	27,440	27,643	22,368	20,861	23,902
23. Value of currency in Swiss francs at end of June of each year.	5.18	5.18	5.18	4.23	3.08

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS ENDING JUNE 30TH :				
	1929	1931	1932	1933	1934
Number of Banks.	7,536	6,805	6,150	4,902	5,422
	\$ (ooo,ooo's omitted)				
Capital paid up.	1,627.4	1,687.7	1,569.0	1,517.2	1,738.8
Reserve Funds	1,479.0	1,493.9	1,259.4	940.6	854.0
I. Gross Profits	970.4	894.6	787.9	689.4	759.4
<i>To be deducted.</i>					
2. Expenses.	497.2	498.5	427.1	394.5	374.5
(a) Salaries, etc.	271.8	275.6	239.2	204.5	202.2
(b) Other working expenses	159.4	158.8	139.8	149.0	128.7
(c) Taxes, etc.	66.0	64.1	48.1	41.0	43.6
3. Reserved for Pension Funds, etc.	—	—	—	—	—
4. Amounts written off on (Depreciation Accounts).	171.4	343.5	500.5	513.3	688.4
(a) Premises, etc.	25.1	18.4	17.7	15.9	29.8
(b) Investments and securities.	130.5	306.4	464.1	474.6	621.1
(c) Other assets	15.8	18.7	18.7	22.8	37.5
5. Remaining Net Profit or Loss (—)	301.8	52.6	—139.7	—218.4	—303.5
6. Carried forward from preceding year.	—	—	—	—	—
7. Taken from Reserves or Capital.	—	158.7	308.9	317.5	379.3
8. Total Amount disposed of for Dividends, etc.	301.8	211.3	169.2	99.1	75.8
9. Dividends	222.7	211.3	169.2	99.1	75.8
10. Carried to Reserves	—	—	—	—	—
11. Directors' Fees, etc.	79.1	—	—	—	—
12. Carried forward to following year	—	—	—	—	—
13. Total as above	301.8	211.3	169.2	99.1	75.8
14. Value of currency in Swiss francs at end of June of each year.	5.18	5.18	5.18	4.23	3.08

Summary of Profit-and-Loss Accounts.

Profit-and-loss accounts are available only for licensed national banks.

I. Gross Profits.

\$ (ooo,ooo's)	1929	1931	1932	1933	1934
Net interest and discount earned	747.6	660.9	584.3	496.4	499.0
Exchange and collection charges.	18.1	15.2	12.1	14.1	17.9
Foreign exchange	12.4	15.3	18.2	12.5	14.1
Insurance and real estate loans	0.9	0.7	0.6	—	—
Trust department	20.6	26.7	22.4	21.5	23.6
Profits on securities sold	35.1	50.3	24.9	—	—
Recoveries on assets previously written down.	35.6	35.3	42.3	78.6	135.4
Other earnings	100.1	90.2	83.1	66.3	69.4
Total.	970.4	894.6	787.9	689.4	759.4

4. Amounts written off.

\$ (ooo,ooo's)	1929	1931	1932	1933	1934
Loans and discounts.	86.8	186.9	259.5	231.4	379.3
Bonds, securities, etc.	43.5	119.3	201.8	236.6	241.8
Foreign exchange	0.2	0.2	2.8	(6.6)	—
Total.	130.5	306.4	464.1	474.6	621.1

Balance-sheet Summary.

General Note:

Unless otherwise indicated, the following notes refer to Table 26 (a) I, showing the combined accounts of national banks, State banks, trust companies and private banks. The figures for 1933 and 1934 relate only to licensed banks.

I. Cash.

\$ (ooo,ooo's)	1929	1930	1931	1932	1933
Gold coin	25	25	23	23	2
Gold certificates . . .	46	46	68	43	2
Total (1 (a))	71	71	91	66	4
Paper currency	444	470	564	520	461
Cash not classified . . .	256	274	177	136	134
Reserve with Federal Reserve banks or reserve agents . . .	3,139	3,318	3,292	2,585	2,671
Total (1 (b))	3,839	4,062	4,033	3,241	3,266
Grand total: (1 (a)+(b)) . . .	3,910	4,133	4,124	3,307	3,270

4. Investments and Securities.

\$ (ooo,ooo's)	1929	1931	1932	1933	1934
<i>Government (public) securities:</i>					
United States bonds	3,744	5,471	5,832	7,143	9,842
State, county or municipal bonds . . .	1,231	1,749	1,692	1,771	2,280
Total (4 (a))	4,975	7,220	7,524	8,914	12,122
<i>Other securities:</i>					
Railroad and other public service bonds	1,907	2,490	2,075	1,642	2,657
Other bonds, stocks, warrants, etc. . . .	6,309	5,510	4,080	2,962	1,900
Total (4 (b))	8,216	8,000	6,155	4,604	4,557
Grand total: (4 (a)+(b)) . . .	13,191	15,220	13,679	13,518	16,679

6. Due from Banks.

Sums due from foreign correspondents are not shown separately in the official summary balance-sheets ; separate figures available for national banks for the end of June, 1929, 1933 and 1934, are shown below :

