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**BY J. LAURENCE LAUGHLIN**

**MONEY AND PRICES**

**CREDIT OF THE NATIONS**

**LATTER-DAY PROBLEMS**

**INDUSTRIAL AMERICA**

**THE PRINCIPLES OF MONEY**

**CHARLES SCRIBNER'S SONS**

**CREDIT OF THE NATIONS**

# CREDIT OF THE NATIONS

A STUDY OF THE EUROPEAN WAR

BY

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LONDON

P. S. KING & SON, LTD.

ORCHARD HOUSE, WESTMINSTER

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NEW YORK

CHARLES SCRIBNER'S SONS

1919

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Printed by the Scribner Press  
New York, U. S. A.

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## PREFACE

It may seem quite audacious to try to include within the limits of one moderate volume a study of the workings of credit in several of the principal belligerent nations in the European War, when for a full statement of the complex credit operations in any one of them a separate volume might be little enough. There is the additional reason against it that the time and labor in collecting and digesting the material must be as great for a condensed as for an extended exposition. Nevertheless, it was believed that an examination of the most important measures in each country, told in plain, untechnical language, could be presented within a compass which would not require more time for its perusal than a busy man of affairs could afford. Such a study would, furthermore, bring to a much wider constituency an insight into the hidden workings of credit behind the issues of paper money, banking, foreign exchange, and public finance. Stripped of their technicalities, these matters can be made easy of comprehension. In addition, such a discussion under one head of the various policies of the greater nations would make possible a comparative study which would throw light on the successes and failures during the war in affairs of stupendous importance and magnitude. Thereupon, it became evident that for our own enlightenment on entering the struggle we needed not only the facts in the field of credit, but also a clear and simple presentation of the principles underlying these facts, together with a vigorous criticism of governmental policies in the light of these principles. Thus it was



hoped to make at once a constructive as well as an objective study of events never before equalled in the history of nations.

The necessity of having instruction from the experiences of other belligerents for our own guidance and admonition may justify somewhat the boldness of trying to make such a study when we are so close to the events concerned; and some indulgence must be asked for on that ground. But it will be found, nevertheless, that we have very definite knowledge regarding credit operations during the first three years of the war—a period to which our study is confined, and which in the main excludes the war operations of the United States—that allows of satisfactory analysis at this date, because it is a period long enough to enable us to watch all the essential principles of credit at play. Further years of the war will, of course, introduce more facts to be elucidated, but will not, in all probability, modify the lessons already drawn.

No attempt has been made to treat the credit operations of Russia, Austria-Hungary, or Italy, because it has been impossible to obtain sufficient reliable data for their examination. For obvious reasons emphasis has been laid on the affairs of Germany. Her amazing industrial growth in the last thirty years and its causes show that Germany brought on the war, not because she was hampered on the seas, or had no room for the growth of her population, but because her newly acquired economic strength warranted a militaristic attempt to dominate Europe and the world. The examination of her credit situation leads to the conclusion that Germany is not now solvent, and that unheard-of burdens must be carried even into the distant future. Taxing little and borrowing much, she has risked all on a single throw of the dice, on a military decision. She is even now fighting

not merely for the *status quo ante*, but for commercial gains, for expansion, if not for indemnities which will retrieve her financial losses. Indeed, her industrial classes were as much responsible for the war as her militarists; so that the weakening of her credit is likely to induce these industrial classes to work mightily for peace. The end is more to be looked for through their influence than through a revolt of the masses. The charge on the present debt of over \$30,000,000,000, together with an ordinary peace budget, takes up the total net income of the German people. With such matters, as well as with the inflation of credit, the nearly tenfold increase of paper money by the Reichsbank and loan bureaus, the depreciation of the mark by about 50 per cent, the rise of prices of over 100 per cent, the present volume is concerned.

One of the main purposes in mind has been a comparison of the ways by which the German, French, British, and American systems of credit have met the unparalleled shocks of this unprecedented war. That British credit has shown itself superior, and—in spite of the erratic plunge into government paper money—has avoided the dangerous currency expansion connected with advances to the state in France and Germany, is one of the plain inferences from a study of this war, which is rich in counsel for the management of our own credit operations.

Somewhat extended treatment has been given to the problems of gold, the foreign exchanges, inflation and prices in all the countries concerned. The recrudescence of the archaic quantity theory of money in Great Britain among those discussing prices and inflation there has given cause for a pointed, but brief, criticism of that theory. Indeed, the events of this war are likely to bring about

much re-examination of the principles regulating money and prices. The recent appointment of a British Commission on the Currency and the Bank Act of 1844 is a sign of the times.

The years chosen for our study are big with matters touching money and credit. It may not be amiss to single them out, unclouded by details, for enlightenment in our present emergencies. In this way we may be better able to make an intelligent assessment of the elements in our own pressing problems.

JAFFREY, N. H.

J. LAURENCE LAUGHLIN.

# CONTENTS

## CHAPTER I. THE ECONOMIC SITUATION PRECEDING THE WAR

	PAGE
§ 1. The Modern Industrial Revolution . . . . .	1
§ 2. General Forces at Work . . . . .	2
§ 3. The Facts of Germany's Industrial Progress . . . . .	12
§ 4. Causes of Germany's Development . . . . .	23
§ 5. Effect on Germany's Foreign Policy . . . . .	29
§ 6. Direct Causes of the War . . . . .	34

## CHAPTER II. WAR AND CREDIT

§ 1. Credit and Money . . . . .	39
§ 2. Relation of Credit to Wealth and Capital . . . . .	44
§ 3. Waste in Time of Peace . . . . .	46
§ 4. Destruction in War . . . . .	49
§ 5. Economic and Financial Exhaustion . . . . .	52
§ 6. Limit to Borrowing . . . . .	56
§ 7. Dependence of Credit on Money . . . . .	60
§ 8. Why Credit is Supposed to be Limited by Money . . . . .	65

## CHAPTER III. ENGLISH CREDIT OPERATIONS

§ 1. Organization of Credit in England . . . . .	70
§ 2. Situation at the Outbreak of War . . . . .	76
§ 3. The Sudden Crisis in English Credit . . . . .	78
§ 4. Remedies Adopted . . . . .	85
§ 5. The Gold Question . . . . .	101
§ 6. Adjustment to War Conditions . . . . .	105

## CONTENTS

	PAGE
§ 7. Inflation and Prices . . . . .	114
§ 8. The Foreign Exchanges . . . . .	121
§ 9. Government Borrowing . . . . .	133

## CHAPTER IV. FRENCH MONEY AND CREDIT

§ 1. French System of Credit . . . . .	143
§ 2. Conditions When War Came . . . . .	151
§ 3. Early Effects of the War . . . . .	150
§ 4. Services of the Bank of France . . . . .	165
§ 5. Fiscal and Monetary Functions Confused . . . . .	176
§ 6. Depreciation and Prices . . . . .	179
§ 7. Foreign Exchange . . . . .	183
§ 8. Fiscal Methods . . . . .	189

## CHAPTER V. GERMAN CREDIT OPERATIONS

§ 1. Preparations for War . . . . .	197
§ 2. Organization of Credit in Germany . . . . .	205
§ 3. Supplementary War Institutions of Credit . . . . .	213
§ 4. First Effects of War . . . . .	219
§ 5. Work of the Reichsbank . . . . .	226
§ 6. Gold . . . . .	233
§ 7. Solvency of German Credit . . . . .	238
§ 8. Dislocation of Trade . . . . .	243
§ 9. Depreciation and Prices . . . . .	245
§ 10. Foreign Exchange . . . . .	249
§ 11. Methods of Financing the War . . . . .	257

## CHAPTER VI. WAR AND CREDIT IN NEUTRAL UNITED STATES

§ 1. Credit Conditions before the War . . . . .	278
§ 2. First Shocks to Credit in 1914 . . . . .	283

## CONTENTS

xi

	PAGE
§ 3. Means of Relief . . . . .	297
§ 4. Upheaval in Foreign Trade . . . . .	306
§ 5. Movement of Securities . . . . .	319
§ 6. Foreign Exchange and Gold . . . . .	322
§ 7. Inflation and Prices . . . . .	346
§ 8. Loans to Other Countries . . . . .	353

## APPENDICES

### APPENDIX I. GREAT BRITAIN

A. Currency and Bank Notes Act, August 6, 1914 . . . . .	363
B. Treasury directions under the same . . . . .	364
C. Proclamation postponing payment of bills of exchange . . . . .	366
D. Treasury paper of August 13, 1914, regarding discount by Bank of England . . . . .	366
E. Formal arrangement under D . . . . .	367

### APPENDIX II. FRANCE

A. Suspension of specie payments by the Banque de France. Law of August 5, 1914 . . . . .	369
B. Moratorium, August 9, 1914 . . . . .	369
C. Transactions in Securities, September 27, 1914 . . . . .	371

### APPENDIX III. GERMANY

A. Bank Act of March 14, 1875 . . . . .	372
B. Altering Bank Act, August 4, 1914 . . . . .	382
C. Supplement to regulations of the imperial debt . . . . .	383
D. Modifying the Mint Act . . . . .	383
E. Darlehnskassen Act . . . . .	384

## CONTENTS

## APPENDIX IV. UNITED STATES

	PAGE
A. Amendment of Federal Reserve Act, August 4, 1914 . . .	388
B. Registry of foreign-built ships . . . . .	389
C. Act April 24, 1917 . . . . .	390
D. Loans to Allies . . . . .	392
Index . . . . .	401

## CHARTS

	PAGE
I. Relative Progress of Leading Countries, 1880-1912 . . .	14
II. Bank of England, 1914-1917 . . . . .	90
III. English Foreign Trade, 1914-1917 . . . . .	108
IV. Bank of France, 1914-1917 . . . . .	167
V. Reichsbank, 1914-1917 . . . . .	229
VI. Gold Imports and Exports of the United States, 1913- 1917 . . . . .	233
VII. Merchandise Imports and Exports of the United States, 1911-1917 . . . . .	290
VIII. New York Clearing-House Banks, 1914 . . . . .	295
IX. Course of Dollar Exchange on Neutral Places, 1914-1917	342

# APPENDIX I

## GREAT BRITAIN

### A

#### CURRENCY AND BANK NOTES ACT, 1914

CH. 14, 4 AND 5 GEO. 5 [6 AUGUST, 1914]

*Be it enacted \* \* \**

1.—(1) The Treasury may, subject to the provisions of this Act, issue currency notes for one pound and for ten shillings, and those notes shall be current in the United Kingdom in the same manner and to the same extent and as fully as sovereigns and half-sovereigns are current and shall be legal tender in the United Kingdom for the payment of any amount.

(2) [Form and design as directed by the Treasury.]

(3) The holder of a currency note shall be entitled to obtain on demand, during office hours at the Bank of England, payment for the note at its face value in gold coin which is for the time being legal tender in the United Kingdom.

(4) The Treasury may, subject to such conditions as to time, manner, and order of presentation as they think fit, call in any currency notes under this Act on paying for those notes at their face value in gold.

(5) [Currency notes subject to forgery, larceny, stealing, and truck acts, same as bank-notes or current coin of the realm.]

(6) For the purpose of meeting immediate exigencies all postal orders issued either before or after the passing of this Act shall temporarily be current and legal tender in the United Kingdom in the same manner and to the same extent and as fully as current coins, and shall be legal tender in the United Kingdom for the payment of any amount.<sup>1</sup>

The holder of any such postal order shall be entitled to obtain on demand, during office hours at the Bank of England, payment for the postal order at its face value in any coin which is for the time being legal tender in the United Kingdom for the amount of the note.

[Post Office Act, 1908, Section 24 (1) (b) and (c) do not apply.]

This subsection shall have effect only until His Majesty by proclamation revokes the same, and any proclamation revoking this sub-

<sup>1</sup> Revoked by Proclamation, February 3, 1915.



section may provide for the calling in or exchange of any postal orders affected thereby.

2. Currency notes may be issued to such persons and in such manner as the Treasury direct, but the amount of any notes issued to any person shall, by virtue of this Act and without registration or further assurance, be a floating charge in priority to all other charges, whether under statute or otherwise, on the assets of that person.

3. The governor and company of the Bank of England and any persons concerned in the management of any Scottish or Irish bank of issue may, so far as temporarily authorized by the Treasury and subject to any conditions attached to that authority, issue notes in excess of any limit fixed by law; and those persons are hereby indemnified, freed, and discharged from any liability, penal or civil, in respect of any issue of notes beyond the amount fixed by law which has been made by them since the first day of August nineteen hundred and fourteen in pursuance of any authority of the Treasury or of any letter from the Chancellor of the Exchequer, and any proceedings taken to enforce any such liability shall be void.

4. Any bank notes issued by a bank of issue in Scotland or Ireland shall be legal tender for a payment of any amount in Scotland or Ireland respectively, and any such bank of issue shall not be under any obligation to pay its notes on demand except at the head office of the bank, and may pay its notes, if thought fit, in currency notes issued under this Act:

Provided that notes which are legal tender under this section shall not be legal tender for any payment by the head office of the bank by whom they are issued for the purpose of the payment of notes issued by that bank.

This section shall have effect only until His Majesty by proclamation revokes the same, and any proclamation revoking this section may provide for the calling in or exchange of notes affected thereby.

5.—(1) In this Act, the expression "bank of issue" means any bank having power for the time being to issue bank notes.

(2) [Short title, as above.]

(3) [Applies to Isle of Man, but not to any other British possession.]

## B

### PAPER ISSUED BY THE TREASURY ON AUGUST 27, 1914, RELATING TO THE ISSUE OF CURRENCY NOTES

The following are the arrangements made in accordance with the provisions of the Currency and Bank Notes Act, 1914, for placing currency notes at the disposal of the banks for meeting exceptional demands.

## (1) ENGLAND AND WALES

Currency notes are issued through the Bank of England to bankers as and when required up to a maximum limit not exceeding, in the case of any bank, 20 per cent. of its liabilities on deposit and current accounts.

The amount of notes issued to each bank is treated as an advance by the Treasury to that bank bearing interest from day to day at the current Bank rate, the security for the Treasury advance consisting of a floating charge on the assets of the bank up to the amount of the notes issued. The bank is permitted to repay the whole or any part of any advance at any time. Any amount repaid can be renewed if and when necessity arises, provided that the total amount outstanding at any one time does not exceed the authorised percentage of the bank's liabilities.

Any sums received by the Bank of England in repayment of advances are either applied forthwith to cancelling any currency notes which have been returned from circulation and are for the time being in the hands of the Bank of England, or, in so far as any such sums may exceed the amount of currency notes returned from circulation in the hands of the Bank of England at the time of receipt, are carried to a separate account in the books of the Bank of England and applied to the cancellation of notes as and when they return from circulation.

In order to give the banks the advantage of the credit allowed under this arrangement even though actual currency may not be required, it is proposed by the amending Bill to take power to issue certificates in lieu of actual notes.

The effect of the issue of these certificates will be that the banks will be able to obtain credits with the Bank of England on the same terms as currency notes and the expense of printing and handling notes will be avoided except in so far as the notes may be required for actual circulation.

