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Geneva, September 8th, 1930.

LEAGUE OF NATIONS

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INTERIM REPORT

OF THE

**GOLD DELEGATION**

**OF THE FINANCIAL COMMITTEE**

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Series of League of Nations Publications

II. ECONOMIC AND FINANCIAL  
1930, II. 26.

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- I. *Interim Report of the Gold Delegation of the Financial Committee.*—Document No. C. 375. M. 161. 1930. II.
- II. *Selected Documents submitted to the Gold Delegation of the Financial Committee.*—Document No. C. 374. M. 160. 1930. II.
- III. *Legislation on Gold.*—Document No. C. 373. M. 159. 1930. II.

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## REPORT OF THE FINANCIAL COMMITTEE TO THE COUNCIL OF THE LEAGUE OF NATIONS

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In accordance with the decisions of the Council of December 14th, 1928 and June 17th, 1929, the Financial Committee appointed last year a special Delegation, consisting of some of its own members with the adjunction of certain experts of international authority "to examine into and report upon the causes of fluctuations in the purchasing power of gold and their effect on the economic life of the nations."

This delegation has now submitted an interim report to the Financial Committee, which it suggests should be published with certain annexed documents.

In this interim report, the Delegation has only dealt with a part of its terms of reference. It has reserved for further consideration the problems of the distribution of gold, of the effect of price fluctuations on general prosperity, of the manner in which such variations can best be measured, and of cyclical as distinguished from long-term movements. These are important questions on which the Delegation is now engaged and will report later. So far it has confined itself for the moment to the question whether the prospective supply of gold is likely to prove sufficient to meet the probable monetary demand in the future. In order to throw light on this question, special efforts have been made to collect as complete and accurate statistics and estimates as possible concerning the production of gold in the past, the probable course of production in the future and the demand for gold arising both from monetary and non-monetary causes. For the purposes of estimating the monetary demand, it has been assumed that the demand for currency is dependent upon the volume of production and trade and on the monetary transactions to which such trade gives rise, and that, in the absence of any important changes in currency systems and practice, the demand for gold will be determined by the same factors. The future demand is then estimated on the hypothesis that the volume of production and of trade and the volume of notes and sight liabilities of central banks will both tend to expand at an average rate of some 2 to 3% per annum.

The Delegation did not consider itself called upon to expound monetary theory in detail, or to describe in detail the inter-relationship between the supply of money and the general level of prices. But, as a result of its analysis of the large mass of statistical data collected, the Delegation has reached the conclusion that the inadequacy of the supply of new gold available for money is likely at no very distant date to exercise its influence in depressing prices,—a danger which, as the Delegation points out, would be aggravated were gold coin to be put once more into circulation. The Delegation adds, however, that, if the need is recognised, remedial measures can be found, which should correct the consequences feared for at any rate some time to come. It has suggested some directions in which remedial measures might be sought. To this subject the Financial Committee understands the Delegation desires to give further

consideration at subsequent meetings. Meanwhile, the Financial Committee desires to emphasise its view that the measures suggested by the Delegation are appropriate and important.

Although this first Report is thus restricted in scope, and parts of it will require further elaboration, the Financial Committee feels that the statistical aspects of the subject selected for study are of such fundamental importance for future work in this field, and the material now made available so valuable, that it is desirable that the Report with its annexes should be presented to the Council and made public. What action should be taken to avoid the danger of a shortage of gold obviously demands mature consideration. The report contemplates in the measures mentioned action in varying degrees by central banks and by Governments, and in certain cases previous international understanding.

The report as a whole deserves the serious consideration of the authorities which are responsible for the monetary systems in the different countries of the world. Accordingly, the Financial Committee proposes to the Council that it should be communicated to all the Members of the League and to non-member States in order that their attention may be drawn to this important problem. If, at a later stage, any organised international action on the part of Governments should be required, the League authorities will doubtless be ready to arrange the necessary consultation between Governments with a view to securing such action.

Geneva, September 8th, 1930.

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## LIST OF THE MEMBERS OF THE GOLD DELEGATION.

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The Gold Delegation of the Financial Committee, which is responsible for the following report, is composed of :

M. Albert JANSSEN (*Chairman*),  
Professor at the University of Louvain, formerly Minister of Finance, formerly  
Director of the National Bank of Belgium.

Professor M. J. BONN,  
of the University of Berlin.

Professor Gustav CASSEL,  
of the University of Stockholm.

Comte DE CHALENDAR,  
Managing Director of the « Compagnie d'Assurances générales sur la Vie »,  
formerly Financial Attaché to the French Embassy in London, formerly  
Inspector of Finance.

Sir Reginald MANT, K.C.I.E., C.S.I.,  
Member of the Council of India, Member of the Royal Commission on Indian  
Currency and Finance 1925-26.

Dr. Feliks MLYNARSKI,  
Professor of Banking at the Academy of Commerce in Warsaw, formerly  
Vice-Governor of the Bank of Poland.

Dr. Vilem POSPISIL,  
Governor of the National Bank of Czechoslovakia.

Professor O. M. W. SPRAGUE,  
of the Bank of England, formerly Converse Professor of Banking and Finance  
at the Graduate School of Business Administration, Harvard University.

Sir Henry STRAKOSCH, G.B.E.,  
Chairman and Managing Director of the Union Corporation, Ltd., London.

Dr. L. J. A. TRIP,  
formerly Governor of the Java Bank, formerly Treasurer-General of the  
Netherlands.

Resigned before the second session :

Professor Alberto BENEDEUCE,  
President of the Credit Institute for Public Works, Rome.

To succeed Professor Sprague after second session :

Mr. George E. ROBERTS,  
Vice-President of the National City Bank of New York.



# **REPORT**

# INTERIM REPORT OF THE GOLD DELEGATION

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## SCOPE AND OBJECT OF THE REPORT.

Although our work is not yet completed, we consider it desirable to submit now an interim report on one aspect of the question submitted to us. Our terms of reference may be interpreted as covering all fluctuations of the purchasing power of gold, whether over long or short periods and whether resulting from a disequilibrium between the supply of gold and the normal increase of production and trade or from other causes. The long-term and the short-term movements, however, while no doubt in some measure connected, involve problems which are largely distinct; and we desire to make it clear at once that we have thought well, at this stage, to confine our attention to the former. Consequently, we do not propose to deal with more than part of our terms of reference on this occasion. The question we have examined here is whether the current and prospective production of gold on the one hand and the normal increase in demand as world production and trade increase on the other are such as to make it likely that the general trend of prices over a series of years (and apart from short-term oscillations) will be in an upward or downward direction. We desire to reserve for further consideration the problems of the distribution of gold, of the effect of price fluctuations on general prosperity, of the manner in which such variations can best be measured, and of cyclical as distinguished from long-term movements.

In dealing with the particular problem to which this report is devoted, we have left out of our calculations the possibility of the discovery of important new gold areas or of technical processes of a kind at present unknown which might bring into production unworked mines in existing areas. We have, however, not failed to consider whether the recent fall in commodity prices is likely to result in any substantial increase of production in existing areas by known processes.

Our object has been to state as exactly as possible the situation which may be anticipated in the absence of the deliberate adoption of remedial measures to deal with it, in order, first, to show whether and to what extent such measures are necessary and, secondly, to form a basis of suggestion concerning the direction in which they should be sought.

Confining ourselves thus to the problem of the long-term trend, we have not entered in any way upon the questions connected with the measures which may be adopted to deal with short-term price fluctuations. But we think it is appropriate to make the following remarks. It is obvious that when, throughout any period, there is a long-term tendency of prices to fall owing

to a scarcity of gold, the difficulties in periods of depression will be increased, more especially for certain countries, if for any reason there is a distribution of the gold stocks which limits their efficiency. In the second place, the effects of a temporary depression of prices will clearly be aggravated if the depression comes as an addition to a long-term downward trend caused by a scarcity of gold; and, in particular, the dangers and evils of competitive high discount rates are likely to be increased.

With this preface, we may proceed to a review of the supply and demand situation, based upon the statistical and other information included in the annexes.

The information available concerning the manner in which the supplies of new gold coming on to the market are absorbed is not wholly satisfactory. But, in spite of this, we believe that it is possible to present a picture giving with sufficient accuracy the more significant features of the situation to-day and indicating the manner in which that situation is likely to develop in the near future.

## THE SUPPLY OF GOLD.

### (a) GOLD PRODUCTION.

The present production of gold in the world amounts to about \$400 million per annum and is likely to rise slightly above that figure during the next three or four years. On the other hand, both the official or semi-official estimates of probable production in the course of the next ten years and the unofficial estimates received by us from Mr. Joseph Kitchin, a recognised authority on precious-metal statistics, suggest that a decline is to be expected thereafter.

*Table I.—Estimates of future production of gold.*

(In millions of dollars.)

Year	South Africa ( <sup>1</sup> )	Canada ( <sup>1</sup> )	U. S. A. ( <sup>1</sup> )	Australia ( <sup>1</sup> )	India ( <sup>1</sup> )	Others	Total	Total according to Mr. Kitchin
1930...	211·7	40·8	42·8	11·2	7·6	91	405	404
1931...	207·3	40·9	42·2	12·4	7·5	91	401	402
1932...	213·2	41·5	41·5	12·2	7·4	91	407	410
1933...	206·8	42·1	41·0	11·9	7·3	90	399	407
1934...	198·1	42·8	40·3	11·7	7·3	90	390	403
1935...	189·8	43·4	38·9	11·4	7·2	90	381	398
1936...	166·7	44·0	37·3	11·2	7·1	90	356	397
1937...	167·4	44·7	36·7	10·9	7·0	90	357	392
1938...	167·4	45·3	36·5	10·7	7·0	90	357	384
1939...	133·8	45·9	36·3	10·5	6·9	90	323	370
1940...	124·1	46·5	36·1	10·2	6·8	90	314	370

<sup>1</sup> Official or semi-official estimates furnished to the Gold Delegation.

The theoretical possibility of wide variations in prices in either direction influencing the output of gold should not be overlooked, and the estimates of output received by us were made before the recent sudden fall in prices. But all the available evidence seems to indicate that gold production is remarkably insensitive to moderate changes in the price level. In view of this fact, and more especially of the conditions in South Africa, which accounts for over half of the present output, we doubt whether the estimates received would be subjected to any substantial modification were they to be revised to-day. Indeed, we know that certain of them were based on the assumption of some decline in the general cost of production. Moreover, it would obviously be paradoxical to rely on a fall in prices to prevent a shortage of gold when by shortage is meant an amount inadequate to support the structure of credit necessary to maintain a long-term level trend of prices.

#### *(b)* MONETARY GOLD STOCKS.

The gold reserves of banks of issue and Treasuries at the end of 1928 amounted to about \$10,035 million, to which must be added a further sum estimated at about \$915 million representing gold in circulation in a few countries, gold in commercial banks and hoarded coin, etc., outside Asia—a total therefore of \$10,950 million. Of the \$915 million, \$395 million lay in the United States of America, and we consider it probable that a considerable part at any rate of the latter sum is permanently lost for effective monetary purposes. Of the remainder, it is believed that about \$150 million from stocks in commercial banks and from private hoards found their way during the course of the year 1929 into the reserves of banks of issue. The provisional figures for the end of this year show total reserves of \$10,425 million, and a total monetary stock of about \$11,175 million—an increase, therefore, during the twelve months of some \$225 million.

In addition to the monetary gold stocks, large quantities of gold are, of course, in the hands of the public, more especially in India in the form of gold ornaments, private hoards, etc. There is no evidence, however, that gold flows to any large extent from non-monetary sources to monetary reserves excepting during times of war. We do not consider therefore that these accumulations of gold could be counted upon to influence the monetary situation.

#### THE DEMAND FOR GOLD.

Almost the whole supply of gold is taken for :

*(a)* Such non-monetary purposes as—

- (i)* the acquisitions of India;
- (ii)* Industrial use,

*(b)* Monetary purposes.

#### *(a)* NON-MONETARY DEMAND.

*(i)* From time immemorial, the population of India has purchased very considerable quantities of gold. During the war years India was unable to satisfy her needs and she consequently effected exceptionally heavy purchases about 1924. In the last four or five years, however,

her demand has dropped back to between \$80-\$90 million per annum—a rate of consumption rather less than that of the last pre-war quinquennium. No doubt the present economic depression may result in some temporary weakening of the Indian demand; on the other hand, it is quite possible that the recent decline in the price of silver will lead to increased purchases of gold. We understand that attempts are being made to extend banking and investment habits in India, but we do not think it would be safe to anticipate any material reduction in the Indian demand for many years to come.

(ii) The information available concerning the use of gold for industrial purposes is unfortunately far from complete. But after a careful study of all the evidence which has been collected, we consider it probable that the total demand for non-monetary purposes to-day, including that of India, China and certain other Oriental countries, and the amounts used for industrial purposes elsewhere may be estimated at \$180-200 million per annum. On the basis of this estimate, rather more than half of the new gold mined to-day would be available for monetary purposes. If production falls off in the future, as is anticipated, and non-monetary use remains constant, the share available for monetary purposes must obviously diminish.

#### (b) MONETARY DEMAND.

In order to estimate monetary gold requirements, it is necessary to ascertain, in the first place, the total amount of notes and of central bank sight liabilities against which a gold cover has by law to be maintained, and, in the second place, the average cover which is legally required and also that which is in practice maintained. Statistical material has been collected for the very great majority of gold-using countries, from which it would appear that the aggregate of their notes and sight liabilities at the end of 1928 amounted to about \$24,500 million.<sup>1</sup> The requisite gold cover cannot be determined with absolute accuracy for a number of reasons, but mainly because a number of banks have the right to keep their reserves either in gold or legal substitutes for gold such as foreign assets. At the end of the year in question, the actual gold cover held amounted on the average to a little over 40 per cent of these liabilities and minimum legal requirements to from 29-34 per cent.<sup>2</sup> If the actual proportions in which central banks empowered to do so divide their reserves between gold and foreign assets be accepted as normal, then their legal gold requirements, as interpreted in practice, amount on an average to about 32 per cent.

But banks of issue must normally keep some margin of cover over and above their minimum legal requirements—possibly 7-10 per cent or even more. If some such margin in excess of legal requirements as that mentioned were actually held by all banks and the distribution of gold in the world was in precise proportion to the notes and sight liabilities of each country, the total gold stock at present available would only just suffice. The demand for currency is naturally dependent upon the volume of production and trade and on the monetary transactions to which

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<sup>1</sup> See Annex XIII.

<sup>2</sup> The reserves of those countries for which statistics of notes and central bank sight liabilities have been collected amounted in 1928 to \$9,992 million out of total reserves in gold-using countries of \$10,035 million.

such trade gives rise. The demand for gold which forms the basis of currency in all gold-using countries will, in the absence of any important changes in currency systems, be determined by the same factors. We may reasonably expect, therefore, that the future requirements of gold, as long as methods of payments do not undergo important changes, will tend to increase as production and trade expand. No direct measurement of the rate at which production and trade in gold-using countries of the world is increasing to-day and has increased in the past can be made. But certain estimates for the past exist which suggest that the normal rate of growth in the latter half of the 19th century and the early years of the 20th was about 3 per cent per annum. Thus Professor Cassel, who bases his findings both on the rate of increase in total gold stocks required to maintain stable prices and on certain production data, reaches the conclusion "that we stand on fairly solid ground if we reckon with a figure of about 3 per cent as characteristic of the economic development during the period 1850-1910".<sup>1</sup> Mr. J. Kitchin arrives at a similar result by employing figures relating, not to total, but to monetary gold stocks.<sup>2</sup> Mr. Carl Snyder and other authorities in the United States of America find that the average rate of growth in that country, where urban population "in the last eighteen years has grown at an average rate of 4.3 per cent per annum" was "3½ per cent per annum as far back as data go,<sup>3</sup> *i.e.*, to 1870". Professor Cassel has further shown that, in the period to which his calculations refer, an increase in total gold stocks of somewhat under 3 per cent per annum was required in order to maintain stable prices.

We cannot of course predict what the rate of growth of production and trade in the future will be or to what extent economies in the use of currency may reduce gold requirements below that rate. We consider it wiser, therefore, not to employ a single figure and have accordingly framed an estimate on a rate both of 2 and 3 per cent.

From the incomplete data available, it would appear that the aggregate of notes and central bank sight liabilities at the end of 1929 was slightly less than at the end of 1928—under 1 per cent lower. As full details for all countries are not yet available, we have thought it preferable to base our subsequent calculations on the figures for the earlier year. We are here concerned with the general trend of development and not with such variations as may take place about that trend. In considering the position in the immediate future, however, the decline in prices and in means of payments must be borne in mind.

On the basis of the figures we have submitted, the results shown in the following table are obtained. This table is confined to the relationship between the supplies of new gold likely to become available for monetary purposes and the possible automatic increase in the demand for gold in the absence of any measures to economise its use or to re-distribute local surplus stocks. We shall return later to this question of surplus stocks, which is of great importance for a proper understanding of the whole situation.

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<sup>1</sup> See Annex X.

<sup>2</sup> See Annex XI.

<sup>3</sup> See Carl SNYDER: "Business Cycles and Business Measurements", pages 23 and 51. Compare studies by Mr. W. I. King, Mr. E. E. Day and Mr. W. W. Stewart.

*Table II.—Estimate of future monetary demand for gold if no economy in its use is made.*

(In millions of dollars.)

Year.	Estimated gold production.	Non-monetary demand. <sup>1</sup>	Available for monetary purposes.	Increments to gold reserves required to provide				Excess or deficit of amount of new monetary gold available compared with increment required to provide			
				33 % cover for average increases in notes and sight liabilities of :		40 % cover for average increases in notes and sight liabilities of :		33 % cover if notes and sight liabilities increase at :		40 % cover if notes and sight liabilities increase at :	
				2 % p. a.	3 % p. a.	2 % p. a.	3 % p. a.	2 % p. a.	3 % p. a.	2 % p. a.	3 % p. a.
1930..	404	180	224	167	253	200	303	+ 57	— 29	+ 24	— 79
1931..	402	182	220	170	260	204	313	+ 50	— 40	+ 16	— 93
1932..	410	184	226	174	269	209	323	+ 52	— 43	+ 17	— 97
1933..	407	186	221	178	276	213	332	+ 43	— 55	+ 8	— 111
1934..	403	188	215	180	285	217	341	+ 35	— 70	— 2	— 126
1935..	398	190	208	184	294	221	352	+ 24	— 86	— 13	— 144
1936..	397	192	205	188	302	226	363	+ 17	— 97	— 21	— 158
1937..	392	194	198	192	311	230	373	+ 6	— 113	— 32	— 175
1938..	384	196	188	196	321	235	385	— 8	— 133	— 47	— 197
1939..	370	198	172	200	330	240	396	— 28	— 158	— 68	— 224
1940..	370	200	170	204	340	244	408	— 34	— 170	— 74	— 238

The last four columns of this table show the excess or deficit of the new gold which we believe is likely to become available for monetary purposes each year compared with monetary requirements. The monetary requirements are calculated on four distinct assumptions : (1) that a reserve of only 33 per cent is wanted and that the rate of the growth of demand is 2 per cent per annum; (2) that the reserve rate is 33 per cent, but the rate of growth 3 per cent per annum; (3) that a reserve of 40 per cent is wanted and the rate of growth 2 per cent per annum; (4) that the reserve ratio is 40 per cent and the rate of growth 3 per cent per annum. A wide margin is thus allowed. The differences between the minimum and maximum demand in 1930 amounts to \$136 million and in 1940 to \$204 million. In addition, the best available unofficial estimates of future gold production have been employed in place of the somewhat lower official or semi-official estimates received. But on every one of the assumptions made except the first, the supply of new gold available for monetary purposes will be inadequate by 1934 unless measures to alleviate the situation are adopted in time. But we know that the first assumption is incompatible with existing currency regulations and practice, for the minimum legal requirements average about 32 per cent and some margin in excess of this amount has in practice to be maintained.

In view of the present decline in prices and monetary circulation and of the business depression through which we are passing, the demand for monetary gold has received a temporary

<sup>1</sup> On the assumption that the non-monetary demand for gold increases at the rate of 1 per cent per annum.

check. It is, moreover, not impossible that industrial consumption may be slightly lower than we have presumed, with the result that more new gold will reach the reserves of central banks. But, in spite of this possibility the evidence points, in our opinion, conclusively to the prospect of a serious situation arising as soon as or shortly after business activity revives, unless steps to alleviate it are taken in time. Moreover, unless new and unexpected sources of supply are discovered, the decline in the output of gold is likely to continue at an accelerated rate after 1940, as the South African Mines, which account for over 50 per cent of present annual production, become gradually exhausted.

Such, roughly, are the general outlines of the situation as we see it to-day in the light of the information available. That situation will of course be further aggravated if countries endeavour once more to put gold coin into circulation or if the tendency, which has been noticeable in certain quarters, to convert foreign asset reserves into gold is accentuated. Moreover, in view of the situation in the silver market, the possibility of China's employing gold by one method or another for currency purposes must be borne in mind. On the other hand, certain countries have a very low gold cover and, if the actual ratios are not increased, an average cover for all countries of under 40 per cent might prove adequate even under existing legislation.

### THE DISTRIBUTION OF GOLD.

It remains therefore to consider what surplus stocks exist and to what extent these surplus stocks might alleviate the situation in the near future.

The excess of gold reserves over 33 % which, as explained above, is about the average cover required according to the interpretation in practice of the existing legal requirements—amounted at the end of 1928 to some \$1,800 million. But fifteen countries hold over 90 per cent of the gold reserves of the world and in these fifteen countries there was in 1928 a surplus of roughly \$2,450 million. Three of these fifteen countries had a deficit which aggregated nearly \$300 million, so that the surplus of the remaining twelve amounted to about \$2,750 million. Of this latter sum, \$1,500 million were in the United States of America. The legal minimum requirements of these twelve averaged about 38 per cent of actual note circulation and sight liabilities. If to this we add a margin of 7 per cent for normal use, we find that their surplus at the end of 1928 totalled nearly \$750 million, of which sum over \$550 million were in the United States. But, over \$250 million of gold were held in the same year by commercial banks in the Argentine and in Australia, both of which are included among the twelve countries. Counting this gold, the surplus totalled \$1,000 million. The general conclusion to which these figures point is that, in the unlikely event of those countries which now hold reserves of less than 33 per cent remaining content with the ratios existing at the end of 1928, a theoretical surplus exists which about equals the amount of new gold likely to become available for monetary purposes during the next five years.

The problem of the distribution of gold is thus one of great importance. That distribution depends on a number of causes which deserve further study. At the present stage, we content ourselves with indicating that, if the distribution of gold is the result of excessive or abnormal competition by a few countries, or if it has the effect of sterilising important amounts of monetary stocks, serious consequences will arise affecting the general level of prices.

In recent years an unusual movement of gold has taken place. Thus, in 1929, France and the United States of America together increased their reserves by some \$540 million, of



which probably about \$140 million were withdrawn from commercial banks and from private hoards. Ten countries acquired \$1,055 million during the three years ending December 31st, 1928—a sum equal to nearly 90 per cent of the total amount of new gold mined during this period.

To some extent the acquisition of gold by a relatively small number of countries represented the exceptional movement of gold to reserves which, for one reason or another, had become depleted during or after the war; to some extent it was the inevitable result of the general economic disequilibrium from which the world has been suffering. We cannot shut our eyes to the fact that the question of the most effective distribution of gold is likely to become of steadily increasing importance in future years as the supplies of new gold become smaller. It may, however, be expected that the special causes which have determined the gold movements of the last few years will gradually work themselves out and that the possibility of an optimum distribution being achieved later by means of intelligent co-operation will steadily increase.

### REMEDIAL MEASURES.

In view of all the circumstances to which attention has been drawn above, the probable trend of prices in the future must obviously give rise to some anxiety. We wish, therefore, at once to record our opinion that, if the need is recognised, remedial measures can be found which may be expected, for at any rate the next decade, to correct the consequences we fear. We proceed to suggest some directions in which these may be sought apart from the problem of distribution, a matter with which we shall deal in a subsequent report.

There would without doubt be a serious shortage of gold to-day had not certain important changes in general currency practice and legislation been effected which tend to economise the use of gold. Others can no doubt be adopted with a similar end in view. Of the changes which have already taken place, the most important is the discontinuance of the use of gold coin for domestic currency purposes—one which, we are glad to note, has received very general public support. The replacement of gold by notes for domestic use has in no way weakened the general credit structure of the countries which have accomplished this reform. On the contrary, the concentration of gold in reserves under the direct and immediate administration of those responsible for monetary policy has greatly facilitated their task. It has enabled banks of issue to appreciate from week to week and from month to month the variations which take place in the total demand for currency; in addition, it has helped to substitute savings which fructify for gold in the pockets of the people or for gold in hoards which constitute a direct and useless charge on the community, and it has enabled the world to judge how far the available monetary gold stock and the accessions to it are likely to prove adequate for the needs of the future. We trust that the concentration of monetary gold in the reserves of central banks and its limitation as a means of payment to international transactions may shortly become generalised, and that, in those countries where gold coin is still employed for domestic transactions or lies locked up in the vaults of private banks, measures of reform may be adopted. In this connection, we would remark that there is no essential difference between gold coin and gold certificates. The latter are, in fact, simply warehouse receipts which enable the public, if it prefers, to hold paper instead of an amount of gold exactly equal to the face value of that paper. They may, it is true, prevent some wear and tear of gold and possess the advantage over coin that the amount outstanding is always known, but on them no structure of credit can be built and through them

gold, which may soon be urgently required to meet the growing monetary demand arising from increasing production and trade, is immobilised. An appreciable economy might be effected if all gold coin, gold holdings against certificates and gold immobilised in commercial banks, were made available to perform what is now generally recognised as its proper function in the currency mechanism of to-day.

But the extent to which the concentration of gold in the reserves of central banks or other currency authorities will effectively economise its use must depend, amongst other things, upon the legislation regulating these reserves. The amount of cover against notes and sight liabilities which any country needs is determined by a number of different factors. An agricultural country or a country whose exports are confined to a small number of commodities the prices of which are liable to wide variations will necessarily want a larger proportionate reserve than one which enjoys a more varied economy or a strong creditor position. It is impossible to lay down any general rule. But the minimum reserves which are required by law to-day are to a large extent the outcome, not of these considerations, but of past tradition, of convention and habit, of the natural fear which each individual legislature has that a departure from general practice may impair confidence in the currency. The minimum gold cover demanded is, in normal times, never employed and, even when the legal stipulations allow it to be used under certain circumstances, the conditions imposed are such that banks are compelled to keep a substantial margin in gold (or foreign assets) over and above this minimum. The main function of the legal minimum is thus to establish confidence, active operations being conducted, not with this minimum, but with the additional margin which is held in gold or assets immediately convertible into gold. The minimum is largely conventional, and a considerable economy could quite certainly be accomplished were the current accepted minima reduced. We believe that this could be done without in any way weakening the general credit structure.

It follows from what has been said, however, and more especially from the very fact that these cover ratios are so largely conventional, that, were a single country to act alone, it might, in certain cases, weaken confidence in its currency. Before such action could be taken, most countries would demand that an international understanding should previously be reached. We do not believe that the difficulties of reaching agreement should prove insuperable. The number of countries whose assent might be considered indispensable in the first instance is obviously restricted and the possibility of reduction is already generally recognised. Were the Governments of the dozen or more countries in which the largest gold reserves are in fact held or required to adopt an agreed policy on this question, we have little doubt that others would follow their example. We should add that we do not suggest that those countries whose legislation prescribes, not a minimum legal cover ratio, but a maximum limit to fiduciary circulation should modify their system. The required result in such circumstances would be accomplished by an alteration of the maximum fiduciary issue allowed.

We naturally presume that, were such legislative changes as we contemplate effected, central banks would come to a common understanding to reduce, as occasion demanded and circumstances permitted, the proportion of total gold cover which was held in practice. It would obviously cause no alleviation of the situation if the total cover remained unchanged and were merely differently divided between the legal minimum and the margin in excess thereof.

Some economy of gold might, we believe, also be effected by extending the use of cheques, post-office banking facilities, giro transfers, etc., and by developing and improving the mechanism of clearings. In certain countries, cheques are subjected to stamp duties which must to some extent restrict their use. Without desiring to enter now into the special considerations to which this form of taxation may have owed its origin, we venture to draw the attention of

Governments and public authorities to the desirability of promoting the use of cheques both by the removal of such impediments as are caused by these duties and by such other means as lie in their power.

Allusion should also be made to the desirability of replacing notes of small denominations by subsidiary coin. The employment of bank-notes of small denominations is, in the main, the accidental result of inflation in certain countries. Notes which were originally of relatively high value have been allowed to continue in normal use after their value diminished. The result has been to increase the strain on gold reserves and the cost of subsidiary currency to the community as a whole. The replacement of such small bank-notes by subsidiary coin would accordingly effect, not only an economy in the demand for gold, but also an economy in the cost of currency. Where such a reform is carried out, a due proportion between subsidiary coin and other means of payment must of course be maintained.

We have thought it well to call attention to certain remedial measures which might be adopted in order to show that, serious as the prospects may be, they are not beyond the control of a concerted and sound currency policy. But if any such measures as we have mentioned are actually adopted, great care will have to be taken to see that they are not in advance of actual needs and that, on the gold economised, a structure of credit is not built which exceeds the normal growth of production and trade in gold-using countries.

In addition to these constructive measures, reference should be made to the influence which may be exerted on the situation by countries which have not yet stabilised their currency. In recent years, a number of countries have adopted what is generally called the gold exchange standard. This system has to some extent economised the use of gold and to a larger extent perhaps helped to prevent an undue accentuation of the demand for gold arising out of the abandonment of silver as part of the total metallic reserves. It would certainly prove helpful if those countries which have not yet stabilised their currencies or are considering the desirability of modifying their currency laws adopted a similar policy.

Finally, we desire to draw attention again to the consequences which might result from the conversion of existing foreign asset reserves into gold on any considerable scale and would urge all countries now employing the gold exchange standard to give serious consideration to this matter. We are aware that the extension of the gold exchange system has been criticised in certain quarters on the grounds that it may involve, if improperly applied, a risk of inflation. But we believe that this danger would be largely obviated if reserves of foreign assets were as a rule concentrated in central banks. Further, we believe that it would do much to establish complete confidence in the system were an international understanding reached that the reserves which countries hold abroad for the maintenance of their currency should not be subject to seizure or confiscation in time of war.

Geneva, June 17th, 1930.

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## **ANNEXES.**

**These documents were submitted to the Gold Delegation at its request and are published on the authority both of the Financial Committee and of that body, but the responsibility for any statements or expressions of opinion contained in them rests solely with the individual authors.**

## I. FUTURE PRODUCTION OF GOLD.

### A. OFFICIAL AND SEMI-OFFICIAL ESTIMATES.

#### ANNEX I.

#### UNION OF SOUTH AFRICA.

#### 1. ESTIMATE OF THE VALUE OF THE FUTURE ANNUAL PRODUCTION OF GOLD, IN THE UNION OF SOUTH AFRICA.

By Dr. H. PIROW, Government Mining Engineer.

Johannesburg, December 1929.

The estimate is based on the following assumptions and qualifications, which must be borne in mind when the figures are used:

(a) The estimate is based on existing developed or developing areas, and leaves out of account known but undeveloped areas like the Murchison Range, which may be brought within the range of payability by new metallurgical processes;

(b) The estimate is based on present cost of production. A fall in the cost of production of 2/- a ton will maintain the output at its present level for about ten or twelve years.

(c) The availability of an adequate native labour supply will maintain the output at its present level for about eight or ten years.

(d) The estimate assumes that the mines outside the Witwatersrand will maintain between them an annual output of £750,000 in value as at present.

(e) The estimate assumes that 15 to 20 per cent extension may be expected to the present *official* lives of the mines.

(f) The estimate assumes that six new mines—the three on the West Rand and three on the East Rand—will start crushing between 1935 and 1940.

Year.	Estimated value of gold output. £	Year.	Estimated value of gold output. £
1930 .....	48,500,000	1940 .....	25,500,000
1931 .....	42,600,000	1941 .....	25,500,000
1932 .....	43,800,000	1942 .....	20,100,000
1933 .....	42,500,000	1943 .....	20,100,000
1934 .....	40,700,000	1944 .....	15,500,000
1935 .....	39,000,000	1945 .....	15,500,000
1936 .....	34,250,000	1946 .....	11,700,000
1937 .....	34,400,000	1947 .....	10,100,000
1938 .....	34,400,000	1948 .....	10,000,000
1939 .....	27,400,000	1949 .....	10,000,000

## **2. REPORT ON THE FAR EAST RAND AND FEATURES LIKELY TO AFFECT THE FUTURE OF THE WITWATERSRAND GOLD-MINING INDUSTRY<sup>1</sup>.**

**By Dr. H. PIROW, Government Mining Engineer.**

### *Chapter I.—INTRODUCTION.*

1. Since the issue of a report on the Far East Rand by the Government Mining Engineer in 1925, the position regarding the lives of Witwatersrand gold-mines has been altered by various factors which are detailed in paragraph 6 and subsequent paragraphs below.

2. It is likewise clear that the 1925 report and the conclusions drawn therein have frequently been wrongly read and given an interpretation which an examination of the report shows to be erroneous and misleading. Thus the fact that the Government Mining Engineer, in paragraphs 51 and 52 of that report, dealt exclusively with the lives of existing mines appears to have been overlooked by many, and the contents of these paragraphs have been quoted as a forecast of the future life of the Witwatersrand gold mining industry.

3. Such a forecast cannot be made with any degree of accuracy by a mining engineer, and if made would certainly not be expressed by him in such definite terms as are used in referring to the lives of existing mines.

4. This report has therefore been written to set out some of the changes in conditions which have recently taken place, as well as to attempt to remove undue misgivings regarding an early serious decline in the gold output of the Witwatersrand area.

5. Although the subject-matter of this report corresponds with that of the 1925 report, the arrangement of the contents is different, as it is unnecessary to record many details which have been admirably and concisely set out in the 1925 report and which have undergone no change. Prominence is given to those features which show important changes.

### *Chapter II.—COMPARATIVE TABLES AND STATEMENTS INDICATING CHANGES IN CONDITIONS.*

6. The principal changes in conditions since 1924 which affect the position are due to :

- (a) Mines which have been shut down;
- (b) Mines which have materially altered their rate of crushing;
- (c) Mines which have acquired further ground;
- (d) Reduction in working costs and the "cleaner mining" policy.

7. Of the forty-three mines dealt with in sections 51 and 52 of the 1925 report, the Craigie Mines, the Florida Consolidated Mines and the New Unified Main Reef have shut down.

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<sup>1</sup> Presented to both Houses of Parliament by Command of His Excellency the Governor-General.

8. The mines which have materially altered their rate of crushing have been :

	Tons crushed during	
	1924	1926
<i>(A) Increases.</i>		
Brakpan Mines, Ltd. ....	898,250	1,014,900
Geduld Proprietary Mines, Ltd. ....	843,700	976,000
Government Gold-mining Areas (Modderfontein) Consolidated, Ltd. ....	1,874,000	2,239,000
Modderfontein East, Ltd. ....	363,700	596,500
New Modderfontein G.M. Co., Ltd. ....	1,442,000	1,551,500
New Pioneer Central Rand G.M. Co., Ltd. ....	6,445	41,319
New State Areas, Ltd. ....	754,000	889,000
Nourse Mines, Ltd. ....	587,500	676,800
Old Heriot Syndicate ....	8,620	13,054
Springs Mines, Ltd. ....	770,000	817,300
The Sub-Nigel, Ltd. ....	127,000	138,500
West Springs, Ltd. ....	300,623	587,900
Witwatersrand Deep, Ltd. ....	498,770	551,800
<i>(B) Decreases.</i>		
Langlaagte Estate and G.M. Co., Ltd. ....	1,147,900	950,000
Randfontein Estates G.M. Co., Witwatersrand, Ltd. ....	2,432,000	2,304,000

9. Mines which have acquired further ground have been :

*(A) By Lease from Government.*

	Claims.
Consolidated Main Reef Mines and Estate, Ltd. ....	86
Crown Mines, Ltd. ....	519 (a)
East Rand Proprietary Mines, Ltd. ....	588
Geldenhuis Deep, Ltd. ....	46
Meyer & Charlton G.M. Co., Ltd. ....	103
Modderfontein East, Ltd. ....	300
New Durban Roodepoort G.M. Co., Ltd. ....	67
New Kleinfontein Co., Ltd. ....	339
Robinson Deep, Ltd. ....	182
Rose Deep, Ltd. ....	372
Simmer & Jack Mines, Ltd. ....	4
The Sub-Nigel, Ltd. ....	2,380
West Rand Consolidated Mines, Ltd. ....	7
	<hr/> 4,943

*(B) By Purchase or Amalgamation from adjoining Holders.*

Consolidated Main Reef Mines and Estate, Ltd. ....	57
East Rand Proprietary Mines, Ltd., and Cinderella Consolidated ....	2,102
Luipaards Vlei Estate and G.M. Co., Ltd. ....	85
	<hr/> 2,244

(a) Fifty-seven of these claims were sold by Crown Mines to Consolidated Main Reef Mines and Estate.

10. Working costs as declared by the Chamber of Mines averaged 19s. 7d. per ton milled in 1924, as against 19s. for 1926.

11. An investigation of the merits or demerits of the "cleaner mining" policy falls outside the scope of this report, and it is sufficient to state that, in certain areas where a narrow and high-grade reef occurs, this method of exploitation has made tonnages available which could not be profitably worked on a greater stoping width. The success attained is due largely to the recent improvements in rock-drilling machines and it is not unreasonable to expect that further successes in this direction will be achieved.

12. The statements contained in sections 51 and 52 of the Government Mining Engineer's report on the Far East Rand, dated 30th September, 1925, were statements of fact qualified by an expression of opinion that, on account of the conservative nature of the estimates of lives for purposes of income tax, the reductions in the crushing capacities would occur a couple of years later than the figures showed.

13. A similar statement based upon the official lives of the mines at present producing, together with supporting details, is shown in the tables below. As a qualification of the present statement, on account of the conservative nature of the estimates of lives for purposes of income tax, it is submitted that, in accordance with past experience, the reductions will occur on an average three years later than the figures show. At the risk of unnecessary repetition, it is again emphasised that these figures only refer to the lives of existing mines.

14. *Witwatersrand Gold Mines, including the Sub-Nigel, Ltd.*

	Number of mines producing.	Tons milled.
During 1926 .....	45	29,881,180
Less .....	3	
Florida Consolidated Mines, Ltd. (shut down) .....	84,678	
Geldenhuis Tributors.....	826	
New Unified Main Reef G.M. Co., Ltd. (shut down) .	14,860	
		49,864
Appearing in forecast .....	42	29,831,266

15.

	Number of Mines.	Annual milling capacity. Tons.
Official lives of less than 5 years .....	14	4,044,694
" from 5 to 10 years .....	15	11,829,072
" from 10 to 15 years .....	8	8,114,000
" from 15 to 20 years .....	3	5,739,000
" from 20 to 30 years .....	2	604,500
	42	29,881,266

16.

	Tons.	Reduction per cent.
Crushing capacity, end of 1926 .....	29,881,266	—
" after 5 years.....	25,786,572	18.56
" after 10 years.....	14,457,500	51.54
" after 15 years.....	6,848,500	78.78



17. It should be noted that, since the end of 1926, the Robinson G.M. Co., Ltd., the New Primrose G.M. Co., Ltd., and the Aurora West United G.M. Co., Ltd., have practically ceased operations. But the tonnage lost by the closing down of these three mines and of the three smaller ones mentioned in paragraph 14 above should be compensated for by the increased rate of crushing of the Government Gold-mining Areas (Modderfontein) Consolidated, Ltd., and the West Rand Consolidated Mines, Ltd. Apart, therefore, from unforeseen stoppages, the tonnage milled during the current year should at least equal that milled during 1926.

18. Allowing an average extension of three years of life, the above figures may be regarded as indicating the probable reduction in tonnage produced by existing mines. In the following chapter, reasons are given showing that this reduction cannot be taken to apply to the gold production of the Witwatersrand area as a whole.

For comparison with the figures given in the 1925 report, it is estimated that the total tonnage to be milled by the forty-two existing mines is 284,000,000, a figure which is likely to be exceeded by at least 15 per cent. The developed payable ore reserves of these mines on December 31st 1926, stood at 90,000,000 tons, with a value of 17.4 pennyweights.

### *Chapter III.*—FACTORS TENDING TO PREVENT REDUCTIONS IN THE GOLD OUTPUT.

19. In examining the factors which tend to prevent a reduction in the gold output of the Witwatersrand, the leasing of ground still available for that purpose should be given prominence.

20. The table on page 28 sets out briefly the terms on which two recent leases have been concluded, and the diagram on page 29 depicts the Government's share in profits in comparison with previous leases :

21. The areas still available for leasing are essentially the same as those dealt with in the 1925 report if allowance is made for recent leases, and they need not, therefore, be set out in detail as was necessary at that date.

22. The prospects of concluding satisfactory lease contracts are, however, distinctly better. Of the many causes which have brought about an improvement in the outlook the following appear to be worthy of special mention : the promising development results obtained in the Sub-Nigel area, the favourable position of the market, the reduction (though small) in working costs, and the fact that the narrow reefs which presumably will be found in a considerable portion of the unleased ground may prove workable, due to the reduction of stoping widths, as indicated in paragraph 11 above.

23. As the development work accomplished in the Sub-Nigel area since the 1925 report was written has covered only a very small portion of ground available for leasing in that district, it would be unwarrantable to base on those results any definite conclusions regarding the payability of the reef in the unleased adjoining area.

On the other hand, a certain amount of optimism regarding this ground is justified by the fact that the shoots have been proved not only to continue in depth but actually to widen out and show up more promisingly in the area recently opened up. Although one cannot venture to predict that similar favourable results are to be expected if, in adjoining areas, the reef were opened up at depth, yet the prospects of developing payable propositions are undoubtedly better.

24. The state of the market does not fall within the scope of this report, but it may be permissible to point out that the market is more favourable for leasing of new areas than has been the case.

GOVERNMENT SHARE OF PROFITS.

Brakpan Mines, Ltd.	Damrafontein Mines, Ltd.	East Geduld Mines, Ltd.	Government Gold Mining Areas (Modderfontein) Consol.	Modderfontein East, Ltd.	New Kleinfontein Co., Ltd.	New State Areas, Ltd.	Springa Mines, Ltd.	Sub Nigel, Ltd.	West Springs, Ltd.
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SCALE OF PAYMENT.

$y = \frac{50}{1150} x$ Subject to a minimum of 12½ per cent.	Ranging from nil when profits are 10 per cent. or less of revenue to 10.9047 per cent. when profits amount to 60 per cent. or more of the revenue.	$y = \frac{50}{1200} x$ Subject to a minimum of 10 per cent. (b)	$y = 5.407 + \frac{1.00487x}{53.00}$ when $x$ is less than 36.1702. Subject to a minimum of 10.75 per cent. and $y = 82.5 - \frac{1446.81}{x}$ when $x$ is greater than 36.1702. Subject to a maximum of 61.25 per cent. (a)	10 per cent. of the annual profits.	4 per cent. of the annual profits.	$y = \frac{80}{750} x$	$y = \frac{55}{1175} x$ Subject to a minimum of 12½ per cent.	2½ per cent. of the annual profits for the first 4 years and thereafter $y = \frac{15}{150} x$ (b)	$y = \frac{65}{850} x$
--	--	---	---	-------------------------------------	------------------------------------	------------------------	--	--	------------------------

(a) Exempt from Income Tax on profits obtained from the working of this area.

(b) Provided that in the event of any increase in taxation of profits the payment shall be decreased to a similar amount.

Profit expressed as a percentage of Revenue =  $x$

EXPRESSED AS A PERCENTAGE =  $y$ .

10	13.5	nil	10.0	10.750	10	4	5.0	12.5	nil	nil
12	13.5	0.567	10.0	13.774	10	4	17.5	12.5	2.5	10.833
15	13.5	1.396	10.0	17.863	10	4	30.0	12.5	5.0	21.667
20	13.5	2.813	10.0	24.081	10	4	42.5	12.5	7.5	32.500
25	12.5	4.209	10.0	29.943	10	4	50.0	12.5	9.0	39.0
30	12.5	5.605	10.0	35.624	10	4	55.0	15.833	10.0	43.333
35	17.143	7.023	15.714	41.204	10	4	58.571	21.429	10.714	46.429
40	21.250	8.178	20.000	46.330	10	4	61.25	25.625	11.25	48.75
45	24.444	9.094	23.333	50.349	10	4	63.333	28.889	11.667	50.556
50	27.000	9.814	26.000	53.564	10	4	65.0	31.500	12.0	52.0
55	29.091	10.403	28.182	56.194	10	4	66.364	33.636	12.272	53.182
60	30.833	10.905	30.000	58.387	10	4	67.5	35.417	12.5	54.167
65	32.308	10.905	31.538	60.241	10	4	68.462	36.923	12.692	55.0
70	33.571	10.905	32.857	61.250	10	4	69.286	38.214	12.857	55.714
75	34.667	10.905	34.000	61.250	10	4	70.0	39.333	13.0	56.333
80	35.625	10.905	35.000	61.250	10	4	70.025	40.313	13.125	56.875

TOTAL SHARE OF PROFIT UP TO 31ST MARCH, 1927.

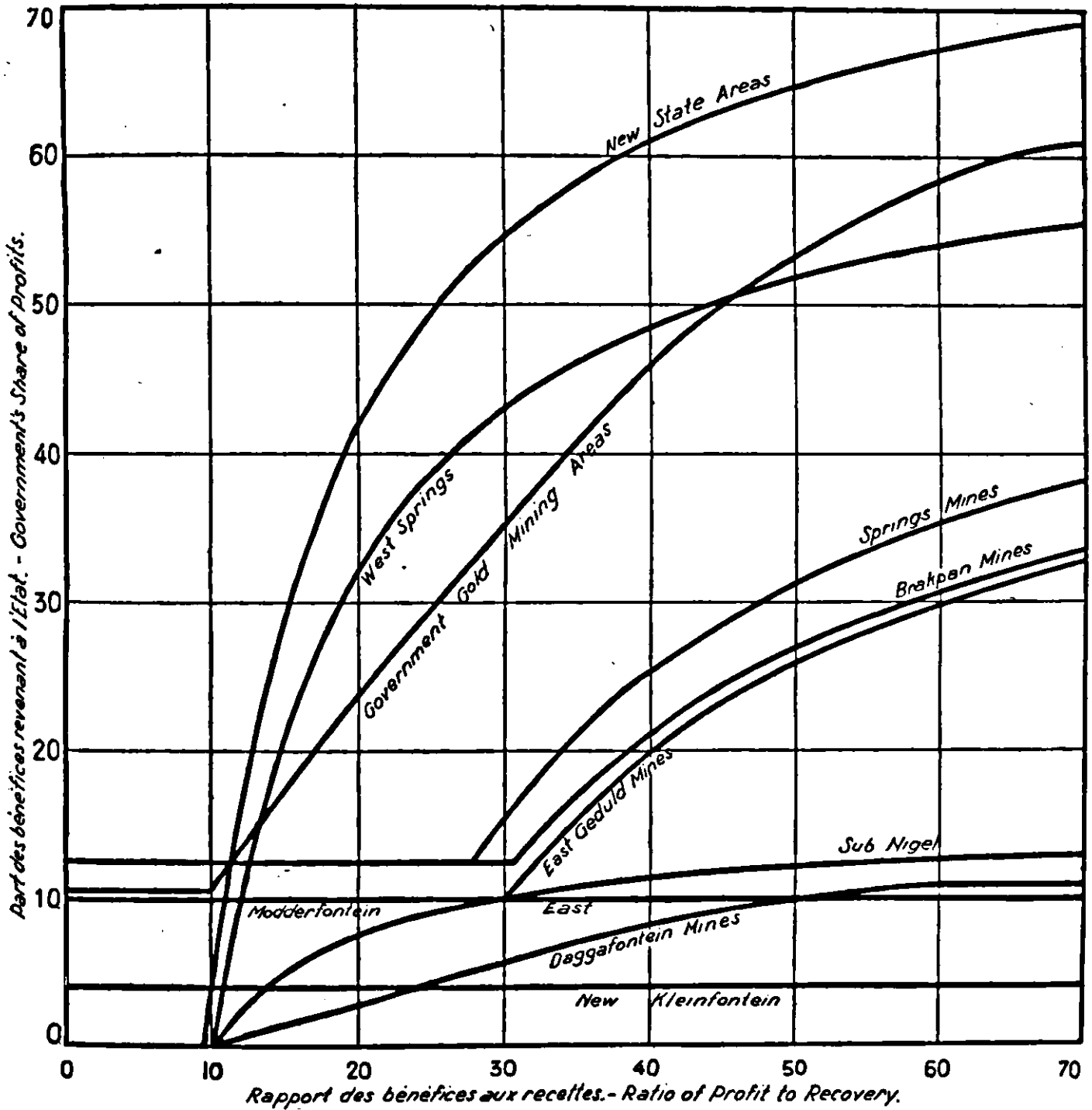
(c) £467,202	nil	nil	(d) £8,629,070	£12,690	nil	(e) £765,510	£717,550	£300	£220,479
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(c) Includes £1,800 paid to freeholder on account of bewaarplaatsen.

(d) " £196,097 " " " "

(e) " £97 " " " "

DIAGRAM SHOWING GOVERNMENT'S SHARE OF PROFITS FROM LEASED AREAS.



May 1927.

25. It is perfectly obvious that the large capital sums for the opening up and equipment of new mines on the unleased ground of the Far East Rand cannot be found locally, and that favourable market conditions are necessary for the launching of such ventures. It is therefore strongly to be urged that advantage be taken of the present position to open up further ground on the Far East Rand. As it would take new mines in that area four to six years to reach the producing stage, such production, if provided for now, would commence in time to counteract any serious decline in output which might then be threatening.

26. For, although the exploitation of the ground which has been leased during the last two years will, to some extent, counteract the drop in production which otherwise would have taken place in some seven or eight years' time, further ground will need to be opened up if the gold output of the Witwatersrand is to be maintained at its present level.

27. The reduction in working costs per ton milled, as announced by the Transvaal Chamber of Mines, though small, is significant and brings additional thousands of tons of ore within the pay limit. It is particularly pleasing to find that this reduction is most marked in the Far East Rand area, and as the greater portion of the ground still available for leasing lies in this area, the results obtained by these mines may here be examined in some detail.

28. The following table, compiled from figures published by the Transvaal Chamber of Mines, gives comparative figures for the years 1924 and 1926 respectively :

*Costs per Ton Milled and per Fine Ounce won on Far East Rand Mines.*

	Year 1924.						
	Tons milled.	Working costs. £	Gold. Fine ounces.	Costs per ton milled.		Cos's per fine ounce won.	
				s.	d.	s.	d.
New Kleinfontein Co., Ltd. ....	618,600	598,597	143,715	19	6	83	4
Van Ryn Gold Mines Estate, Ltd. ....	445,500	411,356	118,255	18	6	69	7
Van Ryn Deep, Ltd. ....	790,000	761,113	851,977	19	8	43	3
New Modderfontein Gold Mining Co., Ltd. ....	1,442,000	1,244,851	689,556	17	8	86	1
Modderfontein Deep, Ltd. ....	528,000	426,500	281,222	16	2	80	4
Government Gold Mining Areas (Modderfontein) Cons., Ltd. ....	1,874,000	1,641,103	840,211	17	6	89	1
Brakpan Mines, Ltd. ....	898,250	925,605	849,827	20	7	53	0
Modderfontein B. Gold Mines, Ltd. ...	796,000	752,569	826,716	18	11	46	1
Modderfontein East, Ltd. ....	868,700	473,461	120,838	26	0	78	8
Geduld Proprietary Mines, Ltd. ....	843,700	785,444	296,589	18	7	53	0
New State Areas, Ltd. ....	754,000	833,837	275,016	22	1	60	8
Springs Mines, Ltd. ....	770,000	824,858	850,140	21	5	47	1
West Springs, Ltd. ....	233,050	227,518	<sup>1</sup> 106,204	19	6	42	10
Sub-Nigel, Ltd. ....	127,000	246 614	76,018	88	10	64	11
	10,478,800	10,153,426	4,825,284	19	5	46	11

<sup>1</sup> Includes 16,975 ounces from preliminary crushing.

*Costs per Ton Milled and per Fine Ounce won on Far East Rand Mines (continued).*

	Year 1926.						
	Tons milled.	Working costs. £	Gold. Fine ounces.	Costs per ton milled.		Costs per fine ounce won.	
				s.	d.	s.	d.
New Kleinfontein Co., Ltd. ....	634,400	588,774	139,215	18	7	84	7
Van Ryn Gold Mines Estate, Ltd. ....	452,900	410,765	114,115	18	1	72	0
Van Ryn Deep, Ltd. ....	818,900	674,016	298,550	16	5	45	2
New Modderfontein Gold Mining Co., Ltd. ....	1,551,500	1,423,625	817,773	18	4	34	10
Modderfontein Deep, Ltd. ....	528,200	403,434	279,955	15	3	28	10
Government Gold Mining Areas (Modderfontein) Cons., Ltd. ....	2,239,000	1,831,702	1,010,802	16	4	36	3
Brakpan Mines, Ltd. ....	1,014,900	954,503	382,364	18	10	49	11
Modderfontein B. Gold Mines, Ltd. ...	792,000	729,128	309,906	18	5	47	1
Modderfontein East, Ltd. ....	596,500	667,715	179,524	22	5	74	5
Geduld Proprietary Mines, Ltd. ....	976,000	833,329	330,339	17	1	50	5
New State Areas, Ltd. ....	889,000	911,503	367,115	20	6	49	8
Springs Mines, Ltd. ....	817,300	790,297	361,591	19	4	43	9
West Springs, Ltd. ....	587,900	548,660	216,808	18	8	50	7
Sub-Nigel, Ltd. ....	138,500	289,556	111,272	41	10	52	1
	12,087,000	11,057,007	4,919,329	18	4	44	11

29. Of the fourteen mines named in the above table, two show increases in the cost per ton milled, whilst twelve show reductions. In the case of the former, a considerable reduction in stoping width has taken place during the last two years, amounting respectively to 16·6 inches and 13·1 inches, and accompanied by a reduction in costs per fine ounce won of 1s. 3d. and 12s. 10d. respectively. On an average, the reduction in costs per ton milled amounts to 1s. 1d., and the reduction in costs per fine ounce won amounts to 2s. for all mines in the Far East Rand area. It may also be mentioned that, whilst the average costs per ton milled on the Far East Rand corresponded fairly closely to the average for the Witwatersrand in 1924, the respective figures for 1926 show the Far East Rand mines in a more favourable position.

30. Obviously, extreme caution should be exercised in drawing any conclusions from these figures. It should be borne in mind that conditions—e.g., reef width and grade of ore—vary very considerably, not only from mine to mine, but also in individual working places. It is likewise clear that a reduction in stoping width resulting from the “cleaner mining” policy tends to increase the costs per ton milled and to decrease the cost per fine ounce won, but can only be carried out in that limited area where suitable conditions occur.

31. Without, however, attaching undue importance to individual figures quoted in the table above, one may conclude from the marked downward trend in working costs on the Far East Rand that a measure of optimism regarding the opening up of further mines in this area is justified.

32. As will be seen from the table below, reductions in stoping widths on these mines have,

with one exception, been general. This reduction is due to a tendency to adopt a “cleaner mining” policy, and has been effected by the use of jack-hammers and concrete supports in stopes. The following table gives the results in detail:

*Far East Rand Mines.—Average Stopping Widths.*

Mine.	1924. Inches.	1926. Inches.
New Kleinfontein Co., Ltd.....	63·5	61
Van Ryn Gold Mines Estate, Ltd. ....	50	44
Van Ryn Deep, Ltd. ....	78	64
New Modderfontein G.M. Co., Ltd. <sup>1</sup> .....	69	52·4
Modderfontein Deep, Ltd. ....	76·9	73·8
Government Gold Mining Areas (Modderfontein) Consolidated, Ltd. ....	78	70
Brakpan Mines, Ltd. ....	67	63
Modderfontein B. Gold Mines, Ltd.....	57	49
Modderfontein East, Ltd. <sup>1</sup> .....	53	53
Geduld Proprietary Mines, Ltd. ....	61	59
New State Areas, Ltd. ....	61	52
Springs Mines, Ltd. ....	57	56
West Springs, Ltd. ....	57	60
Sub-Nigel, Ltd. ....	39·5	26·4

33. As has been indicated in paragraph 22 above, it may justly be presumed that, in a considerable portion of the unleased ground on the Far East Rand, a narrow reef would have to be worked. Furthermore, the hanging wall leaders which have recently been opened up on some Far East Rand mines are essentially narrow reefs. The successful carrying on of stopping operations on a width of less than two feet is therefore another hopeful indication that the gold output of the Witwatersrand will not suffer the reductions which the figures based on the official lives of existing mines only would lead one to regard as threatening in the near future.

34. Attention may also be drawn to another aspect of this question— *i.e.*, to the fact that, by obtaining definite figures regarding the cost per ton milled and the cost per ounce produced from these narrow stopes, the mining engineer, in forming an opinion regarding the profitability or otherwise of adjoining areas, can base his estimates on more solid foundations than hitherto. It should be remembered in this connection that the plant capacity per ounce of gold produced when milling practically “clean” reef will be considerably reduced, and a corresponding saving in capital expenditure and power consumption will be effected.

35. In this chapter, some of the more important factors tending to prevent serious reductions in the gold output of the Witwatersrand have been set out. It should, however, be borne in mind that conditions may arise which would operate towards a shrinkage of production. Such conditions are dealt with in the next chapter.

#### *Chapter IV.—FACTORS WHICH OPERATE TOWARDS A SHRINKAGE OF PRODUCTION.*

36. However much one may be impressed with favourable conditions obtaining at the present time, this report would be open to the accusation of one sidedness if an earnest endeavour

<sup>1</sup> For the years ended June 30th, 1924, and June 30th, 1926.

were not made to give due weight to those factors which operate towards a shrinkage of the Rand's gold production.

37. Amongst the more important factors the following should be ranked : a rise in working costs, shortage of European or native labour, industrial upheavals, lack of capital and the increasing depth of mine workings.

38. It is well known that the Witwatersrand gold-mining industry as a whole is essentially a low-grade proposition, and it is almost equally well known that every sixpence increase in the cost per ton milled represents a reduction of many thousands of tons of ore in the total tonnage available for extraction, as the rise in cost of production cannot be added to the sale price of gold. The causes which may produce such a rise in costs are numerous and varied, ranging from an increase in costs of stores and heavy railway rates to excessive pay of employees and inefficient management. Some of these, patently, lie within the control of the parties concerned, and can be adjusted by them on the basis of reasonable co-operation; others, equally obviously, lie outside their sphere. In view of this fact, it is only possible to refer to these causes in general terms. Such a generalisation would serve no purpose if it did not, on the one hand, sound a note of warning to the effect that we cannot allow the future of the gold-mining industry to be jeopardised by the unwarrantable expectations of one or other of the bodies concerned, and, on the other hand, put forward a plea for co-operation to maintain South Africa's premier industry in its present state of prosperity.

39. It is hardly necessary to refer to the fact that a shortage of labour, whether skilled or unskilled, reacts unfavourably on the mining industry as on any other industry, but it may be desirable to point out that mining on narrow stope widths entails more handling of the broken rock and requires a greater labour force both skilled and unskilled. This is a factor which should be borne in mind with regard to the opening up of new areas on the Far East Rand, where this method of mining will undoubtedly have to be resorted to on a considerable scale.

40. Industrial upheavals, calamitous as they are to any industry, contain an additional menace to the gold-mining industry. Not only can the loss of production not be made good subsequently owing to the limited capacities of the mine plants, but there is also the danger that some of the lower-grade mines, owing to flooding or caving during a complete stoppage, may be seriously or even permanently crippled.

41. As has been pointed out in paragraph 25 above, additional large sums of capital will be required to open up further new mines. Obviously, therefore, any severe depression in the money market will affect the prospects of maintaining the gold output adversely if such depression should coincide with a period when the capital is called for. Owing to the lapse of time between the initial and the producing stages of a mine, caution demands that timely efforts be made to provide for future contingencies.

42. Due to the exhaustion of payable ore in the upper levels of most mines, the depth of the mine workings is continually increasing, and is thereby not only adding to the working costs, but is also producing a fresh series of mining problems with each progressive extension in depth. On the Far East Rand, the relative shallowness of the reef which occurs in a basin formation, with a maximum depth estimated at approximately 6,000 feet, facilitates solution of these problems without increasing the working costs to a material extent. On the Central and West Rand, however, the steep dip of the reef formation entails mining at great depths and causes the exploitation of ore, which would be payable near the outcrop, to become prohibitively expensive.

It is clear that capital expenditure on equipment, the costs of power consumption, support of workings, ventilation, air-cooling and other items, increase progressively with depth of workings,

and only efficient organisation for large-scale working can successfully deal with the additional burdens. Even so, a depth limit exists for every grade of ore. At the present time, it is generally accepted that a depth of 7,500 feet is the limit to which the bulk of the ore found in the Central Rand can be worked. Such a depth limit is subject to the assumption that rock bursts, which are already presenting a very serious problem, will not assume more threatening proportions.

#### *Chapter V.—GENERAL REMARKS.*

43. An endeavour has been made to confine the observations and estimates contained in this report to factors which, though speculative, are to some extent calculable. Thus, in dealing with conditions likely to curtail the future gold production, such eventualities as widespread earth movements, unexpected cutting-off of the reef by hitherto unknown faults or dykes, sudden flooding of mines or other forms of mining disasters have not been considered. On the other hand, discoveries of payable values in overlying reef formations, extensions of the main reef series, new and more efficient mining of metallurgical processes, or the local production of cheap oil fuel, etc., have not been put forward as reasons for taking a more optimistic view of the future.

44. A difficulty experienced in writing a report of this nature is the fact that involved technical arguments must be avoided, and for that reason statements of facts must be resorted to without going into the detail that is called for in a purely technical report.

45. If, therefore, the scope of this report has been curtailed, it is to be ascribed to the fact that it was sought to limit it to matters which could, with some degree of accuracy, be based on calculations and a knowledge of Rand conditions. It may also be mentioned that a number of important matters falling outside the ordinary routine work of this office are at the present time demanding the personal attention of the writer, who is further handicapped by the fact that he has but recently assumed his new duties.

46. A brief summary of the more important features of this report, together with the opinion based thereon, is contained in the concluding chapter.

#### *Chapter VI.—SUMMARY.*

47. Two main reasons are given for submitting this report: an important change in the conditions affecting the future gold production of the Witwatersrand and the fact that there appears to be a widespread misunderstanding of the contents of the 1925 report.

48. The more important features of the change in conditions are next dealt with. They comprise:

(1) Statements regarding the crushing capacities and official lives of existing mines together with an interpretation of these figures showing that the actual lives will be longer than those estimated for tax assessment purposes, and statements regarding recent acquisitions of further ground by existing mines.

(2) Reasons for taking a more optimistic view of the prospects of maintaining the Witwatersrand gold production at its present level for a number of years. These include good indications of the further extension of payable shoots, the favourable position of the market, the fall in working costs and the successful mining of narrow reefs.

49. On the other hand, the more important conditions which react unfavourably on the



future prospects of the gold mining industry are : rise in cost of production, shortage of labour, stoppages, lack of capital and great depth of workings.

50. It is clear that, in assessing the relative importance of the various conditions affecting the future gold production of the Witwatersrand, the personal factor cannot be eliminated. In view of this fact, no definite forecast of future production can be made, but the writer is of opinion that the indications pointing to a prolongation of the life of the gold industry considerably beyond the periods shown by the table of official lives of existing mines are most favourable.

51. In setting out the various features mentioned above, an endeavour has been made to indicate measures for prolonging the existence of the industry, where it was thought that such indication was appropriate. It is felt that in so doing a plea for closer co-operation between the various parties concerned in the future of the industry could be advanced.

52. When it is considered that, of £41,548,333 of gold produced on the Witwatersrand during 1926, approximately £28½ million was paid out in working costs, £8,881,608 paid in dividends and approximately £3½ million in taxation and share of profits, then it becomes clear that the benefit derived from the mining industry by the community lies to a greater extent in the distribution of the sums expended in working costs than in dividends or direct revenue accruing to the State. It therefore does not seem uncalled for to expect a reasonable balancing of individual interests when factors have to be dealt with which threaten the future existence of the industry.

53. This view is based on the belief that the problems to be faced by the industry will be understood by the various bodies concerned in its future, and that their solution will be facilitated by a better appreciation of the fact that many of their interests are mutual. The writer is sufficiently optimistic to hold that such appreciation of the position will not be wanting.

Johannesburg, May 25th, 1927.

(Signed) H. PIROW.

ANNEX II.

UNITED STATES OF AMERICA.

GOLD RESOURCES AND ESTIMATED FUTURE GOLD PRODUCTION  
OF THE UNITED STATES.

EXTRACT PUBLISHED BY PERMISSION FROM A MEMORANDUM PREPARED FOR THE INTERNATIONAL  
GEOLOGICAL CONGRESS HELD AT PRETORIA, SOUTH AFRICA, IN JULY, 1929,

By Mr. G. F. LOUGHLIN, Mr. H. G. FERGUSON and others, of the United States Geological Survey,  
and Mr. R. H. RIDGWAY and others, of the United States Bureau of Mines.

Preceded by an Extract from the Covering Letter of Dr. George Otis SMITH, Director of the  
United States Geological Survey, supplementing the Information given in the Memorandum.

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EXTRACT FROM COVERING LETTER.

Washington, May 12th, 1930.

The difference in the rate of the production of gold between the United States of America and Canada is due chiefly to the fact that the United States has reached maturity and may be well on the way towards old age, whereas Canada is still in its vigorous youth. There are still some areas in the west of the United States that are entitled to more thorough prospecting than they have received, and there is a fair chance that some appreciable gold deposits may be found, particularly in Western Montana and South-Central Nevada, but the uncertainties of prospecting are such that no geologists can wax very enthusiastic over future discoveries. In Canada, on the other hand, a large percentage of its territory remains to be explored, and new facilities for travel and for development work tend to accelerate exploration.

No definite information is at hand regarding Mexico. Unstable conditions there have obviously been an obstacle to mining in general.

In the United States, higher operating costs were responsible for a large part of the rapid decline in production since 1915, but exhaustion of the more easily mined and higher-grade ore bodies has also been a considerable factor. For example, at Goldfield, Nevada, where nearly all the production came from depths of only a few hundred feet, production has declined to insignificance, although there are Press reports of some renewed activities in the last few months. At Cripple Creek, Colorado, the two largest mines have found it unprofitable to extend their workings to greater depths. Production resulting from the more thorough exploration of their shallow to moderately deep workings is not likely to bring production back to its level prior to 1915. New ore shoots have been found at Cripple Creek during the last two or three years, but they have not been large enough to cause any marked recovery in volume of production. Other important districts, with the exception of the Black Hills, South Dakota, could be illustrated by similar examples. On the other hand, the Homestake Mine in the Black Hills has a steady production and the outlook for Alaska is also encouraging.

Higher wage costs have been overcome to an appreciable extent by improved processes, particularly at the Homestake Mine in South Dakota and at the Portland Mine in Cripple Creek.

It would be premature to attempt any definite statement regarding the important existing low-grade deposits. To the mining geologists, the successful development of enormous low-grade copper deposits makes it most reasonable to expect eventually the successful working of low-grade gold deposits. There has been some success of this kind at Cripple Creek, but some other large blocks of low-grade ground which appeared sufficiently mineralised to justify development have proved thus far to contain too much waste interspersed with streaks of low-grade ore to permit profitable working. Ore with a gross value of only \$4 a ton can be worked under favourable conditions at Cripple Creek, but if the relative value of gold or further improvements in methods of mining and milling could make \$3 or \$2.50 ore workable, the reserves at Cripple Creek, as well as in certain other districts, would be greatly increased.

The net result of a study of the gold problem by the Survey's geologists indicates that there will be on the whole a gradual increase in the gold derived from base metal—especially copper ores—and that production in Alaska will increase, but these increases will not be sufficient to overcome the continued gradual decline in the other States. The projected graphs which represent this forecast obviously cannot take into consideration any annual variation in industrial conditions and are therefore represented as smooth graphs which, if the guesses as to the future are good, should represent approximate averages of the actual condition.

(Signed) George Otis SMITH.

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## MEMORANDUM.

### I. *Introduction.*

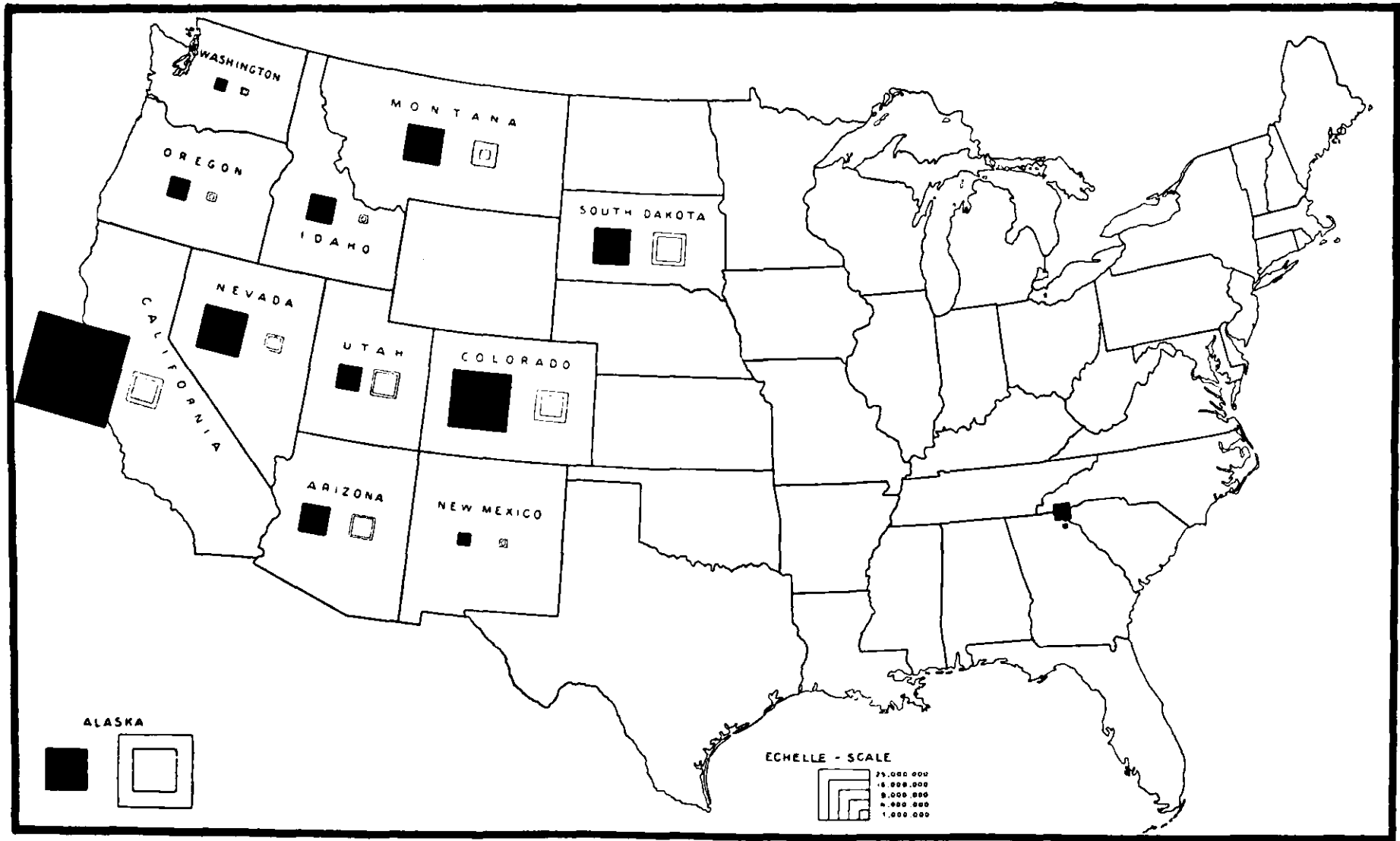
As one of the main topics for discussion at the International Geologic Congress at Pretoria, South Africa, in 1929 is the gold resources of the world, preparation of a report on the gold resources of the United States has been co-operatively undertaken by the U. S. Geological Survey and the U. S. Bureau of Mines. The tables of production have been compiled by R. H. Ridgway. The final text has been prepared by G. F. Loughlin and H. G. Ferguson.

### II. *Production of gold.*

Although production of gold in the United States of America began in the South-Eastern States as early as 1800 and has been continuous ever since, the total production has come mainly from the Western States, in the Cordilleran region, where mining began with the California gold rush in 1849. (See Figure 1.) Up to that time the maximum annual production was 58,000 ounces in 1843, but, after the discoveries in California, production increased rapidly, mainly from placers, and attained a peak of 8,144,875 ounces in 1853. It then declined rather rapidly until 1862, as the more easily worked placers became exhausted. (See Figures 2 and 3.) Discoveries in other Western States caused fluctuations in production, but the total output on the whole declined until 1883, when it was 1,451,250 ounces. It remained between that amount and 1,687,000 ounces until 1892, when the discovery of gold at Cripple Creek, Colorado, began a great advance, which continued with minor fluctuations until 1915. This advance was aided to some degree by the introduction of the cyanide process in 1890 and by the lowest general cost level for many years, which made it possible to work deposits that were not workable before the 'nineties and have not been workable since; but comparison of production by States with that of the whole country shows that the increase was mainly in Colorado, whose output since 1892 has come mainly from the Cripple Creek district. These developments also brought about a realization by prospectors of the possible value of lodes other than prominent quartz veins with free gold and thus led to new discoveries. The development of dredging in California in 1896 further accelerated the advance, and successive discoveries, mostly of placers in Alaska, beginning in 1904, and of lodes at Tonopah and Goldfield, Nevada, in 1903 and 1905, more than offset declines in production from some of the older districts.

In 1915, high costs and shortage of labour engendered by the world war caused a general rapid decline in production that continued until 1920. Slight recoveries were recorded in 1923 and 1924 as a result of increased production of by-product gold from copper ores and the opening of new shoots of siliceous ore in gold-mines, but, on the whole, production has been gradually declining since the war. Present costs, which are considerably above those of pre-war times, partly account for this continued decline, but it is generally recognised that many of the leading districts had reached or passed their maximum output of gold before the world war began. A few States, and especially Alaska, are likely to increase their production considerably, but several others are expected to decline further or to maintain approximately their present low rate.

The source of the gold produced by classes of ore is shown in as much detail as possible in Figure 3. The production of gold from the different classes of ore in the nine leading States and Alaska is shown in Table 1, beginning with 1906, when accurate detailed data were first obtained. Early production in both the South-Eastern and the Western States, as well as in Alaska, came mainly from placers, although in each region lode-mining began very soon after placer-mining. Lodes became an important source soon after 1860, when the Comstock Lode in Nevada and the Mother Lode and Grass Valley districts in California attained prominence, and by 1875 their annual production exceeded that of placers. Their principal ores were free-milling gold-quartz, indicated in Figure 3 and in Table 1 as dry and siliceous ores, which contain insufficient copper, lead or zinc to pay for recovery. Dry and siliceous ores have continued to be the principal source of gold until the present time. Placer production, after being maintained at an annual rate of about 600,000 ounces from 1896 to 1904 by dredging, mainly in California, increased rapidly with discoveries in Alaska and remained above 1,000,000 ounces until curtailed by war activities in 1916.