\$ (ooo,ooo's)	1929	1933	1934
Items with Federal Reserve banks in process of collection	444	282	322
Due from banks and trust companies in the United States	1,333	1,570	2,150
Total due from banks at home (6 (a)) . .	1,777	1,852	2,472
Balances payable in dollars from foreign branches of American banks	1	1	—
Due from banks and bankers in foreign countries . .	76	83	63
Total due from banks abroad (6 (b)) . .	77	84	63
Grand total	1,854	1,936	2,535

7. Loans and Advances.

\$ (ooo,ooo's)	1929	1931	1932	1933	1934
1. Commercial paper, etc., bought in the open market	2,729	1,057	638	497	629
2. Overdrafts	57	46	15	11	13
3. Loans to banks	372	369	489	316	164
4. Loans secured by United States and other bonds	11,146	9,043	5,956	4,651	5,173
5. Loans secured by real estate	4,540	4,315	3,979	3,497	3,297
<i>Whereof:</i>					
Farm land	1,855	440	495	375	570
Other real estate	2,684	3,875	3,484	3,122	2,726
6. All other loans	15,781	13,568	10,279	7,030	6,112
Grand total (1 to 6)	34,625	28,398	21,356	16,002	15,387

17. Due to Banks (Correspondents).

The composition of this item for national banks is as follows :

\$ (ooo,ooo's)	1929	1933	1934
Due to Federal Reserve banks (deferred credits)	37	26	31
Due to other banks and trust companies in the United States	1,935	1,876	2,579
Due to banks in foreign countries	204	68	74
Total	2,176	1,970	2,684

18. Deposits.

\$ (ooo,ooo's)	1929	1931	1932	1933	1934
Individual deposits subject to check	21,281	18,565	14,249	13,364	14,811
Demand certificates of deposits	409	367	248	184	155
State, county and municipal deposits	1,873	1,849	1,538	1,273	1,989
Other demand deposits	469	427	287	391	552
Total (a), sight deposits	24,032	21,208	16,322	15,212	17,507
Savings account deposits	14,045	12,714	9,760	7,457	8,651
Time certificates of deposit	3,063	2,881	2,069	1,610	1,487
Other time deposits	906	1,543	1,006	762	787
Postal savings deposits	89	261	647	770	664
State, county and municipal deposits	418	484	310	292	342
Deposits of other banks	133	160	53	65	111
Total (b), time deposits	18,654	18,043	13,845	10,956	12,042
United States deposits	281	444	421	852	1,726
Unclassified deposits	18	19	9	27	26
Total (c), other deposits	299	463	430	879	1,752
Grand total	42,985	39,713	30,597	27,047	31,301

URUGUAY.

The banking organisation of Uruguay¹ was recently modified by the Law of August 14th, 1935, on the revaluation of the gold reserve of the Banco de la República and by the measures taken to control the peso exchange. The Law of August 14th, 1935, separates the commercial activities of the Banco de la República from the note issue, an independent administration, the Issue Department, being henceforward entrusted with the issue of notes and the holding of the gold and silver reserve, with the exception of the gold earmarked under the Law of November 9th, 1934, for the liquidation of blocked credits. The gold reserve, which (without the earmarked gold in question) amounted to 37 million gold pesos, and the silver reserve were revalorised at the official exchange rate for the peso during the last twelve months. The returns published by the Bank in November 1935, the first returns taking the devaluation of the peso into account, showed the gold and silver reserves as transferred to the Issue Department, their value being stated at 90 million pesos.

The revaluation of the reserve, which is tantamount to a devaluation of the peso, places an additional 48,765,439 pesos at the disposal of the Government. This sum is to be used for reforms in the Banco Hipotecario and the pensions institutions, and as cover for the deficit due to Government intervention on the wheat market, and for the financing of public works. These several financial operations are spread over three years.

The exchange control established in October 1931 has recently undergone considerable changes, the characteristic feature of which is an increasing recognition of the free market. The measures adopted in 1934 with regard to the "compensado" market and the official market of the peso, an account of which was given in the last edition of this volume, did not have the results that were expected. In March 1934, the "compensado" exchange of the peso was 53% higher than the official rate, with the result that importers ignored the latter and calculated their prices on the former. Under these circumstances, a Decree was issued in July 1934 substituting a free rate managed by the Banco de la República for the "compensado" rate. Since that date, the peso has had three different rates — *viz.*, the official rate, the managed free rate and the free rate. On October 1st, 1935, for example, the pound sterling had three different values at the three different rates — namely, 6.17 at the official rate, 11.09 at the managed free rate, and 11.75 at the free rate. The official rate is applicable to Government obligations and to certain private transactions. Trading interests would no

longer appear to take the official rate into account, their calculations being based either on the managed free rate or on the free rate, according to the character of the particular transaction. The difference between the managed free rate and the free rate, which, would appear from the figures quoted to be only a slight one, is in fact considerable, owing to the regulations of June 1935 with regard to the payment of 25%, and in certain cases 50%, of the Customs duties in gold. The calculation of the additional dues charged on imported goods is based on a more favourable coefficient when the rate taken is the managed free rate than that which is adopted in the case of the free rate, the result being that the difference between the two rates is in reality larger than it appears at first sight. Certain countries have concluded special agreements with Uruguay in regard to their respective exchanges.