## (2) SCOTLAND AND IRELAND

The arrangement in England and Wales applies generally to Scotland and Ireland; but in the case of banks of issue in Scotland and Ireland currency notes, instead of being issued to the public, are used as cover for the banks' own notes. This arrangement has in practice the effect of enabling the Scottish and Irish banks of issue to exceed the normal limits of issue of fiduciary notes so long as such excess issues are covered by currency notes.

The new certificates will also be available for the purpose of cover for these issues.

[Provision for publication of returns each Friday.]

## C

## (1) PROCLAMATION POSTPONING PAYMENT OF BILLS OF EXCHANGE, AUGUST 2, 1914

\* \* \* If on the presentation for payment of a bill of exchange, other than a cheque or bill on demand, which has been accepted before the beginning of the fourth day of August, nineteen hundred and fourteen, the acceptor re-accepts the bill by a declaration on the face of the bill in the form set out hereunder, that bill shall, for all purposes, including the liability of any drawer or indorser or any party thereto, be deemed to be due and be payable on a date one calendar month after the date of its original maturity, and to be a bill for the original amount thereof increased by the amount of interest thereon calculated from the date of re-acceptance to the new date of payment at the Bank of England rate current on the date of the re-acceptance of the Bill.

Form: Re-accepted under Proclamation for £. . . . . (insert increased sum).

Signature .....

Date .....

## D

PAPER PUBLISHED BY THE TREASURY, AUGUST 13, 1914,  
REGARDING THE DISCOUNT OF BILLS BY THE  
BANK OF ENGLAND

The Chancellor of the Exchequer has for several days past been in close and constant consultation with the Governor of the Bank of England, the bankers, the accepting houses and the principal traders for the purpose of providing the country with all the banking facilities it needs in the present emergency. We are now able to announce that the Chancellor of the Exchequer has completed arrangements with the Bank of England for terminating the present deadlock in the money market, and for enabling the trade and commerce of the country to resume its normal course. The greatest difficulty arose from the stoppage of remittances to London both from the provinces and from other countries, not only in Europe, but in all parts of the world. This caused a breakdown in the foreign exchanges and deterred bankers from discounting bills in the normal way. To overcome this difficulty as well as that of providing traders in this country with all the banking facilities they need, the Government have now agreed to guarantee the Bank of England from any loss it may incur in dis-

counting bills of exchange either home or foreign, bank or trade, accepted prior to August 4, 1914. Accordingly we are authorized to make the following announcement:—

“The Bank of England are prepared on the application of the holder of any approved bill of exchange accepted before the 4th day of August, 1914, to discount at any time before its due date at Bank rate without recourse to such holder, and upon its maturity the Bank of England will, in order to assist the resumption of normal business operations, give the acceptor the opportunity until further notice of postponing payment, interest being payable in the meantime at 2 per cent. over Bank rate varying. Arrangements will be made to carry this scheme into effect so as to preserve all existing obligations,

“The Bank of England will be prepared for this purpose to approve such bills of exchange as are customarily discounted by them, and also good trade bills and the acceptances of such foreign and colonial firms and bank agencies as are established in Great Britain.”

## E

### FORMAL RECORD OF ARRANGEMENT BETWEEN THE TREASURY AND THE BANK OF ENGLAND, DATED AUGUST 27, 1914, EXPANDING D

1. The Bank of England will, upon the application of the holder of any approved bill of exchange before August 4, 1914, discount such bill at any time before its due date at Bank rate without recourse to such holder.

(In the case of date bills, the acceptance, if undated, may be deemed to have been given in course of post from the date on which the bills were drawn.)

2. It will be for the Bank of England to decide in any particular case whether a bill is to be approved, but the Bank will be prepared to approve such bills of exchange as are customarily discounted by them, and also good trade bills and the acceptances of such foreign and colonial firms and bank agencies as are established in Great Britain.

3. Upon the maturity of any bill so discounted the Bank of England will give the acceptor the opportunity of postponing payment pending further notice, interest being payable in the meantime at 2 per cent. over Bank rate varying.

4. The date at which such further notice shall be given shall be determined by the Bank after consultation with the Treasury.

5. Arrangements will be made for preserving all existing obligations, so far as possible, in respect of bills discounted.

## APPENDIX I

6. The Bank of England are to be indemnified for any action taken by them in the matter, and to be guaranteed by the Treasury against any loss which may be incurred by the Bank as the result of their operations.

7. Such loss is to be calculated in accordance with an account to be kept, in the following form:—

<p style="text-align: right;">£</p> <p>Amount of approved bills discounted at Bank rate, payment of which has been postponed.....</p> <p>Net deficiency.....</p>		<p style="text-align: right;">£</p> <p>Amount realized by the Bank in respect of approved bills, payment of which has been postponed.....</p> <p>Interest received at 2 per cent. (above bank rate carrying) in respect of approved bills, payment of which has been postponed, less allowance to the Bank for interest (at 1 per cent. below Bank rate varying) and expenses (one-half per cent.).....</p>
<p>—</p> <p>£</p> <p>==</p>		<p>—</p> <p>£</p> <p>==</p>

8. The Chancellor of the Exchequer has undertaken to ask Parliament to pass the legislation necessary for giving statutory authority for this scheme, and for charging against the Exchequer the amount of the ultimate loss which may be incurred by the Bank in carrying it into effect.

## APPENDIX II

### FRANCE

#### A

#### FRENCH LAW OF AUGUST 5, 1914, SUSPENDING SPECIE PAYMENTS

Art. 1. The amount of note-issues by the Bank of France and its branches, fixed at the maximum of six milliards eight hundred millions (6,800,000,000) (law of December 29, 1911) is raised provisionally to twelve milliards. It will be possible to pass this limit by a decree made by the Conseil d'État on a proposal from the Minister of Finance.

Art. 2. [The limit of the Bank of Algeria was also raised from 300,000,000 to 400,000,000, and denominations of 5 francs were authorized.]

Art. 3. Until otherwise ordered by law, the Bank of France and the Bank of Algeria are relieved from the obligation to redeem their notes in specie.

Art. 4. [Approves agreements made between the Minister of Finance and the Governor of the Bank of France, and the Director General of the Bank of Algeria.]

---

\*Suspension of specie payments by colonial banks was authorized on August 4, 1914. See Dalloz: *Guerre de 1914. Documents officiels*, vol. I, from which the French laws and decrees were taken.

#### B

#### MORATORIUM

On July 29, 1914, the first moratorium was decreed. The maturity of obligations entered into before August 1, 1914, and falling due after that date or before August 15, 1914, was postponed 30 days.

On August 2, 1914, the above decree was applied to deposits in banks and institutions of credit: if less than 250 francs, the whole could be drawn; if more than that sum, only 5 per cent of the excess, in addition to 250 francs; commercial or industrial employers of labor could draw the whole for wages; and the decree was applied to savings and insurance contracts.

These two early decrees were completed by that of August 9, 1914, which follows:

## DECREE OF AUGUST 9, 1914

Art. 1. For all negotiable instruments falling due after July 31, 1914, inclusively, or maturing before September 1, 1914, the date of payment is delayed thirty days, on condition that they were underwritten previous to August 4, 1914.

The negotiable instruments in the view of the present article are: bills of exchange; notes to order, or to bearer; checks, with the exception of those presented by the drawer himself; orders and warrants.

Not falling under the application of the present article are negotiable instruments issued upon the public Treasury.

Art. 2. [Applies to commitments for merchandise entered into before August 4, 1914.]

Art. 3. [Applies likewise to advances on movables.]

Art. 4. [Applies to demands for deposits, except up to 250 francs, plus 5 per cent, etc.; not to demands for paying labor; not to those whose establishments have been requisitioned, etc.]

Art. 5. The postponement of thirty days dating from August 1, 1914, is applicable to the redemption of obligations or contracts of insurance, of capitalisation or savings for fixed terms, or those stipulated to be redeemable at the will of the owner or bearer.

On August 10, 1914, all prescriptions and limitations, civil, commercial, or administrative were suspended until the end of the war. They were further treated by the decree of December 16, 1914, and modified by that of May 12, 1915.

The main moratorium of August 9 was given more in detail on August 29, 1914, and extended until October 1, 1914. On the same day, a decree suspended payments on obligations of departments, communes, etc., until the end of the war.

From time to time the moratorium was extended by many decrees as follows:

September 27, 1914,	90 days to November 1, 1914
October 27, 1914,	60 days to January 1, 1915
December 15, 1914,	60 days to March 1, 1915
February 25, 1915,	60 days to May 1, 1915
April 15, 1915,	90 days to August 1, 1915
June 24, 1915,	90 days to November 1, 1915
October 16, 1915,	60 days to January 1, 1916
December 23, 1915,	90 days to April 1, 1916
March 18, 1916,	90 days to July 1, 1916
June 24, 1916,	90 days to October 1, 1916
September 20, 1916,	90 days to January 1, 1917

Out of a total of 4,480 million francs in August, 1914, postponed at the Bank of France (from which should be deducted 800 millions for

those under the colors or in territory occupied by the enemy) the amount remaining December 14, 1916, was only 1,846 millions. Successful efforts had been made to have postponed debts paid up, and in December, 1916, practically no delay was granted unless good cause could be shown to a magistrate. Thereafter moratorium decrees ceased.

## C

## DECREE OF SEPTEMBER 27, 1914, CONCERNING TRANSACTIONS IN SECURITIES

Art. 1. Provisionally suspended are all demands for payment and all judicial actions relative to the sale and purchase in the period previous to August 4, 1914, of *rentes*, public securities, and other transferable instruments, as well as the dealings for carrying them forward.

The sums due by reason of these sales, purchases, and carrying charges should be increased by interest for the time of postponement at the rate of 5 per cent. per annum.

---

This decree was modified by that of September 14, 1915, which brought pressure on all not under the colors or in occupied territory to make payment of 10 per cent. of differences due in settlements, and 6 per cent. on delayed payments.

On July 3, 1915, the sending out, or reexportation under any customs rule, of gold in bullion, ingots, bars, powder, articles, or coin was forbidden by decree. This prohibition, however, did not apply to exportations by the Bank of France.

August 23, 1915, silver coins were included.



## APPENDIX III

### GERMANY

#### A

### GERMAN BANK ACT, MARCH 14, 1875<sup>1</sup>

#### TITLE I—GENERAL DIRECTIONS

§ 1. The right of issuing notes can be conferred only by an Act of the Empire; nor can any issues be extended beyond the amount fixed by the present Act except by a similar Act. To the bank-notes issued according to this Act are assimilated the State paper notes which have been transferred to a bank with a view to increase its working capital.

§ 2. No one can be forced to accept bank-notes tendered for payments which by law must be paid in money; nor can the offices of the Empire be obliged by virtue of any law of a State [*Landesgesetz*] to receive bank-notes in payment.

§ 3. Bank-notes are to be issued only in denominations of 100, 200, 500 and 1000 marks, or in multiples of 1000 marks.

§ 4. Every bank is bound to redeem its notes on presentation at their full nominal value. Banks are also bound to accept their notes at their full nominal value in payments, and that not only at the central establishment, but at all the branch offices. [Must redeem mutilated notes.]

§ 5. [Soiled or damaged notes not to be reissued.]

§ 6. The calling in and withdrawal of the notes of a bank, or of any kind of bank-notes, can only take place with the special permission, or by order, of the Federal Council. [Order granted in case of soiled notes, loss of right to issue, and for series. Council to prescribe notices and regulations for the security of note-holders.]

<sup>1</sup>The German text is given by Bezold, *Gesetzgebung des Deutschen Reichs*, 2, Theil I, pp. 255-281. A translation in English by E. Seyd was published in the *Journal of the Statistical Society*, 1875, pp. 267-279; and later another was printed in *U. S. National Monetary Commission* (1910), No. 574, pp. 123-134. The last document also reprints the statute of May 21, 1875, the law of June 7, 1899, and the law of June 1, 1909.

In view of the difficulty of access by most readers to the sets of documents above mentioned, it was thought worth while to present herewith the original Bank Act, so that the relation of recent war legislation to it might be conveniently studied.

§ 7. No bank issuing notes has power—(1) to accept bills of exchange; (2) to buy or sell on time, either for its own account or for account of others, merchandise or negotiable securities, or undertake to guarantee the fulfilment of such transactions.

§ 8. Banks issuing notes are obliged to publish in the *Reichsanzeiger* at their own expense: (1) a statement of their assets and liabilities on the 7th, 15th, 23rd and last day of each month, not later than the fifth day following these dates. (2) An exact balance sheet of assets and liabilities, as well as the profit and loss account of the year, to be published not later than three months after the close of their business year. The weekly publication must specify the following amounts: 1) Under the head of liabilities: the subscribed capital; the surplus; notes in circulation; other demand liabilities; liabilities at notice; remaining liabilities. 2) Under the head of assets: the stock of coin and bullion (*i. e.*, German current coins, gold in bars or foreign coin, at the rate of 139½ marks to the pound fine); Imperial Treasury notes [*Reichskassenscheine*]; notes of other banks; bills of exchange; Lombard advances [*i. e.*, advances on pledges]; securities; remaining assets. The Federal Council will decide which part of the assets and liabilities in the yearly balance sheet are to be specially shown. Both returns must specify the contingent liabilities upon inland bills of exchange which have passed into other hands.

§ 9. Banks whose note circulation exceeds the amount of their cash, and the amount assigned to them in the subjoined list,<sup>1</sup> must after January 1, 1876, pay yearly to the Imperial Treasury on the excess a tax of 5 per cent. In calculating the tax the following items are to be reckoned as cash: Current German money,<sup>2</sup> Imperial Treasury notes [*Reichskassenscheine*], notes of other German banks, and gold bars or foreign gold coins calculated at the rate of 139½ marks to the pound. If a bank lose the right of issuing notes (§ 49), its share in the right of issue of uncovered notes not subject to taxation falls to the Reichsbank.

§ 10. For the purpose of computing the amount of the tax, the administration of the bank has to make out a statement on the 7th, 15th, 23rd, and the last day of each month of the cash and notes outstanding of the bank, and submit this statement to the Imperial Chancellor. At the close of every year the controlling authorities will, upon the basis of these statements, fix the amount of tax to be paid by each bank, as follows:  $\frac{1}{5}$  per cent. of the surplus of uncovered notes subject to the tax, as fixed in each of the different statements, is to be calculated as part of the tax; and the total of these separate

<sup>1</sup> Cf. *U. S. National Monetary Commission*, No. 574, p. 91.

<sup>2</sup> By Act of June 1, 1909, "German money" was changed to "German gold coins."

tax debits is the amount of tax which the bank has to pay to the Imperial Treasury at the latest on the 31st of January of the year following.

§ 11. [Foreign bank-notes or obligations issued to bearer are not acceptable means of payment, even if issued, either exclusively or along with another valuation, in the currency of the Empire or a German State.]

#### TITLE II--REICHSBANK

§ 12. Under the control and direction of the Empire, a bank will be established, bearing the name of "Reichsbank," which possesses the quality of a legal *persona*, and has the function of regulating the monetary circulation in the whole of the German Empire, facilitating the settlement of payments, and putting available capital into effective use. The Reichsbank has its head office in Berlin. It is authorized to establish branches in any place in the Empire. The Federal Council may order the establishment of such branches in designated places.