**Figure 1.—MAP SHOWING TOTAL GOLD PRODUCTION OF THE CHIEF PRODUCING STATES FROM THE BEGINNING OF PRODUCTION TO 1927, AND THE ESTIMATED MINIMUM AND MAXIMUM PRODUCTION FROM 1928 TO 1950.**

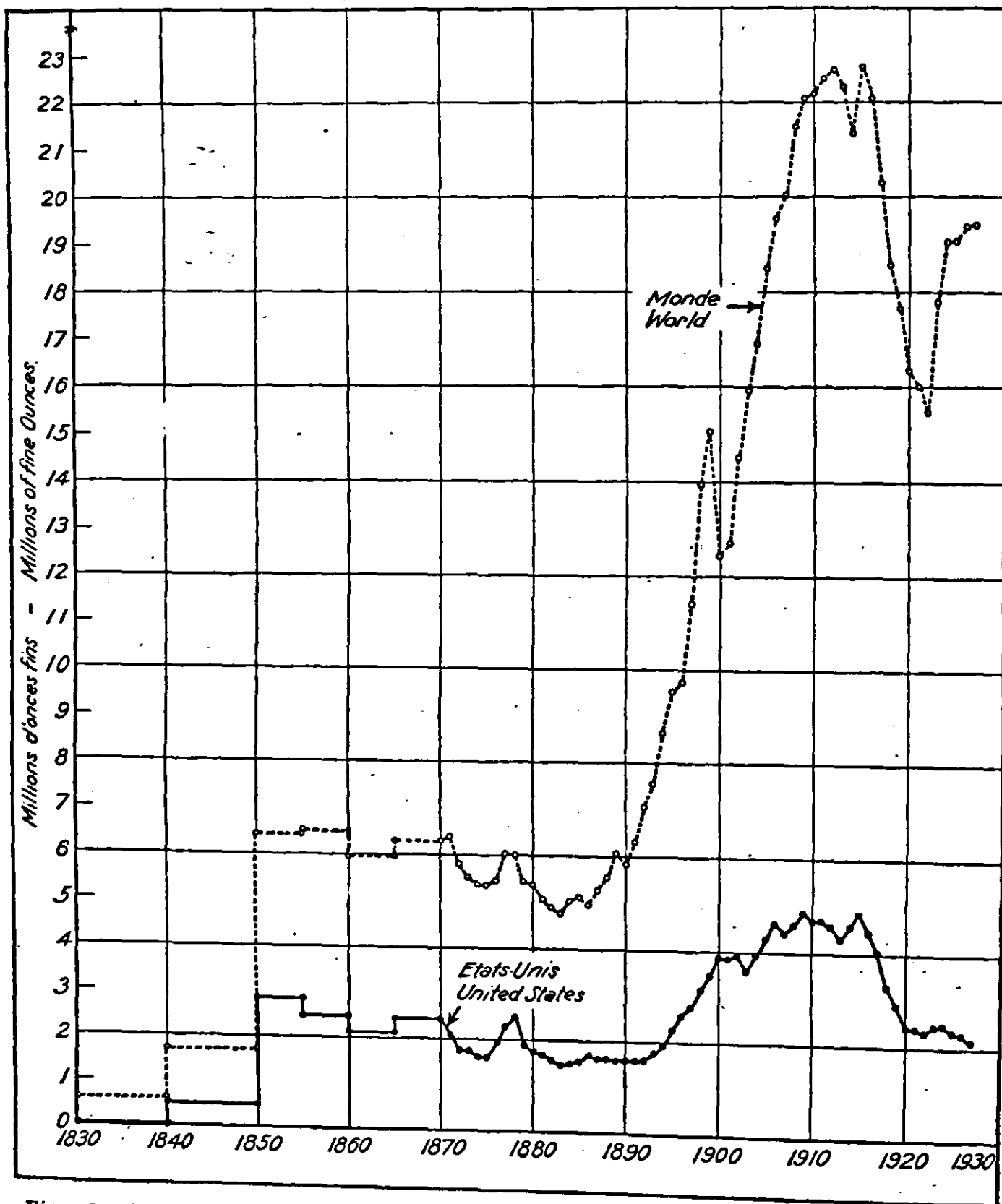
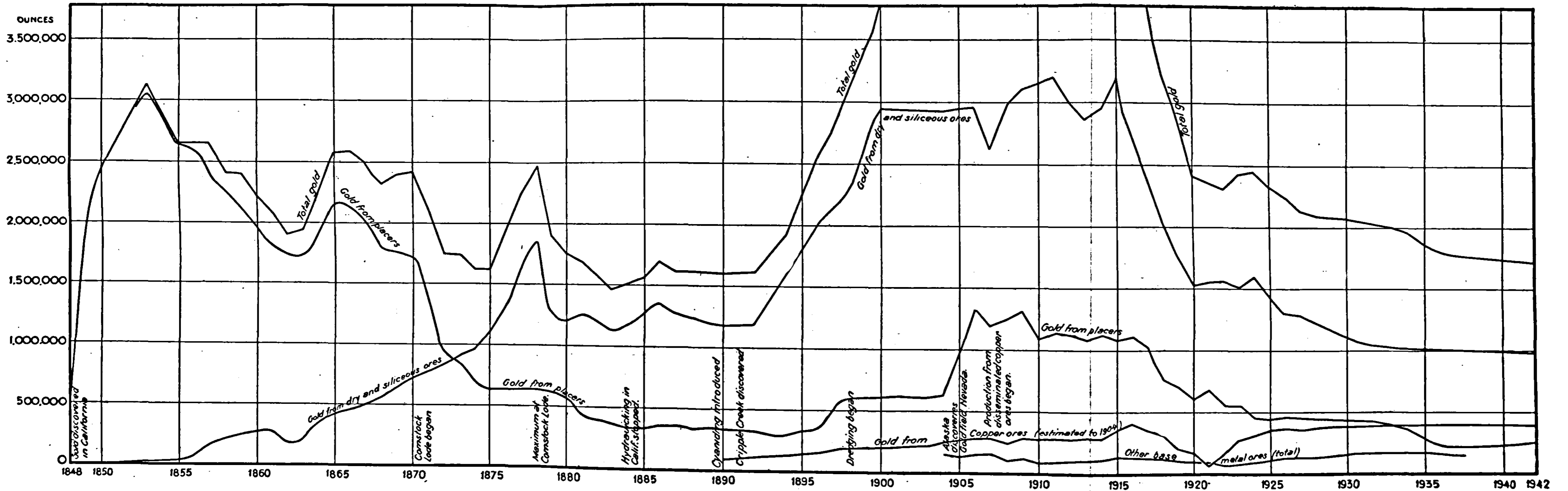


Figure 2.—ANNUAL MINE PRODUCTION OF GOLD IN THE WORLD AND IN THE UNITED STATES OF AMERICA FROM 1871 TO 1927, WITH 10-YEAR ANNUAL AVERAGES FROM 1830 TO 1850 AND 5-YEAR ANNUAL AVERAGES FROM 1850 TO 1870.

Figure 8.—PRODUCTION OF GOLD IN THE UNITED STATES OF AMERICA BY CLASSES OF ORE FROM 1848 TO 1927, WITH A ROUGH FORECAST OF FUTURE PRODUCTION TO 1942.







Base-metal ores contributed only a small fraction of the total gold output until recent years, when their increased production has accompanied the marked decline in production from dry and siliceous ores and placers. Copper ores have steadily outranked the others, except in 1921, when extremely dull industrial conditions caused the suspension of copper-mining. Production on a substantial scale from low-grade disseminated copper ores began about 1907, but the total by-product gold from copper ores did not increase appreciably until 1915, when copper-mining was stimulated by war conditions. Recovery from the depression of 1921 has been marked by another pronounced increase in production of gold from copper ores, which now closely approaches that from placers and is expected to exceed it a few years hence, after dredging-ground in California has been exhausted. Lead ores have contributed about 50,000 to 100,000 ounces annually: lead-zinc ores furnished a much smaller amount until 1924, when their output, owing to the introduction of selective flotation, began to increase, and it has exceeded that from lead ores since 1925.

Gold production in the leading States and Alaska is shown in Figure 4. Statistical data for years prior to 1877 are rough approximations and are available for only a few States, but are represented in Figure 4 to complete the graphic picture of gold production. California is outstanding as the first and most consistent large producer. It was surpassed by Nevada from 1876 to 1878 and again in 1910 and 1911, by Colorado from 1897 to 1910, and by Alaska in 1906 and 1907; but its great quartz lodes and dredging-ground have outlasted the rich deposits of the other States. Even during the world war, California maintained its high rate of production the longest and then declined by far the most gradually. Colorado's rapid gain from 1890 to 1900 and its subsequent decline are due mainly to the discovery, rise, and decline of the Cripple Creek district, and Alaska's gain has resulted from successive discoveries of placer districts and of a few extensive low-grade lodes. Nevada's record of production contrasts with those of the other leading States in having two widely separated peaks, the first due mainly to production on the Comstock lode in 1872 to 1879 and the second to production in the Goldfield district in 1905 to 1915. South Dakota's production, which is less than that of the other States mentioned, has come mainly from the Homestake Mine, the leading gold producer in the country, and has been more evenly maintained. Its few years of subnormal production have been due to general economic and local plant conditions rather than to irregularities in the discovery and development of ore.

### III. HISTORICAL GEOLOGY.

Gold has been produced in the United States from deposits of different classes formed during at least five metallogenetic epochs.<sup>1</sup> The earliest of these deposits are associated with granitic and subsilicic intrusive rocks of late pre-Cambrian age and include quartz veins and lodes formed at high temperature. The outstanding members of this group are the great gold deposit of the Homestake Mine of South Dakota and the copper deposits at Jerome, Arizona. Many smaller deposits are present in Southern California, New Mexico and Wyoming. The Homestake deposit, which contributes about 15 per cent of the country's present output, resulted from the replacement of limestone beds in pre-Cambrian schist, but there is some question as to whether a part of this mineralisation did not occur in Tertiary time. The gold-quartz veins of the Southern Appalachian region, which are of little importance as present or future producers, are in pre-Cambrian metamorphic rocks, but appear to be genetically associated with granitic intrusions of late Paleozoic age.

Minor deposits were formed in early Mesozoic time, but the most valuable gold deposits in North America were formed in late Mesozoic time. The deposits were mainly quartz veins of mesothermal origin associated with great batholiths of granodiorite and quartz monzonite intruded at the end of the Jurassic period throughout the Pacific coast region from Alaska to Mexico. Ore deposition took place abundantly along the marginal areas of these batholiths. Gold was the predominant metal, and copper the next in importance. These deposits were the

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<sup>1</sup> LINDGREN, WALDEMAR: "Mineral Deposits", 3rd ed., pages 1001-1005, 1928.

sources of the extensive placer deposits in California and Alaska and of smaller ones in Oregon and Idaho which were formed in Eocene and later time. These lodes and placers together now furnish more than 40 per cent of the country's gold production, and in the past the proportion has been even larger.

In early Tertiary, principally Eocene time, igneous activity was prevalent throughout the eastern part of the Cordilleran region from British Columbia southward to Mexico, where it attained its greatest development. The predominating intrusive rocks again were granodiorite and quartz monzonite, in the form of stocks, laccoliths, dikes, and sills, and the most productive deposits were related to stocks intruded during a late stage of the volcanic period. They include contact-metamorphic deposits of copper, disseminated copper sulphides in igneous and other siliceous rocks, replacement deposits—mainly of zinc and lead, but also of copper and iron—in limestone, and veins of base metals in quartz and carbonate gangues. Silver and gold are present in all these deposits, and gold is relatively abundant in the oxidised and sulphide-enriched parts of veins in siliceous rock and in certain silicified limestones adjacent to veins; but the greatest quantity of gold is obtained as a by-product of the enormous output of disseminated copper ores. Precious-metal lodes were also formed, but were very small compared to the post-Jurassic veins of the Pacific coast. Arsenic and antimony are more abundant than in the older deposits. These deposits also were the sources of placers, especially in Colorado and Montana, in Miocene and later time. The early Tertiary deposits contribute about 80 per cent of the country's total gold production.

Late Tertiary time was marked by uplift and widespread volcanic eruptions and shallow intrusions, largely of andesitic and rhyolitic rocks, from the eastern front of the Sierra Nevada eastward to the Rocky Mountains. Ore deposits associated with centres of this volcanic activity contained gold and silver ores and included most of the famous "bonanzas". Lead and zinc are not conspicuous, except in deposits replacing limestone, and copper is also scarce; but tellurium and antimony are more common, and mercury is abundant in parts of Nevada and Mexico. As these deposits were formed nearer the surface than the earlier deposits, their productive shoots have generally not persisted to as great depths, but the Comstock and Tonopah districts in Nevada and the Cripple Creek district in Colorado have been worked to depths approaching 3,000 feet and have had a relatively long life and large production. As the exhaustion of the old late Tertiary deposits has not been compensated by new discoveries, production from deposits of this age now amounts to less than 15 per cent of the total for the country and in recent years has been declining.

Post-Pliocene time in California was marked by the deposition of mercury associated with eruptions of basalt, but no noteworthy deposition of gold took place so late. During post-Pliocene time, however, placer gold from terrace or bench gravel has been re-concentrated into stream beds.

\* \* \*

*For the detailed descriptions of the geological deposits, the principal mines and the estimated gold output in 1928-1950 for each gold region of the United States, which follow here in the original memorandum, reference should be made to the proceedings of the International Geologic Congress at Pretoria (July 1929). It has not been thought necessary to reproduce these here as the production forecasts are shown separately in the summary table of the following section and are further illustrated by individual curves in Figure 4 given above.*

#### IV. Conclusions.

*Gold Resources to 1950.*—The following table summarises the estimates made for each State individually, with production in 1927 for comparison.

*Gold Production of the United States in 1927 and Probable Gold Production to 1950.*

	1927		1928-1950 (ounces)	
	Ounces.	Per cent.	Minimum.	Maximum.
Alaska.....	286,298	13.52	18,000,000	55,000,000
Appalachian region.....	601	0.03	40,000	200,000
Arizona .....	203,088	9.59	3,600,000	5,000,000
California .....	564,981	26.68	5,000,000	10,000,000
Colorado .....	259,111	12.24	4,000,000	10,000,000
Idaho .....	15,209	0.72	200,000	500,000
Montana .....	56,076	2.65	970,000	6,000,000
Nevada .....	149,445	7.06	1,850,000	2,700,000
New Mexico .....	26,098	1.23	200,000	500,000
Oregon .....	14,425	0.68	200,000	750,000
South Dakota .....	322,681	15.24	6,000,000	10,000,000
Utah .....	199,518	9.42	5,000,000	7,000,000
Washington .....	19,398	0.92	200,000	400,000
Other States .....	824	0.02	—	—
<b>Total for continental United States .....</b>	<b>2,117,253</b>	<b>100.00</b>	<b>44,760,000</b>	<b>108,050,000</b>
Philippine Islands .....	—	—	1,500,000	4,000,000

It is thought that the minimum represents a conservative estimate of probable production under a continuance of about the present price level. Most of the maximum figures assume either a greater purchasing power of gold or lowered costs through improved technique or better transportation facilities. The minimum figure calls for an average annual production in the next score of years of about two-thirds the present output; to reach the maximum figure, the present rate of production must be doubled.

*Ultimate Gold resources.*—No attempt has been made to give quantitative expression to the ultimate reserves, as the data available for most States are inadequate.

Alaska is still in an early stage of development, and the production from lode mines and, to a less extent, from placers will probably continue well beyond 1950. As shown in Figure 4, Alaska's production is expected to increase at a somewhat accelerated rate. In Arizona, Utah, and Nevada, large deposits of disseminated copper ore give promise of long-continued production of gold as a by-product. In California, few of the lodes now being mined have a probable life exceeding twenty years, but there is a possibility of new discoveries beneath the Tertiary lava. The areas of auriferous gravel are greater than could be exhausted in the time considered if hydraulic mining is again permitted. South Dakota is the only State in which a deposit, valuable chiefly for gold, gives promise of continued production beyond the period considered in the preceding sections.

For the other States, the probability of continued production beyond 1950 depends to a greater or less degree on possible future reduction in costs, either from increased purchasing power of gold or improvements in technique, or on the possibility of new discoveries.

It is thought likely that, except for Alaska, the trend already observable of decreasing gold-mine production, both lode and placer, and increasing production of by-product gold from base-metal ores, chiefly copper ores, will continue, and that the future production of gold in the United States will, even more than at present, depend on that of copper.

**Table 1.—AVERAGE ANNUAL PRODUCTION OF GOLD IN THE  
BY FIVE-YEAR PERIODS, AND BY**

State and Period.	Total <sup>1</sup> .		Placers.		Dry and Siliceous Ores.		Copper Ores.	
	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.
<b>Alaska</b>								
1906-1910 .....	940,582	100.00	766,436	81.49	171,190	18.20	2,906	0.31
1911-1915 .....	794,244	100.00	545,864	68.73	241,642	30.42	6,738	0.85
1916-1920 .....	572,485	100.00	345,329	60.32	220,889	38.58	6,236	1.09
1921-1925 .....	330,181	100.00	183,985	55.72	144,921	43.89	1,183	0.36
1926 .....	324,451	100.00	182,325	56.20	140,191	43.21	1,693	0.52
1927 .....	286,719	100.00	144,255	50.31	142,464	49.69	—	—
<b>Arizona</b>								
1906-1910 .....	134,491	100.00	1,654	1.23	77,593	57.69	47,725	35.49
1911-1915 .....	189,260	100.00	1,575	0.83	117,888	62.29	62,375	32.96
1916-1920 .....	230,084	100.00	435	0.19	128,174	55.71	93,451	40.61
1921-1925 .....	209,216	100.00	394	0.19	109,385	52.29	93,528	44.70
1926 .....	234,011	100.00	339	0.14	50,685	21.66	167,920	71.76
1927 .....	200,495	100.00	303	0.15	30,418	15.17	159,845	79.73
<b>California</b>								
1906-1910 .....	911,146	100.00	391,267	42.94	495,329	54.37	24,046	2.64
1911-1915 .....	996,091	100.00	427,227	42.89	549,812	55.20	18,173	1.82
1916-1920 .....	861,406	100.00	392,632	45.58	445,688	51.74	20,099	2.33
1921-1925 .....	676,957	100.00	288,913	42.68	375,763	55.50	10,681	1.58
1926 .....	576,798	100.00	252,924	43.85	310,520	53.84	11,233	1.95
1927 .....	564,585	100.00	282,380	50.02	264,913	46.92	16,557	2.93
<b>Colorado</b>								
1906-1910 .....	1,052,967	100.00	11,546	1.10	996,194	94.62	10,648	1.01
1911-1915 .....	948,493	100.00	24,070	2.54	886,267	93.43	6,859	0.72
1916-1920 .....	629,820	100.00	28,689	4.56	570,237	90.53	6,358	1.01
1921-1925 .....	344,628	100.00	15,812	4.59	313,532	90.97	1,716	0.50
1926 .....	342,400	100.00	2,271	0.66	320,978	93.75	689	0.20
1927 .....	255,377	100.00	4,568	1.79	234,669	91.89	141	0.06
<b>Idaho</b>								
1906-1910 .....	61,912	100.00	14,709	23.76	40,661	65.67	3,702	5.98
1911-1915 .....	62,212	100.00	29,177	46.91	25,951	41.71	3,328	5.35
1916-1920 .....	36,980	100.00	11,274	30.49	20,150	54.49	2,630	7.19
1921-1925 .....	27,118	100.00	14,365	52.97	7,869	29.02	2,003	7.39
1926 .....	13,669	100.00	8,360	61.16	2,995	21.91	432	3.16
1927 .....	15,316	100.00	7,522	49.10	4,823	31.49	794	5.19
<b>Montana</b>								
1906-1910 .....	177,390	100.00	24,572	13.85	108,180	60.97	37,527	21.16
1911-1915 .....	193,029	100.00	40,477	20.97	115,934	60.05	30,770	25.94
1916-1920 .....	147,575	100.00	20,964	14.21	86,559	58.65	26,719	18.11
1921-1925 .....	83,367	100.00	3,933	4.72	61,344	61.59	19,031	22.83
1926 .....	60,504	100.00	1,104	1.83	23,810	39.35	27,291	45.10
1927 .....	53,541	100.00	1,080	2.02	18,389	34.35	27,241	50.87
<b>Nevada</b>								
1906-1910 .....	668,077	100.00	4,191	0.63	643,354	96.29	8,929	1.34
1911-1915 .....	641,745	100.00	14,707	2.29	583,563	90.93	39,397	6.14
1916-1920 .....	295,609	100.00	11,128	3.76	241,445	81.68	38,933	13.17
1921-1925 .....	185,825	100.00	7,394	3.99	152,701	82.17	21,906	11.47
1926 .....	175,382	100.00	2,866	1.63	126,615	72.19	36,409	20.76
1927 .....	150,346	100.00	1,809	1.20	94,708	62.99	46,884	31.19
<b>Oregon</b>								
1906-1910 .....	46,660	100.00	13,137	28.15	33,187	71.13	336	0.72
1911-1915 .....	62,737	100.00	17,787	28.35	44,621	71.12	244	0.39
1916-1920 .....	64,433	100.00	28,347	44.00	30,633	47.54	5,421	8.41
1921-1925 .....	27,630	100.00	15,615	56.52	10,262	37.14	1,753	6.34
1926 .....	13,243	100.00	5,938	44.84	6,743	50.91	562	4.25
1927 .....	14,676	100.00	8,886	60.55	4,078	33.92	812	5.53
<b>South Dakota</b>								
1906-1910 .....	296,221	100.00	206	0.07	295,998	99.92	—	—
1911-1915 .....	361,752	100.00	292	0.08	361,409	99.91	—	—
1916-1920 .....	299,245	100.00	43	0.01	299,192	99.99	—	—
1921-1925 .....	306,081	100.00	35	0.01	306,046	99.99	—	—
1926 .....	279,529	100.00	6	—	279,523	100.00	—	—
1927 .....	322,032	100.00	14	—	322,018	100.00	—	—
<b>Utah</b>								
1906-1910 .....	215,560	100.00	322	0.15	49,861	23.13	124,251	57.64
1911-1915 .....	187,720	100.00	149	0.08	42,102	22.43	104,454	55.64
1916-1920 .....	135,966	100.00	31	0.02	22,179	16.32	70,984	52.21
1921-1925 .....	133,969	100.00	32	0.02	32,398	24.18	61,120	45.63
1926 .....	182,763	100.00	16	0.01	24,097	13.18	100,854	55.19
1927 .....	193,969	100.00	—	—	22,710	11.71	100,058	51.60

<sup>1</sup> The production here shown is estimated mine production and does not correspond to the final figures of the United States

**NINE CHIEF PRODUCING STATES AND ALASKA, 1906-1927,  
CLASSES OF ORES. (Fine Ounces.)**

Lead Ores.		Zinc Ores.		Copper-Lead and Copper-Lead-Zinc Ores.		Lead-Zinc Ores.		State and Period.
Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.	Quantity.	Per cent.	
—	—	—	—	—	—	—	—	<i>Alaska</i>
—	—	—	—	—	—	—	—	1906-1910
—	—	—	—	31	0.01	—	—	1911-1915
56	0.02	—	—	36	0.01	—	—	1916-1920
342	0.07	—	—	—	—	—	—	1921-1925
—	—	—	—	—	—	—	—	1926
—	—	—	—	—	—	—	—	1927
4,249	3.16	620	0.46	2,650	1.97	—	—	<i>Arizona</i>
4,056	2.14	1,870	0.99	151	0.08	1,345	0.71	1906-1910
4,855	2.11	1,584	0.69	802	0.35	783	0.34	1911-1915
5,080	2.43	—	—	799	0.38	30	0.01	1916-1920
10,686	4.57	66	0.03	2,608	1.11	1,707	0.73	1921-1925
9,091	4.53	10	0.01	725	0.36	103	0.05	1926
—	—	—	—	—	—	—	—	1927
489	0.05	10	—	—	—	5	—	<i>California</i>
850	0.09	29	—	—	—	—	—	1906-1910
2,974	0.35	9	—	4	—	—	—	1911-1915
1,397	0.21	192	0.03	11	—	—	—	1916-1920
1,027	0.18	951	0.16	136	0.02	7	—	1921-1925
330	0.06	336	0.06	69	0.01	—	—	1926
—	—	—	—	—	—	—	—	1927
21,479	2.04	362	0.03	5,983	0.56	6,755	0.64	<i>Colorado</i>
24,194	2.55	160	0.02	1,383	0.15	5,560	0.59	1906-1910
16,122	2.56	517	0.08	734	0.12	7,163	1.14	1911-1915
3,708	1.08	68	0.02	127	0.04	9,665	2.80	1916-1920
1,998	0.58	3	—	23	0.01	16,438	4.80	1921-1925
2,496	0.98	—	—	88	0.03	13,415	5.25	1926
—	—	—	—	—	—	—	—	1927
2,804	4.53	5	0.01	1	—	30	0.05	<i>Idaho</i>
3,175	5.10	6	0.01	—	—	575	0.92	1906-1910
2,478	6.70	1	—	20	0.06	397	1.07	1911-1915
1,847	6.81	—	—	865	3.19	169	0.62	1916-1920
1,456	10.65	—	—	34	0.25	392	2.87	1921-1925
1,828	11.94	—	—	1	0.01	348	2.27	1926
—	—	—	—	—	—	—	—	1927
4,639	2.62	1,593	0.90	879	0.50	—	—	<i>Montana</i>
2,559	1.33	691	0.36	39	0.02	2,559	1.33	1906-1910
3,677	2.49	1,684	1.14	269	0.18	7,703	5.22	1911-1915
2,637	3.16	1,094	1.31	773	0.93	4,555	5.46	1916-1920
2,391	3.95	162	0.27	331	0.55	5,415	8.95	1921-1925
1,541	2.88	1,209	2.26	315	0.59	3,766	7.03	1926
—	—	—	—	—	—	—	—	1927
7,702	1.15	1	—	3,853	0.58	47	0.01	<i>Nevada</i>
3,372	0.53	172	0.03	531	0.08	3	—	1906-1910
3,003	1.02	8	—	934	0.32	158	0.05	1911-1915
3,809	2.05	6	—	149	0.08	461	0.25	1916-1920
8,538	4.87	—	—	204	0.12	750	0.43	1921-1925
6,214	4.13	—	—	417	0.28	314	0.21	1926
—	—	—	—	—	—	—	—	1927
85	0.14	—	—	—	—	—	—	<i>Oregon</i>
32	0.05	—	—	—	—	—	—	1906-1910
—	—	—	—	—	—	—	—	1911-1915
—	—	—	—	—	—	—	—	1916-1920
—	—	—	—	—	—	—	—	1921-1925
—	—	—	—	—	—	—	—	1926
—	—	—	—	—	—	—	—	1927
17	0.01	—	—	—	—	—	—	<i>South Dakota</i>
51	0.01	—	—	—	—	—	—	1906-1910
10	—	—	—	—	—	—	—	1911-1915
—	—	—	—	—	—	—	—	1916-1920
—	—	—	—	—	—	—	—	1921-1925
—	—	—	—	—	—	—	—	1926
—	—	—	—	—	—	—	—	1927
28,626	13.28	14	—	11,094	5.13	1,392	0.65	<i>Utah</i>
32,574	17.35	27	0.02	100	0.05	8,314	4.43	1906-1910
23,324	17.16	—	—	178	0.13	19,270	14.17	1911-1915
26,446	19.74	—	—	20	0.01	13,853	10.42	1916-1920
19,095	10.46	2	—	—	—	38,699	21.17	1921-1925
19,869	10.25	—	—	1,016	0.52	50,256	25.92	1926
—	—	—	—	—	—	—	—	1927

Bureau of Mint which are based on refinery production.

**Table 2.—MINE PRODUCTION OF GOLD IN THE UNITED STATES, 1792-1927.**

(Fine Ounces.)

Period.	Quantity.	Period.	Quantity.
1792-1850 <sup>1</sup> .....	6,000,000	1913.....	4,265,530
1851-1860 <sup>1</sup> .....	26,650,000	1914.....	4,519,662
1861-1870 <sup>1</sup> .....	22,950,000	1915.....	4,823,672
1871-1876 <sup>1</sup> .....	10,750,000	1911-1915 .....	22,784,760
1877-1880 .....	8,369,058	1916.....	4,405,779
1881-1885 .....	7,730,872	1917.....	3,981,482
1886-1890 .....	8,077,967	1918.....	3,258,375
1891-1895 .....	9,106,834	1919.....	2,877,509
1896-1900 .....	15,728,572	1920.....	2,414,410
1901-1905 .....	19,393,722	1916-1920 .....	16,937,555
1906.....	4,565,333	1921.....	2,361,301
1907.....	4,371,639	1922.....	2,289,235
1908.....	4,560,548	1923.....	2,426,490
1909.....	4,809,694	1924.....	2,446,328
1910.....	4,649,496	1925.....	2,319,833
1906-1910 .....	22,956,710	1921-1925 .....	11,843,187
1911.....	4,677,508	1926.....	2,238,616
1912.....	4,498,388	1927.....	2,117,253

<sup>1</sup> Rough estimate.

ANNEX III.

CANADA.

ESTIMATE OF THE FUTURE PRODUCTION OF GOLD IN CANADA.

Letter from Mr. R. H. COATS, Dominion Statistician.

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Dominion Bureau of Statistics,  
Ottawa, Canada,  
March 25th, 1930.

We have gone into the question of the probable future production of gold in Canada and have arrived at the conclusion that in 1940 it will lie somewhere between 2,000,000 ounces and 2,250,000 ounces—probably nearer the latter than the former.

In arriving at this estimate, we have examined the records of present producers of gold, and have also extrapolated a curve. We think gold production in Canada will slowly but steadily increase during the next ten years. Beyond that period we would not attempt an estimate.

(Signed) R. H. COATS.

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## ANNEX IV.

### AUSTRALIA.

#### MEMORANDUM ON THE PROBABLE FUTURE GOLD OUTPUT OF AUSTRALIA.<sup>1</sup>

By Mr. E. C. DYASON, Former Chairman of the Australian Gold Producers Association  
and President of the Victorian Chamber of Mines.

1. The two factors which determine gold output in Australia, as in other countries, are :

- (a) The discovery of a major field (e.g., the Golden Mile at Kalgoorlie, which completely altered the complexion of the industry in Australia from 1895 onwards);
- (b) The course of world commodity prices (i.e., the purchasing power of gold).

These two factors apply with particular force to Australia and render impossible any accurate assessment of future yields.

2. There are two reasons for this :

- (a) Considerable sections of probably auriferous country are inadequately prospected, even on the surface;
- (b) The ore occurrences are, for the great part, extremely irregular in size and value, and most of the production has in the past come from a continuous succession of comparatively minor discoveries within the boundaries of known fields.

3. Prospecting for new gold in Australia has declined to a very low level since the accentuated fall in the value of gold after 1914. Comparative prosperity in other industries has combined with the lower purchasing power of gold to discourage both the individual prospector and the large company from expending energy or money in looking for gold deposits. It may be estimated that the cost of prospecting (and the industry has lived upon prospecting in the past and upon this the bulk of the expenditure has been devoted) has doubled since 1906.

4. This decline in prospecting has led to the almost complete extinction of the industry in the eastern States, where the ore occurrences are almost entirely of the character mentioned in 2 (b). There are, however, practically innumerable possibilities of production in Victoria and New South Wales, if economic conditions (depression in other industries, combined with low commodity prices) should become favourable to gold-mining.

5. In Western Australia, which now contributes the greater part of Australian production, the situation is rather different. There the principal part of the output comes from mines working comparatively large ore shutes, though even there the industry is decadent and mainly concerned with taking out the residual remnants of former discoveries. Some hope has recently been given to the industry by rather better results from prospecting at Kalgoorlie and the development of Wiluna, a large low-grade deposit, estimated to produce approximately £700,000 per annum from, say, June 1930. I assume that these estimates will be realised, but the output from the existing mines must be expected gradually to decline over the next five years, as the present ore bodies become exhausted.

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<sup>1</sup> Assuming the maintenance of the gold standard.



6. The possibility of discovering a major field is one that must be reckoned with in Australia. It is true that there has been no such discovery since the 'nineties and this has to be counted against the probability, but areas incompletely explored and formerly inaccessible are so vast that the development of aviation gives quite some hope that they may be covered by adequately equipped prospecting ventures with some likelihood of success. It is always possible, too, that even the present restricted amount of prospecting or a chance find may reveal a hitherto undiscovered area of highly auriferous rocks. Obviously, however, estimates cannot be carried so far into the unknown. It is reasonably safe to assume, because of the almost innumerable occurrences, that a considerable number of gold discoveries will be made in Australia between 1930 and 1950. On past experience these will not be individually important. The chance of a new major field's being discovered is incapable of definite expression and, although the writer looks upon the chance for and against this happening within the next twenty years as being evenly balanced, in forming an estimate it has been assumed that it will not occur.

7. The future of gold values is, of course, one in which the influence of Australia—whether as a gold producer or as a unit of the economic world—is likely to be negligible. The great concentration of the world's gold currencies from the people's pockets into banking reserves would appear to support considerably higher commodity price levels than prevailed before the war and there seems no tendency toward the resumption of gold circulations. On the other hand, the full force of this condition appears to have been felt and, unless international banking develops at a greater rate than appears probable at present, it seems likely that improvements in productive technique will move relatively faster and that therefore price levels are more likely to decline than to increase rapidly.

8. Obviously, the foregoing discussion of this question is inadequate, but it is necessary to make some assumption regarding price levels. If, for example, price levels (and wages for these are most important in mining) fell to the 1896 level, gold-mining might be expected to flourish in Australia. This would occur not so much, because there are large bodies of low-grade ore just below the remunerative level. There are not so many of these deposits known, but the lower costs and wage levels would greatly stimulate prospecting and there can be little doubt that a stream of new discoveries would follow this increased activity.

9. In view of the necessity for making a more or less definite assumption as to the course of world prices, omitting a discussion on the possible divergence between wages and commodity prices, it is assumed that the average of the two (wages being roughly 50 per cent of mining costs) will fluctuate between 25 and 50 per cent above 1914 in terms of gold, with a tendency toward the lower figure.

10. While technical improvements in mining are being made, there does not appear to be much chance of these improvements being very considerable. There is little hope of the part played by manual labour in underground mining being greatly reduced and labour rates must remain an important element in mining costs. Improvement in output from improving methods is not greatly to be expected.

11. The chance of new discoveries through geo-physical prospecting is not great as regards pure gold ores. The fact that two parts in 140,000 are usually remunerative, while one part in 140,000 is definitely unremunerative, leaves the distinction between ore and rock a very fine one for any scientific instrument to detect. Base-metal ores containing gold may be located by instruments and may affect the output, but this is unlikely to be of great importance in the total production.

12. On the foregoing reasons, therefore, I would be inclined to expect that the gold yield of Australia would gradually decline as the Western Australian mines, now working, are exhausted,

but against this must be reckoned the expected output of Wiluna of £700,000 per annum. The decline may be expected until a point of balance with the opposite forces mentioned in paragraph 8 is reached. Assuming no major discovery is made, but assuming Wiluna to be producing from June 1930, an estimate may be hazarded as follows :

1930 .....	£2,300,000 per annum.
1931 .....	£2,550,000    »
1932 .....	£2,500,000    »
1933 .....	£2,450,000    »
1934 .....	£2,400,000    »
↓	↓
1950 .....	£1,750,000

TABLE SHOWING THE VALUE IN £'S OF GOLD PRODUCED IN AUSTRALIA.—1901 to 1929.<sup>1</sup>  
Prepared by Mr. Charles H. WICKENS, Statistician and Actuary of the Commonwealth.

Year.	N. S. Wales.	Victoria.	Queensland.	South Aust.	West Aust.	Tasmania.	Northern Territory.	Total Australia.
1901	737,164	3,102,753	2,541,764	16,613	7,235,653	295,176	88,385	14,017,508
1902	684,970	3,062,028	2,720,512	24,828	7,947,661	301,573	70,251	14,211,823
1903	1,080,029	3,259,482	2,839,801	28,650	8,770,719	254,403	69,647	16,302,731
1904	1,146,109	3,252,045	2,714,934	76,025	8,424,226	280,015	41,764	15,935,118
1905	1,165,013	3,173,744	2,517,295	45,853	8,305,654	312,380	51,392	15,571,331
1906	1,078,866	3,280,478	2,313,464	27,000	7,622,749	254,963	48,864	14,626,384
1907	1,050,730	2,954,617	1,978,938	20,540	7,210,749	277,607	21,581	13,514,762
1908	954,854	2,849,838	1,975,554	12,300	6,999,882	242,482	23,942	13,058,852
1909	869,546	2,778,956	1,935,178	30,206	6,776,274	190,201	30,906	12,611,267
1910	802,211	2,422,745	1,874,955	28,000	6,246,848	157,370	25,521	11,557,650
1911	769,353	2,140,855	1,640,323	15,000	5,823,075	132,108	30,910	10,551,624
1912	702,129	2,039,464	1,477,979	28,000	5,448,385	161,300	22,671	9,879,928
1913	635,703	1,847,475	1,128,768	27,800	5,581,701	141,876	13,250	9,376,573
1914	528,873	1,755,236	1,059,674	26,581	5,237,353	111,475	9,754	8,728,946
1915	562,819	1,397,793	1,060,703	25,830	5,140,228	78,784	3,781	8,269,938
1916	459,370	1,090,194	913,951	33,000	4,508,532	67,072	3,861	7,075,980
1917	349,038	857,500	761,639	30,334	4,121,645	61,577	3,677	6,185,410
1918	369,743	674,655	567,371	26,252	3,723,183	44,724	2,229	5,408,157
1919	336,240	691,632	618,101	16,465	3,748,882	39,252	4,234	5,454,806
1920	275,109	859,461	648,168	9,546	3,475,392	35,134	5,282	5,308,092
1921	271,302	554,087	214,060	13,933	2,935,693	28,311	1,299	4,018,685
1922	118,359	501,515	378,154	4,693	2,525,811	16,101	540	3,545,173
1923	83,325	422,105	392,563	4,199	2,232,179	16,300	743	3,151,414
1924	86,905	312,398	459,716	4,093	2,255,932	21,516	3,270	3,143,830
1925	82,498	200,901	197,118	3,535	1,874,320	14,969	1,939	2,375,280
1926	82,551	208,471	43,914	3,219	1,857,716	17,936	594	2,214,401
1927	76,595	163,699	161,321	1,776	1,734,571	20,646	468	2,159,076
1928	54,503	144,068	56,395	2,258	1,671,093	15,306	431	1,944,054
1929	31,842	111,609	33,204	1,500	1,602,142	23,772	553	<sup>2</sup> 1,804,622

Commonwealth Bureau of Census and Statistics.  
Canberra, March 6th, 1930.

<sup>1</sup> For purpose of conversion into fine ounces the values given are to be divided by 4.24773, the value in pounds sterling of the fine ounce of gold.

<sup>2</sup> Subject to slight adjustment.

ANNEX V.

INDIA.

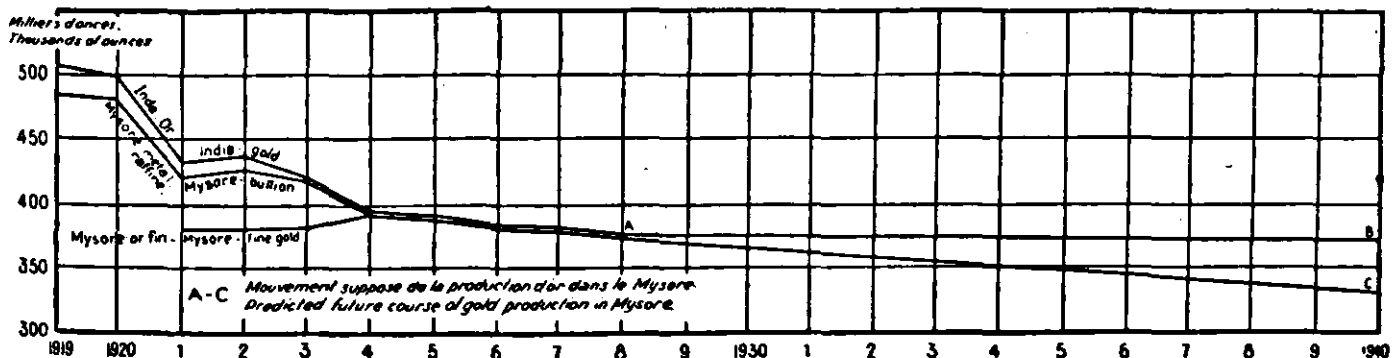
ESTIMATE OF FUTURE GOLD PRODUCTION IN INDIA TO THE END OF 1940.

By Dr. FERMOR, Director of the Geological Survey of India.

It is desired to forecast the probable output of gold from India up to the end of 1940. I give first in tabular statement the figures for the ten years 1919-1928 :

	<i>India.</i> Ounces.	<i>Mysore.</i> Ounces.
1919 .....	507,261	485,248
1920 .....	499,068	482,958
1921 .....	432,723	422,538 (a)
1922 .....	438,015	429,560 (b)
1923 .....	422,307	420,669 (c)
1924 .....	396,351	392,578 (d)
1925 .....	393,875	393,513 (d)
1926 .....	384,159	382,899 (d)
1927 .....	384,273	381,723 (d)
1928 .....	376,063	375,886 (d)

In the earlier years of the period shown, there was an appreciable output of gold from mines worked according to European methods in Hyderabad State and in the Anantapur district, Madras Presidency. The Hatti Mine in Hyderabad was closed down in 1920, whilst work in the Anantapur district finally ceased in 1927. Apart from these two areas, the annual production of gold in India outside the Mysore State consists of trivial quantities of alluvial gold from Burma, the Punjab and the United Provinces, with an occasional small production of vein-gold from the Kundra-Kocha Mine in the Singhbhum district, Bihar and Orissa. With the cessation of mining in Hyderabad and Anantapur, the production of gold in India outside Mysore is not likely to average more than 1,000 ounces a year. We may exclude, therefore, all production outside Mysore and base our estimates for the future upon the Kolar goldfield in Mysore State only. In the following diagram, I have shown the all-India production of gold and also the Mysore production of gold for the ten years 1919-1928. Formerly the production from Mysore



(a) Contains 380,780 ounces of fine gold. (b) Contains 381,955 ounces of fine gold. (c) Contains 382,060 ounces of fine gold. (d) Fine gold.

was given in terms of unrefined bullion, but in the years 1921-1923 the gold contents of the bullion were reported separately, and from 1924 onwards fine gold only has been returned. The lower curve in the diagram gives the production of fine gold in Mysore for the years 1921-1928 inclusive. It will be seen that, in 1921, the output of fine gold was 380,780 ounces, that this rose to a maximum of 393,518 ounces in 1925, and declined again to 375,886 ounces in 1928.

It is, of course, difficult to forecast precisely the future progress of developments at Kolar, and therefore to decide whether we should regard our curve for the future as that A-B obtained by producing the line joining the points for 1921 and 1928, in which case the production will have fallen annually to 365,000 ounces by 1940; or whether we should base our predictions for the future only on the production of the five years 1924-1928, in which case, by producing the line joining 1924 and 1928, we shall predict a somewhat more rapid decline giving a production in 1940 of only 330,000 ounces as per A-C.

In view of the increasing depth of the Kolar Mines and the increasing difficulties attendant thereon in the form of increasing rock temperatures and of increasing rock pressures leading to dangerous accidents, so that conditions of work become increasingly more unpleasant with depth, it seems wise to reject the upper curve A-B and to consider only the lower one A-C. The question is whether we can predict that the rate of production from the Mysore Mines will decline only at this rate in view of the fact that ore reserves for so long a period have not been proved to exist and of the increasing difficulties of work just referred to. It is a fact, however, that hitherto all the difficulties due to increasing depth have been successfully overcome, and there seems no reason to suppose that, should the gold-bearing lodes continue to greater depths with a grade not lower than that at present experienced, these physical difficulties will not be overcome. The question therefore really is whether we can reasonably expect the lode at present being worked to continue deep enough to provide ore reserves until 1940. Upon this it is impossible to express an opinion, but the fact is that fresh ore shoots continue to be found in depth, and no geological reasons have as yet been discovered why these ore shoots should not continue to occur at considerably greater depths than those to which they have been at present proved.

The Indian production of gold forms such a small proportion of the world's total that I presume the purposes of the present enquiry will be satisfied if we indicate a probable upper limit of gold that is likely to be produced in the period under consideration. For this purpose, we may take the line A-C as indicating the probable maximum future curve of production for Mysore and therefore really for the whole Indian Empire.

According to this curve, the production in 1929 should be 372,000 ounces, and that for 1940 330,000 ounces. The average production for these twelve years then works out at 350,500 ounces, only, which gives a production during the twelve years 1929-1940 amounting to 4,206,000 ounces; or, if we allow an extra 1,000 ounces, annually from other sources in India, we may estimate that the total gold production of India for the twelve years 1929-1940 inclusive will be 4,218,000 ounces, of fine gold.

In view of the uncertainty of the data, we may, I think, estimate the future production of Indian fine gold for the twelve years 1929-1940 at a maximum of 4,000,000 ounces.

January 25th, 1930.

(Signed) L. L. FERMOR.

## ANNEX VI.

### JAPAN.

#### PROSPECTS OF GOLD PRODUCTION IN JAPAN.

Extracts from a Letter from M. S. AOKI, of the Tokio Office of the League of Nations.

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*At the request of the Secretariat, Mr. Aoki, in the beginning of December 1929, made an enquiry among the experts of the leading gold-mining companies of Japan regarding the prospects of gold production in that country. The results of this enquiry he summarised in a letter to the Secretariat, the essential parts of which are given below.*

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1. The experts consulted are unanimously of the opinion that the output of gold in this country largely depends upon that of copper and thus that the increase of copper production leads to an increase in the output of gold. The statistics for 1928 indicate that more than 60 per cent of the gold produced was derived as a by-product from copper-smelting; the rest fell on gold-mines and some other sources of supply. This situation will be quite different from that of other countries. No one can tell anything about the prospects of gold production before investigating the copper situation.

2. From 1920 to 1924, the yearly output—excluding that of Chosen, Taiwan and Karafuto—fluctuated slightly round 2,000,000 mommé (1 mommé is equivalent to 8.7565 grammes), while from 1925 to 1929 it increased from 2,200,000 mommé to about 2,650,000 (including an estimate for December 1929). It proved very difficult, however, for the experts to estimate whether the steady increase recorded in the last five years would continue and, if so, at what rate.

3. The output of gold is also determined by some factors other than the copper production, such as foreign exchange rates, price of copper in America, system of copper-smelting, discovery of new gold-mines, etc.

In regard to the foreign exchange situation, a gold standard will in practice be maintained from January 11th next year and the exchange rates have already been more or less stabilised, a result of which may appear in the output of copper, which has attained its highest degree for the last few months on account of low rates of exchange.

With reference to copper-smelting, the dry system now prevails in this country, but the wet system will be adopted if it proves successful. This system will not produce as much gold as before.

We are informed of a new enterprise for gold production which the Mitsubishi Co. has begun to establish in Chosen. It may be expected that this new mine will add something to the gold output figure.

4. To sum up, every expert consulted stated that it was extremely difficult, if not impossible, to give me any estimate of the prospective gold output during 1930-1950 or during 1930-1940.

5. I attach a brief statistical table on gold and copper production in Japan for purposes of reference. This table was furnished by the Ministry of Commerce and Industry.

(Signed) S. AOKI.

Tokio, December 18th, 1929.

PRODUCTION OF GOLD.

Year.	Japan proper (mommé).	Chosen, Taiwan and Karafuto (mommé).	Total (mommé).
1877	93,421	—	93,421
1887	138,838	—	138,838
1897	276,422	—	276,422
1902	793,518	—	793,518
1907	773,751	—	773,751
1912	1,373,454	—	1,373,454
1913	1,477,050	—	1,477,050
1914	1,916,763	—	1,916,763
1915	2,211,931	—	2,211,931
1916	2,104,441	—	2,104,441
1917	1,887,072	—	1,887,072
1918	2,051,652	—	2,051,652
1919	1,938,711	845,820	2,784,531
1920	2,058,400	888,994	2,947,394
1921	1,966,578	711,919	2,678,497
1922	2,007,151	886,851	2,894,002
1923	2,050,971	1,048,890	3,099,861
1924	2,026,743	1,112,495	3,139,238
1925	2,256,908	1,251,340	3,508,248
1926	2,426,281	1,909,008	4,335,289
1927	2,561,855	1,504,691	4,069,546
1928	2,770,790	1,380,063	4,150,853

PRODUCTION OF COPPER.

	(Kin)	(Kin)	(Kin)
1877	6,570,744	—	6,570,744
1887	18,439,613	—	18,439,613
1897	33,982,217	—	33,982,217
1902	48,390,637	—	48,390,637
1907	64,522,797	—	64,522,797
1912	104,037,499	—	104,037,499
1913	110,835,408	—	110,835,408
1914	117,439,081	—	117,439,081
1915	125,692,732	—	125,692,732
1916	167,725,869	—	167,725,869
1917	180,063,949	—	180,063,949
1918	150,568,821	—	150,568,821
1919	130,738,861	3,835,132	134,573,993
1920	112,987,381	1,431,519	114,418,900
1921	91,595,817	62,454	91,658,271
1922	90,210,457	2,914	90,213,371
1923	98,909,522	107,506	99,017,028
1924	105,093,487	1,089,831	106,183,318
1925	110,811,665	1,391,206	112,202,871
1926	112,273,749	4,168,664	116,442,413
1927	110,952,081	5,152,054	116,104,135
1928	113,721,441	7,640,506	121,361,947

Note : 1 mommé = 3.7565 grammes.  
1 kin = 160 mommé.

B. PRIVATE ESTIMATES AND STATEMENTS.

ANNEX VII.

PRODUCTION AND CONSUMPTION OF GOLD—PAST AND PROSPECTIVE.

By Mr. Joseph KITCHIN.

(Originally submitted to the British Committee on Finance and Industry.)

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I. GOLD PRODUCTION OF THE PAST.

1. The world's output of gold advanced greatly after the discoveries in California and Australia in 1848 and 1851, and the following gives a summary, mainly by centuries, from the earliest recorded figures:

(In millions of pounds at 84/11½ per fine ounce.)

		Century's output.	Aggregate output.	Annual rate.	Century's increase.	
1493-1600		103.2 = 2.4 %	103.2	0.97	—	
1601-1700		124.6 = 2.8 %	227.8	1.25	21.4	
1701-1800		259.9 = 5.9 %	487.7	2.60	135.3	
1801-1850	162.0	1,568.5 = 35.5 %	649.7	15.68	1,308.6	
1851-1885	858.9		1,508.6			24.54
1886-1900	547.6		2,056.2			36.31
1901-1929		2,355.6 = 53.4 %	4,411.8	81.23		
		4,411.8 = 100 %				

2. The following gives the record by countries, those specified accounting for 80 per cent of the total output to date and 91 per cent of the 1929 output. The countries are arranged in the order of their beginning year, *i.e.*, the year when the output commenced to be of more than insignificant size:

	Year of discovery.	Total output to end 1929.	Year's record output.	Discovery to record year.	1929 output.
Russia .....	1814	£389,000,000	£7,300,000 in 1910	96 years.	£5,000,000
United States .....	1848	981,000,000	20,800,000 in 1915	67 »	9,100,000
Australia .....	1851	720,000,000	18,400,000 in 1903	52 »	2,500,000
Transvaal .....	1888	1,018,000,000	44,300,000 in 1929	41 »	44,300,000
India .....	1889	78,000,000	2,500,000 in 1912	23 »	1,500,000
Mexico .....	1894	152,000,000	5,100,000 in 1910	16 »	2,500,000
Canada .....	1896	147,000,000	8,100,000 in 1929	33 »	8,100,000
Rhodesia .....	1900	71,000,000	3,900,000 in 1915	15 »	2,400,000
West Africa .....	1903	29,000,000	1,700,000 in 1914	11 »	800,000
		£3,530,000,000			£76,200,000
Rest of World .....		882,000,000			7,300,000
World's total since 1498		£4,412,000,000			£83,500,000

3. The Transvaal now ranks first and the United States second in total and present output. Of the Transvaal production, the Rand district accounts for 99 per cent; the Indian output all comes from the Kolar district of Mysore; most of the Canadian total is derived from the Porcupine and Kirkland Lake districts; and most of Australia's total from the Kalgoorlie district of Western Australia; while, in the case of the other countries and the rest of the world, the production is spread over many districts and is small for individual mines.

4. The foregoing tabulation indicates that there is a tendency for gold countries to reach their zenith more speedily with the progress of time, which is perhaps an indication that the newer goldfields are more intensively worked. As far as present indications go, it appears that, of the nine countries, all except the Transvaal and Canada have already passed their zenith, though the two exceptions account for 63 per cent of the present rate of production. Apart from the two countries just mentioned, the record years all come within the period 1903-1914.

5. Most of the countries have shown swings from low to high points and *vice versa*, and in the following tabulation they have been arranged in order of highest annual production, which is also, with one or two exceptions, the order of present output.

Record years are given in italics :

	High	Low	High	Low	1929
	£	£	£	£	£
Transvaal .....	—	—	1916 39,500,000	1922 29,800,000	44,300,000
United States .....	1853 13,100,000	1883 6,200,000	1915 20,800,000	1927 9,100,000	9,100,000
Australia .....	1853 12,700,000	1886 5,300,000	1903 18,400,000	1929 2,500,000	2,500,000
Russia .....	1871 5,400,000	1886 3,800,000	1910 7,300,000	1920 200,000	5,000,000
Canada .....	—	—	1900 5,700,000	1907 1,700,000	8,100,000
Mexico .....	—	—	1910 5,100,000	1914 100,000	2,500,000
Rhodesia .....	—	—	1916 3,900,000	1929 2,400,000	2,400,000
India .....	—	—	1912 2,500,000	1929 1,500,000	1,500,000
West Africa .....	—	—	1914 1,700,000	1928 700,000	800,000
			104,900,000		76,200,000



The present yield of these nine countries is therefore 27 per cent below their record annual output when added together irrespective of date. The low points of the Transvaal in 1922 and of Mexico and Russia in 1914 and 1920 were severely reduced by the white miners' strike on the Rand and by the revolutionary troubles in the last two cases, so that they are not representative of normal conditions.

6. As regards the world as a whole, the production advanced from £6,000,000 in 1847 to £30,700,000 in 1853. In those days—it is very different to-day—the bulk of the gold won was derived from alluvia and, as this was gradually worked out, the output fell to £19,600,000 in 1883. A few years later, the Rand district of the Transvaal was discovered and several of the countries also increased their production, but the Transvaal has the main credit of the subsequent rise, which led to the record figure of £96,400,000 in 1915. After that time (disregarding the year 1922, when the output was reduced £6,000,000 owing to the Rand white miners' strike) the total fell to a new low point of £68,000,000 in 1921, and it has recovered during the last five years to between £81,000,000 and £83,500,000 (13 to 16 per cent below 1915) with a slightly rising tendency. Apart from the Transvaal, the production has fallen from £57,000,000 in 1915 to £39,200,000 in 1929. Details of production year by year from the time of record are given in Table II.

## II. CONSUMPTION OF GOLD.

7. In Table I are given particulars annually and quinquennially from 1890 to 1929 (the figures for 1929 being estimates subject to revision) of the consumption of the world's gold supply. The first claims on new gold are made by the industrial arts of Europe and America and by India, and, to a minor extent, China and Egypt. When these claims are satisfied, the balance is available for addition to the world's stock of gold money. This world's stock has been compiled by the writer simply by adding this balance year by year to an assumed stock of £210,000,000 in 1847. It therefore does not represent a physical count of the visible money in the world year by year, but has the advantage of giving annual totals over a long period, and it tallies well with physical counts, so that it appears to be largely justified. The stock of gold money so computed omits India, China and Egypt, where gold money does not circulate and is of negligible quantity.

8. The table shows :

	1835-1889 (55 years)	1890-1929 (40 years)	TOTAL 1835-1929 (95 years)	1920-1929 (last 10 years)
	£      %	£      %	£      %	£      %
Industrial Arts .....	371,000,000 = 36	665,000,000 = 24	1,036,000,000 = 27	162,000,000 = 21
India's absorption .....	134,000,000 = 13	450,000,000 = 16	584,000,000 = 15	195,000,000 = 25
China and Egypt's absorption .....	18,000,000 = 1	72,000,000 = 2	90,000,000 = 2	—
<b>Total demand .....</b>	<b>523,000,000 = 50</b>	<b>1,187,000,000 = 42</b>	<b>1,710,000,000 = 44</b>	<b>357,000,000 = 46</b>
Added to stock of gold money .....	514,000,000 = 50	1,625,000,000 = 58	2,139,000,000 = 56	415,000,000 = 54
<b>World's output .....</b>	<b>1,037,000,000 = 100</b>	<b>2,812,000,000 = 100</b>	<b>3,849,000,000 = 100</b>	<b>772,000,000 = 100</b>

The data for other periods can be gleaned from the table, but it will be seen that, broadly, the demand is of the order of 45 per cent of the output, while the remaining 55 per cent is added to the stock of gold money.

9. If this stock of gold money is suitably charted (*vide* the writer's statement of evidence in the Report of the Royal Commission on Indian Currency and Finance), it will be seen that, from 1850 to the outbreak of the Great War and subject to allowance for trade cycle variations, there is a fairly close correspondence between the stock on the one hand and the wholesale commodity prices and the bank rate on the other. The following compares the three factors for a century to the outbreak of the Great War. The years 1848, 1862 and 1894 are those when the annual increase in the stock of gold money changed from below 3.1 per cent to above 3.1 per cent, or *vice versa*. As 3.1 per cent was the average annual increase in the stock from 1850 to 1910, that figure is subtracted from the rate of change in the stock for the purpose of giving a better comparison with the other two factors. The years 1810, 1849, 1873 and 1896 in the case of commodity prices and 1851, 1865 and 1895 in the case of the bank rate, are the years of major maxima or minima for three-year centred averages. The years 1807 and 1911 are taken for the stock of gold money to allow for the supposed lay of two or three years in its effect.

	STOCK OF GOLD MONEY.			WHOLESALE COMMODITY PRICES.				BANK RATE			
	Total stock.	Increase p. a.	Rate of change p. a.		3 years average centred.	Change in period.	Rate of change p. a.		3 years average centred.	Change in period.	Rate of change p. a.
	£	£	%			%	%		%	%	%
1807	160,000,000			1810	197	— 55	— 2.0	1810	5.0	— 49	— 1.6
		1,200,000	— 2.4								
1848	210,000,000			1850	89	+ 42	+ 1.5	1851	2.56	+ 148	+ 6.7
		17,800,000	+ 2.8								
1862	459,000,000			1873 <sup>1</sup>	126	— 42	— 2.4	1865	6.35	— 65	— 3.6
		16,700,000	— 1.4								
1894	802,000,000			1896	73	+ 38	+ 1.9	1895	2.20	+ 90	+ 3.5
		40,400,000	+ 0.6								
1911	1,489,000,000			1913	100			1913	4.19		

The last two factors, with a small lag, rise or fall in their general trend as the rate of increase in the stock of gold money wanes and waxes, and a similar state of affairs would doubtless be found to exist with many other economic factors.

10. The correspondence with the stock of gold money ceases after 1914 for the reasons that war and post-war conditions have upset any comparison and that the item which influences such factors as commodity prices is now, not the total stock of gold money, but that portion of it which has been collected into central banks and Treasuries. The monetary conditions have been greatly changed by the transference of gold from circulation and other banks.

### III. PROSPECTIVE SUPPLIES OF GOLD.

11. There is reason to believe that 1915, with its total of £96,400,000—apart from some outstanding new discovery—will prove to have been the zenith of the world's gold output and that, though the production, after falling to £68,000,000 in 1921, has recovered to £83,500,000 at the present time (55 per cent of this recovery being due to the New Rand and the balance to Canada and Russia), the prospects are that there will be no further recovery, but rather a decline, increasing with time, after about 1934.

<sup>1</sup> There is some reason for taking 1864 (121) instead, and there would then be greater correspondence in time with the bank rate.

12. The search for gold has grown in intensity for the last eighty years, and the world is now rather fully prospected. The day of the individual digger has largely passed and has given way to work by organised companies. Gold is very largely disseminated in many parts of the world, but is rarely found sufficiently concentrated to be payable. It occurs mainly in igneous quartz reefs or the alluvia derived from their disintegration, and for the most part it is not won in conjunction with other metals. Since 1888, however, it has been won from the basket or "pudding-stone" of the Rand, a conglomerate of sedimentary formation. The Rand is a district some fifty miles long and consists of an almost continuous series of mines.

13. The change in the production from alluvial to quartz reefs and then to basket can be very roughly illustrated thus :

	Proportions.			Annual Totals.			Total.
	Alluvial.	Reefs.	Basket.	Alluvial.	Reefs.	Basket.	
	%	%	%	£	£	£	£
1848-1875	90	10	Nil.	21,000,000	2,000,000	Nil.	23,000,000
1890	45	47	8	11,000,000	11,500,000	2,000,000	24,500,000
1904	18	60	22	12,000,000	43,000,000	16,000,000	71,000,000
1929	8	39	53	7,000,000	32,000,000	44,000,000	83,000,000

14. Prior to 1890, the recovery was probably only 60 per cent of the gold contained in reefs or basket, but, largely because of the adoption of the cyanide process, the proportion is now about 95 per cent, and for some time past it has virtually reached its limit.

15. More than half the world's production is obtained from the Transvaal, all of whose gold, except about £1,000,000 a year, is won from the basket of the Rand district. This district may be divided into two areas—the Old Rand, consisting of the western, central and near-eastern sections, and the New Rand, consisting of the far-east section from the New Kleinfontein mine onwards. The Old Rand reached its zenith in 1912 with £32,400,000 and it is now producing less than two-thirds of this quantity. Its production is likely to continue to drop markedly. The New Rand, on the other hand, arose some sixteen years later and is likely to continue to increase till about 1932 or 1933, then to decline moderately till about 1940, after which it will probably decrease at a more rapid rate.

16. The outcrop portions of the Rand mines have been worked out, and operations are carried on at ever-increasing depths, even a mile or more from the surface. In the period 1913-1929, twenty-seven mines (twenty-six on the Old Rand) ceased operations, while seven new mines (all on the New Rand) commenced production. The number of companies now producing is thirty-three. The output has not fallen in proportion to the number of producing companies for the reasons that the newcomers have worked on a larger scale than the average of the older mines and that several of the companies have added to their areas and increased their milling capacities. Because of the fact that work has to be conducted at increasing depth, the present cost of opening up a new mine is in the neighbourhood of £1,750,000 to £2,000,000 and the time required six or seven years—a period which tends to increase. This is naturally a great deterrent to the opening-up of a new mine, for it requires some courage to subscribe money with no possibility of a return for many years and with no certainty of the mine then being payable, for much of the money has to be risked long before the value of the property can be even approximately gauged. The last mine started production in 1924—over five years ago—while, as regards producers which are still to come, two are likely to add to the output from 1932 and 1934, one other is in the developing stage, and, apart from those, there are three or four which may help to minimise the fall in the output.

17. Canada produces under 10 per cent of the world's production, but, from 1907 to 1929, it has shown a fairly steady progress from £1,700,000 to £8,100,000 and will doubtless go farther yet. Russia and Mexico may increase their present totals of £5,000,000 and £2,500,000 moderately. The United States, at present holding second place with 11 per cent of the output, has decreased rather precipitately from £20,800,000 in 1915 to £9,100,000. Australia has fallen practically every year from £18,400,000 in 1903 to £2,500,000. All countries except the Transvaal, Canada and perhaps Russia and Mexico seem likely—collectively if not individually—to decline.

18. It has already been indicated that little is to be hoped from improved metallurgy, while the limits and possibilities of existing goldfields are perhaps fairly known. Subject to the qualification as to the possibility of some outstanding new discovery, there seems to be no prospect that the world's production will advance beyond the present level. The question as to whether there is anything in this qualification is therefore vital. The Rand is unique alike in its formation and its rate of production, and one can hardly expect another Rand to be discovered. At any rate, over forty years have passed without a suggestion that anything of the kind is probable, and the fields which have since arisen (*vide* paragraph 2) have not attained very considerable proportions. Apart from the Rand, no single goldfield has ever in history reached a maximum output of more than about £5,000,000 per annum or has lasted any appreciable time without showing a marked decline. The Klondyke district is a fairly recent example; and it would require several goldfields of the order of £5,000,000 per annum—only 6 per cent of the present world output—to offset the decrease which is in prospect with time. Moreover, if there is any important new discovery, it will (unless alluvia is concerned) reach appreciable figures only after many years' work. While it would not be reasonable to dismiss the possibility of considerable additions from new sources—the analogy of the history of gold itself and of other metals forbids that—it is not prudent to attempt to speculate on what is unknown and unassessable.

19. The writer has made as careful an estimate as possible of the probable world output up to 1940. In the case of the Transvaal, in respect of which he has the advantage of special knowledge, the lives, outputs and prospects of thirty-nine mines (including six not yet producing) have been separately calculated, with due allowance for improving grade or enlarged capacity in some cases and for declining grade in the case of mines nearing the end of their lives. In the cases of Canada, the rest of the British Empire, the United States and Russia—where scattered mines are mostly concerned and no special knowledge is claimed—the trend of the last four or five years has been assumed to continue.

(In millions of pounds.)

	Transvaal.	Canada.	Rest of Empire.	BRITISH EMPIRE.	United States.	Russia.	Elsewhere.	WORLD.
1929	44.3	8.1	7.2	59.8	9.1	5.0	9.8	83.5
1930	43.6	8.4	7.0	59.0	8.9	5.2	10.0	83.1
1931	43.0	8.7	6.8	58.5	8.7	5.4	10.0	82.6
1932	44.6	9.0	6.6	60.2	8.5	5.6	10.0	84.3
1933	43.8	9.3	6.4	59.5	8.3	5.8	10.0	83.6
1934	42.9	9.6	6.2	58.7	8.1	6.0	10.0	82.8
1935	41.8	9.9	6.0	57.7	7.9	6.2	10.0	81.8
1936	41.4	10.2	5.8	57.4	7.7	6.4	10.0	81.5
1937	40.3	10.5	5.6	56.4	7.5	6.6	10.0	80.5
1938	38.6	10.8	5.4	54.8	7.3	6.8	10.0	78.9
1939	35.6	11.1	5.2	51.9	7.1	7.0	10.0	76.0
1940	35.5	11.4	5.0	51.9	6.9	7.2	10.0	76.0

According to this calculation, the existing rate of output, while not likely to increase, will remain fairly unchanged for the next five years and will then decrease—at first very slowly and then at a greater rate. The probable error to be allowed for in considering these figures naturally increases with time. If the calculation were continued to a later date, it would show about £60,000,000 in 1945 and £55,000,000 in 1950, thus indicating a very rapid rate of fall between 1940 and 1945 and a slower one afterwards; but estimates so far removed from to-day are to be regarded as containing a considerable element of conjecture. It is right, however, to point out what the possibilities are on the present outlook.

20. As the Committee is probably more interested in the amount of new gold available as money than in the world's output itself, it is desirable to carry the calculations a step farther, with a repetition of the caution as to the estimates after 1940. Accordingly, the quinquennial figures contained in Table I are continued in the following table by the addition of the period 1930-1949. As regards these twenty years, the gold output is that already indicated; and the demand and the balance added to gold money is not an estimate, but merely illustrates the result if these continue to be divided in the *proportions* of 42 and 58 per cent which it will be observed were the averages both for 1890-1914 and for 1915-1929. The effect on the gold in central banks and Treasuries is also shown, it being assumed that they receive the whole of the new gold after the demands of the industrial arts, India, China and Egypt have been satisfied. The possibility of their also receiving further contributions from gold assumed to still remain in other banks, in circulation or hoarded is ignored. They held 65 per cent of the total stock of gold money at the end of 1914 and now have 90 per cent of it, so that further supplies from this source are minimised :

(In millions of pounds.)

	World's Gold output.	Total Demand apart from Money.		Balance added to Money.		Gold in Central Banks and Treasuries.	
						End of period.	Increase p. a. for period.
1890-1894	151.0	59.8	39 %	91.2	61 %	(1,075)	
1895-1899	252.8	97.1	38 %	155.7	62 %		
1900-1904	305.8	131.8	43 %	174.0	57 %		
1905-1909	430.7	162.4	38 %	268.3	62 %		
1910-1914	469.7	222.9	47 %	246.8	53 %		
	1,610.0	674.0	42 %	936.0	58 %		
1915-1919	430.2	155.8	36 %	274.4	64 %	(2,100)	
1920-1924	359.0	188.3	52 %	170.7	48 %		
1925-1929	412.5	168.6	41 %	243.9	59 %		
	2,811.7	1,196.7	42 %	1,625.0	58 %		
1930-1934	416	175	—	241	—	2,341	2.2 %
1935-1939	399	168	—	231	—	2,572	1.9 %
	3,627	1,530	42 %	2,097	58 %		
1940-1944	350	147	—	203	—	2,775	1.5 %
1945-1949	290	122	—	168	—	2,943	1.2 %
	4,267	1,799	42 %	2,468	58 %		

If it were to be assumed that the total demand would persist at the same average *amount* as in the fifteen years to 1929, the figures for the ten years to 1939 would be virtually the same, but those fifteen years represent an abnormal period. Largely as a result of the impoverished conditions of the world outside of the United States, the demand of the industrial arts has been reduced from the 1913 figure of £27,000,000 by 45 per cent, and it is to be expected that in time there will be a greater demand from this source unless fashions change. The demand of India for gold may possibly be reduced in time by other forms of investment finding favour. But if the pre-war increase and amount of total demand are regarded, a very unfavourable view of the prospects of additions to the supply of new money must be taken. Even on the figures of the above tabulation, a declining annual rate of increase of the money in central banks and Treasuries appears to be in sight, and this starting with a rate of increase which on pre-war experience would be totally insufficient to support the world's economic development with a stable level of prices.



## ANNEX VIII.

### PROSPECTS OF FUTURE GOLD PRODUCTION OF VARIOUS COUNTRIES AND OF THE WORLD

Extracts from a Memorandum by Mr. H. A. KURSELL,  
Resident Engineer in New York City of the American Smelting and Refining Company<sup>1</sup>.

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#### 1. UNITED STATES OF AMERICA.

The United States, with 10.8 per cent in 1929, ranks as second gold producer of the world. Its production has steadily declined since 1915, when it reached its peak with 4,823,672 oz., to 2,128,027 oz. in 1929.

Of the twenty-five largest producers listed in 1927, six had practically suspended operations at the beginning of 1930. The Homestake in South Dakota remains the premier gold mine in the United States, milling about 1,600,000 tons per annum and recovering \$3.65 to \$3.75 gold per ton. The reserves of the property are estimated at around 16,500,000 tons.

The fact that no new large gold-mines (Fairbanks excluded) have been developed in Alaska in the last decade has caused general disappointment.

It seems likely that the United States will maintain its production around 2,000,000 oz. per annum for some time to come. No appreciable increase is expected.

#### 2. RUSSIA.

Russia, contributing about 1,000,000 oz., or 5 per cent of the world total, holds fourth place as a gold producer.

It has recently become the fashion among people interested in the future outlook of gold

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<sup>1</sup> This Memorandum, dated New York, April 9th, 1930, was originally prepared for the American Smelting and Refining Company. Mr. Kursell has had the occasion to study on the spot the conditions of gold-mining in a great number of producing countries in the different parts of the world, such as Siberia, the Urals, the Caucasus regions and Turkey in Asia, the Transvaal, Rhodesia and the Congo in Africa, and the principal gold regions in North and South America. In addition to the sections here reproduced, his Memorandum contains special sections on the Transvaal and Canada, which, however, have been excluded as they are largely based on the same sources as, and do not differ in their conclusions from, the statements by national authorities for those countries given elsewhere in this volume. An introductory historical section largely overlapping with the data contained in other documents published in this series has likewise been excluded.



production to credit Russia with vast potentialities. The U. S. Dept. of Commerce, Bureau of Mines, Economic Paper No. 6, published in 1929, summarising on page 62 the outlook for future gold production, speaks of Russia's "vast unexplored and undeveloped precious metal resources." The last issue of "Mineral Industries" (1928), a standard handbook, quotes on page 242 Boris P. Torgashoff in the *China Weekly Review*, March 9th, 1929, as stating that the Russian Far East contained untapped gold reserves exceeding 6,000,000 kg. (193,200,000 oz.) and that Northern Manchuria contained reserves exceeding 3,500,000 kg. (112,700,000 oz.). Such statements have no foundation in fact and probably would not be made if those responsible for them were better acquainted with the original language and with the mineral nature of the country of which they speak.

Russia has been, and to some extent still is, the placer country "par excellence". Less than 10 per cent of its production has come from lode mines, all of which are small. The placers, on the whole, were likewise small, shallow, but fairly high-grade—, *i.e.*, pre-eminently suited for mining operations on a small scale. Individuals or small groups of individuals working entirely without capital, chiefly as lessees or tributors, produced even in 1912 62 per cent. of the total Russian gold output (1,880,100 oz.).

The major part (77 per cent) of Russian production came from Eastern Siberia. The largest gold-mine in Siberia, believed to have been the largest and richest placer mine in the world, is the Lena Goldfields. The rich deep channels for which Bodaibo was famous (\$16.00 to \$20.00 per cubic yard) have mostly been exhausted. Ore reserves in 1928 were estimated at 110,000,000 cubic yards of dredging-ground, valued at 86.6 cents per cubic yard. Incidentally, it may be mentioned that C. W. Purington, in 1916, estimated the available dredging-ground at 324,172,800 cubic yards. Allowing for undeveloped and unprospected areas, the expected maximum for this district might be 500,000,000 cubic yards containing perhaps 10,000,000 oz. gold.

There are some dredging possibilities, though on a small scale, on the Zeya River and other tributaries of the Amur, in the Yenissei basin and in the Maritime Province; but the vast majority of placer ground in the Urals, the Tomsk and Semipalatinsk districts, and in the Far East, contained only shallow and small deposits, most of which have been exhausted.

It seems likely that Russia's gold production will remain around 1,000,000 oz. per annum for a considerable time to come, but no expectations of a large increase, sufficient to influence world production, are warranted.

It may be added here that Russia has been much more thoroughly prospected and its mineral resources are very much better known than is generally accepted.

### 3. OTHER COUNTRIES.

A study of the gold-mines and prospects in the other gold-producing countries—*i.e.*, Mexico, Central and South America, Australia, New Guinea, Rhodesia, West Africa, British India, Japan (including Korea), and China—reveals that no appreciable increase in world production can be expected.

With exception of the Transvaal (10,414,066 oz. in 1929), Canada (1,914,920 oz. in 1929), and Japan (507,000 oz., in 1927), gold production in most countries has been steadily declining.

Production declined:

In Rhodesia .....	from	652,791 oz. in 1922	to	560,818 oz. in 1929
West Africa.....	"	419,510	"	1914 to 175,100
Western Australia .....	"	553,833	"	1921 to 877,164
India .....	"	541,086	"	1916 to 863,271
Mexico .....	"	1,205,000	"	1910 to 725,175

This does not mean, however, that no new large and profitable gold-mines will be found in these countries. The contrary is quite possible. A certain revival of gold-mining is expected in Australia; lode and placer mining seems promising in New Guinea; production in South America is likely to increase within the next few years, though it is generally held that exploration in the Andes has progressed to a point which suggests the probability that no large gold-mines are to be found there.

Nevertheless, it may not be amiss to point out that the opening-up of a few new large mines, be they even another Lena Goldfields (500,000 oz. per annum), a second Hollinger (450,000 oz. per annum) or Homestake (300,000 oz. per annum), would not appreciably alter the picture of the future outlook for world gold production, which is controlled by the output of the Rand.

The following figures show ore reserves and grade of leading gold lode mines outside the Rand:

	Tons	\$
Hollinger (December 31st, 1927).....	5,789,438	9.89
McIntyre (December 1928) .....	1,546,754	8.45
Morro Velho (January 1929) .....	1,171,537	14.58
Ashanti Goldfield Corp. West Africa (September 30th, 1929) .....	590,200	25.20
Cam & Motor, Rhodesia (June 30th, 1929)..	1,260,500	12.70
Mysore Gold (India) 1928.....	569,617	10.00
Chosen, Korea (June 1929) .....	200,000	7.57

#### 4. NEW DISCOVERIES.

The discovery of new large goldfields becomes less likely with every year. Gold has been coveted by mankind for thousands of years and is more easily found in nature than other metals. It occurs mainly associated with quartz or silicified rocks which withstand erosion more readily than enclosing formations. Gold deposits, therefore, as far as they have not been eroded, are apt to outcrop on the surface. In places where they do not outcrop, quartz float is usually found, being more permanent than other rock debris. Gold, because of its chemical and physical qualities, is nearly indestructible and traces of it in river sands, gravels and soil will lead the prospector to its source. If the original vein has been eroded, the gold contents, because of their specific gravity, will tend to concentrate in stream or river beds and form the so-called placer deposits.

The chances of discovering new gold deposits by means of geophysical prospecting are not promising. These methods are based upon differences in electrical conductivity or specific gravity. Therefore it is readily apparent that they are much more applicable to bodies of massive sulphides than to quartz deposits containing quantitatively insignificant amounts of gold or base-metal sulphides.