The following table contains a brief summary of the main items in the returns of the Banco de la República and other commercial banks in December 1933 and in June 1934 and 1935 (monthly averages):

	Cash, etc.	Note Gross	Issue Net ^a	Loans and advances	Deposits Sight	Time
<i>Banco de la República:</i>						
	Pesos (000,000's omitted)					
Dec. 1933	53	77	52	143	33	46
June 1934	53	76	53	139	31	46
June 1935	50	73	50	139	36	44
<i>Ordinary Uruguayan banks:</i>						
Dec. 1933	11	—	—	67	19	38
June 1934	14	—	—	70	20	41
June 1935	10	—	—	76	19	46
<i>Foreign Banks:</i>						
Dec. 1933	16	—	—	26	25	8
June 1934	14	—	—	25	22	7
June 1935	12	—	—	27	22	8

^a *I.e.*, exclusive of the notes of the Banco de la República which are held by the other banks.

There has been a slight increase of deposits at the Uruguayan banks during the eighteen months under consideration; but there have been changes in the distribution of deposits as between the three classes of banks, largely at the expense of foreign banks. The deposits of the ordinary Uruguayan banks increased between December 1933 and June 1935 by 8 millions, while the total volume of deposits increased by only 6 millions. On the other hand, the volume of loans and advances, which shows a slight increase in the case of the foreign banks, rose by 9 million pesos in the case of the ordinary Uruguayan banks.

¹ For details, see *Commercial Banks, 1925-1933*, page 303 and *1929-1934*, page 185.

URUGUAY.

COMMERCIAL BANKS

Table 40 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF :				
	1929	1931	1932	1933	1934
Number of Banks.	20	19	18	18	18
ASSETS.					
	Pesos (000,000's).				
1. Cash.	87.0	83.8	91.4	78.7	72.9
(a) Gold, silver and small coins.	70.0	54.4	50.4	51.5	50.0
(b) Inland notes and balances with Central Bank	17.0	29.4	41.0	27.2	22.9
2. Other Items of a Cash Nature.	9.6	12.9	18.3	22.5	19.0
3. Bills discounted and bought.	2.3	0.9	0.6	0.5	—
(a) Treasury bills.	—	—	—	—	—
(b) Commercial bills, Inland.	—	—	—	—	—
(c) Commercial bills, Foreign.	—	—	—	—	—
4. Investments and Securities.	1.7	8.2	7.5	7.0	7.1
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	—	—	—	—	—
6. Due from Banks (Correspondents).	—	—	—	—	—
(a) At home.	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances.	192.9	194.1	193.9	188.4	202.1
(a) On current account	—	—	—	—	—
(b) Other	—	—	—	—	—
8. Cover for Acceptances	—	—	—	—	—
9. Premises, etc.	—	—	—	—	—
10. Sundry Assets	—	—	—	—	—
11. Total Assets	293.5	299.9	311.7	297.1	301.1
LIABILITIES.					
12. Capital paid up	49.0	50.2	49.6	49.8	50.1
13. Reserve Funds	8.2	10.1	13.9	11.4	12.4
14. Profit-and-Loss Accounts, Undivided Profits, etc.	—	—	—	—	—
15. Notes in Circulation	71.3	81.0	84.7	78.4	79.6
16. Cheques and Drafts in Circulation.	0.5	0.4	0.3	0.4	0.3
17. Due to Banks (Correspondents)	—	0.1	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	0.1	—	—	—
18. Deposits	169.4	164.1	171.3	166.8	165.6
(a) Current account and sight deposits.	79.8	75.5	85.8	75.9	74.4
(b) Savings accounts	86.0	85.5	82.6	88.3	88.4
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	3.6	3.1	2.9	2.6	2.8
19. Rediscounts and Other Borrowings	—	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—	—
21. Sundry Liabilities.	—	—	—	—	—
22. Total Liabilities.	298.4	305.9	319.8	306.8	308.0
23. Value of currency in Swiss francs at the end of each year.	4.88	2.29	2.46	2.47	2.48

Other indications of business revival have been apparent recently. In June 1935, for example, the volume of "compensation" business was 30% more than in the same month of the previous year. The note issue, after falling consistently since 1932,

when it totalled 86 million pesos, is likely, according to official statements, to show an increase in the near future as a result of the new issues of notes which the revaluation of the gold reserve has rendered possible.

Balance-sheet Summary.

General Note. — The amounts shown in the Balance-sheet Summary under headings 2, 3, 4, 15, 16 and 17 refer exclusively to the respective accounts of the Banco de la República.

Notes on certain items not dealt with below are given in the previous editions of this *Memorandum*.

1. Cash.

Pesos (000,000's)	1929	1931	1932	1933	1934
Banco de la República :					
Gold coins	65.9	50.0	45.8	46.9	45.8
Silver and nickel coins	3.5	4.4	4.6	4.6	4.2
Total	69.4	54.4	50.4	51.5	50.0
Other banks :					
Gold coins	0.6	—	—	—	—
Notes of Banco de la República	15.8	27.6	39.0	25.2	21.1
Sight deposits with Banco de la República	0.9	1.4	1.7	1.3	1.2
Subsidiary issue of Banco de la República and subsidiary coin	0.3	0.4	0.3	0.7	0.6
Total	17.6	29.4	41.0	27.2	22.9
Grand total	87.0	83.8	91.4	78.7	72.9

2. Other Items of a Cash Nature.

Pesos (000,000's)	Foreign exchange holdings	Credits in course of collection	Total
1929	1.6	8.0	9.6
1931	0.9	12.0	12.9
1932	4.1	14.2	18.3
1933	5.2	17.3	22.5
1934	0.8	18.2	19.0