§ 13. The Reichsbank is empowered to transact the following kinds of business:

1. To buy and sell gold and silver coin and bullion.
2. To discount, buy, and sell bills of exchange, whose maturity does not exceed three months, and which are guaranteed usually by three, but at least by two, solvent persons; also obligations of the Empire, of any German State, or domestic municipal corporations, which are redeemable at their face value at the latest in three months.
3. To make loans bearing interest for not longer than three months against the pledge of transferable property (Lombards), as follows:
  - a) Gold and silver, coined or uncoined;
  - b) Obligations of the Empire, of a German State, or of a domestic municipal corporation, payable to bearer, which bear interest or fall due at the latest within a year; or obligations bearing interest, payable to bearer, whose interest is guaranteed by the Empire or a German State; fully paid shares, preference shares, prior-lien bonds, of German railway companies whose lines are in active operation; mortgage bonds of German joint-stock banks or coöperative mortgage banks, standing under the control of provincial, municipal, or any other State authority, at a valuation of not over three-fourths of their market worth;
  - c) Foreign obligations, bearing interest, payable to bearer, and foreign prior-lien railway obligations having a State guaranty, at not over 50 per cent. of their market value;
  - d) Bills of exchange, endorsed by persons of recognized standing, at a margin of at least 5 per cent. below their market value;
  - e) Pledges of merchandise stored within the country, at not over two-thirds of their value.

4. To buy and sell securities under the conditions stated in 3, b). The instructions of the Directorium of the Reichsbank (§ 26) to determine what proportion of the working capital shall be invested in such securities.

5. To collect funds for the account of private persons, establishments, or officials; to make payments upon funds in hand; and to provide checks or drafts on their branches or correspondents.

6. To buy for outside account securities of any kind, or the precious metals, from funds in hand, and to sell them on due delivery.

7. To accept money, yielding interest or not, on account of deposits, or for transfer account [*Giroverkehr*], the total interest-bearing deposits not to exceed the capital and surplus of the bank.

8. To accept the charge and management of valuable goods.

§ 14. The Reichsbank is obliged to exchange its notes for gold bullion at the fixed rate of 1392 marks for a pound fine. The bank is entitled to have such gold assayed by experts appointed by itself at the expense of the one presenting it.

§ 15. The Reichsbank must publish the rate at which it discounts (§ 13. 2) or makes an advance on interest (§ 13. 3). [Returns for each week are based on the records of the bank and its branches.]

§ 16. The Reichsbank has the right to issue bank-notes according to the needs of its business. [Fabrication, emission, withdrawal and destruction of notes are under the Imperial Debt Commission of the Empire.]

§ 17. The Reichsbank is obliged to hold in its vaults as cover at least one-third of the amount of its notes outstanding in current German money, Imperial Treasury notes [*Reichskassenscheine*], gold bars or foreign coins, reckoned at 1392 marks to the pound; and to hold as cover for the rest discounted bills of exchange which have a maturity of not over three months, and for which as a rule three, or at the least two, persons of known solvency are guarantors.

§ 18. The Reichsbank is obliged to redeem its notes on presentation in current German money to bearer (a) at its head office in Berlin; (b) at its branches, so far as its means and the need of money permit.

§ 19. The Reichsbank is obliged to receive in payments at their full face value the notes of the banks designated by the Imperial Chancellor, according to the instructions in § 45 of this Act, not only in Berlin, but also at its branches in cities having more than 80,000 inhabitants, or at the site of the bank which has issued the notes, so long as the issuing bank strictly observes the rules for the redemption of its notes. The bank-notes thus received must either be presented for redemption, or in payments to the bank itself, or used for payments in the place where the bank has its head office.

The Reichsbank is empowered to make agreements with other German banks regarding the renouncing of their right to issue notes.

§ 20. If the debtor on a Lombard loan (§ 13. 3) should default, the Reichsbank is authorized, without an order of the Court, to sell publicly the collateral through one of its officials or through an official duly qualified as an auctioneer; or should the collateral be quoted on the Bourse or market, the sale may be made privately through an official, or a broker, or, in the lack of the latter, by a duly qualified auctioneer, at the ruling price; and from the proceeds to reimburse itself for the principal, interest and expenses. The bank retains this right also prior to other claimants and upon all the assets of the debtor.

§ 21. The Reichsbank and its branches throughout the Empire are exempt from duties and income taxes.

§ 22. The Reichsbank is obliged, free of charge, to receive payments for the account of the Empire, and to make payments to the full extent of the funds of the Empire. It is empowered to undertake the same business for the German States.

§ 23. The capital<sup>1</sup> of the Reichsbank consists of 120 million marks, divided into 40,000 shares of 3,000 marks each, registered in the names of the owners. The shareholders are not held personally liable for the liabilities of the Reichsbank.

§ 24. The net earnings of the Reichsbank at the end of the year are to be thus disposed of:

1. First, a regular dividend to the shareholders of  $4\frac{1}{2}$  per cent.<sup>2</sup> reckoned on the capital.

2. From the residue a sum of 20 per cent. to be carried to the reserve fund [surplus] until it has reached one-fourth of the capital.

3. Of any remaining balance one-half is to be paid to the Imperial Treasury, and one-half to the shareholders, provided the total dividend to the shareholder does not exceed 8 per cent. From any remainder the shareholders receive one-quarter, the Imperial Treasury three-quarters. Should the net earnings not amount to  $4\frac{1}{2}$  per cent. of the capital, the deficiency is to be made up from the surplus.

If the shares of the Reichsbank are issued at a premium, the gain goes to the surplus.

Postponed dividends, after running four years, dating from the day of maturity, become outlawed in favor of the bank.

§ 25. The control over the Reichsbank vested in the Empire will be exercised by a Bank-Kuratorium, which consists of the Imperial Chancellor as chairman, and four members. One of these members is named by the Emperor, the three others by the Federal Council.

<sup>1</sup> By the Statute of May 21, 1875, and by the Act of June 7, 1899, an additional capital of 60,000,000 marks was added.

<sup>2</sup> By the Act of June 7, 1899, the regular dividend was changed to  $3\frac{1}{2}$  per cent.

The Kuratorium meets once a quarter. At these meetings a report upon the condition of the bank and all matters relating thereto, and a general statement of the accounts of all operations of the bank and the regulations pertaining thereto, shall be submitted.

§ 26. The direction of the bank vested in the Empire will be exercised by the Imperial Chancellor, and under him by the Directorium of the Reichsbank; in case the Imperial Chancellor is prevented from exercising this duty, the direction will be taken over by a substitute named by the Emperor.

The Imperial Chancellor directs the whole administration of the bank in accordance with the provisions of this Act and of those to be announced thereunder (§ 40). He publishes the regulations for the conduct of business by the Directorium and the branches, as well as the instructions for the officials of the bank; and he is empowered to make any desired changes in existing regulations and instructions.

§ 27. The Directorium is the administrative and executive authority by which the Reichsbank is officially represented. It consists of a president and a certain number of members, it reaches its decisions by a majority vote, and in its administration it is entirely subject to the instructions and directions of the Imperial Chancellor. The president and members of the Directorium of the Reichsbank are appointed for life by the Kaiser on the nomination of the Federal Council.

§ 28. [Officials of the bank are imperial functionaries; salaries, pensions, etc., to be borne by the bank; salaries, etc., of the Directorium are fixed by the yearly imperial budget; of others by the Emperor, with the agreement of the Federal Council, on the advice of the Chancellor. No official to hold shares.]

§ 29. [Accounts are submitted to the Court of Accounts, or *Rechnungshof*, of the empire; their form to be determined by the Chancellor, but the Court of Accounts to be consulted as to the directions therefor.]

§ 30. The shareholders have a share in the administration of the Reichsbank through a general assembly, acting through a standing committee (*Centrallausschuss*) chosen out of their number, and in accordance with the following rules:

§ 31. The *Centrallausschuss* is the permanent representative of the shareholders in matters of administration. It consists of fifteen members, and in addition fifteen alternates are chosen. The members and alternates should be elected from the list of those shareholders holding at least three shares in their name. All members and alternates must be resident within the Empire, and at least nine members and nine alternates in Berlin. One-third of the members retire annually, but are eligible for re-election.

The Reichsbank is empowered to make agreements with other German banks regarding the renouncing of their right to issue notes.

§ 20. If the debtor on a Lombard loan (§ 13. 3) should default, the Reichsbank is authorized, without an order of the Court, to sell publicly the collateral through one of its officials or through an official duly qualified as an auctioneer; or should the collateral be quoted on the Bourse or market, the sale may be made privately through an official, or a broker, or, in the lack of the latter, by a duly qualified auctioneer, at the ruling price; and from the proceeds to reimburse itself for the principal, interest and expenses. The bank retains this right also prior to other claimants and upon all the assets of the debtor.

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1. First, a regular dividend to the shareholders of  $4\frac{1}{2}$  per cent.<sup>2</sup> reckoned on the capital.

2. From the residue a sum of 20 per cent. to be carried to the reserve fund [surplus] until it has reached one-fourth of the capital.

3. Of any remaining balance one-half is to be paid to the Imperial Treasury, and one-half to the shareholders, provided the total dividend to the shareholder does not exceed 8 per cent. From any remainder the shareholders receive one-quarter, the Imperial Treasury three-quarters. Should the net earnings not amount to  $4\frac{1}{2}$  per cent. of the capital, the deficiency is to be made up from the surplus.

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<sup>1</sup> By the Statute of May 21, 1875, and by the Act of June 7, 1899, an additional capital of 60,000,000 marks was added.

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The Kuratorium meets once a quarter. At these meetings a report upon the condition of the bank and all matters relating thereto, and a general statement of the accounts of all operations of the bank and the regulations pertaining thereto, shall be submitted.

§ 26. The direction of the bank vested in the Empire will be exercised by the Imperial Chancellor, and under him by the Directorium of the Reichsbank; in case the Imperial Chancellor is prevented from exercising this duty, the direction will be taken over by a substitute named by the Emperor.

The Imperial Chancellor directs the whole administration of the bank in accordance with the provisions of this Act and of those to be announced thereunder (§ 40). He publishes the regulations for the conduct of business by the Directorium and the branches, as well as the instructions for the officials of the bank; and he is empowered to make any desired changes in existing regulations and instructions.

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§ 28. [Officials of the bank are imperial functionaries; salaries, pensions, etc., to be borne by the bank; salaries, etc., of the Directorium are fixed by the yearly imperial budget; of others by the Emperor, with the agreement of the Federal Council, on the advice of the Chancellor. No official to hold shares.]

§ 29. [Accounts are submitted to the Court of Accounts, or *Rechnungshof*, of the empire; their form to be determined by the Chancellor, but the Court of Accounts to be consulted as to the directions therefor.]

§ 30. The shareholders have a share in the administration of the Reichsbank through a general assembly, acting through a standing committee (Centralausschuss) chosen out of their number, and in accordance with the following rules:

§ 31. The Centralausschuss is the permanent representative of the shareholders in matters of administration. It consists of fifteen members, and in addition fifteen alternates are chosen. The members and alternates should be elected from the list of those shareholders holding at least three shares in their name. All members and alternates must be resident within the Empire, and at least nine members and nine alternates in Berlin. One-third of the members retire annually, but are eligible for re-election.



The Centralausschuss meets under the chairmanship of the president of the Directorium at least once a month, and extraordinary meetings can be called. The quorum consists of seven members; the instructions will determine in what cases and in what order the alternates are to be called.

§ 32. To the Centralausschuss will be submitted each month the weekly statements on the condition of discounts, bills of exchange, Lombards; of the note circulation, cash reserves, deposits; purchase and sale of gold, bills, and securities; the distribution of funds to the branches; the results of the regular and special examinations of the cash; as well as the views and proposals of the Directorium concerning the course of business in general and any needful regulations.

The Centralausschuss is especially asked to give its opinion on the following:

a) The balance and earnings, which will be drawn up at the end of the business year by the Directorium, to be laid with their opinion before the Chancellor for his final approval, and then to the shareholders in their regular assembly.

b) [Changes in salaries and pensions (§ 28).]

c) The filling of vacancies in the Directorium, with the exception of president, before the final decision by the Federal Council (§ 27).

d) The maximum of funds to be loaned on Lombards.

The purchase of securities for the account of the bank can be accommodated to the maximum of the bank's funds to be employed for this purpose only with the approval of the Centralausschuss.

e) The rate of discount, and that on Lombards, together with possible changes in the principles and maturities of credit operations.

f) Arrangements with other German banks (§ 19) and the principles to be followed in these relations. General business regulations and instructions to officials are to be communicated to the Centralausschuss as soon as they are published (§ 26).

§ 33. The members of the Centralausschuss draw no salary.

If a member of the Assembly [*Ausschuss*] betrays a bank secret (§ 39) which has come to him in his official position, or has in any other way lost public confidence, or if through him the interest of the institution is endangered, the general assembly is empowered to sever his connection with it.

A member of the Assembly who has become bankrupt, who has been absent from meetings for a half-year, or has lost his eligibility (§ 31) is to be regarded as no longer a member.

§ 34. The permanent special control over the management of the Reichsbank is to be exercised by three deputies, chosen by the Centralausschuss from the list of its own members for one year, for whom respectively three alternates shall likewise be chosen. The business

regulations shall state in what cases and in what order the alternates shall be called.

The deputies are given the special right to attend all the meetings of the Directorium and join in the discussions.

They are further empowered and obliged, in the customary hours of business and in company with a member of the Directorium, to make themselves acquainted with the course of business, to inspect the books and the portfolios of the bank, and to be present at the regular and special examinations of the bank. As to their findings they are to report at the monthly meeting of the Centralausschuss.

A deputy may be suspended by the Centralausschuss under § 33, paragraph 2, without waiting for the action of the general assembly.

§ 35. Dealings with the Finance Administration of the Empire or of the German States must be carried on only within the restrictions of this Act and the Bank Statutes, and, if any transactions should not fall under the general nature of the bank's operations, they must be brought to the attention of the deputies, and, if only one of them objects, they must be laid before the Centralausschuss. If the latter in a definitive meeting does not accept them as permissible by a majority vote, the dealings cannot be carried through.

§ 36. Besides the location of the head office of the bank, the Federal Council is to determine the larger places where the chief offices of the Reichsbank are to be established, which come under the control of a management consisting of at least two members, subordinate to a Bank Commissioner appointed by the Emperor.

For each chief office of the Reichsbank, where there are a sufficient number of shareholders, there should be a district [*Bezirk*] committee whose members are chosen by the Imperial Chancellor from a list of shareholders furnished by the Bank Commissioner and the Centralausschuss, and whose residence must be in the place of the chief office or in its immediate neighborhood. To this committee will be communicated at its regular monthly meetings the reports on the business of the chief offices of the bank and the general regulations issued by the central administration. Proposals or motions of the district committee which are not approved by the management are to be presented by the latter to the Chancellor in a report.

The permanent special control over the business of the chief offices of the bank, according to the regulations in § 34, so far as it does not interfere with the daily course of business, is to be exercised by two or three deputies, chosen from its own membership by the district committee; or, if there is no district committee, one is to be appointed by the Chancellor according to paragraph 2.