The world has undoubtedly been more thoroughly prospected for gold than for any other metal. Even in ancient Egyptian times, mining for gold extended through Northern Africa probably farther south than Abyssinia, as well as in the Arabian Peninsula. It has been the principal object of search by adventurous prospectors throughout the ages, especially in placer form, because

- (a) Placer gold is easily traced through panning along streams;
- (b) Placer deposits are easily worked by the individual, without the necessity of much machinery other than shovels, picks and roughly made sluice boxes;
- (c) The results are readily concentrated into a small bulk and so made portable for long distances by man or beast in countries without roads.

The placer fields of California were discovered and worked when that country was little known otherwise, as were also the placers of Montana. The history of the placers of the frozen North (the Klondyke and Nome Districts), of Siberia with an equally frigid climate, and of the hot desert areas of Australia shows the intensity and success with which placer deposits of gold have been sought and worked in the most inaccessible and climatically unfavourable portions of the world. While large placer deposits may conceivably still exist, after mankind's search for thousands of years, and after the intensive exploration of recent generations, the probability is that very few spots of the earth are left which have not been carefully explored and investigated. As above stated, gold-mines other than placer are found in quartz. Quartz is harder than most rock substances and this fact has made it possible to find quartz deposits because of their prominence in the surrounding country.

The Rand itself was discovered in 1885, and one has only to recall the surrounding conditions of savage tribes and trackless wastes in that country at that time to realise the difficult conditions under which gold is discovered, and how strong has been the lure in its search. Since the war, Africa has been intensively prospected. The aeroplane has played its part there, as in Canada and elsewhere, in establishing distant bases from which prospecting takes place in otherwise inaccessible portions of the world. With the possible exception of desert areas in Australia, Central Asia and around the Sudan, and the tropical areas at the head waters of the Amazon and Orinoco Rivers, which so far have been almost inaccessible because of the hostility of the native tribes and the nature of the climate, there are few portions of the earth's surface which have not been subjected to man's eager search for gold. When one reflects upon the long duration and intensive character of this search, one may quite properly conclude that the chances of discovery of new gold-mines of magnitude are very much less than is generally supposed, even by economists and other students who are apt to conclude that, because the last century has seen the discovery of one goldfield after another (California, Australia, the Rand, Klondyke, Lena, etc.), the process can and will go on indefinitely. The mining engineer knows that such is not the case, although it is still possible, even if not probable, that some important discovery may yet be made.

## 5. SUMMARY AND CONCLUSIONS.

It would appear that world gold production will remain stable at around 20,000,000 oz. during the next few years until not later than 1935, when a slow decrease will probably begin, bringing world production down to about 15,000,000 oz. by 1940.

Notwithstanding the fact that more than half of the world's gold production has been coined in recent years, it is generally estimated that not more than about half of the world's annual production is available for currency and banking purposes, since gold disappears through hoarding and through consumption in the arts.

No reduction of consumption for industrial purposes is to be anticipated. Changes in fashions for jewellery, expanding needs for the arts, etc., are, in fact, likely to increase this demand. And, as this demand will be supplied first, it follows that any reduction in world production will reduce, not proportionately, but equally, the new gold available for banking and currency purposes. It seems logical to expect that, between 1935 and 1940, the available gold supply for the latter purpose will not exceed 5,000,000 to 6,000,000 oz. per annum—*i.e.*, about half of what it is at present.

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ANNEX IX.

EXTRACTS FROM THREE LETTERS TO MR. GEORGE E. ROBERTS,  
MEMBER OF THE GOLD DELEGATION OF THE FINANCIAL COMMITTEE  
OF THE LEAGUE OF NATIONS.

I.—LETTER FROM MR. FRANCIS H. BROWNELL,  
Chairman of the Board of Directors of the American Smelting  
and Refining Company.

The following are replies to questions asked Mr. Brownell by Mr. Roberts :

1. *Higher operating costs, I suppose, are mainly responsible for the decline in our production of gold, but to what extent has this been due to exhaustion of deposits, and to what extent are higher wage-costs being overcome by improved mining and extraction processes ?*

We have heard a great deal of the shutting-down of gold-mines because of the rise in the cost of labour, operating costs, etc. In most cases, however, the best ore in these mines has been exhausted and what is left are the low marginal ores. Any material change in costs will shut down such mines. Their total output is not large nor has it been for years. In the main, the decline in production is due to exhaustion of profitable ores.

2. *Does there exist definite information of important low-grade deposits which may be brought into production ?*

I think this may safely be answered in the negative. There are, of course, placer deposits containing small percentages of gold which might be operated profitably given certain conditions :

- (a) Decrease in operating costs even on present method;
- (b) Discovery of some new method which would greatly reduce costs;

The total amount of gold in such deposits, however, as far as is known, is small.

3. *In brief, are there any definite reasons for expecting a revival of gold-mining and an important increase of production in this country ?*

I should answer this question quite positively in the negative.

4. *Would you say that the country has been so completely explored as to leave little basis for such expectation ?*

This is distinctly true of the greater part of the present gold-bearing areas of the world. There are still some possibilities in Labrador and in Northern Canada, where prospecting from

bases established by hydroplanes is being carried on, but so far without any great success. There are also possibilities in still inaccessible portions of the world, such as are indicated by Mr. Kursell.

But I think the general opinion of mining engineers and mining men is that the chances of new gold discoveries of considerable importance are rapidly getting less with each passing year.

(Signed) F. H. BROWNELL.

New York, May 27th, 1930.

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II.—Letter from Mr. T. T. READ,

Editor of *Mining and Metallurgy*, the Journal of the American Institute of Mining and Metallurgical Engineers, New York.

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Regarding the *Far East* (Asia), the only gold deposit that I know of that offers much hope for the future is that in inner Mongolia, north of the Nankou Pass. This has been worked at times during the past, but political conditions are so disturbed that nothing has been done there of late. Under a stable government, I imagine that a well-organised company might produce quite a large quantity of gold per year. I am a little in doubt as to the deposits in the general region of the Amur River. The late Chester Wells Purington thought very highly of them, but other engineers are rather pessimistic about them. In view of the unstable political conditions, at the present time a gold-mining company would not be likely to succeed in operating at a profit.

A certain amount of gold produced by natives comes from this region every year, but how much it could be increased by systematic operations conducted under a stable government no one could say.

In *North America*, I believe that gold production will slowly decline. It may be, however, that new discoveries in Canada will, in some years, more than make up for the decline in output in the United States. Of course, there is always the possibility that a sharp decline in commodity prices would reduce the cost of producing an ounce of gold to the point where old mines could be re-opened. While there is a possibility that we shall get some results in specific places by improving the organisation of mining operations and in other places by the discovery of deposits now unknown, it seems to me that we shall have to look forward to a decline of gold output in the United States, although the decline will probably be a gradual one. The output of the gold which is produced as a by-product of the mining of other metals will, of course, continue as long as those metals can be produced at a profit.

In conclusion, may I voice my personal opinion that I cannot see why we need a continually increasing gold reserve as a basis of the 20th-century economic system. It seems to me that gold reserves are chiefly valuable as a buffer between obligations and resources, and I can easily imagine a State which was highly developed and perfectly sound economically without owning any gold at all, providing it had devised some means of carrying on its financial transactions. It seems to me gold bears somewhat the same relation to the general financial system that working capital does to a business organisation. It gives you something to settle immediate balances with, but, after all, the real soundness of the business depends upon the relation between import and output. If our economical structure is really sound, I cannot see that we need any more gold than is necessary to meet certain minimum demands.

(Signed) T. T. READ.

New York, May 28th, 1930.

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III.—Letter from Mr. Daniel C. JACKLING,  
Mining Engineer, San Francisco.

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The production of gold from both lode and placer mines operated in the *United States proper and in Alaska* solely or largely for the production of that metal is undoubtedly decreasing and, in my opinion, will continue to decrease over a period of years. On the other hand, gold production of an incidental order—*i.e.*, the output of gold from mining operations whose principal source of value lies in other metals, for illustration, copper—has been increasing for a number of years, and these two circumstances taken together have resulted in the gold production of the United States remaining fairly constant for the past ten years. There was a slight decrease in 1927 and 1928, but, while the statistics for 1929 are not yet available, I would expect that the figures for that year would be somewhat in excess of those for 1928, because of the larger production from the incidental sources to which I have referred.

On the whole, I believe that the United States production from all sources for the next ten years will not vary greatly from that of the past ten years.

The gold production of *Canada* has increased very rapidly in the past ten years—a good deal of this being due again to gold recovered from the products of mines whose value lie largely in other metals. Canada is making very rapid strides now in the development of copper, lead and zinc production, which is accompanied by small gold values; and, regardless of any great increase in primary gold production from that country, I believe Canada's output will continue to increase for the next ten years to an extent substantially greater than the contemporary decrease in the United States.

As to *Mexico*, I should expect that gold production would remain more or less constant for the next ten years as it has done in the past ten years; and I believe the same will be true, generally speaking, of *Central America*, although there is some probability of small unimportant increases from those sources.

On the whole, therefore, the production for *North America* should at least maintain the present rate for a considerable period in the future, with the probability that increasing production from Canada may result in some, but not very great, total increase. To state the thing concretely, I doubt if North America will ever again produce much, if anything, in excess of five million oz. per annum.

The factor of decreased operating cost in the mining industry, to which you refer, is an important one and will continue to be so as affecting deposits of low-grade gold ores in much the same way that it has affected and continues in some measure to influence the cost of producing the baser non-ferrous metals and silver. These influences will, however, affect what I have referred to as incidental production of gold rather than primary production from gold ores, strictly speaking, because vast tonnage deposits of low-grade gold ores are not common as is the case, for instance, with copper ores. These influences will continue to express themselves in an extension of the life of known gold ore deposits, such as those of Dakota; but, even though cost may decrease in such a degree as to permit the profitable handling of lower-grade gold ores than are now profitable, this will not, in my opinion, result in any increase in primary production. It may be said further in this connection that the rapid strides made in the direction of improved methods and cost reductions in mining and metallurgical industries in the past few years cannot be maintained. It seems, indeed, that the limits of probabilities or even possibilities in this direction have been nearly attained.

I believe there is no considerable likelihood of the discovery in the United States of any great new gold ore deposits. I expect, on the contrary, that important discoveries of such nature

are still to be made in Canada, and possibly so, although in a much less important degree, in Alaska.

In summary, however, I believe that the known sources of gold as produced from gold ore, strictly speaking, in North America are being exhausted more rapidly than similar new sources will be developed, and that, accordingly, gold production from such sources must continue to decline. On the other hand, I think it reasonable to predict that the recovery of gold in connection with the mining and reduction of ores of the baser metals will show a continuing although moderate increase—to the end, as I have said before, that the total gold production from North America ought to remain fairly constant, or even to increase moderately for the next ten or twenty years and possibly longer.

San Francisco, May 29th, 1930.

(Signed) D. C. JACKLING.

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## II. SUPPLY AND DEMAND.

### ANNEX X.

#### THE SUPPLY OF GOLD.

By Professor Gustav CASSEL.

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A discussion of the sufficiency of the world's gold supply necessarily presupposes a purpose for which the gold supply should be sufficient. This purpose will here be taken to be to support the general level of prices in gold-standard countries at a constant height. According to this definition, the gold supply is regarded as superabundant when it causes a rise of the general level of prices. Again, it is regarded as insufficient when it has the effect of pressing down the general level of prices.

The question of the sufficiency or insufficiency of the supply of gold, thus defined, is fundamentally connected with economic progress. In a state of complete economic standstill, no new gold would be required, at least for monetary purposes, except perhaps for making up for the annual wear of circulating coins. When we discuss the sufficiency of the world's gold supply, we must always have in mind a certain economic progress with which the gold supply should be able to keep pace.

In order to make a comparison between the gold supply and the world's general economic progress, we must obviously form an idea of the growth of the total supply of gold—that is to say, we must express the annual addition of new gold in percentage of the total accumulated stock of gold. It is this percentage which we have to compare with the percentage representing the world's general economic progress.

This calculation may be carried through in two different ways. We may compare the annual production of gold with the world's *total* stock of gold; or we may compare the annual addition to the world's *monetary* stock of gold with that monetary stock itself. In both cases, the rate of increase arrived at should be compared with the rate of progress characterising the world's general economic development. Which of these methods should be preferred is an open question. It may be claimed for the second method that it is natural to limit the investigation from the beginning to quantities of gold that directly influence the world's monetary conditions. The advantage of the first method lies in the fact that it is suited to give an immediate answer to the question before us—namely, the sufficiency of the annual production of gold.

In any case, it must be clear in advance that conclusions as to the sufficiency of the supply of gold can only be founded on actual experience. We have to study, on the basis of the statistical material available, the effects on the general level of prices of the growth of the stock of gold, defined in the one or the other way. We have to extend such an investigation over a long period, and we have to examine for this period the connections that may exist between variations in the growth of the stock of gold and variations in the general level of prices. Only such a study of actual effects in the past can give us a reliable basis for forming an idea of the sufficiency or insufficiency of gold supply in the future.

It is desirable that such an investigation should be carried out according to both the different methods here indicated. The first method has been expounded by the writer in his "Theory of Social Economy" (Vol. II, London 1923), and further developed in various other publications. For the present report, it has been summed up by him as follows.

The total stock of gold accumulated in the world up to the end of 1850 may be estimated, on the basis of German statistical investigations, at an amount equal to 10 milliards of gold marks (490 million pounds sterling).



In order to calculate the subsequent increase of the world's total stock of gold, we have to add for every year that year's production and subtract a sum for the definite loss of gold through wear, etc. This loss may be estimated at 2 per 1,000 of the total stock of gold at each time. These calculations show that the world's stock of gold in the period 1850-1910 rose from 10 milliards to 52 milliards of gold marks,<sup>1</sup> that is to say, it was multiplied in sixty years by 5.2. This growth means an average annual increase of the world's stock of gold of 2.79 per cent, or roundly 2.8 per cent. Had the stock of gold from 1850 onwards increased uniformly by 2.8 per cent, it would by 1910 have risen to the actual stock of 52 milliards of gold marks in existence at the end of that year.

Passing on now to compare the evolution of the general level of prices over a longer period with the contemporaneous increase in the world's stock of gold, we have first to notice that the general economic development makes room for a certain increase of the stock of gold, and that this increase cannot be a cause of a rise in the general level of prices. To ascertain the effects of the variations of the stock of gold upon the general level of prices, we must first know that increase in the stock of gold was necessitated by the general economic development during the period in question. For this purpose, it will be an advantage if we can select the period in such wise that the general level of prices is the same at the beginning and the end of it; for in that case the increase in the stock of gold during the period as a whole has had no influence on the general level of prices, but merely corresponds with what is required in order that the growth of the stock of gold should keep pace with the general economic development.

These conditions are realised in the period 1850-1910. The general level of prices in 1910 was practically the same as in 1850. We may conclude from this that the increase in the stock of gold from 1850-1910 was necessary and sufficient, in view of the economic development, to keep prices on the same level in 1910 as they had been in 1850. This increase meant, as we found above, an average annual increase during the whole period of, roundly, 2.8 per cent. Now, if the world's stock of gold had grown by exactly 2.8 per cent during each year of the period, it is clear that no one could have thought of ascribing the fluctuations of the general level of prices to fluctuations in the supply of gold. We should in that case have had an absolutely uniform increase of the world's stock of gold, and this increase would have sufficed to keep prices at the same level at the end of the period as at the beginning. It could, then, neither be said that the increase of the stock of gold was on the whole excessive or defective, nor that it had, by its irregularities, caused changes in the general level of prices. Such a uniform increase in the stock of gold, leaving the general level of prices unchanged at the end of a certain period, we may call a *normal increase* for the period in question, and the stock of gold that would have existed at any particular time in the period under such a normal increase may be called the *normal stock* of gold. For the period 1850-1910, we get the normal stock of gold by starting from the initial stock of 10 milliards of marks and calculating a uniform annual increase of 2.8 per cent. The figures for the normal stock of gold given in Appendix I were reached in this way. (We get the figure for any year by multiplying the figure of the preceding year by  $\sqrt[5.2]{5.2} = 1.0279$ .)

The normal stock of gold calculated in this way for the period 1850-1910 is indicated on the diagram (Appendix II) by the continuous line. The calculation is carried back as far as 1800 by the same formula, and the curve on the diagram is correspondingly extended. The actual gold stock is likewise calculated backwards for the period 1850-1800, and represented on the diagram.

It is now obvious that, as far as changes in the general level of prices in the period 1850-1910 may be traced to variations in the world's supply of gold, they must be ascribed entirely to the divergence of the actual gold stock from the normal. Once we have agreed to regard an increase in the gold stock in the period 1850-1910 of 2.8 per cent annually as normal in the sense here explained, it is natural to conceive every deviation of the actual gold stock from the normal as *pro tanto* the cause of a variation in the general level of prices. These deviations of the actual from the normal gold stock are clearly seen on the diagram. From 1850-1887, the actual gold stock is above the normal; from 1887-1910, it is below. In the first period, therefore, we should expect a rise of the general level of prices above the normal level and in the second period a fall below it.

<sup>1</sup> From \$2.4 milliard to \$12.4 milliard or from £400 million to £2,545 million.

In order to be able to compare the deviations of the actual stock of gold from the normal directly with the development of the general price level, we have to express the actual stock in percentage of the normal. The ratio of the actual to the normal stock of gold which we may call the "*relative stock of gold*", is given in figures in Appendix I and represented in the diagram (Appendix II) by the broken line (- - -). This relative stock of gold rises, as we see, about the middle of the 'sixties to a maximum of 1.18, or 18 per cent above the normal level, and falls in the years 1896 and 1897 to a minimum of 0.92, or 8 per cent below the normal level.

An approximate idea of the sufficiency of the world's supply of gold before 1850 is given by the relative stock of gold for the first half of the 19th century, calculated in the same way and indicated on the diagram. One must bear in mind, however, that the figures for this earlier period have not the same value as the figures for the later period, as the normal stock of gold in the strict sense is only defined for the later period.

Now let us put together the curves of the relative stock of gold and the general level of prices on a special diagram (Appendix III). A single glance at the diagram is enough to recognise a general agreement between the general price-level and the relative stock of gold. But it is striking that the general level of prices is subject to variations of two different kinds, which must be distinguished as "secular" and "annual" variations of the price-level.

The diagram immediately teaches us that the annual variations of the general price level have no connections at all with the supply of gold. Every one conversant with the history of trade cycles during the period in question immediately sees that the annual variations of the general price level correspond to the cyclical movement of trade and reflect extensions and restrictions of the supply of means of payment independent of the supply of gold.

On the other hand, the secular variations of the general price level correspond closely with the contemporary variations of the relative stock of gold, although the secular price level in the period 1850-1880 is higher, and in the 'nineties rather lower, than it ought to be according to the relative stock of gold. In any case, our comparison is enough to prove that, for the period under consideration (1850-1910), the main cause of the secular variations of the general price level lies in the changes of the relative stock of gold.

The deviations of the relative stock of gold from unity show how much of the departures of the actual price level from the normal may be ascribed to changes in the gold supply. Of the considerable rise in the secular price level in the 'sixties, amounting to about 30 per cent, a rise of about 18 per cent can be explained by the abundant supply of gold. The much-discussed scarcity of gold in the 'nineties is responsible for a fall of the general price level below the normal of 8 per cent. From the standpoint of the gold supply, the general price level in 1886-87 ought, as the relative stock of gold passed the value unity, to have stood at a normal level. This, however, would only be the case if the secular variations of the price level alone, apart from the annual variations, were taken into consideration. The years 1886 and 1887 fall in a period of depression, and it is therefore to be expected that the general price level of this period will be abnormally low, as is the case on our diagram. But a curve indicating the secular variations of the price level would obviously cut across the normal level (100) about the year 1886. This observation is important in so far as it shows that the gold supply which we have defined as normal is normal in the same sense for the periods 1850-1886 and 1887-1910; an increase in the gold supply by 2.8 per cent annually would have left the secular price level in both periods unchanged. Here we have a good test of the reliability of our method and our statistical material.

For the period before 1850, the curve is merely intended to indicate the general tendency of the development. This, however, is enough to bring out the sharp bend which the curve makes in the year 1850, thanks to the great discoveries of gold about the middle of the century, and which is accompanied by a striking parallel turn of the secular line of the curve of the general level of prices, so that the inner connection of the two movements is put beyond doubt.

Our enquiry shows that an annual addition to the world's stock of gold of 2.8 per cent of this stock was just what was required for the period 1850-1910 to keep the general level of prices at a constant height—that is to say, the world's general economic development during the said

period was so strong as to require for the stability of the general level of prices an average annual addition to the stock of gold existing at each time of 2.8 per cent. This does not of course in itself definitely prove that the general rate of economic progress has been exactly 2.8 per cent. It is always possible to argue that the economic development has involved demands on gold increasing more than proportionally to this development; the general introduction of the gold standard during the period could be quoted in support of such an assumption. On the other hand, reasons can be given for assuming the general economic progress to have been faster than the growth of the stock of gold—for instance, the growing use of cheques seems to give such an assumption a certain probability.

Independent investigations of the rate of economic progress of countries of European civilisation point in the direction that a rate of progress of about 3 per cent per year may be regarded as characteristic for the period in question; for the United States, the rate, of course, must be put considerably higher. An approximate idea of the world's rate of progress may be gained in the following way. In the period 1850-1907, the world's production of pig-iron increased on an average by 4.2 per cent. Now, the growth of the iron industry may be regarded as characteristic of the whole industrial development of the world. The agricultural development has of course been much slower and may perhaps be put at the figure of 1.2 per cent per year, which seems to correspond fairly well to the growth of the population and the improvement of its nourishment. If we assume that food represents a third of social income and that the other two-thirds of this income have grown proportionally to the industrial development, we arrive at an average rate of progress of 3.2 per cent. If, on the other hand, we give the rates for food and industrial production the same weight in our calculation of the average progress, this average would be 2.7 per cent. This figure ought to be regarded as the lower limit for our estimate of the world's average economic progress. As it seems necessary to give the industrial production a somewhat higher weight than the agricultural, we stand on fairly solid ground if we reckon with a figure of round 3 per cent as characteristic of the economic development during the period 1850-1910.

This corresponds closely to the result of our enquiry into the world's gold supply. It is possible that the average rate of economic progress for the world as a whole, if it could be calculated exactly, would prove to have been, during the period in question, not greater than 2.8 per cent per year. If the rate was some decimal points higher, this must be explained by a relative economy in the use of gold having been attained, in spite of the growing application of the gold standard, by the use of cheques and other means of making the system of payment more effective.

Under the former supposition of a rate of progress of 2.8 per cent, the demand for gold for the period as a whole has balanced a growth of the world's stock of gold proportional to the world's general economic development. This is of course what should be normally expected to take place, once the world has got accustomed to the use of the gold standard and no further alterations are made in the practical application of this system of money. For a future period, when these conditions are fulfilled and when the rate of general economic progress is the same as during the period 1850-1910, we should have to reckon with an annual addition to the world's stock of gold of at least 2.8 per cent as a necessary condition for the stability of the general level of prices. Now we have to bear in mind that the definite loss of gold, estimated at 0.2 per cent per year, must also be covered by the annual production. The stability of the general level of prices would, therefore, under the assumed conditions, require an annual production of gold of 3 per cent of the actual stock of gold existing at any time.

Although the demand for gold seems to have required for the whole period 1850-1910 a growth in the stock of gold fairly proportionate to the world's economic development, our curves show that there must have been some deviations from such a normal development in the demand for gold. The fact that the secular price level was above the relative stock of gold in the 'fifties and 'sixties, and below it in the 'nineties, suggests that certain secular variations occurred in the generally even development of the demand for gold. It is natural to assume that the gradual adoption of the gold standard after 1870 by nearly all countries should be reflected in the result that the growth of the demand for gold before 1870 was slower and after that year faster than the average growth during the whole period 1850-1910. The fall in the secular level of prices, which took place from about 1870 to about 1895, in excess of what would have corresponded to the fall

of our curve for the relative stock of gold, is, according to this view, to be ascribed to the extraordinary demand for gold caused by the general adoption of the gold standard. However, the importance in this respect of European monetary reforms in the 'seventies has been much exaggerated. The demand for gold which was connected with this reform developed so gradually that it probably did not much exceed a normal growth in the demand. The gradual adoption of the gold standard on the European continent has therefore only had a comparatively small share in the depression of the secular level of prices. Another circumstance is without doubt primarily responsible for this depression, in so far as it superseded the simultaneous fall in the relative stock of gold. This circumstance is the enormous increase of the gold demand of the United States at the end of the 'seventies and the beginning of the 'eighties, due to the preparation for and subsequent realisation of the resumption of cash payment. The paper money of the Civil War was declared convertible from 1879 onwards. During the period from the middle of the year 1875 to the end of 1887, the monetary stock of gold of the United States of America rose from 89,000,000 dollars to 650,000,000 dollars, which is more than a sevenfold multiplication in twelve and a-half years. The increase was particularly great from the middle of 1876 to the end of 1881—namely, from 99,000,000 dollars to 485,000,000 dollars, or nearly a fivefold multiplication in five and a-half years. These demands were made at a time when the world supply of gold was already so scanty that it was bound to lead to a material reduction of prices. The sum of 386,000,000 dollars, which the United States of America alone required for its monetary gold stock in the above-mentioned period of five and a-half years, amounted to no less than 64 per cent of the world's gold production at the time. As under ordinary circumstances the remainder of the gold output would probably be required for non-monetary purposes, there was nothing left for the monetary requirements of the rest of the world. The value of gold was then bound to rise much higher than the smallness of production alone implied. In view of the rapidity of the economic development of the United States of America at that time, we may perhaps take as normal a doubling of the monetary demand for gold in twelve years. In addition to this, the United States of America required about 2 milliards of marks for monetary purposes in the period 1875-1887. The fall in the general price level caused by this extraordinary demand may be estimated at about 7 per cent.

A factor that acted in the same way on the side of the demand, though to a less extent, was the large imports of gold into India in the early 'eighties. The effect of this demand in reducing prices may perhaps be estimated at about 2 per cent.

These irregularities in the development of the demand for gold suffice to explain the depression of the general price level from the 'seventies to the 'nineties, so far as it exceeds the fall in the relative gold stock. Our conclusion must therefore be that the secular variations in the general level of prices are mainly due to variations in the relative gold stock, and for the rest to certain irregularities in the normally uniform increase in the demand for gold. This completes our analysis of the causes of the secular variations in the general price level, at least within the limits of statistical errors in our calculations.

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The net result of the war on the world's monetary system is an extraordinary reduction in the monetary demand for gold, chiefly caused by an almost complete cessation of the use of circulating gold coins. This reduction in the demand for gold has resulted in a fall in the value of the metal and a rise in the general level of commodity prices to about 150, as compared with 100 before the war. If no further alterations are made in the monetary use of gold, the stability of the new price level will depend on the possibility of such a production of gold as will keep pace with the general economic progress. If the rate of progress for the future is assumed to be the same as it was for the period 1850-1910, the stability of the present price level will depend on the possibility of the annual gold production's amounting to 3 per cent of the world's total stock of gold.

Since 1910, the world's production and its accumulated stock of gold have developed in the following way (figures of production according to the *Statistisches Jahrbuch für Deutsches Reich*):

	Annual production of gold			Total stock of gold at end of year			Production in percentage of stock of gold at beginning of year
	Millions of			Millions of			
	Marks	\$ <sup>1</sup>	£ <sup>1</sup>	Marks	\$ <sup>1</sup>	£ <sup>1</sup>	
1910	1,912	455	93.6	52,004	12,887	2,545.6	3.81
1911	1,935	461	94.7	53,834	12,823	2,635.2	3.72
1912	1,953	465	95.6	55,679	13,263	2,725.5	3.63
1913	1,927	459	94.3	57,495	13,695	2,814.4	3.46
1914	1,839	438	90.0	59,219	14,106	2,898.8	3.20
1915	1,971	469	96.5	61,072	14,547	2,989.5	3.33
1916	1,903	453	93.2	62,853	14,972	3,078.2	3.12
1917	1,757	419	86.0	64,484	15,360	3,156.5	2.72
1918	1,607	383	78.7	65,962	15,712	3,228.8	2.49
1919	1,532	365	75.0	67,362	16,046	3,297.4	2.33
1920	1,403	334	68.7	68,630	16,348	3,359.4	2.09
1921	1,383	329	67.7	69,876	16,644	3,420.4	2.02
1922	1,337	318	65.4	71,073	16,930	3,479.0	1.91
1923	1,541	367	75.4	72,472	17,263	3,547.5	2.17
1924	1,630	388	79.8	73,957	17,617	3,620.2	2.25
1925	1,655	394	81.0	75,464	17,976	3,694.0	2.24
1926							
1927							
1928							

The figures show that the ratio of the production to the accumulated stock in the first seven years was considerably above 3 per cent. The result was a tendency to a rise in the general level of prices. From 1917, however, the ratio has been considerably below 3 per cent.

This decrease is caused partly by a fall in the actual gold production and partly by the growth of the stock of gold. As this stock now amounts to half as much again as in 1910, 3 per cent of the same stock will also amount to half as much again as it did in 1910. Whereas in 1910 a gold production of 1,560 millions of marks<sup>2</sup> would have been sufficient to support a stable price level, for the same purpose and under the same assumptions in 1928 a production of 2,300 millions of marks<sup>3</sup> would have been required.

These figures disclose a fact which is of the highest importance for judging the sufficiency of the gold production: a gold production which is sufficient at a certain time must always, if it is assumed to remain constant, become entirely inadequate after some decades to cover the need of 3 per cent of the accumulated stock of gold. This result, which may be called *the paradox of the gold standard*, shows the fundamental difficulty connected with the use of gold as a standard of value.

If we have to face in the future a gradual exhaustion of the South African gold-mines, and if no new gold discoveries make up for this loss, a serious fall in the absolute gold production is unavoidable, and we may easily come down to a gold production amounting to less than half of what is necessary for the stability of the price level. Under such circumstances, we have to expect a continuous and unlimited fall in the general level of prices. Such a prospect must of course be very discouraging for enterprise and, under such circumstances, economic progress would doubtless be seriously hampered. It is therefore a question of the highest importance to the whole world whether anything can be done to effect such a reduction in the monetary demand for gold as would compensate for the increasing scarcity of the metal.

<sup>1</sup> Conversion made by the Secretariat.

<sup>2</sup> \$372 million : £76 million.

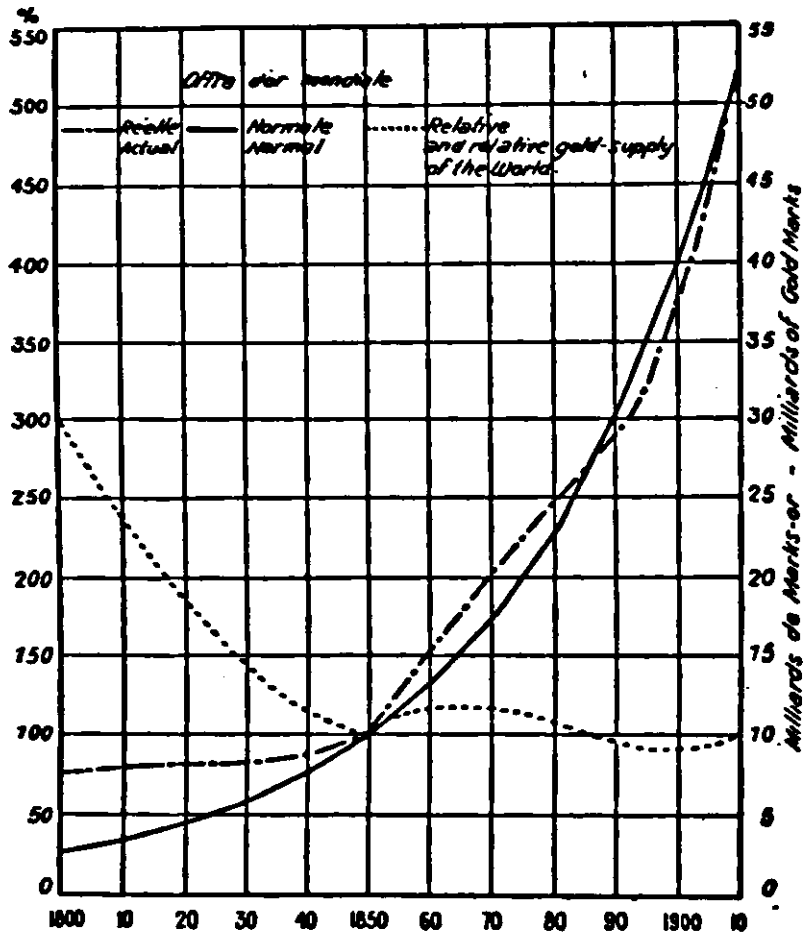
<sup>3</sup> \$550 million : £113 million.

**Appendix I.**  
**THE WORLD'S STOCK OF GOLD.**

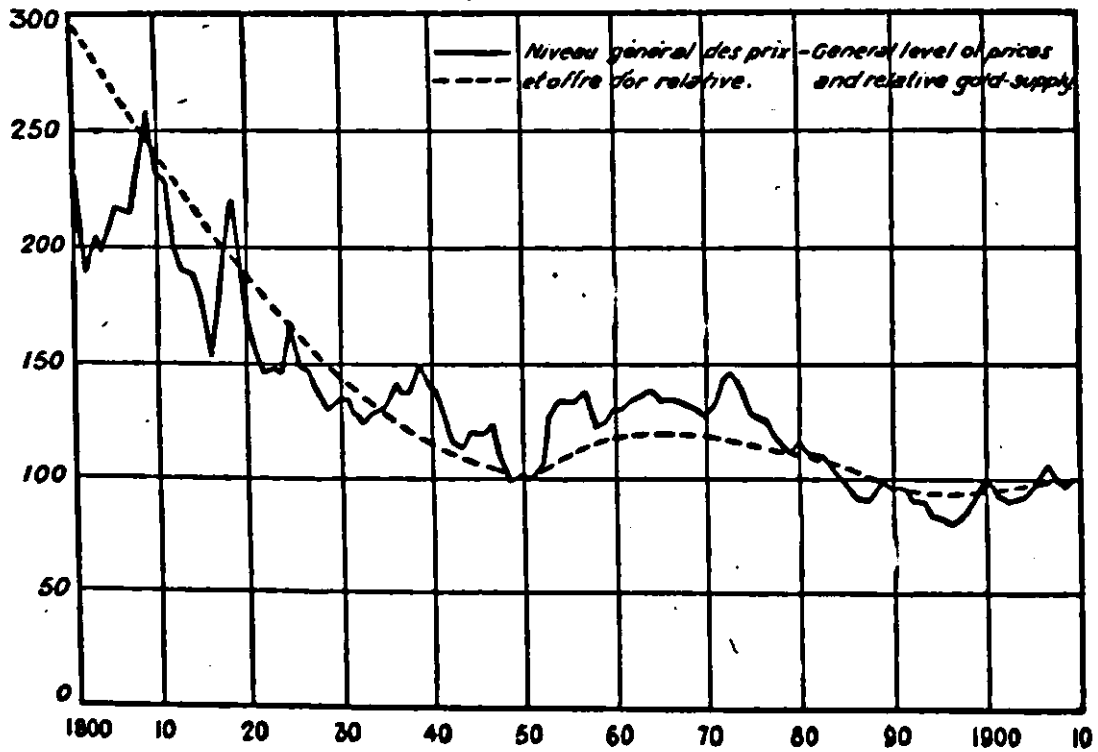
End of year.	Actual stock of gold.			Normal stock of gold.			Relative stock of gold.
	Marks	Millions of \$ <sup>1</sup>	£ <sup>1</sup>	Marks	Millions of \$ <sup>1</sup>	£ <sup>1</sup>	
1800	7,535	1,795	368.8	2,531	603	123.9	2.98
1810	7,875	1,876	385.5	3,332	794	163.1	2.36
1820	8,033	1,913	393.2	4,385	1,045	214.8	1.83
1830	8,265	1,969	404.6	5,772	1,375	282.5	1.43
1840	8,660	2,063	423.9	7,597	1,810	371.9	1.14
1850	10,000	2,382	489.5	10,000	2,382	489.5	1.00
1855	12,680	3,020	620.7	11,470	2,732	561.5	1.11
1860	15,370	3,661	752.4	13,160	3,135	644.2	1.17
1865	17,795	4,239	871.1	15,100	3,597	739.1	1.18
1870	20,335	4,844	995.4	17,320	4,126	847.8	1.17
1875	22,555	5,373	1,104.1	19,880	4,735	973.1	1.13
1876	22,973	5,472	1,124.5	20,435	4,868	1,000.3	1.12
1877	23,428	5,581	1,146.8	21,005	5,003	1,028.2	1.12
1878	23,900	5,693	1,169.9	21,591	5,143	1,056.9	1.11
1879	24,319	5,793	1,190.4	22,193	5,286	1,086.3	1.10
1880	24,735	5,892	1,210.8	22,800	5,431	1,116.1	1.08
1881	25,146	5,990	1,230.9	23,448	5,585	1,147.8	1.07
1882	25,525	6,080	1,249.4	24,102	5,741	1,179.8	1.06
1883	25,884	6,166	1,267.0	24,774	5,901	1,212.7	1.04
1884	26,272	6,258	1,286.0	25,465	6,066	1,246.5	1.03
1885	26,650	6,348	1,304.5	26,160	6,231	1,280.5	1.02
1886	27,046	6,442	1,323.9	26,890	6,405	1,316.3	1.01
1887	27,433	6,535	1,342.8	27,640	6,584	1,353.0	0.99
1888	27,836	6,631	1,362.6	28,411	6,768	1,390.7	0.98
1889	28,272	6,734	1,383.9	29,204	6,956	1,429.5	0.97
1890	28,775	6,854	1,408.5	30,010	7,148	1,469.0	0.96
1891	29,266	6,971	1,432.6	30,847	7,348	1,510.0	0.95
1892	29,823	7,104	1,459.8	31,708	7,553	1,552.1	0.94
1893	30,424	7,247	1,489.3	32,593	7,764	1,595.4	0.93
1894	31,124	7,414	1,523.5	33,502	7,980	1,640.0	0.93
1895	31,885	7,595	1,560.8	34,430	8,201	1,685.3	0.93
1896	32,670	7,782	1,599.2	35,391	8,430	1,732.4	0.92
1897	33,596	8,003	1,644.5	36,378	8,665	1,780.7	0.92
1898	34,733	8,273	1,700.2	37,392	8,907	1,830.3	0.93
1899	35,951	8,564	1,759.8	38,435	9,155	1,881.4	0.94
1900	36,957	8,803	1,809.0	39,510	9,411	1,934.0	0.94
1901	37,970	9,044	1,858.6	40,612	9,674	1,988.0	0.93
1902	39,140	9,323	1,915.9	41,745	9,944	2,043.4	0.94
1903	40,438	9,632	1,979.4	42,910	10,221	2,100.4	0.94
1904	41,815	9,960	2,046.8	44,107	10,506	2,159.0	0.95
1905	43,866	10,330	2,122.8	45,320	10,795	2,218.4	0.96
1906	44,970	10,712	2,201.3	46,584	11,096	2,280.3	0.97
1907	46,614	11,103	2,281.8	47,884	11,406	2,343.9	0.97
1908	48,381	11,524	2,368.2	49,220	11,724	2,409.3	0.98
1909	50,192	11,956	2,456.9	50,593	12,051	2,476.5	0.99
1910	52,003	12,387	2,545.5	52,000	12,386	2,545.4	1.00

<sup>1</sup> Conversion made by the Secretariat.

### Appendix II.



### Appendix III.



## ANNEX XI.

### THE SUPPLY OF GOLD COMPARED WITH THE PRICES OF COMMODITIES.

By Mr. Joseph KITCHIN.

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In his memorandum on "The Supply of Gold", Professor Cassel points out that the annual production of gold may be compared with the world's *total* stock of gold, or the annual addition to the world's *monetary* stock of gold may be compared with that monetary stock itself. He has made the former comparison, and this memorandum deals mainly with the latter method.

The appended Table B gives (in column 1) the world's stock of gold money as calculated by the writer (excluding India, China and Egypt). It assumes a stock of £200,000,000 at the end of 1843 and the addition to it each year of the balance of the world's gold output remaining after deducting the demands of the industrial arts of Europe and America and the absorption by India, China and Egypt. This is compared (in column 2) with the stock of gold money as it would be if it had increased from the 1850 figure at an even rate of 3.096 (say 3.1) per cent per annum compound, this being the average rate of the increase of the stock from 1850 to 1910, ascertained statistically by taking into consideration all the figures of the sixty years. The ratio between these two figures is then shown (column 3), giving what Professor Cassel would call the relative stock of gold money, which in turn is compared with wholesale prices of commodities—Jevons to 1850 and Sauerbeck-Statist afterwards—based on 1850 = 100 (column 4), as taken by Professor Cassel, and with gold prices substituted for paper prices to 1820 and for 1914-1925. The percentage difference each year between the last two factors is then shown (column 5), indicating the amount of correlation. The table is carried back from 1850 and forward from 1910 to show the resulting figures, though, strictly speaking, the table should be confined to 1850-1910 as being the period tested.

The figures of columns 3 and 4 are then given on the lower part of the accompanying chart. The result shows that, throughout the period of 1850-1910, the changing trend of wholesale prices of commodities has closely followed the relative stock of gold money, and much more closely—and, as the writer thinks, more naturally—than when prices of commodities are compared with the total gold production as shown in Professor Cassel's relative stock of gold.

It should be pointed out that no allowance is made in the stock of gold money as calculated by the writer for loss of gold by wear, etc., in regard to which Professor Cassel (following Lexis) deducts 0.2 per cent per annum reckoned on the total stock—a figure which assumes a loss increasing annually and rising to £5,100,000 in 1910. Jevons, in the middle of the 19th century, by actual weighing of large samples of circulating coins, showed an annual wear of 0.0457 per cent, and there is every reason to suppose that this proportion had very materially decreased by 1913, and now, with the bulk of gold money collected into central banks and Treasuries, it must be virtually non-existent. Moreover, Jevons' tests applied to circulating coins only, and circulating coins have virtually disappeared. For these reasons, the writer has thought it unnecessary to make allowance for loss by wear, etc., as regards gold *money*.

The chart shows at once how closely the gold money line accounts for prices of commodities if one makes due allowance for the variations in prices produced by the effects of trade cycles, and thus reinforces the conclusions of Professor Cassel's Memorandum. After 1858, the points of greatest difference are 1873 (+ 13 per cent) and 1896 (— 13 per cent), which were the years of highest and lowest prices of their periods.



The conclusion is that, on the experience of 1850-1910, an average addition of 8.1 per cent per annum to the world's stock of gold *money* was needed to keep commodity prices stable as far as their trend was concerned. Such an addition to that stock compares with the 2.8 per cent (plus 0.2 per cent) per annum of Professor Cassel, reckoned on the total stock of gold.

It is therefore well to see how the stock of gold and the stock of gold *money* compare. This is done in the following Table A, of which the first line is naturally rather conjectural. The second part of the table is given to show the figures for shorter periods covering the last twenty years, so as to segregate to some extent the war period :

**Table A.**  
**DISTRIBUTION OF THE WORLD'S GOLD SUPPLY.**  
(In millions of pounds at 84/11½ per fine ounce.)

	Used by Industrial Arts. <sup>1</sup>	Absorbed by India.	Absorbed by China and Egypt. <sup>2</sup>	Total non-monetary Demand.	Balance available as money.	World's Gold Output.	Aggregate to date.		
							World's Stock of Gold Money.	World's Gold Output.	
1493-1839	(292)	(62)	(28)	(382) (66 %)	(196) (34 %)	578	196 (34 %)	578	
10 years to	1849	28	7	35 (60 %)	23 (40 %)	58	219 (34 %)	636	
	1859	37	21	58 (23 %)	198 (77 %)	256	417 (47 %)	892	
	1869	74	59	7	133 (51 %)	126 (49 %)	259	543 (47 %)	1,151
	1879	117	14	5	136 (59 %)	96 (41 %)	232	639 (46 %)	1,383
	1889	103	30	13	146 (67 %)	72 (33 %)	218	711 (44 %)	1,601
	1899	117	28	12	157 (39 %)	247 (61 %)	404	958 (48 %)	2,005
	1909	174	81	39	294 (40 %)	442 (60 %)	736	1,400 (51 %)	2,741
	1919	212	146	21	379 (42 %)	521 (58 %)	900	1,921 (53 %)	3,641
	1929 <sup>3</sup>	162	195	0	357 (46 %)	415 (54 %)	772	2,336 (53 %)	4,413
		1,316 30 %	643 14 %	118 3 %	2,077 47 %	2,336 53 %	4,413		
5 years to	1914	121	96	7	224 (48 %)	246 (52 %)	470	1,646 (51 %)	3,211
	1919	91	50	14	155 (36 %)	275 (64 %)	430	1,921 (53 %)	3,641
	1924	87	104	— 2	189 (52 %)	171 (48 %)	360	2,092 (52 %)	4,000
	1929 <sup>3</sup>	75	91	2	168 (41 %)	244 (59 %)	412	2,336 (53 %)	4,413
		374 22 %	341 21 %	21 1 %	736 44 %	936 56 %	1,672		

From this, it is seen that the outpouring of gold in the decade 1850-1859 raised the proportion represented by the world's stock of gold money from 34 per cent to 47 per cent of the aggregate gold output and that, after dropping to 44 per cent thirty years later, it has risen to and remained stationary at 53 per cent for the last ten years. No less than 47 per cent of the aggregate output (44 per cent of the output of the last twenty years) was eaten up by total demand before the amount available as money—which has to take what is left—could be determined. Owing to this demand, the money portion of the output declined each decade from £198,000,000 in 1850-1859 to £72,000,000 in 1880-1889, partly because of the falling-off in output, but still more because of enhanced demand. Since that time, the demand has more than doubled, but, owing to the

<sup>1</sup> Europe and America.

<sup>2</sup> Egypt from 1879 only and China for 1889 only, plus latter country's own production.

<sup>3</sup> 1929 estimated.

enormous increase in the output, the amount added to money has increased to a much larger extent.

If, as the writer believes, the gold output is likely to remain at the present level of £84,000,000 for a few years and then to fall off appreciably, the amount available as money will largely depend on the demand, and, if that should increase, as it has persistently done in the last nine decades, except for the moderate fall of the last ten years, the addition to money will be subjected to a squeeze from both sides after a few years from the present time.

The demand for new gold by the industrial arts of Europe and America, except for the lull of the twenty years to 1899, markedly increased each decade from 1830 to 1919. It reached £27,300,000 in 1913, fell to £16,000,000 in 1917, recovered to £23,000,000 in 1919 and has since fallen to £15,000,000.<sup>1</sup> In 1913, the United States accounted for £7,700,000 or 28 per cent of the industrial consumption, while in 1924-1928 it accounted for £7,700,000 per annum or 50 per cent of an annual consumption of £15,500,000. With the re-awakening of Europe, the industrial demand seems likely to increase, though fashions in the use of gold have changed, and a much larger proportion of old gold is being re-used. India, of course, astonishes one by the strength of its demand, which is seen also most markedly in the case of silver (of which it has during the past seven years absorbed 88 per cent of the current world output). In the last twenty years, the demand for gold has extended to £341,000,000 as compared with £240,000,000 in the previous seventy years, though in the last few years it has moderated to about £16,000,000 per annum. Its absorption is based on age-long customs which will probably be very difficult to change.

Just as it is necessary to distinguish between the aggregate output of gold and the stock of gold money, so it is necessary to distinguish between the stock of gold money and the effective stock,—i.e., the amount of gold money held by central banks and Treasuries. The writer has not compiled annual pre-war figures for central banks and Treasuries, nor apparently is there any such compilation, though it is highly desirable to have it.

During the years 1914-1929, central banks and Treasuries have not only absorbed the whole of the £757,000,000 of new output of gold available as money, but some £400,000,000 additional from the amounts previously in circulation among the public or in other banks. The result of this has been that the proportion of the total stock of gold money to be found in central banks and Treasuries has advanced from 62 per cent in 1913 to 92 per cent in 1929.

It may be doubted whether the increase of 3.1 per cent per annum arrived at on the basis of 1850-1910 experience is applicable to post-war conditions (and in any case the percentage seems to have fallen somewhat in the course of the pre-war period), but, applying it, we should get the following:

	End of 1913 £	End of 1929 £
Stock of gold money according to the writer . . . . .	1,579,000,000	2,336,000,000
Requiring at 3.1 per cent an annual increase in money of . . . . .	49,000,000	72,400,000
Addition to money (five years' average) . . . . .	56,300,000	52,000,000
	+ 7,300,000	— 20,400,000
Difference . . . . .		
Gold in central banks and Treasuries . . . . .	975,000,000	2,150,000,000
A requirement of 3.1 per cent per annum on the stock of gold money equals on gold in central banks and Treasuries . . . . .	5.0 %	3.4 %

<sup>1</sup> The figures taken to 1913 are those of the United States Mint. After that year, it ceased to give anything like complete figures, and the gaps have had to be filled up by the writer.

These figures show an abundance of gold for monetary purposes about 1918 and a shortage (as regards new gold) about 1928. There has thus been a distinct change in the position as regards new gold available, and the fact that commodity prices are higher now than about 1918 is largely accounted for by the transfer of gold formerly in relatively unprofitable use to central banks and Treasuries, a process which has now almost ceased. In the eleven years from the end of 1918 to the end of 1924, the gold in central banks and Treasuries increased from £975,000,000 to £1,900,000,000, or by an average of 6.3 per cent per annum, and the gold money in other banks in circulation dropped from, say, £600,000,000 to, say, £250,000,000; while in the five years to the end of 1929, gold in central banks and Treasuries increased only from £1,900,000,000 to £2,150,000,000, or by an average of 2.5 per cent per annum and the gold money outside those centralised resources dropped only from, say, £250,000,000 to under £200,000,000.

Table B.

THE RELATIONSHIP BETWEEN WHOLESALE PRICES AND THE WORLD'S STOCK OF MONETARY GOLD.

	1.	2.	3.	4.	5.
	World's Stock of Gold Money (end of year).	Stock of 1850 increased at 3.1 % per annum.	Relative Stock (Ratio of Col. 1 to Col. 2).	Wholesale Prices of Commodities <sup>1</sup> (1850 = 100).	Difference of Col. 4 on Col. 3. (%)
	(In millions of pounds at 84/11½ per fine oz.)				
1807	160	62	258	202	— 22
1834	196	141	139	122	— 12
1839	196	164	119	144	+ 21
1840	197	170	116	136	+ 17
1841	198	175	113	133	+ 18
1842	199	180	110	117	+ 6
1843	200	186	108	111	+ 3
1844	201	192	105	108	+ 3
1845	203	197	103	116	+ 13
1846	205	204	100	116	+ 16
1847	207	210	98	122	+ 24
1848	210	216	97	106	+ 6
1849	220	223	99	100	+ 1
1850	230	230	100	100	+ 0
1851	243	237	103	97	— 6
1852	268	245	109	101	— 7
1853	294	252	117	123	+ 5
1854	316	260	121	132	+ 10
1855	338	268	126	131	+ 4
1856	361	276	131	131	+ 0
1857	382	284	135	136	+ 1
1858	401	293	137	118	— 14
1859	417	303	138	127	— 8

<sup>1</sup> Jevons to 1850 and Sauerbeck-Statist since; paper prices in both reduced to gold prices.

Table B (continued).

THE RELATIONSHIP BETWEEN WHOLESALE PRICES AND THE WORLD'S STOCK OF MONETARY GOLD.

	1. World's Stock of Gold Money (end of year).  (In million of pounds at 84/11½ per fine oz.).	2. Stock of 1850 increased at 3.1 % per annum.	3. Relative Stock (Ratio of Col. 1 to Col. 2).	4. Wholesale Prices of Com- modities <sup>1</sup> (1850 = 100).	5. Difference of Col. 4 on Col. 3. (%)
1860	433	312	139	130	— 7
1861	447	321	139	129	— 7
1862	459	331	139	131	— 6
1863	468	342	137	134	— 2
1864	476	353	135	136	+ 1
1865	490	363	135	131	— 3
1866	506	374	135	132	— 2
1867	519	386	134	130	— 3
1868	531	398	134	129	— 4
1869	543	410	133	127	— 4
1870	556	423	132	125	— 5
1871	568	436	130	130	+ 0
1872	577	449	129	142	+ 10
1873	586	463	127	144	+ 13
1874	594	478	124	132	+ 6
1875	601	492	122	125	+ 2
1876	610	508	120	123	+ 2
1877	621	523	119	122	+ 2
1878	634	539	118	113	— 4
1879	639	556	115	108	— 6
1880	643	573	112	114	+ 2
1881	649	591	110	110	+ 0
1882	653	610	107	109	+ 2
1883	657	628	105	106	+ 1
1884	662	648	102	97	— 5
1885	670	668	100	94	— 6
1886	681	688	99	90	— 9
1887	689	710	97	88	— 9
1888	701	732	96	91	— 5
1889	711	754	94	94	+ 0
1890	720	778	93	94	+ 1
1891	733	802	91	94	+ 3
1892	753	827	91	88	— 3
1893	774	852	91	88	— 3
1894	802	878	91	82	— 10

<sup>1</sup>Jevons to 1850 and Sauerbeck-Statist since; paper prices in both reduced to gold prices.

Table B (continued).

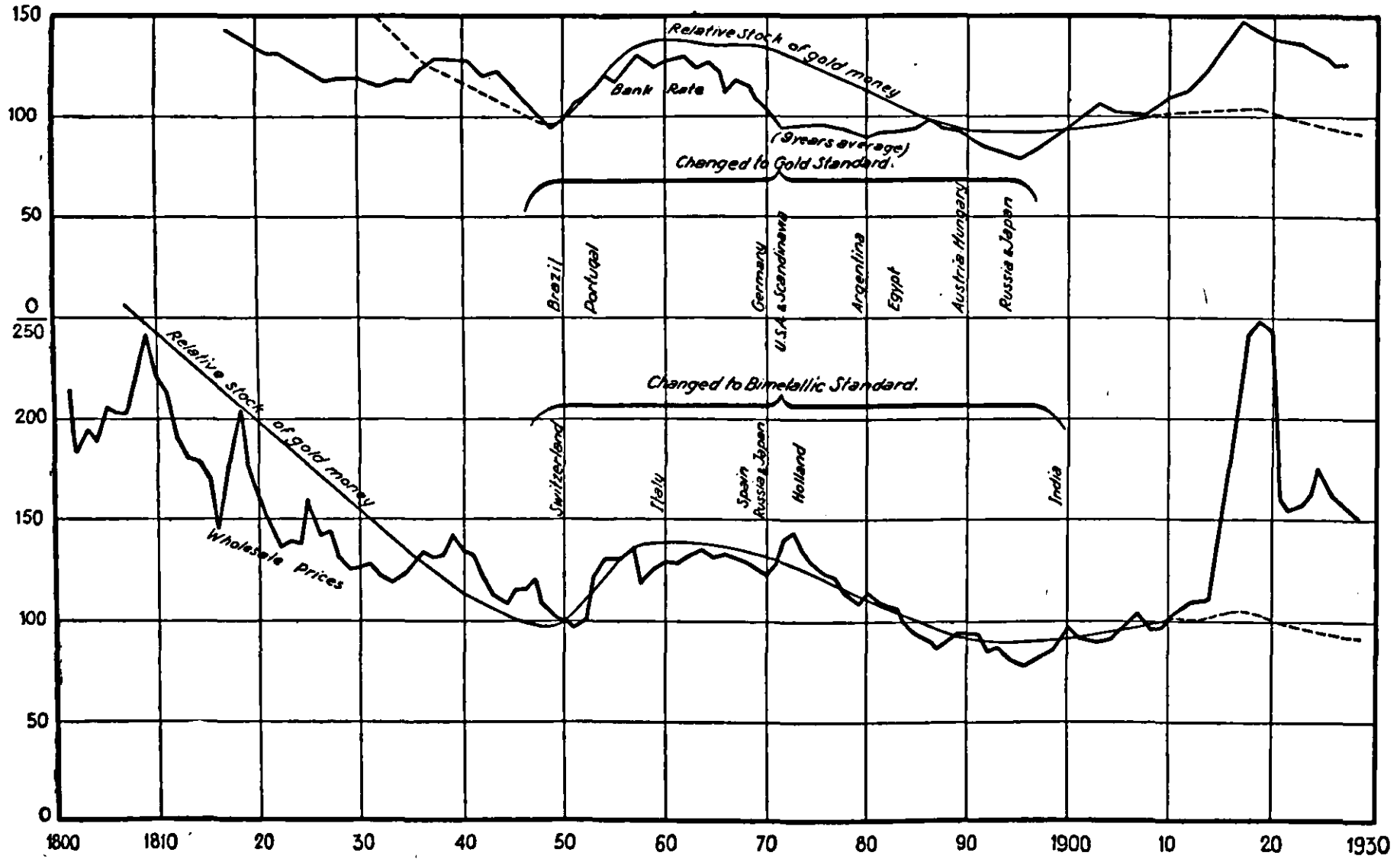
THE RELATIONSHIP BETWEEN WHOLESALE PRICES AND THE WORLD'S STOCK OF MONETARY GOLD.

	1. World's Stock of Gold Money (end of year).  (In millions of pounds at 84/11½ per fine oz.).	2. Stock of 1850 increased at 3.1 % per annum.	3. Relative Stock (Ratio of Col. 1 to Col. 2).	4. Wholesale Prices of Com- modities <sup>1</sup> (1850 = 100).	5. Difference of Col. 4 on Col. 3. (%)
1895	827	906	91	81	— 11
1896	852	934	91	79	— 13
1897	882	962	92	81	— 12
1898	921	993	93	83	— 11
1899	958	1,023	94	88	— 6
1900	989	1,055	94	97	+ 3
1901	1,022	1,087	94	91	— 8
1902	1,056	1,121	94	90	— 4
1903	1,093	1,156	95	90	— 5
1904	1,132	1,191	95	91	— 4
1905	1,188	1,228	97	94	— 3
1906	1,231	1,266	97	100	+ 3
1907	1,278	1,305	98	104	+ 6
1908	1,346	1,346	100	95	— 5
1909	1,400	1,387	101	96	— 5
1910	1,446	1,430	101	103	+ 2
1911	1,489	1,474	101	104	+ 3
1912	1,528	1,520	101	110	+ 9
1913	1,579	1,567	101	110	+ 9
1914	1,647	1,615	102	109	+ 7
1915	1,728	1,666	104	138	+ 33
1916	1,796	1,717	105	173	+ 65
1917	1,844	1,770	104	222	+113
1918	1,909	1,825	105	244	+132
1919	1,922	1,881	102	248	+143
1920	1,968	1,939	101	246	+143
1921	2,023	1,999	101	160	+ 58
1922	2,043	2,061	99	155	+ 57
1923	2,080	2,125	98	157	+ 60
1924	2,093	2,191	96	163	+ 70
1925	2,129	2,259	94	176	+ 87
1926	2,180	2,328	94	164	+ 74
1927	2,232	2,401	93	159	+ 71
1928	2,282	2,475	92	156	+ 70
1929	2,336	2,552	92	148	+ 63

<sup>1</sup> Jevons to 1850 and Sauerbeck-Statist since; paper prices in both reduced to gold prices.

Chart showing :

- (a) THE RELATIVE STOCK OF GOLD MONEY AS COMPARED WITH THE BANK OF ENGLAND'S DISCOUNT RATE;
- (b) THE RELATIVE STOCK OF GOLD MONEY AS COMPARED WITH WHOLESALE PRICES.



## ANNEX XII.

### THE SUPPLY OF GOLD.

A COMPARISON OF PROFESSOR CASSEL'S AND MR. KITCHIN'S CALCULATIONS  
REGARDING THE SUPPLY OF GOLD AND THE PRICES OF COMMODITIES.

(See Annexes X and XI above.)

By Sir Reginald MANT.

Professor Cassel has shown that, during the period 1850-1910 (at the beginning and end of which the general level of prices was practically the same), the total stock of gold in the world increased on the average by 2.8 per cent per annum (compound interest), to which he suggests that an allowance of 0.2 per cent per annum should be added for wastage. He concludes, that during this period, the above increase in the stock of gold was necessary and sufficient to keep prices at the same level in 1910 as they were in 1850; and he further concludes that, for the future, provided the rate of general economic progress is the same as during the period 1850-1910 and no further alterations take place in the practical application of the gold standard, an annual production of gold of 3 per cent (i.e. 2.8 + 0.2 per cent) of the actual stock existing at the time will be required to maintain stability in the general level of prices.

It is not possible to make any accurate calculation of the rate of general economic progress in the past and still less possible to forecast it for the future, because (apart from the difficulty of obtaining accurate data), many different opinions may be held as to the factors which should enter into the calculation and the weight that should be given for each; but independent investigations—notably those of Mr. Carl Snyder, of New York—go far to confirm Professor Cassel's estimate of the past rate of growth as approximately 3 per cent per annum. For the purposes of this note, it will be assumed that this rate has prevailed in the past and that it is likely to be at least as high in the future.

Professor Cassel observes in his memorandum that, for the purposes of his argument, either the annual production of gold may be compared with the world's *total* stock of gold or the annual addition to the world's *monetary* stock of gold may be compared with the monetary stock itself. He prefers the former method and has adopted it for his calculations, as he considers that it is suited to give an immediate answer to the question of the adequateness of the annual production of gold. But he recognises that it is an open question which of the two methods should be preferred. Mr. Joseph Kitchin has supplied us with calculations based on the second of the above methods for the period selected by Professor Cassel—viz., 1850-1910. According to his figures, the monetary stock of gold has increased during this period at an average rate of 3.1 per cent per annum. The two sets of calculations thus arrive in the end at very nearly the same result, and, broadly speaking, Mr. Kitchin's figures reinforce Professor Cassel's conclusions. But on looking at the two graphs in which the world's total relative gold supply and the relative stock of gold money are respectively compared with the general level of prices, it will be seen that, in the period 1850 to 1910, there was a much closer correspondence between prices and gold money than between prices and total gold supply, particularly in the first half on the period. During the years 1852-1878, the level of prices was considerably higher than appears to be warranted by the relative gold supply. The explanation may be found in the fact that a larger proportion of the new gold produced was available as money. For instance, Mr. Kitchin calculates that, during the ten years to 1859, the balance of new gold available as money was 77 per cent, which may be compared with 33 per cent in the ten years to 1889.

This closer correspondence of the level of prices with the relative stock of monetary gold is only what might have been expected for *a priori* reasons. Although there was no doubt some marginal exchange between monetary and non-monetary gold,—e.g., in the melting of gold coins for use in the arts or *vice versa*—the volume of this exchange cannot have been large in compa-

risson with the aggregate stock of gold; and it must be admitted that by far the greater part of the gold used for industrial arts or absorbed by India, China and Egypt is not used as money or as a basis for credit and can have no appreciable effect on prices. From the monetary point of view, it may be regarded as permanently sterilised. It seems correct therefore to exclude this gold from our estimates of the world's monetary resources.

The above question seems to be of some importance for the purposes of this enquiry, because the problem of stabilising prices will be more easily soluble if it is recognised that it is the supply of monetary gold and the use made of it that are the decisive factors. The monetary authorities can exercise no control over the gold that passes into industry or hoards, whereas, owing to the general disuse of gold coins and the concentration of the monetary gold supplies in central banks and Treasuries, those banks are now in a position to regulate (within certain limits) the volume of money or credit based on the supplies of monetary gold. Mr. Kitchin estimates that the central banks and Treasuries now hold more than 90 per cent of the world's stock of monetary gold. Given due co-ordination and co-operation, it should therefore be possible, theoretically at any rate, for the banks to counteract the threatened shortage in the production of new gold by gradually enlarging the credit structure based on existing supplies.

May 20th, 1930.

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## ANNEX XIII.

### GOLD : SUPPLY AND DEMAND.

By Mr. A. LOVEDAY,

Head of the Economic Intelligence Service of the League of Nations Secretariat.

#### I. SUPPLY.

(a) *Past.*

The estimated world production of gold in recent years is shown in Appendix I. The annual averages for each quinquennium since 1900 have been :

	\$ (000,000's)
1901-1905 .....	828
1906-1910 .....	484
1911-1915 .....	460
1916-1920 .....	892
1921-1925 .....	861
For the three years 1926-1928 .....	408

These statistics are taken from the United States Mint reports and may be slightly too high. For the five years ending 1928, the Mint gives \$1,995,000,000, while the actual production was probably not more than \$1,970,000,000.<sup>1</sup> The difference is, however, not great and it is preferable for the present purposes to employ a uniform series.

It will be seen that there was a heavy drop in output during the war and the immediate post-war years when prices were highest, from which there has recently been a substantial recovery. Production increased steadily from about \$100,000,000 in the 'eighties to \$470,000,000 in 1915. There are no grounds for believing that this latter figure will be reached again unless some new fields of exceptional importance are discovered. On the contrary, the evidence available points to the conclusion that production may be maintained at about its present level for four or five years and is likely later to decline. The question of future supplies is discussed below.

(b) *Future.*

Information concerning probable future gold supplies was asked for from South Africa, the United States of America, Canada, Australia, India, and Japan. From the replies received<sup>2</sup> and estimates for other countries, based on a simple extension of the curves of their output in the past, the following results are obtained.

<sup>1</sup> See : *League of Nations Statistical Yearbook*, 1930.

<sup>2</sup> See Annexes I, II, III, IV, V and VI.

**Table I.**  
ESTIMATE OF FUTURE PRODUCTION OF GOLD.  
\$ (000,000's)

	Transvaal.	India.	Canada.	Australia.	U. S. A.	Others.	Total.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1930	211.7	7.6	40.3	11.2	42.8	91	405
1931	207.3	7.5	40.9	12.4	42.2	91	401
1932	213.2	7.4	41.5	12.2	41.5	91	407
1933	206.8	7.3	42.1	11.9	41.0	90	399
1934	198.1	7.3	42.8	11.7	40.3	90	390
1935	189.8	7.2	43.4	11.4	38.9	90	381
1936	166.7	7.1	44.0	11.2	37.3	90	356
1937	167.4	7.0	44.7	10.9	36.7	90	357
1938	167.4	7.0	45.3	10.7	36.5	90	357
1939	133.8	6.9	45.9	10.5	36.3	90	323
1940	124.1	6.8	46.5	10.2	36.1	90	314

These results differ from those submitted by Mr. Kitchin in his memorandum entitled "Production and Consumption of Gold—Past and Prospective".<sup>1</sup> The difference is due to the fact that Mr. Kitchin's estimates for both Canada and the Transvaal are higher than the official estimates. During the eleven-year period given, the discrepancy amounts to \$247 million, which, as will be shown below, is probably rather more than a full year's supply of new gold for monetary purposes. Supplies in the next ten or twenty years are likely to prove so short that such an amount may prove of no little importance, and it is desirable therefore to compare the official and unofficial estimates in detail. In the following Table the two sets of figures are set out in parallel columns.

**Table II.**  
COMPARISON OF ESTIMATES OF FUTURE GOLD PRODUCTION.  
\$ (000,000's)

	Transvaal.		Canada.		World.	
	Official.	Mr. Kitchin.	Official.	Mr. Kitchin.	From Table I.	According to Mr. Kitchin.
1930	211.7	212.2	40.3	40.9	405	404
1931	207.3	209.3	40.9	42.3	401	402
1932	213.2	217.0	41.5	43.8	407	410
1933	206.8	213.2	42.1	45.3	399	407
1934	198.1	208.8	42.8	46.7	390	403
1935	189.8	203.4	43.4	48.2	381	398
1936	166.7	201.5	44.0	49.6	356	397
1937	167.4	196.1	44.7	51.1	357	392
1938	167.4	187.8	45.3	52.6	357	384
1939	133.8	173.2	45.9	54.0	323	370
1940	124.1	172.8	46.5	55.5	314	370
Total . . .	1,985.8	2,195.3	477.4	530.0	4,090	4,337
Difference . . . . .		+ 209.5		+ 52.6		+ 247

<sup>1</sup> See Annex VII.

For the Transvaal and Canada alone, therefore, Mr. Kitchin's figures are \$262 million higher than the official figures. His total for the other countries taken together is \$15 million below that given at the foot of column 7 of Table I. This latter difference is negligible.

For the purpose of the subsequent argument in this present memorandum, Mr. Kitchin's figures will be adopted in preference to those contained in Table I, on the grounds that official estimates are possibly more likely to under-state than to exaggerate future prospects.

## II. INDUSTRIAL DEMAND.

The information concerning the industrial demand for gold is incomplete. The best source of information is the Report of the Director of the United States Mint, in which a table is published year by year of the industrial consumption of gold and silver in so far as it is reported to the Director. The figures contained in these tables do not, however, cover the whole world and for a number of reasons constitute an inadequate basis on which to estimate the world's consumption. Certain countries show only the amount of new gold used by industry; others show the total amount of new and old gold. The old gold may consist either of gold already employed in the Arts melted down or of gold coin melted. If the object in view is to ascertain the net additions of gold to the total monetary stock, it is necessary to deduct from the figures of gross industrial consumption, the old gold derived from the Arts, but not of course the gold coin melted down. For few countries is the information given in detail sufficient for ascertaining the net industrial consumption so defined. It is necessary, therefore, in the light of such figures as are available, to hazard a guess and it may well be that the guess actually made below is too high or too low.

For the period 1907-1912, the Mint figures show gross annual consumption of between \$105 and \$110 million. From the later of these two years until 1922 only fragmentary information is available. Between 1922 and 1927, the gross consumption reported averaged about \$140 million. India is in both cases excluded from these figures.

It would appear that the amount of old gold (including coin) used in industry outside the United States of America and Egypt, where the proportion is exceptionally high, averaged in the post-war years about one-fourth of the total consumption. If this factor is employed and the known figures for net consumption in the United States and Egypt are taken, a net total of about \$88 million per annum is obtained. The factor is, however somewhat too high, since it includes old coin melted down. Further the gross figure of \$140 million per annum is too low inasmuch as, first, it does not include all countries and, secondly, certain countries only show the new gold employed. In post-war years, it would seem that the returns fail to cover about 10 per cent of the pre-war recorded consumption, but even in pre-war years they were not comprehensive.

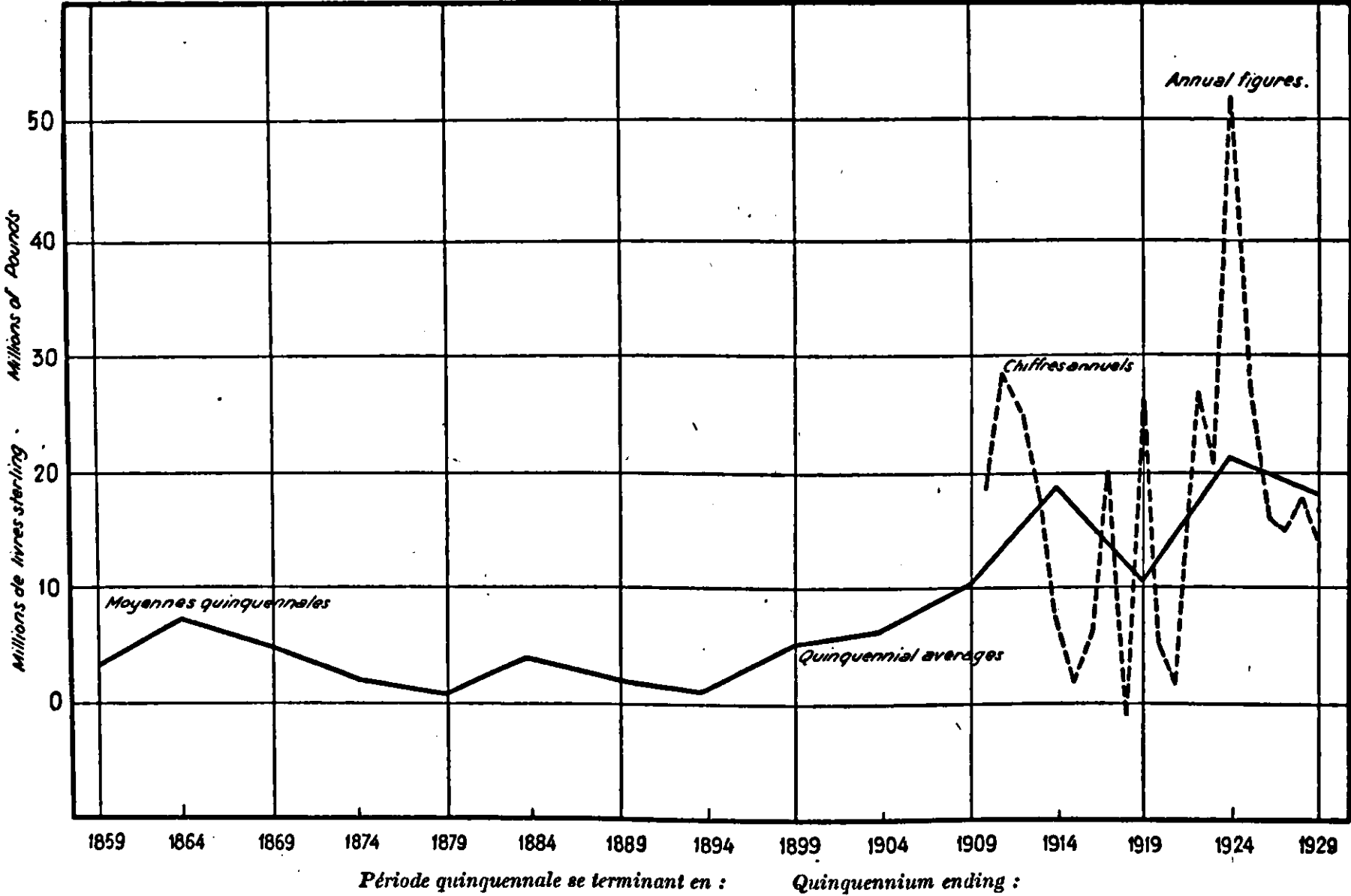
It is necessary, therefore, to add some amount exceeding 10 per cent of the total net consumption on account of failure to report. Further additions must be made to account for old coin melted down and also for the incompleteness of the returns made by certain countries which do report. These adjustments may possibly raise the total net figure to about \$100 million per annum.

It is possible to submit this result to an indirect check. In so far as can at present be ascertained the total production of gold between December 31st, 1925 and December 31st, 1929 amounted to \$1617 million, the absorption by India to \$307 million and the net additions to the monetary stock to \$947 million, of which about \$20 million were probably due to the gradual percolation of coin unrecorded in the first of these two years into central bank reserves. According to these figures, therefore, about \$388 million or \$95 million per annum were available for consumption in the Arts.

## III. CONSUMPTION OF GOLD IN INDIA AND CHINA.

While the statistics of gold used in the arts and of gold employed for monetary purposes must be accepted, to employ the expression used by the Director of the United States Mint, as "confessedly inconsistent and contradictory in many respects", those showing the absorption of gold by India, which are based on the figures of domestic production and international trade, are probably relatively accurate. On the other hand, it may be presumed that industrial

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consumption does not fluctuate greatly from year to year, though no doubt it increased steadily during the 19th and first decade of the 20th century, while the net absorption by India shows wide annual variations. These variations in Indian demand are important inasmuch as they render it quite impossible to judge with any accuracy either what gold is likely to be available for money in any given year or even what the probable Indian demand in the future is likely to average over a series of years. Since total monetary gold stocks and not the annual increments thereto influence prices, the first point is of less significance than the second. The probable future demand by India for gold could in any case only be determined by reference to the past. But conditions during the last seventeen years have been so exceptional that they give an extremely insecure basis for judgment.

The course of actual consumption in past years may perhaps be most suitably shown by means of a diagram [see page 91].

The above diagram gives absorption per quinquennium since 1859, and, in addition, annual figures since 1910. It will be seen that, even when the annual oscillations are eliminated, no general trend can be traced, save a rapid rise from 1894-1914. During the war, India was unable to secure the gold she wanted. Since the war, she has in part made good her shortage—but whether the pre-war rate of increase in her demand is likely to continue it is quite impossible to foresee. The most that can be said is that there is no present evidence of any such tendency. The recent figures may be summarised as follows :

	\$ (000,000's)	
Consumption 1904-1908 .....	207 = per annum	41
"    1909-1913 .....	512 =       "	102
"    1914-1918 .....	176 =       "	85
"    1919-1923 .....	384 =       "	77
"    1924-1928 .....	630 =       "	126
"    1925-1929 .....	433 =       "	87

The rate of consumption during the last pre-war quinquennium was thus over \$100 million per annum. In the quinquennium ending March 1930, the rate of consumption was about \$87 million per annum. There was a very considerable drop from 1924 to 1925 and again from 1925 to 1926. Perhaps it may be assumed that 1925 was the last of the four years during which the short supplies of the immediately preceding period were being made good. If this is so, demand to-day would be rather lower than \$87 million per annum. Expert opinion concerning probable future demand varies. On the one hand, it is argued that, with the growth of wealth, the Indian gold consumption is likely to increase; on the other hand that, with the more general use of banking facilities—especially of savings bank deposits—it is likely to fall off. Those who believe that demand will increase argue that the savings deposits are mainly used by those holding clerical positions in towns and that the peasants still continue to keep their savings in the form of gold.