7. Loans and Advances.

Pesos (000,000's)	1929	1931	1932	1933	1934
Banco de la República :					
Ordinary current accounts	28.6	17.5	15.2	13.5	16.4
Official current accounts	8.2	12.1	21.4	23.6	30.2
National Savings Bank and Banco Hipotecario	—	10.1	10.2	10.0	11.6
Total loans on current account	36.8	39.7	46.8	47.1	58.2

Pesos (000,000's)	1929	1931	1932	1933	1934
Loans on promissory notes	51.7	44.8	41.1	35.5	32.2
Rural and industrial credit	6.2	9.8	13.7	12.0	9.9
Mortgage loans	0.2	—	—	—	—
Guaranteed short-date loans	8.4	4.3	2.6	0.5	2.2
Total other loans	66.5	58.9	57.4	48.0	44.3
Total, Banco de la República	103.3	98.6	104.2	95.1	102.5
Other banks	89.6	95.5	89.7	93.3	99.6
Grand total	192.9	194.1	193.9	188.4	202.1

12 and 13. Capital and Reserve Funds.

Pesos (000,000's)	Banco de la República	Ordinary domestic banks	Foreign banks	Total
Capital paid-up :				
1929	26.8	15.9	6.3	49.0
1931	27.7	16.2	6.3	50.2
1932	27.7	16.2	5.7	49.6
1933	27.8	16.2	5.8	49.8
1934	27.8	16.5	5.8	50.1
Reserve Funds :				
1929	1.1	6.4	0.7	8.2
1931	1.3	7.8	1.0	10.1
1932	5.0	7.9	1.0	13.9
1933	3.1	8.2	0.1	11.4
1934	4.1	8.2	0.1	12.4

18. Deposits.

The amounts shown in the Summary Table for (a) and (c) were divided as follows :

Pesos (000,000's)	Current accounts		Time and savings accounts	
	Banco de la República	Other banks	Banco de la República	Other banks
1929	42.4	37.4	44.9	41.1
1931	32.2	43.3	38.9	46.6
1932	31.8	54.0	37.7	44.9
1933	32.0	43.9	42.6	45.7
1934	31.7	42.7	39.2	49.2

19. Rediscounts and Other Borrowings.

The rediscounts of the ordinary banks with the Banco de la República excluded from this group are as follows :

(Pesos 000,000's)	
1929	2.3
1931	3.5
1932	2.5
1933	2.1
1934	2.4

VENEZUELA.

The characteristic features of the banking situation as it developed in Venezuela in 1934 and in the first half of 1935 are clearly shown in the following summary of the principal items in the balance-sheets published by the six national and four foreign banks.

	National banks			Foreign banks		
	Dec. 1933	June 1934	June 1935	Dec. 1933	June 1934	June 1935
	Bolivars (000,000's)					
1. Cash (gold and silver)	129	132	203	13	11	20
Including gold	(94)	(94)	(154)	(10)	(9)	(12)
2. Due from foreign banks	1	4	7	4	3	4
3. Total note circulation	101	102	102	—	—	—
Including net circulation in hands of public ^a	(70)	(68)	(66)	—	—	—
4. Total deposits	137	142	177	62	61	70
Including State deposits	(61)	(78)	(103)	—	—	—
5. Total loans and advances	141	134	108	41	39	28

^a *I.e.*, excluding banks' holdings of their own and one another's notes.

Three conclusions emerge from a study of the table. In the first place, the volume of loans and advances shows a considerable decline as a result of the falling-off in the economic activities of the country. The decline, which is much greater in the case of the national banks than in that of the foreign banks, would appear to be due also to the fact that exporters have taken advantage of the influx of foreign exchange resulting from the favourable trade balance to pay off advances received from the banks. In addition, the two grants of 10 million bolivars which the Government distributed to agricultural producers have no doubt brought about a partial repayment of bank loans to agriculture, with a corresponding increase in the cash holding of the banks. Study of the profits of the Banco de Venezuela, as shown in the balance-sheet summary, reveals a rapid decline in profits, which goes to confirm the above conclusions.

Secondly, the increase in the deposit of the national banks is only apparent, since (as the table shows) the aggregate volume of deposits would have diminished but for the increase in Government deposits at the Banco de Venezuela as the result of

the imports of gold for Government account. The foreign banks, which also showed an increase in deposits, used their resources to strengthen their cash holdings.

The gold imports — and this is the third inference to be drawn from the table — are the result of the favourable balance of accounts and the measures taken to protect the bolivar exchange. Under the agreement concluded in August 1934,¹ the foreign oil companies undertook not to sell dollars to the banks beyond the amount the latter required to meet the normal demand for foreign exchange, and to cede the balance of their dollar holdings to the Venezuelan Government at the gold point rate of 3.04 bolivars. The Government was thus enabled in the first year to purchase 25,677,000 dollars' worth of gold, which it imported into the country and used to constitute a gold reserve intended to replace the silver coin in circulation.²