§ 37. The establishment of branches [*Reichsbankstellen*] elsewhere, if they are directly under the control of the Directorium, is in the

hands of the Chancellor; if they are under the control of another branch [*Zweiganstalt*], in the hands of the Directorium.

§ 38. [The bank is responsible for the signatures of those acting for the bank, even if specially authorized; they are made by two members of the Directorium. Suits must be brought against any one of the offices of the bank in the place where it is situated.]

§ 39. Every official in the administration of the bank, member of a committee, or deputy, are obliged to keep silence regarding any individual transaction of the bank, especially that with private persons and the credit awarded to them. Deputies of the Centralausschuss and their alternates, as well as the officials of the chief offices of the Reichsbank, before entering on their duties, must bind themselves to this observance by a clasp of the hand instead of an oath.

§ 40. [The statutes, according to §§ 12-39, should be published, concerning technical details of shares, coupons, transfers, cancellation, dividends, yearly balance-sheet, meetings, voting (no one person having over 100 votes), elections of committees, public announcements, liquidation of the bank (§ 41), collection of original capital, and conditions of sale and purchase of securities.]

§ 41. The Empire has the right, on January 1, 1891, and at every ten years thereafter, on one year's previous notice, by imperial decree, in agreement with the Federal Council, delivered by the Chancellor to the Directorium, and by it published, to

- a) abolish the Reichsbank established by this Act, and to acquire the real estate of the same at its value on the books of the bank, or
- b) acquire all the shares of the Reichsbank at their face value.

In both cases, the remaining surplus, not required to cover losses, goes one-half to the shareholders, and the other half to the Empire.

For the extension of the term, according to the intent of the first paragraph, the approval of the Reichstag is necessary.

#### TITLE III—PRIVATE NOTE-BANKS

§ 42. [Banks already having the right to issue notes are confined to business within the state which granted the right.]

§ 43. [Notes of such banks not receivable in other states.]

§ 44. [Banks are freed from § 43 if they fulfil by January 1, 1876, the following conditions: (1) To invest by January 1, 1877, not to exceed one-half their capital and surplus, in business described in § 13, 1-4 (especially 4), and publish its rates on discounts and Lombards; (2) to set aside 20 per cent from profits above 4 ½ per cent until surplus reaches one-fourth of capital; (3) to keep the same cover for its notes as the Reichsbank (one-third cash, two-thirds commercial paper); (4) to redeem its notes in Berlin or Frankfort; (5) to accept all other privileged bank-notes at par; (6) not to object to right of issue granted

to other banks, nor if its notes are refused at public offices; (7) to have its right of issue terminated by the Federal Council, as in § 41, without compensation, to provide for uniformity of issues.

Banks fulfilling the above conditions may, with the consent of the Federal Council, be freed from § 42. If their notes do not exceed their capital, banks are freed from condition (2), and do business in the whole empire. The Federal Council may mitigate condition (1).]

§ 45. [Banks wishing to comply with § 44 must prove: (1) That their statutes comply; (2) that the redemption offices have been established. Then the Chancellor will publicly announce their acceptance.]

§ 46. [This Act to be regarded as notice of termination, in case the right to issue may be stopped. Statutes are hereby repealed which make the right dependent on the note-issues of the Prussian Bank.]

§ 47. Any change in the fundamental law, the statutes, or privileges, of a bank, which already possesses the right to issue notes, must, so long as this authority exists, be submitted to the approval of the Federal Council, if it concerns the capital, the surplus, its field of business, the cover of its outstanding notes, or the duration of its privilege to issue notes. Directions and concessions of the States which limit a bank's operations regarding discounts, Lombards, securities and deposits, and which are not contained in this Act, are not prohibited.

The approval of the request for the additional requirement is to be obtained through the Government of the State concerned; but it must be refused, if the bank has not complied with the provisions of § 44.

[The Bavarian Government is empowered to extend the issues of the Bavarian Note-Bank to the maximum of 70,000,000 marks; or it can bestow this authority on any other bank if it complies with § 44.]

§ 48. [The Chancellor is given authority to examine the books and cash of a bank having the right to issue notes, at any time, to ascertain if it is complying with the law, or with §§ 42 and 43, and as to the accuracy of the statements (§ 8) or the reports on which taxation is based (§ 10). The rights of control by the several states is not interfered with.]

§ 49. [The right of issue is lost, by (1) the close of the period for which it was granted; (2) renouncing the right; (3) bankruptcy; (4) verdict of a court; or (5) the regulations of a state.]

§ 50. [The right of issue can be taken away by a court, on the suit of the Chancellor or a German state, if (1) the rules as to cover or the amount of the notes have been violated; (2) §§ 42 and 43 have not been followed, in the period before the Chancellor's publication in § 45; (3) redemption has not been strictly carried out; (4) capital

has been impaired by one-third. Such suits come under the commercial provisions of the Imperial Code of Law. The verdict must order the withdrawal of all notes in circulation.]

§§ 51, 52, 53. [Details for carrying out the judgment of the court.]

§ 54. [Corporations, not being banks, but having the right to issue notes, bonds, or obligations, without interest, payable to bearer, must conform to the conditions in §§ 2-6, 43, and 47, so long as they have paper money in circulation.]

#### IV—PENAL DIRECTIONS

§§ 55-59. [Relate to penalties for violation of the Act.]

#### V—CONCLUSION

§ 60. [§§ 6, 42, 43, and penal clauses of §§ 56 and 58, come into force January 1, 1876.]

§ 61. [Details of the arrangement by which the Prussian Bank is to be ceded to the empire and merged into the Reichsbank: (1) Prussia withdraws the capital (1,906,800 marks) and one-half the surplus, and cedes its rights on following conditions: (2) empire to pay an indemnity of 15,000,000 marks; (3) one share of old for one of new; (4) or, return old capital and due proportion of surplus to old shareholders; (5) Reichsbank to assume liability for Prussian loan of 16,589,000 marks, under the treaty of January 28-31, 1856; (6) agreement to be made on value of real estate.]

§ 62. [Chancellor to put out Treasury bills (*Schatzanweisungen*) at interest to the amount of shares not issued, to obtain the necessary capital (§ 23).]

§§ 63-66. [These Treasury notes to be prepared by the Prussian administration of the debt; the rate of interest to be fixed by the Chancellor; to be redeemed from revenues of the empire; to be issued through the Imperial Treasury; interest postponed four years, or capital payments postponed thirty years, become outlawed. Inscription in the commercial register not required of the Reichsbank.]

### B

#### ACT ALTERING THE BANK ACT, AUGUST 4, 1914

§ 1. §§ 9 and 10 of the Bank Act are suspended for the Reichsbank.

§ 2. Satisfactory bills of exchange which are endorsed by the Empire and have a maturity of not over three months, even if they have no other guarantee, meet the requirements of § 13, No. 2, and § 17 of the Bank Act.

§ 3. Obligations of the Empire which are payable at par within three months hold the same position, in the meaning of § 17 of the Bank Act, as the aforesaid bills of exchange.

§ 4. [Federal Council to fix the date when this Act goes into effect.]

## C

SUPPLEMENT TO REGULATIONS OF THE IMPERIAL DEBT,  
AUGUST 4, 1914

§ 1. As a means for securing credit to defray the temporary extraordinary expenses of the Empire, and thereby to enlarge the ordinary funds of the Imperial Treasury, means of payment may be provided, within the limits of the legal requirements (§ 1 of the Regulation of the Imperial Debt), by the issue of bills of exchange.

§ 2. The bills of exchange shall be drawn at the order of the Imperial Chancellor by the Administration of the Imperial Debt with the signature of two of its members. In so far as the rules governing bills of exchange do not forbid, these bills are covered by the same Imperial Debt regulations as those applying to Treasury bills [*Schatz-anweisungen*] in the terms of the Act of February 22, 1904. (R. G. B., p. 66.)

§ 3. The bills issued by the Empire are free from the stamp duties on bills.

§ 4. The Federal Council is empowered to fix the date when this law shall no longer be in force.

§ 5. [Act goes into effect when promulgated.]

## D

ACT MODIFYING THE MINT ACT, AUGUST 4, 1914

§ 1. Until further notice the provisions of § 9, Sec. 2, paragraphs 2 and 3,<sup>1</sup> of the Mint Act of June 1, 1909 (R. G. B., p. 507) are hereby changed so that Imperial Treasury notes [*Reichskassenscheine*] and Reichsbank notes may be delivered instead of gold coin.

§ 2. [The Federal Council to fix the date when the original order shall be restored.]

§ 3. [Act in force on promulgation.]

<sup>1</sup> § 9. No one is compelled to accept in payments silver coins to an amount greater than 20 marks, nor nickel or copper coins to a greater amount than 1 mark.

Silver coins will be accepted in any sums by the treasuries of the Empire or of the States. The Federal Council designates those offices which will pay on demand gold coins on presentation of silver coins in sums of not less than 200 marks, or of nickel or copper coins in sums of not less than 50 marks. It also fixes the detailed conditions for the exchange.

## E

## DARLEHNSKASSEN ACT [REICHSGESETZBL., P. 340]

AUGUST 4, 1914

§ 1. In Berlin and those places within the Empire, in which there is a branch or agency of the Reichsbank, shall be established wherever necessary, on the order of the Imperial Chancellor, according to the report of the Committee on Trade and Commerce of the Federal Council [*Bundesrath*], Loan Bureaus [*Darlehnskassen*] for the purpose of making loans on security to meet the need of credit, especially in the interest of trade and industry.

Subsidiary branches of the *Darlehnskassen* may be established in other than the designated places to aid in the work of lending and of building up depots.

§ 2. For the full amount of the loan granted shall be paid out a special form of money known as "*Darlehnskassenscheine*." These notes shall be received at their full face value in payment at all the Imperial offices as well as at all the public offices of the States of the Empire; in private transactions they shall not be a compulsory means of payment.

In the meaning of §§ 9, 17 and 44 of the Bank Act of March 14, 1875, the notes of the Loan Bureaus stand on the same footing as the *Reichskassenscheine* [Imperial Treasury notes].

The total amount of the notes of the Loan Bureaus shall not exceed 1500 million marks. The Federal Council is empowered in case of necessity to raise the amount of notes outstanding.

No notes of Loan Bureaus shall be issued by the management of the Loan Bureaus (§ 13) for which sufficient security, as fixed by §§ 4 and 6, shall not be provided.

Before their issue, an exact description of the notes shall be made public by the management of the Loan Bureau.

§ 3. Loans can be given for not less than 100 marks, and shall not run as a rule for a longer term than three, and only in exceptional circumstances for six, months.

§ 4. The security may consist of:

a) The pledge of industrial, agricultural and mineral products and non-perishable merchandise, stored within the limits of the Empire, as a rule, for one-half, or in exceptional cases, for two-thirds of their value, according to differences of circumstances and salability.

b) The pledge of securities issued by the Empire, or by the government of a German State, or those conforming to legal requirements issued by corporations, joint-stock companies, or limited partnerships, which are located within the Empire, at a reduction from their current

or market price. Paper not running in the name of the bearer must be transferred to the Loan Bureaus.

c) The pledge of other securities which the management (§ 13) declare to be satisfactory.

For the fulfillment of the pledge of articles mentioned in a) it suffices, instead of actual delivery, to indicate the pledge clearly by some external mark, such as a tablet or the like.

§ 5. Commodities which are subject to serious changes of price will be accepted as pledge only if a third solvent person guarantees the payment of the loan.

§ 6. A loan may also be protected by the pledge of claims, which have been entered in the Imperial Debt Records [*Reichsschuldbuch*] or in that of a German State, at a reduction from the current value determined according to the face value and the rate of interest of the obligations corresponding to the pledged claims.

In case a mortgage on a claim of the sort mentioned in the first paragraph be inscribed on the records in favor of the Loan Bureau, it is sufficient to have the attestation of two members of the Board of Directors.

As to the attestation, the regulations of § 183 of the Act concerning matters of voluntary jurisdiction have like application.

§ 7. If a mortgage to a Loan Bureau has been entered on the records (§ 6), the Bureau thereby acquires a right, even if a third person has a claim on it, prior to the rights of that third person; unless the right of the third person had been entered at the time of the inscription of the mortgage on the records; or was known at that time to the Bureau; or was not known because of gross negligence.

If the debtor has delayed meeting the obligation secured by the pledge, the Administration of the Debt Records is thereby empowered and obliged, on a written request of the Loan Bureau, without requiring any proof of the delay, to issue obligations payable to bearer to liquidate the whole or a corresponding part of the claim; unless an order of the court intervenes which forbids the payment to the Loan Bureau; or unless same right of a third person, or a limitation of the mortgage in favor of the third person has been recorded, which was entered earlier than the pledge in favor of the Loan Bureau.

The Administration of the Records must inform the Loan Bureau of later entries affecting the adequacy of the obligation.

As to the satisfaction of the Loan Bureau regarding the obligations discharged by the Administration of the Debt Records, the regulations of §§ 10, 11 have corresponding application.

§ 8. The rate of interest on a loan granted shall as a rule not be higher than the published rate at which the Reichsbank buys bills of exchange



§ 9. The security should suffice for the principal, interest, and expenses; these secondary claims should be deducted from the sum of the loan.

§ 10. If payment is not made at maturity, the Loan Bureau may sell the security through one of its officials or a broker and reimburse itself out of the proceeds. The Loan Bureau shall dispose of the security only to the highest bidder in the open market.

§ 11. Also, if the debtor should go into bankruptcy, the Loan Bureau retains the right to sell the security without an order of the Court. [§ 127, Sec. 2, of the Bankruptcy Act of May 20, 1898, does not apply.]

§ 12. The Loan Bureaus form independent institutions with the attributes and rights of a legal *persona*. Their business enjoys freedom from stamps and duties.

§ 13. The Reichsbank assumes the management of the Loan Bureaus under the direction of the Imperial Chancellor in the interest of the Empire, but quite apart from its other business. The general administration shall be established in Berlin in a special bank department known as the "Hauptverwaltung der Darlehnskassen" according to more detailed directions given by the Imperial Chancellor. In addition, there shall be appointed for each Loan Bureau a Special Board of Directors subordinate to the Hauptverwaltung, to which shall be appointed by the Imperial Chancellor a representative of the Empire as well as members from the commercial or industrial classes. The Imperial Chancellor issues instructions for the conduct of the business of the Loan Bureaus.

§ 14. The opening of the Loan Bureaus is to be brought to general attention over the names of the imperial representative and the members of the Board of Directors through the journals designated for official notices.

§ 15. Two of the members of the Board of Directors chosen from the commercial or industrial classes shall, in alternate weeks, manage the business of the Loan Bureaus and see that the provisions of this Act are observed.

§ 16. The imperial representative must keep informed of the whole business of the Bureau and has a right of veto upon all applications for loans. The determination of the reduction to be made from the current or market price of the securities pledged, within the limits set by the regulations of the business, rests with the imperial representative after receiving the advice of the Board of Directors.

§ 17. The profits of the Loan Bureaus, after deducting the expenses of administration, shall be applied to covering any possible losses and to the future redemption of the notes of the Bureaus. Any possible surplus goes to the Imperial Treasury.