While this is no doubt largely true, it must be remembered that the growth of Indian wealth is very largely the result of industrial and not of agricultural activity. The view of the Controller of Indian Currency is that, "with the growth of the investment habit in India, gold imports for private consumption in India in future are not likely to be as large as they were in the past".<sup>1</sup>

If the demand by India be assumed for the sake of argument to be about \$80-90 million and that in the arts and China some \$100 million, then there would remain for monetary purposes an amount rather greater than the sum of these two, after making allowance for that part of the Indian demand which is for monetary purposes.

The demand by China in recent years has been negligible. If China goes on to the gold standard, however, the situation may be altered. It is clearly impossible at the moment to form any definite judgment on the effects of such a change. The question of a monetary reform is being seriously considered by the Chinese Government and Professor Kemmerer was requested recently to make an enquiry and has submitted his report. According to his proposals, the effective media of circulation in China would continue to be silver and paper money. No gold would be coined and the reserves should by preference be kept, not in gold, but in foreign assets. The present circulation in China is unknown. Professor Kemmerer gives "by way of illustration" a possible figure of \$1.8 per head of silver money. If the population amounts to approximately

<sup>1</sup> Report of the Controller of Currency, 1928-29, page 5.

450 millions, that would give a total circulation of about \$800,000,000. He suggests a reserve ratio of 85 per cent. If 40 per cent were actually maintained on the average, the reserve would amount to somewhat over \$300,000,000. The whole of this might be kept in foreign assets. If it were so kept and the assets lay with New York commercial banks, the demand for gold would only be increased by their and the reserve banks' reserve requirements—or about \$14 million (*i.e.*  $\$300 \times 13\% \times 85\%$ ). These figures are given only with a view to indicating the possible rough limits to the problem. It is, however, quite possible that the basic figure of \$1.8 per head is too high or too low.

Moreover, even if the Chinese Government initiates a scheme of reform at an early date, it is contemplated that this scheme will need a number of years to complete. According to one of the proposals submitted, the new currency should be put into circulation at first in limited quantities within a restricted area and gradually spread over wider areas. But it is obviously impossible to foresee whether, when the time comes, some such plan as this or a comprehensive scheme put into execution at the same moment throughout the country will be preferred. That the Chinese authorities consider some change imperative is proved by the recent introduction of non-silver values for Customs purposes. For the successful application of any scheme of reform, it is of course essential that unauthorised additions to the existing forms of currency should be prevented.

#### IV. MONETARY DEMAND.

(a) *General.*

In Appendix II are given the estimated monetary gold stocks of practically all the gold-using countries of the world for the years 1913 and 1925-1929. The figures for the last year are provisional; those for 1913 and 1928 may be summarised as follows:

**Table III.**  
**MONETARY GOLD STOCKS OF THE WORLD.**  
\$ (000,000's)

	1913			1928		
	Gold Reserves.	Other Monetary Gold Stocks. <sup>1</sup>	Total.	Gold Reserves.	Other Monetary Gold Stocks. <sup>1</sup>	Total.
Europe, excluding Russia .....	2,050	2,448	4,498	4,245	76	4,321
Russia .....	787	254	1,041	92	—	92
Europe, including Russia .....	2,837	2,702	5,539	4,337	76	4,413
North America ...	1,451	635	2,086	3,937	395	4,332
South America and Cuba, Mexico, etc.	348	139	487	799	312	1,111
Asia <sup>2</sup> .....	217	146	363	753	—	753
Africa .....	46	25	71	68	17	85
Oceania .....	46	181	227	141	114	255
World .....	4,945	8,828	8,773	10,035	914	10,949

The statistics for 1928 are likely to be more accurate than those for 1913. The gold reserves in this later year in the very great majority of countries are known and require no process of estimation, while the amount of gold outside banks of issue and Treasuries is small. The accuracy and completeness of the returns of gold reserves in 1913, on the other hand, are sometimes open

<sup>1</sup> Mainly gold in circulation, including holdings of commercial banks.

<sup>2</sup> Excluding China and hoardings in India.

to doubt, and, of the total monetary supply, nearly 45 per cent is believed to have been in the hands of the general public, commercial banks, etc. The quantity of gold not in central reserves can, of course, only be estimated and, owing to the manner in which such estimates are normally compiled, it is by no means impossible that the total monetary gold stock in 1913 was somewhat lower than is indicated in the table (perhaps about \$500 million lower). On the other hand, the other monetary gold stock in 1928 may have slightly exceeded \$914 million.

In Appendix III are given the statistics of the sight liabilities of central banks and note circulation for a slightly smaller number of countries and, in Appendix IV, the statistics of the deposits of commercial banks.

These figures require detailed study and can only be briefly summarised here. The relationship between the gold supplies and the first storey of the credit structure—notes and sight liabilities of central banks—will be considered first; secondly will be considered the relationship of these supplies to the whole structure of credit and the changes which have taken place in the relative importance of different forms of currency—changes which affect the demand for gold; and, thirdly, the rate at which the available media of exchange in the world have increased in the last fifteen years.

(b) *Reserve Requirements for Notes and Sight Liabilities of Central Banks.*

The following table shows the relationship of gold reserves to notes and sight liabilities of central banks in the world at the end of the years 1913, 1925, 1927 and 1928.

**Table IV.**  
RELATIONSHIP OF GOLD RESERVES AND GOLD STOCKS TO NOTES  
AND SIGHT LIABILITIES OF CENTRAL BANKS.  
\$ (000,000's)

	1913	1925	1927	1928
1. Notes .....	8,982	16,749	17,608	18,181
2. Sight Deposits .....	1,226	5,287	6,060	6,890
3. Total A .....	10,208	22,036	23,668	24,571
4. Gold Reserves .....	4,922	9,021	9,455	9,992
5. Gold Stocks .....	8,560	10,057	10,407	10,747
6. % Ratio of Gold Reserves to Total A .....	48.2 %	40.9 %	39.9 %	40.7 %
7. % Ratio of Gold Stock to Total A .....	83.9 %	45.6 %	44.0 %	48.7 %
8. Gold required for one-third cover .....	8,408	7,845	7,889	8,190
9. Excess of Gold Reserve com- pared with 8 .....	1,519	1,676	1,566	1,802
10. Excess of Gold Stock com- pared with 8 .....	5,157	2,712	2,518	2,557

Cuba, Mexico, Paraguay, the Philippines, the Straits Settlements, Turkey, and certain countries of minor importance in Africa and elsewhere are omitted. The gold reserves and stocks given are therefore proportionately lower than in Table III. The gold reserve figures are presumably approximately correct. Those for gold stocks in 1913 may, as stated above, be too high.

It will be seen that the reserve ratio dropped from about 48 per cent in 1913 to about 41 per cent in 1928. In most countries, this reserve is not now required against a possible internal drain and, moreover, is supplemented in many by foreign assets. But, on the other hand, any threatened shortage of gold can no longer be met by replacing coin by notes, as the amount of coin now in circulation is almost negligible. The ratio of total gold stocks to notes and sight liabilities has dropped from 84 per cent or rather less to 44 per cent.

Table IV tends perhaps to some extent to exaggerate the seriousness of the situation. It shows an increase in notes plus sight liabilities of almost 12 per cent between 1925 and 1928, and a simultaneous increase in gold stocks of only 7 per cent. Gold reserves increased more rapidly than stocks owing to the collection of gold in circulation by the central banks. By 1928, the reserve ratio was under 41 per cent. But countries under a legal obligation to keep 83 per cent cover (or some similar proportion) normally keep a cushion over and above this of 7 per cent or more. Total reserves therefore only just exceeded this 83 + 7 per cent at the end of 1928, when note circulation was increasing rapidly.

On further analysis, however, the situation appears less critical than these facts would at first sight seem to suggest.

As may be seen by reference to Appendix III, notes and sight liabilities in the world increased between 1923 and 1928 by \$5,102 million, of which \$4,352 million were due to Europe, and between 1925 and 1928 by \$2,535 million, of which \$2,499 million were due to Europe. During the five years ending December 1928, European circulation rose by 44 per cent, and during the three years ending in that month by 22 per cent. These rates of growth are obviously quite abnormal and were no doubt largely the effect of the final stages of European currency reforms and of the very rapid industrial recovery and development. There is no reason to believe that this rate of development will be maintained in the future. In other continents, the increase in the five years ending 1928 has been 7.8 per cent, which is equivalent to only just over 1½ per cent per annum.

Secondly, owing to the development of the gold exchange system, many countries do not require to maintain a gold cover of one-third, and a considerable number have no legal obligation to keep any reserve against sight liabilities.

The legal requirements of gold to-day cannot be stated in the absolute precision, for the legal stipulations are themselves to some extent elastic. It is, however, possible to give a range of figures within which they must lie. For this purpose, it is necessary to make calculations on certain defined and different assumptions. Table V (page 96) has been calculated in three different hypotheses.

For those countries which may keep their reserves under their monetary legislation either in gold or in substitutes for gold—as, for instance, foreign assets—it has been assumed: (I) that only gold is kept, (II) that the gold ratios maintained to-day are normal, (III) that only foreign assets are kept.

For those countries, such as the United Kingdom, where a fixed limit is set to the circulation of notes other than gold certificates, it is assumed that the existing reserve percentage is that required by law. These assumptions are of course quite arbitrary; but they give the correct limits for the past, although the last assumption is, of course, wholly hypothetical when applied to the future.

It will be seen that the legal requirements would amount to 84.4 per cent on the hypothesis that all optional reserves were kept in gold, and to 29.0 per cent on the hypothesis that they were kept wholly as foreign assets. The existing practice lies exactly halfway between these two extremes.

Before proceeding to apply these facts to the problem of estimating the monetary demand for gold, it may be useful to examine these percentages a little more thoroughly. The legal requirements are lowest to-day in Europe and certain British Dominions. But, if Russia is ignored, they are higher in Europe than they were before the war. There has thus been no reduction in the reserve demand for gold in the rest of the Continent. The gold exchange system has simply replaced the *étalon boiteux*; foreign assets are kept in place of silver. Moreover, in



Table V.

Continental Groups.	Year.	Legally required Gold Reserve as percentage of all Notes <sup>1</sup> plus Sight Liabilities. According to hypothesis :			Actual Gold Reserve as percentage of Notes plus Sight Liabilities.	Surplus or Deficiency (—) of Actual Gold Reserves as percentage of Notes plus Sight Liabilities.	Surplus or Deficiency (—) of Total Monetary Gold Stocks as percentage of Notes and Sight Liabilities.
		(I)	(II)	(III)			
Europe, excluding Russia...	1913	24.1	23.2	21.6	88.2	14.1 to 16.7	59.8 to 62.8
	1927	28.5	25.4	21.8	80.0	1.5 » 8.2	4.8 » 11.1
	1928	29.8	27.0	23.6	84.5	5.2 » 10.9	5.9 » 11.6
Russia .....	1913	82.4	82.4	82.4	89.9	7.5	86.6
	1927	9.1	6.6	—	6.6	— 2.5 to + 6.6	— 2.5 to + 6.6
	1928	7.8	5.0	—	5.0	— 2.9 » + 5.0	— 2.9 » + 5.0
Europe, including Russia ..	1913	32.8	31.5	30.1	45.5	13.2 to 15.4	56.5 to 58.7
	1927	26.4	23.3	19.8	27.4	1.0 » 8.0	3.5 » 10.6
	1928	26.5	24.1	20.5	30.7	4.2 » 10.2	4.7 » 10.7
North America .	1913	46.5	46.5	46.5	53.9	7.4	81.0
	1927	42.8	42.8	42.8	61.2	18.8	24.1
	1928	42.2	42.2	42.2	58.8	16.1	21.9
South America .	1913	50.7	50.7	50.7	51.1	0.4	11.8
	1927	56.7	54.9	53.2	57.1	0.4 to 4.0	7.4 to 10.9
	1928	55.9	54.0	52.3	59.5	8.6 » 7.2	15.8 » 18.9
Asia .....	1913	47.4	37.8	12.6	37.8	— 9.6 » +25.2	— 6.0 » +28.8
	1927	47.1	35.8	29.6	38.4	— 8.7 » + 8.8	— 8.7 » + 8.8
	1928	50.2	38.3	31.7	39.2	—11.0 » + 7.5	—11.0 » + 7.5
Africa and Oceania .....	1913	33.8	33.8	33.8	113.8	82.5	837.5
	1927	35.6	24.4	18.3	42.4	6.7 to 24.0	33.4 to 50.7
	1928	35.9	23.7	17.6	42.0	6.3 » 24.5	32.7 » 50.9
Total...	1913	38.1	37.1	34.9	48.2	11.1 to 13.8	45.8 to 49.0
	1927	34.6	31.7	28.7	39.9	5.8 » 11.2	9.4 » 15.2
	1928	34.4	31.7	29.0	40.7	6.8 » 11.7	9.4 » 14.8

<sup>1</sup> Including issues of Treasury Notes, etc., for which no gold cover is legally required.

certain countries, the legal reserve ratio has been increased. The lowest average legal ratio which could have been applied in Europe was approximately 21.6 per cent in 1913 and 23.6 per cent in 1928. In North America, it is just double the lower of these two amounts—the average being affected by the existence of gold certificates. But there the gold carries in addition a much larger volume of deposits than elsewhere and the ratios required for markets in which the foreign assets of the central banks of other countries are maintained must be determined on principles different from those which should be applied to countries keeping their assets abroad.

The ratios in force in South America, 50 per cent or over, are high even for agricultural countries. The volume of deposits carried is, moreover, lower than elsewhere. But the total legal requirements (minimum) of South America in 1928 only amounted to \$680 million, and of South America, Asia, Oceania and Africa to \$1,360 million out of a world total of \$7,110 million. If any substantial economy in legal requirements for gold is to be effected therefore, it must be undertaken by Europe and North America.

The absolute figures on which the foregoing percentages are based are given below (see Table VI, page 98).

From this table and the figures given in Table IV, the following results, for the end of 1928, are obtained :

	\$ (000,000's)	
Excess over :	Of Gold Reserves.	Of Total Monetary Gold Stocks.
What would be required for one-third cover.....	1,802	2,557
What would be required for one-third + 7 per cent = 40 per cent..	164	919
Excess over :		
Legal requirements, hypothesis I .....	1,549	2,304
"    "    "    I + 7 per cent.....	— 171	584
"    "    "    II .....	2,196	2,951
"    "    "    II + 7 per cent .....	476	1,231
"    "    "    III .....	2,878	3,633
"    "    "    III + 7 per cent .....	1,158	1,913

The results for the original ratios plus 7 per cent have been given on the assumption that, whatever reserve is legally required, it is likely in practice to be exceeded (and in many cases must be exceeded) by some amount which on the average may be taken to be about 7 per cent.

The most significant figures are probably those based on hypothesis II—that the present practice about the divisions of reserves between gold and foreign assets, etc., may be accepted as normal. In view of the tendency of recent years towards converting foreign assets into gold, it may, however, give rather too favourable a picture of the situation. According to it, the surplus gold reserves amount to from \$476 million to \$2,196 million and surplus gold stocks to \$1,231 million to \$2,951 million. The difference between the higher and the lower figure in each case (\$1,720 million) represents the 7 per cent cushion. In the case of gold exchange standard systems, this cushion could of course be appreciably lower or indeed nil. \$2,000 million represent about five years' production.

But these figures must be considered in relationship with the probable future demand for gold. It is unlikely that the total of notes and central bank sight liabilities will continue to expand at even approximately the same rate as they have done during the last few years (about 4½ per cent per annum during 1923-1928) and the actual rate can only be guessed. The preliminary and incomplete data collected for December 1929 show a decrease in note circulation since the end of 1928 as a result of the depression which started in the autumn of last year. We are, however, not concerned here with year-to-year oscillations, but with the general trend of demand. That general trend will depend primarily on the average rate at which the production of wealth in gold-using countries increases (or decreases) on the one hand, and on the changes which may take place in the manner in which gold is employed directly or indirectly in connection with the exchange of the wealth produced on the other.

**Table VI.**

**LEGAL RESERVE REQUIREMENTS IN GOLD AND SURPLUS OR DEFICIENCY (—) OF ACTUAL GOLD RESERVES AND TOTAL GOLD STOCKS.**

\$ (000,000's)

(1) Continents.	Years.	(2) Amount of Gold legally required as Cover according to hypothesis.			(3) Surplus or Deficiency (—) compared with Actual Reserves.			(4) Surplus or Deficiency (—) compared with Total Gold Monetary Stocks actually held.		
		(I)	(II)	(III)	(I)	(II)	(III)	(I)	(II)	(III)
Europe, excluding Russia .	1913	1,294	1,245	1,157	756	805	893	3,204	3,253	3,341
	1927	3,334	2,965	2,543	170	539	961	503	872	1,294
	1928	3,602	3,314	2,900	643	931	1,345	719	1,007	1,421
Russia .....	1913	721	721	721	66	66	66	320	320	320
	1927	134	97	—	— 87	—	97	— 87	—	97
	1928	145	92	—	— 53	—	92	— 53	—	92
Europe, including Russia .	1913	2,015	1,966	1,878	822	871	959	3,524	3,573	3,661
	1927	3,468	3,062	2,543	133	539	1,058	466	872	1,391
	1928	3,747	3,406	2,900	590	931	1,437	666	1,007	1,513
North America	1913	1,252	1,252	1,252	199	199	199	834	834	834
	1927	2,947	2,947	2,947	1,259	1,259	1,259	1,661	1,661	1,661
	1928	2,850	2,850	2,850	1,087	1,087	1,087	1,482	1,482	1,482
South America	1913	339	339	339	3	3	3	79	79	79
	1927	702	680	658	5	27	49	91	113	135
	1928	731	706	684	47	72	94	200	225	247
Asia .....	1913	252	201	67	— 51	—	134	— 82	19	153
	1927	899	684	565	— 166	49	168	— 166	49	168
	1928	938	717	593	— 205	16	140	— 205	16	140
Africa and Oceania .....	1913	27	27	27	64	64	64	270	270	270
	1927	175	120	90	33	88	118	164	219	249
	1928	177	117	87	80	90	120	161	221	251
Total...	1913	3,885	3,785	3,563	1,137	1,137	1,359	4,675	4,775	4,997
	1927	8,191	7,493	6,803	1,264	1,962	2,652	2,216	2,914	3,604
	1928	8,443	7,796	7,114	1,549	2,196	2,878	2,804	2,951	3,633

It is necessary therefore to make some arbitrary assumption concerning the rate at which demand is likely to increase. In Table VII, two postulates have been made: (1) that the rate will be 2 per cent and (2) that it will be 3 per cent per annum. Secondly, it has been assumed that a reserve of 33 per cent will be required. This proportion is, as has just been demonstrated, slightly in excess of actual legal requirements—which in practice works out at 32 per cent. But it is perhaps the most convenient figure to use. For the sake of comparison columns are also given showing the results obtained by adding the 7 per cent cushion. In considering the results reached, however, it is necessary to bear in mind that the actual reserve to-day, although a scramble for gold may exist, is as high as 40.7 per cent.

**Table VII.**  
ESTIMATE OF FUTURE GOLD RESERVE REQUIREMENTS.  
\$ (000,000's)

	A. Notes and Central Bank Sight Liabilities. \$24,571 at 3 % interest.	B. One-third of A = \$8,190.	C. Annual increments of B = amount required.	D. 40 % of A = \$9,828.	E. Annual increments of D = amount required.
1929	25,308	8,436	246	10,123	295
1930	26,067	8,689	253	10,426	303
1931	26,849	8,949	260	10,739	313
1932	27,655	9,218	269	11,062	323
1933	28,485	9,494	276	11,394	332
1934	29,339	9,779	285	11,735	341
1935	30,219	10,073	294	12,087	352
1936	31,126	10,375	302	12,450	363
1937	32,060	10,686	311	12,823	373
1938	33,021	11,007	321	13,208	385
1939	34,012	11,337	330	13,604	396
1940	35,032	11,677	340	14,012	408
	at 2 % interest.				
1929	25,062	8,354	164	10,025	197
1930	25,564	8,521	167	10,225	200
1931	26,075	8,691	170	10,429	204
1932	26,596	8,865	174	10,638	209
1933	27,128	9,043	178	10,851	213
1934	27,671	9,223	180	11,068	217
1935	28,224	9,407	184	11,289	221
1936	28,789	9,595	188	11,515	226
1937	29,365	9,787	192	11,745	230
1938	29,952	9,983	196	11,980	235
1939	30,551	10,183	200	12,220	240
1940	31,162	10,387	204	12,464	244

The table shows that, if the notes, etc., increase at the rate of 2 per cent per annum, the yearly demand for reserve gold will rise from \$167 million in 1930 to \$204 million in 1940, and, if they increase at 3 per cent per annum, from \$253 million to \$340 million.

It was suggested in Section III above that the non-monetary demand for gold may amount to about \$180-190 million, and in Section I (b) an estimate of future production was made

on the basis of information furnished by certain experts to the Secretariat. This estimate was somewhat lower than that submitted by Mr. Kitchin, and it is proposed here to employ the latter. If it is estimated conservatively that the non-monetary demand for gold only increases at 1 per cent per annum—i.e., in proportion rather to population than to wealth—the following results are obtained :

Table VIII.

\$ (000,000's)

Year.	Estimated Gold Production.	Non-monetary Demand.	Available for monetary purposes.	Increment required to provide one-third Cover for average increases in Notes and Sight Liabilities of :		Excess or Deficit of Amount available for Money compared with Increment required if Notes and Sight Liabilities increase by :	
				3 % p.a.	2 % p.a.	3 % p.a.	2 % p.a.
1930	404	180	224	253	167	— 29	+ 57
1931	402	182	220	260	170	— 40	+ 50
1932	410	184	226	269	174	— 43	+ 52
1933	407	186	221	276	178	— 55	+ 43
1934	403	188	215	285	180	— 70	+ 35
1935	398	190	208	294	184	— 86	+ 24
1936	397	192	205	302	188	— 97	+ 17
1937	392	194	198	311	192	— 113	— 6
1938	384	196	188	321	196	— 133	— 8
1939	370	198	172	330	200	— 158	— 28
1940	370	200	170	340	204	— 170	— 84

In calculating this table, no account has been taken of the margin of gold which exists over and above what is required for a 33 per cent cover to-day. This margin will be found to consist in part of the cushion which, according to present practice, has to be maintained in addition to the legal minimum cover and in part of what may possibly be considered surplus stocks. Were gold evenly distributed according to legal requirements plus a uniform cushion of 7 per cent, the surplus, as has already been noted, would be negligible. In fact, the distribution of the reserves is uneven, and, were those countries which have surpluses to liberate them, and others which have abnormally low reserves not to increase their demands, some economy could be effected. It is preferable, however, to treat this as a separate problem and to presume for the moment that the present balance is approximately maintained.

The average legal requirements to-day are, however, about 33 per cent and, if that ratio is not changed then some additional amount of gold in excess of 33 per cent would in practice be required in the future for the purposes of the cushion against the new notes and sight liabilities created. It has been thought preferable to ignore this point in the table, which has therefore been calculated on a conservative basis.

On the assumption of a 3 per cent increase in the demand, if these estimates are correct, the supplies of new gold are inadequate to-day. On the 2 per cent hypothesis, they will become inadequate in 1938.

This result is so serious as to demand careful further consideration. In the first place, what does the 2 per cent or 3 per cent increase in the demand for gold represent? It represents the assumed amount of accretions to the gold stock necessary in order to prevent prices falling. It reflects therefore the increase in the production of goods and services. But production may rise on account either of greater productivity of the factors of production or of an increase in

the factors themselves. If it is not desired to prevent the results of economies in production finding expression in the general price level, then it may well be that these percentages are too high and that the growth of the demand for gold is substantially lower than that assumed for the sake of argument. Thus the population of the world in recent years (outside China) has only been growing at a rate of under 1 per cent per annum.

Further, if cheque currency is allowed in part to replace notes, the rate of growth of the latter may to some extent be reduced (see Section IV (d)). As stated above, the actual increase in notes and sight liabilities in continents other than Europe between 1923 and 1928 was about 8 per cent, and prices in the United States of America sank during these years by some 8 per cent or less.

On the other hand, Mr. Kitchin's estimate of gold production in the future, which has been employed, is higher than that resulting from returns received and, even if it were assumed that present-day production is maintained throughout the period, supplies would be inadequate on the 8 per cent basis and would become inadequate about 1941 on the 2 per cent basis.

It may be that the estimate of non-monetary demand is too high; but, even if the lower figure given by Mr. Kitchin in "Production and Consumption of Gold"<sup>1</sup> be accepted, the gold supplies on the 8 per cent assumption are inadequate to-day.

Finally, if the statistics of the last few years are correct, it is obvious that gold reserves have been fed from other monetary gold stocks and not simply from new gold coming forward. Thus, between 1925 and 1928, they rose by \$961 million. Gold production in this period was nearly \$1,200 million. The lowest estimate of non-monetary demand during these three years largely exceeds \$239 million (*i.e.*, \$1,200-961 million). Total monetary gold stocks, on the other hand, are estimated to have increased by \$717 million. The sum of this figure and the estimate of non-monetary demand employed above just exceed \$1,200 million (*i.e.*, \$1,257 million) and probably some of the rise in total gold stocks was fictitious—in the sense that it only represented the bringing to light of hidden gold coin for which allowance was not made in the estimates.

The evidence points to the conclusion that the amount of new gold likely to become available in the next few years would not by itself prove adequate to maintain prices, and that possibly it may already be inadequate. It is necessary to consider therefore the extent to which monetary gold, which is at present redundant, could alleviate the situation. The aid which might be rendered by these supplies must obviously depend on banking practice.

The reserve ratio at the end of 1928 amounted to 40.7 per cent and, if banks required about 7 per cent above the legal minimum necessary on the basis of the present division of reserves between gold and foreign assets, obviously the margin is negligible. But, on the 33 per cent cover basis considered in Table VII, which is equivalent to the lowest possible legal minimum plus a cushion of 4 per cent, the life of the available margin may be estimated as follows. The surplus reserve is \$1,802 million—the accumulated deficits on the 8 per cent increase basis will amount to about \$1,000 million by the end of 1940, leaving therefore roughly \$800 million. This sum of \$800 million would represent perhaps some four years' deficit from that date. The surplus should therefore suffice until about 1944 if it could all be efficiently utilised.

On the basis of an increase in demand of only 2 per cent per annum, it is not possible to make a calculation, as the period exceeds that for which any sufficient data for estimating the future production of gold exist. But the surplus would, on the previous system of reckoning, certainly last until the 'fifties. It is, however, improbable that, under existing laws, so low a reserve as the lowest possible legal minimum plus only 4 per cent cushion will, or indeed could, successfully be maintained.

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<sup>1</sup> See Annex VII.

Apart from this last calculation, all the foregoing figures are based on the assumption that no change is made in banking or monetary laws or practice. Further economies might be effected by the withdrawal of gold from circulation or by the conversion of gold certificates into other forms of notes.

The total estimated amount of gold outside the reserves at the end of 1928 was \$914 million. This sum includes \$267 million in commercial banks in Australia and South America and some \$650 million believed to exist elsewhere. It is very doubtful whether any considerable proportion of this last-mentioned amount could be collected for reserve use and it would certainly be unwise to count on it as an available source of relief. At this same date, gold certificates were outstanding in the United States of America to the value of \$991 million. If they were converted into Federal Reserve notes, which require 40 per cent cover, a saving of \$595 million might be effected. A further economy might be effected by transferring to central bank reserves the \$267 million of gold actually available in commercial banks referred to above. As will be shown below, certain sums were transferred during the course of 1929. The total of these two sums, roughly \$860 million, would suffice to cover up to about 1939-40 the estimated cumulative deficit on the 3 per cent basis considered above (Table VIII).

From what has been said, it is obvious that great importance should be attached in the future to accurate information concerning the consumption of gold in the arts and the growth of monetary demand. The position with reference to these two factors is essentially different. We do not know what the industrial consumption of gold is—the data at present collected are not sufficiently complete to render a serious estimate possible. If those responsible for monetary policy in the future are not to continue to grope in the dark, therefore some active steps must be taken to obtain more comprehensive and more serious returns. Monetary statistics on the other hand have vastly improved in recent years. The difficulty in this connection is mainly due to the fact that, owing to the abnormal economic conditions which have obtained in recent years, the events of the past do not constitute evidence of value for judging probable future developments. The world statistics of monetary circulation in the next few years will therefore have to be studied with exceptional care. But, though the monetary statistics are relatively complete, they are still far from perfect. Their perfection, however, presents insignificant technical difficulties; it depends almost wholly on the will to divulge the facts.

### *(c) Reserve Requirements for Deposits.*

In considering the monetary demand for gold, attention has been confined up to this point to the cover requirements for notes and sight liabilities of central banks and, in most countries, it is only against these that gold has legally to be kept. Moreover, when, as in the United States of America, the law demands a certain cover against commercial deposits, that cover is kept in the form of notes and sight liabilities with central banks, so that any augmentation of the second storey of credit involves a proportionate, though not equivalent, augmentation of the first. It might be argued, therefore, that no study of deposits is required. But, in fact, the monetary gold demand is influenced by the total volume of available means of payment and by the composition of that volume. Less gold will be required as a backing for cheque circulation than for notes. It is necessary, therefore, to take into consideration both the amount of sight deposits of commercial banks and the relationship of those deposits to notes.

A difficulty, however, arises from the fact that, in most countries, there is no legal obligation to maintain any defined ratio between gold and such deposits. In order to ascertain whether the present supplies of gold are adequate or not, reliance has therefore to be placed on general banking practice and on a comparison of the ratios existing at different dates. These ratios obviously will and should vary according to the composition of the currency. In Table IX are shown the actual ratios at the end of 1913, 1927 and 1928 of gold to (i) notes and sight liabilities of central banks, (ii) sight deposits of commercial banks, (iii) both of these groups together.

Table IX<sup>1</sup>

	Ratio of Gold Reserves to									Ratio of Demand Deposits to Total of C.	
	A. Notes and Sight Liabilities of Central Banks.			B. Demand Deposits of Commercial Banks.			C. A + B.				
	1918	1927	1928	1918	1927	1928	1918	1927	1928	1918	1928
	%	%	%	%	%	%	%	%	%	%	%
Europe .....	38.2	30.1	34.6	22.0	23.4	27.0	14.0	13.2	15.2	63.4	56.2
North America .....	53.9	61.2	58.8	16.6	16.5	15.3	12.7	13.0	12.1	76.4	79.2
South America.....	51.1	57.1	59.5	69.1	62.8	65.9	29.4	29.9	31.3	42.5	47.5
South Africa and Oceania.....	117.4	53.2	55.1	16.3	19.2	19.0	14.8	14.1	14.1	87.8	74.4
World <sup>2</sup> .....	44.0	43.1	44.7	20.6	20.6	21.4	14.0	14.0	14.5	68.2	67.7

In studying the table, it is necessary to recollect that the same gold reserves are always employed in calculating the ratios in columns A, B and C. Thus, for Europe, the total reserves (not stocks) are shown as percentages, first of the notes plus sight liabilities, and secondly of deposits. The addition of sight liabilities of central banks to deposits of commercial banks is open to criticism. These liabilities include the cash balances which commercial banks keep as reserves against their deposits, etc., with the central banks. The addition of sight liabilities to deposits involves therefore some double counting, more especially in North America. On the other hand, notes may equally well be kept by commercial banks as reserves and true net figures could therefore only be obtained by deducting from the note issue such reserve notes and from the sight liabilities of central banks bankers' balances. The former deduction is scarcely ever possible and the latter is only possible for a restricted number of countries. In view of these facts and since, moreover, the sight liabilities of the central banks include a number of other forms of deposits—more especially Government balances—their inclusion in the total seems

<sup>1</sup> The data on which this and other deposit tables are based relates to rather fewer countries than do those concerning world gold reserves. The following are omitted :

Europe—Russia, Estonia, Latvia, Lithuania, and Albania.

South America—Paraguay.

The whole group given in Appendix II under the title: Mexico, Cuba and rest of America.

Asia—India, Dutch East Indies, Philippines, Straits Settlements, and Turkey.

Africa—Egypt and rest of Africa.

<sup>2</sup> Total of countries included in the groups shown above and Japan.



on the whole to be preferable to their omission. On this point, however, opinions may well differ and for this reason alternative calculations are given below.<sup>1</sup>

It is noticeable that, in spite of great differences between the continental ratios and considerable changes in each continent in the composition of the currency, the world reserves against all forms of currency shown in 1928 was only very slightly higher than in 1913. In Europe, the proportion which commercial deposits constituted, not of total currency, but of those forms requiring a gold backing diminished.<sup>2</sup> Europe might have been expected, therefore, to have required larger reserves and actually its reserve ratio was somewhat higher in 1928 than in 1913. The note and sight liability ratio in the later years, as Table V proves, gave a fair margin over legal requirements—namely, 5.2 per cent according to hypothesis I, and the grouping employed in Section IV (b), 7.6 per cent according to hypothesis II, and 10.9 per cent according to hypothesis III. These margins are, it is true, substantially lower than those maintained in 1913; but, at that time, a large proportion of the gold reserves were not true currency reserves at all, but war chests, and to-day the functions of gold are different. If the present note cover is adequate, therefore, and the pre-war ratio of gold to deposits was likewise adequate, some further expansion of deposits on the present reserves would seem permissible. But the pre-war gold ratios were without doubt often unnecessarily high. As just stated, the reserves were largely maintained for non-monetary purposes. In North America, the gold reserve works out at 15 per cent of deposits; in Europe, where the use of cheques is not so highly developed, the ratio is 27 per cent. The substitution of a cheque for a note currency in Europe would therefore permit of a very appreciable economy in the use of gold. This point will be further considered in Section IV (d) in connection with composition of the available means of payment.

The situation in North America is the exact reverse of that in Europe; deposits constitute to-day a larger proportion of the total currency other than coin than in 1913; this means that the reserve against notes has increased and against deposits has decreased. The reserve against all the forms of currency considered has also slightly decreased. As deposits require a smaller reserve than notes, the composition of the currency has been changed in such a manner as to allow an economy in gold. Table V showed that there was a surplus reserve of 16 per cent in North America against the notes and sight liabilities of central banks. If the United States

	Ratio of Gold Reserves to Total of Notes and Commercial Sight Deposits.			Ratio of Commercial Sight Deposits to Total of those Deposits and Note Circulation.		
	1913	1927	1928	1913	1927	1928
(Central Bank sight liabilities excluded.)						
	%	%	%	%	%	%
Europe .....	15.2	14.5	16.8	68.9	61.7	62.1
North America ...	12.7	14.1	13.1	76.4	85.5	85.7
South America....	29.5	30.7	32.2	42.7	49.0	48.9
South Africa and Oceania .....	14.3	14.6	14.5	87.8	76.0	76.8
World .....	14.6	15.2	15.7	71.2	73.6	73.6

<sup>2</sup> From Table X, page 106, however, it will be seen that, when all forms of currency are considered, deposits slightly increased in importance.

gold certificates were converted into Federal Reserve notes, this margin would be raised to 25 per cent. The actual reserve requirements in that country on account of sight deposits in banks belonging to the Federal Reserve system are 13 per cent for the central Reserve city banks and 7-10 per cent for other categories of member banks, against which the central Reserve banks must keep 85 per cent in gold—that is, less than  $4\frac{1}{2}$  per cent gold in all. This 85 per cent (or 4.5 per cent) has already been taken into account in Table V, where the reserve of gold against notes and sight liabilities of central banks are given. The margin of surplus gold in this, as in other cases, cannot of course be greater than that shown in Tables V and VI. In North America, it is likely to be somewhat less. But the existing reserves against deposits are well in excess of legal requirements. The fact that they are lower than in other parts of the world is due to the composition of the total currency instruments and in no way reflects inadequacy. But, when considering the note cover and the world distribution of gold, it is necessary to bear in mind the fact that the large gold reserves in the United States of America carry a very big superstructure of credit both absolutely and proportionately.

The South-American, African and Oceanic reserves are quantitatively of less importance and may with advantage be considered in a later section.

#### (d) *Currency Composition.*

Of the various possible methods for reducing the monetary requirements of gold, the most important are probably (i) alteration of the legislation determining gold reserve ratios, (ii) substitution of one form of currency for another, (iii) re-distribution of gold stocks.

The currency legislation of the world relating to gold reserves has already been summarised in the volume entitled "Legislation on Gold" and need not be considered here. Legal reserve ratios are largely conventional, and there could be no theoretical objection to their reduction in most countries. Such reduction might, however, well prove to demand concerted international action.

Two forms of currency substitution will help to conserve gold supplies: (a) the replacement of gold by notes or deposits, (b) the replacement of notes by deposits or in other words of note media by cheque media. In the vast majority of countries, gold has already been withdrawn from circulation—mainly withdrawn in such circumstances that prices have been raised and this means of alleviating the situation in consequence lost. There remains, therefore, the question of the replacement of notes by cheques, which will be considered in this section and of the re-distribution of gold stocks which will be considered in Section IV (e).

There are two distinct though often confused reasons why less gold is required to maintain a cheque than a note system of currency. First, the velocity of the circulation of checkable deposits tends to be greater than that of notes because cheques cannot circulate freely from hand to hand or be indefinitely hoarded. If A receives a note in payment and keeps that note for three months in his pocket, it is immobilised for that period of time. But if he receives a cheque and adds the proceeds of that cheque to his account, the sum is not necessarily immobilised even though A himself does not draw on his account for three months. It can be mobilised by the bank in which his deposit lies. This fact alone will not of itself augment the velocity of the turnover of deposits, for the bank can only mobilise A's deposit by making an advance to B. The total volume of deposits is *pro tanto* augmented. But B will tend to employ his deposit as rapidly as possible since he has to pay interest on the equivalent advance. There is thus always a force tending to counteract the inactivity of the A's in any community, a force which cannot be exercised in the case of notes. Secondly, the reserve in gold which has to be maintained against checkable deposits is lower than the reserve required against notes. The growth of deposits by itself constitutes no proof that gold is being economised. Such growth may be accompanied by an equivalent increase in note circulation, due to the fact that they continue to be operated upon by means of notes. It is necessary therefore to consider the relative amount of the different currency forms at different dates and in different parts of the world. The absolute and percentage figures for 1913 and 1928 are given in Table X.

Table X.

CURRENCY COMPOSITION.

Continental Groups.	Circulation		Sight Liabilities of Central Banks.	Demand Deposits in Commercial Banks.	Total.	
	Gold.	Notes.				
(In millions of dollars.)						
Europe <sup>1</sup> .....	1913	2,448	4,206	1,155	9,804	17,118
	1928	71	9,565	2,658	15,705	27,999
North America.	1913	635	2,691	—	8,782	12,058
	1928	395	4,817	2,440	25,800	32,952
South America.	1913	76	663	6	495	1,240
	1928	153	1,236	71	1,181	2,641
South Africa and Oceania .....	1913	196	69	—	497	762
	1928	131	302	41	997	1,471
World <sup>2</sup> .....	1913	3,374	7,841	1,222	19,415	31,852
	1928	750	16,226	5,426	45,811	67,718
Percentage Composition.						
Europe <sup>1</sup> .....	1913	14.3	24.6	6.7	54.4	100
	1928	0.3	34.1	9.5	56.1	100
North America.	1913	5.3	22.3	—	72.4	100
	1928	1.2	13.1	7.4	78.8	100
South America.	1913	6.1	53.5	0.5	39.9	100
	1928	5.8	46.8	2.7	44.7	100
South Africa and Oceania .....	1913	25.7	9.1	—	65.2	100
	1928	8.9	20.5	2.8	67.8	100
World <sup>2</sup> .....	1913	10.6	24.6	3.8	61.0	100
	1928	1.1	24.0	8.0	66.9	100

<sup>1</sup> Excluding Russia, Estonia, Latvia, Lithuania, and Albania.

<sup>2</sup> Total of countries included in the groups shown above and Japan.

Again the inclusion of the sight liabilities of central banks involves the difficulties discussed above.<sup>1</sup>

The table shows that, in 1913, gold in circulation constituted about 10½ per cent of all forms of currency given.<sup>2</sup> The estimates for gold in circulation may, however, be too high.

This gold has been almost entirely replaced by notes and sight deposits, and the table shows the manner in which that substitution has been effected. In Europe, deposits to-day constitute a slightly higher fraction of the total (56.1 in 1928 compared with 54.4 in 1913) and notes a much higher proportion (34.1 in 1928 and 24.6 in 1913). In North America on the other hand, where before the war gold was of relatively little importance, the share of notes has sunk from 22.3 to 13.1 and that of deposits risen from 72.4 to 78.8. The growth of deposits has been more than sufficient to replace the gold; there has been a definite advance from note to cheque currency. The importance of this change is most clearly brought out in Table XI, which shows the percentage increase in each form of currency since 1913. Sight deposits in North America have risen by 195.5 per cent and notes by 60.4 per cent: the comparable figures for Europe are 68.8 and 127.4 per cent.

If the cheque system were generally adopted in Europe and the composition of the total media of payment had been the same there<sup>3</sup> at the end of 1928 as it was in North America, \$879 million less gold would have been required on the basis of the actual American and \$2,248 million on the basis of the European ratios of gold to notes and sight liabilities. The latter figure may be considered as giving the upper limit of theoretical economy which could not be attained in practice. Any development of the cheque system which may take place must necessarily be slow. It will be faced by the opposition of habit and prejudice and limited by the rate of the growth of literacy and of wealth. A cheque-book postulates a deposit.

But some room for economy no doubt there is, and it is not unreasonable to expect that, with the growth of wealth in Europe, the relative importance of deposits to other forms of currency

<sup>1</sup> If Central Bank sight liabilities be excluded, the percentage composition was :

		Percentage Composition.			
		Circulation		Demand deposits in Commer- cial Banks.	Total.
		Gold.	Notes.		
		%	%	%	%
Europe .....	1913	15.8	26.4	58.3	100
	1928	0.3	37.7	62.0	100
North America.....	1913	5.3	22.3	72.4	100
	1928	1.3	14.1	84.6	100
South America .....	1913	6.2	53.7	40.1	100
	1928	6.0	48.1	45.9	100
South Africa and Oceania .....	1913	25.7	9.1	65.2	100
	1928	9.2	21.1	69.7	100
World .....	1913	11.0	25.6	63.4	100
	1928	1.2	26.1	72.7	100

<sup>2</sup> Gold reserves are naturally excluded from this calculation, as they cannot be counted at once as the backing for currency and as the currency for which they are a backing. But, in times of internal drain, the proportion of gold would be increased by both the issue of gold and the withdrawal of notes. According to available estimates, gold reserves and gold circulation in 1913 were in the ratio of 4.9 : 3.8 to each other.

<sup>3</sup> I.e., Europe excluding Russia, Estonia, Latvia, Lithuania, Danzig, and Albania, which are not included in the commercial demand deposits table.

will rise well beyond the pre-war standard. If this is so and a similar development takes place elsewhere, note circulation and sight liabilities of central banks may well increase at substantially less than the 3 per cent per annum discussed in Section IV (b); in this case, the demand for gold will be *pro tanto* reduced. It may be remarked in this connection that the note circulation of the United States of America in recent years has steadily diminished.

In Table XI below, the percentages which the various forms of currency at the end of 1928 in each continental group constituted of the amounts at the end of 1913 are given.

Table XI.

CURRENCY GROWTH.

1928 as percentage of 1913.

Continental Groups.	Circulation		Sight Liabilities of Central Banks.	Demand Deposits in Commercial Banks.	Total.	Total less Sight Liabilities.
	Gold.	Notes.				
Europe <sup>1</sup> .....	2.9	227.4	230.1	168.8	163.6	158.8
North America ...	62.2	160.4	—	295.5	273.3	253.0
South America....	201.3	186.4	1,183.3	238.6	213.0	208.3
South Africa and Oceania .....	66.8	437.7	410.0	200.6	193.0	187.7
World <sup>2</sup> .....	22.2	206.9	444.0	233.4	212.6	203.4

The table has been calculated in order to illustrate the different rates of growth, more especially of notes and deposits in different parts of the world. The figures for the totals of all forms of currency are, however, also of interest as showing the growth of available currency during the past fifteen years. The increase in North America, if sight liabilities are excluded, is almost exactly the same (very slightly higher) than the estimated increase in the money income of the United States of America. Owing to the increase in national debts, the currency augmentation elsewhere would be expected to exceed the growth of social income. It probably also somewhat exceeds the growth of fiscal income. If it is presumed that prices had at the end of 1928, on the average, risen by 40 per cent, the growth of currency in all the countries given taken together averages just over 2½ per cent per annum if sight liabilities are ignored, and 2¼ per cent per annum if they are included. The truth probably lies between these two figures, supposing the price factor to be correct. But it may well be that the price factor for general purchasing power should be higher. If 50 instead of 40 per cent be employed, the results are just over 2 per cent and just over 2½ per cent per annum. The average efficiency of money has increased, but part of the growth in the demand for currency has no doubt been caused by the development of money economy and part by the growth of debt and by the larger transfers of wealth for other reasons effected by the Treasury. If such transfers do not continue to grow in importance in future years, one cause of the growth in the demand for gold will have disappeared. On the other hand, the rate at which the real income of Europe has been expanding in the last few years is certainly very appreciably greater than the average rate over the fifteen years considered. In view of this fact and the evidence afforded by both North and South America, which have been less affected by abnormal factors than has Europe, it would seem unwise to presume that the rate of required currency expansion in the immediate future will fall below 2-3 per cent per annum,

<sup>1</sup> Excluding Russia, Estonia, Latvia, Lithuania, and Albania.

<sup>2</sup> Total of countries included in the groups shown above and Japan.

granted always that the object in view is stabilisation of the price trend in all circumstances. It may prove, in fact, to be lower, but it is wiser to face squarely the more serious alternative.

(e) *The Distribution of Monetary Gold.*

In Section IV (a) was considered the surplus of gold which might be considered available if a common reserve of 33 per cent (and also 33 + 7 per cent) in all countries was maintained. This ratio proved to be near enough to the actual average required under existing legislation to give results of some value. In fact, however, certain countries require more or less than 33 per cent and several maintain reserves greatly in excess of what is legally necessary.

The adequacy of the gold supply depends obviously, not only on its amount, but also on its distribution, and it is worth while, therefore, to study this side of the question in some detail. The distribution has, however, undergone very considerable changes in the last few years and the dynamic as well as the static situation must be considered.

Between 1925 and 1928, world stocks are estimated (see Appendix II) to have increased from \$10,232 million to \$10,949 million or by \$717 million, which is equivalent to 7 per cent. In contrast with this, European stocks increased from \$3,608 million to \$4,413 million, or by \$805 million, which is equivalent to 22 per cent. Europe thus took all the gold rendered available for monetary purposes and \$88 million more. Her stocks rose from about 35 per cent to over 40 per cent of the world's total.

Of this increase of \$805 million, Germany (363), France (193), Belgium (73), Italy (45), Poland (44), the United Kingdom (42) accounted together for \$760 million, or 94 per cent. Their demand exceeded the increase in stocks by \$43 million. Where did this gold come from?

The changes which have taken place may be summarised as follows:

Table XII.

GOLD STOCK CHANGES.

Between 1925 and 1928.	\$ (000,000's) <sup>1</sup>
Europe's stock increased by.....	805
Latin America's by .....	282
Africa's by .....	7
Total...	<u>1,094</u>
World's stock increased by .....	<u>717</u>
Difference...	377
North America lost .....	293
Asia .....	26
Oceania .....	58
	<u>377</u>

<sup>1</sup> According to the provisional figures for 1929, the following results are obtained for the period December 31st, 1925—December 31st, 1929 :

	\$ (000,000's)
Europe's stock increased by .....	1,170
Latin America's by .....	93
Africa's by .....	7
Total...	<u>1,270</u>
World's stock increased by .....	<u>947</u>
Difference...	323
North America lost .....	190
Asia .....	33
Oceania .....	100
	<u>323</u>

This absorption of gold by Europe was due, in part, to the substitution of foreign assets by gold for cover purposes, in part to the automatic increase in note circulation after currency reforms, and in part to increases in reserve ratios.

The following table shows the reserve situation at the end of 1928 and also of 1929 of those countries in America and Europe whose absorption of gold since 1925 has been the greatest, with figures for the United States of America appended.

**Table XIII.**

\$ (000,000's)

Country.	Total Stocks.		Increase or Decrease (—) in Total Stocks from 1925 to		Gold Reserves.		Foreign Assets.		Percentage of Gold Reserves to Notes and Sight Liabilities.		Percentage of Gold Reserves and Foreign Assets to Notes and Sight Liabilities.	
	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929
Argentine .....	619	445	160	— 14	473	405	—	—	79.8	79.4	79.8	79.4
Brazil .....	149	150	95	96	149	150	29	17 <sup>1</sup>	86.6	88.9	43.7	43.8
Uruguay .....	73	69	15	11	72	68	6	—	62.1	63.6	67.2	68.6
Germany.....	666	560	363	257	666	560	126	193	43.8	36.8	51.5	49.5
Belgium .....	126	163	73	110	126	163	79	85	84.0	87.2	55.8	56.6
France.....	1,259	1,631	193	565	1,247	1,631	1,287	1,021	89.0	47.4	79.2	77.0
Italy .....	266	273	45	52	266	273	413 <sup>2</sup>	367 <sup>2</sup>	25.8	27.5	64.5	64.6
Poland .....	70	79	44	53	70	79	80	59	82.6	87.4	69.8	65.4
U. K.....	754	719	42	7	746	711	—	—	29.8	27.6	29.8	27.6
Hungary .....	35	29	25	—19	35	29	16	14	26.5	27.6	38.6	41.0
Total...	4,017	4,118	1,055	1,156	3,850	4,069	2,036	1,756	87.9	89.5	57.9	56.6
U. S. A.....	4,141	4,284	—258	—115	3,746	3,900	—	—	57.1	60.6	57.1	60.6

These ten countries thus purchased, in the three years ending 1928, \$1,055 million—nearly 90 per cent of the total amount of new gold mined during the period. That the situation was abnormal is proved by the fact that simultaneously they increased their foreign assets reserves by about \$1,500 million. To some extent, the gold purchases were the natural result of economic development and currency expansion. But reference to the reserve ratios in the last columns of the table shows that the Argentine and Uruguay held gold reserves which exceeded 50 per cent of liabilities on account of notes and sight liabilities, and Germany a reserve of over 40 per cent. If foreign assets are included, the reserves of seven countries exceeded 50 per cent. The fact that total reserves are high is, however, no proof that they are excessive. It may frequently be preferable for countries to keep available funds temporarily in the form of gold or its equivalent rather than in the form of stocks of goods. The question which the table raises, therefore, is whether the proportion of total assets constituted by gold is not excessive.

In 1929, the situation underwent a substantial change. Of the ten countries whose stocks are totalled, only Belgium, France, Italy and Poland substantially increased their holdings,

<sup>1</sup> January 31st, 1930.

<sup>2</sup> Including claims on gold abroad not earmarked.

and the total absorption by Italy and Poland amounted to but \$16 million. France and the United States, however, together took \$538 million, or probably over two years' supply of new monetary gold, and, by the end of the year, the French reserve amounted to 47 per cent and the American to 60 per cent.

The rest of the world, therefore, has had either to live on existing supplies or to contract the credit structure. The reason why the reserve ratios of certain of the countries shown in the tables have risen, although the value of the reserves has diminished, is that such contraction has actually taken place. But it does not follow that it has taken place because of a local shortage of gold—indeed, in certain cases it ostensibly has not. Thus it would be absurd to suggest such a shortage in the Argentine or Uruguay, where reserves of 64 per cent to 75 per cent or more were held—although the circulation in both these countries fell. The only country in which the reserve situation in 1928-29 would appear to have been such as to involve a real strain on the credit structure was the United Kingdom, though the fact that certain other countries whose monetary systems were inelastic were frightened is proved by their partial surrender of the gold standard.

Whether the gold situation has had any effect or any substantial effect on prices up to date is therefore a point on which doubt may reasonably be felt. But, as has been shown already, the surplus gold stocks are not such as to permit the absorption of new gold by one or two countries to continue for any considerable period of time without worldwide repercussions.

A comparison of the figures of the gold reserves and gold stocks in the world in 1928 and 1929 will show that the former increased by \$158 million more than the latter. The difference is explained by the continued withdrawal of money into the central reserves from holdings of commercial banks mainly in Australia and South America, and from private hoards.

But the total of non-reserve gold stocks only amounted to \$756 million at the end of 1929, and, of this sum, \$384 million were in the United States of America. If this latter amount actually exists, part of it, at least, may perhaps more properly be looked upon as a means of amusement than a potential supplement to currency reserves.

When considering the static position of gold supplies, a sufficiently accurate picture may be obtained by examining the statistics of a restricted number of countries; for nine countries own over 80 per cent and fifteen over 90 per cent of the total world stocks. This fact is one which may prove of very great practical importance. (See Table XIV, page 112.)

The aggregate reserves of gold held by the first group of countries amounted to 46 per cent of their total note issue and central banks sight liabilities. But amongst these nine countries were Italy, with a ratio of only 25 per cent, and the United Kingdom, with 29 per cent. The other gold reserves were all over 40 per cent, except that of France and, by the end of 1929, the French reserve had increased to 47 per cent.

With these nine countries, or more accurately with six of them, lay, therefore, not only the bulk of the gold reserves, but also the bulk of the surplus of gold over the world average reserves required. The surplus of these holdings over 83 per cent plus 7 per cent requirements amounted to \$1,605 million, and of the nine countries in the first group to \$1,145 million. But, of these sums, \$1,120 million were held in the United States of America. In 1929, of the comparable surplus then held by six countries, which amounted to \$2,007 million, the United States of America and France together held \$1,578 million.

It is necessary, in order to make the position clear, to compare these figures with those given in Section IV (b) above. The following result is thus obtained for the end of 1928 :

	Surplus	
	over 83 %	over 40 %
	Reserves.	
	\$ (000,000's)	
In the United States of America .....	1,558	1,120
In nine countries holding over 80 per cent of total	2,336	1,145
In fifteen countries holding over 90 per cent of total	2,452	1,112
In all countries for which information is available	1,802	164

A comparison of the last two lines shows that the gold-standard countries of the world, exclusive of the fifteen countries with heavy stocks, had reserves which fell short of one-third



Table XIV.

## RESERVES, OBLIGATIONS AND COVER IN CERTAIN COUNTRIES.

\$ (000,000's).

Country.	Gold Reserves.		Notes and Sight Liabilities of Central Banks.		Percentage ratio of Gold Reserves to Notes and Sight Liabilities of Central Banks.		Gold required for one-third cover.		Surplus (+) or Deficiency (-).		Gold required for 40% cover.		Surplus (+) or Deficiency (-).	
	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929	1928	1929
<b>Group A :</b>														
Germany ...	666	560	1,539	1,520	43.8	36.8	518	507	+ 153	+ 58	616	608	+ 50	- 48
Italy.....	266	273	1,058	991	25.8	27.5	851	880	- 85	- 57	421	396	- 155	- 123
Spain.....	494	495	1,120	970	44.1	51.0	878	828	+ 121	+ 172	448	888	+ 46	+ 107
France.....	1,247	1,681	3,200	3,442	39.0	47.4	1,067	1,147	+ 180	+ 484	1,280	1,877	- 83	+ 254
U. K. ....	746	711	2,544	2,580	29.3	27.6	848	860	- 102	- 149	1,018	1,032	- 272	- 321
U. S. A. ....	3,746	3,900	6,564	6,440	57.1	60.6	2,188	2,147	+1,558	+1,758	2,626	2,576	+1,120	+1,324
Argentine ...	478	405	598	510	79.8	79.4	198	170	+ 275	+ 235	237	204	+ 236	+ 201
Japan.....	541	542	1,022	1,071	52.9	50.6	841	857	+ 200	+ 185	409	428	+ 182	+ 114
Australia ...	109	89	222	206	49.1	43.2	74	69	+ 85	+ 20	89	82	+ 20	+ 7
<b>Total Group A</b>	<b>8,288</b>	<b>8,606</b>	<b>17,857</b>	<b>17,730</b>	<b>46.4</b>	<b>48.5</b>	<b>5,952</b>	<b>5,910</b>	<b>+2,336</b>	<b>+2,696</b>	<b>7,148</b>	<b>7,092</b>	<b>+1,145</b>	<b>+1,514</b>
<b>Group B :</b>														
Belgium ....	126	163	371	438	34.0	37.2	124	146	+ 2	+ 17	148	175	- 22	- 12
Netherlands ..	175	180	371	360	47.2	50.0	124	120	+ 51	+ 60	148	144	+ 27	+ 36
Switzerland ..	103	115	222	232	46.4	49.6	74	77	+ 29	+ 38	89	93	+ 14	+ 22
Canada .....	191	151	193	188	99.0	80.8	64	63	+ 127	+ 88	77	75	+ 114	+ 76
Brazil .....	149	150	407	386	36.6	38.9	136	129	+ 18	+ 21	163	154	- 14	- 4
India .....	124	128	690	655	18.0	19.5	230	218	- 106	- 90	276	262	- 152	- 134
<b>Total Group B</b>	<b>868</b>	<b>887</b>	<b>2,254</b>	<b>2,259</b>	<b>38.5</b>	<b>39.8</b>	<b>752</b>	<b>753</b>	<b>+ 116</b>	<b>+ 134</b>	<b>901</b>	<b>903</b>	<b>- 33</b>	<b>- 16</b>
<b>Grand Total ...</b>	<b>9,156</b>	<b>9,493</b>	<b>20,111</b>	<b>19,989</b>	<b>45.5</b>	<b>47.5</b>	<b>6,704</b>	<b>6,663</b>	<b>+2,452</b>	<b>+2,830</b>	<b>8,044</b>	<b>7,995</b>	<b>+1,112</b>	<b>+1,498</b>

by \$655 million. Their cover, in fact, was under 19 per cent. This is mainly due to the fact that Russia, with a total note circulation plus sight liabilities of \$1,857 million at the end of 1928, only held \$92 million of gold—i.e., about 5 per cent cover. But the cover of the other countries was only 28.5 per cent compared with an average in the fifteen countries given in Table XIV of 45.5 per cent.

The problem of surplus gold reduces itself, therefore, largely to one of the monetary and banking policy of six to ten of the countries given in Table XIV. Outside these few countries, there is no amount of first-class importance on which economy could be practised.

On the other hand, there remain a number of latent dangers. In several countries, proposals for putting gold once more into circulation are being seriously discussed; in others, a tendency to convert foreign assets into gold has existed for the last few years. If Russia desired and was able to acquire a cover of, for instance, 33 per cent, she would absorb over \$500 million of gold; it is by no means impossible that China may desire to acquire some gold stocks. Alongside these dangers, latent or active, has to be considered the fact that the gold production of the world in the next few years is likely to diminish rather than to increase.

### Appendix I.

#### WORLD GOLD PRODUCTION, 1911-1928.

Year.	U. S. Bureau of the Mint.		League of Nations <i>Statistical Year-Book.</i>	
	Weight in fine oz.	Value (in millions of dollars).	Weight in kg.	Value \$(000,000's) <sup>1</sup>
1911	22,397,136	463		
1912	22,605,068	467		
1913	22,254,983	460		
1914	21,301,836	440		
1915	22,737,520	470		
1916	22,031,094	455		
1917	20,845,528	421		
1918	18,614,039	385		
1919	17,698,184	366		
1920	16,130,110	333		
1921	15,974,962	330	495,137	329
1922	15,451,945	319	476,051	317
1923	17,790,597	368	551,545	367
1924	19,031,001	393	583,683	388
1925	19,025,942	393	584,741	389
1926	19,349,118	400	598,624	398
1927	19,431,194	402	594,955	396
1928	19,674,638	407	600,400	399

<sup>1</sup> Converted by Secretariat at 1 kilogram = \$6.65.

Appendix II.

**MONETARY**  
(In millions)

Country.	1913			1925			1926		
	Reserves.	Other gold stocks <sup>(1)</sup> .	Total.	Reserves.	Other gold stocks <sup>(1)</sup> .	Total.	Reserves.	Other gold stocks <sup>(1)</sup> .	Total.
Albania.	—	<sup>(2)</sup> —	<sup>(2)</sup> —	—	<sup>(2)</sup> 5	<sup>(2)</sup> 5	—	<sup>(2)</sup> 5	<sup>(2)</sup> 5
Austria.	<sup>(4)</sup> 251	<sup>(4)</sup> 44	<sup>(4)</sup> 295.	—	—	—	7	—	7
Belgium.	48	20	68	53	—	53	86	—	86
Bulgaria.	11	3	14	8	—	8	8	—	8
Czechoslovakia.	<sup>(5)</sup> —	<sup>(5)</sup> —	<sup>(5)</sup> —	27	—	27	27	—	27
Danzig.	—	—	—	—	—	—	—	—	—
Denmark.	30	1	21	56	—	56	56	—	56
Estonia.	<sup>(6)</sup> —	<sup>(6)</sup> —	<sup>(6)</sup> —	3	—	3	3	—	3
Finland.	7	3	10	8	—	8	8	—	8
France.	679	<sup>(5)</sup> 1,021	<sup>(5)</sup> 1,700	711	<sup>(7)</sup> 355	1,066	711	<sup>(7)</sup> 355	1,066
Germany.	296	<sup>(8)</sup> 699	<sup>(8)</sup> 995	303	—	303	452	—	452
Greece.	5	3	8	13	—	13	13	—	13
Hungary.	<sup>(5)</sup> —	<sup>(5)</sup> —	<sup>(5)</sup> —	10	—	10	30	—	30
Italy.	288	18	306	221	—	221	223	—	223
Latvia.	<sup>(9)</sup> —	<sup>(9)</sup> —	<sup>(9)</sup> —	5	—	5	5	—	5
Lithuania.	<sup>(9)</sup> —	<sup>(9)</sup> —	<sup>(9)</sup> —	3	—	3	3	—	3
Netherlands.	61	11	72	178	<sup>(2)</sup> 11	189	166	<sup>(2)</sup> 14	180
Norway.	12	1	13	39	—	39	39	—	39
Poland.	<sup>(9)</sup> —	<sup>(9)</sup> —	<sup>(9)</sup> —	26	—	26	27	—	27
Portugal.	9	—	9	11	—	11	9	—	9
Roumania.	29	3	32	<sup>(10)</sup> 46	—	46	<sup>(10)</sup> 47	—	47
Russia (U.S.S.R.).	787	254	1,041	94	—	94	84	—	84
Spain.	93	—	93	490	—	490	493	—	493
Sweden.	27	1	28	62	—	62	60	—	60
Switzerland.	33	20	53	90	<sup>(12)</sup> 51	141	91	<sup>(12)</sup> 51	142
United Kingdom.	170	<sup>(12)</sup> 600	<sup>(12)</sup> 770	704	<sup>(12)</sup> 8	712	735	<sup>(12)</sup> 8	743
Yugoslavia.	11	—	11	15	—	15	17	—	17
<b>I. EUROPE.</b>	<b>2,837</b>	<b>2,702</b>	<b>5,539</b>	<b>3,178</b>	<b>430</b>	<b>3,608</b>	<b>3,400</b>	<b>433</b>	<b>3,833</b>
Canada <sup>(14)</sup> .	161	1	162	226	—	226	230	—	230
U.S.A.	1,290	634	1,924	3,985	414	4,399	4,083	409	4,492
<b>North America.</b>	<b>1,451</b>	<b>635</b>	<b>2,086</b>	<b>4,211</b>	<b>414</b>	<b>4,625</b>	<b>4,313</b>	<b>409</b>	<b>4,722</b>
Argentina.	225	<sup>(15)</sup> 60	285	436	<sup>(15)</sup> 23	459	436	<sup>(15)</sup> 23	459
Bolivia.	8	—	8	8	—	8	9	—	9
Brazil.	90	—	90	54	—	54	56	—	56
Chile.	—	<sup>(15)</sup> 3	3	34	<sup>(15)</sup> 2	36	10	<sup>(15)</sup> 2	12
Colombia.	—	—	—	15	<sup>(15)</sup> 2	17	18	<sup>(15)</sup> 3	21
Ecuador.	3	2	5	5	—	5	5	—	5
Paraguay.	2	—	2	3	—	3	3	—	3
Peru.	3	7	10	21	<sup>(15)</sup> 1	22	21	<sup>(15)</sup> 1	22
Uruguay.	11	<sup>(15)</sup> 4	15	57	<sup>(15)</sup> 1	58	57	<sup>(15)</sup> 1	58
Venezuela.	2	—	2	16	—	16	15	—	15
<b>South America.</b>	<b>344</b>	<b>76</b>	<b>420</b>	<b>649</b>	<b>29</b>	<b>678</b>	<b>630</b>	<b>30</b>	<b>660</b>
Cuba, Mexico and other countries.	4	<sup>(16)</sup> 63	67	29	<sup>(16)</sup> 122	151	18	<sup>(16)</sup> 146	164
<b>II. AMERICA. Total.</b>	<b>1,799</b>	<b>774</b>	<b>2,573</b>	<b>4,889</b>	<b>565</b>	<b>5,454</b>	<b>4,961</b>	<b>585</b>	<b>5,546</b>
Dutch East Indies.	10	—	10	74	—	74	75	—	75
India <sup>(17)</sup> .	124	—	124	109	—	109	109	—	109
Japan.	<sup>(18)</sup> 67	19	86	<sup>(18)</sup> 576	—	576	<sup>(18)</sup> 562	—	562
Philippines.	—	—	—	3	—	3	3	—	3
Straits Settlements.	1	—	1	2	—	2	2	—	2
Turkey.	<sup>(2)</sup> 15	<sup>(2)</sup> 127	<sup>(2)</sup> 142	<sup>(2)</sup> 15	—	<sup>(2)</sup> 15	<sup>(2)</sup> 15	—	<sup>(2)</sup> 15
<b>III. ASIA.</b>	<b>217</b>	<b>146</b>	<b>363</b>	<b>779</b>	<b>—</b>	<b>779</b>	<b>766</b>	<b>—</b>	<b>766</b>
Egypt <sup>(20)</sup> .	10	10	20	17	—	17	18	—	18
South Africa.	<sup>(20)</sup> 35	15	50	<sup>(20)</sup> 48	12	60	<sup>(20)</sup> 47	18	65
Rest of Africa.	1	—	1	1	—	1	1	—	1
<b>IV. AFRICA.</b>	<b>46</b>	<b>25</b>	<b>71</b>	<b>66</b>	<b>12</b>	<b>78</b>	<b>66</b>	<b>18</b>	<b>84</b>
Australia.	22	<sup>(21)</sup> 176	198	128	<sup>(21)</sup> 151	279	107	<sup>(21)</sup> 125	232
New Zealand.	<sup>(22)</sup> 24	5	29	<sup>(22)</sup> 34	—	34	<sup>(22)</sup> 34	—	34
<b>V. OCEANIA.</b>	<b>46</b>	<b>181</b>	<b>227</b>	<b>162</b>	<b>151</b>	<b>313</b>	<b>141</b>	<b>125</b>	<b>266</b>
<b>VI. WORLD.</b>	<b>4,945</b>	<b>3,828</b>	<b>8,773</b>	<b>9,074</b>	<b>1,158</b>	<b>10,232</b>	<b>9,334</b>	<b>1,161</b>	<b>10,495</b>

For the footnotes, see pages 116 and 117.

**GOLD STOCKS.**  
of dollars.)

1927			1928			1929			Country.
Reserves.	Other gold stocks (1).	Total.	Reserves.	Other gold stocks (1).	Total.	Reserves.	Other gold stocks (1).	Total.	
—	(2) 5	(2) 5	—	(2) 5	(2) 5	—	(2) 5	(2) 5	Albania.
12	—	12	24	—	24	24	—	24	Austria.
100	—	100	126	—	126	163	—	163	Belgium.
9	—	9	10	—	10	10	—	10	Bulgaria.
30	—	30	34	—	34	37	—	37	Czechoslovakia.
—	—	—	—	—	—	—	—	—	Danzig.
49	—	49	46	—	46	46	—	46	Denmark.
3	—	3	2	—	2	2	—	2	Estonia.
8	—	8	8	—	8	8	—	8	Finland.
(7) 799	(7) 266	1,065	1,247	(7) 12	1,259	1,631	—	1,631	France.
460	—	460	666	—	666	560	—	560	Germany.
15	—	15	7	—	7	8	—	8	Greece.
34	—	34	35	—	35	29	—	29	Hungary.
239	—	239	266	—	266	273	—	273	Italy.
5	—	5	5	—	5	5	—	5	Latvia.
3	—	3	3	—	3	4	—	4	Lithuania.
161	(2) 15	176	175	(2) 15	190	180	(2) 15	195	Netherlands.
39	—	39	39	—	39	39	—	39	Norway.
58	—	58	70	—	70	79	—	79	Poland.
9	—	9	9	—	9	9	—	9	Portugal.
(10) 48	—	48	(10) 49	—	49	(11) 55	—	55	Roumania.
97	—	97	92	—	92	147	—	147	Russia (U.S.S.R.).
502	—	502	494	—	494	495	—	495	Spain.
62	—	62	63	—	63	66	—	66	Sweden.
100	(12) 39	139	103	(12) 36	139	115	(12) 36	151	Switzerland.
742	(12) 8	750	746	8	754	711	(12) 8	719	United Kingdom.
17	—	17	18	—	18	18	—	18	Yugoslavia.
<b>3,601</b>	<b>333</b>	<b>3,934</b>	<b>4,337</b>	<b>76</b>	<b>4,413</b>	<b>4,714</b>	<b>64</b>	<b>4,778</b>	<b>I. EUROPE.</b>
229	—	229	191	—	191	151	—	151	Canada (24).
3,977	402	4,379	3,746	395	4,141	3,900	384	4,284	U.S.A.
<b>4,206</b>	<b>402</b>	<b>4,608</b>	<b>3,937</b>	<b>395</b>	<b>4,332</b>	<b>4,051</b>	<b>(2) 384</b>	<b>4,435</b>	<b>North America.</b>
461	(14) 79	540	473	(14) 146	619	405	(12) 40	445	Argentina.
9	—	9	11	—	11	(2) 14	—	(2) 14	Bolivia.
101	—	101	149	—	149	150	—	150	Brazil.
7	(14) 2	9	7	(14) 2	9	8	(14) 1	9	Chile.
20	(14) 3	23	24	(14) 3	27	22	(14) 2	24	Colombia.
2	—	2	1	—	1	1	—	1	Ecuador.
3	—	3	3	—	3	(2) 3	—	(2) 3	Paraguay.
23	(14) 1	24	21	(14) 1	22	21	(14) 1	22	Peru.
68	(14) 1	69	72	(14) 1	73	68	(14) 1	69	Uruguay.
16	—	16	20	—	20	(2) 17	—	(2) 17	Venezuela.
<b>710</b>	<b>86</b>	<b>796</b>	<b>781</b>	<b>153</b>	<b>934</b>	<b>709</b>	<b>45</b>	<b>754</b>	<b>South America.</b>
17	(14) 161	178	18	(14) 159	177	(2) 18	(14)(2) 150	(2) 168	Cuba, Mexico and other countries.
<b>4,933</b>	<b>649</b>	<b>5,582</b>	<b>4,736</b>	<b>707</b>	<b>5,443</b>	<b>(2) 4,778</b>	<b>(2) 579</b>	<b>(2) 5,357</b>	<b>Total II. AMERICA.</b>
72	—	72	68	—	68	56	—	56	Dutch East Indies.
(14) 119	—	119	124	—	124	128	—	128	India (17).
(14) 542	—	542	(14) 541	—	541	(14)(2) 542	—	(2) 542	Japan.
3	—	3	3	—	3	(2) 3	—	(2) 3	Philippines.
2	—	2	2	—	2	(2) 2	—	(2) 2	Straits Settlements.
(2) 15	—	(2) 15	(2) 15	—	(2) 15	(2) 15	—	(2) 15	Turkey.
<b>753</b>	<b>—</b>	<b>753</b>	<b>753</b>	<b>—</b>	<b>753</b>	<b>(2) 746</b>	<b>—</b>	<b>(2) 746</b>	<b>III. ASIA.</b>
(20) 19	—	19	(20) 18	—	18	19	—	19	Egypt (20).
50	16	66	48	17	65	(20) 47	(2) 17	(2) 64	South Africa.
2	—	2	2	—	2	(2) 2	—	(2) 2	Rest of Africa.
<b>71</b>	<b>16</b>	<b>87</b>	<b>68</b>	<b>17</b>	<b>85</b>	<b>68</b>	<b>17</b>	<b>85</b>	<b>IV. AFRICA.</b>
105	(21) 115	220	109	(21) 114	223	89	(21) 96	185	Australia.
(22) 34	—	34	(22) 32	—	32	(22) 28	—	28	New Zealand.
<b>139</b>	<b>115</b>	<b>254</b>	<b>141</b>	<b>114</b>	<b>255</b>	<b>117</b>	<b>96</b>	<b>213</b>	<b>V. OCEANIA.</b>
<b>9,497</b>	<b>1,113</b>	<b>10,610</b>	<b>10,035</b>	<b>914</b>	<b>10,949</b>	<b>(2) 10,423</b>	<b>(2) 756</b>	<b>(2) 11,179</b>	<b>VI. WORLD.</b>

(<sup>1</sup>) In the case of those countries for which special notes are not given, the sums in this column represent gold in circulation, including holdings of commercial banks, etc.

(<sup>2</sup>) Estimated or provisional figures.

(<sup>3</sup>) Included in the figure shown for Turkey.

(<sup>4</sup>) Figures refer to the Austro-Hungarian Empire.

(<sup>5</sup>) Included in the figures shown for the Austro-Hungarian Empire.

(<sup>6</sup>) Included in the figures shown for Russia.

(<sup>7</sup>) The monetary gold stocks in 1913 have been estimated in two distinct ways with almost identical results. One estimate was reached by comparing the data concerning French gold coins given in the last currency census of 1909 with net gold coinage since 1803 and by adding other Latin Union gold coins in proportions based on the results of this census. From the aggregate stock of coined gold thus estimated, the Central Bank's holdings of gold coin were deducted, in order to obtain gold in circulation, including private hoards and gold in commercial banks. The other estimate was reached by deducting the estimated amount of gold consumed in the arts from total net imports of gold over the same period. After further deducting the entire gold reserve of the Bank of France from the total monetary gold stock thus estimated, almost exactly the same figure for gold "in circulation" was obtained as under the first method.

The sums given in the "Other gold stocks" column for the years 1925 and 1926 represent the approximate amount of gold coins bought from the public and thus withdrawn from "circulation" by the Bank of France in the years 1926-1929 plus a certain amount of gold pledged abroad, which, although it was not included in the reported gold stocks of other countries, did not constitute a "free" reserve of the Bank. In 1927, this gold ceased to be pledged and is included in the reserve figure for the end of that year.

The table ignores the amount of gold coins which still may remain in private hoards or may have been bought from the public in 1930. It follows that the sums for "Other gold stocks" shown back to 1925 are probably too low.

(<sup>8</sup>) Including the Spandau gold reserve of \$45 million.

(<sup>9</sup>) Included in the figures shown for Russia, the Austro-Hungarian Empire and Germany.

(<sup>10</sup>) Including gold deposited in London, about \$19 millions.

(<sup>11</sup>) Including gold abroad at the free disposal of the National Bank.

(<sup>12</sup>) The gold circulation at the end of 1927, 1928 and 1929 has been calculated by deducting the National Bank's holdings of Swiss gold coins from the total amount of gold coins struck by the Swiss Mint up to each of these dates, excluding the re-coinage of old Swiss coins. The figures thus obtained no doubt over-estimate the domestic circulation of Swiss gold, as part of the gold coins outside the National Bank have been melted down for industrial or other purposes and another portion may have been retained abroad. On the other hand, in spite of the withdrawal of gold coins of other Latin Union countries after their demonetisation in February 1927, it is known that considerable amounts of such coins were still held by the public and by certain private banks at the end of 1928 and 1929. The figures given may be taken as rough approximations to the total amount of Swiss and foreign gold coins held in Switzerland outside the National Bank.