These financial transactions on the part of the Government and the oil companies are, indeed, simply a consequence of the recent movements of the bolivar exchange. The rate of exchange has risen rapidly since 1933, owing to the continual increase in the supply of dollars made available by the oil companies, and in consequence of the decline in importation, which was rendered particularly difficult by the extremely high Customs duties. Under these circumstances, the depreciation of the American dollar, which fell suddenly from 5 to 3 bolivars, led to a marked drop in the prices of export products as expressed in Venezuelan currency. In order, therefore, to revive foreign trade, it was necessary to stabilise the bolivar at a lower level than that which it had just reached in the summer of 1934. Accordingly, in August 1934, the Government, without devaluing the bolivar by law or introducing control of the exchanges, fixed the sale price of the dollar at 3.93 and the purchase price at 3.90 bolivars, at the same time arranging by agreement with the oil companies and the other principal exporters for a sufficient influx of foreign exchange into the market. In July 1935, these arrangements were modified, the banks being allowed from that date to sell foreign exchange freely; but the Government's agreement with the oil companies remains in force, so that the latter will continue to sell foreign exchange to the banks at 3.90 bolivars to the dollar, while the Government purchases their

¹ See *Commercial Banks, 1929-1934*, page 188.

² Under the Decree of November 13th, 1934, 20 million bolivars of new silver coin are to be put into circulation as and when the gold imports for Government account are sufficient to cover not less than 50% of the newly minted coin. This increase in the circulation of silver coin explains the changes in the silver holding of the banks (see balance-sheet summary below). The total circulation of silver coin and small coin, including that minted under the Decree of November 13th, 1934, amounted in June 1935 to 105 million bolivars. As 55.7 million bolivars of silver coin and small coin were held by the banks, the net circulation of silver coin and small coin in the hands of the public was not more than 49.3 million bolivars (as compared with 44.8 millions at the end of June 1934).

surplus foreign exchange and uses it to import gold in return for these assets abroad. According to private estimates, 75 % of the foreign exchange derived from oil was purchased in July 1935 by the banks.

The summary of the position of the banks (based on the statistics published by the *Boletín de la Cámara de Comercio de Caracas*), which is a good deal fuller than that contained in previous editions of this volume, embodies returns from the six Venezuelan issue banks (Banco de Venezuela, Banco

Caracas, Banco Venezolano de Crédito, Banco Mercantil y Agrícola, Banco de Maracaibo and Banco Comercial de Maracaibo) and also from the branches of four foreign banks (Royal Bank of Canada, National City Bank of New York, Anglo-South-American Bank, and the Hollandsche Bank voor West Indië). The two State banks, Banco Agrícola y Pecuário and Banco Obrero, deal solely with credit transactions on landed property, and their returns are not embodied in the summary.

Balance-sheet Summary.

1. Cash.

	Gold	Silver coin and small coin Bolivars (000,000's)	Total
1930	127.1	28.6	155.7
1933	106.3	37.8	144.1
1934	103.6	40.2	143.8
1935	165.4	55.7	221.1

2. Other Items of a Cash Nature.

These are notes of national issue banks, held by national and foreign banks.

7. Loans and Advances.

No uniform or detailed information is available in respect of the different items of the assets of national and foreign banks. The heading "Loans and Advances" accordingly covers *all* the liquid assets of national and foreign banks. The following additional details are available :

	Liquid assets (local) up to 30 days	Liquid assets (local) at more than 30 days	Total
	Bolivars (000,000's)		
1930	147.3	41.6	188.9
1933	145.2	38.8	184.0
1934	140.1	32.8	172.9
1935	102.4	34.3	136.7

14. Profit-and-loss Accounts.

The profits of the Banco de Venezuela, the institution undertaking all Government operations, are shown as an example. They were as follows :

	Including payments to Reserve and Guarantee Funds	Not including payments to Reserve and Guarantee Funds
July-Dec. 1933 . . .	2,011,155	1,608,924
Jan.-June 1934 . . .	1,536,227	1,228,981
July-Dec. 1934 . . .	1,673,515	1,338,812
Jan.-June 1935 . . .	1,392,172	1,113,737

15. Notes in Circulation.

The amounts shown in the Summary Table represent the gross note circulation. The net note circulation in the hands of the public is shown below :

	1930	1933	1934	1935
	Bolivars (000,000's)			
Gross circulation	91.9	102.0	101.5	102.1
Notes held by banks	16.4	29.0	34.0	36.0
Note circulation in hands of public	75.5	73.0	67.5	66.1

The notes in circulation in 1935 were issued by the following issue banks in the amounts shown :

	Bolivars (000,000's)
Banco de Venezuela	54.0
» Caracas	9.6
» Venezolano de Crédito	17.5
» Mercantil y Agrícola	12.0
» de Maracaibo	5.0
» Comercial de Maracaibo	4.0
	<hr/>
	102.1

18. Deposits.

	Private deposits in all banks	Sight deposits of the Government with the Banco de Venezuela	Total
	Bolivars (000,000's)		
1930	171.7	89.6	261.3
1933	128.5	65.5	194.0
1934	123.0	78.6	201.6
1935	144.4	102.7	247.1

VENEZUELA.