§ 18. The notes of the Loan Bureaus shall be issued in denominations of 5, 10, 20 and 50 marks. The issue of larger denominations of the notes, and the proportions in which the various denominations are to be used, will be determined by the regulations of the Imperial Chancellor. [Under this provision, and by Act of August 31, 1914, denominations of 1 and 2 marks were issued.]

The notes of the Loan Bureaus shall be issued by the Administration of the Imperial Debt [*Reichsschuldenverwaltung*], within the maximum limits (§ 2, Paragraph 3), according to the orders of the Imperial Chancellor given to the Administration-in-Chief of the Loan Bureaus, which assumes the responsibility for the issue.

The control over the preparation and issue of the notes of the Loan Bureaus is exercised by the Commission on the Imperial Debt.

The Imperial Chancellor is to make public monthly the amount of the notes of the Loan Bureaus outstanding.

§ 19. As soon as the need for a Loan Bureau no longer exists, the Imperial Chancellor is to close it up and make public the fact.

On the return of peace, the notes of the Loan Bureaus, issued by virtue of this Act, shall be withdrawn according to the detailed instructions of the Federal Council.

§ 20. [§§ 146-149, 151, 152, and 360, Numbers 4-6, of the criminal law apply to these notes.]

§ 21. The advances on securities [Lombards] granted by the Reichsbank, in the period from August 3, 1914, to the establishment of the Loan Bureaus, on other securities than those mentioned in § 13, No. 3, of the Bank Act [March 14, 1875], are hereby ratified.

§ 22. This law goes into effect on the day of its promulgation.

# APPENDIX IV

## UNITED STATES

### A

#### AN ACT

TO AMEND SECTION TWENTY-SEVEN OF AN ACT APPROVED DECEMBER TWENTY-THIRD, NINETEEN HUNDRED AND THIRTEEN, AND KNOWN AS THE FEDERAL RESERVE ACT.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section twenty-seven of the Act approved December twenty-third, nineteen hundred and thirteen, known as the Federal Reserve Act is hereby amended and reenacted to read as follows:*

"SEC. 27. The provisions of the Act of May thirtieth, nineteen hundred and eight, authorizing national currency associations, the issue of additional national-bank circulation, and creating a National Monetary Commission, which expires by limitation under the terms of such Act on the thirtieth day of June, nineteen hundred and fourteen, are hereby extended to June thirtieth, nineteen hundred and fifteen, and sections fifty-one hundred and fifty-three, fifty-one hundred and seventy-two, fifty-one hundred and ninety-one, and fifty-two hundred and fourteen of the Revised Statutes of the United States, which were amended by the Act of May thirtieth, nineteen hundred and eight, are hereby reenacted to read as such sections read prior to May thirtieth, nineteen hundred and eight, subject to such amendments or modifications as are prescribed in this Act: *Provided, however,* That section nine of the Act first referred to in this section is hereby amended so as to change the tax rates fixed in said Act by making the portion applicable thereto read as follows:

"National banking associations having circulating notes secured otherwise than by bonds of the United States, shall pay for the first three months a tax at the rate of three per centum per annum upon the average amount of such of their notes in circulation as are based upon the deposit of such securities, and afterwards an additional tax rate of one-half of one per centum per annum for each month until a tax of six per centum per annum is reached, and thereafter such tax of six per centum per annum upon the average amount of such notes: *Provided further,* That whenever in his judgment he may deem

it desirable, the Secretary of the Treasury shall have power to suspend the limitations imposed by section one and section three of the Act referred to in this section, which prescribe that such additional circulation secured otherwise than by bonds of the United States shall be issued only to National banks having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than forty per centum of the capital stock of such banks, and to suspend also the conditions and limitations of section five of said Act except that no bank shall be permitted to issue circulating notes in excess of one hundred and twenty-five per centum of its unimpaired capital and surplus. He shall require each bank and currency association to maintain on deposit in the Treasury of the United States a sum in gold sufficient in his judgment for the redemption of such notes, but in no event less than five per centum. He may permit National banks, during the period for which such provisions are suspended, to issue additional circulation under the terms and conditions of the Act referred to as herein amended: *Provided further*, That the Secretary of the Treasury, in his discretion, is further authorized to extend the benefits of this Act to all qualified State banks and trust companies, which have joined the Federal reserve system, or which may contract to join within fifteen days after the passage of this Act." Approved, August 4, 1914.

## B

## AN ACT

**TO PROVIDE FOR THE ADMISSION OF FOREIGN-BUILT SHIPS TO AMERICAN REGISTRY FOR THE FOREIGN TRADE, AND FOR OTHER PURPOSES.**

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That the words "not more than five years old at the time they apply for registry" in section five of the Act entitled "An Act to provide for the opening, maintenance, protection, and operation of the Panama Canal and the sanitation and government of the Canal Zone," are hereby repealed.

**SEC. 2.** That the President of the United States is hereby authorized, whenever in his discretion the needs of foreign commerce may require, to suspend by order, so far and for such length of time as he may deem desirable, the provisions of law prescribing that all the watch officers of vessels of the United States registered for foreign trade shall be citizens of the United States.

Under like conditions, in like manner, and to like extent the President of the United States is also hereby authorized to suspend the

provisions of the law requiring survey, inspection, and measurement by officers of the United States of foreign-built vessels admitted to American registry under this Act.

SEC. 3. This Act shall take effect immediately.

Approved, August 18, 1914.

## C

### AN ACT

TO AUTHORIZE AN ISSUE OF BONDS TO MEET EXPENDITURES FOR THE NATIONAL SECURITY AND DEFENSE, AND, FOR THE PURPOSE OF ASSISTING IN THE PROSECUTION OF THE WAR, TO EXTEND CREDIT TO FOREIGN GOVERNMENTS, AND FOR OTHER PURPOSES. APRIL 24, 1917.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That the Secretary of the Treasury, with the approval of the President, is hereby authorized to borrow, from time to time, on the credit of the United States for the purposes of this Act, and to meet expenditures authorized for the national security and defense and other public purposes authorized by law not exceeding in the aggregate \$5,000,000,000, exclusive of the sums authorized by section four of this Act, and to issue therefor bonds of the United States.

The bonds herein authorized shall be in such form and subject to such terms and conditions of issue, conversion, redemption, maturities, payment, and rate and time of payment of interest, not exceeding three and one-half per centum per annum, as the Secretary of the Treasury may prescribe. The principal and interest thereof shall be payable in United States gold coin of the present standard of value and shall be exempt, both as to principal and interest, from all taxation, except estate or inheritance taxes, imposed by authority of the United States, or its possessions, or by any State or local taxing authority; but such bonds shall not bear the circulation privilege.

The bonds herein authorized shall first be offered at not less than par as a popular loan, under such regulations prescribed by the Secretary of the Treasury as will give all citizens of the United States an equal opportunity to participate therein; and any portion of the bonds so offered and not subscribed for may be otherwise disposed of at not less than par by the Secretary of the Treasury; but no commissions shall be allowed or paid on any bonds issued under authority of this Act.

SEC. 2. That for the purpose of more effectually providing for the national security and defense and prosecuting the war by establishing

credits in the United States for foreign governments, the Secretary of the Treasury, with the approval of the President, is hereby authorized, on behalf of the United States, to purchase, at par, from such foreign governments then engaged in war with the enemies of the United States, their obligations hereafter issued, bearing the same rate of interest and containing in their essentials the same terms and conditions as those of the United States issued under authority of this Act; to enter into such arrangements as may be necessary or desirable for establishing such credits and for purchasing such obligations of foreign governments and for the subsequent payment thereof before maturity, but such arrangements shall provide that if any of the bonds of the United States issued and used for the purchase of such foreign obligations shall thereafter be converted into other bonds of the United States bearing a higher rate of interest than three and one-half per centum per annum under the provisions of section five of this Act, then and in that event the obligations of such foreign governments held by the United States shall be, by such foreign governments, converted in like manner and extent into obligations bearing the same rate of interest as the bonds of the United States issued under the provisions of section five of this Act. For the purposes of this section there is appropriated, out of any money in the Treasury not otherwise appropriated, the sum of \$3,000,000,000, or so much thereof as may be necessary: *Provided*, That the authority granted by this section to the Secretary of the Treasury to purchase bonds from foreign governments, as aforesaid, shall cease upon the termination of the war between the United States and the Imperial German Government.

SEC. 3. That the Secretary of the Treasury, under such terms and conditions as he may prescribe, is hereby authorized to receive on or before maturity payment for any obligations of such foreign governments purchased on behalf of the United States, and to sell at not less than the purchase price any of such obligations and to apply the proceeds thereof, and any payments made by foreign governments on account of their said obligations to the redemption or purchase at not more than par and accrued interest of any bonds of the United States issued under authority of this Act; and if such bonds are not available for this purpose the Secretary of the Treasury shall redeem or purchase any other outstanding interest-bearing obligations of the United States which may at such time be subject to call or which may be purchased at not more than par and accrued interest.

Approved, April 24, 1917.

## D

392

## APPENDIX IV

Date Issued	Amount of Issue	Name and Description of Issue	Rate at Par	Principal Due	Issue Price	Issue Yield
August, 1918	\$220,000,000	<p><b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5% TWO-YEAR SECURED LOAN GOLD NOTES</b></p> <p>Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Farmers Loan &amp; Trust Company of New York, of American, Canadian and Neutral Government and Railway Securities, to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan &amp; Company—these Notes are redeemable at option of the British Government in whole or part, on thirty days' notice, at 101 and interest on any date prior to 1, September 1917, and at 100½ and interest on 1, September and on any date thereafter prior to maturity.</p>	5%	1, September, 1918	99 and Interest	5.55%
October, 1918	\$150,000,000	<p><b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5½% SECURED LOAN GOLD NOTES</b></p> <p>Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Guaranty Trust Company of New York, of American, Canadian, Newfoundland, and other Colonial and Foreign Government, Railway and Corporation Securities, to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan &amp; Company—these Notes are redeemable at the option of the British Government in whole or part, on thirty days' notice, as follows:—from 1, November, 1916, to 31, October, 1917 inclusive, at 105 and interest; from 1, November, 1917, to 31, October, 1918 inclusive, at 103 and interest; from 1, November, 1918, to 31, October, 1919 inclusive, at 101 and interest.</p>	5½%	1, November, 1919	99½ and Interest	5.77%
October, 1918	\$150,000,000	<p><b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5½% SECURED LOAN GOLD NOTES</b></p> <p>Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Guaranty Trust Company of New York, of American, Canadian, Newfoundland, and other Colonial and Foreign Government, Railway and Corporation Securities to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan &amp; Company—these Notes are redeemable at the option of the British Government in whole or part, on thirty days' notice as follows:—from 1, November 1916, to 31, October 1917 inclusive, at 105 and interest; from 1, November 1917, to 31, October 1918 inclusive, at 104 and interest; from 1, November 1918, to 31, October 1919 inclusive, at 103 and interest; from 1, November 1919, to 31, October 1920 inclusive, at 102 and interest; and from 1, November 1920, to 31, October 1921 inclusive, at 101 and interest.</p>	5½%	1, November, 1921	98½ and Interest	5.85%

January, 1917	\$100,000,000	<b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND ONE-YEAR 5¼% SECURED LOAN CONVERTIBLE GOLD NOTES</b> Direct obligations of the Government—free of all British Taxes, present and future—collaterally secured by deposit with the Bankers Trust Company of New York of certain Bonds, Stocks, and other Securities of American Municipalities and Corporations, including, among the Corporations, the Canadian Pacific Railway Company, also Bonds and other obligations, (either as maker or guarantor) of the Dominion of Canada, Newfoundland, Canadian Provinces and Municipalities, also Securities of other British Colonies, likewise certain Neutral Countries, including also Securities of certain British Railway Companies, and of the Grand Trunk Railway Company of Canada, to an aggregate value of 120% of the amount of these Notes outstanding, which margin to be maintained—collateral approved by J. P. Morgan & Company—these Notes are convertible at the option of the holder at any time before maturity (if called for earlier redemption at any time including the date of such redemption) into twenty-year 5¼% Bonds of the United Kingdom of Great Britain and Ireland, payable 1, February 1937, and not subject to prior redemption, which twenty-year Bonds are also free of all British Taxes, present or future—these Notes are redeemable at the option of the British Government upon thirty days' notice at a premium of 1% for each year (or any part) of unexpired life of the Notes, but if so called for redemption may be converted into the twenty-year 5¼% Bonds, as previously stated, at any time up to the date of redemption.	5¼%	1, February, 1918	99.52 and Interest	5%
January, 1917	\$150,000,000	<b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND TWO-YEAR 5¼% SECURED LOAN CONVERTIBLE GOLD NOTES</b> Direct obligations of the Government—free of all British Taxes, present and future—collaterally secured by deposit with the Bankers Trust Company of New York of certain Bonds, Stocks, and other Securities of American Municipalities and Corporations, including, among the Corporations, the Canadian Pacific Railway Company, also Bonds and other obligations, (either as maker or guarantor) of the Dominion of Canada, Newfoundland, Canadian Provinces and Municipalities, also Securities of other British Colonies, likewise certain Neutral Countries, including also Securities of certain British Railway Companies, and of the Grand Trunk Railway Company of Canada, to an aggregate value of 120% of the amount of these Notes outstanding, which margin to be maintained—collateral approved by J. P. Morgan & Company—these Notes are convertible at the option of the holder at any time before maturity (if called for earlier redemption at any time including the date of such redemption) into twenty-year, 5¼% Bonds of the United Kingdom of Great Britain and Ireland, payable 1, February 1937, and not subject to prior redemption, which twenty-year Bonds are also free of all British Taxes, present or future—these Notes are redeemable at the option of the British Government upon thirty days' notice at a premium of 1% for each year (or any part) of unexpired life of the Notes, but if so called for redemption may be converted into the twenty-year 5¼% Bonds, as previously stated, at any time up to the date of redemption.	5¼%	1, February, 1919	99.07 and Interest	5%
October, 1918	\$500,000,000	<b>ANGLO-FRENCH FIVE-YEAR 5% EXTERNAL LOAN</b> The Joint and several obligation of the Government of the United Kingdom of Great Britain and Ireland and the French Republic—free of all present or future British or	5%	15, October, 1920	98 and Interest	5.40%