The gold circulation at the end of 1925 and 1926 has been estimated by adding to the sum of Swiss gold coins outside the National Bank, calculated as above, the amount of other Latin Union gold coins paid into the National Bank since February 8th, 1927, the date of their demonetisation.

(<sup>13</sup>) 1913 : including the gold held by Irish and Scottish banks.  
1925-1929 : Estimated gold stocks of Irish and Scottish banks.

(<sup>14</sup>) Including a small proportion of subsidiary coin not shown separately by the Chartered Banks.

(<sup>15</sup>) Gold in private banks (in the case of the Argentine, including the Banco de la Nación, which is not a bank of issue).

(<sup>16</sup>) Mainly estimated gold circulation in Cuba and Mexico. As gold in circulation in Mexico in 1925-1928 has been considered the amount of Mexican gold coins held outside the new Central Bank. The Mexican figures have been estimated as follows : to the amount of gold stocks in the banks and in circulation at the end of 1921 (according to the American Mint report for 1922) have been :

(a) Added the amounts of new coins (excluding re-coinage) struck by the Mexican Mint in each subsequent year;

(b) Deducted the reserve in Mexican gold coins held by the new Central Bank (established in 1925), which is included in the reserve column of the table.

(<sup>17</sup>) Excluding gold hoardings.

(<sup>18</sup>) Domestic holdings of the Bank of Japan and of the Government.

(<sup>19</sup>) Excluding gold hoardings. The pre-war circulation figure represents the effective normal circulation. During the period of the cotton crop, an additional amount of some \$50 million used to flow into the country annually. Though most of that additional gold was supposed to move out from the country subsequently, a certain portion may have been retained annually in the hoards of the peasants.

(<sup>20</sup>) Including gold held in Rhodesia and South West Africa by the branches of South-African joint-stock banks. This gold is not shown separately from subsidiary coin in the official statistics, but has been estimated for the purpose of the present table on the basis of the ratio of the joint-stock banks' domestic gold reserve to their domestic holdings of subsidiary coin shown separately in the statistics.

(<sup>21</sup>) 1918 : Gold in commercial banks, \$153 million + gold in the hands of the public, \$23 million. (The figure shown under "Reserves" represents the gold held in the Note Issue Department of the Treasury. In 1920, the gold reserve of the Treasury was handed over to the Commonwealth Bank in connection with the transfer to that Bank of the issue of "Australian Notes".)

1925-1929 : Gold in commercial banks only.

The commercial banks do not separate subsidiary coins from gold in their published reserve figures. For the purpose of the present table, however, their holdings of such coins have been estimated in proportion to the more complete data available for the banks of New Zealand (most of which are branches of Australian banks) and deducted from the joint figures published.

(<sup>22</sup>) The banks' holdings of subsidiary coin have been estimated on the basis of special official information referring to slightly different dates and deducted from the unspecified metallic reserve figures published by the banks themselves.

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**Appendix III.**

**SUMMARY OF NOTE CIRCULATION, SIGHT LIABILITIES OF CENTRAL BANKS  
AND GOLD STOCKS (\$000,000's.)**

		1918	1920	1928	1925	1927	1928
<b>EUROPE, EXCLUDING RUSSIA</b>	Note Circulation.....	4,206	8,436	7,869	8,555	9,288	9,600
	Sight Liabilities .....	1,155	1,883	1,617	1,964	2,394	2,687
	<b>Total...</b>	<b>5,361</b>	<b>10,319</b>	<b>9,486</b>	<b>10,519</b>	<b>11,682</b>	<b>12,287</b>
	Gold Reserves.....	2,050	8,116	8,011	8,084	8,504	4,245
	<b>Total Monetary Gold Stocks .....</b>	<b>4,498</b>	—	—	8,514	8,887	4,821
<b>EUROPE, INCLUDING RUSSIA</b>	Note Circulation.....	5,081	15,448	8,035	9,128	10,051	10,537
	Sight Liabilities .....	1,155	1,883	1,757	2,517	3,102	3,607
	<b>Total...</b>	<b>6,236</b>	<b>17,331</b>	<b>9,792</b>	<b>11,645</b>	<b>13,153</b>	<b>14,144</b>
	Gold Reserves.....	2,837	3,416	3,056	3,178	3,601	4,337
	<b>Total Monetary Gold Stocks .....</b>	<b>5,539</b>	—	—	3,608	3,984	4,413
<b>NORTH AMERICA</b>	Note Circulation.....	2,691	5,018	4,400	4,432	4,347	4,817
	Sight Liabilities .....	—	1,828	1,960	2,357	2,531	2,440
	<b>Total...</b>	<b>2,691</b>	<b>6,846</b>	<b>6,360</b>	<b>6,789</b>	<b>6,878</b>	<b>6,757</b>
	Gold Reserves.....	1,451	2,624	4,018	4,211	4,206	3,937
	<b>Total Monetary Gold Stocks .....</b>	<b>2,086</b>	<b>3,099</b>	<b>4,428</b>	<b>4,625</b>	<b>4,608</b>	<b>4,332</b>
<b>SOUTH AMERICA</b>	Note Circulation.....	663	897	845	1,141	1,174	1,236
	Sight Liabilities .....	6	27	28	42	64	71
	<b>Total...</b>	<b>669</b>	<b>924</b>	<b>873</b>	<b>1,183</b>	<b>1,238</b>	<b>1,307</b>
	Gold Reserves.....	342	627	641	646	707	778
	<b>Total Monetary Gold Stocks .....</b>	<b>418</b>	<b>684</b>	<b>682</b>	<b>675</b>	<b>793</b>	<b>931</b>
<b>ASIA</b>	Note Circulation.....	467	1,372	1,522	1,568	1,590	1,639
	Sight Liabilities .....	65	561	465	338	318	231
	<b>Total...</b>	<b>532</b>	<b>1,933</b>	<b>1,987</b>	<b>1,906</b>	<b>1,908</b>	<b>1,870</b>
	Gold Reserves.....	201	763	774	759	733	733
	<b>Total Monetary Gold Stocks .....</b>	<b>220</b>	<b>763</b>	<b>774</b>	<b>759</b>	<b>733</b>	<b>733</b>
<b>AFRICA AND OCEANIA</b>	Note Circulation.....	80	407	436	480	446	452
	Sight Liabilities .....	—	—	21	83	45	41
	<b>Total...</b>	<b>80</b>	<b>407</b>	<b>457</b>	<b>513</b>	<b>491</b>	<b>493</b>
	Gold Reserves.....	91	222	230	227	208	207
	<b>Total Monetary Gold Stocks .....</b>	<b>297</b>	—	—	890	839	838
<b>TOTAL</b>	Note Circulation.....	8,982	23,142	15,238	16,749	17,608	18,181
	Sight Liabilities .....	1,226	4,299	4,231	5,287	6,060	6,390
	<b>Total...</b>	<b>10,208</b>	<b>27,441</b>	<b>19,469</b>	<b>22,036</b>	<b>23,668</b>	<b>24,571</b>
	Gold Reserves.....	4,922	7,652	8,719	9,021	9,455	9,992
	<b>Total Monetary Gold Stocks .....</b>	<b>8,560</b>	—	—	10,057	10,407	10,747

Appendix IV.

BANK DEPOSITS.

(Identical Areas covered by Pre- and Post-war Figures.)

\$ (000,000's.)

	Years.	1 Europe.	2 North America.	3 South America.	4 Asia (Japan and British India).	5 South Africa Australia and New Zealand.	6 Total.	Remarks.																
<b>Commercial Banks :</b>								<p><i>Commercial Banks.</i></p> <p><i>Europe :</i> Comprising all countries within identical pre- and post-war areas. In 1913, excluding Russia, but including Congress Poland and Serbia (estimate); in 1926-1928, excluding U.S.S.R., Estonia, Latvia, and Lithuania. The combined deposit of the last three countries mentioned were (in millions of dollars):</p> <table border="1"> <tr> <td>Year.</td> <td>Demand.</td> <td>Other.</td> <td>Total.</td> </tr> <tr> <td>1926...</td> <td>22</td> <td>6</td> <td>28</td> </tr> <tr> <td>1927...</td> <td>29</td> <td>9</td> <td>38</td> </tr> <tr> <td>1928...</td> <td>37</td> <td>11</td> <td>48</td> </tr> </table> <p>Figures for demand and other deposits in column 4 refer to Japan only as specification of the deposits is not made in the Indian statistics.</p> <p><i>Total Deposits.</i></p> <p>A. Excluding Indian deposits. B. Including Indian deposits.</p>	Year.	Demand.	Other.	Total.	1926...	22	6	28	1927...	29	9	38	1928...	37	11	48
Year.	Demand.	Other.	Total.																					
1926...	22	6	28																					
1927...	29	9	38																					
1928...	37	11	48																					
Demand Deposits	1913	9,304	8,732	495	387	497	19,415																	
	1926	13,584	19,999	1,061	1,727	1,009	37,380																	
	1927	14,911	25,539	1,126	1,698	983	44,257																	
	1928	15,705	25,800	1,181	1,628	997	45,311																	
Other Deposits...	1913	6,913	5,223	584	455	550	13,725																	
	1926	10,793	22,487	1,289	2,971	1,112	38,652																	
	1927	12,080	19,766	1,405	2,862	1,194	37,307																	
	1928	13,203	21,051	1,529	3,100	1,302	40,185																	
Total Deposits...	1913	16,217	13,955	1,079	{ A 842 } { B 1,139 }	1,047	{ A 33,140 } { B 33,437 }																	
	1926	24,877	42,486	2,850	{ A 4,698 } { B 5,453 }	2,121	{ A 76,032 } { B 76,787 }																	
	1927	26,991	45,305	2,531	{ A 4,560 } { B 5,310 }	2,177	{ A 81,564 } { B 82,314 }																	
	1928	28,908	46,851	2,710	{ A 4,728 } { B 5,476 }	2,299	{ A 85,496 } { B 86,244 }																	
<b>Savings Banks :</b>																								
Total Deposits...	1913	11,476	4,855	25	361	521	17,238																	
	1926	8,261	9,836	127	1,271	1,264	20,759																	
	1927	9,935	10,090	147	1,463	1,314	22,949																	
	1928	11,391	10,490	171	1,641	1,379	25,072																	
<b>All Banks (Commercial Banks and Savings Banks) :</b>																								
Total Deposits...	1913	27,693	18,810	1,104	1,500	1,568	50,675																	
	1926	32,638	52,322	2,477	6,724	3,385	97,546																	
	1927	36,926	55,395	2,678	6,773	3,491	105,263																	
	1928	40,299	57,341	2,881	7,117	3,678	111,316																	



**Appendix V.**  
**DEPOSITS IN COMMERCIAL BANKS; GOLD RESERVES; GOLD STOCKS; ETC.**  
 \$ (000,000's)

	1913								
	A. Demand Deposits.	B. Other Deposits.	C. Total Deposits	D. Gold in Cir- culation.	E. Gold Reserves.	F. Total Mo- netary Gold Stocks.	G. Notes in Circula- tion.	H. Sight Liabilities of Central Banks.	I. Total of A, D, G, and H.
1. Europe <sup>(1)</sup> .....	9,804	6,918	16,722	2,448	2,050	4,498	4,206	1,155	17,113
2. North America.....	8,732	5,223	13,955	685	1,451	2,086	2,691	—	12,058
3. South America <sup>(2)</sup> ....	495	584	1,079	76	842	418	663	6	1,240
4. Asia <sup>(3)</sup> <sup>(4)</sup> .....	887	455	1,342	19	191	210	422	61	889
5. Africa and Oceania <sup>(5)</sup>	497	550	1,047	196	81	277	69	—	762
6. World <sup>(6)</sup> .....	19,415	18,725	38,140	8,874	4,115	7,480	8,051	1,222	82,062
	1926								
1. Europe.....	13,584	10,793	24,377	428 <sup>(7)</sup>	8,805	8,788			
2. North America.....	19,999	22,487	42,486	409	4,818	4,722			
3. South America.....	1,061	1,289	2,350	80	627	657			
4. Asia.....	1,727	2,971	5,458	—	671	671			
5. Africa and Oceania...	1,009	1,112	2,121	143	188	831			
6. World.....	37,880	38,652	76,532	1,010	9,104	10,114			
	1927								
1. Europe.....	14,911	12,080	26,991	828 <sup>(7)</sup>	8,493	8,821	9,254	2,868	26,861
2. North America.....	25,539	19,766	45,305	402	4,206	4,608	4,847	2,581	82,819
3. South America.....	1,126	1,405	2,531	86	707	798	1,174	64	2,450
4. Asia.....	1,698	2,862	5,810	—	661	661	1,449	801	8,448
5. Africa and Oceania...	983	1,194	2,177	181	189	820	810	45	1,469
6. World.....	44,257	37,307	81,564	947	9,256	10,208	16,534	5,809	67,047
	1928								
1. Europe.....	15,705	13,203	28,908	71 <sup>(7)</sup>	4,235	4,306	9,565	2,658	27,999
2. North America.....	25,800	21,051	46,851	895	8,937	4,832	4,817	2,440	82,952
3. South America.....	1,181	1,529	2,710	153	778	981	1,236	71	2,641
4. Asia.....	1,628	8,100	5,476	—	665	665	1,496	216	8,840
5. Africa and Oceania...	997	1,802	2,299	181	189	820	802	41	1,471
6. World.....	45,811	40,185	85,996	750	9,804	10,554	16,916	5,426	68,403

<sup>(1)</sup> Throughout this table, "Europe" includes all of Europe except Russia, Albania, Estonia, Latvia and Lithuania.

<sup>(2)</sup> "South America" includes all South America, except Paraguay.

<sup>(3)</sup> "Asia" includes British India and Japan only.

<sup>(4)</sup> "Africa and Oceania" includes the Union of South Africa, Australia and New Zealand only.

<sup>(5)</sup> in the totals for Asia and the World, deposits in India are included. These deposits are not classified as either "Demand" or "other" and are therefore not included under A or B above.

<sup>(6)</sup> Including gold in private hoards in France, purchased by the Bank of France in the years 1926-1929. The figure for 1926 includes in addition certain other French gold stocks which are incorporated in the gold reserve column as from 1927.

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GENEVA, September 8th, 1930.

LEAGUE OF NATIONS

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# LEGISLATION ON GOLD

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**Series of League of Nations Publications**

**II. ECONOMIC AND FINANCIAL**

**1930. II. 29.**

## PREFACE.

In accordance with the decisions of the Council of December 14th, 1928, and June 17th, 1929, the Financial Committee appointed last year a special Delegation, consisting of some of its own members with the adjunction of certain experts of international authority "to examine into and report upon the causes of fluctuations in the purchasing power of gold and their effect on the economic life of the nations".

The Secretariat was asked in this connection to compile certain material which it was believed would form a useful basis for such study. A part of this material is presented herewith, namely, information bearing upon the legislation on gold in various countries of the world. / e

Seventy monetary systems are surveyed and their prescriptions bearing upon gold are arranged in the summary Notes under parallel headings, thus making them, it is hoped, easy of comparison. With few exceptions, all the legislation referred to in the Notes has been reproduced in full in Annexes.

An attempt has been made to compare in tabular form the chief points of information contained in the Notes. It is hoped that these Tables will be found useful, but at the same time it should be emphasised that they are not to be studied independently of the accompanying text, for, while their comparative brevity may be of certain advantage, it may equally lead to misunderstanding.

While the publication of this volume is authorised by the Financial Committee and by the Gold Delegation, neither of these bodies are responsible for the accuracy of the information contained in it.

Geneva, September 8th, 1930.

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# **TABLES**

**Table I.**

**LEGAL REDEMPTION REQUIREMENTS.**

Country.	Redemption in gold <sup>1</sup> .	Redemption in gold exchange <sup>2</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup> .	Redemption made by
<i>Albania</i> .....	Domestic gold coin.	Unspecified foreign gold exchange.	Cheques or telegraphic payments on current accounts with foreign banks in countries whose currency is stable and negotiable in the leading markets.	National Bank of Albania.
<i>Algeria</i> .....	Gold bars.	Cheques on Paris, London or New York.		Bank of Algeria.
<i>Argentine</i> .....	(Gold coin) <sup>5</sup> .			Conversion Office.
<i>Australia</i> .....	Domestic gold coin.			Treasurer of the Commonwealth <sup>6</sup> .
<i>Austria</i> .....			(Coins of legal currency) <sup>7</sup> .	Austrian National Bank.
<i>Belgian Congo</i> ...	Gold.	Cheques on Belgian centres.	Cheques on foreign centres. Coin having legal currency in the Colony.	Bank of the Belgian Congo.
<i>Belgium</i> .....	Domestic gold coin.	Unspecified foreign gold exchange.	Silver at its gold value.	National Bank of Belgium.
<i>Bolivia</i> .....	Domestic, Peruvian or United States gold coin, or gold bullion.	Drafts on New York or London.		Central Bank of Bolivia.
<i>Brazil</i> .....	Gold.			Stabilisation Office.
<i>British East Africa</i>		Draft or telegraphic transfers payable in sterling in London.		Currency Board.

Country.	Redemption in gold <sup>2</sup> .	Redemption in gold exchange <sup>3</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup> .	Redemption made by
<i>British Guiana</i> ...			Gold or silver coin having legal currency in the Colony.	Board of Commissioners of Currency.
<i>British West Africa</i>		Draft or telegraphic transfers payable in sterling in London.		Currency Board.
<i>Bulgaria</i> .....		Foreign gold exchange <sup>5</sup> .		National Bank of Bulgaria.
<i>Canada :</i> Dominion notes.	Gold.			Government.
Bank-notes ....	Domestic gold coin.	Or at holder's option : <i>Dominion notes</i> .		Each bank of issue is responsible for its own notes only.
<i>Chile</i> .....	Domestic gold coin or gold bullion.	Drafts on New York or London.		Central Bank of Chile <sup>6</sup> .
<i>Colombia</i> .....	Domestic gold coin.	Drafts on New York <sup>10</sup> .		Bank of the Republic of Colombia.
<i>Costa Rica :</i>				
Private bank's notes .....	Domestic gold coin.			Each Private Bank responsible for its own notes.
International Bank's notes <sup>11</sup> .				International Bank of Costa Rica.
Conversion Office's notes...	Gold.	Drafts on New York.		Conversion Office.
<i>Curaçao</i> .....			Coin having legal currency in the Colony.	Bank of Curaçao.
<i>Czechoslovakia</i> ...	(Domestic gold coin or gold bullion) <sup>12</sup> .	(Unspecified foreign gold exchange) <sup>13</sup> .		National Bank of Czechoslovakia.
<i>Danzig</i> .....		Drafts on London <sup>14</sup> .		Bank of Danzig.
<i>Denmark</i> .....	Domestic gold coin, gold bullion, or gold in other form.			National Bank in Copenhagen.
<i>Ecuador</i> .....	Domestic gold coin, gold coin of United States or Great Britain or gold bars.	Drafts on New York or London.		Central Bank of Ecuador.
<i>Egypt</i> .....	(Gold) <sup>15</sup> .			National Bank of Egypt.



Country.	Redemption in gold <sup>1</sup> .	Redemption in gold exchange <sup>2</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup> .	Redemption made by
<i>Estonia</i> .....		Foreign gold exchange <sup>15</sup> .		Eesti Pank.
<i>Finland</i> .....	Domestic gold coin or gold bullion.	Unspecified foreign gold exchange <sup>16</sup> .		Bank of Finland.
<i>France</i> .....	Domestic gold coin or gold bullion.			Bank of France.
<i>French West Africa.</i>		Money which is legal tender in France.		Bank of West Africa.
<i>Germany</i> .....	Domestic gold coin or gold bullion.		Cheques or orders to pay on a foreign central bank.	Reichsbank.
<i>Great Britain</i> ....	Gold bullion.			Bank of England.
<i>Greece</i> .....		Foreign gold exchange <sup>9</sup> .		Bank of Greece.
<i>Guatemala</i> .....	Domestic or United States gold coin.	Drafts on New York, New Orleans, or San Francisco.	Drafts on other foreign centres. Domestic silver coin.	Central Bank of Guatemala.
<i>Hungary</i> .....			(Legal metal currency.) <sup>1</sup>	National Bank of Hungary.
<i>Iceland</i> .....	(Legal tender gold coin) <sup>7</sup> .			National Bank of Iceland.
<i>India</i> .....	Gold.	Drafts on London.		Government.
<i>Indo-China</i> .....	Gold.			Bank of Indo-China.
<i>Irish Free State : Legal tender notes</i> .....		<p><i>At London Agency :</i> Money which is legal tender in Great Britain.</p>		Currency Commission.
	<p><i>In Dublin :</i> (Redemption not obligatory) Irish Free State legal tender gold coin.</p>	<p>Money which is legal tender in Great Britain, or, if holder agrees, drafts on London.</p>		Currency Commission.
Consolidated Bank notes ..		Domestic legal tender coin or notes.		Each bank is responsible only for the notes issued by the Currency Commission to it.

Country.	Redemption in gold <sup>1</sup> .	Redemption in gold exchange <sup>2</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup>	Redemption made by
<i>Italy</i> .....	Gold bullion.	Unspecified foreign gold exchange.		National Bank of Italy.
<i>Japan :</i> <i>Japan proper</i> ..	Domestic gold coin.			Bank of Japan.
<i>Chosen</i> .....	Domestic gold coin.	<i>Bank of Japan notes.</i>		Bank of Chosen.
<i>Taiwan</i> .....	Domestic gold coin.			Bank of Taiwan.
<i>Latvia</i> .....	Gold.			Bank of Latvia.
<i>Lithuania</i> <sup>17</sup> .....				
<i>Madagascar</i> .....		Money which is legal tender in France.		Bank of Madagascar.
<i>Martinique, Guadeloupe, French Guiana and Reunion</i> .....		Money which is legal tender in France.		Banks of Martinique, Guadeloupe, French Guiana and Reunion, each responsible for its own notes only.
<i>Mexico</i> .....	Gold.			Bank of Mexico.
<i>Morocco</i> .....		Money which is legal tender in France.		State Bank of Morocco.
<i>Netherlands</i> .....			Domestic legal currency.	Netherlands Bank.
<i>Netherlands Indies</i>			Legal tender <sup>18</sup> , i.e. gold and silver coin and Government currency notes.	Java Bank.
<i>New Zealand</i> .....	Gold.			Each note-issuing bank is responsible for its own notes only.
<i>Norway</i> .....	Domestic gold coin.			Bank of Norway.
<i>Palestine</i> .....		Drafts or telegraphic transfers payable in sterling in London.		Currency Board.
<i>Paraguay</i> .....	(Gold) <sup>7</sup> .			Exchange Office.
<i>Persia</i> .....			Silver.	The Imperial Bank of Persia.
<i>Peru</i> .....	(Gold coin) <sup>7</sup> .	(Drafts on New York or London).		Reserve Bank of Peru.

Country.	Redemption in gold <sup>2</sup> .	Redemption in gold exchange <sup>3</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup> .	Redemption made by
<i>Philippine Islands :</i> Government currency.	United States gold coin or gold bars.	United States currency in Philippine Islands or drafts on the United States <sup>19</sup> .	At the holder's option : silver pesos and half-pesos.	Treasurer of the Philippine Islands.
National Bank notes .....			Any lawful money <sup>19</sup> of the Philippine Islands.	Philippine National Bank.
<i>Poland</i> .....	Domestic gold coin or gold bullion <sup>20</sup> .	Unspecified foreign gold exchange.		Bank of Poland.
<i>Portugal</i> .....	(Legal tender coin) <sup>21</sup> .			Bank of Portugal.
<i>Roumania</i> .....	Domestic legal tender gold coin or gold bullion.	Unspecified foreign gold exchange.		National Bank of Roumania.
<i>Salvador</i> .....	(Domestic gold coin) <sup>22</sup> .			Each Bank of Issue responsible for its own notes.
<i>Siam</i> .....	Gold either in Bangkok or abroad.	Unspecified foreign gold exchange.		Minister of Finance.
<i>Spain</i> <sup>23</sup> .....				Bank of Spain.
<i>Straits Settlements.</i>		Drafts payable in sterling in London.		Board of Commissioners of Currency.
<i>Surinam</i> .....			Legal tender	Bank of Surinam.
<i>Sweden</i> .....	Domestic gold coin.			State Bank of Sweden.
<i>Switzerland</i> .....	Domestic gold coin or gold bullion.	Unspecified foreign gold exchange.		National Bank of Switzerland.
<i>Turkey</i> <sup>24</sup> .....				Government and Ottoman Bank.
<i>Union of South Africa</i> .....	Domestic gold coin.			South African Reserve Bank.

Country.	Redemption in gold <sup>1</sup> .	Redemption in gold exchange <sup>2</sup> .	Redemption not definitely in a gold value or definitely not in a gold value <sup>4</sup> .	Redemption made by
<i>United States of America :</i>				
Gold certificates	Domestic gold coin.			Treasurer of the U.S.
Silver certificates.....			Standard silver dollars <sup>3</sup> .	Treasurer of the U.S.
United States notes .....	Domestic gold coin.			Treasurer of the U.S.
Treasury notes of 1890 .....	Domestic gold coin.		Or, at holder's option, standard silver dollars <sup>3</sup> .	Treasurer of the U.S.
National Bank notes .....			U. S. lawful money <sup>3</sup> .	Each National Bank, responsible for redemption of own notes only; Treasurer of the U. S. responsible for all.
Federal Reserve notes .....	Gold.			Treasurer of the U.S.
	Gold.		U. S. lawful money <sup>3</sup> .	Each Federal Reserve Bank, responsible for redemption of all Federal Reserve notes.
Federal Reserve Bank notes ..			U. S. lawful money <sup>3</sup> .	Each Federal Reserve Bank responsible for redemption of only the Federal Reserve Bank notes issued to it. The Treasurer of the U.S. responsible for all.
<i>Uruguay</i> .....	(Notes of 10 pesos and over in gold.) <sup>3</sup>		(Notes of under 10 pesos in gold or silver coin). <sup>3</sup>	Bank of the Republic of Uruguay.
<i>Venezuela</i> .....			Coin of legal currency.	Each note-issuing bank responsible for its own notes only.
<i>Yugoslavia</i> .....			Domestic legal tender currency.	National Bank of the Kingdom of Yugoslavia.

Note : Brackets indicate that the provisions in question have been enacted but are not yet in force.

<sup>1</sup> This table is a summary of the legal redemption qualities of the notes of the countries in question. It is understood that redemption means redemption to bearer on demand at a fixed price. No account is taken in the table of the minimum amounts for which redemption will be made. In cases where two or more modes of redemption are given, it is understood, unless otherwise stated, that the option rests with the authority making the redemption and not with the bearer.

<sup>2</sup> The form in which gold redemption must be made is given in each case. When the form is not specified in the law, the word "gold" alone is used.

<sup>3</sup> When the redemption is made in some other gold currency of the same country, the words in question are printed in italics. Redemption by colonial banks (or Boards, as the case may be) in the currency of the mother country is considered as foreign exchange.

\* In this column are grouped redemptions which are made:

(a) In a value which, at the option of the party making the redemption, may or may not be a gold value; or

(b) In a value which is definitely not a gold value.

\* *Argentine* : The legal redemption rate is 44 centavos of a gold peso to one paper peso. Redemption was, however, suspended on December 17th, 1929.

\* *Australia* : Australian notes are issued, however, by the Commonwealth Bank.

\* *Austria, Hungary, Iceland, Paraguay, Peru* : The provisions regarding redemption have not yet come into force and the notes are still legally inconvertible.

\* *Bulgaria, Greece* : It is specified that the foreign exchange must be either :

1. On a country the currency of which by law and in practice is convertible on demand at a fixed price into exportable gold ; or,

2. On a country the currency of which by law and in practice is convertible on demand at a fixed price into foreign exchange as defined in 1.

\* *Chile* : Since September 1st, 1929, the Government has been charged with the redemption of the outstanding Government notes and Treasury certificates.

\* *Colombia* : This substitution may be made only in time of emergency and with permission of the Minister of Finance.

\* *Costa Rica* : The notes of the International Bank are inconvertible.

\* *Czechoslovakia* : The decree which shall fix the date on which this method of redemption shall begin has not yet been issued.

\* *Danzig* : The redemption rate in the case of the Free City of Danzig is not fixed at a certain figure, the only stipulation being that redemption will not be made if the rate be above 19s. 10d. per 25 gulden.

\* *Egypt, Salvador, Uruguay* : Notes have been inconvertible since 1914.

\* *Estonia* : It is specified that the foreign exchange shall in practice and in fact be convertible at all times on demand into exportable gold at the centre where the exchange is held.

\* *Finland* : Must not be more than one per cent above par.

\* *Lithuania* : Notes are inconvertible and provisions have not as yet been made as regards their future redemption.

\* *Netherlands Indies* : The Java Bank has pledged itself to sell gold for export when the exchanges require it as long as it is able to do so.

\* *Philippine Islands* : The holder may choose either of these forms, but the approval of the Secretary of Finance is necessary if redemption is to be made in United States currency. For the explanation of the term "lawful money", see under "United States of America" in the Notes.

\* *Poland* : The bank shall be required after a certain day, yet to be fixed, to redeem in gold coin only.

\* *Portugal* : Notes have been inconvertible since 1891.

\* *Spain* : The form in which redemption is to be made is unspecified.

\* *Turkey* : The notes of the Government and all notes at present in circulation of the Ottoman Bank are inconvertible.

\* *United States of America* : Standard silver dollars, being what is called "standard money", are not redeemable. United States "lawful money" is also not put into the gold exchange column, for while all forms of money are legally convertible into "standard money", "standard money" includes both gold coin and standard silver dollars. For fuller explanations see under "United States of America" in the Notes.

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**Table II.**  
**COUNTRIES CLASSIFIED ACCORDING TO LEGAL REDEMPTION**  
**REQUIREMENTS.**

Countries which are legally required to redeem only in gold.	Countries which are legally required to redeem only in gold or foreign gold exchange.	Countries which are legally required to redeem only in foreign gold exchange.	Countries which are not legally required to redeem in a gold value.
(Argentine).	Algeria.	British East Africa.	Albania.
Australia.	Bolivia.	British West Africa.	(Austria).
Brazil.	Chile.	Bulgaria.	Belgian Congo.
Canada.	Costa Rica <sup>2</sup> .	Free City of Danzig.	Belgium.
Colombia <sup>2</sup> .	(Czechoslovakia).	Estonia.	British Guiana.
Denmark.	Ecuador.	French West Africa.	Curaçao.
France.	Finland.	Greece.	Egypt.
Great Britain.	India.	Madagascar.	Germany.
(Iceland).	Irish Free State.	Martinique.	Guatemala.
Indo-China.	Italy.	Guadeloupe.	(Hungary).
Japan <sup>2</sup> .	(Peru).	French Guiana.	Lithuania <sup>2</sup> .
Latvia.	Philippine Islands.	Réunion.	Netherlands.
Mexico.	Poland.	Morocco.	Netherlands Indies.
New Zealand.	Roumania.	Palestine.	Persia.
Norway.	Siam.	Straits Settlements.	(Portugal).
(Paraguay).	Switzerland.		Spain.
(Salvador).			Surinam.
Sweden.			Turkey <sup>2</sup> .
Union of South Africa.			Venezuela.
United States of America.			Yugoslavia.
(Uruguay) <sup>2</sup> .			

See notes on next page.

Note : Brackets about the name of a country indicate that the provisions in question have been enacted but are not in force.

<sup>1</sup> To bearer on demand. This table takes no cognisance of various classes of money and, consequently, if the principal currency of a country is convertible into gold, that country is placed in column 1 etc.

<sup>2</sup> *Colombia* : In time of emergency, the bank, with the permission of the Minister of Finance, may substitute for domestic gold coin sight or cable drafts on New York payable in gold coin.

<sup>3</sup> *Costa Rica* : The notes of the Conversion Office are considered as the principal currency. Notes of the private banks are redeemable only in domestic gold coin, while the notes of the International Bank of Costa Rica are inconvertible.

<sup>4</sup> *Japan* : For the purposes of this table, Japan is regarded as a unit.

<sup>5</sup> *Lithuania, Turkey* : Notes are inconvertible and no legal provisions exist regarding their redemption. In this respect Lithuania and Turkey differ from the other countries in column 4 and accordingly their names have been printed in italics.

<sup>6</sup> *Uruguay* : Except notes of under 10 pesos, for which silver coin may also be given.

Table III.

LEGAL RESERVE REQUIREMENTS.

This table deals only with the reserves which are usually called "Gold and Foreign Exchange Reserves", notwithstanding the fact that other metals may sometimes be included in them. The table takes no account of "Commercial Reserves".

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
<i>Albania</i> .....			88 1/8	(a) Gold coin or bullion. (b) Silver coin or bullion. (c) Foreign values up to two-thirds of the 88 1/8% and consisting of foreign exchange not subject to abnormal fluctuations.	Bank-notes.	
<i>Algeria</i> .....	(11.66)	(85)			Bank-notes plus current ac- counts.	The foreign exchange may be only notes of the Bank of France or assets in France payable on demand. The draft law containing these provisions was laid before the Chamber by the Minis- ter of Finance on July 5th, 1929, but has not yet been voted.
<i>Argentina</i> .....						No fixed gold reserve required.
<i>Australia</i> .....	25				Bank-notes.	



*Austria*.....

Before Redemption becomes Obligatory.

			24	Gold, silver and token money. May include foreign exchange in currencies not subject to extraordinary fluctuations. Credit balances and cash deposits abroad must be at sight and in banks of unquestioned solvency. A minimum of 25 million gold crowns in foreign credits must be held at all times, unless this figure is decreased by the board of directors.	Bank-notes plus sight liabilities minus the sum represented by the Government Loan Debt to the Bank.	Dating from opening of Bank (January 2nd, 1923) until redemption becomes obligatory, reserve ratio required to be : 1st 5-year period ..... 20 % 2nd » » (present) 24 % 3rd » » ..... 28 % Remainder of time ... 33 1/8 %
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After Redemption becomes Obligatory.

			33 1/8	Same as above, with exception that foreign credits of 25 million gold crowns are no longer required.	Bank-notes plus sight liabilities with Government Loan Debt no longer deducted.	
<i>Belgian Congo</i> ....	20	40			Bank-notes.	The foreign gold exchange is unspecified.
<i>Belgium</i> .....	30	40			Total sight liabilities.	The foreign gold exchange is unspecified.
<i>Bolivia</i> .....		40	10	Domestic silver coin in the vaults of the Bank.	Bank notes plus deposits.	The foreign exchange may consist only of deposits in first-class banks in New York and London payable in gold within three days.

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
<i>Brasil</i> .....						At present there is no required reserve ratio.
<i>British East Africa</i>			Indefinite.	No specified composition.	All currency.	All revenues of Currency Board must be paid into Reserve Fund, a portion of which must be kept in liquid form.
<i>British Guiana</i> ...			88 $\frac{1}{2}$	Coin which is legal tender in the Colony.	Currency notes.	The Governor, after obtaining authority from the Secretary of State, may reduce this proportion.
<i>British West Africa</i>			Indefinite.	No specified composition.	All currency.	All revenues of Currency Board must be paid into Reserve Fund, a position of which must be kept in liquid form.
<i>Bulgaria</i> .....		88 $\frac{1}{2}$			Bank-notes plus other sight liabilities.	For the classes of foreign gold exchange admitted to the reserve see the note on Bulgaria.
<i>Canada</i> : Minister of Finance .....	25% on circulation up to 50 million dollars; 100% on circulation over 50 million dollars.				Dominion notes (obligations of the Government).	Dominion notes may also be issued against approved securities. In addition, \$10,000,000 of Dominion notes stand issued without reserve.
Banks of Issue.		5 % held in "Circulation Fund". Unspecified amount held in "Central gold reserves".			Bank-notes (liabilities of the bank which issued them).	Total notes of any bank in circulation must not exceed bank's unimpaired paid-up capital plus gold coin and Dominion notes in "central gold reserves" except between September 1st and March 1st, when they may be in excess by 15 %.

		40		Bank reserve proper against total liabilities.	Each bank must hold not less than 40 % of its cash reserves in Canada in Dominion notes.
Minister of Finance.....		10		Savings Bank deposits.	This reserve must be made up of gold or gold and Canadian securities guaranteed by the Government of the United Kingdom. In practice this reserve is always held in gold.
Chile .....		50		Bank-notes plus deposits.	The foreign exchange may consist only of sight deposits in first-class banks in New York and London payable in gold.
Colombia .....	36	60		Bank-notes and deposits.	The foreign gold exchange must be in the form of demand deposits in banks of high standing.
Costa Rica : Private Banks .	50			Bank-notes of each of the banks of issue	
International Bank.					The International Bank is not required to hold any fixed reserve against its notes.
Conversion Office ....		25		Notes of the Conversion Office.	The foreign exchange must be sight drafts on New York.
Curaçao .....			38½	Coin and bullion.	
Czechoslovakia ...	12½		12½	Foreign bank-notes, or current coin, or foreign exchange on the principal banking centres in Europe and America.	The reserve ratio must be : at end of 1929 ..... 25 % " " 1930 ..... 30 % " " 1935 ..... 35 %

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
<i>Free City of Danzig.</i>		88 1/8 % on circulation up to 40 million gulden; 100 % on circulation over 40 million gulden.			Bank-notes	The foreign exchange may be only notes of the Bank of England or sight assets in sterling with the Bank of England.
<i>Denmark</i> .....	80 % (12 1/2 % of notes to be held in gold specie which is legal tender at its nominal value).		20	Domestic fractional coins at face value. The Bank's non-interest- bearing demand balances with the Bank of Norway and the Swe- dish Riksbank, less the Bank's debt to these two Banks, and the Bank's non-interest- bearing giro account with the Reichsbank.	Bank-notes.	
<i>Ecuador</i> .. ...		50			Bank-notes plus deposits.	The foreign exchange may consist only of deposits in first class banks in London and New York payable in gold within three days.
<i>Egypt</i> .....		50			Bank-notes.	In the Bank statutes, the reserve was fixed at 50 % gold, but on October 30th, 1916, the Government au- thorised the issue depart- ment to hold British Treas- ury Bills in lieu of gold.
<i>Estonia</i> .....		40			Bank-notes plus other sight lia- bilities.	The foreign gold exchange may include only net balances with banks abroad, foreign bills of exchange not exceeding 3 months, and obligations of foreign Go- vernments not exceeding 6 months.

<i>Finland</i> .....	300 million marks.		100	Bills payable abroad, foreign bonds quoted on foreign stock exchanges, interest coupons in foreign currency which have fallen due. foreign bank-notes.	All bank-notes plus other sight liabilities up to 1,200 million marks.	
			100	Undisputed balances of the Bank with its foreign correspondents, together with the 300 million gold marks.	Bank-notes plus other sight liabilities totalling over 1,200 million marks.	
<i>France</i> .....	85				Bank-notes plus current credit accounts.	
<i>French West Africa.</i>		83 <sup>1</sup> / <sub>2</sub>			Bank-notes.	The exchange may include only French legal tender coin, deposits in gold currencies, and a special non-interest-bearing account with the French Treasury.
<i>Germany</i> .....	30		40	Bank-notes, bills of exchange having not more than 14 days to run, cheques, and day to day claims payable in foreign currency.	Bank-notes.	
			40	Sight deposits in Germany and abroad, cheques on other banks, bills of exchange (30-day or less), claims recoverable on call secured by pledges.	Other sight liabilities, with the exception of reparation accounts.	
<i>Great Britain</i> ....	100				Bank-notes above fiduciary issue of 260 million pounds.	

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
Greece .....		40			Bank-notes plus other sight li- abilities.	For the classes of foreign gold exchange admitted to the reserve see the note on Greece.
Guatemala .....	12 % in gold coin.	38.67	1.33	Silver coin.	Bank-notes.	The foreign exchange must be in the form of deposits in first class credit institutions abroad, payable at sight in gold.
	7.50 % in gold coin.	24.17	.88	Silver coin.	Deposits paya- ble at sight or within 30 days.	(Same as above.)

Hungary.....

Before Redemption becomes Obligatory.

			24	Gold, silver and token money. May include foreign exchange in cur- rencies not subject to extraordinary fluctua- tions. Credit balances and cash deposits abroad must be at sight and in banks of unquestioned solvency. A minimum of 25 million gold crowns in foreign credits must be held at all times, unless this figure is decreased by the board of directors.	Bank-notes plus sight liabilities minus the sum represented by the Govern- ment Loan Debt to the Bank.	Dating from opening of Bank (June 24th, 1924) until redemption becomes obliga- tory, reserve ratio required to be : 1st 5-year period ..... % 2nd " " (present) 24 3rd " " " 28 Remainder of time ..... 33 1/2
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After Redemption becomes Obligatory.

			33 1/2	Same as above, with ex- ception that foreign credits of 25 million gold crowns are no longer required.	Bank-notes plus sight liabilities with Govern- ment loan debt no longer de- ducted.	
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<i>Iceland</i> .....	75 % of total reserve of 3/8.	25 % of total reserve of 3/8.	Demand deposits in foreign banks sanctioned by the Minister of Finance. The Bank may at present be permitted to hold more than 25% of the total reserve in this form.	Bank-notes.	Although the required reserve ratio is three-eighths, the reserve may never be allowed to fall below 2 million krónur.
<i>India</i> .....		100	Rupees, silver half-rupees and gold bullion; the sum expended for the purchase of silver bullion; and securities (not to exceed 1,000 million rupees) of the United Kingdom, the Government of India, or those issued by the Secretary of State for India in Council.	Currency notes.	These are temporary provisions which are at present in force. For the permanent provisions envisaged by present law, see the note on India.
<i>Indo-China</i> .....		33 1/3		Bank-notes plus sight deposits.	The foreign gold exchange is unspecified.
<i>Irish Free State</i> ..		100		Legal tender notes.	This is known as the Legal Tender Note Fund.
		10		Consolidated Bank notes.	This is known as the Note Reserve Fund.
<i>Italy</i> .....		40		Bank-notes plus other sight liabilities.	
<i>Japan :</i> <i>Japan proper</i> ..	75 % on circulation over 120 million yen (in practice, this reserve has been held at 100 % since 1905).			Bank-notes.	

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
<i>Japan (continued):</i>						
<i>Chosen</i> .....		75% on cir- culation over 50 million yen.	25% on cir- culation over 50 million yen.	Silver bullion.	Bank-notes.	The only exchange included in this reserve is Bank of Japan notes.
<i>Taiwan</i> .....			100% on cir- culation over 20 million yen.	Gold and silver coin or bullion.	Bank-notes.	
<i>Latvia</i> .....			50% on first 100 mil- lion lats.	Gold or stable and sure foreign currencies.	Bank-notes.	
			75% on next 50 mil- lion lats.	Gold or stable and sure foreign currencies.	Bank-notes.	
	25		100% on any thing over 150million lats.	Gold or stable and sure foreign currencies.	Bank-notes.	
<i>Lithuania</i> .....	83 1/2				Lat Treasury notes (obliga- tions of the State).	
<i>Madagascar</i> ....		33 1/2			Bank-notes.	The foreign gold exchange may include only French legal tender coin, sight deposits convertible into gold, and a special non-interest-bear- ing account with the French Treasury.
<i>Martinique</i> .....					Bank-notes.	
<i>Guadeloupe</i> .....			33 1/2	Unspecified.	Bank-notes of each bank.	
<i>French Guiana</i> ..						
<i>Réunion</i> .....						
<i>Mexico</i> .....	50				Bank-notes.	From this reserve may be de- ducted the amount of gold held by the Bank as a reserve against deposits.



<i>Morocco</i> .....	11.11		88 2/3	Reserve undenned, except that one-third of it must be kept in gold bullion or gold coin.	Bank-notes.	
<i>Netherlands</i> .....			40	Coin and bullion.	Bank-notes, bank assignments and demand deposits.	
<i>Netherlands Indies</i> .....			40	Coin and bullion.	Total demand liabilities.	
<i>New Zealand</i> ...						The reserves held by the note-issuing banks are governed by their own Private Acts, Royal Charters or Letters Patent.
<i>Norway</i> .....	100% on circulation over 250 million kroner.				Bank-notes.	If unusual circumstances demand, the King, with the approval of the Storting, may authorise the issue of additional notes subject to the payment of a tax by the bank.
<i>Palestine</i> .....			Indefinite.	No specified composition.	All currency.	All revenues of Currency Board must be paid into Reserve Fund, a portion of which must be kept in liquid form.
<i>Paraguay</i> .....						No fixed gold reserve required.
<i>Persia</i> .....						There is no required reserve ratio.
<i>Peru</i> .....		50			Total demand liabilities.	The foreign exchange may consist only of balances in dollars in New York or in pounds sterling in London convertible on demand into freely exportable gold.

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
<i>Philippine Islands:</i> Treasurer of the Philippine Islands .....			25 100	Composition not specified.  Philippine silver coin.	Coin and Treas- ury certificates. Treasury certifi- cates.	This is the "Gold Standard Fund". This is the "Treasury Certifi- cate Fund". If the silver coin is needed for circulation gold coin may temporarily be substituted for it.
Philippine Na- tional Bank..				All the promissory notes, drafts and bills of ex- change issued or drawn for agricultural, indus- trial or commercial pur- poses purchased or dis- counted by it, as well as the proceeds thereof.	Circulating no- tes.	
<i>Poland</i> .....	30	40			Bank-notes.	The reserve may contain silver at its gold value, but this item must not exceed 5 % of the holdings in gold. For the classes of foreign gold exchange admitted to the re- serve see the note on Poland.
<i>Portugal</i> .....						The reserve requirements vary for each issue. See the note on Portugal.
<i>Roumania</i> .....	25	35			Total sight liabi- lities.	The foreign gold exchange is unspecified.
<i>Salvador</i> .....	40				Bank-notes of each of the banks of issue.	Must be held in United States gold coin.
	20				Sight deposits of each of the banks of issue.	Must be held in United States gold coin.
<i>Siam</i> .....			100	Gold, gold securities, cash placed on call and payable in the currency of a gold standard coun- try, and baht coins. Proportions not speci-	Notes (obligations of the Minister of Finance).	

<i>Spain</i> .....	40		Domestic legal tender silver coin.	Bank-notes not exceeding 4,000 million pesetas.	
	50	10	Domestic legal tender silver coin.	Bank-notes exceeding 4,000 million pesetas but not exceeding 5,000 million pesetas, unless increased to 6,000 million pesetas by special authorisation.	
<i>Straits Settlements</i>		40	Gold and silver current coin, deposits with the Bank of England, or Treasury bills.	Currency notes.	The silver current coin must not amount to less than one-tenth of the notes in circulation.
<i>Surinam</i> .....		80	Coin and bullion. At least one-half of required minimum must be domestic legal tender coin.	Total demand liabilities.	
<i>Sweden</i> .....	50% on circulation over 250 million kronor.			Bank-notes.	The gold reserve must not be inferior to 150 million kronor. Under exceptional circumstances, the King and the Riksdag acting together may authorise the fiduciary circulation to be increased by a maximum of 125 million kronor, but the bank is bound to withdraw the excess as soon as possible.

Country.	GOLD RESERVE.		Reserve not definitely in a gold value or definitely not in a gold value.		Liabilities to be covered.	Additional stipulations and remarks.
	Gold coin or bullion.	Gold and gold exchange.	Per cent.	Composition.		
	Per cent.	Per cent.				
Switzerland .....	40				Bank-notes.	There are no required reserves against the present note circulation.
Turkey .....						
Union of South Africa .....	40		8	Silver specie.	Bank-notes. Deposits and bills payable (South African Reserve Bank).	
United States of America : Treasurer of the United States.	100		100	Standard silver dollars.	Gold certificates. Silver certificates.	Actually, the reserve stands at \$152,977,086.63, a figure fixed by custom.
	150 million dollars.				United States notes.	
National Banks.			100 5	The 100 % reserve is held in registered bonds of the United States, the 5 % reserve in lawful money of the United States.	Treasury notes of 1890. National Bank notes.	
Federal Reserve Banks.....	40		85	Reserve held in gold or lawful money of the United States.	Federal Reserve notes. Deposits in Fe- deral Reserve Banks.	

			100 5	The reserve regulations for these notes are parallel to those governing National Bank notes, but, as they are being withdrawn from circulation, lawful money to their full value has been deposited with the Treasurer of the United States.	Federal Reserve Bank notes.
<i>Uruguay</i> .....	40				Total demand liabilities.
<i>Venezuela</i> .....	33 <sup>1</sup> / <sub>3</sub>				Bank-notes of each of the banks of issue.
<i>Yugoslavia</i> .....			33 <sup>1</sup> / <sub>3</sub>	Gold and silver in the bank and on deposit in foreign countries. Proportions not yet fixed.	Bank-notes.

**Table IV.**

**LEGAL REQUIREMENTS REGARDING PLACE OF DEPOSIT OF GOLD RESERVES.**

PLACE OF DEPOSIT NOT SPECIFIED	PLACE OF DEPOSIT SPECIFIED.			
	Entire gold reserve or a certain specified proportion of it must be held in the Bank.	Gold deposited in other banks may be included in the reserve.	Gold deposited in a Mint may be included in the reserve.	Gold in transit may be included in the reserve.
Albania.		Bolivia. (Banks of high standing in New York or London.)		
Algeria.				
Argentine.	British Guiana (100 %).	Bulgaria. (Only Central Banks.)	Bulgaria. (Any Mint.)	Bulgaria. (Unspecified transit.)
Australia.		Chile. (Any first-class foreign banks.)		
Austria.				
Belgian Congo.	Colombia (100 %). Costa-Rica (100 %). Curaçao (100 %).			
Belgium.			Denmark. (Only Danish Mint.)	
Brazil.		Ecuador. (Any first-class foreign banks).		
British East Africa.		Estonia. (Only Central Banks.)	Estonia. (Any Mint.)	Estonia. (To or from Bank.)
British West Africa.				Finland. (For account of Bank.)
Canada.		Germany. (Any foreign central note-issuing bank.)		
Czechoslovakia		Greece. (Only Central Banks.)	Greece. (Any Mint.)	Greece. (Unspecified transit.)
Danzig.	Guatemala (100 %).			
Egypt.				Iceland. (To the Bank but not in excess of 300,000 krónur.)
France.	Indo-China (100 %)			
French West Africa.		Lithuania. (Any banks.)		
Great Britain.	Netherlands. (80 % of 40 % reserve.)	Mexico. (Any foreign banks.)		Mexico. (To the Bank.)
Hungary.		Netherlands. (Any banks.)		
India;			Netherlands Indies. (60 % of 40 % reserve must be held in Netherlands Indies).	
Irish Free State.			Norway. (Only Norwegian Mint.)	
Italy.	Peru (100 %).			
Japan.		Philippine Islands <sup>1</sup> (Unspecified proportion in Federal Reserve Banks or Member Banks of Federal Reserve System in the U. S.).		
Latvia.				
Madagascar.	Poland. (66 $\frac{2}{3}$ % of 40 % reserve.)	Poland. (Any banks.)		

PLACE OF DEPOSIT NOT SPECIFIED	PLACE OF DEPOSIT SPECIFIED.			
	Entire gold reserve or a certain specified proportion of it must be held in the Bank.	Gold deposited in other banks may be included in the reserve.	Gold deposited in a Mint may be included in the reserve.	Gold in transit may be included in the reserve.
Martinique.	Salvador (100 %).	Roumania. (Any foreign banks.)		
Guadeloupe.		Spain. (Not more than 3 % of reserve; foreign correspondents or agencies).		
French Guiana.				
Reunion.				
Morocco.			Surinam. (75 % of 30 % reserve must be held in Surinam.)	
New Zealand.			Sweden. (All of the gold must be situated in Sweden except 15 % of total reserve which may be held abroad or in transit to bank.)	
Palestine.	Switzerland (100 %).			
Paraguay.		Union of South Africa. (Not more than 10 % of 40 % reserve; any foreign banks; consent of Treasury required.)	Union of South Africa. (The Pretoria Mint.)	Union of South Africa. (Unspecified transit.)
Portugal.				
Siam.				
Straits Settlements.	United States of America <sup>1</sup> .			
	Uruguay. (A minimum of 55 million pesos.)			
Turkey.	Venezuela (100 %).	Yugoslavia. (Any foreign banks.)		

<sup>1</sup> *Philippine Islands* : Only the reserve called the " Gold Standard Fund " is considered in this table. Gold coin, temporarily substituted for silver coin in the Treasury Certificate reserve must be held in the Insular Treasury in Manila.

<sup>2</sup> *United States of America* : the gold deposited against gold certificates as well as the gold reserve of the United States Notes must be held in the Treasury. Of the 40 % gold reserve against Federal Reserve Notes, at least 5 % must be deposited with the Treasurer of the United States and held in the Treasury.

**Table V.**

**LEGAL REQUIREMENTS TO PURCHASE GOLD<sup>1</sup> AND TO MINT GOLD<sup>1</sup>.**

Countries in which there exists a legal requirement to purchase gold at a fixed price.	Countries in which there exists a legal requirement to purchase foreign gold exchange at a fixed price.	Countries in which there exists a legal requirement to mint gold presented by private persons.	Countries in which there exists no legal purchase price for gold <sup>2</sup> .
<p>Argentine.</p> <p>Austria. Belgian Congo.</p> <p>Bolivia. Brazil.</p> <p>Chile</p> <p>(Czechoslovakia).</p> <p>Denmark. Ecuador.</p> <p>France.</p> <p>Germany. Great Britain.</p> <p>Hungary. (Iceland). India. Indo-China. (Irish Free State)<sup>3</sup>.</p>	<p>Belgian Congo.</p> <p>Bolivia.</p> <p>Bulgaria.</p> <p>Danzig<sup>4</sup>.</p> <p>Ecuador.</p> <p>Estonia.</p> <p>Greece.</p> <p>Irish Free State<sup>4</sup>.</p>	<p>Argentine.</p> <p>Australia. Austria.</p> <p>Belgium<sup>5</sup>.</p> <p>Canada. Chile. Colombia. Costa Rica<sup>6</sup>.</p> <p>(Czechoslovakia).</p> <p>Denmark. Ecuador.</p> <p>Finland. (France).</p> <p>Germany.</p> <p>Guatemala. (Hungary).</p> <p>(Irish Free State)<sup>6</sup>.</p> <p>Japan. Latvia.</p> <p>Mexico.</p>	<p>Albania.</p> <p>Algeria.</p> <p>British East Africa. British Guiana. British West Africa.</p> <p>Cuba. Curaçao. Czechoslovakia.</p> <p>Egypt.</p> <p>French West Africa.</p> <p>Iceland.</p> <p>Italy.</p> <p>Lithuania. Madagascar. Martinique. Guadeloupe. French Guiana. Réunion.</p>

For notes, see next page.



Countries in which there exists a legal requirement to purchase gold at a fixed price.	Countries in which there exists a legal requirement to purchase foreign gold exchange at a fixed price.	Countries in which there exists a legal requirement to mint gold presented by private persons.	Countries in which there exists no legal purchase price for gold <sup>1</sup> .
<p>Norway.</p> <p>Philippine Islands. Poland.</p> <p>Siam <sup>7</sup>.</p> <p>Sweden.</p> <p>United States of America.</p>	<p>Philippine Islands.</p> <p>Siam <sup>7</sup>.</p>	<p>Netherlands.</p> <p>Norway.</p> <p>Peru. (Poland).</p> <p>Spain.</p> <p>Sweden. Switzerland <sup>8</sup>.</p> <p>Union of South Africa. United States of America.</p>	<p>Morocco.</p> <p>Netherlands Indies. New Zealand.</p> <p>Palestine. Paraguay. Persia.</p> <p>Portugal. Roumania. Salvador.</p> <p>Straits Settlements. Surinam.</p> <p>Turkey.</p> <p>Uruguay. Venezuela. Yugoslavia.</p>

Note : Brackets about the name of a country indicate that the provisions in question have been enacted but are not in force.

<sup>1</sup> On demand at any time from anyone and in the case of purchase, at a fixed price.

<sup>2</sup> Either direct (resulting from a legal obligation to purchase gold at a fixed price) or indirect (resulting from a legal obligation to mint gold presented by private persons).

<sup>3</sup> *Belgium* : this requirement is entirely theoretical as it is based upon the fact that no change has as yet been made in the system which existed before the war regarding gold coins. The coins in question circulate legally for only their face value while, as a result of the monetary reform, their intrinsic value is approximately seven times greater.

<sup>4</sup> *Costa Rica* : an authorisation from the Minister of Finance is necessary in each case.

<sup>5</sup> *Danzig* : the purchase price of foreign gold exchange is not fixed at a certain figure, the only stipulation being that it must not be higher than £1.0.1 per 25 gulden.

<sup>6</sup> *Irish Free State* : it is provided that the Minister of Finance, with the concurrence of the Currency Commission, will fix a day on which the purchase of bullion for minting by him shall become obligatory, but, if the Currency Commission so requires, it alone shall be entitled after that day to deliver gold bullion for this purpose. It is further provided that the Currency Commission will be required to purchase gold bullion after that date. The Currency Commission is at present required to purchase money in any form which is legal tender in Great Britain.

<sup>7</sup> *Siam* : the Minister of Finance has the choice between the purchase of gold and foreign gold exchange.

<sup>8</sup> *Switzerland* : the approval of the Department of Finance is necessary in each case.

**Table VI.**

**LEGAL RESTRICTIONS ON THE EXPORT AND IMPORT OF GOLD.**

**IMPORT OF GOLD.**

Unrestricted.	Restricted.
In all countries except Persia.	Persia : the import of gold bullion is subject to a Customs duty of 8 %.

**EXPORT OF GOLD.**

Unrestricted.	Restricted.				
Algeria. Argentine. Australia. Austria. Belgian Congo. Belgium. Bolivia. Brazil. British East Africa. British Guiana. British West Africa. Bulgaria. Canada. Chile. Colombia. Costa Rica. Curaçao. Czechoslovakia. Danzig. Ecuador. Estonia. Finland. France. French West Africa. Germany. Great Britain. Guatemala. Hungary. Iceland. India. Indo-China. Irish Free State. Italy. Japan. Latvia. Madagascar. Martinique, Guadeloupe, French Guiana, Reunion.	<table> <tr> <td>                             Cuba.                              Mexico.                              Paraguay.                              Persia.                              Poland.                              Portugal.                              Roumania.                              Salvador.                              Turkey.                              Yugoslavia.                         </td> <td align="center" rowspan="10">} Export prohibited.</td> </tr> <tr> <td>                             Albania.                              Egypt.                              Lithuania.                              Spain.                         </td> <td align="center" rowspan="4">} Special authorisation from the Government required for each exportation.</td> </tr> </table> <p>Denmark : export is permitted only to such countries where the Central Bank is bound to buy and sell gold and from where there is free export of gold to Denmark.</p> <p>Greece : export is permitted only by the Bank of Greece.</p> <p>Netherlands : the Netherlands Bank has the right to approve the destination of export. In any event export may be made only to countries which permit export.</p>	Cuba. Mexico. Paraguay. Persia. Poland. Portugal. Roumania. Salvador. Turkey. Yugoslavia.	} Export prohibited.	Albania. Egypt. Lithuania. Spain.	} Special authorisation from the Government required for each exportation.
Cuba. Mexico. Paraguay. Persia. Poland. Portugal. Roumania. Salvador. Turkey. Yugoslavia.	} Export prohibited.				
Albania. Egypt. Lithuania. Spain.		} Special authorisation from the Government required for each exportation.			

**EXPORT OF GOLD.**

<b>Unrestricted.</b>	<b>Restricted.</b>
<p>Morocco. Netherlands Indies. New Zealand. Palestine. Peru. Philippine Islands. Siam. Straits Settlements. Surinam. Sweden. Switzerland. Union of South Africa. United States of America Venezuela.</p>	<p>Norway : export is permitted only to countries whose Central Banks redeem their notes in gold and who allow free export of gold to Norway.</p> <p>Uruguay : Export is prohibited with the exception that the Bank of the Republic of Uruguay may export its gold reserve which is in excess of fifty-five million pesos.</p>

**NOTES SUMMARISING  
THE LEGISLATION ON GOLD  
IN VARIOUS COUNTRIES**

## ALBANIA.

### REDEMPTION.

The National Bank of Albania, at its head office, is required to redeem its notes on demand in one of the following forms, the option resting with the Bank :

- (a) In the gold coin of Albania;
- (b) In foreign exchange which is freely convertible into gold on the demand of the holder;
- (c) In cheques or telegraphic payments on current accounts with foreign banks in countries whose currency is stable and negotiable in the leading markets. (Statutes of the Albanian National Bank : Article 24.)

### RESERVE.

The Bank is required to keep a metal reserve of not less than 83 $\frac{1}{3}$  % of its notes issued, consisting of either gold or silver in the form of either bullion or coin.

If the Board of Directors so decides, it may hold up to two-thirds of this reserve in foreign values, provided they are absolutely safe and stable. Foreign values for this purpose may consist of :

- (a) Foreign bank-notes not subject to abnormal exchange fluctuations;
- (b) Foreign Treasury obligations payable in gold or exchange as in (a) and of not more than three months' term;
- (c) Bills of exchange of not more than three months' term payable in exchange as in (a) in the leading money markets of Europe and America and carrying the signatures of two persons or one firm of unquestioned solvency.

Assets and funds immediately available without any restrictions, deposited in establishments of unquestioned solvency in the leading money markets of Europe and America, shall likewise be regarded as foreign values. (*Lex cit.* : Article 22.)

If the reserve ratio falls below the required minimum of 83 $\frac{1}{3}$  %, the Bank must increase the rate for discount and all other operations as follows :

- 1 % if the reserve is between 81 $\frac{1}{2}$  % and 83 $\frac{1}{3}$  %;
- 1 $\frac{1}{2}$  % for each further reduction of 1 $\frac{1}{2}$  %. (*Lex cit.* : Article 23.)

*Place of deposit* : The Board of Directors shall decide where the metal reserve is to be held. (*Lex cit.* : Article 22.)

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The Bank, which alone has the minting privilege, is not required to accept gold for minting on demand. (*Lex cit.* : Article 15.)

### EXPORT AND IMPORT OF GOLD.

For the export of gold a special authorisation is necessary in each case.  
The import of gold is unrestricted.

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## ALGERIA

### REDEMPTION.

The Bank of Algeria is required to redeem its notes on demand at a fixed price in gold bars deliverable in Paris. Redemption will not be made of an amount of less value than the value of one gold bar. If the reasons are fully justified, the Bank will, in exceptional cases, make redemption in gold bars in Algiers, but in this case the expenses of shipping the gold to Algiers must be borne by the person demanding the redemption.

The Bank redeems its notes in cheques on Paris, London or New York at the daily rate, if so requested. (Instructions sent by the Director General of the Bank of Algeria to the Bank's branches.)

### RESERVE.

The Bank of Algeria is required to hold a reserve equal to 85 per cent of its notes in circulation, plus its current accounts. This reserve must consist of :

- (a) Gold bullion;
- (b) French or Tunisian gold coin;
- (c) Notes of the Bank of France;
- (d) Assets in France payable on demand.

A minimum of one-third of the reserve—i.e., 11.66 per cent of the Bank's notes in circulation, plus its current accounts, must be held in gold bars, or French or Tunisian gold coin. (Draft Law<sup>1</sup> reforming the Monetary Statute of the Bank of Algeria : Article 1.)

For temporary periods, the reserve ratio may be allowed to fall below 85 per cent, on condition that the Bank pay to the Government a graduated tax on the deficiency. In no case may the reserve ratio be allowed to fall below 80 per cent. (*Lex cit.* : Article 2.)

*Place of deposit* : Unspecified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The new Tunisian<sup>2</sup> gold coins have not yet been minted. Algeria does not possess a gold coinage of its own.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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<sup>1</sup> This draft law was laid before the Chamber by M. Henri Chéron, Minister of Finance, on July 5th, 1929, but has not yet been voted.

<sup>2</sup> Notes of the Bank of Algeria circulate as legal tender not only in the Colony of Algeria but also in the Protectorate of Tunisia. There is, however, no Algerian coinage. Tunisian coinage circulates in the Colony of Algeria with the same legal tender rights as in the Protectorate of Tunisia.

## ARGENTINE

### REDEMPTION.

The Conversion Office was required by Article 7 of Law No. 3871, of November 4th, 1889, to redeem all paper currency in gold coin at the rate of 44 centavos of a gold peso to one paper peso. On October 31st, 1914, this obligation was suspended to be renewed on August 26th, 1927. On December 16th, 1929, it was again suspended and the paper currency is at present legally inconvertible.

### RESERVE.

The Conversion Office is not required to hold any fixed reserve in gold. However, in Article 2 of Law No. 9479, of August 9th, 1914, which authorises the Conversion Office to rediscount commercial paper for the Banco de la Nación and issue notes to the Bank, it is stipulated that this issue may be made only if it does not reduce the percentage of the gold coin below 40%.

*Place of Deposit:* The Conversion Office is required to hold its gold in its own vaults.

### PURCHASE OF GOLD.

The Conversion Office is required to purchase gold coin at the rate of 44 centavos of a gold peso to one paper peso. (Law No. 3871, of November 4th, 1889 : Article 7.)

### MINTING OF GOLD.

The Mint is required on demand to mint gold bars offered to it by private persons free of charge. (Law No. 1130, of November 5th, 1881 : Article 19.)

### EXPORT AND IMPORT OF GOLD.

The embargo on the export of gold was removed by the Decree of May 12th, 1925. The import of gold is unrestricted.

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## AUSTRALIA

### REDEMPTION.

Australian notes are Government obligations and bear the promise of the Treasurer of the Commonwealth to redeem them in gold coin on demand at the head office of the Commonwealth Bank. The control and redemption of the issue is in the hands of the Board of Directors of the Commonwealth Bank, which is appointed by the Governor-General and includes the Treasurer of the Commonwealth. (The Commonwealth Bank Act, 1911-1927 : Article 60 H.)

### RESERVE.

The Bank is required to hold in gold coin and bullion a reserve of an amount not less than one-fourth of the amount of Australian notes issued. (*Lex cit.* : Article 60K.)

*Place of deposit* : Unspecified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

The Treasurer of the Commonwealth is empowered to authorise the Board of Directors of the Commonwealth Bank to compel persons to exchange with the Bank any gold coin or bullion held by them for its equivalent in Australian notes. (Act No. 81 of 1929 : Article inserted in the Commonwealth Bank Act, 1911-1927, as No. 7B.)

### MINTING OF GOLD.

There are branches of the Royal Mint at Melbourne and Perth. If any person brings gold bullion to either the Melbourne Branch Mint or the Perth Branch Mint the Deputy-Master of that branch is required to assay it and coin it on the payment of a fixed fee. No preference may be shown to anyone as regards the order in which the bullion offered is coined. The gold coins made at either of these branch mints are of the same denominations, designs, weights and fineness as those coined at the Royal Mint. They are deemed to have been issued from the Royal Mint and are current and legal tender as if they had been coined and issued in England<sup>1</sup>. (The Perth Mint Proclamation, 1897, amended 1898, and the Melbourne Mint Proclamation, 1900; both based upon the Coinage Act, 1870<sup>2</sup> : Article 11, paragraph 8.)

### EXPORT AND IMPORT OF GOLD.

After the receipt of a recommendation from the Board of Directors of the Commonwealth Bank, the Governor-General of the Commonwealth may, by proclamation, if he considers it expedient so to do, prohibit the export of gold from the Commonwealth<sup>3</sup>. During the existence of such a proclamation any person who desires to export gold from the Commonwealth must secure the approval of the Treasurer of the Commonwealth which can only be given upon the recommendation of the Board of Directors of the Commonwealth Bank<sup>4</sup>. (Act No. 81 of 1929 : Article inserted in the Commonwealth Bank Act, 1911-1927, as No. 7C.)

The import of gold is unrestricted.

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<sup>1</sup> The coins struck at the Melbourne and Perth Branch Mints are distinguished from London pieces only in that they bear a microscopic mint mark indicating the locality of the Mint, viz., M. for Melbourne and P. for Perth.

<sup>2</sup> The relevant passages from the Coinage Act, 1870, will be found in the Annex under Great Britain.

<sup>3</sup> No proclamation has as yet been issued under this Act.

<sup>4</sup> Any person may at any time take with him out of the Commonwealth gold of a value not exceeding £25. (Act No. 81 of 1929 : Article inserted in the Commonwealth Bank Act, 1911-1927, as No. 7D.)



## AUSTRIA.

### REDEMPTION.

The Austrian National Bank is not yet required to redeem its notes. The moment when redemption will begin is, in accordance with Article 83 of the Bank Statutes, to be fixed by a law in agreement with the Bank. This article stipulates that two conditions have previously to be fulfilled :

(a) The gold contents of the currency have to be fixed. This was done by the law of December 20th, 1924 (Schillingrechnungsgesetz).

(b) The debt of the Government to the Bank must be reduced to 80 million gold crowns (43.2 million schillings). On December 31st, 1929, this debt amounted to 108.6 million schillings. During the last four calendar years the debt was reduced by the following amounts :

	Debt outstanding.	Ordinary reimbursement.	Extraordinary reimbursement.
	(In millions of schillings).		
At the end of 1925.....	187.9	10.6	...
» » 1926.....	177.3	4.1	...
» » 1927.....	173.2	7.0	50.0
» » 1928 <sup>1</sup> .....	116.2	7.6	...
» » 1929.....	108.6	7.2	...
July 7th, 1930.....	101.4		

If the amortisation of the debt continues at the same average rate, the condition under (b) will not be fulfilled for approximately ten years.

When redemption becomes obligatory, the Bank will be required to redeem its notes on demand in "coins of legal currency", and this requirement must be indicated in the text of the notes. (Statutes of the Austrian National Bank : Article 80.)

### RESERVE.

The rules as to reserves are different for the periods before and after redemption becomes obligatory :

#### 1. *Until Redemption becomes Obligatory :*

The note circulation and the sight liabilities, minus the Government debt, have to be covered as follows : by a metal reserve during the first five years of 20%, during the second five years of 24% (present stage), during the third five years of 28% and during the remainder of the period 33%. If the reserve ratio during this period falls below these requirements, a tax must be paid. (*Lex cit.* : Article 88.)

A minimum of 25 million gold crowns must at all times be held in foreign credits, in leading money centres. This amount may, however, be decreased by a decision of the Board of Directors approved by not less than eight directors and the Governor of the Bank. (*Lex cit.* : Article 85, final paragraph.)

#### 2. *After Redemption becomes Obligatory :*

The note circulation and the sight liabilities must be secured by a metal reserve of at least 88%. The State debt is no longer deducted. (*Lex cit.* : Article 87.) A tax must be paid if the reserve ratio falls below 40%. (*Lex cit.* : Article 89.)

<sup>1</sup> In addition to the sum of 7.6 millions, the debt was further reduced in 1928 (on December 24th) by the payment of 50 million schillings to the Bank from the balance of the Reconstruction Loan.

In both periods the reserve may include foreign bank-notes and bills of exchange. Foreign bank-notes and bills of exchange may be held only in currencies which are not subject to extraordinary fluctuations of the rates of exchange. Credit balances and cash deposits abroad included in the reserve must be available at sight and be held in banks of unquestioned solvency. (*Lex cit.* : Article 85.)

*Place of deposit* : The choice of the place where the metal reserves are to be held rests with the Administration of the Bank, whose power in this respect is unrestricted.

#### PURCHASE OF GOLD.

The Bank is required to purchase gold bullion offered to it at the minting parity minus costs. (*Lex cit.* : Article 92.)

#### MINTING OF GOLD.

The Mint is required to coin gold for private persons on demand. (Federal Law of December 20th, 1924 : Article 11.)

The following fees are charged : for coins of 25 schillings, a fee of 8 schillings and 20 groschen per kilogramme of fine gold for the Austrian National Bank, and 14 schillings, 17 groschen for other parties; for coins of 100 schillings, a fee in all cases of 14 schillings, 17 groschen. Assay, refining, and smelting fees are also charged. (Decree of October 15th, 1929, of the Federal Ministry of Finance.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## BELGIAN CONGO.

The Bank of the Belgian Congo is in charge of the circulation of money in the Colony of the Belgian Congo and in the territory under Belgian mandate. (Ruanda-Urundi).

### REDEMPTION.

The Bank is required to redeem its notes at sight at its option :

- (a) In gold (at the rate of 0.0418422 gramme of fine gold for one franc);
- (b) In coin having legal currency in the Colony;<sup>1</sup>
- (c) In cheques on Belgian or foreign centres selected by the Minister of the Colonies in agreement with the Bank. (Convention concerning the Issue of Bank-notes : Article 6.)

### RESERVE.

The Bank is required to hold a reserve in gold or in gold exchange equal to at least 40% of the amount of its notes in circulation, with a minimum of 20% in gold.

The remainder of the note circulation, plus the other sight liabilities of the Bank, must be covered to their full value by easily realisable securities. (*Lex cit.* : Article 8.)

*Place of deposit* : Unspecified.

### PURCHASE OF GOLD.

The Bank is required to issue cheques at Brussels on its branches established at the seat of the Government or at the seats of the Provincial Governments against payments effected :

- (a) In gold;
- (b) In its own notes;
- (c) In Belgian currency;
- (d) In foreign currency. (*Lex cit.* : Article 6.)

### MINTING OF GOLD.

The issue of gold coin is not authorised for the Belgian Congo and the territory under Belgian mandate (Ruandi-Urundi).

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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<sup>1</sup> It should be noted that in the *exposé des motifs*, given by the Prime Minister and Minister of the Colonies, it is stipulated that money which has legal currency in the Colony can only be given in payment to the amount for which it is legal tender.

## BELGIUM.

### REDEMPTION.

The National Bank of Belgium is required on demand to redeem its notes in one of the following forms, the option resting with the Bank :

- (a) Gold<sup>1</sup>;
- (b) Silver<sup>2</sup> at its value in gold;
- (c) Foreign gold exchange.

(Royal Decree of October 25th, 1926, concerning monetary stabilisation : Article 8 ; Royal Decree of October 25th, 1926, extending the charter of the National Bank : Article 10; Statutes of the National Bank : Article 26.)

### RESERVE.

The National Bank is required to hold a reserve in gold and foreign exchange convertible into gold of at least 40 % of its total sight liabilities. At least 80 % of the total sight liabilities must be covered by gold. (Royal Decree of October 25th, 1926, concerning monetary stabilisation : Article 5; Royal Decree of October 25th, 1926, extending the charter of the National Bank : Article 7; Statutes of the National Bank : Article 80.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The National Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The minting of gold is free for private persons as well as for the National Bank. This freedom is now, however, entirely theoretical as it is based upon the fact that no change has as yet been made in the system which existed before the war regarding gold coins. The coins in question circulate legally for only their face value while, as a result of the monetary reform, their intrinsic value is approximately seven times greater.

### EXPORT AND IMPORT OF GOLD.

Restrictions on the export of gold were removed by the Ministerial Decree of February 11th, 1927.

The import of gold is unrestricted.

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<sup>1</sup> According to the internal regulations approved by the Minister of Finance on April 10th, 1929, and to the conditions published by the Bank on August 1st, 1930, the Bank is always ready to sell gold at the legal parity of 0.209211 grammes of gold 1,000/1,000ths fine per belga, and to purchase gold at the price of 4,763.1338 belgas, or 23,815.669 francs, per kilogramme of gold 1,000/1,000ths fine. These transactions will be carried out in bars of approximately 12½ kilogrammes weight.

<sup>2</sup> The reserves of the Bank no longer include silver.

## BOLIVIA.

### REDEMPTION.

The Central Bank of Bolivia (*Banco Central de Bolivia*) is required to redeem its notes on demand in one of the following forms, the option resting with it :

- (a) Bolivian gold coin at par;
- (b) British or Peruvian gold coin (of the present weight and fineness) at the rate of 13.33 bolivianos to the pound;<sup>1</sup>
- (c) United States of America gold coin (of the present weight and fineness) at the rate of 2.739 bolivianos to the dollar;
- (d) Gold bars of approximately 100 % fineness and not less than 500 grammes in weight, at the rate of 1.8211 bolivianos to the gramme;
- (e) Demand or three-days drafts on London or New York, payable in gold and drawn on funds deposited in banks of high standing. The Bank in this case may charge a premium which shall not exceed the sum necessary to cover the total cost of shipping gold coin from La Paz to London or New York. (Law of July 20th, 1928, on the Reorganisation of the Central Bank of Bolivia : Article 64.)

Should the Bank fail to redeem its notes as provided it shall be declared bankrupt and be immediately put into liquidation. (*Lex cit.* : Article 67.)