COMMERCIAL BANKS

Table 41 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF JUNE			
	1930	1933	1934	1935
Number of banks	10	10	10	10
ASSETS				
	Bolivars (ooo,ooo's)			
I. Cash	155.7	144.1	143.8	221.1
(a) Gold, silver and small coin	—	—	—	—
(b) Inland notes and balances with central banks	—	—	—	—
2. Other Items of a Cash Nature	16.4	29.0	34.0	36.0
3. Bills discounted and bought	—	—	—	—
(a) Treasury bills	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—
4. Investments and Securities	—	—	—	—
(a) Government	—	—	—	—
(b) Other	—	—	—	—
5. Participations	—	—	—	—
6. Due from Banks (Correspondents)	64.8	13.5	14.9	18.2
(a) At home	6.4	5.5	7.3	7.4
(b) Abroad	58.4	8.0	7.6	10.8
7. Loans and Advances	188.9	184.0	172.9	136.7
(a) On current account	—	—	—	—
(b) Other	—	—	—	—
8. Cover for Acceptances	—	—	—	—
9. Premises, etc.	—	6.5	12.1	20.6
10. Sundry Assets	117.7	162.2	170.3	169.2
II. Total Assets	543.5	539.3	548.0	601.8
LIABILITIES				
12. Capital paid up	50.8	50.8	50.8	50.8
13. Reserve Funds	18.4	23.9	25.4	25.9
14. Profit-and-loss Account, Undivided Profits, etc.	2.5	0.9	0.8	0.9
15. Notes in Circulation	91.9	102.0	101.5	102.1
16. Cheques and Drafts, etc., in Circulation	—	—	—	—
17. Due to Banks (Correspondents)	22.6	6.6	4.8	11.7
(a) At home	—	1.7	3.4	6.8
(b) Abroad	22.6	4.9	1.4	4.9
18. Deposits	261.3	194.0	201.6	247.1
(a) Current accounts and sight deposits	—	—	—	—
(b) Savings accounts	—	—	—	—
(c) Time or fixed deposits	—	—	—	—
(d) Other deposits	—	—	—	—
19. Rediscounts and Other Borrowings	—	—	—	—
20. Acceptances and Endorsements	—	—	—	—
21. Sundry Liabilities	96.0	162.1	163.1	163.7
22. Total Liabilities	543.5	539.3	548.0	601.6
23. Value of currency in Swiss francs at the end of June each year	0.98	0.72	0.93	0.80

YUGOSLAVIA.

The Yugoslav banking position remained strained during 1934/35. Bank failures continued, the total number of joint-stock banks falling from 620 in 1933 to 602 in 1934, and an increasing number of banking establishments took advantage of the facilities offered by the Law of November 1933 relating to the Protection of Banks and their Creditors¹ which was superseded in November of the following year by a new and more extensive law (see below). Of the 602 joint-stock banks existing at the end of 1934, 176 were under a special regime of suspension of payments, nine had applied for reconstruction, and nine others had requested liquidation without bankruptcy procedure. By the end of June 1935, the number of banks under special protection increased to 209, nine additional institutions had applied for reconstruction, and twenty-seven other establishments had requested liquidation. The stagnation of banking activity during 1934/35 is further illustrated by the following summary of the principal accounts of the twenty leading joint-stock banks :

	31.XII. 1932	31.XII. 1933	30.VI. 1934	31.XII. 1934	30.VI. 1935	31.XII. 1935
	Dinara (000,000's).					
Cash assets	290	344	244	276	279	403
Bill portfolio	1,876	1,740	1,595	1,600	1,376	1,382
Loans on current account	3,195	2,727	2,676	2,477	2,368	2,109
Deposits	5,891	5,506	5,244	5,070	4,783	4,695
Of which—						
(a) Sight	(1,020)	(879)	(963)	(917)	(922)	(863)
(b) Savings	(2,558)	(2,375)	(2,324)	(2,258)	(2,232)	(2,187)
(c) "Kreditoren"	(2,313)	(2,252)	(1,957)	(1,901)	(1,629)	(1,645)

Despite the protection against withdrawals that some² of the twenty leading banks enjoy, total deposits with them declined by 436 million dinara during 1934 as against 385 millions in 1933, and by a further 287 million dinara in the first six months of 1935 as against a fall of 262 millions in the first half of 1934. The decline in deposits was due principally to the reduction in "Kreditoren" mainly accounts of industrial customers ;³ of the fall of 723 million dinara in total deposits in the eighteen months ended June 30th, 1935, 623 millions were on account of this item and only 100 millions on account of withdrawals of ordinary deposits. The contraction of the banks' liabilities to the public was accompanied by a reduction in the bill portfolio, current account loans and in cash assets. In the eighteen months ended June 30th, 1935, the first two items fell by 364 and 359 million dinara respectively. Cash reserves declined by 100 million dinara in the first half of

1934, but have since been reconstituted as a result of attempts to increase liquidity. The ratio of cash reserves to sight deposits stood at 32% at the end of June 1935, as against 25% at the end of June 1934 and 28% at the end of December 1932.

The reduction in deposits appears to have been concentrated mainly with the leading banks. Ordinary deposits,⁴ exclusive of "Kreditoren" accounts, in all banks and savings institutions including the Post Office have in fact, as the following figures show, tended to increase since the third quarter of 1934.