## D

392

APPENDIX IV

DATE ISSUED	AMOUNT OF ISSUES	NAME AND DESCRIPTION OF ISSUES	RATE AT PAR	PRINCIPAL DUE	ISSUE PRICE AND INTEREST	ISSUE YIELD
August, 1916	\$250,000,000	<b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5% TWO-YEAR SECURED LOAN GOLD NOTES</b> Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Farmers Loan & Trust Company of New York, of American, Canadian and Neutral Government and Railway Securities, to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan & Company—these Notes are redeemable at option of the British Government in whole or part, on thirty days' notice, at 101 and interest on any date prior to 1, September 1917, and at 100½ and interest on 1, September and on any date thereafter prior to maturity.	5%	1, September, 1918	99 and Interest	5.53%
October, 1916	\$150,000,000	<b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5½% SECURED LOAN GOLD NOTES</b> Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Guaranty Trust Company of New York, of American, Canadian, Newfoundland, and other Colonial and Foreign Government, Railway and Corporation Securities, to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan & Company—these Notes are redeemable at the option of the British Government in whole or part, on thirty days' notice, as follows:—from 1, November, 1916, to 31, October, 1917 inclusive, at 102 and interest; from 1, November, 1917, to 31, October, 1918 inclusive, at 102 and interest; from 1, November, 1918, to 31, October, 1919 inclusive, at 101 and interest.	5½%	1, November, 1919	99½ and Interest	5.77%
October, 1916	\$150,000,000	<b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND 5½% SECURED LOAN GOLD NOTES</b> Direct obligations of the Government—free of all British Taxes, present or future—collaterally secured by deposit with the Guaranty Trust Company of New York, of American, Canadian, Newfoundland, and other Colonial and Foreign Government, Railway and Corporation Securities to the amount of 120% of the Loan, which margin is to be maintained—valuations of collateral by J. P. Morgan & Company—these Notes are redeemable at the option of the British Government in whole or part, on thirty days' notice as follows:—from 1, November 1916, to 31, October 1917 inclusive, at 102 and interest; from 1, November 1917, to 31, October 1918 inclusive, at 104 and interest; from 1, November 1918, to 31, October 1919 inclusive, at 103 and interest; from 1, November 1919, to 31, October 1920 inclusive, at 102 and interest; and from 1, November 1920, to 31, October 1921 inclusive, at 101 and interest.	5½%	1, November, 1921	98½ and Interest	5.32%

January, 1917	\$100,000,000	<p><b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND ONE-YEAR 5 1/4% SECURED LOAN CONVERTIBLE GOLD NOTES</b></p> <p>Direct obligations of the Government—free of all British Taxes, present and future—collaterally secured by deposit with the Bankers Trust Company of New York of certain Bonds, Stocks, and other Securities of American Municipalities and Corporations, including, among the Corporations, the Canadian Pacific Railway Company, also Bonds and other obligations, (either as maker or guarantor) of the Dominion of Canada, Newfoundland, Canadian Provinces and Municipalities, also Securities of other British Colonies, likewise certain Neutral Countries, including also Securities of certain British Railway Companies, and of the Grand Trunk Railway Company of Canada, to an aggregate value of 120% of the amount of these Notes outstanding, which margin to be maintained—collateral approved by J. P. Morgan &amp; Company—these Notes are convertible at the option of the holder at any time before maturity (if called for earlier redemption at any time including the date of such redemption) into twenty-year 5 1/4% Bonds of the United Kingdom of Great Britain and Ireland, payable 1, February 1937, and not subject to prior redemption, which twenty-year Bonds are also free of all British Taxes, present or future—these Notes are redeemable at the option of the British Government upon thirty days' notice at a premium of 1% for each year (or any part) of unexpired life of the Notes, but if so called for redemption may be converted into the twenty-year 5 1/4% Bonds, as previously stated, at any time up to the date of redemption.</p>	5 1/4%	1, February, 1918	99.52 and Interest	6%
January, 1917	\$120,000,000	<p><b>UNITED KINGDOM OF GREAT BRITAIN AND IRELAND TWO-YEAR 5 1/4% SECURED LOAN CONVERTIBLE GOLD NOTES</b></p> <p>Direct obligations of the Government—free of all British Taxes, present and future—collaterally secured by deposit with the Bankers Trust Company of New York of certain Bonds, Stocks, and other Securities of American Municipalities and Corporations, including, among the Corporations, the Canadian Pacific Railway Company, also Bonds and other obligations, (either as maker or guarantor) of the Dominion of Canada, Newfoundland, Canadian Provinces and Municipalities, also Securities of other British Colonies, likewise certain Neutral Countries, including also Securities of certain British Railway Companies, and of the Grand Trunk Railway Company of Canada, to an aggregate value of 120% of the amount of these Notes outstanding, which margin to be maintained—collateral approved by J. P. Morgan &amp; Company—these Notes are convertible at the option of the holder at any time before maturity (if called for earlier redemption at any time including the date of such redemption) into twenty-year, 5 1/4% Bonds of the United Kingdom of Great Britain and Ireland, payable 1, February 1937, and not subject to prior redemption, which twenty-year Bonds are also free of all British Taxes, present or future—these Notes are redeemable at the option of the British Government upon thirty days' notice at a premium of 1% for each year (or any part) of unexpired life of the Notes, but if so called for redemption may be converted into the twenty-year 5 1/4% Bonds, as previously stated, at any time up to the date of redemption.</p>	5 1/4%	1, February, 1919	99.07 and Interest	6%
October, 1916	\$500,000,000	<p><b>ANGLO-FRENCH FIVE-YEAR 5% EXTERNAL LOAN</b></p> <p>The Joint and several obligation of the Government of the United Kingdom of Great Britain and Ireland and the French Republic—free of all present or future British or</p>	5%	18, October, 1920	98 and Interest	5.40%

DATE ISSUED	AMOUNT OF ISSUE	NAME AND DESCRIPTION OF ISSUE	RATE AT PAR	PRINCIPAL DUE	ISSUE PRICE	ISSUE YIELD
July, 1916	\$24,000,000	<p>French Taxes—registered Bonds obtainable in denominations of \$1,000, \$10,000, and \$50,000, and authorized multiples—registered and coupon bonds interchangeable—convertible at holder's option on any date not later than 15, April 1920, or (provided that notice be given not later than 15, April 1920) at maturity, par for par, into 12/22 year joint and several 4½% Bonds of the Government of the United Kingdom of Great Britain and Ireland and the French Republic; such 4½% Bonds will be payable as to Principal and Interest in United States Gold Coin, in New York, free of all present or future French or British Taxes, and will mature 15, October 1940, but redeemable at 100 and Interest, in whole or part, on any interest date, not earlier than 15, October 1920, upon three months' notice.</p> <p><b>AMERICAN FOREIGN SECURITIES COMPANY THREE-YEAR 6% GOLD NOTES</b></p> <p>This Company was organized with a capital of \$10,000,000 paid in at par in cash—the Company in turn, arranged to lend \$10,000,000 to the Government of the French Republic, for which it holds the obligation of the French Government to repay the Principal in three years, together with Interest at a rate more than sufficient to cover the Interest on the Company's Note issue—these Notes are collaterally secured by deposit of American Corporate Issues, Suez Canal Shares, Province of Quebec Bonds, and various Government and Government Guaranteed Railway Bonds of several Foreign Countries, to the extent of 180% of the outstanding amount of these Notes, which margin is to be maintained—collateral lodged with the Bankers Trust Company of New York—these Notes subject to redemption in whole or part, at the option of the Company on any interest date at 101¼ and Interest on 1, February 1917; or at 101 and Interest on 1, August 1917, or 1, February 1918; or at 100¼ on 1, August 1918, or 1, February 1919—Principal and Interest payable without deduction for any Taxes, present or future, except any United States Federal Income Tax.</p>	6%	1, August, 1919	98 and Interest	6.78%
March, 1917	\$100,000,000	<p><b>GOVERNMENT OF THE FRENCH REPUBLIC TWO-YEAR 5¼% SECURED LOAN CONVERTIBLE GOLD NOTES</b></p> <p>Direct obligation of the Government—free of all present and future French Taxes—collaterally secured by pledge with the Central Trust Company of New York, of Securities approved by J. P. Morgan &amp; Co., valued in the aggregate at not less than \$120,000,000, of which approximately \$20,000,000 in value is to consist of Securities of American Corporations and Municipalities (including Securities of the Canadian Pacific Railway Company), and the remainder is to consist of obligations (either direct or through guaranty) of the following Governments: Argentine, Uruguay, Brazil (Funding Loan), Switzerland, Holland, Spain, Egypt, Province of Quebec, Denmark, Norway, and Sweden (including certain Bonds of Mortgage Banks in the last three countries, operated under Government supervision, and quoted customarily on a parity with the</p>	5¼%	1, April, 1919	98 and Interest	6.04%

October, 1916	\$20,000,000	<p>obligations of their respective Governments); also Bonds of the State of Bern, Switzerland, Bonds of the City of Stockholm, Sweden, and Bonds and Shares of Spanish Hailway Companies and of the Suez Canal Company—these Notes are convertible at par upon notice, at the option of the holder at any time before maturity, into twenty-year 5½% Bonds of the Government of the French Republic, payable 1, April 1937, and not subject to prior redemption—these twenty-year Bonds are also free of all present and future French Taxes—Principal and Interest of the Notes are also to be payable at the option of the holder in Paris in France, at the fixed rate of Fcs. 5.75 to the dollar, without deduction for French Taxes. (In connection with the provision for optional collection in France, it may be noted that this feature amounts to call on French Exchange for two years at a rate of Fcs. 5.75; this being about ten per cent below mint parity, Fcs. 5.16¼ at or near which figure Exchange ruled prior to the disorganization of Foreign markets brought about by the war. Such additional profit from the Exchange feature as may accrue to the holders of these Notes will involve no increased interest cost to the promisor, but will be consequent upon such improvement in trade and Exchange conditions as may occur during the coming two years.)</p>	6%	16, October, 1921	58¼ and Interest	5.80%
November, 1916	\$20,000,000	<p><b>CITY OF PARIS (FRANCE) FIVE-YEAR 6% GOLD BONDS (MUNICIPAL EXTERNAL LOAN OF 1916)</b> The only external Loan of the City of Paris—free of all French Governmental or Municipal Taxes, or other French Taxes—redeemable at the option of the City of Paris at 108¼ per cent on 15, October 1916, or on any interest date thereafter, on sixty days' published notice—the principal and interest of this Loan, aside from being payable in New York, are also payable at the option of the holder (to be exercised as to Principal thirty days before the date of maturity or of redemption) in Paris in France, at the fixed rate of Francs 5.60 per dollar—thus, if at the maturity of these bonds, French Exchange should be at the normal rate before the war, the Principal sum payable in France would be approximately \$108 for each \$100 of these Bonds held—the Government of the French Republic undertakes to furnish and permit the exportation of Gold so far as necessary, to permit the City of Paris to pay the interest or Principal amount of the Loan in Gold in the City of New York—the purpose of the Loan was "stated to be to reimburse the City of Paris for the very important and unusual expenditures to which it had been subjected for more than two years for the alleviation of suffering caused by the War, and to provide for additional similar expenditures, and for other Municipal purposes."</p>	6%	1, November, 1919	58 and Interest	6¼%

DATE ISSUED	AMOUNT OF ISSUE	NAME AND DESCRIPTION OF ISSUE	RATE AT PAR	PRINCIPAL DUE	ISSUE PRICE	ISSUE YIELD
November, 1916	\$20,000,000	<p>Republic is to undertake to furnish and permit the exportation of Gold so far as necessary to permit the City to pay the Interest or Principal amount of the Loan in Gold in New York—this issue made to provide for expenditures for the alleviation of suffering caused by the War, and for other Municipal purposes.</p> <p><b>CITY OF LYONS (FRANCE) 6% THREE-YEAR GOLD BONDS</b> Free of all French Governmental or Municipal Taxes, or other French Taxes—only external Loan of Lyons—population of the City at last census, 323,796—funded debt per capita is approximately \$72—aside from the Principal and Interest of this Loan being payable in New York, the holder has the option (to be exercised as to Principal thirty days before the date of maturity) of payment in France in France at the fixed rate of Francs 5.80 per dollar, thus, if at maturity of these Bonds, French Exchange should be at the normal rate before the War, the Principal sum payable in France would be approximately \$108 for each \$100 of these Bonds held—the Government of the French Republic is to undertake to furnish and permit the exportation of Gold so far as necessary, to permit the City to pay the Interest or Principal amount of the Loan in Gold in New York—this issue made to provide for expenditures for the alleviation of suffering caused by the War, and for other Municipal purposes.</p>	6%	1, November, 1919	98 and Interest	6½%
November, 1916	\$20,000,000	<p><b>CITY OF MARSEILLES (FRANCE) 6% THREE-YEAR GOLD BONDS</b> Free of all French Governmental or Municipal Taxes, or other French Taxes—only external Loan of Marseilles—population of the City at last census, 350,918—funded debt per capita is approximately \$78—aside from the Principal and Interest of this Loan being payable in New York, the holder has the option (to be exercised as to Principal thirty days before the date of maturity) of payment in France in France at the fixed rate of Francs 5.80 per dollar, thus, if at maturity of these Bonds, French Exchange should be at the normal rate before the War, the Principal sum payable in France would be approximately \$108 for each \$100 of these Bonds held—the Government of the French Republic is to undertake to furnish and permit the exportation of Gold so far as necessary, to permit the City to pay the Interest or Principal amount of the Loan in Gold in New York—this issue made to provide for expenditures for the alleviation of suffering caused by the War, and for other Municipal purposes.</p>	6%	1, November, 1919	98 and Interest	6½%
November, 1916	\$22,000,000	<p><b>IMPERIAL RUSSIAN GOVERNMENT (EXTERNAL LOAN) FIVE-YEAR 5½% TREASURY GOLD BONDS</b> Direct general credit obligation of the Imperial Russian Government—free of all present or future Russian Taxes—principal payable at maturity in New York, also at the holder's option in Roubles at the offices of the Imperial State Bank of Russia at the current commercial rate of exchange in Petrograd, at sight on New York (this option is possessed by no other issue of Russian external or internal debt)—these Bonds when</p>	5½%	1, December, 1921	94.75 and Interest	6½%

		due and payable as well as the Coupons, when due and payable, will be accepted in payment for all Russian Custom House dues at the value of Gold Dollars at the current commercial rate of exchange in Petrograd, at sight on New York, on the conditions stated in the Russian Statutes governing the collection of Customs—these Bonds are eligible as security for Imperial Russian Government contracts, where deposit is required, at the rate which, according to the Russian law, is fixed and determined by the Minister of Finance of the Imperial Government every six months.				
October, 1915	\$22,000,000	<b>ITALIAN GOVERNMENT 6% ONE-YEAR CONVERTIBLE GOLD NOTES</b> Exempt from all Italian Taxes—convertible at the holder's option, par for par, into ten-year, 5½% Gold Bonds, payable in United States Dollars, or at the option of the holder in Lire at the rate of \$18¼ Lire per dollar, provided that the holders notify Messrs. Lee, Higginson & Company, of Boston, New York and Chicago, of their wish to convert and present their Notes to be stamped between 15, July and 15, August of 1917—this issue made originally in October 1915, and matured on 15, October 1916; purchasers of the original issue had the right to convert into similar one-year Notes due 15, October 1917; nearly all holders took advantage of this right of conversion; those who did not wish to convert received cash at maturity, and the new Notes were immediately sold to other holders, leaving the original issue of \$22,000,000 still outstanding—purpose of this issue was to finance Italian purchases of merchandise and commodities in United States, and to stabilize Exchange between the two Countries.	6%	15, October, 1917	100 and Interest	6%
March, 1915	\$5,000,000	<b>GOVERNMENT OF SWITZERLAND 5% GOLD NOTES</b> Direct obligation of the Swiss Confederation—free of all Swiss Taxes—per capita debt of Switzerland approximately \$15—these Notes issued to provide funds for the purchase of commodities in United States.	5%	1, March, 1915	97½ and Interest	5.04%
March, 1915	\$5,000,000	<b>GOVERNMENT OF SWITZERLAND 5% GOLD NOTES</b> Direct obligation of the Swiss Confederation—free of all Swiss Taxes—per capita debt of Switzerland approximately \$15—these Notes issued for the purchase of commodities in United States.	5%	1, March, 1915	96 and Interest	5.03%
October, 1914	\$1,500,000	<b>KINGDOM OF NORWAY 6% GOLD LOAN OF 1914</b> Issued to supply Norway with credit wherewith to finance purchases of various commodities in United States—per capita debt of Norway approximately \$40.	6%	15, October, 1917	100 and Interest	6%
January, 1915	\$5,000,000	<b>KINGDOM OF NORWAY 6% GOLD BONDS OF 1915</b> Direct obligation of the Kingdom of Norway, whose full faith and credit are pledged—free of all Taxes now, or hereinafter levied within the Kingdom of Norway—Interest and Principal payable as well in time of War as of Peace.	6%	1, February, 1915	101½ and Interest	5.74%
July, 1915	\$20,000,000	<b>GOVERNMENT OF THE DOMINION OF CANADA 5% GOLD NOTES</b> Direct obligations of the Government—free of all present and future Canadian Government Taxes—these notes are convertible at the option of the holder at any time prior to three months before maturity into twenty-year 5% bonds of the Dominion of	5%	1, August, 1917	99½ and Interest	5.33%