### RESERVE.

The Bank is required to hold a metallic reserve equal to 50 % of its notes in circulation plus its deposits. The reserve shall consist of :

- (a) Bolivian gold coin at par in the vaults of the Bank;
- (b) British, Peruvian and United States of America gold coin in the vaults of the Bank, at the legal gold parity rate;
- (c) Other gold coin and gold in bars in the vaults of the Bank, at its bullion value;
- (d) Gold coin and bars deposited in banks of high standing in London or New York, valued as under (a), (b) and (c);
- (e) Deposits payable in gold, on demand or within three days, in banks of high standing in London or New York, valued at their legal gold parity rate.
- (f) Bolivian silver coin in the vaults of the Bank.

The reserve may be distributed among these forms in such proportions as the Board of Directors may see fit, subject to the condition that the amount of silver coin included in the reserve shall not at any time exceed 10 % of the Bank's notes in circulation plus its deposits. (*Lex cit.* : Articles 71 and 72.)

The Bank must pay a graduated tax to the Government if the reserve ratio falls below the statutory minimum. (*Lex cit.* : Article 73.)

The discount rate must be not less than 7 % per annum if the reserve ratio remains below the statutory minimum for a week or more. Over and above this 7 %, the rate must be increased by at least one-half of the rate of the tax payable on account of the deficiency. (*Lex cit.* : Articles 74 and 75.)

*Place of deposit* : See (a), (b), (c), (d), and (f) above, under "Reserve".

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<sup>1</sup> This rate applied to both British and Peruvian gold coin up to February 10th, 1930, when the Peruvian currency was revalued.

#### PURCHASE OF GOLD.

The Bank is required to pay out its notes on demand in exchange for the following :

- (a) Bolivian gold coin at par;
- (b) British and Peruvian gold coin (of the present weight and fineness) at the rate of 13.33 bolivianos to the pound;<sup>1</sup>
- (c) United States of America gold coin (of the present weight and fineness) at the rate of 2.739 bolivianos to the dollar;
- (d) Deposits held in banks in London or New York in which the Bank keeps its legal reserve deposit accounts and payable at sight in gold at the rates given above under (c), provided they be not less than £30 or \$150. The Bank, in this case, may charge a premium which shall not exceed the sum necessary to cover the total cost of shipping gold coin from London or New York to La Paz. (*Lex cit.* : Article 66.)

The Bank is required to buy gold bars offered to it provided they weigh at least 500 grammes. (Law of July 11th, 1928, on Monetary Reform : Article 5, second paragraph—as amended.)

#### MINTING OF GOLD.

The Mint is required to accept gold only from the Government and the Bank. (Law of July 11th, 1928, on Monetary Reform : Article 5, second paragraph—as amended.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (*Lex cit.* : Article 18.)

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<sup>1</sup> See the footnote on the preceding page.

## BRAZIL.

The currency unit at present is the *milreis*. The ratio between the *milreis* and gold is fixed at two hundred milligrammes of gold per *milreis*. (Decree No. 5108 of December 18th, 1926 : Article 2. Regulations Governing the Stabilisation Office : Article 2.)

The currency unit in the future will be the *cruzeiro*. The ratios between the *cruzeiro* and the *milreis* and between the *cruzeiro* and gold have not yet been established.

It is provided that upon six months' notice the National Executive shall fix the exact date and the methods for the conversion of all the paper money in circulation into gold at the rate stated above in the first paragraph. (Decree No. 5108 of December 18th, 1926 : Articles 2 and 3. Regulations Governing the Stabilisation Office : Articles 2 and 3.) This has not yet been done.

In order to prepare the way for and to assist the stabilisation plan, the Government has created a so-called Stabilisation Office. (Decree No. 17618 of January 5th, 1927.) The object of the Stabilisation Office is to buy and sell gold in exchange for notes. (Decree No. 5108 of December 18th, 1926 : Article 5.) The Office may issue notes which shall be legal tender, but only in exchange for gold. (Regulations Governing the Stabilisation Office : Articles 9 and 13.)

### REDEMPTION.

Until the decree fixing the date, etc., of the conversion has been promulgated, the Stabilisation Office is required to redeem in gold the notes at present in circulation at the fixed rate without limit as to time or amount. At the request of the bearer of the notes and with the Government's approval, the Stabilisation Office may deliver gold in London or New York in exchange for notes received at Rio de Janeiro. (Decree No. 5108 of December 18th, 1926 : Article 5. Regulations Governing the Stabilisation Office : Articles 4 and 10.)

### RESERVE.

Provisions concerning the reserves to be held against notes will not be made until the other measures regulating the *cruzeiro* have been determined. At present there is no required reserve ratio<sup>1</sup>. (See the Decree No. 5108 of December 18th, 1926 : Article 4, and the Regulations Governing the Stabilisation Office : Articles 11 and 12.)

*Place of deposit* : The gold holdings of the Stabilisation Office must be held in the Office itself or kept on deposit with its London or New York agencies. (Decree No. 5108 of December 18th, 1926 : Article 6. Regulations Governing the Stabilisation Office : Article 6.)

### PURCHASE OF GOLD.

The Stabilisation Office is required to purchase gold bullion or gold coin (national or foreign) on demand at the fixed rate, and to give in exchange notes representing the full value of the gold received. (Decree No. 5108 of December 18th, 1926 : Article 5. Regulations Governing the Stabilisation Office : Articles 4 and 5.)

In times of emergency, and with the approval and express orders of the National Executive, gold may be delivered to and deposited with the London or New York agencies of the Office in return for a receipt upon the presentation of which the Head Office in Rio de Janeiro will issue notes. When the emergency has passed, the gold must be sent to the Head Office. (Regulations Governing the Stabilisation Office : Article 6, paragraphs 1, 2 and 3.)

### MINTING OF GOLD.

Provisions regarding the minting of gold and other coins will not be made until the convertibility of the currency into gold has been assured. (Decree No. 5108 of December 18th, 1926 : Article 9.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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<sup>1</sup> The value of the gold and foreign gold exchange held by the Stabilisation Office comes at present to just short of 40% of the note circulation.

## BRITISH EAST AFRICA.

The East African Currency Board provide for and control the supply of currency for the Kenya Colony and Protectorate, the Uganda Protectorate and the Tanganyika Territory. (Regulations governing the East African Currency Board, December 11th, 1924 : Article 1.)

### REDEMPTION.

The Board are required, on demand, to redeem East African currency notes tendered in East Africa by drafts payable in sterling in London. They may, at their discretion, issue telegraphic transfers on London if requested. (*Lex cit.* : Article 8.) In both cases the Board may impose certain charges and conditions. (*Lex cit.* : Articles 7 and 8.)

### RESERVE.

The Board are required to pay into the Currency Reserve Fund proceeds from the sale of coin and currency notes and all other revenue which they may have, minus necessary deductions for expenses, contributions, and any losses which may be incurred. (*Lex cit.* : Article 13.)

The Board are required to hold a portion of their revenue in liquid form. The remainder may be invested in securities of the Government of any part of His Majesty's Dominions or in such other manner as the Secretary of State may approve. The extent to which investments may be made, and the composition of the liquid portion of the reserve, are left to the discretion of the Board subject to any directions which may be received from the Secretary of State. (*Lex cit.* : Article 14.)

When the Board are satisfied that their reserves are more than sufficient, they may, with the approval of the Secretary of State, pay over the whole or any part of the surplus amount in aid of the revenues of the Dependencies in East Africa. (*Lex cit.* : Article 19.)

*Place of deposit* : The choice of the place where the liquid portion of the reserve is to be held rests with the Board, subject to any directions which may be received from the Secretary of State.

### PURCHASE OF GOLD.

The Board are not required to purchase gold or sterling offered to them.

### MINTING OF GOLD.

The Board are not required to accept gold bullion for coining. In practice they do not accept any gold bullion for coining, as they do not mint any gold coins for use in the East African Territories.

### EXPORT AND IMPORT OF GOLD.

The export of gold is unrestricted.

The import of United Kingdom gold coins is prohibited. The import of other gold is unrestricted.

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## BRITISH GUIANA.

### REDEMPTION.

The Board of Commissioners of Currency of British Guiana are required to redeem currency notes on demand in either gold or silver coin which is legal tender in the Colony, the option resting with them. (Ordinance No. 16, of 1915 : Article 4, paragraph 3.)

### RESERVE.

The Commissioners are required to hold, for the sole purpose of redeeming currency notes, the coin received in exchange for them, which money forms the Note Guarantee Fund. This fund is divided into a "coin portion" and an "investment portion". (*Lex cit.* : Article 7, paragraph 1.)

(a) The coin portion must be held in coin which is legal tender in the Colony. It must amount to 83½% (proportion fixed by a Proclamation dated September 24th, 1918) of the value of the notes in circulation, but if the Governor satisfies the Secretary of State that this proportion may safely be diminished without endangering the convertibility of the notes, and obtains the necessary authority from him, another proportion may be fixed. (*Lex cit.* : Article 7, paragraphs 2 and 4.)

Provision is made that the securities forming the investment portion of the fund must, if necessary, be sold to prevent the coin portion falling below the fixed proportion. This sale may, however, be postponed for not longer than three months if the deficiency of the coin portion does not exceed 25%, but, while a deficiency exists, no further investment of securities may be made and the whole income from the investment portion of the fund must be credited to the coin portion. (*Lex cit.* : Article 7, paragraph 3.)

(b) The investment portion may be invested in such securities of the Government of any part of His Majesty's Dominions or in such other securities as the Secretary of State may approve, provided not more than one fifth be invested in the securities of the Government of British Guiana. (*Lex cit.* : Article 8, paragraph 1.)

Provision is made that, out of the income derived from the investment portion of the Fund, a sum equal to one per cent of the cost price of the securities shall be paid into a Depreciation Fund, which shall form a part of the investment portion of the Note Guarantee Fund and be applied to meet any loss arising from any depreciation of the securities held therein. When the Depreciation Fund amounts to not less than ten per cent of the investment portion of the Note Guarantee Fund, it need not be further increased, provided the Governor satisfies the Secretary of State that further increase is unnecessary. (*Lex cit.* : Article 8, paragraph 4, and Article 9.)

*Place of Deposit* : The coin portion of the Note Guarantee Fund must be kept in the custody of the Commissioners (Georgetown, British Guiana).

### PURCHASE OF GOLD.

The Commissioners are not required to purchase gold or sterling offered to them.

### MINTING OF GOLD.

British Guiana does not possess a gold coinage of its own. British and the United States of America coin circulate as legal tender.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## BRITISH WEST AFRICA.

The West African Currency Board provides for and controls the supply of currency to the British West African Colonies and Protectorates : Nigeria, the Gold Coast, Sierra Leone, and Gambia. (Regulations governing the West African Currency Board, July 11th, 1924 : Article 1.)

### REDEMPTION.

The Board is required, on demand, to redeem West African currency notes tendered in West Africa by drafts payable in sterling in London. It may, at its discretion, issue telegraphic transfers on London if requested. (*Lex cit.* : Article 13.) In both cases the Board may impose certain charges and conditions. (*Lex cit.* : Articles 12 and 13.)

### RESERVE.

The Board is required to pay into the Currency Reserve Fund proceeds from the sale of coin and currency notes and all other revenue which it may have, minus necessary deductions for expenses, contributions, and any losses which may be incurred. (*Lex cit.* : Article 14.)

The Board is required to hold a portion of its reserve in liquid form. The remainder may be invested in securities of the Government of any part of His Majesty's Dominions or in such other manner as the Secretary of State may approve. The extent to which investments may be made, and the composition of the liquid portion of the reserve, are left to the discretion of the Board subject to any directions which may be received from the Secretary of State. (*Lex cit.* : Article 15.)

When the Board is satisfied, and shall have satisfied the Secretary of State, that its reserves are more than sufficient, it may pay over the whole or part of the surplus amount in aid of the revenues of the West African Governments. (*Lex cit.* : Article 21.)

*Place of deposit* : The choice of the place where the liquid portion of the reserve is to be held rests with the Board, subject to any directions which may be received from the Secretary of State.

### PURCHASE OF GOLD.

The Board is not required to purchase gold or sterling offered to it.

### MINTING OF GOLD.

The Board is not required to accept gold bullion for coining. In practice it does not accept any gold bullion for coining, as it does not mint any gold coins for use in the West African Territories.

### EXPORT AND IMPORT OF GOLD.

The export of gold is unrestricted.

The import of United Kingdom gold coins is prohibited. The import of other gold is unrestricted.

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## BULGARIA.

### REDEMPTION.

The National Bank of Bulgaria is required to redeem its notes on demand in foreign gold exchange,<sup>1</sup> which, according to law and in practice, is convertible on demand into immediately exportable gold. The Bank is not required to redeem an amount less than 50,000 leva. Redemption shall be made at the stabilisation rate: one gramme gold = 92 leva. (Law on the Bank of Bulgaria, November 13th, 1926, modified September 27th, 1928 : Article 3.)

### RESERVE.

The Bank is required to keep a reserve of not less than 33 $\frac{1}{3}$ % of the value of its notes in circulation, plus other demand liabilities. The reserve shall include only :

(a) Gold coin and bullion in the unrestricted ownership of the Bank, and either in the custody of the Bank or deposited in another Central Bank, or in any Mint, or in transit;

(b) Net foreign gold exchange in the unrestricted ownership of the Bank, provided that it be either :

1. On a country the currency of which by law and in practice is convertible on demand at a fixed price into exportable gold; or,

2. On a country the currency of which by law and in practice is convertible on demand at a fixed price into foreign exchange as defined in 1.

“Net foreign gold exchange” is taken to mean :

1. Balances standing to the credit of the Bank at the Central Bank of such a foreign country;

2. Bills of exchange drawn on and payable in the currency of such a foreign country, maturing within three months and bearing at least two good signatures;

3. Treasury bills, Treasury certificates of indebtedness or similar obligations of the Government of such a foreign country maturing within three months:

less all liabilities in foreign exchange.

In calculating the amount of the reserve, should it be found that the liabilities in foreign exchange exceed the assets enumerated in the paragraphs numbered 1, 2, and 3 of this article, the excess shall be deducted from the other assets of the reserve.

At the request of the Bank, the Government may suspend the above reserve requirements for a period not to exceed thirty days or to be renewed for more than fifteen days. The Bank, in the event of such suspension, must pay a graduated tax to the Government on the amount by which the note circulation and other demand liabilities exceed the maximum ordinarily admissible. (*Lex cit* : Articles 9, 10, and 11.)

*Place of deposit* : See above under (a).

### PURCHASE OF GOLD.

The Bank is required to purchase foreign exchange on demand at a fixed rate, in amounts not less than 50,000 leva, on gold standard countries<sup>1</sup> whose legal tender currency is by law and in practice convertible into exportable gold. (*Lex cit* : Article 8.)

### MINTING OF GOLD.

The Stabilisation Law of 1928 does not provide for gold coin. There is, moreover, no mint in Bulgaria, subsidiary coin being minted abroad.

### EXPORT AND IMPORT OF GOLD.

The export of gold is unrestricted. (Stabilisation Law : Article 9.)

The import of gold is unrestricted.

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<sup>1</sup> At present, foreign exchange is bought and sold on London.

## CANADA.

There are three kinds of notes in circulation in Canada : Dominion notes, Provincial notes and bank-notes. Dominion notes are issued by the Minister of Finance. The smaller denominations are in circulation while the larger denominations (over \$1,000) are legal tender for banks only and are held in their reserves (see below "Bank Reserve Proper"). Provincial notes were provided for under an Act of the late Province of Canada, before Dominion status was conferred upon it. Provincial notes are no longer issued and under Article 10 of the Dominion Notes Act of August 22nd, 1914, those outstanding are considered to be notes of the Dominion. Bank-notes are issued by the Banks incorporated in accordance with the Bank Act of June 30th, 1923.<sup>1</sup> (See Articles 4, 5 and 61 of the Bank Act in the Annex.)

### SUMMARY TABLE SHOWING NOTE CIRCULATION AND GOLD HOLDINGS.

The statement of the Minister of Finance for January 31st, 1930, published in accordance with Article 8 of the Dominion Notes Act, 1914, shows the following note circulation and gold holdings :

Provincial notes .....	\$27,618.83	Gold held against notes in circulation .....	\$62,681,877.11
Dominion notes (smaller denominations, legal tender for circulation) .....	\$42,457,445.09	Gold held against Savings Bank deposits (10 % on \$25,418,762.12) under the Savings Bank Act .....	\$2,541,876.21
Dominion notes (larger denominations, legal tender for banks only) .....	\$64,904,000.00		
<b>Total notes outstanding under the Dominion Notes Act, 1914 .....</b>	<b>\$107,389,063.92</b>	<b>Total gold held by the Minister of Finance .....</b>	<b>\$65,223,753.32</b>

In addition to the notes outstanding under the Dominion Notes Act, 1914, there were also outstanding on January 31st, 1930 :

- (a) \$49,700,000 against approved securities under the Finance Act, 1923, and
- (b) \$16,000,000 issued under Chapter 4 of the Dominion Notes Act, 1915.

Against these notes no gold reserve is held.

The return of the Chartered Banks for January 31st, 1930, made to the Minister of Finance in conformity with Article 112 of the Bank Act, 1923, shows :

Notes in circulation (total). \$156,062,061.00	Paid up capital (total)..... \$143,479,876.00
	Current gold coin <sup>2</sup> (total).. \$12,630,866.00
	Dominion notes <sup>2</sup> (total).... \$19,950,000.00

<sup>1</sup> There are eleven Chartered Banks of the Dominion of Canada entitled to issue notes : The Bank of Montreal, the Bank of Nova Scotia, the Bank of Toronto, la Banque Provinciale du Canada, the Canadian Bank of Commerce, the Royal Bank of Canada, the Dominion Bank, la Banque Canadienne Nationale, the Imperial Bank of Canada, the Weyburn Security Bank and Barclay's Bank (Canada).

<sup>2</sup> These are the so-called "Central Gold Reserves".

## REDEMPTION.

### *Dominion Notes.*

The Minister of Finance is required to redeem Dominion notes in gold<sup>1</sup> on demand. (Dominion Notes Act of August 22nd, 1914 : Article 4, paragraph 3.)

### *Bank-notes.*

According to Article 61 of the Bank Act of June 30th, 1923, notes issued by the Chartered Banks are payable to bearer on demand. Article 70 of the Bank Act says that each bank shall establish agencies for the redemption and payment of its notes, but nowhere is it directly stipulated how such redemption is to be made. However, Article 65, paragraph 1, of the Bank Act provides that the notes of a bank shall bear interest at the rate of 5 % per annum "in the event of the suspension by a bank of payment in specie or Dominion notes of any of its liabilities as they accrue", and Article 64, paragraph 5, uses the same phrase in speaking of the purpose of the Circulation Fund.

## RESERVE.

### *Dominion Notes.*

1. The Minister of Finance is required to keep against the Dominion notes a gold reserve of not less than 25 %, provided the total issued and in circulation at any one time does not exceed \$50,000,000. (The Dominion Notes Act of August 22nd, 1914 : Article 5, paragraph 1.)

2. Notes to a further amount of \$26,000,000 have been issued without any gold reserve, but of this amount \$16,000,000 are secured by certain specified Canadian Railway securities guaranteed by the Dominion Government. (An Act Respecting Certain Issues of Dominion Notes, April 8th, 1915.)

3. Over and above the amount of \$76,000,000, the Finance Act of 1914 provided for an emergency issue to be secured by approved securities. (The Finance Act of 1914 : Article 4, paragraph (a).)

4. Over and above this, the banks may borrow additional Dominion notes against approved securities. Such loans must be repaid in Dominion notes and within one year. (The Finance Act of 1923.)

5. Notes not issued under one of the above categories must be covered to their full value by gold. (The Dominion Notes Act of August 22nd, 1914 : Article 5, paragraph 2.)

The Governor in Council is authorised, if the amount held as security is insufficient, to pay notes presented for redemption or, if it has fallen below the legal minimum, to raise, by way of a loan, such sums of money as are necessary to make these payments or to re-establish the required reserve. (Dominion Notes Act of August 22nd, 1914 : Article 6.)

*Place of deposit* : Unspecified.

### *Bank-notes.*

Under ordinary circumstances the total amount of the notes of a bank in circulation at any time is not allowed to exceed the unimpaired paid-up capital of the bank, plus the amount of current gold coin and Dominion notes held for the bank by the Canadian Bankers' Association in the "Central Gold Reserves". (The Bank Act of 1923 : Article 61, paragraphs 1, 2, 3 and 4.)

During the season of the moving of the crops, from the first day of September to the last day of February, any bank with the right of issue can issue additional notes up to 15 % of the combined unimpaired paid-up capital and rest or reserve fund. Interest must be paid to the Minister of Finance on notes put into circulation in excess of the amount permitted under ordinary circumstances. (The Bank Act of 1923 : Article 61, paragraphs 14 and 16.)

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<sup>1</sup> Gold means (1) gold coins which are legal tender in Canada, and (2) gold bullion in bars bearing certain recognised stamps. (The Dominion Notes Act of August 22nd, 1914 : Article 2, paragraph b.)

For the purpose of insuring payment, should a bank not be able to meet its liabilities as they accrue, each bank is required to keep with the Minister of Finance in the "Circulation Fund" 5 % in gold<sup>1</sup> or Dominion notes of the average amount of its notes in circulation. (The Bank Act of 1923 : Article 64, paragraphs 1, 2, 3, 4 and 5.)

*Place of deposit* : Unspecified.

*Bank Reserve Proper.*

Each bank is required to hold not less than 40 % of the cash reserves which it has in Canada in Dominion notes.<sup>2</sup> (The Bank Act of 1923 : Article 60.)

*Place of deposit* : Unspecified.

*Savings Bank Deposits.*

The Minister of Finance is required to hold against Savings Bank deposits a reserve in gold, or in gold and Canadian securities guaranteed by the Government of the United Kingdom, equal to not less than 10 % of the total amount of such deposits.<sup>3</sup> (The Savings Banks Act of 1914 : Part III, Section 47.)

*Place of deposit* : Unspecified.

PURCHASE OF GOLD.

Neither the Minister of Finance nor the banks of issue are required to purchase gold offered to them. The Minister of Finance must, however, issue Dominion notes against legal tender, *i.e.*, United States gold coin, English gold coin and Canadian gold coin.

MINTING OF GOLD.

There is a branch of the Royal Mint at Ottawa. If any person brings gold bullion to the Ottawa Branch Mint, the Deputy-Master is required to assay it and coin it into sterling gold coins on the payment of a fixed fee. No preference may be shown to anyone as regards the order in which the bullion offered is coined. The term "sterling gold coins" means gold coins of the same denominations, designs, weights and fineness as those coined at the Royal Mint in London. Sterling gold coins issued from the Ottawa Branch Mint are deemed to have been issued from the Royal Mint and are current and a legal tender as if they had been coined and issued in England<sup>4</sup>.

In addition to sterling gold coins, the Deputy-Master of the Ottawa Branch Mint is required, on the demand of the Governor-General of the Dominion, to coin any coin which is for the time being a coin of the Dominion and current and legal tender in the Dominion. These coins, however, may not be deemed as having been made at and issued from the Royal Mint. (The Ottawa Mint Proclamation, 1907, based upon the Coinage Act, 1870<sup>5</sup> : Article 11, paragraph 8.)

EXPORT AND IMPORT OF GOLD.

Control of gold exports was removed July 1st, 1926. (The Finance Act of 1923 : Articles 14 and 15.)

The import of gold is unrestricted.

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<sup>1</sup> See the footnote on the preceding page.

<sup>2</sup> In this connection, note that the banks are not legally bound to keep any specified reserve of cash against liabilities in Canada or elsewhere.

<sup>3</sup> The Minister of Finance in practice always holds a 10 % gold reserve against Savings Banks' deposits.

<sup>4</sup> The coins struck at the Ottawa Branch Mint are distinguished from London pieces only in that they bear the microscopic mint mark C.

<sup>5</sup> The relevant passages from the Coinage Act, 1870, will be found in the Annex under Great Britain.

## CHILE.

### REDEMPTION.

The Central Bank of Chile, which has the exclusive right of note issue in Chile, is required to redeem its notes on demand in one of the following forms, the option resting with it :

- (a) In Chilean gold coin;
- (b) In fine gold bars in amounts of not less than 500 grammes at a rate fixed in monetary law;
- (c) In drafts at sight or at three days' sight on first-class banks in New York or London, payable in gold. The bank may charge a premium equal to the cost of transportation of gold bars in appreciable quantities from Santiago to the city on which the above-mentioned drafts are drawn. (Decree-Law creating the Central Bank of Chile, August 21st 1925 : Article 69.)

The Central Bank of Chile, up to September 1st, 1929, was also required to exchange its own notes for all outstanding Government notes (*billetes fiscales*) and Treasury certificates (*vales de Tesorería*), or it could redeem them in gold coin, gold bars, or drafts in the same way as mentioned above for its own notes. When exchanged or paid, they had to be withdrawn from circulation and cancelled. (*Lex cit.* : Article 74.)

When the Bank opened its doors on January 11th, 1926, the Government turned over to it gold for the entire amount of the then outstanding Government note issues, \$405,629,119.00. On August 30th, 1929, there were outstanding only \$4,900,790.00 of these issues. On September 1st, 1929, the Bank returned to the Government an amount equal to the Government note issues then unredeemed and the Bank's liability for their redemption ceased. Since that date, the Government has been charged with their redemption.

### RESERVE.

The Bank is required to hold a gold reserve of 50 % of the total of its notes in circulation plus its deposits. This must consist of the following in such proportions as the Board of Directors may determine :

- (a) Gold, coined or in bars deposited in the vault of the bank in Chile;
- (b) Gold, coined or in bars earmarked and deposited in the custody of first-class banks abroad;
- (c) Deposits in first-class banks in New York and London payable at sight in gold. (*Lex cit.* : Article 83.)

The Bank is required to hold the same reserve against Government notes and Treasury certificates outstanding. (*Lex cit.* : Article 84.)

Should the reserve fall below the statutory minimum, the Bank is required to pay a graduated tax to the Government, and the discount rate of the Bank may not be below 7 % per annum if the reserve is below the legal minimum for one week or longer. (*Lex cit.* : Articles 85 and 86.)

*Place of deposit* : See (a) and (b) above under "Reserve".

### PURCHASE OF GOLD.

The Central Bank of Chile is required to issue its notes in exchange for :

- (a) Chilean gold coin minted after the date of the bank law if within the legal toleration;
- (b) Other Chilean gold coin at the rate of 0.183057 grammes of fine gold per peso;

(c) Gold deposited to the account of the Central Bank of Chile in New York or London, at the same rate as in (b). In this case the Bank may charge a premium equal to the cost of transporting gold in appreciable quantities from the place of deposit to Santiago, as well as the cost of coining and interest for transit time. (*Lex cit.*: Article 71.)

#### MINTING OF GOLD.

The Mint is required to coin all gold bullion presented to it for that purpose, but must give preference to the Central Bank of Chile if so requested. (*Lex cit.*: Article 88, paragraph B.)

#### EXPORT AND IMPORT OF GOLD.

The import and export of gold are unrestricted.

The President of the Republic and the Bank, acting together, may, in case of internal or external disturbance, temporarily suspend the free commerce of gold.<sup>1</sup> (*Lex cit.*: Article 88, paragraph A.)

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<sup>1</sup> This power has not yet been used.



## COLOMBIA.

### REDEMPTION.

The Bank of the Republic of Colombia is required to redeem its notes in gold coin on demand. If, however, at any time one of the branch offices of the Bank is unable to redeem the Bank's notes in gold coin on demand, the person presenting the notes shall have the option :

- (a) Of taking a cheque on the main office;
- (b) Of waiting for gold to come from the main office, or,
- (c) Of taking a demand draft on New York payable in gold. In this latter case, the Bank may charge a premium.

In time of emergency the Bank may, with the approval of the Minister concerned, give sight or cable drafts on New York payable in gold in that city. (Law No. 25 of 1928 on the Organisation of the Bank of the Republic : Article 19.)

### RESERVE.

#### *Reserve of Central Bank.*

The Bank is required to keep a gold reserve equal to 60 % of its notes in circulation and deposits. Up to two-fifths of this may be kept in the form of demand deposits, payable in gold in banks of high standing in foreign financial centres. If the reserve falls below these proportions, the Bank must pay a graduated penalty tax.

*Place of deposit :* The gold reserve must be held in the vaults of the Bank. (*Lex cit.* : Article 18.)

#### *Reserve of Other Banks.*

Every banking institution, with the exception of the Bank of the Republic, is required to hold a reserve of 50 % against its deposits payable at sight or within 80 days, and a reserve of 25 % against its deposits payable at more than 80 days. The balances of floating credits remaining unused require similar reserves :

These reserves may only be composed of the following :

- (a) Domestic gold coin;
- (b) Foreign gold coin and gold bullion, valued according to its fine gold content in relation to the Colombian gold peso;
- (c) Notes of the Bank of the Republic;
- (d) Colombian silver coin, this latter not to exceed 20 % of the minimum required reserve ratio.

However, when deposits are made in a certain coin, the reserve will be held in that coin in the proportion stipulated above.

Banks which have become shareholders of the Bank of the Republic through the acquisition of a certain number of class B or class C shares and which, in consequence, enjoy the right of rediscount at the latter, are required to hold only half of the reserves stipulated above, and may count their available deposits with the Bank of the Republic as the other half.

If the reserve ratios of any bank fall below the legal minimum, a graduated penalty tax will be imposed by the superintendent of banks.

*Place of deposit :* The gold coin and gold bullion included in the above-mentioned reserves must be held in the vaults of the bank in question. (*Lex cit.* : Article 20.)

**PURCHASE OF GOLD.**

The Bank is not required to purchase gold offered to it.

**MINTING OF GOLD.**

The Mints at Bogotá and Medellín are required to mint gold for private persons at cost price. The Mints will give delivery certificates when the gold is presented and these certificates may be exchanged on demand at the Mints for gold coin or gold bullion, or may be used for all payments to the National Treasury. No minimum amount is stipulated except that the lowest delivery certificate which will be issued is for two and a-half pesos. (Law No. 65 of 1916 : Article 1; and Law No. 15 of 1918 : Article 9.)

The Minister concerned, whenever he considers it in the public interest, will give the Bank of the Republic priority as regards the order in which gold brought to the Mints is coined. (Law No. 25 of 1923 on the Organisation of the Bank of the Republic : Article 21, paragraph b.)

**EXPORT AND IMPORT OF GOLD.**

The export of gold is unrestricted. (Law No. 21 of 1921 : Article 1.)

The import of gold is unrestricted.

In the case of internal or external disturbance the Government and the Bank may decree the temporary suspension of the free trade in gold. (Law No. 25 of 1923 on the Organisation of the Bank of the Republic : Article 21, paragraph a.)

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## COSTA RICA.

It is felt that a short sketch of recent monetary changes in Costa Rica must be given, in order that the present position may be adequately explained.

The gold standard was adopted by Decree of October 24th, 1896, and was definitely introduced in 1900 (April 17th). With the introduction of the gold standard, private banks which conformed to certain conditions were given the right (April 25th, 1900) to issue notes payable on demand in gold. The system stood in this form until 1914, when the Government, for various reasons, considered necessary an increase in the monetary circulation, to accomplish which it was forced, mainly due to insufficient co-operation between it and the private banks, to create a State Bank (the International Bank of Costa Rica) for the purpose of issuing inconvertible notes (October 9th, 1914). As a necessary corollary to this, the notes of the private banks were declared no longer convertible (September 18th, 1914) and the export of gold was prohibited (November 24th, 1914).

In 1921 (March 30th), the notes of the private banks were again declared convertible into gold on demand, but the notes of the several issues which had been made by the State Bank were left inconvertible. At the same time (June 9th, 1921), the prohibition on the export of gold was removed. The following year (October 10th, 1922), a Conversion Office was created as a part of the State Bank for the purpose of building up a gold reserve against which it was authorised to issue convertible notes and to withdraw from circulation the inconvertible notes of the Bank. The Bank's privilege of issuing inconvertible notes was stopped.

There are, therefore, three classes of notes in circulation at present : (1) Notes of the private banks, (2) notes of the International Bank of Costa Rica, and (3) notes of the Conversion Office.

### REDEMPTION.

#### 1. *Notes of the Private Banks.*

The private banks are required to redeem their notes on demand in domestic gold coin. (Decree No. 16, of April 25th, 1900 : Article 34. Decree No. 19, of April 1st, 1921 : Article 1.)

#### 2. *Notes of the International Bank of Costa Rica.*

The International Bank of Costa Rica is not required to redeem its notes. (Decree No. 19 of April 1st, 1921 : Articles 1 and 2.)

#### 3. *Notes of the Conversion Office.*

The Conversion Office is required on demand to redeem its notes at the fixed rate of four colons to the dollar in gold or in sight drafts on New York at the option of its Administrator. (Decree No. 17, of October 10th, 1922 : Article 3.)

### RESERVE.

#### 1. *Notes of the Private Banks.*

Before it may be permitted to issue notes, a bank must have a paid-up capital of not less than one million colons and must hold that amount in its vaults in either domestic gold coin or foreign gold coin whose value in relation to the domestic gold coin has previously been officially determined. (Decree No. 16, of April 25th, 1900 : Article 20; amended by Decree No. 12, of November 17th, 1902 : Amendment No. 4.)

Each bank which is permitted to issue notes is required to hold a reserve of domestic gold coin, or foreign gold coin whose value in relation to the domestic gold coin has previously been officially determined, equal to 50% of the amount of its notes in circulation. If a bank permits its reserve to fall below this ratio, it shall be forced to withdraw its notes, shall forfeit its right of issue and shall be liable to a fine of ten thousand colons.

*Place of Deposit*: The gold included in this reserve must be held in the vaults of the bank in question. (Decree No. 16, of April 25th, 1900 : Article 23; amended by Decree No. 12, of November 17th, 1902 : Amendment No. 7.)

2. *Notes of the International Bank of Costa Rica.*

The International Bank of Costa Rica is not required to hold any fixed reserve against its notes. The notes which were issued by the International Bank were in reality advances to the Government, and they are guaranteed by Treasury bills.

3. *Notes of the Conversion Office.*

The resources of the Conversion Office are made up by the export tax on bananas and by any other funds which the Government may turn over to it. These receipts must be deposited with the Office in the form of either gold coin or sight drafts on New York, and the Office may issue notes against them in the ratio of 400 of notes to 100 of receipts. All such receipts against which notes have been issued must be held by the Conversion Office as a reserve against these notes. Consequently the Office is required to hold a reserve in gold coin or sight drafts on New York equal to 25% of its note issue.

*Place of Deposit*: The Conversion Office must hold in its own vaults the gold against which it has issued notes. (Decree No. 17, of October 10th, 1922 : Article 9, final paragraph; and Decree No. 16, of April 25th, 1900 : Article 23, amended by Decree No. 12, of November 17th, 1902 : Amendment No. 7.)

PURCHASE OF GOLD.

Neither the private banks nor the International Bank of Costa Rica nor the Conversion Office are required to purchase gold offered to them.

MINTING OF GOLD.

The Mint may coin gold for private persons but only upon the order of the Ministry of Finance. (Decree No. 3, of October 24th, 1896 : Article 3.)

Foreign gold coin, provided that its fineness is not less than that of domestic gold coin, circulates legally at rates fixed by the Federal Executive. (Decree No. 3, of October 24th, 1896 : Article 17.)

EXPORT AND IMPORT OF GOLD.

Restrictions on the export of gold were removed by Decree No. 24, of June 11th, 1921. (See also Decree No. 17, of October 10th, 1922 : Article 16, final paragraph.)

The import of gold is unrestricted.

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## CUBA.

### MINTING OF GOLD.

There is no Bank of Issue in Cuba. The only national currency is gold, silver, and nickel coin.

The monetary unit is the gold peso, and coins of 1, 2, 4, 5, 10, and 20 pesos are minted in gold. (Monetary Law of October 21st, 1914 : Articles 1 and 2.)

The money of the United States of America enjoys the same legal tender currency as does the national coin. (*Lex cit.* : Article 10.) More than four-fifths of the money in circulation is that of the United States of America. The latest statement published by the Cuban Treasury Department gives the following figures :

#### Cuban money in circulation ;

Gold .....	\$23,786,750.00	
Silver .....	\$8,413,140.80	
Nickel .....	\$1,449,560.00	
Total...		\$33,649,450.80

#### United States of America money in circulation :

Gold .....	\$11,783,982.00	
Silver .....	\$1,211,722.60	
Nickel and bronze .....	\$182,289.88	
Paper .....	\$131,210,544.00	
Total...		\$144,388,538.48
Grand total.....		\$178,037,989.28

An institution designated by the Executive and the Cuban banks is charged with making the necessary provisions and arrangements for the coining of the national money, but the actual minting is done by the Mint of the United States of America. (*Lex cit.* : Articles 11 and 13.)

The minting of gold is legally unlimited. (*Lex cit.* : Article 3.) However, neither the coinage institution nor the Mint of the United States of America is required to purchase gold offered to them. (*Lex cit.* : Article 12.)

### EXPORT AND IMPORT OF GOLD.

The export of both Cuban and United States of America coin is prohibited. The export of the coin of other countries, which is not legal tender, is permitted only through the three ports of Havana, Santiago and Cienfuegos. (Decree of April 21st, 1917.) The export of gold in bars or any other form as well as shavings, filings, etc., is prohibited except under special authorisation from the Treasury Department. (Decrees of October 4th, 1917, and May 8rd, 1920.)

The import of gold is unrestricted.

## CURAÇAO.

### REDEMPTION.

The Bank of Curaçao is required to redeem its notes in coin which has legal currency in the Colony. (Decree establishing New Statutes for the Bank of Curaçao : Article 1, section 3, paragraph 5.)

### RESERVE.

The Bank is required to hold a reserve in specie and bullion equal to 83 $\frac{1}{2}$ % of its notes. (*Lex cit.* : Article 1, section 3, paragraph 11.) At the request of the Bank, the Governor may temporarily change this proportion in times of emergency. (*Lex cit.* : Article 1, section 3, paragraphs 12, 13 and 14.)

*Place of Deposit* : The above reserve must be held in the head office of the Bank at Willemstad. (*Lex cit.* : Article 1, section 3, paragraph 11.)

### PURCHASE OF GOLD.

The Bank of Curaçao is not required to purchase gold offered to it.

### MINTING OF GOLD.

Curaçao has no gold coinage of its own. The ten-florin and five-florin gold coins of the Netherlands circulate as legal tender. (Mint Law, of May 23rd, 1899 : Article 4.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## CZECHOSLOVAKIA.

### REDEMPTION.

The National Bank of Czechoslovakia has the exclusive right to issue bank-notes. State notes which were in circulation when the Bank commenced its operations (April 1st, 1926), as well as those which were put into circulation since, are considered as the Bank's own notes. (Law of April 14th, 1920: Article 39; and the Law of April 23rd, 1925: Article XII.) The Bank is required to redeem its notes on demand in one of the following forms:<sup>1</sup>

- (a) Gold coin of legal currency or gold in bars;
- (b) Gold exchange of full value at the rate of the day on the Prague Exchange.

The Bank has the right to choose between these forms. In no case may redemption be demanded of an amount corresponding in value to less than 12 kilogrammes of fine gold.

Should the Bank fail to redeem its notes within 24 hours of their presentation, and be unable to show a case of *force majeure*, it shall forfeit its privilege. (Law of November 7th, 1929: Article 8, paragraph 2.)

### RESERVE.

The Bank is required to hold a reserve equal at the end of 1929 to at least 25 %, at the end of 1930 to at least 30 %, and at the end of 1935 and from that time on to at least 35 % of the sum of its notes in circulation plus its other sight engagements.

One half of this reserve, at least, must be made up of gold coin or gold bullion. The remainder may consist of the following:

- (a) Foreign bank-notes and current coin;
- (b) Foreign exchange of full intrinsic value in the form either of drafts on the principal banking centres in Europe and America signed by sound banking institutions and otherwise complying with the rules of a bank draft, or of immediately recoverable balances held with unquestionably good banks in the principal banking centres of Europe and America.

The proportion between the reserve and the liabilities covered by it shall be calculated each trimester upon the basis of the average rates on the Prague Exchange during the final two weeks of the preceding trimester. (Law of November 7th, 1929: Article 6.)

If the reserve ratio falls below the legal minimum, the Bank must pay a tax on the difference between the actual and permissible amounts of its note circulation. (Law of April 14th, 1920: Article 30, and Law of April 23rd, 1925: Article VIII; modified by the Law of November 7th, 1929: Article 10, paragraph 2(b)).

*Place of deposit:* The place where the gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Bank is required to purchase gold on demand at a fixed price, provided the quantity offered represents a value of at least 12 kilogranimes of pure gold.<sup>2</sup> The Bank is authorised to deduct from the price paid the expenses of assay and minting at the rate fixed by the State Mint. (Law of November 7th, 1929: Article 8, paragraph 1.)

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<sup>1</sup> It is provided that the Government, after consulting the Bank, shall issue a decree fixing the date on which paragraphs 1 and 2 of the Law of November 7th, 1929, which concern the redemption of notes and purchase of gold, shall come into force. (Law of November 7th, 1929: Article 8, paragraph 3.) This has not yet been done.

#### MINTING OF GOLD.

It is provided that coins of 100 crowns shall be minted in gold. A Government decree shall fix the date on which the Mint shall begin to mint such coins on behalf of the State and that on which it shall be authorised to mint the said coins without restriction on behalf of individuals. (Law of November 7th, 1929 : Article 4.)

#### EXPORT AND IMPORT OF GOLD.

All restrictions on the export of gold were removed on January 17th, 1927.  
The import of gold is unrestricted according to Item 560 of the Tariff Regulations.

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## FREE CITY OF DANZIG.

### REDEMPTION.

The Bank of Danzig is required to redeem its notes (in amounts of at least 1,000 gulden) in cheques on London as soon as the rate drops to 19s. 10d. per 25 gulden. The Bank is also required to issue cheques on London in exchange for "Danzig gulden". (Annex entitled "Notenprivileg" to the Bank Law of November 20th, 1923, paragraph 11.)

### RESERVE.

The Bank is required to keep a reserve of gold coins, notes of the Bank of England, or sight assets in sterling with the Bank of England, of at least one-third of its note circulation as long as its note circulation does not exceed 40 million gulden (figure fixed by Senate Decree of November 12th, 1927). Any notes issued in excess of this limit have to be covered to their full value by the reserve, and a tax has to be paid on the excess. (*Lex cit.* : paragraphs 8, 9 and 10.)

*Place of deposit* : The place where the gold coins included in the reserve are to be held is not specified.

### PURCHASE OF GOLD.

The Bank of Danzig is not required to purchase gold, but is required to buy sterling through its London agents against cheques on Danzig of at least 1,000 gulden if offered at a rate not higher than £1 0s. 1d. per 25 gulden. (*Lex cit.* : paragraph 12.)

### MINTING OF GOLD.

The Government alone enjoys the right to have gold coined. (Mint Law of November 20th, 1923 : Article 1.)

The Free City of Danzig has no mint of its own, and consequently the Government has its coins minted abroad.

### EXPORT AND IMPORT OF GOLD.

(The Free City of Danzig is subject to the Polish Customs Law and the Polish Customs Tariff.)

The export of gold is unrestricted. (The decree of the President of the Polish Republic of February 15th, 1928, does not apply to the Free City of Danzig.)

The import of gold is unrestricted.

(Independently of any regulations of the Polish Customs tariff which may be in force, the import and export of gold, in so far as the territory of the Free City of Danzig is concerned, remains free of Customs duty under Article 11 of the Treaty concluded between Poland and the Free City of Danzig at Geneva on September 22nd, 1923.)

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## DENMARK.

### REDEMPTION.

The National Bank in Copenhagen, according to Article 7, paragraph 5, of the Law of July 12th, 1907, was required to redeem its notes on demand in legal tender gold coin, but on August 2nd, 1914, this provision was suspended. The Law of December 27th, 1926, renewed the obligation, but with the limitation that the Minister of Industry, Commerce and Shipping could stipulate that redemption need only be made when notes were presented to the amount of 28,000 kroner or multiples thereof, and that the Bank should have the option of making payment in Danish gold coin at face value, or in gold in bars or any other form at the rate of 2,480 kroner per kilogramme of fine gold. This limitation which, in accordance with the Law of December 27th, 1926, would have expired on December 31st, 1929, was extended to the end of 1930 by the Law of December 23rd, 1929.

### RESERVE.

The Bank is required to keep a metallic reserve equal to 50 % of the nominal value of the notes in circulation. This reserve may consist of :

(a) Domestic legal tender gold coins and domestic fractional coins at face value, foreign gold coins at the minting parity, and gold bullion. This item shall make up not less than three-fifths of the obligatory metallic reserve (30 % of note circulation), and the stock of legal tender gold coins shall make up not less than one-fourth of the obligatory metallic reserve ( $12\frac{1}{2}$  % of the note circulation).

(b) The Bank's non-interest-bearing demand balances with the Bank of Norway and the Swedish Riksbank, less the Bank's debt to these two Banks.

(c) The Bank's non-interest-bearing balance on giro account with the German Reichsbank.<sup>1</sup>

The remaining 50% of the note circulation must be covered by a securities reserve made up of bonds for loans against collateral security, domestic and foreign bills of exchange, credit balances payable on demand with foreign correspondents, public bonds at rates officially quoted, and mortgages for loans on real estate for an amount of not more than six million kroner. The securities reserve must be held to the proportion of 125 kroner of assets to 100 kroner of notes. (Act of July 12th, 1907 : Article 7, paragraphs 1, 2 and 8.)

Under special circumstances, modification of the above reserve requirements may be granted by royal proclamation for a period up to two years, subject to the payment of a tax. (*Lex cit.* : Article 7, paragraph 8.)

*Place of deposit* : The Bank may include in its metallic reserve only the gold held in its vaults and the gold bullion sent to the Mint and held there earmarked for the Bank's account. (*Lex cit.* : Article 7, paragraph 2.)

### PURCHASE OF GOLD.

The Bank is required to purchase gold bullion on demand at a fixed price (1 kilo fine gold = 2,480 Kroner), less  $\frac{1}{4}$  per cent seignorage and the assay expenses if the gold offered for sale is not provided with such stamps as are recognised by the Bank. (*Lex cit.* : Article 7, paragraph 5.)

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<sup>1</sup> The term "balance" here does not mean "net balance", because the non-interest-bearing balance on giro account with the German Reichsbank is not reduced by a possible debt as the latter is interest-bearing.

#### MINTING OF GOLD.

The Government Mint is required to accept gold on demand from any person and to give in exchange 10-Kroner or 20-Kroner pieces on payment of  $\frac{1}{3}\%$  of the value of the amount minted in the case of the former and  $\frac{1}{4}\%$  of such value in the case of the latter. (Law of May 23rd, 1873, on the Monetary System : Article 12.)

#### EXPORT AND IMPORT OF GOLD.

The export of gold—in coin and bars—is permitted to such countries where the Central Bank is bound to buy and sell gold and from where there is free gold export to Denmark. (Ministry of Justice Proclamation of January 11th, 1927.)

The import of gold is unrestricted.

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## ECUADOR.

### REDEMPTION.

The Central Bank of Ecuador is required to redeem its notes on demand at its head office and its principal branches, in one of the following, the option resting with it :

- (a) Ecuadorian gold coin, as authorised by the Currency Law of March 4th, 1927;
- (b) Gold bars, approximately 100% fine and weighing not less than 500 grammes, calculated according to their fine gold content;
- (c) Gold coin of the United States of America or Great Britain at fixed rates, provided they are within the legal tolerance;
- (d) Drafts payable in gold at sight or at three days' notice, and drawn on funds deposited in banks of established reputation in New York or London. In this case, the Bank may charge a premium, which shall not exceed the sum necessary to cover the cost of shipping gold bars from Quito to London or New York. (Organic Law of the Central Bank of Ecuador : Article 57.)

The Central Bank is required to redeem in the same manner as its own notes all notes put into circulation by the former banks of issue, and by the Central Office, whose liabilities the Central Bank took over when it opened. (*Lex cit* : Articles 64, 65, 66 and 67.)

Should the Bank fail to redeem its notes as provided, it shall be declared bankrupt and be immediately put into liquidation. (*Lex cit* : Article 60.)

### RESERVE.

The Bank is required to hold a reserve equal to 50% of the value of its notes in circulation plus its deposits. This reserve may consist only of the following :

- (a) Gold coin or bars held in the vaults of the Bank;
- (b) Gold coin or bars deposited in first-class banks abroad;
- (c) Deposits in first-class banks in New York or London, payable at sight or at three days' notice in gold.

The reserve may be distributed among these forms in such proportion as the Board of Directors may see fit. (*Lex cit* : Article 78.)

The Bank is required to hold a reserve of 50%, constituted in the same manner, against the notes in circulation of the former banks of issue and of the Central Office. (*Lex cit* : Article 79.)

If the reserve ratio falls below the statutory minimum, the Bank must pay a graduated tax to the Government. The discount rate must not be less than 7% per annum if the reserve ratio remains below the statutory minimum for a week or more. Over and above this 7%, the rate must be increased by at least one-half of the rate of the tax payable on account of the deficiency. (*Lex cit* : Articles 80, 81, and 82.)

*Place of Deposit* : See (a), (b), and (c) above, under "Reserve".

### PURCHASE OF GOLD.

The Bank is required to pay out its notes on demand, at its head office and its principal branches, in exchange for the following :

- (a) Ecuadorian gold coin, as authorised by the Currency Law of March 4th, 1927, provided its weight is within the legal tolerance;
- (b) Ecuadorian gold coin of previous issues at its fine gold value according to the law which authorised its minting, provided its weight is within the legal tolerance;

(c) Other gold coin or bars approximately 100% fine and weighing not less than 500 grammes, calculated according to their fine gold content;

(d) Deposits payable at sight in gold credited to the account of the Bank in banks in New York or London where the Bank keeps a deposit account forming part of its legal reserve. In this case, the Bank may charge a premium which shall not exceed the sum necessary to cover the cost of shipping gold bars from New York or London to Quito. (*Lex cit* : Article 59.)

#### MINTING OF GOLD.

The Bank, as the agent of the Government, is required to receive gold for minting at a fixed rate in amounts of 10,000 condors<sup>1</sup> or over, and is required to have this gold minted into Ecuadorian gold coin of the denominations specified by the Government. For this service, the Bank shall charge only the cost of minting and other expenses, according to a fixed schedule. (Currency Law of March 4th, 1927 : Article 8.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (Currency Law of March 4th, 1927 Article 22.)

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<sup>1</sup> The monetary unit is the sucre; 25 sucses equal one condor.

## EGYPT.

### REDEMPTION.

The National Bank of Egypt is required in principle to redeem its notes in gold.<sup>1</sup> (Statutes of the National Bank : Article 4, paragraph 1.)

### RESERVE.

The Bank is required, in principle, to keep against its notes a reserve as follows :

- (a) At least 50% in gold<sup>2</sup>;
- (b) The remainder in securities valued at their market price, but not above par, and chosen by the Government. (*Lex cit.* : Article 5.)

*Place of deposit* : Unspecified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The minting of gold is not free. There is, moreover, no mint in Egypt. Gold coins bearing Egyptian designs have, in recent years, been struck in the Royal Mint, London, under contract with the Egyptian Government.

### EXPORT AND IMPORT OF GOLD.

A special authorisation from the Government is required for each exportation of gold. The import of gold is unrestricted.

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<sup>1</sup> At the beginning of the war, a Government Decree declared the notes inconvertible.

<sup>2</sup> In 1916, the Government allowed the Note Issue Department of the Bank to hold British Treasury Bills in lieu of gold. The Issue Department at present holds just over £3,000,000 in gold, and the Banking Department about £500,000.

## ESTONIA.

### REDEMPTION.

The Eesti Pank is required on demand to redeem its notes in foreign exchange on a gold standard country<sup>1</sup> at a fixed rate. No person shall be entitled to demand redemption of an amount less than 5,000 kronas. (Statutes of the Eesti Pank : Article 3.)

### RESERVE.

The Bank is required to maintain a reserve of not less than 40 % of the amount of its notes in circulation plus other demand liabilities. (*Lex cit.* : Article 58.) The reserve can include only gold coin and bullion owned by the Bank at home or abroad or in transit, and foreign exchange convertible into exportable gold at the center where the exchange is held. The term "foreign exchange" shall be taken to mean only net balances with banks abroad, foreign bills of exchange of periods not longer than three months, and obligations of foreign Governments not exceeding six months. (*Lex cit.* : Article 59.)

At the request of the Bank, the Government may suspend the above reserve requirements for a period of thirty days, further renewable for not more than fifteen days at a time, subject to the payment of a progressive tax. (*Lex cit.* : Article 60.)

*Place of deposit.*: The gold included in the reserve must be either in the custody of the Bank, or deposited in other Central Banks and earmarked for the Eesti Pank's account, or in any mint, or in transit to or from the Eesti Pank. (*Lex cit.* : Article 59(a).)

### PURCHASE OF GOLD.

The Eesti Pank is not required to purchase gold but is required on demand to purchase foreign exchange on a gold standard country at a fixed rate<sup>1</sup>. No person shall be entitled to demand purchase of an amount less than 5,000 kronas. (*Lex cit.* : Article 3.)

### MINTING OF GOLD.

Paragraph 4 of the Monetary Law does not provide for gold coin.

### EXPORT AND IMPORT OF GOLD.

The export of gold is unrestricted. (Export Customs Tariff : Chapter II B, Article 1, revised note.)

The import of gold is unrestricted except in certain manufactured forms. (Import Customs Tariff.)

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<sup>1</sup> Foreign exchange is at present bought and sold on London. (Notifications by Eesti Pank of December 30th, 1927 and May 20th, 1930.)

## FINLAND.

### REDEMPTION.

The Bank of Finland is required to redeem its notes on demand at its option in Finnish gold coin, bullion, or foreign gold exchange, the latter not to be more than one per cent above par. (Monetary Law of December 21st, 1925 : Article 12; and Regulations of the Bank of Finland : Article 8.)

### RESERVES.

The Bank of Finland is required to keep a gold reserve of gold coin and bullion of at least 300 million marks.

The foreign exchange held as cover above the gold reserve falls into two categories :

1. "Undisputed balances of the Bank with its foreign correspondents." The total of the note circulation and sight liabilities is not to exceed by more than 1,200 million marks the total of the gold reserve and of these undisputed foreign balances.
2. Bills payable abroad, foreign bonds quoted on foreign stock exchanges, interest coupons in foreign currency which have fallen due, foreign bank-notes.

All excess of the total of the note circulation plus sight liabilities over the total of the gold reserve plus the undisputed foreign balances, which is not covered by inland bills of less than three months' period, must be covered in full by the four classes of foreign exchange named in 2. There is therefore no definite reserve percentage. (Regulations of the Bank of Finland : Articles 6 and 7.)

*Place of deposit :* The gold included in the reserve must be either in the Bank or in course of transport for the account of the Bank. (*Lex cit.* : Article 1.)

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

Every person submitting not less than 40 grammes of gold to the Finnish Mint for coining is entitled, after the weight and fineness of the gold have been examined, to receive from the Bank of Finland gold coin of a value corresponding to that of the fine gold, after one-third per cent of the aforesaid value has been deducted for covering the cost of coining. For such coining no other charges or taxes may be made. (Monetary Law of December 21st, 1925 : Article 10.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (Monetary Law of December 21st, 1925 : Article 10.)

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## FRANCE.

### REDEMPTION.

The Bank of France is required to redeem its notes in gold on demand. The Bank has the choice between French gold coins and gold bullion. By agreement between the Minister of Finance and the Bank, a minimum can be fixed for the amounts to be redeemed. For the present, the minimum has been fixed at 215,000 francs, which corresponds approximately to the most usual weight of gold bars. (Monetary Law of June 25th, 1928 : Article 3.)

### RESERVE.

The Bank of France is required to hold a reserve in gold of at least 35 % of the total sum of the note circulation plus current credit accounts. (*Lex cit.* : Article 4.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Bank of France is required to purchase gold on demand at a fixed price minus minting and assaying costs. There is no statutory minimum regarding amount. (*Lex cit.* : Article 3.)

### MINTING OF GOLD.

The Mint may at present accept gold for coining only from the Bank of France. It is provided that a date will be set by a Decree of the Council of Ministers after which the Mint will resume the free minting of gold for private persons. (*Lex cit.* : Article 6.) This has not yet been done.

### EXPORT AND IMPORT OF GOLD.

Restrictions on the export of gold were removed by the Monetary Law of June 25th, 1928. Article 12 which was put into execution by the Presidential Decree of July 5th, 1928.

The import of gold is unrestricted.

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## FRENCH WEST AFRICA.

The Bank of West Africa has charge of the currency circulation in the territories of French West Africa, French Equatorial Africa, the Cameroons and French Togoland.

### REDEMPTION.

The Bank of West Africa is required on demand to redeem its notes in money which is legal tender in France. (Law Renewing the Note-Issuing Privilege of the Bank of West Africa, January 29th, 1929 : Article 2.)

### RESERVE.

The Bank is required to hold a reserve of at least one third of the value of its notes in circulation. The reserve may be composed of the following :

- (a) Gold, on the basis of the monetary definition of the franc.
  - (b) Coin which is legal tender in France.
  - (c) Sight deposits in currencies convertible into gold, calculated at par.
  - (d) A credit held in a special non-interest-bearing account with the Treasury.
- (Statutes of the Bank of West Africa : Article 15, paragraph 1.)

The Bank may not put into circulation notes to more than the sum of 1,000 million francs, except under special dispensation from the Minister of Colonies in agreement with the Minister of Finance. (Law Renewing the Note-Issuing Privilege of the Bank of West Africa, January 29th, 1929 : Article 4.)

*Place of deposit :* The place where gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The issue of gold coin is not authorised for the territories of French West Africa, French Equatorial Africa, the Cameroons and French Togoland.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## GERMANY.

### REDEMPTION.

The Reichsbank is required to redeem its notes in one of the following forms, the option resting with it :

- (a) German gold coins;
- (b) Gold bars of a value of not less than 1,000 Reichsmarks or more than 35,000 Reichsmarks;
- (c) Cheques or orders to pay in foreign currency, which, according to Article 27 of the Statutes of the Reichsbank, must be drawn on a foreign central note-issuing bank. The Reichsbank may in this case charge a commission. (The Bank Law of August 30th, 1924 : Article 31—put into force in accordance with Article 52 by a decision taken by the Management and General Board (*Direktorium* and *Generalrat*) of the Reichsbank on April 15th, 1930, approved by the Government on April 17th, 1930, and put into effect as from May 17th, 1930.)

### RESERVE.

The Reichsbank is required to hold a reserve of at least 40 % against its note circulation. This reserve must consist not less than three-quarters of gold (30 % of the note circulation) and the rest of foreign exchange. The foreign exchange must be calculated at its gold value for the time being and may consist of bank-notes, or bills of exchange having not more than 14 days to run, or cheques and claims due from day to day, payable in foreign currency by a bank of known solvency in foreign financial centres. Over and above this reserve, the note circulation must be covered to its full amount by discounted bills of exchange or cheques. (The Bank Law of August 30th, 1924 : Article 28.)

In exceptional circumstances the reserve may be allowed to fall below 40 % against the payment of a graduated tax. (*Lex cit.* : Article 29.)

*Place of deposit* : The gold included in the above reserve must be held in the possession of any office of the Bank or be deposited with any foreign central note-issuing bank in a manner to be at all times at the free disposal of the Reichsbank.

The Reichsbank is also required to hold a reserve of at least 40 % against its other sight liabilities, with the exception of reparations accounts. This reserve must consist of sight deposits in Germany and abroad, cheques on other banks, bills of exchange for 80 days or less, or claims recoverable at call arising from debts covered by pledges. (*Lex cit.* : Article 35.)

### PURCHASE OF GOLD.

The Reichsbank is required to purchase bar gold offered to it at a fixed price. (*Lex cit.* : Article 22.)

### MINTING OF GOLD.

The German mints, in so far as they are not employed on work for the Reich, are required to coin gold for private persons on demand. (The Mint Law of August 30th, 1924 : Article 7.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. The restrictions of the war and inflation period were removed on December 4th, 1924.

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## GREAT BRITAIN.

### REDEMPTION.

The Bank of England is required to redeem all legal tender in gold bullion but only in the form of bars containing approximately 400 ounces troy of fine gold. (The Gold Standard Act of 1925 : Articles 1 and 2; amended by the Currency and Bank-notes Act of 1928 : Schedule, Final Item.)

### RESERVE.

The Bank of England has the right to issue 260 million pounds in excess of its gold reserve. The gold reserve must consist of gold coin and gold bullion held by the issue department of the Bank. The amount of the notes issued over and above the gold reserve (the fiduciary note issue) must be fully covered by securities and silver coin, the latter at no time to exceed five and one-half million pounds. The securities reserve is made up of :

1. The Government debt to the Bank (this debt stands traditionally at £11,015,000);
2. Other Government securities;
3. Other securities.

There is no restriction as to the kind of securities comprised in "other securities" or as to the relationship which the above three classes shall bear to each other. (Currency and Bank-notes Act of 1928 : Articles 2 and 3.)

*Place of deposit* : The gold coin and bullion included in the reserve must be held on account of the Issue Department of the Bank. (*Lex cit.* : Article 2.) The place in which this gold is to be kept is not specified.

### PURCHASE OF GOLD.

The Bank of England is required to purchase gold offered at a certain price. (An Act to regulate the Issue of Bank-notes, July 19th, 1844 : Article IV.)

The Bank of England has the right to require any person in the United Kingdom who owns any gold coin or gold bullion to an amount exceeding ten thousand pounds in value to sell to the Bank the whole or any part thereof, provided such gold is not going to be immediately exported or is not required for industrial purposes. (The Currency and Bank-notes Act of 1928 : Article 11.)

### MINTING OF GOLD.

Only the Bank of England is entitled at present to bring gold for coining to the Mint. (The Gold Standard Act of 1925 : Article 1, paragraph 1(c).)

### EXPORT AND IMPORT OF GOLD.

Both the export and the import of gold are unrestricted. The Gold and Silver, Export Control, etc., Act of 1920 lapsed on December 31st, 1925.

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## GREECE.

### REDEMPTION.

The Bank of Greece is required to redeem its bank-notes, on demand in amounts over 10,000 drachmæ, at the fixed rate in the legal tender currency of such foreign gold-standard country, or countries, as is by law and in practice convertible into exportable gold.<sup>1</sup> (Statutes of the Bank of Greece : Article 5.)

### RESERVE.

The Bank is required to keep a reserve of not less than 40 % of the value of its notes in circulation plus other demand liabilities. The reserve shall include only :

(a) Gold coin and bullion in the unrestricted ownership of the Bank, and either in the custody of the Bank or deposited in another Central Bank, or in any Mint, or in transit;

(b) Net foreign gold exchange in the unrestricted ownership of the Bank, provided that it be either :

1. On a country the currency of which by law and in practice is convertible on demand at a fixed price into exportable gold, or

2. On a country the currency of which by law and in practice is convertible on demand at a fixed price into foreign exchange as defined in (1).

“Net foreign gold exchange” is taken to mean :

1. Balances standing to the credit of the Bank at the Central Bank of a foreign country;

2. Bills of exchange payable in a foreign currency, maturing within three months, and bearing at least two good signatures;

3. Treasury bills, Treasury certificates of indebtedness or similar obligations of a foreign government, maturing within three months :  
less any liabilities in foreign exchange.

In calculating the amount of the reserve, should it be found that the liabilities in foreign exchange exceed the assets enumerated in the paragraphs numbered 1, 2 and 3 above, the excess shall be deducted from the other assets of the reserve. (*Lex cit.* : Articles 61 and 62.)

At the request of the Bank the Government may suspend the above reserve requirements for a period not exceeding thirty days or renewable for more than fifteen days. In the event of such suspension the Bank must pay a graduated tax to the Government on the amount by which the note circulation and other demand liabilities exceed the maximum ordinarily admissible. (*Lex cit.* : Article 63.)

*Place of deposit* : See above under (a).

### PURCHASE OF GOLD.

The first duty of the Bank is to ensure that the gold value of its notes remains stable. (*Lex cit.* : Article 4.)

For this purpose the Bank is required to purchase, on demand in amounts over 10,000 drachmæ at the fixed rate, the legal tender currency of such foreign gold standard country, or countries, as is by law and in practice convertible into exportable gold.<sup>1</sup> (*Lex cit.* : Article 5.)

<sup>1</sup> Foreign exchange is bought and sold at present on London (Decree-law of May 12th, 1928).

#### MINTING OF GOLD.

According to the Decree-law of November 10th, 1927, the Treasury may strike and put into circulation through the Bank of Greece and at the Bank's request coins of a denomination which may not exceed ten drachmæ. The composition, weight, size, remedy and standard of the coin is determined by Decree issued on the proposal of the Minister of Finance. Up to the present no legal provision for gold coins has been made. There is, moreover, no mint in Greece, subsidiary coin being minted abroad.

#### EXPORT AND IMPORT OF GOLD.

Export permission was formally granted to the Bank of Greece by the Decree-law of November 10th, 1927. Apart from this the export of gold is prohibited.  
The import of gold is unrestricted.

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## GUATEMALA.

The Central Bank of Guatemala has the exclusive privilege of issuing bank-notes. (Presidential Decree creating the Central Bank of Guatemala : Article 3.) The Central Bank is required to redeem, in the same manner as its own notes, and to hold the same reserve against, the notes which are still in circulation of the Banco Agrícola Hipotecario, the Banco Americano de Guatemala, the Banco Colombiano, the Banco de Guatemala, the Banco Internacional, the Banco de Occidente, and the Exchange Regulating Office (*Caja Reguladora*), which organisations enjoyed the right of note issue before the Central Bank was given the exclusive privilege on June 30th, 1926. (*Lex cit.* : Articles 27 and 28.)

### REDEMPTION.

The Central Bank is required to redeem its notes (see first paragraph) on demand in quetzals,<sup>1</sup> or in United States of America dollars, or in sight drafts on New York, New Orleans, San Francisco or other foreign centres authorised by the Ministry of Finance. The choice between these methods rests with the Bank. Drafts will not be issued for less value than 100 quetzals, unless otherwise agreed, and on them the Bank may charge a fixed commission. (Presidential Decree creating the Central Bank of Guatemala : Article 28. Legislative Decree No. 1379 : Article 46. Presidential Decree No. 1406 : Article 31.)

### RESERVE OF THE CENTRAL BANK AGAINST BANK-NOTES.

I. The Central Bank is required to hold a reserve equal to at least 40% of its notes (see first paragraph). The reserve must be composed (with the slight exception given below) of gold held in the vaults of the Bank, or of deposits in first-class credit institutions abroad, payable at sight in gold. At least one-third of this 40%—*i.e.*, 13.33% of the notes—must consist of coin held in the vaults of the Bank. Of this coin 90%—*i.e.*, 12% of the notes—must be gold, and the remaining 10%—*i.e.*, 1.33% of the notes—may consist of one-quetzal, half-quetzal or quarter-quetzal silver coins. (Presidential Decree creating the Central Bank of Guatemala : Article 27, paragraph *(a)*. Presidential Decree No. 1406 : Article 17.)

II. The Central Bank is required to cover the remaining 60% of its notes by the following classes of assets :

- (1) Gold or silver bars, the latter valued at the New York rate;
- (2) Bank-notes or bonds approved by the Ministry of Finance;
- (3) Domestic or foreign gold coin, the latter at their bullion value;
- (4) Silver and aluminium-bronze coins;
- (5) Mortgage bonds and other securities issued by specially named banks;
- (6) Shares and debentures issued by national companies, provided :

*(a)* That they are quoted on a first-class Stock Exchange (this provision need not be complied with in the case of the shares and debentures of some specially named banks),

*(b)* That dividends have been paid on the former and interest on the latter regularly for at least five years prior to their acquisition,

*(c)* That they do not exceed 10% of the note issue and deposits (see paragraph IV below).

- (7) Loans, discounts and credits on current account with certain stipulated guarantees;

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<sup>1</sup> Twenty, ten, and five-quetzal coins are of gold. One-quetzal, half-quetzal, and quarter-quetzal coins are of silver. (Legislative Decree No. 1379 : Article 2.)

(8) Bills of exchange on foreign countries actually discounted by the Bank. (Presidential Decree creating the Central Bank of Guatemala : Article 27, paragraph (b). Presidential Decree No. 1406 : Articles 40 and 41.)

*Place of Deposit* : See paragraph I above.

#### RESERVE OF THE CENTRAL BANK AGAINST DEPOSITS.

III. The Central Bank is required to hold a reserve of at least 25% against its deposits payable at sight or within 30 days. This reserve must be composed in the same manner and in the same proportions as the fundamental reserve held against the note issue (see paragraph I above). It may also be held in the currency in which the deposits are payable.

IV. The Central Bank is required to cover the remaining 75% of its deposits payable at sight or within 30 days by a reserve composed of the same classes of assets as the secondary reserve held against the note issue (see paragraph II above). (Presidential Decree creating the Central Bank of Guatemala : Article 29. Presidential Decree No. 1406 : Article 18.)

*Place of Deposit* : See paragraph I above.

#### PURCHASE OF GOLD.

The Central Bank is not required to purchase gold offered to it.

#### MINTING OF GOLD.

The Government is required to coin gold on demand for private persons. (Decree No. 970 : Article 1, amending Legislative Decree No. 1379 : Article 8.)

The Government is required to give gold coin on demand in exchange for other coin of legal currency. (Decree No. 970 : Article 4, amending Legislative Decree No. 1379 : Article 14.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (Legislative Decree No. 1379 : Article 15.)

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## HUNGARY.

### REDEMPTION.

The National Bank of Hungary is not yet required to redeem its notes. The moment when redemption will begin is, in accordance with Article 83 of the Bank Statutes, to be fixed by a law in agreement with the Bank. This article stipulates that two conditions have previously to be fulfilled :

(a) The new relation of the currency unit to gold must be fixed. This was done by an Act of the National Assembly of November 21st, 1925, which created the new currency, the pengö, of fixed gold value. (Act XXXV of 1925.)

(b) The debt of the Government to the Bank must be reduced to 80 million gold crowns. This debt amounted on December 31st, 1929, to 75,563,643 gold crowns (87,543,237 pengö). On December 31st of the last five calendar years the debt stood as follows (in gold crowns) :

	<i>Total Debt</i>	<i>Year's Reduction</i>
	Gold crowns	Gold crowns
1925 .....	134,944,153	—
1926 .....	116,290,583	18,653,570
1927 .....	96,163,480	20,127,103
1928 .....	83,936,825	12,226,655
1929 .....	75,563,643	8,373,182

When redemption becomes obligatory, the Bank will be required to redeem its notes on demand in "legal metal currency", and this requirement must be indicated in the text of the notes. (Statutes of the National Bank of Hungary : Article 80.)

### RESERVE.

The rules as to reserves are different for the periods before and after redemption becomes obligatory.

#### 1. *Until Redemption becomes Obligatory :*

The note circulation and the sight liabilities, minus the Government debt, have to be covered as follows : By a metal reserve during the first five years of 20%, during the second five years of 24% (present stage), during the third five years of 28% and during the remainder of the period 33 $\frac{1}{3}$ %. If the reserve ratio during this period falls below these requirements a tax must be paid (Statutes of the National Bank of Hungary : Article 88).

A minimum of 25 million gold crowns must at all times be held in foreign credits in leading money centres. This amount may, however, be decreased by a decision of the Board of Directors approved by not less than eight Directors and the Governor of the Bank. (Statutes of the National Bank of Hungary : Article 85, final paragraph.)

#### 2. *After Redemption becomes Obligatory :*

The note circulation and the sight liabilities must be secured by a metal reserve of not less than 33 $\frac{1}{3}$ %. The State debt is no longer deducted (Statutes of the National Bank of Hungary : Article 87). A tax must be paid if the reserve ratio falls below 40% (Statutes of the National Bank of Hungary : Article 89).

In both periods the reserve may include foreign bank-notes and bills of exchange. Foreign bank-notes and bills of exchange may be held only in currencies which are not subject to extraordinary fluctuations of the rates of exchange. Credit balances and cash deposits abroad

available at sight and held in banks of unquestioned solvency may also be included in the reserve. (Statutes of the National Bank of Hungary : Article 85.)

(For the requirements in addition to the metal reserve, see Annex : Statutes of the National Bank of Hungary : Article 86.)

*Place of deposit* : The choice of the place where the metal reserves are to be held rests with the Administration of the Bank, whose power in this respect is unrestricted.

#### PURCHASE OF GOLD.

The Bank is required to purchase gold bullion offered it at the minting parity minus costs. (Statutes of the National Bank of Hungary : Article 92.)

#### MINTING OF GOLD.

The Royal Hungarian Mint is not at present required to coin gold for private persons on demand. Provisions have been made regarding the minting of gold for the account of private persons including the National Bank of Hungary but the decree which will put these provisions into effect has not yet been issued. (Act XXXV of 1925, and Decree No. 6832/P.M. (November 20th, 1925) of the Minister of Finance.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold have been unrestricted since January 1st, 1925. (Decree No. 8250/M.E. of 1924.)

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## ICELAND.

The National Bank of Iceland (*Landsbanki Islands*) operates through three financially independent departments, called respectively the Note Bank, the Savings Department and the Mortgage Department. (Act No. 10, of April 15th, 1928, on the National Bank of Iceland: Article 1.) The Note Bank has the sole right of issuing bank-notes.<sup>1</sup> (*Lex cit.* : Article 6.)

### REDEMPTION.

The Note Bank is required to redeem its notes on demand in current gold coin which is legal tender. If, however, the amount presented for redemption does not correspond to the denominations of the gold coins, the balance may be given in change. (*Lex cit.* : Article 7.)<sup>2</sup>

### RESERVE.

The Note Bank is required to keep a gold reserve equal to three-eighths of the note circulation.<sup>3</sup> The gold reserve may never be allowed, however, to fall below two million krónur. (*Lex cit.* : Article 8, paragraph 1.)

The gold reserve may be composed only of the following :

- (a) Current gold coin which is legal tender;
- (b) Unminted gold and foreign gold coin at a rate of not less than 2,480 krónur per kilogramme of fine gold;
- (c) Demand deposits in foreign banks which are considered by the Board of Governors to be perfectly safe and are sanctioned by the Minister of Finance, less any debts to the banks in question. This item may not exceed 25% of the total gold reserve. (*Lex cit.* : Article 9.)

That part of the note circulation which is not covered by the gold reserve must be covered by safe and easily convertible assets to the extent of 125 krónur of assets against every 100 krónur of notes. (*Lex cit.* : Article 8, paragraph 2.) For the classes of assets permitted, see Article 10 of this law in the Annex.

*Place of deposit* : The gold included in the reserve must be held in the vaults of the Bank, with the sole exception that gold in transit from abroad to the Bank may also be included, though not in excess of 300,000 krónur at any one time. (*Lex cit.* : Article 9, final paragraph.)

### PURCHASE OF GOLD.

The Note Bank is required to purchase fine gold bullion on demand at a fixed price (2,480 krónur per kilogramme, less  $\frac{1}{2}\%$  for minting expenses). (*Lex cit.* : Article 7.)<sup>4</sup>

### MINTING OF GOLD.

Iceland has no gold coinage of its own. Danish coin circulates as legal tender.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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<sup>1</sup> The Bank of Iceland (*Islandsbanki*) was established by the Law of June 7th, 1903, with the sole privilege of issuing bank-notes in Iceland for thirty years. By the Law of May 31st, 1921, it was enacted that the note-issuing privilege of the Bank of Iceland should lapse on December 31st, 1933, by which date its all notes must be withdrawn from circulation.

<sup>2</sup> The provisions of Article 7 will come into force when the Athling decides. The decision has not yet been taken. Until it is, the Minister of Finance may exempt the Bank from the provision that amounts standing to its credit abroad shall not exceed 25% of the total gold reserve. (*Lex cit.* : Article 64.)

<sup>3</sup> In addition to the notes covered by the gold reserve, the Bank was entitled to issue up to one million krónur of uncovered notes on the condition that this issue be reduced by 100,000 krónur before November 1st, 1929, and thereafter by the same amount annually. (*Lex cit.* : Article 65.)

## INDIA.

### REDEMPTION.

The Government is required to redeem its notes in gold or (at its option) in sterling on London. No person shall be entitled to demand redemption in either gold or sterling of an amount of less value than that of 1,065 tolas of fine gold. (The Currency Act of 1927 : Article 5, paragraph 1.)

### RESERVE.

The reserves which the Government of India is required to keep against its notes are at present governed by the so-called Temporary Provisions. As soon as convenient after the reserves shall have been established in the relation provided for under the Permanent Provisions the Governor-General in Council shall fix a day when the Temporary Provisions shall cease and the Permanent Provisions shall come into force. (The Paper Currency Act of 1923 : Article 19, paragraphs 1, 2.)