	March	June	Sept.	Dec.
	Dinara (000,000's).			
1932	11,875	11,016	10,743	10,226
1933	9,983	9,850	9,867	9,662
1934	9,912	9,837	9,888	9,780
1935	9,980	10,274	10,291	10,120

Interest rates have been reduced by a series of laws. The Law of August 15th, 1934, reduced the interest rate on loans granted by banks from a maximum of 5 to 4½% above the Bank rate, and the maximum rate on other debts was fixed at 8%. (The National Bank had reduced its discount rate from 7 to 6½% on July 16th, 1934.) In the following month, the State Mortgage Bank reduced its interest on all long-term mortgage loans from 8 to 7%, and extended the period for their redemption. By a Law of January 31st, 1935, modifying that of August 15th, 1934, private interest rates no longer depend on the Bank rate. (As from February 1st, the National Bank reduced its discount rate from 6½ to 5% and its rate for advances from 7½ to 6%.) The maximum rate which the banks may charge for loans is fixed at 10%, and interest rates on deposits are fixed at 4% for current accounts and 5% for time deposits of at least three months. By a special law passed on February 5th, 1935, the interest rate on the agricultural loans of the banks was further reduced from 6 to 4½%, and the rate on other agricultural debts from 3½ to 1%.

The Law of November 22nd, 1933, for the Protection of Banks and their Creditors, was modified by a new law passed on November 22nd, 1934. The maximum period for which a moratorium on old debts may be granted is extended from five to six years, banks under reconstruction may enjoy, in addition to the moratorium, the facility of converting into shares

¹ See *Commercial Banks, 1929-1934*, page 135, for a summary of this law and for the laws which it superseded.

² In the third quarter of 1934, there were seven leading banks under protection; see *Commercial Banks, 1929-1934*.

³ A large number of Yugoslav banks are modelled on the German banks, and their relations with industry have been close; see *Commercial Banks, 1923-1929*, pages 306-309.

⁴ Figures of the National Bank covering all institutions except the co-operative credit societies, of which there were 4,552 in 1933. Since April 1935, the figures of the National Bank include the accounts of the State Mortgage Bank, which have been excluded in the June 1935 figures given above.

and special reserve funds a part of the claims of depositors and other creditors, and greater elasticity is provided both for the settlement of debts, and for drawing on savings deposits. The scope of these regulations is extended to cover co-operative credit societies.

The exchange control regulations were relaxed in the course of 1934/35. As from July 26th, 1934, the proportion of the foreign exchange which exporters were required to deliver to the National Bank was reduced from 80 to 60%, and permission was given for the remainder to be disposed of in the free market. The Decree of January 15th, 1935, modified the reserve requirements of the National Bank, and recognised implicitly a depreciation of 28.5% in the exchange value of the dinar in relation to its gold parity. With a view to permitting the complete liquidation of the foreign

revolving credits taken up by the Bank during the period of exchange difficulties, the minimum cover reserve ratio of the Bank was reduced from 35 to 25%, and its gold reserve requirements from 25 to 20% of notes and sight liabilities. The National Bank was further authorised to write up the book value of its gold and foreign assets reserves by the amount of the premium of 28.5%. In consequence of the liquidation of foreign credits and the writing-up of reserves the total gold and foreign asset reserves of the National Bank show the following movement: they fell from 1,929 million dinara on January 15th, 1935, to 1,287 million dinara on January 22nd. The fixed deposits with the National Bank forming the counterpart of the foreign credits declined correspondingly from 920 to 197 million dinara during the same week.

Balance-sheet Summary.

General Note. — The balance-sheet summaries for the end of 1933 supplied by the National Bank do not provide the detailed composition of various items. The composition of items 7 (b) and 18 for 1933 has been taken from the *Bulletins* of the Bank.

1. Cash.

Dinara (000,000's)	1930	1931	1932
Cash in hand	510	414	341
Balances with the National Bank and Post Office . .	262	214	189
Total cash.	772	628	530

7. Loans and Advances.

The sums under (b) are as follows:

Dinara (000,000's)	1930	1931	1932	1933
Loans against securities . .	497	210	123	154
Mortgage loans.	712	1,039	997	852
Total	1,209	1,249	1,120	1,006

10. Sundry Assets.

Dinara (000,000's)	1930	1931	1932
Merchandise	25	42	24
Balance of inter-branch accounts.	—	—	12
Transitory accounts. . . .	64	39	39
Sundry assets	412	773	774
Total	501	854	849

13. Reserve Funds.

Dinara (000,000's)	1930	1931	1932
Reserve fund.	819	769	774
Special reserves	105	129	119
Total reserve funds . . .	924	898	893

14. Profit-and-Loss Account, etc.

It should be noted that the amounts shown as net profits and as losses in the accounts of the operations of the joint-stock banks do not tally with those given in the profit-and-loss accounts.

17. Deposits.

The volume of deposits held in the more important credit institutions not included in the Summary Table is as follows:

Dinara (000,000's)	1929	1932	1933	1934	1935
Post office (savings and cheque accounts). .	1,021	1,387	1,722	1,858	2,040
State Mortgage Bank (total private deposits)	455	725	871	1,031	1,169
Municipal savings banks (Slavonia).	1,025	1,168	1,277	...	...
Total public banks	2,501	3,280	3,870	...	...
Total commercial banks.	13,186	9,556	8,682	8,061	...
Grand total ^a	15,687	12,736	12,552	...	...

^a The grand total involves certain double counting.

18. Rediscounts and Other Borrowings.

Dinara (000,000's)	1930	1931	1932	1933
Rediscounts	738	1,336	1,447	1,280
Mortgage debts	41	38	35	169
Total	779	1,374	1,482	1,449

20. Sundry Liabilities.

Dinara (000,000's)	1930	1931	1932
Balance of inter-branch accounts.	85	49	—
Transitory accounts	143	103	170
Sundry liabilities.	513	581	397
Total	741	733	567

YUGOSLAVIA.