DATE ISSUED	AMOUNT OF ISSUE	NAME AND DESCRIPTION OF ISSUE	RATE AT PAR	PRINCIPAL DUE	ISSUE PRICE	ISSUE YIELD
March, 1916	\$25,000,000	Canada, par for par, which twenty-year bonds mature 1, August 1935, without right of prior redemption and are payable principal and interest in gold coin in New York City, or in Montreal, and to be similarly free of all Dominion of Canada Taxes, including any Canadian Income Tax. <b>GOVERNMENT OF THE DOMINION OF CANADA 5% GOLD BONDS (EXTERNAL LOAN)</b>	5%	1, April, 1921	99.80 and Interest	5.10%
March, 1916	\$25,000,000	Direct obligations of the Government—free of all present and future Canadian Government Taxes, including any Canadian Income Tax—fully registered bonds obtainable in denominations of \$1,000 and multiples thereof—coupon and registered bonds interchangeable. <b>GOVERNMENT OF THE DOMINION OF CANADA 5% GOLD BONDS (EXTERNAL LOAN)</b>	5%	1, April, 1926	97.15 and Interest	5 1/4%
March, 1916	\$25,000,000	Direct obligations of the Government—free of all present and future Canadian Government Taxes, including any Canadian Income Tax—fully registered bonds obtainable in denominations of \$1,000 and multiples thereof—coupon and registered bonds interchangeable. <b>GOVERNMENT OF THE DOMINION OF CANADA 5% GOLD BONDS (EXTERNAL LOAN)</b>	5%	1, April, 1931	94.94 and Interest	5 1/4%
June, 1916	\$5,000,000	Direct obligations of the Government of Newfoundland—these bonds comprise the only funded debt of Newfoundland issued outside the British Empire—with the exception of this issue no portion of the funded debt of the Colony matures prior to 1930. <b>GOVERNMENT OF NEWFOUNDLAND 5% THREE-YEAR GOLD LOAN</b>	5%	1, July, 1919	99.80 and Interest	5.18%
May, 1916	\$25,000,000	Direct obligation of the Government—free of all present and future Argentine Taxes—simultaneously with this issue in New York the Argentine issued £3,000,000 in the London, England, market—both the sterling and the dollar bonds are of substantially similar tenor and content—after 15, May 1917, these sterling and dollar bonds will be interchangeable between London and New York at the fixed rate of 84.88 per £ sterling, the expense of any new stamps which may be required, to be borne by the holder— <b>GOVERNMENT OF THE ARGENTINE NATION FIVE-YEAR 5% TREASURY GOLD BONDS</b>	5%	15, May, 1920	99 and Interest	5.24%

November, 1916	\$5,000,000	<p>proceeds of this issue were for the purpose of redeeming certain maturing gold notes and the balance was to be available for further construction expenditures upon the Sanitary Works of Buenos Aires.</p> <p><b>REPUBLIC OF CHINA 6% THREE-YEAR SECURED GOLD LOAN</b>  <b>TREASURY NOTES OF 1916</b></p> <p>Direct obligation of the Republic of China—secured as to both principal and interest by a first charge upon the entire revenues, derived and to be derived by the Chinese Government, from the Chinese Tobacco and Wine Public Sales Tax, with the declaration by the Chinese Government that said tax would net it during the year 1916 about \$5,840,000 gold and that during each of the years that all or any part of this loan principal or interest is unpaid said tax will amount to a sum equivalent to at least \$5,000,000 gold—these notes are redeemable in whole or part at the option of the Republic of China on 90 days' published notice as follows:—During the first year at a premium of 1% and at any time thereafter at a premium of <math>\frac{1}{4}</math> of 1%—the proceeds of this loan were stated by the Government to be needed for industrial purposes, including the internal development of China, the strengthening of the reserves of the Bank of China and the Bank of Communications (both of which are official banks) and other similar purposes.</p>	6%	1, November, 1916	97 $\frac{1}{4}$ and Interest	6.98%
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## INDEX

- Acceptance, explained, 71, 82, 280, 345, 346, 359; houses, 70, 72; English, 82, 86, 88, 91, 326.
- Agadir, 152, 154.
- Aldrich-Vreeland notes, 100, n., 299-305.
- Algeciras, 152.
- American Foreign Securities Corporation, 188, n.
- Anglo-French loan, 129, 339, 360.
- Argentina, 154, 307, 316.
- Austria-Hungary, 20, 78, 154, 200, 220, 250, 285; comparative growth of, 14-15; policy of, 37; Bank of, 234.
- Bagdad Railway, 84, 154, 200.
- Balkans, 31, 37, 78; France and, 152-153; wars of, 154-155, 199, 200, 204, 281.
- Bank of England, place in organization of credit, 70, 74; banking reserves of, 75, 102-105; aids stock exchange, 81; saved the day in the crisis, 84, 89; suspension of Bank Act, 87, 88; accounts of, 90; location of reserves in, 103, 229; small notes of, 94, 100; French criticism of, 99; in time of stress, 106; soundness of, 111-114; increase of notes of, 119; little English inflation, 120; superior to Bank of France, 178; compared with Reichsbank, 269.
- Bank of France, 144; notes of, follow discounts, 147-149; function of reserves in, 150; notes *vs.* checks, 162-164, 165; suspension of specie payments, 164, 171; reliance on, in crisis, 165-168; increase of loans, 166-168; reduction of moratorium paper, 168; bank and the bourse, 169-170; vast increase in notes of, 172; advances to state, 178; various limits to note-issues, 174; soundness of, 175; monetary and fiscal confusion, 176; contrasted with Bank of England, 178; effect of retaining gold on, 181; depreciation of notes of, 181-184, 187.
- Bank, Imperial, of Germany, contrasted with Bank of England, 178, 207, 222, 269; control over gold, 203; control over other banks, 204; under imperial control, 205; organization of, 205-206; Kontingent, 207, 227; cover for notes, 207, 227; note-issues of, 208, 230; function of, 208; business of, 209; transfers, 210; lending power widened, 227; loans to government, 228; reserves of, 229; pressure on, 229-232; depreciation of notes, 233, 255; campaign for gold, 234-236; inflation of credit of, 238; suspension of gold payments, 221.
- Banking, reserves, 64, 68, 96, 150, 292; power, 11, 294, 297; assets in Germany, 204-205; foreign, 76; in United States, 11.
- Banks, joint-stock, English, 73, 81, 83, 91, 94, 97, 119; French, 145-147; German, 204, 212.
- Bayer, 19.
- Belgium, 20, 51, 77, 153, 158, 234, 241; German notes in, 232.
- Bill-brokers, 72, 74, 83.
- Bills, *see* Exchange, Treasury.
- Bonn, M. J., 265, n. 1, 267, n. 1, 270, n. 1.
- Boania, 154.
- Brazil, 74, 154, 316.
- Bowley, A. L., 107.
- Caillaux, 153.
- Cameroons, 153, n., 154.
- Canada, 102, 103, 109, 329.

- Capital, mobility of, 110; destruction of, 49, 50, 238, 240, 268; and credit, 44.
- Checks, in England, 87, 95, n., 94, 99; in France, 162-164; in Germany, 210, 232; in United States, 11, 62-67, 294.
- Chemistry, 7.
- Chronology of war, 79.
- Clearing-house, 10; banks, 292; loan certificates, 297, 301; in France, 162-164; in Germany, 210-211.
- Coal, 18, 52, 159.
- Combes, 152, n.
- Consumption, superfluous, 46, 48; limiting war, 53; war and, 306; German, 241.
- Cotton, 309-312; Trading Corporation, 310; Pool, 311.
- Coulisse, 156, n., 157.
- Credit, rise of, 10; and war, 39, 84, 283; based on goods, 40, 45, 51, 68, 111, 284; war carried on by, 41, 53; why granted, 41; at a bank, 42; of a government, 43, 114, 133, 137; and capital, 44; and money, 45; of a state depends on productive power, 57, 114; not limited by money, 58, 60-63, 234; a reversion to barter, 60; redemption of, 61; how tested, 63; how affected by imports of gold, 63; supposed break-down of, 64, 69, 80; supercedes money, 67; international, 69; comparative study of, 70, 143, 175; normality of, in war-time, 106, 114; gives time for liquidation, 112; and inflation, 64, 117, 143, 206, 218, 224, 230, 243, 347-353; function of, in a crisis, 161; interdependence of, 279, 280.
- Credit, in England, 70; expansion by Bank of England, 75; suspension of Bank Act, 88; little inflated, 120; normality of, in war, 114; soundness of, 111, 114, 121; as to government borrowing, 133, 137; London as a centre of, 324, 326, 327, 345.
- Credit, in France, 143; organization of, 144, 167; expanded in note-issues, 148; crippled in Balkan wars, 155; in the crisis of 1914, 161, 165; suspension of gold payments, 164; inflation of, 166-168, 172, 173, 175, 176; public and private, 189; and money, 148-149, 176-178, 182, 184.
- Credit, in Germany, weakness of, 209; organization of, 205-213; loan bureaus, 213-218, 264-268; Kriegskredit banks, 218; inflation of, 206, 218, 224, 230, 243; shock to, 220; limit to, 59; solvency of, 241, 242, 244, 265-268; pyramiding of, 266; relation to wealth, 239.
- Credit, in United States, 278; system of, 284, 296; dependence of, on Europe, 279-281; effect of war on, 284, 292, 296; crisis in, 283, 294, 306; inflation of, 347-353, 351; relation of, to prices, 348, 352; working of, 296, 304, 353-361; government, 357, 361; Aldrich-Vreeland notes, 299-305.
- Cuba, 307.
- Curb market, 320, n.
- Currency notes, English, 88, 92-101, 114.
- Darlehnskassen, *see* Loan bureaus.
- Debts, burden of, 56, 134; discount future production, 113; of Great Britain, 133-141; of France, 155, 191-196; of Germany, 258, 261-271, 276; of United States to Europe, 281.
- Denmark, 77, 132, 223, 240, 245, 313, 342.
- Deposit-currency, 10, 11; English origin of, 94; function of, 62-67, 322.
- Destruction, in war, 46, 48, 49, 56; in peace, 47; of capital, 49, 50, 238, 240.
- Discount houses, 72.
- Dyes, 19, 253, 314.
- Education, 8, 9, 26.
- England, *see* Great Britain.
- European War, causes of, 1, 32, 36-38, 199.

- Exchange, bills of, explained, 11, 41, 73, 249, 280, 323, 346; problem of foreign, in England, 121-133, 323-324, 326, 341; shipping-points of, 122, 130, 186, 251, 323; factors affecting prices of, 125, 324, 336; movement of gold from England, 129-131; and depreciation of paper money, 125, 131, 185, 243, 255; on Holland, 132, 252, 342-343; on Scandinavia, 132, 252, 342-344; on Switzerland, 132, 252, 342; French, 184-189, 341; German, 249; American, 283, 292, 310-346; South American, 317-319, 344-346; "Dollar," 317, 344-346; on neutrals, 342-344; on Japan, 344; on Spain, 344.
- Exhaustion, economic, 52; financial, 55; in Germany, 274-276.
- Federal Reserve Banks, 67, 68, 100, 137, n., 293, 299, 300, 303, 315, 337, 349-352, 360.
- Finance bills, 325.
- Finance, public, 54-56; English, 133-142; French, 189-196; German, 257-274.
- Foxwell, H. S., 116, n., 131, n.
- France, comparative growth of, 14, 15; weakness of, 36; private banks of, 145-147; provincial banks of, 147; unprepared for war, 152; German intrigue in, 152, 153; relations with Balkans, 152-153, 155; withdraws capital from Germany, 154; effect of radicalism in, 155; Franco-Prussian War, 16, 36, 156, 181, 204; indemnity of 1871, 156; effect of war on bourse, 156, 157; war and production, 158; suspension of gold payments, 164; hoarding in, 164; moratorium in, 159-162, 164, 165, 167, 168; gold stock in, 171; confusion of monetary and fiscal needs, 176; prices in, 181-183; foreign trade of, 182, 186; foreign exchange of, 184-189, 341; loans in United States of, 188; debt of, 155, 191-196; treasury bills, 191; wealth and income of, 194.
- Franco-Prussian War, 16, 36, 156, 180, n., 181, 204.
- Franklin, E. L., 105, n.
- Freedom of the seas, 31, 35, 36.
- Germany, early, 12, 13; followed in steps of England, 14; progress of, 12, 14, 16-22; causes of progress, 23-29; centralization of industry in, 27; an ally of trade, 28; desire of, for foreign markets, 29-30; trade with England, 30-32; exports of, 26, 31, 244; colonial policy of, 32; hatred of English, 33; hunger for new territory, 34; socialism in, 35; industrial success before the war, 35; militarism, 36; borrowing at home, 51, 269-271; railways of, 52; non-recurring tax of 1913, 152, 201; financial mobilization of, 56; intrigues of, in France, 153; lost French capital on Agadir incident, 154; preparedness of, 198, 200, 205, 213-214; loan bureaus of, 213-218, 264-265; suspension of gold payments, 221; accumulating gold in, 201, 203, 233; war chest of, 202, 229; inflation in, 218, 230, 243, 247; effect of war on bourse, 220; hoarding in, 221; disturbance to industry in, 222-224, 244; prices in, 222, 243-249; trade with United States, 244; war loans of, 231, 258-263, 267; debt of, 59, 258, 261-271; repudiation in, 271, 276; notes of, in Belgium, 232; production of, reduced, 241; income of, 59, 275; wealth of, 238, 275; duration of war, 276; recovery after war, 276.
- Gibson, A. H., 35, n.
- Gide, 179, n.
- Gold, British stock of, 96, n.; in Bank of England, 103; British control of, 103; in various reserves, 102, 234, n. 1; French stock of, 171; German stock of, 201, 203, 231, 234; campaign for, in Germany, 201;