#### *Temporary Provisions.*

While the Temporary Provisions are in force the whole amount of currency notes at any time in circulation shall not exceed the total amount represented by the rupees, silver half-rupees and gold bullion, and the sum expended in the purchase of the silver bullion and securities held by the Secretary of State for India in Council and by the Governor-General in Council. The securities held shall be securities of the United Kingdom or of the Government of India, or securities issued by the Secretary of State for India in Council, of a total value of not more than 1,000,000,000 rupees. (The Paper Currency Act of 1923 : Article 19, paragraphs 3, 4; amended by the Paper Currency Act of 1925 : Article 2.)

#### *Permanent Provisions.*

When the Permanent Provisions have come into force the Government shall be required to secure its notes by a metallic reserve and a securities reserve. The metallic reserve must equal at least 50 % of the note circulation and the remainder of the note circulation must be fully covered by the securities reserve. (The Paper Currency Act of 1923 : Article 18, paragraphs 2, 3, 7, 8; amended by the Currency Act of 1927 : Article 3, paragraph (d) (ii).)

*The Metallic Reserve* shall consist of the total amount represented by the rupees, silver half-rupees, and gold and silver bullion for the time being held on that account by the Secretary of State for India in Council and by the Governor-General in Council. (The Paper Currency Act of 1923 : Article 18, paragraph 4; amended by the Currency Act of 1927 : Article 3, paragraph (d) (i).)

*The Securities Reserve* shall consist of the securities which are for the time being held on that account by the Secretary of State for India in Council and on behalf of the Governor-General in Council. Provided that :

(a) No securities held by the Secretary of State for India in Council, other than securities of the United Kingdom the date of maturity of which is not more than one year from the date of their purchase, shall be included; and

(b) The securities held on behalf of the Governor-General in Council shall be securities of the Government of India and shall not exceed 200,000,000 rupees of which not more than 120,000,000 rupees may be securities created by the Government of India and issued to the Controller. (The Paper Currency Act of 1923 : Article 18, paragraph 5.)

In both periods the Governor-General in Council may authorise the issue of not more than 120,000,000 rupees of currency notes against bills of exchange which will mature within ninety days from the date of issue. No metallic reserve is required for such notes. (The Paper Currency Act of 1923 : Article 20; amended by The Paper Currency Amendment Act of 1923 : Article 4.)

*Place of deposit* : The place where the metallic reserves are to be held is unspecified under the Temporary Provisions, but under the Permanent Provisions there exists the stipulation that no amount of gold bullion held by the Secretary of State in the United Kingdom in excess of 50,000,000 rupees shall be included in the reserve.

#### PURCHASE OF GOLD.

The Government is required to purchase at a fixed price gold offered to it in the form of bars containing not less than 40 tolas of fine gold. (The Currency Act of 1927 : Article 4.) By a Notification given by the Finance Department of the Government of India on April 1st, 1927, this provision was extended to include gold in other forms, namely, coin and scrap.

#### MINTING OF GOLD.

Gold coin has ceased to be legal tender in India since April 1st, 1927<sup>1</sup>. (The Currency Act of 1927 : Article 2, paragraph (a).)

#### EXPORT AND IMPORT OF GOLD.

Both the export and the import of gold are unrestricted.

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<sup>1</sup> In point of fact gold has not been coined in India since April 1919. A branch of the Royal Mint was opened in Bombay in 1918 for the coinage of sovereigns and 1,295,372 sovereigns were coined there but the Branch was closed for minting in April 1919.

## INDO-CHINA.

The Bank of Indo-China has the exclusive right of note issue in the French establishments in India, the colonies of French Indo-China, and the French possessions in the Southern Pacific Ocean. In addition, the Bank may establish branches or agencies in countries not under French sovereignty. In the French possessions only the branch offices of the Bank may issue notes. The branches and agencies in places not under French sovereignty may issue notes with the consent of the Minister of Foreign Affairs and the Minister of Finance.

### REDEMPTION.

The Bank of Indo-China is required to redeem its notes in gold on demand at a fixed rate. Redemption may be made either in Saigon or in Paris, at the choice of the Bank, but in the latter case a deduction must be made to cover the costs of shipping gold from Saigon to Paris. (Decree of May 31st, 1930, on the Monetary System : Article 2, paragraph 1.)

### RESERVE.

The Bank of Indo-China is required to hold a reserve in gold bars or exchange convertible on demand into gold coin or bars equal to at least 33 $\frac{1}{2}$  % of its notes in circulation plus sight deposits. (*Lex cit.* : Article 3.)

*Place of deposit* : The gold included in the reserve must be held in the Bank's office in Saigon.

### PURCHASE OF GOLD.

The Bank is required to purchase gold on demand at a fixed price in Saigon. (*Lex cit.* : Article 2, paragraph 2.)

### MINTING OF GOLD.

The issue of gold coin is not authorised for the French establishments in India, the colonies of French Indo-China, and the French possessions in the Southern Pacific Ocean.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold as regards the French colonies and protectorates in question are unrestricted.

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## IRISH FREE STATE.

### REDEMPTION.

#### *Legal Tender Notes.*

At its London Agency<sup>1</sup> the Currency Commission is required to redeem all legal-tender notes issued by it under the terms of the Currency Act of 1927 in money of any form which is legal tender in Great Britain at the nominal rate. (The Currency Act, 1927: Article 49, paragraph 1.)

In Dublin the Currency Commission, if and whenever and to such extent as it thinks fit, may redeem all legal-tender notes in gold coins which are for the time being legal tender in the Irish Free State, or (at its option) at the nominal rate in money of any form which is legal tender in Great Britain for unlimited amounts, or (if the holder so agrees) by a draft on London. (*Lex cit.*: Article 49, paragraph 2.)

#### *Consolidated Bank-notes.*

Each bank to which the Currency Commission issues consolidated bank-notes is required on presentation at its principal office in Dublin to redeem the notes issued to it in coin or notes (at the option of the bank) which are at the time legal tender in the Irish Free State for the required amount. (*Lex cit.*: Article 58, paragraph 4.)

### RESERVE.

The Currency Commission is required to keep two reserve funds :

1. *The Legal Tender Note Fund*, out of which all redemption payments of legal-tender notes for which the fund is sufficient must be made. (*Lex cit.*: Article 50, paragraph 1), shall amount to 100 % of the total legal-tender notes outstanding at the end of the preceding half-year (*Lex cit.*: Article 61, paragraph 7) and shall consist of one or more of the following values in such relative proportions as the Currency Commission shall deem fit :

- (a) Gold bullion;
- (b) Gold coins which are for the time being legal tender in the Irish Free State for unlimited amounts;
- (c) Money in any form which is for the time being legal tender in Great Britain for unlimited amounts;
- (d) British Government securities;
- (e) Sterling balances on current or deposit account at the London Agency or any Bank in Great Britain or Northern Ireland;
- (f) Securities of the Government of the United States of America. (*Lex cit.*: Article 61, amended.)

2. *The Note Reserve Fund*, out of which all redemption payments of legal-tender notes for which the Legal Tender Note Fund is insufficient (*Lex cit.*: Article 50, paragraph 1), together with the redemption payments of all consolidated bank-notes on which the responsible bank defaults must be made (*Lex cit.*: Article 58, paragraph 7), shall equal at least 10% of the consolidated bank-notes in outstanding (*Lex cit.*: Article 62, paragraph 6) and consist of one or more of the following values, in such relative proportions as the Currency Commission shall deem fit :

- (a) Gold bullion;
- (b) Gold coins which are for the time being legal tender in the Irish Free State for unlimited amounts;

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<sup>1</sup> The Bank of England was appointed in 1928 to be the London Agency of the Irish Free State Currency Commission.

- (c) Money in any form which is for the time being legal tender in Great Britain for unlimited amounts;
- (d) British Government securities;
- (e) Securities guaranteed by the British Government;
- (f) Sterling balances on current or deposit account at the London Agency or any bank in Great Britain or Northern Ireland;
- (g) Legal-tender notes, but not in an amount greater than 10 % of the Fund;
- (h) Securities of the Government of the United States of America. (*Lex cit.* : Article 62, amended.)

If both the Legal Tender Note Fund and the Note Reserve Fund prove insufficient to provide for the redemption of legal-tender notes presented for payment, the necessary funds shall be taken out of the monies advanced to the Commission out of the Central Fund (*i.e.*, the Exchequer). (*Lex cit.* : Article 50.)

*Place of deposit* : The place where the gold included in the Legal Tender Note Fund and the Note Reserve Fund is to be held is unspecified. The only stipulation is that the capital of the two funds must be held "by the Commission or at its disposal". (*Lex cit.* : Article 61, paragraph 3; and Article 62, paragraph 2.)

#### PURCHASE OF GOLD.

The Currency Commission is required to purchase on demand in return for legal-tender notes either gold bullion (in amounts over 100 ounces) or Saorstát gold coins, which are legal tender in the Irish Free State for unlimited amounts, or British money in any form, which is legal tender in Great Britain for unlimited amounts. (*Lex cit.* : Article 47, paragraph 2.)

Nevertheless, so long as the Minister of Finance is not required to mint gold bullion on demand (see the paragraph on "Minting of Gold") the Commission, if it thinks fit to do so, may refuse to purchase gold bullion offered to it. (*Lex cit.* : Article 47, paragraph 3.)

#### MINTING OF GOLD.

The Minister of Finance is not required at present to purchase gold bullion offered for minting at a fixed price. The Minister, with the concurrence of the Commission, will appoint a day on which purchase of bullion for minting by him shall become obligatory, but, if the Commission so requires, it alone shall be entitled after that day to deliver gold bullion for this purpose. (*Lex cit.* : Article 5, paragraphs 1, 2, 4, 7 and 8.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## ITALY.

### REDEMPTION.

The Bank of Italy is required to redeem its notes on demand in gold bars of a minimum weight of 5 kilogrammes, or, at its option, in foreign exchange convertible into gold. Redemption in foreign exchange will be made at a rate fixed by the Bank, account being taken of the current market rates, but it must not in any event be above the gold export rate which has been fixed by the Decree of February 26th, 1928, No. 253, at 19.10 lire to the dollar. (Decree-Law of December 21st, 1927, No. 2325 : Article 1, put into force by the Decree of February 26th, 1928, No. 252.)

### RESERVE.

The Bank is required to secure its notes in circulation plus its other sight liabilities, including the Treasury current account, by a reserve of not less than 40% in gold or foreign exchange convertible into gold. (Decree-Law of December 21st, 1927, No. 2325 : Article 4.)

*Place of deposit* : The place where the gold included in this reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

It was provided by Article 6 of the Decree-Law of December 21st, 1927, No. 2325, that the existing regulations on the minting and issue of gold coin would be put into accord with the present gold value of the lire by a Royal Decree to be made on the proposal of the Minister of Finance. This was done by the Royal Decree of July 18th, 1930, No. 1148, which authorised the minting of 100-lire and 50-lire gold coins. The minting of these coins on the demand of private persons was not authorised.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## JAPAN.

### Japan Proper.

#### REDEMPTION.

The Bank of Japan is required to redeem its notes in gold coin on demand. (Article 14 of the Bank of Japan Regulation, 1882, as amended by Law No. 61 of August, 1890, and Article 1 of the Convertible Bank-note Regulation, 1884, as amended.<sup>1</sup>)

#### RESERVE.

The Bank of Japan has the right to issue notes to the amount of 120 million yen against :

- (a) Government loan bonds or Treasury Bills or other reliable securities;
- (b) Commercial bills.

In case of necessity the Bank, with the consent of the Minister of Finance, may increase the fiduciary issue subject to the payment of a tax.

All notes issued over and above the permitted fiduciary issue must be covered by an equivalent value of gold and silver coin and bullion, provided that silver coin and bullion shall not exceed one-fourth of the total amount of such reserve.<sup>2</sup> (Article 2 of the Convertible Bank-note Regulation, 1884, as above cited.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.<sup>3</sup>

#### PURCHASE OF GOLD.

The Bank of Japan is required to purchase gold coin on demand in exchange] for its bank-notes. (Article 7 of the Convertible Bank-note Regulation, as above cited.)

#### MINTING OF GOLD.

The Government is required to mint gold on demand for private persons. (Article 14 of the Coinage Law, Law No. 16 of March 1897, as amended.)

#### EXPORT AND IMPORT OF GOLD.

Restrictions on the export of gold were removed by the Ministry of Finance Decree of November 21st, 1929, which came into force on January 11th, 1930.

The import of gold is unrestricted.

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<sup>1</sup> The Convertible Bank-note Regulation was amended by Decree of the Council of State, No. 9, of May 1885, Imperial Ordinance No. 59, of August 1887, Law No. 84, of May 1885, Law No. 18, of March 26, 1897, Law No. 55, of March 1899.

<sup>2</sup> No silver coin or bullion has been included in the reserve since 1905.

As a matter of fact the Banks of Japan, Chosen and Taiwan hold their gold reserves in their own respective vaults, although sometimes they include gold held in the Japanese Imperial Mint against the Gold Coin Delivery Certificates provided for in Article 7 of the Coinage Regulation (Imperial Ordinance No. 138 of 1897 as amended).

## Chosen (Korea).

### REDEMPTION.

The Bank of Chosen is required to redeem its notes in gold coin or the Bank of Japan notes on demand. (Article 21 of the Bank of Chosen Law, Law No. 48 of March 1911, as amended.<sup>1</sup>)

### RESERVE.

The Bank of Chosen has the right to issue notes to the amount of 50 million yen against :

- (a) Government loan bonds or any other reliable securities;
- (b) Commercial bills.

In case of necessity, the Bank, with the consent of the Governor-General of Chosen, may increase the fiduciary issue subject to the payment of a tax.

All notes issued over and above the permitted fiduciary issue must be covered by an equivalent value of gold coin and bullion, silver bullion or the Bank of Japan notes, provided that silver bullion shall not exceed one-fourth of the total amount of such reserve. (Article 22 of the Bank of Chosen Law, as above cited.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.<sup>2</sup>

### PURCHASE OF GOLD.

The Bank of Chosen is required to purchase gold coin or Bank of Japan notes on demand in exchange for its bank-notes. (Article 8 of Decree of the Governor-General of Chosen, No. 146, 1911.)

### MINTING OF GOLD.

The provisions which are in force in Japan Proper apply also to Chosen.

### EXPORT AND IMPORT OF GOLD.

The provisions which are in force in Japan Proper apply also to Chosen.

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## Taiwan (Formosa).

### REDEMPTION.

The Bank of Taiwan is required to redeem its notes in gold coin on demand. (Article 8 of the Bank of Taiwan Law, Law No. 88 of April 1897, as amended.<sup>3</sup>)

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<sup>1</sup> The Bank of Chosen Law was amended by Laws No. 28 of March 1918 and No. 21 of July 1924.

<sup>2</sup> See footnote <sup>2</sup> on the preceding page.

<sup>3</sup> The Law was amended later by Laws No. 17 of June 1901, No. 34 of March 1902, No. 8 of February 1906, No. 46 of April 1910, No. 7 of March 1914, No. 27 of March 1918, No. 68 of April 1922.

**RESERVE.**

The Bank of Taiwan has the right to issue notes to the amount of 20 million yen against :

- (a) Government paper money and securities, the Bank of Japan notes, or other reliable securities;
- (b) Commercial bills.

In case of necessity, the Bank, with the consent of the Minister of Finance, may increase the fiduciary issue, subject to the payment of a tax.

All notes issued over and above the permitted fiduciary issue must be covered by an equivalent value of gold and silver coin or bullion. (Article 9 of the Bank of Taiwan Law, as above cited.)

*Place of deposit:* The place where the gold included in the reserve is to be held is not specified.<sup>1</sup>

**PURCHASE OF GOLD.**

The Bank is not required to purchase gold on demand.

**MINTING OF GOLD.**

The provisions which are in force in Japan Proper apply also to Taiwan.

**EXPORT AND IMPORT OF GOLD.**

The provisions which are in force in Japan Proper apply also to Taiwan.

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<sup>1</sup> See footnote <sup>1</sup> on page 94.

## LATVIA.

### REDEMPTION.

#### *Bank-notes.*

The Bank of Latvia is required at all times to redeem its notes in gold. (Statutes of the Latvian Bank : Article 14.)

#### *Treasury Notes.*

Regulations regarding the redemption of the Latvian Treasury Notes are still to be fixed by the Minister of Finance. (Law concerning State Treasury Notes, No. 183 of 1924, November 24th.)

### RESERVE.

#### *Bank-notes.*

The Bank of Latvia is obliged to secure its notes as follows :

(a) If the total note circulation does not exceed 100 million lats, a minimum of 50% must be secured by gold or stable and sure foreign currencies and the remainder by reliable short-term bills of exchange.

(b) If the total circulation is between 100 million and 150 million lats, 100 million is to be secured as above and of the remainder 75% must be secured by gold or stable and sure foreign currencies, and 25% by reliable short-term bills of exchange.

(c) If the total circulation exceeds 150 million lats, 150 million must be secured as above (b) and the remainder must be entirely covered by gold or stable and sure foreign currencies. (Statutes of the Latvian Bank : Article 18.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified. The choice rests with the Bank whose power in this respect is unrestricted.

#### *Treasury Notes.*

The Rouble Treasury notes are to be withdrawn from circulation, and the State will issue Lat Treasury notes in their place up to a maximum of 48 million lats. The State shall be responsible for the Treasury Notes with all its property and shall deposit gold with the Bank of Latvia to the value of at least one-fourth of the notes issued. (Law concerning State Treasury Notes, No. 183, of 1924, November 24th.)

According to a Decree of the Minister of Finance published on October 21st, 1929, all of the Rouble Treasury notes, from one to five hundred roubles inclusive, are to be exchanged before April 1st, 1930. From April 1st, 1930, to April 1st, 1931, they may be exchanged only at the Head Office of the Bank of Latvia, and after April 1st, 1931, those still in circulation will be considered worthless.

### PURCHASE OF GOLD.

The Bank is not required to buy gold offered to it.

### MINTING OF GOLD.

The State is required to accept for minting gold offered to it by anyone in quantities of not less than 100 grams. The price is left to the determination of the Minister of Finance. (Regulations concerning Latvian Money, published on August 3rd 1922, by dint of law of July 16th, 1919; amended March 18th, 1925 : Article 8.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

## LITHUANIA.

### REDEMPTION.

The Bank of Lithuania is not required to redeem its notes in gold. The procedure for the conversion of bank-notes into gold money is to be fixed by the Minister of Finance, Commerce and Industry.<sup>1</sup> (Statutes of the Bank of Lithuania : Article 25.)

### RESERVE.

The Bank is required to keep a reserve in gold to the amount of at least one-third of its notes in circulation. The remainder must be covered by easily realisable securities valued at not more than their stock-exchange price. (*Lex cit.*: Article 24.)

*Place of deposit* : The gold included in the reserve may be held in the Bank or on deposit in other banks at the Administration's discretion.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

Up to the present no provisions have been made for the minting of gold.

### EXPORT AND IMPORT OF GOLD.

The export of gold both in coin and bars is prohibited, except under special licence from the Minister of Finance, such licence to be obtained for each particular export.<sup>2</sup> (Law of February 20th, 1920 : Articles 1 and 41.)

The import of gold is unrestricted.

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<sup>1</sup> This has not yet been done.

<sup>2</sup> In practice the Minister of Finance grants this licence if the Bank of Lithuania declares that it has no objection.

## MADAGASCAR.

### REDEMPTION.

The Bank of Madagascar is required on demand to redeem its notes in money which is legal tender in France. (Law on the Creation of a Bank of Issue : Article 2.)

### RESERVE.

The Bank is required to hold a reserve of at least 88 $\frac{1}{3}$ % of its note circulation. This reserve may be composed of the following :

1. Gold.
  2. Coin which is legal tender in France.
  3. Sight deposits of foreign exchange convertible into gold.
  4. A credit held in a special non-interest-bearing account with the Treasury.
- (Statutes of the Bank of Madagascar : Article 15, paragraph 1.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The issue of gold coin is not authorised for Madagascar.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (Decree of April 20th, 1929.)

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## MARTINIQUE, GUADELOUPE, FRENCH GUIANA AND REUNION.

The banks of Martinique, Guadeloupe, French Guiana and Reunion are governed by the same constitutive laws and statutes. Each bank has the sole right of note issue in the colony in which it is situated. (Law of March 21st, 1919, renewing the charter of the Banks of Martinique, Guadeloupe, French Guiana and Reunion : Article IV, paragraph I.)

### REDEMPTION.

Each bank is required on demand to redeem the notes issued by it in money which is legal tender in France. (*Lex cit.* : Article IV, paragraph II.)

### RESERVE.

The note circulation of each bank must in no case exceed three times the metallic reserve. (*Lex cit.* : Article IV, paragraph V.)

The total sum of the notes in circulation, current accounts and other liabilities of each bank must not exceed three times the sum of the bank's capital and reserve funds unless the current accounts and other liabilities be covered by cash over and above the reserve for guarantee. (*Lex cit.* : Article IV, paragraph VII.)

*Place of deposit* : The place where the metallic reserves of the Banks of Martinique, Guadeloupe, French Guiana and Reunion are to be held is not specified.

### PURCHASE OF GOLD.

The banks are not required to purchase gold offered to them.

### MINTING OF GOLD.

The issue of gold coin is not authorised for the colonies of Martinique, Guadeloupe, French Guiana and Reunion.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold as regards the territories in question are unrestricted.

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## MEXICO.

### REDEMPTION.

The Bank of Mexico is required on demand to redeem its notes in gold. Each branch office of the Bank is required on demand to redeem in gold the notes which it has put into circulation with its stamp, and in sight drafts on the head office notes issued by other branch offices or by the head office. (Law creating the Bank of Mexico, August 25th, 1925 : Chapter II, Article 7.)

### RESERVE.

#### *Reserve of Central Bank against Bank-Notes.*

Notes may be issued only;

1. In exchange for domestic or foreign gold coin;
2. In exchange for gold bullion, at the rate of 75 centigrammes of fine gold per peso;
3. In exchange for first class drafts payable at sight in gold on foreign countries;
4. On the rediscount of bills payable in gold, that the Bank rediscounts with its associated banks. (*Lex cit.* : Article 4.)

The Bank of Mexico is required to hold a reserve in domestic or foreign gold coin and gold bullion to not less than 50% of its note issue. Gold deposits abroad and gold in transit to the Bank may be counted as part of the reserve. From this reserve may be deducted the amount of gold held by the Bank as a reserve against deposits. (*Lex cit.* : Article 2.)

*Place of deposit* : There may be included in the gold reserve the gold held in the vaults of the Bank, the gold deposited to the Bank's account with foreign banks, and the gold, either in bar or coin, in transit to the Bank. (*Lex cit.* : Article 2.)

#### *Reserve of Central Bank and Other Banks against Deposits.*

The Deposit and Discount Banks, to which the following provisions apply, are those which engage in ordinary banking operations, receive deposits payable at sight or at not more than 30 days' notice, discount commercial bills and make loans of the same character. (Ley General de Instituciones de Credito y Establecimientos Bancarios : Article 92.)

Accounts, according to their nature, must be guaranteed by reserves constituted as follows :

#### I. Deposits, payable at sight or within 30 days, shall be covered :

(1) By a cash reserve to the proportion established for the bank in question by the National Banking Commission, but in no case lower than 20% or higher than 33%. This reserve may consist of :

- (a) Domestic gold;
- (b) Notes of the Bank of Mexico;
- (c) Foreign gold coin and gold bars at their intrinsic value;
- (d) Sight deposits with the Bank of Mexico;
- (e) Silver coin and small change up to 5% of the total. However, for these deposits made in silver coin and small change, the cover may be held in silver coin and small change, notwithstanding the proportion it forms of the total;
- (f) Consignments of gold coin or bars in transit;
- (g) Sight deposits in banking firms or foreign banks of first-class standing.

The items (f) and (g) may be included in the cash reserve only upon the authorisation of the Ministry of Finance by means of temporary permits, but in no case may the total of these items exceed one-third of the total amount of the cash reserve.

*Place of deposit* : The gold included in the cash reserve must be held in the vaults of the bank in question except when the Ministry of Finance for a temporary period permits the inclusion of consignments of gold coin or bars in transit. (*Lex cit.* : Article 93, Section I.)

(2) By a securities reserve, up to the total sum of the accounts which are not covered by the cash reserve. For the classes of securities permitted see Article 93, Section II, of the above-mentioned law in the Annex.

II. Accounts in foreign currency giving the holder the right to demand payment specifically in drafts on foreign countries shall not legally be regarded as deposit accounts. These accounts shall be covered :

(1) By a cash reserve to the proportion established for the bank in question by the National Banking Commission in conformity with Article 93, Section I. This reserve may consist of :

- (a) Deposits in foreign currencies payable at sight, or
- (b) Domestic gold.

*Place of deposit* : The reserve under (a) must be held in the Bank of Mexico or in foreign banks, provided they are of first class in the opinion of the National Banking Commission. The reserve under (b) must be held in the vaults of the bank in question. (*Lex cit.* : Article 94, Section I.)

(2) By a securities reserve up to the total sum of the accounts which are not covered by the cash reserve. For the classes of securities permitted see Article 93, Section II, of the above-mentioned law in the Annex. (*Lex cit.* : Article 94, Section II.)

III. The following classes of accounts must also be guaranteed in the manner laid down under Sections I and II above :

- (a) Deposits, payable at sight or within 30 days, which are composed of domestic gold or silver, even if the depositor agrees to accept, at the choice of the bank, other currencies in payment thereof;
- (b) Credit balances of current accounts, accounts of correspondents, etc., payable at sight or within 30 days;
- (c) Unused balances of loans. (*Lex cit.* : Article 95.)

#### PURCHASE OF GOLD.

The Bank of Mexico is not required to purchase gold offered to it.

#### MINTING OF GOLD.

The Mint is required to accept, for the purpose of minting, gold suitable for minting offered by private individuals. Such gold will be accepted at a fixed price and without limit as to quantity. (*Ley de Impuestos a la Minería* : Article 16.)

#### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited. (*Ley de Impuestos a la Minería* : Article 26.)  
The import of gold is unrestricted.

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## MOROCCO.

### REDEMPTION.

The State Bank of Morocco is required to redeem its notes on demand in money which is legal tender in France. (Statutes of the State Bank of Morocco : Article 2, paragraph 1; General Act of the International Conference of Algeciras : Article 82.)

### RESERVE.

The Bank is required to hold a reserve equal to at least one-third of the value of its notes in circulation. At least one-third of this reserve must be kept in gold bullion or gold coin. (*Idem.*)

*Place of deposit* : The place where the gold bullion and gold coin included in the reserve are to be held is not specified.

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The issue of gold coin is not authorised for Morocco.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## NETHERLANDS.

### REDEMPTION.

The Netherlands Bank is required to redeem its notes on demand. (The Bank Act<sup>1</sup>: Article 18, paragraph 1.) The Bank is under no legal obligation to redeem its notes in gold but may at its option redeem them in the other media of payment which, according to the Laws of May 28th, 1901, and August 6th, 1914, are legal tender to an unlimited amount—viz., the heavier silver coins, which constitute only a small percentage of the total circulation, and the “silver notes” which have practically disappeared. On July 25th, 1927, the Bank gave orders to its paying tellers and to the branch office and the various agencies to limit in future the delivery of gold coin as before the war to 50 gulden a day per bank, firm or person.

The Bank has, however, given an undertaking to the Government that, should the rates of foreign exchange rise above gold parity it will, as long as it is able, put gold at a fixed price<sup>2</sup> at the disposal of exporters for export to countries which themselves authorise the free export of gold. (First declared in 1903, suspended in 1914, re-declared as from April 29th, 1925.)

In case of war or danger of war, the obligation to redeem in legal currency may be suspended by a Royal Decree. (The Bank Act: Article 19.)

### RESERVE.

Article 23 of the Bank Act provides that the proportion between the total amount of bank-notes, bank-assignments and credit balances in current accounts which must be covered by the reserve of coin or bullion shall be fixed by Royal Decree. The Royal Decree of January 4th, 1929, has fixed this proportion at 40 per cent.

*Place of deposit:* By the Royal Decree of January 4th, 1929, the Royal Decree of April 5th, 1889, concerning the weekly balance-sheet of the Netherlands Bank has been changed in this form, that on the debit side of the balance-sheet a footnote is added to the figure for the item “Coin and Bullion”, by which is indicated whether a part, and if so which part, of the metal reserve of the Bank is held abroad. In connection with this new Royal Decree, the Minister of Finance has declared to the Netherlands Bank at the request of the latter that he does not object to gold which is being held abroad, deposited with other banks, and gold in transit, in so far as the Netherlands Bank has the free disposal of this gold, being included in the metal cover for sight liabilities; with the reserve that at least 80% of the 40% cover required should be in the vaults of the Netherlands Bank.

### PURCHASE OF GOLD.

The Netherlands Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The Mint is required to coin gold for private persons above a certain minimum amount in the form of 10-florin pieces, 5-florin pieces and ducats, unless this is not possible owing to work for the account of the State. (Monetary Law of May 28th, 1901: Article 3.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

The Netherlands Bank, however, when selling gold for export reserves to itself the right to approve the destination (see above, under “Redemption”) and to this end it may require that the bills of lading be submitted to it.

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<sup>1</sup> Came into force April 1st, 1919.

<sup>2</sup> The rate fixed is 1,653.44 florins per kilogramme of fine gold for bullion and a corresponding figure for gold specie.

## NETHERLANDS INDIES.

### REDEMPTION.

The Java Bank is required to redeem its notes on demand in legal tender.<sup>1</sup> (The Java Bank Act : Articles 15 and 16.) Legal tender includes gold ten-florin coins, gold five-florin coins, silver coins, and Government currency notes.

In case of war or imminent danger of war, the Bank's obligation to redeem its notes may be suspended by ordinance. (*Lex cit.* : Article 17.)

The Java Bank has given a pledge to the Government of the Netherlands Indies to sell gold at a fixed price, as long as it is in its power to do so, should the rates of exchange on foreign countries rise above gold parity. (Agreement between the Java Bank and the Government of the Netherlands Indies, published in the *Official Gazette*, of April 29th, 1925.)

### RESERVE.

The Java Bank is required to hold a reserve in specie and bullion equal to 40% of its total demand liabilities. (*Lex cit.* : Article 28; proportion fixed by Decree of the Governor General No. 229, of June 25th, 1928.) As "specie and bullion", the Bank holds gold and silver coin which is legal tender, foreign gold coin, and gold and silver bullion.

*Place of Deposit* : Three-fifths of the required 40% reserve—*i.e.*, 24% of the total demand liabilities—must be held in the Netherlands Indies. (*Lex cit.* : Article 28; proportion fixed by Decree of the Governor General No. 229, of June 25th, 1928.)

### PURCHASE OF GOLD.

The Java Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The Netherlands Indies have no gold coinage of their own. The ten-florin and five-florin gold coins of the Netherlands circulate as legal tender. (Mint Law of October 31st, 1912 : Articles 2 and 5.)

### EXPORT AND IMPORT OF GOLD.

Prohibition on the export of gold was removed on April 29th, 1925.  
The import of gold is unrestricted.

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<sup>1</sup> A bill is at present before the Parliament of the Netherlands which, if accepted, will authorise the Java Bank to redeem its notes, when the amount presented is not less than 1,650 florins, in gold bullion on the basis of 1,653.44 florins per kilogramme of fine gold, or in foreign gold coin at a corresponding price.

## NEW ZEALAND.

The Governor of the Dominion may by Proclamation empower any bank to issue and circulate notes subject to the provisions and restrictions contained in the charter or letters patent under which such bank is incorporated. (The Banking Act of 1908 : Article 8.)

The following six banks have the privilege of note issue<sup>1</sup> :

The Bank of New Zealand;  
The National Bank of New Zealand Ltd;  
The Union Bank of Australia, Ltd.;  
The Bank of Australasia;  
The Bank of New South Wales;  
The Commercial Bank of Australia Ltd.

Of these six banks the first two are incorporated by special Acts of the General Assembly of the Dominion. The other four are Australian banks operating in New Zealand<sup>2</sup>.

### REDEMPTION.

Each of the note-issuing banks is required to redeem its notes in gold on demand. (The Banking Act of 1908 : Article 9.)

However, the Governor in Council may from time to time declare by Proclamation that the notes of any bank shall, during the period limited by the Proclamation, be legal tender everywhere within New Zealand, and during the validity of such a Proclamation the notes of the bank in question shall be inconvertible. Before making such a Proclamation<sup>3</sup> the Governor may require that adequate security be given by the bank that it shall pay its notes in gold on demand after the expiration of the period limited by the Proclamation.

In the event of default of payment by the issuing bank the Minister of Finance shall pay the notes presented. (The Banking Amendment Act of 1914 : Articles 2 and 4.)

### RESERVE.

The reserves kept by the banks are not prescribed by law but by the Private Acts, Royal Charters, or Letters Patent which govern them.

The Private Act of the Bank of New Zealand contains the following clause :

“That the total amount of Promissory Notes payable on demand, issued and in circulation within the Dominion shall not at any time exceed the amount of coin, bullion, and public securities which shall for the time being be held by the said Corporation within the Dominion of New Zealand or within the United Kingdom, nor *three* times the amount of the coin for the time being held by the said Corporation within the said Dominion.”

A similar provision exists relating to the National Bank of New Zealand, Ltd.

The four Australian banks operating in New Zealand, although the reserve requirements of each are governed by its own acts, nevertheless exercise their privilege under New Zealand law and may be required to give adequate security that they will redeem their notes in gold, after the expiration of a Proclamation such as mentioned above under “Redemption”.

<sup>1</sup> The note circulation in the Dominion is normally somewhat more than £6 million. Of this figure, approximately £130 thousand is Australian circulation not yet redeemed.

<sup>2</sup> These Australian banks are no longer permitted to circulate notes in Australia.

<sup>3</sup> A Proclamation which covers the above-mentioned six banks has been in force since August 6th, 1914, having been extended from time to time. Unless extended again it will expire on January 10th, 1932.

In accordance with Article 9 of the Banking Act of 1908, all bank-notes are a first charge on all the assets of the bank that issued them which are utilisable for the payment of debts due and payable in New Zealand.

*Place of deposit:* The place where the reserves of the banks of issue are to be held is not specified in the laws of the Dominion.

#### PURCHASE OF GOLD.

There exists no obligation to purchase gold<sup>1</sup>.

#### MINTING OF GOLD.

The Dominion does not possess a gold coinage.

#### EXPORT AND IMPORT OF GOLD.

During the period that the Proclamation referred to above under "Redemption" is in force, the export of coined gold is prohibited, except with the consent of the Finance Minister, but the export of uncoined gold is unrestricted. (The Banking Amendment Act of 1914 : Article 6; amended by the Finance Act of 1919 : Part I, Article 8.)

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<sup>1</sup> Most of the gold produced in New Zealand is now normally sent to Australia, presumably to be minted.

## NORWAY.

### REDEMPTION.

The Bank of Norway is required to redeem its notes in gold "krone-coins" on demand (Statutes of the Norges Bank : Article 6).

The King has the right to permit the Bank to suspend redemption in case of "peculiarly menacing circumstances".<sup>1</sup> (Law of August 18th, 1914 : Article 7.)

### RESERVE.

The Bank has the right to issue notes to the sum of 250 million kroner, in excess of the gold reserve. The reserve consists of gold coined or in bullion in the vault of the Bank or deposited to its account with the Mint. (Law of November 26th, 1920 : Article 9.)

If unusual circumstances demand, the King, with the approval of the Storting, may authorise the issue of additional notes subject to the payment of a tax by the Bank.<sup>2</sup> (*Lex cit.* : Article 10.)

*Place of deposit* : The gold included in the reserve must be held in the Bank or in the Government Mint for the Bank's account. (*Lex cit.* : Article 9.)

### PURCHASE OF GOLD.

The Bank is required on demand to deliver its notes against gold "krone-coins" and at its Head Office to purchase gold bullion at a fixed rate (1 kilogram of fine gold = 2,480 crowns) minus charges. (Statutes of the Norges Bank : Article 14.)

### MINTING OF GOLD.

The Government Mint is required to accept gold on demand from any person and to give in exchange, without undue delay, 10-krone or 20-krone pieces on the payment of  $\frac{1}{3}\%$  of the value of the amount minted in the case of the former and  $\frac{1}{4}\%$  of such value in the case of the latter. (Law of April 17th, 1875, on the Monetary System : Article 9.)

### EXPORT AND IMPORT OF GOLD.

The embargo on the export of gold was lifted as from May 1st, 1928, but "only as regards exports to countries whose note issuing banks redeem their notes in gold and who allow free export of gold to Norway". (Royal Decree of April 16th, 1928.)

The import of gold is unrestricted.

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<sup>1</sup> The obligation was last suspended March 19th, 1920, but gold redemption was resumed May 1st, 1928, by Decree of April 16th, 1928.

<sup>2</sup> The last authorisation expired January 1st, 1927, and none now exists.



## PALESTINE.

### REDEMPTION.

The Palestine Currency Board is required on demand to redeem Palestine currency notes tendered in Palestine by drafts or telegraphic transfers payable in sterling in London. The Board may from time to time fix the minimum value for which redemption may be demanded. (Regulations governing the Palestine Currency Board : Articles 7 and 8.)

### RESERVE.

The Board is required to pay into the Currency Reserve Fund proceeds from the sale of coin and currency notes and all other revenue which it may have, minus necessary deductions for expenses and any losses which may be incurred. (*Lex cit.* : Article 13.)

The Board is required to hold a portion of its reserve in liquid form. The remainder may be invested in securities of the Government of any part of his Majesty's Dominions or in such other manner as the Secretary of State may approve. The extent to which investments may be made, and the composition of the liquid portion of the reserve, are left to the discretion of the Board subject to any directions which may be received from the Secretary of State. (*Lex cit.* : Article 14.)

The Board, with the approval of the Secretary of State, may pay out of the income of its invested funds any sum which it thinks proper as a contribution to the revenues of Palestine. (*Lex cit.* : Article 19.)

When the Board is satisfied and has satisfied the Secretary of State that its reserves are more than sufficient, it may pay over the whole or any part of the surplus amount in aid of the revenues of Palestine. (*Lex cit.* : Article 20.)

*Place of deposit* : The choice of the place where the liquid portion of the reserve is to be held rests with the Board, subject to any directions which may be received from the Secretary of State.

### PURCHASE OF GOLD.

The Board is not required to purchase gold or sterling offered to it.

### MINTING OF GOLD.

The Board is not required to accept gold bullion for coining nor does it do so. The Palestine Currency Order in Council of February 7th, 1927, provides (Section 2 (1) (a)) that a gold coin of one Palestine pound may be coined from time to time under the direction of the Master of the Mint (in London) for use in Palestine. These provisions leave open the issue of such gold coins, but it is not intended to introduce them at present.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted. (Public Notice : December 8th, 1920.)

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## PARAGUAY.

### REDEMPTION.

An Exchange Office was created in 1916 for the purpose of stabilising the value of the notes in circulation<sup>1</sup> and ultimately assuring their conversion into gold, but the rate of this conversion<sup>2</sup> and the day upon which it will become obligatory for the Office to redeem notes in gold on demand have not yet been fixed by law<sup>3</sup>. (Law No. 182, of January 26th, 1916 : Articles 10 and 11.) The Exchange Office is authorised to issue notes against the receipt of gold coin at a fixed rate. It may redeem these notes in gold coin, but is not required to do so. (Law No. 550, of October 23rd, 1923 : Article 1.)

### RESERVE.

The Exchange Office is not required to hold any fixed reserve in gold.

### PURCHASE OF GOLD.

The Exchange Office is not required to purchase gold offered to it.

### MINTING OF GOLD.

Paraguay has no gold coinage of its own<sup>4</sup>. The Law of July 14th, 1885, made the gold and silver coins of Argentine legal tender in Paraguay<sup>4</sup>.

### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited.  
The import of gold is unrestricted.

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<sup>1</sup> Notes of the Government, of the Bank of the Republic, and of the former Conversion Office.

<sup>2</sup> The present *de facto* rate of conversion is 4,261 paper pesos to 100 gold pesos.

<sup>3</sup> At the beginning of the present period of the Parliamentary Session of Congress the draft of a new monetary law was approved by the Chamber of Deputies, but it had not been passed by the Senate up to the time that this publication went to print. The draft law contains, among others, the following provisions :

- (1) It creates a gold peso as the monetary unit (Article 1);
- (2) It fixes a rate between this gold peso and the present paper peso (Article 4);
- (3) It limits the amount of the present paper-peso currency which may be in circulation (Article 5);
- (4) It makes the Exchange Office responsible for the present currency and it gives the Exchange Office the sole right (subject to the approval of the Federal Executive) to issue notes and subsidiary coin (Article 8);
- (5) It lays down that the Exchange Office, in conjunction with the Federal Executive, shall decide on the advisability and the date of converting the present paper-pesos into gold pesos (Article 9).

<sup>4</sup> The present *de facto* rate of conversion established by the Exchange Office is 18.75 Paraguayan paper pesos to 1 Argentine paper peso, and 42.61 Paraguayan paper pesos to 1 Argentine gold peso, the difference in the paper and gold equivalents corresponding to Argentine law which authorises the redemption of Argentine paper currency at 44% of its face value. (See Argentine.)

## PERSIA.<sup>1</sup>

### REDEMPTION.

The Imperial Bank of Persia, which, under Article 3 of its Concession, has the exclusive privilege of issuing bank-notes, is required, according to the terms of its Concession, to redeem its notes on demand in silver.

### RESERVE.

There exist no laws concerning reserves in gold.

### PURCHASE OF GOLD.

Neither the Government nor the Bank is required to purchase gold offered to them.

### MINTING OF GOLD.

There exist at present no laws concerning the minting of gold. Gold coins (Pehlevi) are minted to a small extent in Teheran for presentation purposes.

### EXPORT AND IMPORT OF GOLD.

The export of gold, whether coined, or in the form of bars or dust and the like, is prohibited. A small exemption to this provision as regards coin is allowed to travellers. The export of gold in manufactured form is regulated by the Ministry of Finance. (Law of the 24th Mehr, 1305 (solar)<sup>2</sup> : Article 1).

The import of gold coin is free and exempt from Customs duties. (Law of the 23rd Esfand, 1307 (solar)<sup>3</sup> : Article 1.) The import, however, of coins current in Persia which have been minted abroad is not allowed. (*Lex cit.* : Article 1, note.) The import of bar gold is subject to a Customs duty of 8%.

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<sup>1</sup> The Persian Government recently introduced into the Mejlis (the Parliament of Persia), and there has now been enacted, a law providing for the establishment of a gold standard in Persia, and also a law relating to transactions in foreign exchange.

By the former law it is provided that the present silver kran currency shall be withdrawn and replaced by a new unit, to be called the Ryal, which will be based on a gold value. In order effectively to carry out the currency reforms, the Persian Government deemed it essential that they should be at liberty to issue their own bank notes, and they accordingly invited the Bank to negotiate with them for the relinquishment of its exclusive right to issue notes.

In consideration of the sum of £200,000 payable by the Persian Government to the Bank on the 20th of March, 1931 (when the withdrawal of notes issued by the Bank is to commence), the Board have agreed to relinquish the rights of the Bank under Article 3 of the Concession. The Persian Government on their part have agreed to cancel the obligation of the Bank to pay royalty on its profits, and also to abolish the office of Imperial High Commissary created by Article 4 of the Concession.

<sup>2</sup> October 17th, 1926.

<sup>3</sup> March 14th, 1929.

## PERU.

### REDEMPTION.

It is provided that the Reserve Bank of Peru shall be required to redeem its notes on demand in gold coin or in drafts on foreign countries. The Bank has the choice between these methods, but, if it chooses the latter, the holder of the note may choose whether payment is to be made in cheques, or drafts payable at sight, or telegraphic transfers, and whether in dollars on New York or in sterling on London. If payment is made by draft, and not in gold coin, the Bank may charge a premium to cover the actual cost of transporting gold from Lima to New York or London as the case may be. (Law No. 4500, of March 8th, 1922 : Article 13, paragraph 3, as amended by Law No. 6747 of February 10th, 1930.) The Federal Executive has, however, not yet authorised the Bank to convert its notes in this manner.<sup>1</sup> (See Law No. 4500, of March 8th, 1922 : Article 14.)

### RESERVE.

The Reserve Bank is required to hold a reserve equal to at least 50% of its notes in circulation, plus its other sight liabilities, made up of the following :

- (a) Gold coin;
- (b) Gold bars valued at a fixed rate on their fine gold content;
- (c) Balances in dollars in New York or in pounds sterling in London which may be converted on demand into freely exportable gold. These balances shall be calculated at their exchange value into gold in Lima at the rate of the day.

*Place of Deposit* : The gold included in this reserve must be held in the vaults of the Bank. (Law No. 4500, of March 8th, 1922 : Article 15, paragraph 1 (as amended by Law No. 6747, of February 10th, 1930) and paragraph 2.)

As an additional guarantee for its notes, the Reserve Bank is required to hold a reserve in specified classes of commercial paper equal to the full value of the notes which are not covered by the fundamental reserve. (Law No. 4500, of March 8th, 1922 : Article 15, paragraph 2.)

### PURCHASE OF GOLD.

The Reserve Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The National Mint is required to mint all gold offered to it whether in bars, ingots, or coin, at a charge fixed by the Federal Executive. (Law No. 6746, of February 10th, 1930 : Articles 5 and 6.)

### EXPORT AND IMPORT OF GOLD.

The export of gold is free. (Law No. 6746, of February 10th, 1930 : Article 7.)  
The import of gold is free.

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<sup>1</sup> Notes of the Reserve Bank circulate at present at an appreciable discount in relation to coin.

## PHILIPPINE ISLANDS.

The currency in circulation in the Philippine Islands consists of Philippine silver and fractional coin, gold coin of the United States of America, notes of the Philippine National Bank known as "circulating notes", and Philippine Treasury certificates which include the outstanding silver certificates.

### REDEMPTION.

#### 1. *Government Currency.*<sup>1</sup>

For the purpose of maintaining the parity of the Philippine silver peso with the Philippine gold peso, the Treasurer of the Philippine Islands is required :

(a) To sell on demand in return for Philippine currency (in amounts of not less than 10,000 pesos) or United States currency (in amounts of not less than 5,000 dollars) exchange in the form of either demand drafts or telegraphic transfers on the Gold Standard Fund deposited in the United States. (Administrative Code : Article V (as finally amended by Act No. 3058, of June 13th, 1922), Section 1621, paragraph (a).)

(b) To exchange at par, on the approval of the Secretary of Finance, the currency of the United States for Philippine currency. (*Lex cit.* : Section 1621, paragraph (b).)

(c) To exchange, on the approval of the Secretary of Finance, United States gold coin or gold bars (in amounts not less than 10,000 pesos or 5,000 dollars) for Philippine currency. A premium may be charged to cover the cost of transporting the coin or bars from New York to Manila. (*Lex cit.* : Section 1621, paragraph (c).)

(d) To withdraw from circulation Philippine currency received at the Treasury in Manila until demands be made for its sale in the manner set forth below under sub-paragraphs (a), (b) and (c) of the section "Purchase of Gold". (*Lex cit.* : Section 1621, paragraph (d).)

#### 2. *Philippine Treasury Certificates.*

The Treasurer of the Philippine Islands is authorised to receive silver pesos and half-pesos in sums of not less than twenty pesos and to issue Treasury certificates therefor. The Treasurer is required to redeem treasury certificates on demand in silver pesos and half-pesos. (Administrative Code : Article VII (as finally amended by Act No. 3058, of June 13th, 1922), Section 1626.)

#### 3. *Notes of the Philippine National Bank.*

The Philippine National Bank is authorised to issue circulating notes to an amount which shall not exceed the amount of the unencumbered paid-up capital of the Bank. The Bank is required to redeem these notes on demand in any lawful money of the Philippine Islands, and the Bank has the privilege of redeeming in any lawful money of the Philippine Islands even those circulating notes which were issued against deposits of United States gold coin (see paragraph 2 of the section "Reserve"). The final redemption of the circulating notes is guaranteed by the Government of the Philippine Islands. (Act No. 2938, of January 30th, 1921 (amending Acts Nos. 2612 and 2747) : Section 14, amended by Act No. 3174, of November 24th, 1924, Section 3.)

### RESERVE.

#### 1. *Government Currency.*<sup>1</sup>

The Treasurer of the Philippine Islands is required to hold a reserve, in the form of a separate trust fund called the "Gold Standard Fund", equal to 25% of the currency of the Government<sup>1</sup> in circulation and available for circulation. The composition of the fund is not specified.

<sup>1</sup> Coin and Treasury certificates.

**Place of Deposit :** An unspecified portion of the "Gold Standard Fund" must be held in the vaults of the Insular Treasury in Manila. An unspecified portion of the fund may be held in the form of deposits with such Federal Reserve Banks or member banks of the Federal Reserve System in the United States as may be designated by the Governor-General. No portion of the fund may be deposited in any bank doing business in the Philippine Islands or in any bank controlled by a bank doing business in the Philippine Islands, and not more than 20% of the fund may be deposited with any single depository in the United States, except in the bank where the Treasurer of the Philippine Islands keeps his deposits on current account for exchange operations. (Administrative Code : Article VI (as finally amended by Act No. 8058, of June 13th, 1922), Sections 1622, 1623 and 1624.)

## **2. Philippine Treasury Certificates.**

The Treasurer of the Philippine Islands is required to hold a reserve in silver coin equal to 100% of the treasury certificates in circulation and available for circulation. This reserve is known as the "Treasury Certificate Fund". If at any time the Government's supply of silver coin is insufficient to meet the legitimate demands of trade, gold coin of the United States may temporarily be substituted for silver coin in the reserve and the silver coin released for circulation.

**Place of Deposit :** The Treasury Certificate Fund must be held wholly in the vaults of the Insular Treasury in Manila. (Administrative Code : Article VII (as finally amended by Act No. 8058, of June 18th, 1922), Section 1626.)

## **3. Notes of the Philippine National Bank.**

(a) The Bank is required to hold, for the sole purpose of redeeming its circulating notes, all promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, purchased or discounted by it, as well as the proceeds thereof. (Act No. 2988, of January 30th, 1921 (amending Acts Nos. 2612 and 2747) : Sections 10(a) and 14.)

(b) The Bank is also required to hold a special reserve fund equal to 25% of its circulating notes. This reserve shall be maintained from the net profits of the Bank.

**Place of Deposit :** The special reserve fund must be held in a duly authorized depository or depositories in the United States. (Act No. 8174, of November 24th, 1924 : Section 4.)

## **PURCHASE OF GOLD.**

For the purpose of maintaining the parity of the Philippine silver peso with the Philippine gold peso, the Treasurer of the Philippine Islands is required :

(a) To sell on demand (in amounts of not less than 10,000 pesos) exchange in the form of either demand drafts or telegraphic transfers on the Gold Standard Fund in the Philippine Islands. (Administrative Code : Article V (as finally amended by Act No. 8058 of June 13th, 1922), Section 1621, paragraph (a).)

(b) To exchange at par, on the approval of the Secretary of Finance, Philippine currency for the currency of the United States. (*Lex cit.* : Section 1621, paragraph (b).)

(c) To exchange, on the approval of the Secretary of Finance, Philippine currency for United States gold coin or gold bars (in amounts of not less than 10,000 pesos or 5,000 dollars). (*Lex cit.* : Section 1621, paragraph (c).)

(d) To withdraw from circulation United States currency and United States gold coin and gold bars received by him in the Philippine Islands until demands be made for its sale in the manner set forth above under sub-paragraphs (a), (b) and (c) of the section "Redemption", or until an insufficiency of Philippine currency makes necessary an increase in coinage, in which case these funds may be used for providing such coinage. (*Lex cit.* : Section 1621, paragraph (e).)

**MINTING OF GOLD.**

The unit of value in the Philippine Islands is the gold peso, equal in weight, fineness and value to one-half of a gold dollar of the United States. The gold peso exists in name only for the minting of gold coins is not provided for by law. The gold coin of the United States circulates as legal tender. (Administrative Code : Article II (as finally amended by Act No. 3058, of June 13th, 1922), Sections 1611, 1612, 1613 and 1614.)

**EXPORT AND IMPORT OF GOLD.**

The export and import of gold are unrestricted.

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## POLAND.

### REDEMPTION.

The Bank shall be required to give gold coins in exchange for bank-notes on demand and without limitation as to amount. The date of the beginning of this obligatory convertibility of bank-notes into gold shall be fixed by a Decree of the Council of Ministers, issued on the recommendation of the Minister of Finance and based on a resolution of the Council of the Bank.

At present the Bank is required to redeem its notes at its option in :

- (a) Gold coins;
- (b) Gold bars (1 kilogram = 5,924.44 zloty);
- (c) Foreign drafts in currencies convertible into gold, according to mint parity.<sup>1</sup>

At present, bank-notes are convertible only at the Head Office of the Bank at Warsaw and only in amounts exceeding 20,000 zloty. (Statutes of the Bank of Poland : Article 47.)

### RESERVE.

The Bank is required to secure its notes in circulation plus its other sight liabilities by a reserve of at least 40%. The reserve is composed as follows :

- (a) Gold in coin and bars. This item must make up at least three-fourths of the minimum reserve requirements.
- (b) Silver at its gold value. This item must not exceed 5% of the holdings in gold.
- (c) Foreign exchange convertible into gold.
- (d) Balances, convertible into gold, placed with foreign banks of highest standing and payable on demand or on not more than thirty days' notice.
- (e) Cheques and drafts on foreign banks of highest standing payable at sight in currency convertible into gold.
- (f) Bills of exchange, in terms of a currency convertible into gold, accepted or endorsed by foreign banks of highest standing and payable within a period of ninety days.

In calculating the net reserve the following items shall be deducted :

- (a) Sums derived from loans secured by the gold of the Bank;
- (b) The Bank's obligations in foreign currencies payable within a period of ninety days. (*Lex cit.* : Article 51.)

If the reserve ratio falls below 40%, the Bank must pay a graduated tax to the Treasury on the difference between the actual and permitted circulation. (*Lex cit.* : Article 52.)

The remainder of the note circulation over that which is secured as above must be covered to its full value by a reserve made up of various specified classes of paper. (*Lex cit.* : Article 58.)

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<sup>1</sup> Redemption for the most part is made in this form.



*Place of deposit* : The Bank is required to hold in its own vaults at least two-thirds of the gold included in its reserve. The remaining one-third may be carried under earmark abroad<sup>1</sup> (Paragraph (a) of the Annex to Part II of the Programme of Stabilisation annexed to the Presidential Decree of October 13th, 1927.)

#### PURCHASE OF GOLD.

The Bank will buy gold against bank-notes on demand at the statutory relation, with a deduction of charges for minting, testing and other fees collected by the Government.<sup>2</sup> (*Lex cit.* : Article 54.)

#### MINTING OF GOLD.

The Government has the sole right and exclusive privilege of minting. (Presidential Decree of November 5th, 1927, Article 1.)

Gold will be minted for the account of private persons as well as for the State Treasury. The Minister of Finance must fix the conditions which will govern the minting for private persons. As yet this has not been done, nor have the models of the gold coins been decided upon. It has already been provided, however, that gold must be presented in quantities which contain not less than 100 grammes of fine gold, and that the minting will be done in denominations which the Minister of Finance may deem best for the circulation. (Presidential Decree of October 13th, 1927 : Article 5; and Presidential Decree of November 5th, 1927 : Article 8.)

#### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited. (Presidential Decree of February 15th, 1928 : Articles 1 and 2.)  
The import of gold is unrestricted.

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<sup>1</sup> These requirements may also be expressed as follows :

(a) The fundamental reserve must equal 40% of the Bank's notes in circulation plus its other sight liabilities;

(b) Gold in coin or bars must make up three-fourths of this 40%, i.e., 30% of the Bank's notes in circulation plus its other sight liabilities;

(c) Of this 30%, two-thirds, i.e., 20% of the Bank's notes in circulation, plus its other sight liabilities, must be held in the Bank, while the other one-third, i.e., 10%, may be held abroad.

<sup>2</sup> These charges have not as yet been established. In practice, the Bank at present buys the small amounts of gold offered to it at the mint parity without any deduction.

## PORTUGAL.

### REDEMPTION.

The Bank of Portugal is required to redeem its notes in legal tender coin<sup>1</sup> on demand. Under extraordinary circumstances the Bank, with the consent of the Government, may suspend this obligation if such action is necessary to maintain the minimum metallic reserve. (Statutes of the Bank of Portugal : Article 18.) Since May 10th, 1891, redemption has been suspended with the Government's consent.

### RESERVE.

The Bank issues gold and silver notes.<sup>2</sup> Despite the difference in name, the notes rank equally and are covered by the same reserve. The Bank is entitled to make the following note issues to a full amount of 1,988,814.00 escudos.

#### *Debt of the State.*

I. Note issue for the account of the State against loans to the Government under the contract of April 29th, 1918, the Law No. 1074 of November 27th, 1920, and the contracts of April 21st, 1922, June 7th and December 22nd, 1923, March 24th, 1924, and July 21st, 1926.

II. Note issue against gold securities and purchases of exchange for the Government's account according to the Convention of December 29th, 1922, which was superseded by Decree No. 17991, of February 24th, 1930. The Bank is required to cover this note issue, which is unlimited as to amount, to 100% by the above values.

#### *Circulation of the Bank.*

I. Note issue, under the contract of April 29th, 1918, the Law No. 1074, of November 27th, 1920, and the contracts of April 21st, 1922, and June 7th, 1923, against the following :

- (a) Gold;
- (b) Foreign balances, approved by the Government;
- (c) Foreign gold exchange.

The total of items (a), (b) and (c) shall "as a rule" represent 30% of this portion of the note circulation, but is allowed to fall to 15%. The remainder must be covered by bills maturing within three months. (Law of April 29th, 1918, with subsequent amendments.)

II. Note issue, under the contract of March 24th, 1924, against bills maturing within three months. The Bank is required to cover this note issue to 100% by the gold securities purchased with the proceeds of the silver coins belonging to the Bank.

III. Note issue, under the contract of July 21st, 1926, to be applied to commercial operations :

- (a) Temporary note issue up to 100,000 contos<sup>3</sup>. The Bank is not required to cover this issue with a gold reserve;
- (b) Definitive note issue up to 100,000 contos. The Bank is required to cover this note issue with the securities in sterling included in the item of the balance-sheet "Carteira de títulos de credito".<sup>4</sup>

<sup>1</sup> There is no gold coin.

<sup>2</sup> On February 19th, 1930, the note circulation was as follows :

	Escudos
Gold notes in circulation .....	1,884,835,446.00
Silver notes in circulation .....	18,664,820.00
Total...	1,903,499,766.00

<sup>3</sup> A conto = a thousand escudos.

<sup>4</sup> In the balance-sheet, which gives the figures of February 19th, 1930, this item stands at 3,430,537.15 escudos.

Despite these regulations, all notes are grouped together and no reserve distinctions are made either in the balance-sheet or in practice. On February 19th, 1930, the gold holdings of the Bank amounted to 8,577,180 escudos, while the total note circulation stood at 1,884,835,446 escudos.<sup>1</sup>

*Place of Deposit* : The place where the gold included in the reserves is to be held is not specified.

#### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

#### MINTING OF GOLD.

Gold coins of 1, 2, 5 and 10 escudos were authorised by the Decree of May 27th, 1911, but as yet, none have been issued. The right to have gold minted is not enjoyed by private persons.

#### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited.

The import of gold is free.

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<sup>1</sup> A more complete picture of the position is given by the following figures which, although of December 31st, 1927, are the only ones of their nature available :

	Contos
Notes in circulation .....	1,857,411
Gold in coin and bars .....	8,577
Foreign securities and exchange .....	77,481
Portuguese bonds in foreign currency .....	87,223

The total gold, plus foreign securities and exchange, as shown above, 86,058 contos, covers scarcely 4.6% of the note circulation. If, however, these items be taken at their market value, the total is brought up to 409,027 contos, or 22% of the note circulation.

## ROUMANIA.

### REDEMPTION.

The National Bank of Roumania is required to redeem its notes at its Head Office on demand at its option in legal tender gold coin, gold bullion, or foreign exchange convertible into gold, without limitation as to quantity, provided redemption for no amount less than 100,000 lei be demanded at a time. (Monetary Law of February 7th, 1929 : Article 8.)

### RESERVE.

The Bank is required to hold a reserve in gold or in foreign exchange which is by law and in practice convertible into exportable gold to at least 85% of its sight liabilities. At least 25% of the sight liabilities of the Bank must be covered by gold in its own vaults or on immediately callable deposit in foreign countries. (Statutes of the National Bank : Article 28.)

The sight liabilities in excess of that portion covered as above, with the State debt to the Bank and the short-term advances to the Treasury subtracted, must be covered to their full value by the Bank's other immediately realisable assets. (Statutes of the National Bank : Article 29.)

*Place of deposit :* See the first paragraph above under "Reserve".

### PURCHASE OF GOLD.

The Bank is not required to purchase either gold or foreign exchange on demand at a fixed price.

### MINTING OF GOLD.

The Monetary Law of February 7th, 1929, does not provide for gold coin. There is, moreover, no mint in Roumania, subsidiary coin being minted abroad.

### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited. (Ministerial Decision No. 64861, October 18th, 1923.)  
The import of gold is unrestricted.

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## SALVADOR.

### REDEMPTION.

The Banks of Issue were required by Articles 6 and 8 of the Law of April 29th, 1899, to redeem their notes on demand in coin, which, as the standard at that time was silver, meant silver coin. This regime continued until August 11th, 1914, when a moratorium was granted the Banks of Issue, during which they were released from the above obligation. In 1919, when the gold standard was adopted, the Banks were required to substitute gold notes for their silver notes and these gold notes were made redeemable in gold coins on demand at a fixed rate. (Law of September 11th, 1919 : Articles 1, 2 and 4.) But the moratorium was not ended, nor has it been up to the present, so that, in practice, the notes are inconvertible.

### RESERVE.

Each Bank of Issue is required to hold, in United States of America gold coin, a reserve equal to at least 40% (proportion fixed by the Law of July 30th, 1928) of its note issue and to at least 20% of its sight deposits. (Law of April 29th, 1899 : Article 5, and the Law of September 11th, 1919 : Article 5.)

*Place of deposit :* The gold included in these reserves must be held in the vaults of the bank in question. (*Idem.*)

### PURCHASE OF GOLD.

The Banks of Issue are not required to purchase gold offered to them.

### MINTING OF GOLD.

Minting is done solely for the account of the State. (Law of July 15th, 1920 : Article 12.)

United States gold and silver coin are legal tender at the rate of two colons to the dollar. (Law of September 11th, 1919 : Articles 1 and 3; Law of July 15th, 1920 : Article 10.) The paper currency of the United States has legal currency in Salvador and its acceptance by Banks and by public revenue offices is obligatory. (Law of September 11th, 1919 : Article 2; Law of December 16th, 1920 : Article 1.)

### EXPORT AND IMPORT OF GOLD.

The export of gold is prohibited by the Law of August 11th, 1914.

The import of gold is unrestricted.

The export of silver coin is allowed only if the exporter guarantees to the Ministry of Finance that the proceeds from its sale will be used for the import of gold coin of the United States. (Law of September 11th, 1919 : Article 7.)

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## SIAM.

### REDEMPTION.

The Minister of Finance is required to redeem all legal tender money at a fixed rate on demand, either in gold at Bangkok or in gold or gold exchange abroad at his option.

No person shall be entitled to demand redemption for an amount less than 50,000 baht.<sup>1</sup> (The Currency Act, B. E. 2471<sup>2</sup>, Article 11.)

### RESERVE.

The Minister of Finance is required to cover the note circulation to its full value by a reserve made up of the following, the proportions of which are not specified :

1. Gold;
2. Gold securities. The total amount of securities, the date of maturity of which is more than one year from the date of their purchase, shall not exceed the equivalent of 14 million baht. The nature of the securities to be held is not defined, but the term includes a fixed deposit receipt;
3. Cash placed at call, or at not more than seven days' notice, at any Bank approved by the Minister, and payable in the currency of a gold standard country;
4. Baht coins, the number of which shall not at any time exceed 52 millions or the number held at the close of the preceding year, whichever is less. (*Lex cit.* : Articles 12, 16, 17, 28.)

*Place of deposit* : The place where the gold included in the reserve is to be held is not specified.

### PURCHASE OF GOLD.

The Minister of Finance is required to purchase gold on demand at Bangkok in exchange for legal tender money, but may at his option purchase gold or gold exchange abroad.

No person shall be entitled to demand purchase of an amount less than 50,000 baht. (*Lex cit.* : Article 11.)

### MINTING OF GOLD.

Gold coin is not provided for in the Currency Act and consequently gold is not minted in Siam.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are both unrestricted under the tariff regulations.

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<sup>1</sup> Legal value of one baht in Bangkok = 0.66567 gramme of fine gold.

<sup>2</sup> B. E. 2471 = from April 1st, 1928, to March 31st, 1929, A. D.

## SPAIN.

### REDEMPTION.

The Bank of Spain is required to "pay its notes to the bearer", but the form in which this payment is to be made is not specified. (Statutes of the Bank of Spain : Article 5, final paragraph.)

### RESERVE.

The Bank of Spain is required to hold the following reserves against its note circulation :

(a) Against a circulation not exceeding 4,000 million pesetas, a reserve of 45%—a minimum of 40% in gold and the remainder in silver;

(b) Against a circulation exceeding 4,000 million pesetas, but not exceeding 5,000 million pesetas, a reserve of 60%—a minimum of 50% in gold and the remainder in silver.

On the application of the Bank of Spain and with the recommendation of the Central Banking Council, the Government may authorise the circulation to be increased to a maximum of 6,000 million pesetas. The reserve to be held in this case is similar to that required above under (b).

Gold included in these reserves must be held in the following forms :

(a) Spanish gold coin at its face value;

(b) Foreign gold coin at its par value;

(c) Gold bullion at the rate of 3,444.44 pesetas per kilogramme of fine gold;

(d) Gold available on demand held by the Bank with its correspondents or foreign branches. This item must not exceed 3% of the gold reserve which the Bank is required to hold.

Silver included in the reserves must be coin which is legal tender in Spain.

*Place of Deposit* : The gold and silver included in the reserves must be held in the vaults of the Bank, with the exception of the 3% portion of the gold reserve mentioned above under (d). (Law of December 29th, 1921 : Article 1, condition 2.)

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The Mint is required to mint gold on demand for private persons. No charge is made for minting, but if smelting and refining are necessary, the cost of these operations must be borne by the person presenting the gold. (Decree No. 720, of October 19th, 1868 : Article 7.)

### EXPORT AND IMPORT OF GOLD.

For the export of gold the Government's approval is required.  
The import of gold is unrestricted.

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## STRAITS SETTLEMENTS

### REDEMPTION.

The Board of Commissioners of Currency of the Straits Settlements is required to redeem currency notes in current coin or subsidiary coin on demand. (Currency : Ordinance 147 : Article 4, paragraph 5.)

The Governor, by Proclamation, may suspend this obligation for any such period as he may see fit. (*Lex cit.* : Article 4, paragraph 6.)

The Commissioners may receive silver current coin or currency notes in exchange for sterling payable in London by the Crown Agents at a fixed rate. (*Lex cit.* : Article 10.)

### RESERVE.

The Commissioners are required to hold, as a reserve against currency notes, the current coin and sterling received in exchange for currency notes, which monies form the Currency Guarantee Fund. This fund is divided into two parts :

1. The "liquid portion", which must amount to not less than two-fifths of the amount of the notes for the time being in circulation, and of which one part, amounting to not less than one-tenth of the notes in circulation, must be kept in silver current coin in the Colony in the custody of the Commissioners, who may likewise hold in the Colony a further part in gold current coin. The balance may be kept in London in the custody of the Crown Agents and may be held in gold current coin or on deposit at the Bank of England or in Treasury Bills or lent out at call to such Banks or on such short loans or other readily realisable securities as may be approved by a Secretary of State. (*Lex cit.* : Article 7.)

2. The "investment portion" may be invested in such securities of the Government of the United Kingdom, or of India, or of any of the Dominions, or of any British Colony, or in such other British securities as may from time to time be approved by a Secretary of State. Not more than one fourth of the "investment portion" of the reserve shall be invested in securities of the Government of the Straits Settlements. (*Lex cit.* : Article 14.)

*Place of deposit* : See above under 1.

### PURCHASE OF GOLD.

The Commissioners are not required to purchase gold or sterling offered to them.

### MINTING OF GOLD.

The Straits Settlements do not possess a gold coinage.

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## SURINAM.

### REDEMPTION.

The Bank of Surinam is required to redeem its notes on demand in legal tender. (The Surinam Bank Act : Articles 14 and 15.) Legal tender includes gold ten-florin coins, gold five-florin coins, and silver coins.

In case of war, or imminent danger of war, the Bank's obligation to redeem its notes may be suspended by ordinance. (*Lex cit.* : Article 16.)

### RESERVE.

The Bank is required to hold a reserve in specie and bullion equal to 30% of its notes, plus its other sight liabilities. At least half of this 30% must be composed of coin which is legal tender in Surinam. (*Lex cit.* : Article 27; proportion fixed by Decree of the Governor.)

*Place of Deposit* : At least three-quarters of the above reserve must be kept in Surinam, including the half which the Bank is required to hold in legal tender. (*Lex cit.* : Article 27.)

### PURCHASE OF GOLD.

The Bank of Surinam is not required to purchase gold offered to it at a fixed price.

### MINTING OF GOLD.

Surinam has no gold coinage of its own. The ten-florin and five-florin gold coins of the Netherlands circulate as legal tender. (Mint Law of July 1st, 1909 : Article 1.)

### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

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## SWEDEN.

### REDEMPTION.

The State Bank of Sweden is required to redeem its notes in gold specie on demand. In the event of war, menace of war, or a serious financial crisis, this obligation may for a time be suspended by permission of the State. (Constitution of June 6th, 1809 : Article 72, as amended 1915.)

### RESERVE.

The Bank has the right to issue notes for a sum equal to double the amount of the metallic reserve in addition to the fixed fiduciary issue of 250 million kronor. If an increase of the authorised note issue is deemed absolutely necessary on account of war, menace of war, or a serious financial crisis, the King and the Riksdag acting together may authorise the issue of an additional amount of 125 million kronor. The Board of Directors is bound to retire from circulation as soon as possible whatever additional notes may be issued by virtue of this authorisation. (Law of the Riksbank of May 12th, 1897 : Article 6, as amended 1915 and 1930.)

The metallic reserve includes :

- 1) All the gold coin and bullion belonging to the Bank and located in the country;
- 2) Gold coin and bullion belonging to the Bank and on deposit abroad or in transit therefrom, provided it is covered by a marine insurance policy. This item may not exceed 15 % of the total required metallic reserve.

The metallic reserve may not be maintained at an amount below 150 million kronor. (*Lex cit.* : Article 8, as amended 1918 and 1930.)

That portion of the note issue which exceeds the metallic reserve must be covered by the following assets :

- (a) Easily negotiable government securities;
- (b) Bonds of the Royal Mortgage Bank of Sweden<sup>1</sup>, of the Swedish Cities Mortgage Bank, and other domestic bonds which are quoted on foreign exchanges;
- (c) Gold in coin or bullion which is not included in the metallic reserve and which is on deposit abroad or in transit therefrom provided it be covered by a marine insurance policy;
- (d) Bills of exchange payable in Sweden or abroad;
- (e) Funds with a maximum maturity of six months deposited on account with foreign banks or bankers, from which amount must be deducted any sums to the debit of such accounts;
- (f) Advances made on government securities and bonds as mentioned in (a) and (b) above. (*Lex cit.* : Article 7, as amended 1914 and 1930.)

*Place of deposit* : See above.

### PURCHASE OF GOLD.

The Bank is required to purchase gold offered to it at a fixed price with deductions for assay and minting expenses.

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<sup>1</sup> These bonds are secured by farm lands.

#### MINTING OF GOLD.

The Royal Mint is required to accept gold on demand from any person and to give in exchange 10-krona or 20-krona pieces on payment of  $\frac{1}{3}\%$  of the value of the amount minted in the case of the former and  $\frac{1}{4}\%$  of such value in the case of the latter. (Law of May 30th, 1873, concerning the Coinage of the Realm : Article 9.)

#### EXPORT AND IMPORT OF GOLD.

The export of gold is unrestricted. (Proclamation 56, March 31st, 1924.)  
The import of gold is unrestricted. (Royal Decree No. 51, of March 28th, 1930.)

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## SWITZERLAND.

The National Bank of Switzerland is governed by the Law of April 7th, 1921, which was modified by the Law of December 20th, 1929. The provisions analysed below are those of the Law of December 20th, 1929, which came into force on April 1st, 1930,<sup>1</sup> but, in the Annex, the relevant articles from the Law of April 7th, 1921 are also reproduced.

### REDEMPTION.

The National Bank of Switzerland is required to redeem its notes on demand in the gold coin of Switzerland. (Law of December 20th, 1929 : Article 1, section amending Article 20 of the Law of April 7th, 1921.) This obligation may be suspended by the Government only in case of necessity in time of war. (*Lex cit.* : Article 1, section amending Article 22 of the Law of April 7th, 1921.)

However, as long as the banks of issue which are considered important by the authorities of the Bank do not redeem their notes in gold coin, the Bank may redeem its own notes at its choice in one of the following forms :

- (a) Gold coin of Switzerland;
- (b) Gold bullion, calculated at the legal monetary rate, in bars of the usual weight (approximately 12 kilogrammes);
- (c) Gold exchange, either in cash or cheque, on countries possessing a free gold market. The rate of exchange will be the rate of the day but it must not, in any case, exceed the export point to the place in question for the gold coin of Switzerland. The choice of the place is reserved to the Bank. (*Lex cit.* : Article 1, section adding an Article 20 *bis* to the Law of April 7th, 1921.)

### RESERVE.

The Bank is required to cover at least 40% of the note circulation by :

- (a) Gold coin of Switzerland;
- (b) Gold bullion calculated at the legal monetary rate with deduction for minting charges;
- (c) Foreign gold coin.

The bank is required to cover the remainder of the note circulation by :

- (a) Bills of exchange and cheques on Switzerland, and Swiss securities;
- (b) Bills of exchange and cheques on foreign countries, foreign Treasury bills, and foreign sight assets;
- (c) Loans resulting from advances on current account against certain specified securities (Article 14, paragraph 4 (b)) or precious metals (Article 14, paragraph 8). (*Lex cit.* : Article 1, section amending Article 19 of the Law of April 7th, 1921.)

*Place of deposit* : The Bank is required to hold the entire legal minimum gold reserve (40% of note circulation) in Switzerland.<sup>2</sup> (*Lex cit.* : Article 1, section amending Article 19 of the Law of April 7th, 1921.)

<sup>1</sup> Act of the Federal Council of March 28th, 1930.

<sup>2</sup> Before the Law of December 20th, 1929, came into force, the place where the gold included in the reserve was to be held was not specified and it was the Bank's custom to keep from six to ten per cent of the metallic reserve on deposit abroad.

**PURCHASE OF GOLD.**

The Bank is not required to purchase gold offered to it.

**MINTING OF GOLD.**

The Federal Mint is required to mint gold for private persons into 20-franc and 10-franc pieces in quantities of not less than one hundred thousand francs, subject to the sanction of the Department of Finance in every instance. (Regulations for Minting Gold Coin for the Account of Private Persons, November 11th, 1921 : Article 1.)

**EXPORT AND IMPORT OF GOLD.**

The export and import of gold are unrestricted.

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## TURKEY.

The note circulation in Turkey is made up of Government notes and notes of the Ottoman Bank.

The Minister of Finance was authorised to issue notes by the Law of March 30th, 1915. The sum total of the several issues provided for by the laws which were promulgated, and the Conventions and additional acts which were concluded between the Turkish Government and the Administration Board of the Ottoman Public Debt, between 1915 and 1918, amounted to £T192,414,494, of which sum there was actually issued, in seven issues, a total of £T161,018,663.60. A sum amounting to £T2,270,100 having been redeemed in gold and a further sum of £T5,000,000 having been withdrawn from circulation after the issue of an equal sum of bronze and nickel coin, the total note circulation in 1925 was £T153,748,563.00. By the Law of October 30th, 1925, the Government was authorised to replace the notes of the various issues by a single issue of new notes for the amount of £T153,748,563.60, which was equal to the amount at that time in circulation. This replacement was done between 1927 and 1928. By the Law of March 25th, 1929, the maximum issue permitted was increased to £T158,748,563.60, at which figure it stands at present.