COMMERCIAL BANKS

Table 42 (a).

ACCOUNTS	SUMMARY OF POSITION AT THE END OF:				
	1930	1931	1932	1933	1934
Number of Banks	649	639	632	620	
ASSETS.					
Dinara (ooo,ooo's omitted)					
I. Cash	772	628	530	596	597
(a) Gold, silver and small coins	—	—	—	—	—
(b) Inland notes and balances with Central Bank	—	—	—	—	—
2. Other Items of a Cash Nature	47	68	21	18	...
3. Bills discounted and bought	5,600	5,328	4,336	4,117	3,916
(a) Treasury bills	—	—	—	—	—
(b) Commercial bills, Inland	—	—	—	—	—
(c) Commercial bills, Foreign	—	—	—	—	—
4. Investments and Securities	1,293	1,196	1,088	1,013	898
(a) Government	—	—	—	—	—
(b) Other	—	—	—	—	—
5. Participations	274	256	223	148	...
6. Due from Banks (Correspondents)	852	338	227	271	...
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
7. Loans and Advances	9,625	8,356	7,366	6,473	5,746
(a) On current account	8,416	7,107	6,246	4,478	4,727
(b) Other	1,209	1,249	1,120	1,995	1,019
8. Cover for Acceptances	73	74	81	76	63
9. Premises, etc	842	854	866	1,041	1,084
10. Sundry Assets	501	854	849	1,087	...
11. Total Assets	19,879	17,952	15,587	14,840	...
LIABILITIES.					
12. Capital paid up	2,960	2,968	2,952	2,785	2,543
13. Reserve Funds	924	898	893	926	768
14. Profit-and-Loss Account, Undivided Profits, etc.	230	172	55	85	...
15. Cheques and Drafts in circulation	—	—	—	—	—
16. Due to Banks (Correspondents)	—	—	—	—	—
(a) At home	—	—	—	—	—
(b) Abroad	—	—	—	—	—
17. Deposits	14,172	11,733	9,556	8,682	8,061
(a) Current accounts and sight deposits	2,709	1,936	1,426	1,460	...
(b) Savings accounts	7,597	6,867	5,343	4,900	5,389
(c) Time or fixed deposits	—	—	—	—	—
(d) Other deposits	3,886	2,930	2,787	2,322	2,672
18. Rediscounts and other Borrowings	779	1,374	1,482	1,449	1,207
19. Acceptances and Endorsements	73	74	81	76	63
20. Sundry Liabilities	741	733	568	837	...
21. Total Liabilities	19,879	17,952	15,587	14,840	...
22. Guarantees	8,302	7,718	6,671	6,479	...
23. Value of currency in Swiss francs at the end of each year	0.091	0.091	0.069	0.070	0.070

ACCOUNTS	SUMMARY OF PROFIT-AND-LOSS ACCOUNTS AND DISTRIBUTION OF PROFITS FOR THE YEARS			
	1930	1931	1932	1933
Number of Banks	649	639	632	620
	Dinara (000,000's omitted)			
Capital paid up	2,960	2,968	2,952	2,785
Reserves and Undivided Profits	1,954	1,070	948	925
I. Gross Profits	1,571	1,510	1,169	986
<i>To be deducted:</i>				
2. Expenses	1,249	1,289	1,049	807
(a) Salaries, etc.	1,031	1,055	818	658
(b) Other working expenses	114	149	170	101
(c) Taxes, etc.	104	85	61	48
3. Reserved for Pension Funds, etc.	16	14	8	29
4. Written off on Depreciation Accounts for				
(a) Premises, etc.				
(b) Investments and securities	50	32	49	283
(c) Other assets				
5. Remaining Net Profit or Loss (—)	256	175	63	— 133
6. Carried forward from preceding year	—	—	—	—
7. Taken from Reserves or Capital	24	32	49	224
8. Total Amount disposed of for Dividends, etc.	280	207	112	91
9. Carried to Reserves	63	78	34	29
10. Dividends	189	110	71	57
11. Directors' Fees, etc.	28	19	7	5
12. Carried forward to following year	—	—	—	—
13. Total as above	280	207	112	91
14. Value of currency in Swiss francs at the end of each year.	0.091	0.091	0.069	0.070

Summary of Profit-and-Loss Accounts.

This summary of profit-and-loss accounts of the joint-stock banks of Yugoslavia, prepared from the data supplied by the National Bank, relates to the same number of banks as the Balance-sheet Summary. The figures on paid-up capital and reserves and undivided profits of the latter have been used also for the table on profit-and-loss accounts.

Except for items 4, 5 and 7, all the specifications shown in the table correspond to the data as supplied by the National Bank. Item 4 represents an item entitled "Losses". After the

deduction of expenses, reserves for pensions funds, etc., and amortisation, the remaining net profit (item 5) is in each of the years under review smaller than the total amount disposed in reserves, dividends and directors' fees, etc., as shown by the original figures. This difference has been accounted for by item 7 (Taken from Reserves or Capital), which is not given in the original data, and may be taken to represent the uncovered losses of the banks which failed in the course of 1930, 1931, 1932 and 1933.