- standard, British, 101; suspension of, payments in various countries, 102, 103; suspension in France, 164, 171; suspension in Germany, 209, n. 2, 221; Pool, in United States, 331-333.
- Great Britain, first with new technic, 13; growth of, 15, 17; trade with Germany, 30, 97, 106; reason for joining in the war, 88; unprepared; 78; foreign investments of, 76; war crisis of, 80; Stock Exchange closed, 81; accepting houses, 72, 83; discount houses, 72; resort to government paper, 88; moratorium in, 86, 91, 109, 111; guaranty to Bank of England, 111; dislocation of trade, 106; exports and imports of, 45, 77, 126; gold redemption in, 105; foreign exchange, 121-133; loans of, in United States, 67, 123; war debt of, 133-141; forms of debt, 133; soundness of her credit, 90, 111, 120; ability to carry debt, 141.
- Greece, 155.
- Havenstein, 259, 274.
- Helfferich, K., 12, n., 18, n., 22, n., 23, 32, n., 51, n., 194, 205, n., 272, 273, 254, n. 2, 272, 273.
- Hertzevovina, 154.
- Hoarding, in England, 97; in France, 104; in Germany, 221.
- Holland, 30, 77, 132, 157, 223, 235, 240, 245, 252, 313, 342.
- Income, British, 78; French, 194; German, 59, 275.
- India, 102, 314.
- Industrial revolution, 1; industrial colonization, 6; gains of mechanics in, 7; of chemistry, 7; changed organization of business, 8; education, 8-9; rise of credit, 10; new technic, 23; common to many countries, 24; related to cause of war, 34.
- Inflation, 64, 115, 117, 118, 120, 148, 218, 230, 243, 247; British, 115, 117, 120; French, 166-168, 172, 173, 175, 176, 179; German, 200, 218, 224, 230, 243, 247; American, 347-353, 351.
- Italy, 30, 77, 79, 313.
- Japan, 109, 344.
- Jaurès, 152.
- Keynes, J. N., Jr., 91, n., 103, n., 104, n., 109, n.
- Kirkaldy, 96, n., 98, n., 105, n., 128, n., 131, n. 2.
- Kitchener, 89.
- Kriegskredit banks, 218.
- Kronprinzessin Cecilie, S.S.*, 291, 323.
- Krupp, 23, n., 259, 212.
- Labor, losses of, 52.
- Leroy-Beaulieu, P., 196, n.
- Liebig, 25.
- Liesse, A., 99, 163, n.
- Lloyd-George, 65, 92, 109.
- Loan bureaus, German, 213-218, 264-265, 268.
- Loans, at banks, not really limited by reserves, 40, 41, 51, 68, 111, 234; of Great Britain, 67, 123, 133-141; of France, 155, 167, 188, 191-196; of Germany, 59, 231, 259-263, 267, 271; of United States, 129, 339-340, 359-361.
- Lombards, 207, 209, 221.
- Lovee, L. F., 127, n., 322, n. 1.
- Mexico, 154.
- Mitteleuropa, 83, 97, 153, 199.
- Money, evolution of, 10; paper, 54; quantity of, 55; remedy in a crisis, 65; does not limit credit, 58, 60; credit drawn in terms of, 66; quantity theory of, 116-121, 348-350; English currency notes, 93-100; increase of, in various countries, 116-247; and credit in France, 148-149, 176-179, 182, 184; German theories of, 197, 202; effect of redemption on value of, 202, 243; inconvertible, in Germany, 204, 237, 243, 268; Aldrich-

- Vreeland notes in United States, 299-305; confusion of monetary and fiscal functions, 54, 99, 176-177. Moratorium, English, 86, 91, 109, 111; French, 159-162, 164, 165, 167, 168; German, 224-227; evil of, 160; relation of, to credit, 226.
- Morgan, J. P., & Co., 67, 188, n.
- Morocco, 152, 154, 200, 204.
- Norway, 80, 77, 107, 132, 223, 240.
- Noyes, A. D., 196.
- Ottawa, 103, 104, n., 122, 329, 330, 332.
- Paish, Sir G., 115, n. 2.
- Palgrave, Sir R. H. L., 97, n., 100.
- Parquet, 80, 156, n., 170; closed, 157.
- Prices, in England, 115-121; in France, 181-183; in Germany, 222, 243-249; causes of high, 248; and credit in United States, 348, 352.
- Quantity theory, *see* Money.
- Redemption, immediate and ultimate, 61, 63, 105, 118, 130, 151, 180, 202, 236, 248.
- Reichsbank, *see* Imperial Bank of Germany.
- Ribot, 167, n., 195.
- Rödern, Count von, 263, 273, n. 2.
- Rouvier, 152, n.
- Rumania, 51, 155.
- Russia, 30, 31, 43, 77, 153, 200, 212, 221, 234, 250, 286, 339, 343; comparative growth of, 14, 15; trade of, 30, 245; policy of, 37; finances of, 55, 154; paper money of, 174 n.
- Savings, in England, 97; in France, 146, 193-194; in Germany, 267, 268; in United States, 354-358.
- Seligman, E. R. A., 136, 272, n., 348 n.
- Serbia, 37, 51, 154-155, 220, 241, 235.
- Shantung Railway, 34.
- Sherbrooke, Lord, 100, n.
- Siemens, 7, 25.
- South America, 30, 109, 154, 212, 258, 286, 314; trade of, 74; with United States, 314-317; exchange on, 317-319, 344-346.
- Sprague, O. M. W., 325, n., 326, n. 2.
- Stock exchange, crisis on English, 80; closed, 81; French, 156, 157, 169-170; German, 220; in United States, 238, 321.
- Sugar, 20.
- Sweden, 77, 107, 132, 223, 240, 245, 252, 342.
- Switzerland, 132, 223, n. 3, 240, 245, 251-252, 342.
- Taxation, 41, 43, 56; versus loans, 134-135; in Great Britain, 41, 134-136; in France, 156, 195; in Germany, 258, 272, 273.
- Textiles, 20, 107, 158.
- Thomas, Sidney Gilchrist, 7, 19, 24, 25.
- Trade, of Great Britain, 106-109, 126; with Germany, 30-32, 97, 106; of France, 182, 186; of Germany, 30-32, 77, 222-224, 244; of United States, 239, 306-319; with South America, 74, 314-317.
- Transportation, cheapened, effect of, 3-5; ocean, 5.
- Treasury bills, British, 91, 137-138; French, 191; German, 228.
- Treasury, notes, German, 203, 227, 232, 261, 269.
- Turkey, 28, 31, 37, 154, 200, 212, 234.
- United States, comparative growth of, 14, 15, 17, 30; why in war, 33; in Civil War, 55, 177; demand for goods of, 57; dependence of, on European credit, 279-281; debt of, to Europe, 281; depression in, before the war, 232; attitude of Congress to business in, 282; exports of gold from, 282, 290, 291, 296, 323-336, 337; gold imports to, 337-341, 348; selling of securities of, 113, 127, 283, 285-288, 320-322; foreign exchange in, 283, 292, 319-

- standard, British, 101; suspension of, payments in various countries, 102, 108; suspension in France, 164, 171; suspension in Germany, 209, n. 2, 221; Pool, in United States, 331-333.
- Great Britain, first with new technic, 13; growth of, 15, 17; trade with Germany, 30, 97, 106; reason for joining in the war, 98; unprepared, 78; foreign investments of, 76; war crisis of, 80; Stock Exchange closed, 81; accepting houses, 72, 88; discount houses, 72; resort to government paper, 88; moratorium in, 86, 91, 109, 111; guaranty to Bank of England, 111; dislocation of trade, 106; exports and imports of, 45, 77, 126; gold redemption in, 105; foreign exchange, 121-133; loans of, in United States, 67, 128; war debt of, 133-141; forms of debt, 138; soundness of her credit, 90, 111, 120; ability to carry debt, 141.
- Greece, 155.
- Havenstein, 259, 274.
- Helfferrich, K., 12, n., 18, n., 22, n., 23, 32, n., 51, n., 194, 205, n., 272, 273, 254, n. 2, 272, 273.
- Hertsegovina, 154.
- Hoarding, in England, 97; in France, 164; in Germany, 221.
- Holland, 30, 77, 152, 157, 223, 235, 240, 245, 252, 313, 342.
- Income, British, 78; French, 194; German, 59, 275.
- India, 102, 314.
- Industrial revolution, 1; industrial colonization, 6; gains of mechanics in, 7; of chemistry, 7; changed organization of business, 8; education, 8-9; rise of credit, 10; new technic, 23; common to many countries, 24; related to cause of war, 34.
- Inflation, 64, 115, 117, 118, 120, 148, 218, 230, 243, 247; British, 115, 117, 120; French, 166-168, 172, 173, 175, 176, 179; German, 206, 218, 224, 230, 243, 247; American, 347-353, 351.
- Italy, 30, 77, 79, 318.
- Japan, 109, 344.
- Jaurès, 152.
- Keynes, J. N., Jr., 91, n., 103, n., 104, n., 109, n.
- Kirkaldy, 96, n., 98, n., 105, n., 128, n., 131, n. 2.
- Kitchener, 39.
- Kriegskredit banks, 218.
- Kronprinzessin Cecilia, S.S., 291, 323.
- Krupp, 23, n., 259, 212.
- Labor, losses of, 52.
- Leroy-Beaulieu, P., 196, n.
- Liebig, 25.
- Liesse, A., 92, 163, n.
- Lloyd-George, 65, 92, 109.
- Loan bureaus, German, 213-218, 264-265, 268.
- Loans, at banks, not really limited by reserves, 40, 41, 51, 68, 111, 284; of Great Britain, 67, 128, 133-141; of France, 155, 167, 183, 191-196; of Germany, 59, 231, 258-263, 267, 271; of United States, 129, 339-340, 359-361.
- Lombards, 207, 209, 221.
- Loree, L. F., 127, n., 323, n. 1.
- Mexico, 154.
- Mittleuropa, 83, 37, 153, 199.
- Money, evolution of, 10; paper, 54; quantity of, 55; remedy in a crisis, 65; does not limit credit, 58, 60; credit drawn in terms of, 66; quantity theory of, 116-121, 348-350; English currency notes, 93-100; increase of, in various countries, 118-247; and credit in France, 148-149, 176-179, 182, 184; German theories of, 197, 201; effect of redemption on value of, 202, 248; inconvertible, in Germany, 204, 237, 243, 268; Aldrich-

- Vreeland notes in United States, 299-306; confusion of monetary and fiscal functions, 54, 99, 176-177. Moratorium, English, 86, 91, 109, 111; French, 159-162, 164, 165, 167, 168; German, 224-227; evil of, 160; relation of, to credit, 228.
- Morgan, J. P., & Co., 67, 188, n.
- Morocco, 152, 154, 200, 204.
- Norway, 80, 77, 107, 132, 223, 240.
- Noyes, A. D., 196.
- Ottawa, 103, 104, n., 122, 329, 330, 332.
- Paish, Sir G., 115, n. 2.
- Palgrave, Sir R. H. L., 97, n., 100.
- Parquet, 80, 156, n., 170; closed, 157.
- Prices, in England, 115-121; in France, 181-183; in Germany, 222, 243-249; causes of high, 248; and credit in United States, 348, 352.
- Quantity theory, *see* Money.
- Redemption, immediate and ultimate, 61, 63, 105, 118, 130, 151, 180, 202, 236, 248.
- Reichsbank, *see* Imperial Bank of Germany.
- Ribot, 167, n., 195.
- Rödern, Count von, 263, 273, n. 2.
- Rouvier, 152, n.
- Rumania, 51, 155.
- Russia, 30, 31, 43, 77, 153, 200, 212, 221, 234, 250, 286, 339, 343; comparative growth of, 14, 15; trade of, 30, 245; policy of, 37; finances of, 55, 154; paper money of, 174 n.
- Savings, in England, 97; in France, 146, 193-194; in Germany, 267, 268; in United States, 354-358.
- Seligman, E. R. A., 136, 272, n., 348 n.
- Serbia, 37, 51, 154-155, 220, 241, 285.
- Shantung Railway, 34.
- Sherbrooke, Lord, 100, n.
- Siemens, 7, 25.
- South America, 30, 109, 154, 212, 258, 286, 314; trade of, 74; with United States, 314-317; exchange on, 317-319, 344-346.
- Sprague, O. M. W., 325, n., 326, n. 2.
- Stock exchange, crisis on English, 80; closed, 81; French, 156, 157, 169-170; German, 220; in United States, 288, 321.
- Sugar, 20.
- Sweden, 77, 107, 132, 223, 240, 245, 252, 342.
- Switzerland, 132, 223, n. 3, 240, 245, 251-252, 342.
- Taxation, 41, 43, 56; versus loans, 134-135; in Great Britain, 41, 134-136; in France, 156, 195; in Germany, 258, 272, 273.
- Textiles, 20, 107, 158.
- Thomas, Sidney Gilchrist, 7, 19, 24, 25.
- Trade, of Great Britain, 106-109, 126; with Germany, 30-32, 97, 106; of France, 182, 186; of Germany, 30-32, 77, 222-224, 244; of United States, 239, 306-319; with South America, 74, 314-317.
- Transportation, cheapened, effect of, 3-5; ocean, 5.
- Treasury bills, British, 91, 137-138; French, 191; German, 228.
- Treasury, notes, German, 203, 227, 232, 281, 289.
- Turkey, 23, 31, 37, 154, 200, 212, 234.
- United States, comparative growth of, 14, 15, 17, 30; why in war, 38; in Civil War, 55, 177; demand for goods of, 57; dependence of, on European credit, 279-281; debt of, to Europe, 281; depression in, before the war, 232; attitude of Congress to business in, 282; exports of gold from, 282, 290, 291, 296, 323-336, 337; gold imports to, 337-341, 348; selling of securities of, 113, 127, 283, 285-288, 320-322; foreign exchange in, 283, 292, 319-

- 346; effect of war on credit in, 284, 292, 296; credit system of, 284, 296; stock exchange in, closed, 288; opened, 321; upheaval of trade, 289, 293, 306, 317, 335; exports of, 308-314, 318, 325, 333; imports of, 289-290, 306-307, 314, 317; shipping of, 291; effect of war on industry, 293; on savings, 356; banking in, 294-296, 298, 303, 305; hoarding of banks in, 334; Aldrich-Vreeland notes, 299-305; bank notes in, 301; crisis in, recovery from, 305; cause of crisis, 306; cotton, 309-312; iron and steel, 312; New York City loan, 330; Gold Pool, 331-333; inflation in, 347-353, 351; readjustment to war, 357; loans to Allies, 67, 129, 339-340, 359-361; international balance-sheet of, 341; advantage of gold stock to, 347; prices and credit in, 348, 352; governmental credit of, 357-361; wealth of, 355.
- Wants, 47.
- Wealth, British, 78; French, 194; German, 238, 275; of United States, 355.
- Withers, H., 40, n., 86, n., 89, n., 93, n., 95, n.