The Ottoman Bank was entitled in its charter to issue bank-notes, and this privilege was extended to 1935 by the Convention of March 10th, 1924.

### REDEMPTION.

#### 1. *Government Notes.*

The Government notes are inconvertible. (Law of March 30th, 1915: Article 2; Law No. 701, of October 30th, 1925: Article 5.)

#### 2. *Notes of the Ottoman Bank.*

The notes of the Ottoman Bank which are in circulation are inconvertible. (Law of March 30th, 1915: Article 2.) These notes were issued prior to March 10th, 1924.

The Convention of March 10th, 1924, which maintained the note-issuing privilege of the Ottoman Bank, requires the Bank to redeem the notes which it issues after that date on demand in gold.

### RESERVE.

#### 1. *Government Notes.*

The Government is not legally required to hold any reserve against its notes.

#### 2. *Notes of the Ottoman Bank.*

The Ottoman Bank is not legally required to hold any reserve against its notes in circulation—*i.e.*, its notes issued prior to March 10th, 1924.

The Convention of March 10th, 1924, stipulated that, against all notes issued after that date, the Bank must hold a 33 $\frac{1}{3}$ % gold cover. One half of this gold cover—*i.e.*, one-sixth of the amount of the notes—must be held in gold coin. The other half may be composed of Turkish or foreign bonds and Government securities selected with the approval of the Minister of Finance and held at their gold par value. The Ottoman Bank, up to the present, has not made use of this privilege.

### PURCHASE OF GOLD.

Neither the Government nor the Ottoman Bank are required to purchase gold offered to them.

**MINTING OF GOLD.**

The Law of April 8th, 1916, established the gold piastre<sup>1</sup> as the monetary unit and provided for the minting of gold coins. The privilege of minting belongs only to the Government. At present there is no gold coin in circulation.

**EXPORT AND IMPORT OF GOLD.**

The export of gold is prohibited. (Law of January 18th, 1916.)  
The import of gold is unrestricted.

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<sup>1</sup> 100 piastres = 1 Turkish pound.

## UNION OF SOUTH AFRICA.

### REDEMPTION.

The South African Reserve Bank is required to redeem its notes in gold specie on demand at the office of issue. (The Currency and Banking Act of 1920; amended 1923 : Article 16.)

### RESERVE.

#### *Bank-notes.*

The South African Reserve Bank is required to secure its notes by a reserve of at least 40% in gold or gold specie. (*Lex cit.* : Article 17.)

*Place of deposit* : In addition to that held in its own vaults, gold in the mint and gold in transit belonging to the Bank may be counted as part of its reserves. The Bank may also, with the consent of the Treasury, hold gold balances outside the Union in the custody of its own branches or agencies or deposited in other banks earmarked for the Bank's account to an amount not exceeding one fourth of the total reserve requirements. (*Lex cit.* : Article 17.)

Subject to the consent of the Treasury, the Bank may suspend for not more than thirty days, renewing such suspension for periods of not more than fifteen days at a time, the above reserve requirements, provided it pay a graduated tax to the Treasury during such period on the amounts by which the reserve for notes may fall below the reserve requirements of the Act in respect of such notes and provided further that the Bank shall add to its rates of interest and discount a percentage at least equal to the percentage of the tax levied. (*Lex cit.* : Article 19.)

#### *Other Obligations.*

The South African Reserve Bank is required to secure its deposits and its bills payable by a reserve in gold or specie of at least 40% in addition to the gold required as a reserve for its notes. Not more than 20% of this reserve may be held in silver specie. (*Lex cit.* : Article 23.)

*Place of deposit* : One-fourth of this reserve may, with the consent of the Treasury, be held outside the Union, provided such reserve is held in the Bank's custody or is deposited in another bank and earmarked for its account. (*Lex cit.* : Article 23.)

### PURCHASE OF GOLD.

The South African Reserve Bank is not required to buy gold offered to it.

### MINTING OF GOLD.

There is a branch of the Royal Mint at Pretoria. If any person brings gold bullion to the Pretoria Branch Mint, the Deputy Master is required to assay it and coin it into sterling gold coins on the payment of a fixed fee. No preference may be shown to anyone as regards the order in which the bullion offered is coined. The term "sterling gold coins" means gold coins of the same denominations, designs, weights and fineness as those coined at the Royal Mint in London. Sterling gold coins issued from the Pretoria Branch Mint are deemed to have been issued from the Royal Mint and are current and a legal tender as if they had been coined and issued in England.<sup>1</sup>

<sup>1</sup> The coins struck at the Pretoria Branch Mint are distinguished from London pieces only in that they bear the microscopic Mint mark S.A.



In addition to sterling gold coins there may be coined at the Pretoria Branch Mint any coins of any metal which the Minister of Finance has power to have coined or which the Governor-General in Council may authorise to be coined. These coins, however, may not be deemed as having been made at and issued from the Royal Mint. (The Pretoria Mint Proclamation, 1922, based upon the Coinage Act, 1870<sup>1</sup>: Article 11, paragraph 8.)

#### EXPORT AND IMPORT OF GOLD.

The restrictions on the export of gold were removed on May 18th, 1925.  
The import of gold is unrestricted.

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<sup>1</sup> The relevant passages from the Coinage Act, 1870, will be found in the Annex under the heading, Great Britain.

## THE UNITED STATES OF AMERICA.<sup>1</sup>

### SUMMARY.<sup>2</sup>

	Circulation \$	Gold Reserve \$
Gold certificates .....	879,557,000	879,557,000
Silver certificates .....	416,880,000	None
United States notes .....	264,881,000	155,420,721 <sup>3</sup>
Treasury notes of 1890 .....	1,278,000	None <sup>4</sup>
National bank-notes .....	597,100,000	None
Federal reserve notes .....	1,862,420,000	40%
Federal reserve bank-notes .....	8,418,000	None
Total .....	4,025,524,000	
Deposits in Federal Reserve Banks.....	2,861,760,000 <sup>5</sup>	35% <sup>6</sup>

### REDEMPTION.

#### 1. Gold Certificates.

The Treasurer of the United States is required to redeem gold certificates in gold coin<sup>7</sup> on demand. (Act of March 3rd, 1863; Act of July 12th, 1882; Act of March 14th, 1900; Act of March 4th, 1907; Act of March 2nd, 1911.)

#### 2. Silver Certificates.

The Treasurer of the United States is required to redeem silver certificates in standard silver dollars<sup>7</sup> on demand. (Act of February 28th, 1878; Act of March 3rd, 1887; Act of March 14th, 1900.)

#### 3. United States Notes.

The Treasurer of the United States is required to redeem United States notes in gold coin on demand. (Act of February 25th, 1862; Act of July 11th, 1862; Act of March 3rd, 1863; Act of April 12th, 1866; Act of February 4th, 1868; Act of January 14th, 1875; Act of May 31st, 1878; Act of March 14th, 1900; Act of May 30th, 1908.)

#### 4. Treasury Notes of 1890.

The Treasurer of the United States is required on demand to redeem Treasury notes in United States gold coin or in standard silver dollars at the option of the holder. (Act of July 14th, 1890; Act of November 1st, 1898; Act of June 13th 1898; Act of March 14th, 1900.)

<sup>1</sup> The monetary system of the United States is prescribed for, and current money of the United States is used in the following territories and dependencies: Alaska, including the Aleutian Islands; Hawaii, Midway and Wake Islands; Guam; Yap; American Samoa; Porto Rico.

<sup>2</sup> Figures for December 31st, 1929; *Federal Reserve Report*.

<sup>3</sup> Fixed Figure.

<sup>4</sup> The gold reserve of the United States notes may be used for the redemption of these notes if the holder demands redemption in gold.

<sup>5</sup> Daily average for February, 1930; *Federal Reserve Report*.

<sup>6</sup> This 35% may legally be made up of gold or lawful money, but it is in fact composed entirely of gold.

<sup>7</sup> Gold coin and standard silver dollars are what is called "standard money" and are not redeemable. All forms of money are convertible into "standard money".

### 5. *National Bank-Notes.*

National bank-notes are obligations of the national bank which procures them from the Government and puts them into circulation. The Treasurer of the United States is required on demand to redeem them in the lawful money<sup>1</sup> of the United States out of the lawful money<sup>1</sup> fund which the national banks are required to keep in the Treasury.

Each national bank is required on demand to redeem its own circulating notes in the lawful money<sup>1</sup> of the United States. (Act of February 25th, 1863; Act of June 3rd, 1864; Act of June 20th, 1874; Act of July 12th, 1882; Act of March 14th, 1900; the Federal Reserve Act.)

### 6. *Federal Reserve Notes.*

Federal reserve notes are obligations of the United States, and the Treasurer of the United States is required to redeem them on demand in gold out of the gold fund which the Federal reserve banks are required to keep on deposit in the Treasury.

Any Federal reserve bank is required on demand to redeem in gold or the lawful money<sup>1</sup> of the United States the notes of all other Federal reserve banks. (Federal Reserve Act : Section 16, paragraph 1.)

### 7. *Federal Reserve Bank-Notes.*

Federal reserve bank-notes are obligations of the Federal reserve bank which procures them from the Government and puts them into circulation. The Treasurer of the United States is required on demand to redeem them in the lawful money<sup>1</sup> of the United States out of the lawful money<sup>1</sup> fund which the Federal reserve banks are required to keep in the Treasury.

Each Federal reserve bank is required on demand to redeem its own circulating notes in the lawful money<sup>1</sup> of the United States. (Federal Reserve Act : Section 4, paragraph 8, and Section 18.) (See "Federal Reserve Bank-Notes" under "Reserve".)

## RESERVE.

### 1. *Gold Certificates.*

Gold certificates are receipts for deposits of either gold bullion or foreign or domestic gold coin with the Treasurer of the United States who is required to keep the gold deposited in reserve so long as the certificates remain in circulation. (Act of March 3rd, 1863; Act of July 12th, 1882; Act of March 14th, 1900; Act of March 4th, 1907; Act of March 2nd, 1911.)

*Place of deposit :* The gold for which gold certificates are receipts must be kept on deposit in the Treasury of the United States.

### 2. *Silver Certificates.*

Silver certificates are receipts for deposits of United States standard silver dollars with the Treasurer of the United States, who is required to keep the silver dollars deposited in reserve so long as the certificates remain in circulation. (Act of February 28th, 1878; Act of March 3rd, 1887; Act of March 14th, 1900.)

*Place of deposit :* The standard silver dollars for which silver certificates are receipts must be kept on deposit in the Treasury of the United States.

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<sup>1</sup> The term "lawful money" first appeared in the Act of February 25th, 1862, authorising the issue of United States notes. Lawful money is money which has been given the quality of legal tender by a legislative act. Gold coin, gold certificates, standard silver dollars (except where otherwise expressly stipulated in the contract), Treasury notes of 1890 (except where otherwise expressly stipulated in the contract), and United States notes (except in payment of duties on imports and interest on the public debt) are unlimited legal tender. Silver certificates, National bank-notes, Federal reserve notes, and Federal reserve bank-notes are not legal tender.

### 3. *United States Notes.*

The Treasurer of the United States is required to hold for the redemption of United States notes a reserve in gold coin and bullion of not less than \$150,000,000.<sup>1</sup> (Act of February 25th, 1862; Act of July 11th, 1862; Act of March 3rd, 1863; Act of April 12th, 1866; Act of February 4th, 1868; Act of January 14th, 1875; Act of May 31st, 1878; Act of March 14th, 1900; Act of May 30th, 1908.)

*Place of deposit:* The \$150,000,000 gold reserve against United States notes must be held in the Treasury of the United States.

### 4. *Treasury Notes of 1890.*

The Treasurer of the United States is required to hold for the redemption of Treasury notes a reserve in standard silver dollars equal to the full value of the notes outstanding.

These notes may be redeemed in gold as well as in silver but no gold reserve is held for them, redemption being made out of the gold reserve held for United States notes. Notes redeemed in gold are re-issued; those redeemed in silver are cancelled and silver certificates are issued in their place. (Act of July 14th, 1890; Act of November 1st, 1893; Act of June 13th, 1898; Act of March 14th, 1900.)

*Place of deposit:* The standard silver dollars which form this reserve must be held in the Treasury of the United States.

### 5. *National Bank-Notes.*

National banks are required to deposit with the Treasurer of the United States as a reserve against the notes issued by the Treasury to them :

1. Registered bonds of the United States to the full value of the notes issued.
2. Lawful money<sup>2</sup> to the amount of 5% of the notes issued.

(Act of February 25th, 1863; Act of June 3rd, 1864; Act of June 20th, 1874; Act of July 12th, 1882; Act of March 14th, 1900; The Federal Reserve Act.)

### 6. *Federal Reserve Notes.*

Federal reserve notes are issued for the purpose of making advances to Federal reserve banks and any Federal reserve bank may make application therefor to its Federal reserve agent.

Federal reserve notes are obligations of the United States and a first lien on all the assets of the issuing Federal reserve bank. They are secured as follows :

(1) A Federal reserve bank, when making application to the local Federal reserve agent for Federal reserve notes, must accompany such application with a tender of collateral equal to the sum of the notes applied for. The collateral thus offered must be notes, drafts, bills of exchange, or acceptances acquired under the provisions of Section 18<sup>3</sup> of the Federal Reserve Act, or bills of exchange endorsed by a member bank of any Federal reserve district and purchased under the provisions of Section 14<sup>3</sup> of the Federal Reserve Act, or bankers' acceptances purchased under the provisions of the same section, or gold or gold certificates.

(2) The notes when issued must be secured by a gold reserve of 40 per cent, at least 5 per cent of which must be deposited with the Treasurer of the United States as a redemption fund. Any gold or gold certificates held as collateral by the Federal reserve agent may be counted as part of this reserve.

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<sup>1</sup> This fund, which at present stands at \$152,977,036.63 is known as the "gold reserve".

<sup>2</sup> See the footnote on the preceding page.

<sup>3</sup> It has not been found practicable to summarise the provisions of Sections 18 and 14 of the Federal Reserve Act here. These two sections may, however, be found in full in the Annex.

The Federal Reserve Board has the right to suspend any reserve requirements of any Federal reserve bank for a period not exceeding thirty days or renewable for more than fifteen days, subject to a graduated tax on the deficiency. (Federal Reserve Act, Section 11, paragraph C, and Section 16.)

*Place of deposit* : With the exception of the minimum amount of 5%, which must be kept in the Treasury of the United States, the place where the gold reserve against Federal reserve notes is to be held is not specified.

#### **7. Federal Reserve Bank-Notes.**

Federal reserve bank-notes are being retired and lawful money<sup>1</sup> has been deposited by the Federal reserve banks with the Treasurer of the United States for this purpose.

#### **8. Deposits in Federal Reserve Banks.**

Federal reserve banks are required to hold against the deposits placed with them a reserve of not less than 85% in gold or lawful money.<sup>1</sup> (Federal Reserve Act, Section 16, paragraph 3.)

*Place of deposit* : The place where the gold included in this reserve is to be held is not specified.

### **PURCHASE OF GOLD.**

The Secretary of the Treasury is required to maintain the parity of all kinds of money with the standard unit of value, and if necessary to maintain such parity he is authorised to borrow or buy gold. (First laid down by the Act of February 25th, 1862.)

The Treasurer of the United States is required against the issue of gold certificates to buy all gold offered at a fixed price. (Act of March 3rd, 1863.)

The Federal reserve banks and the national banks are not required to buy gold offered at a fixed price.

### **MINTING OF GOLD.**

The several mints of the United States are required to coin gold on demand for private persons if presented in an amount over \$100 in value. (Act of February 12th, 1873.)

### **EXPORT AND IMPORT OF GOLD.**

Both the export and the import of gold are unrestricted.

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<sup>1</sup> See the footnote on page 135.

## URUGUAY.

### REDEMPTION.

The Bank of the Republic of Uruguay (Banco de la República Oriental del Uruguay) is required on demand to redeem its notes of less than ten pesos at its option in silver or gold coin, and its notes of ten pesos and over in gold. (Charter of the Banco de la República Oriental del Uruguay : Article 10.) The Bank was, however, released from this obligation by Article 2 of the Law of August 8th, 1914, the provisions of which were periodically renewed. The Bank's notes are still inconvertible. (Law of December 17th, 1923 : Article 2.)

### RESERVE.

The Bank is authorised to issue notes of less than ten pesos up to 50% of its paid-up capital, and, in addition, notes of ten pesos and over up to three-times its paid-up capital. (Charter of the Banco de la República Oriental del Uruguay : Article 10.) Over and above this, the Bank may issue notes of ten pesos and over corresponding to the value of its gold deposits abroad up to a maximum of fifteen million pesos. (Law of October 18th, 1928 : Article 8.)

The above stipulations refer only to the amount of notes which the Bank is authorised to issue. Wholly apart from these stipulations the Bank is required to hold a gold reserve equal to not less than 40% of its note circulation, plus its other sight liabilities. (Charter of the Banco de la República Oriental del Uruguay : Article 10, amended by the Law of November 27th, 1917 : Article 1.)

*Place of Deposit :* The Bank is required to hold in its own vaults fifty-five million pesos of its gold reserve. The surplus over this amount may be held wherever the Bank wishes, and if deposited abroad it shall, nevertheless, form an integral part of the reserve. (Charter of the Banco de la República Oriental del Uruguay : Article 10, amended by the Law of October 18th, 1928 : Articles 1 and 2.)

### PURCHASE OF GOLD.

The Bank is not required to purchase gold offered to it.

### MINTING OF GOLD.

The Law of June 23rd, 1862, provided for a gold coin called a doubloon, equal in value to ten silver pesos, but, up to the present, it has not been minted. A gold 5 coin has recently been issued in commemoration of the first Centenary of Uruguayan Independence, but its minting is not free.

### EXPORT AND IMPORT OF GOLD.

The export of gold was prohibited by Article 10 of the Law of August 8th, 1914, the provisions of which were periodically renewed. It is still prohibited, but with the exception that the Bank may export its gold reserve which is in excess of fifty-five million pesos, if it sees fit. (Law of December 17th, 1923 : Article 2. Law of October 18th, 1928 : Article 1.)

The import of gold is unrestricted.

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## VENEZUELA.

The State alone has the right to authorise the issue of notes, which privilege it may entrust to national companies. (Bank Law of July 19th, 1926 : Article 20.) Banks desirous of obtaining this privilege must apply to the Federal Executive through the Ministry of Commerce and must fulfil certain specified requirements. One of these is that the capital with which the bank has been constituted must be gold coin of legal currency. (*Lex cit.* : Article 21.)

The Federal Executive shall decide whether a bank shall or shall not be granted the right to issue notes. Unless nothing is stipulated to the contrary a bank obtaining this authorisation may issue notes up to twice the amount of its paid-up capital, but the Federal Executive, when granting the authorisation, if it considers it to the national interest, may fix a lower limit. (*Lex cit.* : Articles 22 and 26.) The Federal Executive also has the power to authorise the Banks of Issue to issue notes up to three times their paid-up capital, when it considers that the needs of the circulation require it. Should this authorisation be cancelled, the excess notes must be withdrawn from circulation within three months. (*Lex cit.* : Article 27.) The Federal Executive may also declare, when it considers it to the national interest, that no further authorisation to issue notes shall be granted for a certain period. (*Lex cit.* : Article 28, sub-paragraph.)

At present there are six authorised Banks of Issue, four in Caracas and two in Maracaibo.

### REDEMPTION.

Each Bank of Issue is required to redeem its notes in coin of legal currency on demand without limit as to quantity. (*Lex cit.* : Article 26.) Coin of legal currency includes domestic gold, silver and nickel coin, as well as foreign gold coin which the Federal Executive may authorise to circulate in Venezuela. (Currency Law of June 24th, 1918 : Articles 8 and 20.)

### RESERVE.

#### *Against Bank-Notes.*

Each Bank of Issue is required to hold a reserve in gold coin of legal currency equal to at least one-third of the value of the notes issued by it. The remainder of the notes issued, up to their full value, must be covered by other coin of legal currency or by domestic securities payable at sight or within 30 days.

However, the reserve may be reduced in proportion to the amount represented by notes which are not in circulation, provided such notes are kept with the gold reserve. (Bank Law of July 19th, 1926 : Article 26.)

Should the national interest require it, the Federal Executive may require the Banks of Issue to guarantee their note issue with a reserve greater than that stipulated above. (*Lex cit.* : Article 26.)

When the Federal Executive authorises the Banks of Issue to issue notes up to three times their paid-up capital, the excess notes issued in virtue of such an authorisation must be covered to their full value by gold coin of legal currency. (*Lex cit.* : Article 27.)

*Place of deposit* : The gold coin, both that held as cover for the ordinary note issue and that held for extraordinary issues, must be kept in the vaults of the bank in question. (*Lex cit.* : Articles 26 and 27.)

#### *Against Deposits.*

The Bank of Venezuela, in its capacity of Fiscal Agent of the Government Treasury, is required, under the terms of its contract, to hold in gold the deposits which the Government makes with it as the result of the budget surplus.

#### PURCHASE OF GOLD.

There exists no obligation, either on the Government or on the Banks of Issue, to purchase gold offered to them.

#### MINTING OF GOLD.

The State alone has the right to mint gold. (Currency Law of June 24th, 1918 : Article 1.) Orders for minting are issued by the Federal Executive in accordance with the requirements of the circulation and subject to the previous authorisation of the National Congress. (*Lex cit.* : Article 14.) No minting of silver is allowed unless the same decree provides that double the quantity of gold be minted at the same time. If, however, at the time the silver is minted there is twice the quantity in minted gold in the Treasury reserve fund, the additional minting of gold may be dispensed with. (*Lex cit.* : Article 15.)

#### EXPORT AND IMPORT OF GOLD.

The export and import of gold are unrestricted.

Since, in accordance with Article 15 of the Currency Law of June 24th, 1918, a fixed proportion is established between the coinage of gold and silver, and since, in accordance with Articles 1 and 14 of the same law, no gold may be coined except by order of the Federal Executive, the Banks of Issue, in order to maintain the legal ratio of their reserves in gold coin of legal currency, are obliged to import foreign gold coin which the Federal Executive authorises to circulate with legal currency. The gold coin in fact imported is that of the United States of America. The largest importer is the Bank of Venezuela, since it must guarantee the Government deposits as well as its own notes.

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## YUGOSLAVIA.

### REDEMPTION.

The National Bank alone has the right to issue bank-notes in the Kingdom of Yugoslavia. The Bank is required to redeem its notes on demand in legal tender currency and this requirement must be indicated in the text of the notes. (Statutes of the National Bank of Yugoslavia : Articles 29 and 30.)

In exceptional cases, the Bank, with the consent of the Cabinet, may temporarily suspend this obligation.

At present, the obligation of the National Bank to redeem its notes in legal tender currency is suspended. (Law on the National Bank of Yugoslavia : Temporary Provision No. XII.)

### RESERVE.

The Bank is required to hold two reserves as cover for its notes :

1. *A metallic reserve*, consisting of gold and silver specie in the vault of the Bank and on deposit for its account in foreign countries. The amount of each of these and their relative proportions in the metallic reserve shall be fixed by common agreement between the Minister of Commerce and Industry, the Minister of Finance and the National Bank. The Bank may issue notes to a maximum amount of three times the metallic reserve.

2. *A commercial reserve*, consisting of easily realisable commercial paper acquired by such operations as are permitted to the Bank (see Article 19 of the Bank Statutes in the Annex) and bills of exchange of the Union of Agricultural Co-operatives and of the Union of Peasant "Zadrougas". The remainder of the note circulation over and above that covered by the metallic reserve must be covered by the commercial reserve. (Statutes of the National Bank : Articles 32, 33 and 34.)

In addition to the Bank's ordinary note issue, provided for as above, three provisional note issues are also outstanding on the books of the Bank :

1. Notes issued to replace the crowns of the former Austro-Hungarian Empire. These notes are guaranteed by the State with the following security :

- (a) State domains equivalent in value to that of the entire debt;
- (b) A Treasury bond of like amount (Law on the National Bank, Temporary Provision No. IV).

2. Notes of the National Bank of the Kingdom of Serbia still in circulation. The State has engaged itself to hold against these notes a reserve in gold and foreign credits to the sum of 800 million dinars, and to keep this reserve at the same height during the period of inconvertibility. (*Lex cit.* : Temporary Provisions Nos. VIII and IX.)

3. Advances by the Bank to the Minister of Finance to the amount of 2,425 million dinars. The State has engaged itself to guarantee the whole of this debt by a lien on its productive domains. (*Lex cit.* : Temporary Provision No. X.)

These provisional issues do not form a part of the Bank's proper note issue, but nevertheless the metallic reserves held by the Bank, as well as its foreign credits and all its other assets, serve as cover to the entire fiduciary issue. (*Lex cit.* : Temporary Provision No. VII.)

*Place of deposit* : The Bank's metallic reserves must be held in its own vaults or on deposit for its account abroad. (Statutes of the National Bank : Article 33.)

**PURCHASE OF GOLD.**

Neither the State nor the National Bank is required to purchase go'd offered to them.

**MINTING OF GOLD.**

The minting of gold is not free. For the only issue of gold coin which has been made to date it was provided that gold belonging to the State and held at the National Bank had to be used. There is, moreover, no mint in Yugoslavia. (Finance Law of 1924-1925; Article 286.)

**EXPORT AND IMPORT OF GOLD.**

The export of gold is forbidden. (Law of September 23rd, 1921 : Article 3.)

The import of gold is unrestricted. All gold imports, however, except those of legal-tender gold coin, are subject to a Customs duty.

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# **EXTRACTS FROM LAWS AND STATUTES**

ALBANIA.

[Translation.]

STATUTES OF THE NATIONAL BANK.

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SECTION III.—PURPOSE AND DUTIES OF THE BANK.

Article 15.

The Bank has for its purpose the exclusive exercise of the right to issue paper money having free currency and being legal tender for all payments made in Albania. The Bank also enjoys the exclusive right to mint and issue the gold coin and all of the subsidiary coin of Albania. The profits which accrue from these operations last mentioned shall be divided equally between the Government and the Bank.

.....

SECTION IV.—ISSUE OF BANK-NOTES.

Article 21.

The Bank of Albania shall have the exclusive right to issue paper currency in the State of Albania.

The bank-notes shall be made out to bearer and shall be legal tender; they may be employed in discharge of all payments to be effected in the legal coinage of Albania. They shall be accepted by the Treasury and other official institutions.

Article 22.

The notes shall be issued by the Bank solely in connection with the operations authorised by the present Law and by the Statutes, and in exchange for gold and silver currency.

The Bank shall maintain a metal reserve (gold and silver, bullion or coin) amounting to not less than one-third of the value of the bank-notes issued.

The Board of Directors shall decide where the reserve in question is to be deposited.

If the Board of Directors of the Bank so decides, a portion of the said reserve, which shall in no case exceed two-thirds, may consist of foreign values, provided they are absolutely safe and stable. Foreign values are understood to mean :

- (a) Foreign bank-notes not subject to abnormal exchange fluctuations;
- (b) Foreign treasury obligations of not more than three months' term, payable in gold or in exchange not subject to abnormal fluctuations;
- (c) Bills of exchange issued in foreign currencies not subject to abnormal exchange fluctuations, payable in the leading money markets of Europe and America within a maximum period of three months, and in every case bearing the signature of two juridical persons who are bound by the bill and are recognised as solvent, or of an establishment of unquestioned solvency.

Assets and funds immediately available without any restrictions, deposited in establishments of unquestioned solvency in the leading money markets of Europe and America, shall likewise be regarded as foreign values.

*Article 23.*

Should the ratio between the amount of the reserve stipulated in the preceding article and the bank-notes issued fall below one-third, the Bank shall be obliged, so long as this discrepancy between the reserve and the bank-notes exists, to increase the rate for discount and all other operations as follows :

- 1 % (one per cent) if the reserve falls below  $33\frac{1}{3}$  % (thirty-three and one-third per cent), but is not less than  $31\frac{1}{3}$  % (thirty-one and a half per cent);
- $1\frac{1}{2}$  % (one and a half per cent) for each further reduction equivalent to  $1\frac{1}{2}$  % (one and a half per cent).

*Article 24.*

The bank-notes shall be repayable at sight at the head office of the Bank in one of the following forms, as decided by the Board of Directors of the Bank :

- (a) In the gold currency of the Albanian State;
- (b) In foreign bank-notes negotiable in countries in which such notes are freely convertible into gold at the bearer's option;
- (c) By cheques or telegraphic payments drawn against funds available on current accounts with foreign banks in countries whose currency is sufficiently stable and is negotiable in the leading markets.

The rate at which the bank-notes shall be converted into the currencies mentioned above shall be based on the rate of the latter as compared with gold at the time of conversion.

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**ALGERIA.**

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[*Translation.*]

**CURRENCY LAW OF JUNE 25TH, 1928.**

**ARTICLES 1, 3 AND 9.**

(See under the heading "France".)

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**APPROVAL GIVEN BY THE PRIME MINISTER AND MINISTER OF FINANCE  
TO THE INSTRUCTIONS WHICH THE DIRECTOR-GENERAL OF THE BANK  
OF ALGERIA PROPOSED TO ISSUE TO THE BRANCHES OF THE BANK.**

Paris, July 6th, 1928.

In your letter of July 3rd, 1928, you were good enough to communicate to me the text of the instructions you propose to send to the branches of the Bank of Algeria concerning the re-establishment of the convertibility into gold of the bank-notes issued by them. You lay down that these notes shall for the present be re-payable only in gold bars, a minimum quantity being fixed, as in the case of the Bank of France, and that, as a general rule, these bars shall not be delivered to the interested parties in Algeria or Tunisia, but only in Paris at the head office of your establishment.

I have the honour to inform you that I regard these provisions as justified, and consequently approve the text of the instructions you have submitted to me.

(Signed) R. POINCARÉ,  
*Prime Minister,  
Minister of Finance.*

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**INSTRUCTIONS SENT BY THE DIRECTOR-GENERAL OF THE BANK OF ALGERIA  
TO THE BRANCHES OF THE BANK.**

Under Article 1 of the Law of June 25th, 1928, the notes of the Bank of Algeria cease in principle to have forced currency. This does not mean that such notes are at present repayable at sight in coin.

There are not, in fact, at the present time, any gold or silver coins which are legal tender and therefore exchangeable for bank-notes, as Article 9 of the above-mentioned Law lays down that coins minted previously cease to be legal currency as between individuals, and cannot be accepted as payment by the public authorities.

Furthermore, Article 3 of the above Currency Law provides that the notes of the Bank of Algeria shall be convertible under the conditions established by agreement between the Minister of Finance and the Bank, which are similar to those specified in connection with the convertibility of notes of the Bank of France.

These conditions are as follows :

Until further notice, the Bank of Algeria shall ensure the convertibility of its notes by exchanging them for gold bars deliverable in Paris, at the rate of 65.5 milligrammes of gold of a fineness of 900/1000ths (nine hundred thousandths) per franc. Each bar delivered in Paris shall weigh 12 kilogrammes 600 grammes—*i.e.*, its value shall be 215,000 francs.

If a holder of notes wishes to exchange these notes for bars, he may apply for the purpose to any branch or office of the Bank of Algeria, which shall receive the notes to be exchanged and shall send the request for exchange to the branch of Alger Escompte. The sum deposited for exchange must be equal to the minimum value of a bar or some multiple of this value.

The branch of the Alger Escompte shall issue a "voucher for delivery" in the name of the receiver designated by the holder of the notes, the sum to be payable in gold bars at the head office in Paris. The head office shall arrange for the delivery of the bars in Paris to the person designated in the voucher upon presentation of the voucher. The Algiers branch shall immediately notify the head office of the issue of each voucher.

The Bank is, moreover, in a position to deliver without charge in exchange for its notes, cheques on Paris and on London and New York at the current rates. The Algiers branch shall deliver these cheques in Algeria, and the Tunis branch in Tunisia.

If, for absolutely justifiable reasons, a holder of notes asks for delivery of the bars at Algiers, he must submit this request to the head office with all necessary explanations and the head office will decide to what extent the request can be complied with by the delivery of bars at Algiers instead of in Paris.

You should, however, bear in mind that such requests must be absolutely exceptional and that the Bank cannot encourage transactions of a reprehensible nature by delivering gold at Algiers for private purposes, the cost of transport of which has to be borne by dealers in gold.

With regard to the delivery of bars in Paris, you should remember that this transaction itself is of a purely exceptional nature, since the current requirements of trade should be met by drafts on Paris or abroad.

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## DRAFT LAW<sup>1</sup> FOR THE REFORM OF THE CURRENCY REGULATIONS OF THE BANK OF ALGERIA.

### *Article 1.*

The Bank of Algeria must hold a reserve of gold bars, or French or Tunisian gold coins, or notes of the Bank of France, or assets payable at sight on France, equal to a minimum of 85% of the total amount of its bearer notes in circulation and its current credit accounts.

One-third at least of the reserve thus defined must consist of gold bars, or French or Tunisian gold coin.

### *Article 2.*

The ratio of the reserve to the sight obligations specified in Article 1 of the present law may be temporarily less than 85% provided it remains above 80% and on the condition that the Bank of Algeria pay to the State a special graduated tax in accordance with the following scale:

(This scale on account of its size is not reproduced here.)

. . . . .

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<sup>1</sup> This draft law was submitted to the Chamber on July 5th, 1929, by M. Henri Chéron, Minister of Finance, but has not yet been voted.

ARGENTINE.

[Translation.]

LAW No. 1130, OF NOVEMBER 5TH, 1881.

Article 1.

The monetary unit of the Argentine Republic shall be the gold or silver peso.  
The gold peso contains 1 gramme 6,129 ten-thousandths of a gramme of gold, 900/1000ths (nine hundred thousandths) fine.  
The silver peso contains 25 grammes of silver, 900/1000ths fine.

Article 4.

There shall be no limit to the minting of gold coins.

DECREE OF NOVEMBER 17TH, 1881, REGULATING LAW No. 1130.

Article 17.

The Mint shall accept for smelting, refining and assay the gold and silver offered to it, provided that the gold is not less than 200 grammes, and the silver 5 kilogrammes in weight and provided they are not of such inferior fineness or so admixed with other metals as to make their treatment by the processes at the Mint's disposal impossible or inconvenient, in which case acceptance shall be refused.

Article 19.

The Mint shall accept for minting, free of charge, all gold offered to it in stamped bars irrespective of the tolerance.

LAW No. 1354, OF OCTOBER 19TH, 1883.

Article 1.

Banks of issue, whether State, mixed or private, may only issue notes payable in national gold pesos.



LAW No. 2216, OF NOVEMBER 3RD, 1887.

*Article 1.*

Any corporation or company formed for the purpose of carrying on banking operations may open in any city or locality on the territory of the Republic a deposit and discount bank with the right of issuing notes covered by national public funds in accordance with the provisions of this Law.

*Article 2.*

When the corporation or company is constituted in accordance with the legislation in force and the instrument or contract has been entered at the Registry of the National Court of the Province or the National Territory where the bank is to operate, the legal representative of the corporation or company shall apply to the Ministry of Finance, submitting a certified copy of the instrument or contract, and request permission to open a deposit and discount bank with the right to issue notes.

.....

*Article 10.*

Banks operating under the present law :

(1) May increase their own issue with the approval of the Ministry of Finance, provided that the articles of association, statutes, or charter of the said banks so authorise, and subject to depositing with the Inspection Office a proportionate amount of Government securities issued in accordance with the present Law or mentioned in Article 8; banks already in existence, however, which have at the present time inconvertible notes in circulation shall continue to be subject in this respect to the limitation laid down in Article 45;

(2) May also reduce their issue by handing over notes withdrawn from circulation to the Inspection Office.

In such a case, the Inspection Office shall deliver to the company's legal representative a proportional amount of the Government securities belonging to the bank in question and shall destroy the notes in the manner laid down in Article 29.

*Article 11.*

Banks with a guaranteed note issue must send the Inspection Office a monthly balance-sheet as well as an annual balance-sheet, together with a detailed report on the situation of the bank and its operations.

.....

*Article 13.*

Banks may not make advances on their own shares nor purchase them, nor invest their capital in immovable property, except when required for their own use, but they may accept immovable property as security or in repayment of advances previously made.

In the latter case, they must transfer such property within a period of three years.

*Article 14.*

Banks may not put into circulation notes received by them from the Inspection Office without previously forming a gold reserve fund equal to ten per cent (10%) of the amount of notes received for circulation. After first making allowances for bad and doubtful debts, they

shall annually allocate eight per cent (8%) of their liquid profits to increasing the said reserve fund, which amount shall be converted into gold during the year in which the profits in question are distributed.

The above reserve may be realised and put into circulation by means of legitimate and normal operations, and in accordance with the provisions of the decree issued by the Federal Executive.

. . . . .

*Article 31.*

The bank-notes issued in accordance with the present law shall have legal currency throughout the whole Republic, and shall be legal tender at their par value for all debts payable in legal currency; they shall be accepted in payment of all national or provincial taxes.

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LAW No. 2741, OF OCTOBER 7TH, 1890.

*Article 1.*

A Conversion Office shall be created to arrange for the conversion and gradual redemption of legal currency. The National Office of Guaranteed Banks shall be incorporated in this institution with all the privileges conferred on it by the Law which created it, as well as those granted to it by the present Law.

. . . . .

*Article 4.*

All operations connected with the issue, conversion or redemption of legal currency shall be conducted through the Conversion Office in the form and manner laid down by the respective laws.

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LAW No. 3871, OF NOVEMBER 4TH, 1889.

*Article 1.*

The Government shall convert the whole of the present fiduciary issue of notes which are legal tender into national gold currency at the exchange rate of one peso national currency (legal tender) for forty-four centavos of a peso, national minted gold.

*Article 2.*

The Federal Executive shall duly fix by decree, three months in advance, at what date, by what method, and in what form effect shall be given to the provisions of the previous article.

*Article 3.*

The Federal Executive shall form a metallic reserve, to be known as the "Conversion Fund", for the sole purpose of guaranteeing the conversion of the paper currency.

.....

*Article 7.*

Pending the promulgation of the decree mentioned in Article 2, fixing at what date and by what method currency which is legal tender is to be converted, the Conversion Office shall issue and deliver on request notes which are legal tender in exchange for minted gold, at the rate of one peso (legal tender) for forty-four centavos of a gold peso, and shall deliver gold received by this means to any person making a request to this effect, in exchange for paper currency at the same rate of exchange.

A special account shall be kept in connection with the Conversion Office for notes issued in accordance with the present article and gold received in exchange.

*Article 8.*

The gold received by the Conversion Office in exchange for notes may in no case and on no person's order be employed for any other purpose than that of converting notes at the fixed rate, on the personal responsibility of the members of the Conversion Office or the officials effecting the exchange.

*Article 9.*

Taxes collected by the Government in paper currency which is legal tender, or in minted gold, may be paid either in paper or gold at the rate fixed by this Law.

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LAW No. 11260, OF NOVEMBER 26TH, 1923.

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*Article 52.*

The Federal Executive is hereby authorised to withdraw gold from the Conversion Fund in exchange for paper, at the rate of 227.27, for the purpose of meeting the Foreign Debt service.

.....

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DECREE OF MAY 12TH, 1925.

*Article 1.*

The embargo on the exportation of gold coin imposed by Law No. 9488 is hereby abrogated as from June 10th next.

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AUSTRALIA.

ORDER IN COUNCIL AND PROCLAMATION OF OCTOBER 13TH, 1897,  
ESTABLISHING A BRANCH MINT AT PERTH, WESTERN AUSTRALIA,  
AS AMENDED BY ORDER IN COUNCIL AND PROCLAMATION OF  
MARCH 7TH, 1898.

BY THE QUEEN : A PROCLAMATION.

We do hereby, by and with the advice of our Privy Council, proclaim, direct, and ordain as follows :

1. A branch of Our Mint shall be established at or near Perth in Our Colony of Western Australia on such site as the Governor of the Colony in Council may approve.

2. Gold coins may be coined at the branch Mint so established, and shall be of the same denominations, designs, weights, and fineness, and subject to the allowance of the same remedy as gold coins coined at Our Mint in England.

3. The Master of Our Mint shall prepare and transmit dies for the gold coins to be coined at the branch Mint at Perth.

4. The gold coins coined in pursuance of this proclamation at the branch Mint at Perth shall be deemed to have been issued from Our Mint, and shall be current and a legal tender in like manner and to the like extent as if they had been coined and issued in England.

5. (i) If any person brings to the branch Mint at Perth any gold bullion, the Deputy Master of that branch shall assay, coin, and deliver out the same to such person upon payment for every ounce Troy of gold of standard fineness, of a charge of three-halfpence where the amount brought at one time does not exceed five hundred ounces, and of a penny in any other case, provided that :

(a) Where the gold bullion so brought is such that it cannot be brought to the standard of fineness of the coin to be coined thereout without refining the whole or some portion of it, the Deputy Master shall demand for assaying and refining the same such additional charge as the Governor in Council may from time to time fix, and until such charge is paid to him may refuse to receive, assay, or coin such bullion; and

(b) Where the bullion brought to the branch Mint for coinage is finer than the standard fineness of the coin to be coined thereout, there shall be delivered to the person bringing the same such additional amount of coin as is proportionate to such superior fineness;

(c) No undue preference shall be shown to any person as respects the bullion brought to the branch Mint, and every person shall have priority according to the time at which he brought it;

(d) The Governor of Western Australia in Council may make regulations for carrying into effect the provisions of this Article with respect to gold bullion, and the bringing, coining, and delivery out thereof, and, in particular, for regulating the time and conditions at and under which it is to be so brought, assayed, coined, and delivered out, and the minimum amount which may be so brought.

(ii) The charges under this Article for coining, assaying, and refining shall be collected by the Deputy Master in accordance with the said regulations either as a payment in advance

or as a deduction from the coin delivered out, or otherwise, and shall be accounted for and paid over in such manner as the Governor in Council directs to the Colonial Treasurer of Western Australia to be by him paid into the Consolidated Revenue Fund of the Colony.

.....

10.<sup>1</sup> This proclamation shall come into force in Our Colony of Western Australia, on the expiration of nine months from the thirteenth day of October one thousand eight hundred and ninety-seven, unless it is sooner promulgated in the Colony, and, in that case, on such promulgation.<sup>2</sup>

THE MELBOURNE MINT PROCLAMATION, 1900.

.....

BY THE QUEEN : A PROCLAMATION.

Whereas We, by the Order in Council and Proclamation<sup>3</sup> specified in the Schedule to this Proclamation, ordered the establishment of a branch of Our Royal Mint at or near Melbourne, in Victoria, and made regulations respecting the same, and regulated the currency of the gold coins coined thereat;

.....

We, therefore, in pursuance of the said Act and the last-mentioned Order and Proclamation, and of all other powers enabling Us in that behalf, do hereby, by and with the advice of Our Privy Council, proclaim, direct, and ordain as follows :

1. A branch of Our Mint shall continue to be established at or near Melbourne, in our Colony of Victoria, on its present site, or on such other site as the Governor of the Colony in Council may approve.

2. Gold coins may be coined at the Melbourne Branch Mint so established, and shall be of the same denominations, designs, weights, and fineness, and subject to the allowance of the same remedy as gold coins coined at Our Mint in England.

3. The Master of Our Mint shall prepare and transmit such dies as may be required for the gold coins to be coined at the Melbourne Branch Mint.

4. The gold coins coined in pursuance of this Proclamation at the Melbourne Branch Mint shall be deemed to have been issued from Our Mint, and shall be current and a legal tender in like manner and to the like extent as if they had been coined and issued in England.

5 (i). If any person brings to the Melbourne Branch Mint any gold bullion, the Deputy Master of that branch shall assay, coin, and deliver out the same to such person upon payment for every ounce troy of gold of standard fineness of a charge of one penny, provided that :

(a) Where the gold bullion so brought is such that it cannot be brought to the standard fineness of the coin to be coined thereout without refining the whole or some portion of it, the Deputy Master shall demand for assaying and refining the same such additional charge as the Governor of Victoria in Council may from time to time fix, and until such charge is paid to him may refuse to receive, assay, or coin such bullion; and

<sup>1</sup> This Article was substituted for Article 10 of the Proclamation of 1897 by the Proclamation of March 7th 1898.

<sup>2</sup> This Proclamation was promulgated by the Governor of Western Australia, July 8th, 1898.

<sup>3</sup> August 7th, 1869.

(b) Where the bullion brought to the branch Mint for coinage is finer than the standard fineness of the coin to be coined thereout, there shall be delivered to the person bringing the same such additional amount of coin as is proportionate to such superior fineness;

(c) No undue preference shall be shown to any person as respects the bullion brought to the branch Mint, and every person shall have priority according to the time at which he brought it;

(d) The Governor of Victoria in Council may make regulations for carrying into effect the provisions of this Article with respect to gold bullion, and the bringing, coining, and delivery out thereof, and, in particular, for regulating the time and conditions at and under which it is to be so brought, assayed, coined, and delivered out, and the minimum amount which may be so brought.

(ii). The charges under this Article for coining, assaying, and refining shall be collected by the Deputy Master in accordance with the said regulations, either as a payment in advance, or as a deduction from the coin delivered out, or otherwise, and shall be accounted for and paid over in such manner as the Governor of Victoria in Council directs to the Colonial Treasurer of Victoria, to be by him paid into the Consolidated Revenue Fund of the Colony.

13. This Proclamation shall come into force on the first day of December, Nineteen hundred, unless it is sooner promulgated, and in that case on such promulgation.

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THE COMMONWEALTH BANK ACT, 1911-1927<sup>1</sup>.

*Article 60H.*

1. Australian notes may be issued in any of the following denominations, namely, five shillings, ten shillings, one pound, five pounds, ten pounds or any multiple of ten pounds, and shall :

(a) Be printed and issued by the Board from the Commonwealth Bank;

(b) Be a legal tender throughout the Commonwealth and throughout all territories under the control of the Commonwealth, except in respect of payments due by the Note Issue Department; and

(c) Bear the promise of the Treasurer to redeem the notes in gold coin (or, in the case of a single five shillings Australian note, in silver coin) on demand at the Head Office of the Commonwealth Bank.

*Article 60K.*

1. The Board shall hold in gold coin and bullion a reserve of an amount not less than one-fourth of the amount of Australian notes issued.

2. In ascertaining the amount of Australian notes issued, the amount of notes which have been redeemed shall not be included.

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<sup>1</sup> Act No. 18, 1911, as amended by No. 24, 1914; No. 43, 1920; No. 15, 1924; No. 16, 1925; and No. 36, 1927.

ACT No. 81 OF 1929 (DECEMBER 17<sup>TH</sup>): (AN ACT TO AMEND  
THE COMMONWEALTH BANK ACT, 1911-1927).

*Short Title and Citation.*

1. (1) This act may be cited as the Commonwealth Bank Act 1929.
- (2) The Commonwealth Bank Act, 1911-1927, is in this Act referred to as the Principal Act.
- (3) The Principal Act, as amended by this Act, may be cited as the Commonwealth Bank Act, 1911-1929.
- (4) After section 7A of the Principal Act, the following sections are inserted :

*Returns of Holdings of Gold.*

7B. (1) Where the Treasurer (of the Commonwealth) is satisfied that it is expedient for the protection of the currency, or of the public credit of the Commonwealth, to obtain particulars of gold coin and bullion held by persons in Australia, or to require the exchange of any gold so held for Australian notes, he may, by notice in writing, authorise the Board [of Directors of the Commonwealth Bank]:

- (a) To require persons to furnish particulars of the gold coin and bullion held by them; and
  - (b) To require persons to exchange for Australian notes any gold coin or bullion held by them.
- (2) The Board may, in pursuance of any authority given under the last preceding subsection, by notice in writing :
- (a) Require any person to furnish to the bank particulars in writing of the gold coin and bullion held by that person; and
  - (b) Require any person to exchange with the Bank for its equivalent in Australian notes any gold coin or bullion held by that person.
- (3) For the purposes of this section :
- (a) The equivalent of gold coin shall be the nominal value thereof, and of gold bullion shall be three pounds seventeen shillings and ten pence and one halfpenny per ounce of the standard gold content of the bullion; and
  - (b) "Standard gold" contains eleven-twelfths fine gold.
- (4) Any person who refuses or fails to comply with any requirement made under this section shall be guilty of an offence.

*Penalty:* A fine of one hundred pounds or imprisonment for one year or, in the case of a corporation, a fine of one thousand pounds.

*Export of Gold.*

7C. (1) Where, after the receipt of a recommendation from the Board, the Governor-General is of opinion that it is expedient so to do, he may, by proclamation, prohibit the export of gold from the Commonwealth, except in accordance with the provisions of the succeeding sub-sections of this section, and thereupon gold shall not, while the proclamation remains in force, be exported from the Commonwealth except in accordance with those provisions.

(2) Any person who desires to export gold from the Commonwealth may apply in writing to the Board for the approval of the Treasurer of the export of the gold.

(8) Where, after the receipt of a recommendation from the Board for such approval, the Treasurer is of opinion that it is expedient so to do, he may, in his absolute discretion, approve of any application under this section.

(4) Any person who exports gold without the approval of the Treasurer shall be guilty of an offence.

*Penalty:* A fine of one hundred pounds or imprisonment for one year or, in the case of a corporation, a fine of two per centum of the value of the gold in respect of which the offence was committed, but in no case less than one thousand pounds.

*Exemptions from Export Provisions.*

7D. Nothing in the last preceding section shall prevent any person taking with him out of the Commonwealth gold of a value not exceeding twenty-five pounds.

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AUSTRIA.

[Official translation.]

STATUTES OF THE NATIONAL BANK.

Article 1.

The Austrian National Bank shall be a joint-stock company established for the purpose of regulating the circulation of money within the territory of the Republic of Austria, of facilitating compensation of payments and providing for the utilisation of available capital within the limits of these Statutes of Association. Its main function, however, will be to prepare the introduction of cash payments (redemption of bank-notes in specie) by forming a reserve of precious metals and deposits payable in stable currencies (bills of exchange) and to ensure the continuance of cash payments once they have been introduced by law.

The Bank shall use all the means at its disposal to ensure that, until the redemption of paper money (bank-notes) in specie has been regulated by law, the value of its notes when expressed in the currency of a country having a gold standard or a stable currency shall at least not depreciate.

.....

Article 80.

After payment in coin has been decided upon (Article 83), the text printed on the bank-notes must contain a statement to the effect that the Bank will pay at any time the bearer of the notes in coin of legal currency.

.....

Article 83.

The Bank shall provide for the accumulation of a metal reserve to such an amount that, as soon as a new legal relation of the currency unit to the currency metal will have been fixed, and the Federal Debt to the Bank will have been reduced to 80 millions of gold kronen (Article 58), cash payments can be commenced with.

If the Federal Government or the Board of Directors of the Bank consider the moment for beginning with cash payments to have come, an agreement must be sought between the Government and the Board of Directors.

If the Government and the Board of Directors have come to an agreement, the Government must propose the adoption of cash payments in Parliament as soon as possible.

Until the adoption of cash payments, as described in the foregoing paragraphs, the Bank is not obliged to redeem its notes in specie.

.....

Article 85.

From the time when the share capital is fully paid up until the adoption of cash payments, the following provisions are to be in force as regards the cover of the banknotes :

The total of the note-issue and immediate liabilities, after deduction of the Federal Loan Debt (Article 58), shall be covered by the cash reserve to the extent of 20 % for the first five

years, 24 % for the following five years, 28 % for a further five years and 33 $\frac{1}{3}$  % for the rest of the period; foreign currency (Valuten) and foreign values (Devisen) may be included in the cash reserve.

In order to ascertain the proportion of cover, until the legal relation of currency has been fixed, the value of these holdings shall be calculated at the end of each year for the following calendar year on the basis of the average rate of exchange on the Vienna Stock Exchange during the previous half-year. In this connection shall be understood :

By foreign currency (Valuten) : foreign notes which have not undergone any violent fluctuations of exchange.

By foreign values (Devisen) : bills of exchange made out in currencies not having undergone any violent fluctuations of exchange, which are payable at leading banking centres in Europe or America, and are vouched for by banking institutions of unquestioned solvency, and in every other respect fulfil the conditions of Article 58.

Credit balances and cash deposits may also be regarded as foreign values (Devisen) if they are available at any time and held at leading banking centres in Europe or America at institutions of unquestioned solvency.

Until cash payments are adopted, an amount of 25 million gold Kronen in credits and deposits of the kind specified above shall be held at the chief banking centres of Europe and America. This amount may only be reduced by a decision of the Board of Directors which has been agreed to by not less than eight members of the Board and the Chairman.

. . . . .

*Article 87.*

After the adoption of cash payments, the total note-issue, as well as all immediate liabilities, shall be covered to the extent of at least one-third by the cash reserves specified in Article 85. The assets referred to in Article 86 and the advance by the Bank to the Federation (Article 53), based on the transfer of the State Treasury Bills from the Austrian Management of the Austro-Hungarian Bank, shall serve as cover for the remainder of the bank-note circulation.

*Article 88.*

If in the period between the paying up in full of the share capital and the adoption of cash payments the amount of notes issued, together with all immediate liabilities, should, after deduction of the Federal Loan Debt, exceed the maximum ratio between the note-issue and the cover stipulated in Article 85, a note-tax on the excess shall be paid to the Federation.

The taxation rate shall be the current discount rate, plus the following increases :

- (a) 1 % if the proportion of cover (Article 85) amounts to less than 20 % (or 24, 28 or 33 $\frac{1}{3}$  % respectively) but to more than 18 % (or 22, 25 $\frac{1}{3}$  or 30 % respectively), and
- (b) A further 1 $\frac{1}{3}$  % for every further 2 % or fraction of 2 % by which the proportion of cover falls below 18 % (or 22, 25 $\frac{1}{3}$  or 30 % respectively).

The taxation rate must, however, be at least 5 %.

*Article 89.*

After the resumption of cash payments, the Bank shall pay a note-tax as soon as the proportion of cover (Article 87) falls below 40 %.

The taxation rate shall be the current discount rate, plus the following increases :

- (a) 1 % if the proportion of cover (Article 87) is less than 40 % but more than 33  $\frac{1}{3}$  %;
- (b) A further 1 $\frac{1}{3}$  % for every further 3 %, or fraction thereof, by which the proportion of cover falls below 33 $\frac{1}{3}$  %.

The note-tax must, however, be at the rate of at least 5 %.

*Article 90.*

For the purpose of determining the note-tax to be paid, the Administration of the Bank shall determine the amount liable to taxation, under the foregoing provisions, on the 7th, 15th, 23rd and the last day of each month, and shall communicate to the Finance Administration at the end of each month the amounts calculated for each of the respective periods.

The note-tax to be paid by the Bank on the basis of these figures will be determined as follows : The amount due for tax in respect of the excess note-issue for each of the periods shall be calculated as for a year at the rates of taxation applicable to each period, and then divided by 48. The tax to be paid by the Bank shall be the total of the amounts thus ascertained as due for the several periods.

The note-tax shall be credited to the Federal Administration every month and shall be applied to the reduction of the Federal Loan Debt (Article 53).

.....

*Article 92.*

After a legal relation of currency has been established in accordance with Article 88, the Bank shall, at its Head Office in Vienna, be obliged at any time on demand to accept currency metal in bullion at the legal minting parity in exchange for bank-notes.

The Bank shall be entitled to have the accepted bullion assayed and refined at the expense of the seller by technical experts, nominated by the Bank, and to deduct the minting and other fees fixed and published by the Government.

.....

[Translation.]

FEDERAL LAW OF DECEMBER 20TH, 1924.

.....

*Article 11.*

(1) The Mint is required to coin gold money of the Confederation for the account of private persons who make a demand to that effect and supply the necessary gold.

(2) The fees to be collected for minting done for the account of private persons will be fixed by decree; it must not exceed 0.3 per cent *ad valorem*.

.....

DECREE OF OCTOBER 15TH, 1929, OF THE FEDERAL MINISTER OF FINANCE,  
CONCERNING THE MINTING OF FEDERAL GOLD COIN.

(*Bundesgesetzblatt* 1929, Part 82, No. 846.)

.....

In virtue of the Federal Law of December 20th, 1924, *Bundesgesetzblatt* No. 461, it is decreed as follows :

In the Decree of the Federal Minister of Finance dated July 17th, 1926, *Bundesgesetzblatt* No. 185, the paragraph "D. Fees" shall read as follows :

*D. Fees.*

The following fees shall be charged for minting Federal gold coins :

(a) Assay fee (*Probegebühr*).—An assay fee of 2S. 40g. shall be charged for each ingot and for each amount of gold, in coin or other form presented. Should, in accordance with Section A, paragraph 5, a second test of the standard of fineness have been made by the Central Mint (*Hauptmünzamt*), or a final assay undertaken by the Central Hall Marks and Assay Department (*Hauptpunzierungs- und Probieramt*), the assay fee shall only be levied for such assay tests if the result of the last assay coincides with that obtained by the Central Mint at the first test for standard of fineness;

(b) Refining fee (*Scheidegebühr*)—amounts to 21S. per kilogramme of unrefined metal, and must be paid :

(1) On gold which is less than 898/1000 fine;

(2) On gold which cannot immediately be used for the minting of Federal gold coin, even though its fineness amounts to or exceeds 898/1000;

(3) On gold containing silver or other precious metals for which compensation is claimed.

(c) Smelting fee (*Schmelzgebühr*)—amounts to 80g. per kilogramme of unrefined metal, and is only chargeable if the gold delivered is smelted or re-smelted.

(d) Minting fee (*Prägegebühr*)—for the minting of Federal gold coins of 25S., amounts to 8S. 20g. per kilogramme of fine gold for the Austrian National Bank, and to 14S. 17g. for other parties. For the minting of Federal gold coins of 100S., a minting fee of 14S. 17g. per kilogramme of fine gold will be charged in every case.

**BELGIAN CONGO.**

[*Translation.*]

**CONVENTION CONCERNING THE ISSUE OF BANK-NOTES <sup>1</sup>  
BETWEEN THE BELGIAN CONGO AND THE TERRITORIES UNDER BELGIAN  
MANDATE, AND THE BANK OF THE BELGIAN CONGO.**

*Article 1.*

The Bank is empowered, subject to the conditions laid down in the present Convention, to issue in the Colony notes payable to bearer at sight.  
No other shareholders' bank of issue may be established except under the form of a joint-stock company and by virtue of a decree.

*Article 2.*

This authorisation is granted until June 30th, 1952. The Bank may propose its renewal; it shall submit its request at least two years before the expiration of this period. A decision shall be given on this request before December 31st, 1951.

*Article 3.*

The Bank has the power to establish branches at any place in the Colony. It may also establish branches at other places approved by the Minister of the Colonies.  
The Minister of the Colonies may, after hearing the Board of Directors of the Bank, decide to establish a branch at any place in the Colony where he thinks it necessary.

. . . . .

*Article 6.*

The notes are payable at sight in the Colony, on the basis of 0.0418422 gramme of fine gold for one franc, without regard to the place of issue, at all the branches of the Bank.  
Payments are effected at the option of the Bank in gold, in money having legal currency in the colony, or in cheques drawn on Belgian or foreign centres selected by the Minister of the Colonies in agreement with the Bank. In the absence of authorisation given by decree, these payments shall be calculated at the par rate mentioned above, reduced, if necessary by a percentage for the cost of remitting.  
Payment may, however, be made at branches other than those situated at the seat of the Central Government or at the seats of the Provincial Governments by a cheque drawn on one of these places, at the option of the bearer, without the Bank being able to charge a commission in respect thereof.  
Again, the Bank shall issue cheques at Brussels on its branches established at the seat of the Central Government or at the seats of the Provincial Governments, against payments made in gold, in its own notes, in Belgian money or in foreign currencies. In the absence of authorisation given by decree, these payments shall be calculated at the par rate mentioned above, increased, if necessary, by a percentage for the cost of remitting.

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<sup>1</sup> Signed on October 10th, 1927, approved by Royal Decree of November 14th, 1927.

The cost of remitting provided for in the second and fourth paragraphs above shall be laid down in rules drawn up by the Bank and approved by the Minister of the Colonies.

. . . . .

*Article 8.*

The Bank is required to hold a reserve in gold or in gold currency equal to at least 40% of the amount of its notes in circulation, with a minimum of 20% in gold.

The excess of the amount of notes in circulation and other obligations at sight shall be covered to its full value by easily realisable securities.

. . . . .



**BELGIUM.**

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[*Translation.*]

**ROYAL DECREE OF OCTOBER 25<sup>TH</sup>, 1926, RELATING  
TO MONETARY STABILISATION.**

.....

*Article 5.*

The Bank is required to keep a reserve of gold and foreign gold exchanges equal to at least 40 % of its total sight liabilities, of which at least 80 % must consist of gold.

.....

*Article 8.*

The exchange rate of the Belgian franc on foreign countries shall be established in multiples of five francs. The National Bank shall adopt the same multiple as a basis for its cash payments (redemption of banknotes in specie), which shall be effected at sight in gold, in silver at its value in gold, or in foreign gold exchanges at the option of the Bank. This multiple alone shall be quoted for purposes of exchange and shall, for these purposes, bear the name of "Belga".

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**ROYAL DECREE OF OCTOBER 25<sup>TH</sup>, 1926,  
PROLONGING THE CHARTER OF THE NATIONAL BANK.**

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.....

*Article 7.*

The Bank shall issue bearer notes. The amount of the notes in circulation shall be covered by easily negotiable securities.

The Bank is required to keep a reserve of gold or foreign exchanges convertible into gold equal to at least 40 % of its total sight liabilities, of which at least 80 % must consist of gold.

.....

*Article 10.*

The notes shall be payable at sight at the Bank's offices at Brussels, under the terms of the Royal Decree relating to monetary stabilisation, issued under the Law of July 16<sup>th</sup>, 1926.

The notes shall be payable at sight at the Bank's provincial agencies. Nevertheless, such payment may be deferred until the agencies have been able to obtain the necessary funds.

The Government shall be empowered to accept them as payment in the Treasury Departments.

.....

STATUTES OF THE NATIONAL BANK OF BELGIUM.

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. . . . .

*Article 26.*

The notes shall be payable at sight at the Bank's offices at Brussels under the terms of the Royal Decree of October 25th, 1926, relating to monetary stabilisation.

. . . . .

*Article 80.*

The Bank is required to keep a reserve of gold or foreign exchanges convertible into gold equal to at least 40 % of its total sight liabilities, of which at least 80 % must consist of gold.

. . . . .

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**BOLIVIA.**

[*Translation.*]

**LAW OF JULY 20<sup>TH</sup>, 1928, ON THE RE-ORGANISATION  
OF THE CENTRAL BANK OF BOLIVIA.**

*Article 59.*

The Central Bank of Bolivia (*Banco Central de Bolivia*) is accorded the exclusive right to issue notes during the fifty years of its existence, and, during that period, neither the National Government nor any of its political sub-divisions, nor any other bank or other corporation, undertaking, person, or any other organisation, shall issue paper currency or any other paper of any kind whatever for circulation as currency in Bolivia. Nevertheless, this concession shall be subject to the rights conferred on certain other banks in the Republic by Article 20 of the Law of November 28<sup>rd</sup>, 1914, the article in question being incorporated in the present law.

*Article 64.*

The notes of the Central Bank of Bolivia shall be payable to the bearer at sight during the Bank's office hours, and payment shall be made in any of the following forms at the option of the Bank : (a) In Bolivian gold coin at par, in British or Peruvian gold coin of the present weight and fineness at the rate of 13.83 bolivianos to the pound, and in gold coin of the United States of America of the present weight and fineness at the rate of 2.739 bolivianos to the dollar; (b) in gold bars of approximately 100 % fineness and not less than 500 grammes in weight, at the rate of 1.8211 bolivianos to the gramme of fine gold; (c) in demand drafts or three-days'-sight drafts on London or New York, payable in gold and drawn on funds deposited in banks of high standing in those cities. On such drafts, the Bank may charge a premium above the parity of the gold boliviano as compared with the pound sterling and with the dollar of the United States of America respectively, but this premium shall not exceed the sum necessary to cover the total cost of shipping gold coin in bulk from La Paz to London or New York as the case may be. The said maximum premium shall be fixed by the Board of Directors of the Bank with the affirmative vote of at least six members, and with the approval of the Ministry of Finance, and shall be publicly announced.

*Article 66.*

To avoid appreciation of the boliviano above the gold value stipulated in Article 61 of the present law and in the Currency Law, *i.e.*, 0.54917 gramme of fine gold, the Central Bank of Bolivia shall pay out its own notes at sight at its head office in La Paz in exchange : (a) For Bolivian gold coin at par, for British and Peruvian gold coin of the present weight and fineness at the rate of 13.83 bolivianos to the pound, and for gold coin of the United States of America of the present weight and fineness at 2.739 bolivianos to the dollar; (b) for deposits credited to the account of the Central Bank of Bolivia, payable at sight in gold at the rate of 13.83 bolivianos to the pound sterling of the present weight and standard in London, and at the rate of 2.739 bolivianos to the dollar in New York, provided the said deposits represent sums of not less than £30 or \$150, as the case may be, held in banks in London or New York in which the Central

Bank of Bolivia keeps its legal reserve deposit accounts. When paying out notes in Bolivia against gold deposits abroad, the Bank shall be entitled to charge a premium above the gold parity of the boliviano as compared with the pound and the dollar respectively, but this premium shall not exceed the sum necessary to cover the total cost of shipping gold coin in bulk from London or New York to La Paz. The said maximum premium shall be fixed by the Board of Directors of the Bank with the affirmative vote of at least six members, and with the approval of the Minister of Finance, and shall be publicly announced.

*Article 67.*

Should the Bank fail to redeem its notes at sight in the form stipulated in Articles 64 and 65 of the present Law, its notes shall cease to be legal tender to an unlimited amount, and it shall be declared "Bankrupt through Suspension of Gold Payments", and shall be immediately put into liquidation by the Superintendent of Banks in conformity with the law.

. . . . .

*Article 71.*

The Central Bank of Bolivia shall maintain a normal legal minimum reserve in metal equivalent to 50 per cent of its notes in circulation, that is, notes beyond its control, and deposits combined.

*Article 72.*

The normal legal minimum reserve mentioned above shall consist of : (1) Bolivian gold coin at par, British, Peruvian and United States gold coin valued at their legal gold parity as compared with the boliviano, other gold coin and gold in bars in the vaults of the Bank, valued according to their content of fine gold; (2) gold coin and bars deposited in banks of high standing in London or New York, valued as prescribed under (1); (3) deposits payable in gold on demand or at three days' sight in banks of high standing in London or New York, valued at their legal gold parity as compared with the boliviano; (4) Bolivian silver coin in the vaults of the Bank.

The reserve may be distributed among the forms mentioned in the proportions deemed suitable by the Board of Directors, subject to the condition that the amount in silver coin considered as part of the reserve shall not at any time exceed 10 per cent of the notes in circulation and deposits combined.

*Article 73.*

When the metallic reserve on the Bank constituted as prescribed in Article 72 of the present law falls below the normal legal minimum of 50 per cent, the Bank shall be subject to the following penalties, which shall be imposed by the Superintendent of Banks and shall be paid to the Government : If the reserve falls below 50 per cent, but not below 45 per cent, the tax to be paid shall be equivalent to 2½ per cent per annum on the deficit; if below 45 per cent, but not below 40 per cent, the tax shall be 5 per cent per annum on the deficit below 50 per cent; if below 40 per cent, but not below 35 per cent, the tax shall be 10 per cent per annum on the total deficit below 50 per cent; if below 35 per cent, the tax shall be 15 per cent per annum on the total deficit below 50 per cent plus an additional tax of 1½ per cent per annum for each 1 per cent or portion thereof by which the percentage of the reserve falls below 35 per cent.

*Article 74.*

The discount rate of the Central Bank of Bolivia shall not be less than 7 per cent per annum when the Bank's reserve has been continuously for a week or more below the normal legal minimum of 50 per cent of the notes of the Bank in circulation and its deposits combined.

*Article 75.*

Whenever a tax on account of a deficit in the reserve has to be paid by the Bank in conformity with Article 78 of the present law, a percentage equivalent to at least half the percentage or percentages of the tax imposed on account of the deficiency in the reserve shall be added to the Bank's discount rate, together with whatever increase in the said rate is necessary to raise it to 7 per cent per annum in accordance with the provisions of the preceding article.

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LAW OF JULY 11<sup>TH</sup>, 1928, ON MONETARY REFORM.

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*Article 5, Second Paragraph (as amended).*

Gold shall be minted solely on behalf of the Government and the Central Bank of Bolivia. The National Mint at Potosi shall make the necessary arrangements for minting gold, and the Central Bank of Bolivia shall buy gold bars offered to it, provided they weigh at least 500 grammes, and shall pay for them at the rate of 1,820.94 bolivianos per kilogramme of pure gold with deduction for the cost of refining.

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*Article 18.*

All taxes of every description and all prohibitions and restrictions on the export and import of gold coin and bars and on the export of silver coin are abrogated.

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BRAZIL.

[Translation.]

DECREE No. 5108 OF DECEMBER 18<sup>TH</sup>, 1926, CONCERNING  
THE REFORM OF THE CURRENCY AND THE APPLICATION OF ECONOMIC  
AND FINANCIAL MEASURES.

The President of the Republic of the United States of Brazil declares that he has sanctioned the following resolution voted by the National Congress :

*Article 1.*

Brazil adopts as the currency standard gold, weighed in grammes, minted in coin, with a fineness of 900 thousandths of fine metal, and 100 thousandths of suitable alloy.

§ 1. The unit of currency shall be the *cruzeiro*, divided into centimes.

§ 2. For fractional currency, silver, nickel and copper shall be adopted in the proportion fixed for each of them.

*Article 2.*

All the paper money at present in circulation, 2,569,804 *contos*<sup>1</sup>, 850 *milreis*<sup>2</sup>, 500 *reis*<sup>3</sup>, shall be converted into gold on the basis of 0.200 gramme (two hundred milligrammes) per *milreis*.

*Article 3.*

Upon six months' notice, a decree of the Executive shall fix the exact date and the methods of the conversion laid down in Article 2.

*Article 4.*

The financial resources required for the conversion referred to in the present law shall be furnished as follows :

§ 1. By the supplies of gold already recovered and deposited in conformity with the laws in force and by those set aside for the re-purchase, security and conversion of the paper currency.

§ 2. By the supplies of gold recoverable under these laws.

§ 3. By the budget surpluses after their final conversion into gold.

§ 4. By the yield of the credit transactions intended for this purpose.

§ 5. By all other receipts earmarked for this particular purpose, such as the profits on banking transactions, as laid down in Clause III of the Contract of April 24<sup>th</sup>, 1923, approved by Law No. 4635A of January 8<sup>th</sup>, 1924, all of which receipts will be included in the new Convention authorised by the present decree.

*Article 5.*

Until the decree referred to in Article 3 is promulgated, notes shall be exchanged into gold and gold into notes, at the rate indicated in Article 2, by the Stabilisation Office created exclusively for this purpose by the present decree.

§ 1. After the reform of the Bank of Brazil in accordance with the present law, a Stabilisation Office may be attached to it under this or any other name.

<sup>1</sup> A *conto* equals a thousand *milreis*.

<sup>2</sup> A *milreis* equals a thousand *reis*.

<sup>3</sup> A *reis* equals 11.96 cents (gold parity).

*Article 6.*

The gold received shall be kept on deposit with the Stabilisation Office, or with its London and New York agencies. In no case and by no orders may this gold be used for other purposes than the conversion of notes issued under the personal responsibility of the members of the Office and guaranteed by the National Treasury. Notes exchanged shall have legal currency.

.....

*Article 8.*

The Executive is authorised to buy and sell foreign currency and bills of exchange at the rate laid down in Article 2. In order to effect these transactions, which may not be carried out by the Stabilisation Office, the Executive, after concluding a new convention with the Bank of Brazil, may use the gold reserve guaranteeing the present issue of bank-notes, for which the Government assumes responsibility.

*Article 9.*

Once the convertibility referred to in Article 8 of the present law is assured, the Executive shall publish a decree ordering the minting of gold, silver, nickel and copper coins in decimal units, in conformity with the provisions of the present law as regards the weight, value, design and fineness of these coins.

*Article 10.*

Import duties payable in gold and paper money shall continue to be collected in such a way as to maintain the existing proportion between them.

§ 1. The same proportion shall be preserved in the case of payments in gold.

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DECREE No. 17618 OF JANUARY 5TH, 1927 : REGULATIONS PUTTING INTO EXECUTION LAW No. 5108 OF DECEMBER 18TH, 1926.

The President of the Republic of the United States of Brazil, in virtue of the power conferred upon him by Article 5 of Law No. 5108 of December 18th, 1926 :

Decides, with a view to applying the provisions of the said law concerning the Stabilisation Office, to put into force the regulations established by the present Decree and signed by the Minister of Finance.

REGULATIONS GOVERNING THE STABILISATION OFFICE  
REFERRED TO IN DECREE No. 17618 OF JANUARY 5TH, 1927.

*Article 1.*

(Similar to Article 1 of Decree No. 5108 of December 18th, 1926.)

*Article 2.*

(Similar to Article 2 of Decree No. 5108 of December 18th, 1926.)

*Article 3.*

(Similar to Article 3 of Decree No. 5108 of December 18th, 1926.)

*Article 4.*

(Similar to Article 4 of Decree No. 5108 of December 18th, 1926.)

*Article 5.*

The Stabilisation Office, created by Law No. 5108 of December 18th, 1926, is exclusively intended to receive gold bullion and national or foreign gold coin, and to hand over to the bearer in exchange notes representing a value exactly equal to that of the gold received, as laid down in Articles 1 and 2 of the present Regulations.

- § 1. Bullion shall be accepted by the Stabilisation Office after being duly assayed at the Mint.
- § 2. Gold, in the form of coins, shall be assayed at the Mint whenever it is deemed necessary.

*Article 6.*

The gold received shall be kept on deposit with the Stabilisation Office or with its London and New York agencies. In no case and by no orders may this gold be used for any other purpose than the conversion of notes issued, under the personal responsibility of the members of the Office and with the guarantee of the National Treasury. (Article 6 of Law No. 5108.)

- § 1. In times of emergency, with the approval and at the express orders of the Executive, gold may be delivered to and deposited with the London and New York agencies which shall issue a certificate of delivery and deposit mentioning the exact amount of gold received and its fineness.
- § 2. On presentation of this certificate the Stabilisation Office shall issue notes in exchange, as laid down in the present Regulations.
- § 3. When the emergency mentioned in paragraph 1 of the present Article has passed, the gold shall be returned to the Stabilisation Office.

. . . . .

*Article 9.*

The notes issued by the Stabilisation Office shall be legal tender throughout the whole of Brazil and shall therefore be valid for all contracts and payments. (Article 6 of Law No. 5108.)

*Article 10.*

The said notes shall be convertible into gold at the rate laid down in the present decree, without any limit as to time or amount, and shall be payable to bearer on his applying to the Stabilisation Office at Rio de Janeiro.

- § 1. At the request of the bearer of the notes and with the Government's approval, the Office may deliver gold in London or New York in exchange for notes received at Rio de Janeiro. For this purpose, the Office shall make out to the bearer of the notes a written authorisation on presentation of which the London and New York agencies shall hand over at sight the amount of gold corresponding to the notes received by the Office at Rio de Janeiro. This authorisation shall mention the total value of the notes received and the exact amount of gold which must be handed over by the branches; this amount may be transferred by endorsement.

*Article 11.*

(Similar to Article 4 of Decree No. 5108 of December 18th, 1926.)

*Article 12.*

The financial resources in gold referred to in Article 11 shall be paid to the Stabilisation Office and the sums in paper shall be similarly paid after having been liquidated and finally converted into gold.

*Article 13.*

The Stabilisation Office shall issue notes only in exchange for gold, on the basis of the value, weight and fineness fixed by Law No. 5108.

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**BRITISH EAST AFRICA.**

**(Kenya Colony and Protectorate, Uganda Protectorate,  
Tanganyika Territory.)**

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**REGULATIONS OF DECEMBER 11TH, 1924, DEFINING THE  
CONSTITUTION, DUTIES AND POWERS OF THE EAST  
AFRICAN CURRENCY BOARD.**

*Article 1.*

The East African Currency Board will provide for and control the supply of currency to the Kenya Colony and Protectorate, the Uganda Protectorate, the Tanganyika Territory, and any other Dependencies in East Africa which may be added by the Secretary of State, to ensure that the currency is maintained in satisfactory condition, and generally to watch over the interests of the said Dependencies so far as currency is concerned.

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*Article 7.*

The Board may charge for coin or currency notes to be delivered in East Africa against prepayment in London such premium above the nominal value (at the rate of twenty shillings to the pound), not exceeding the cost of transporting specie (packing, carriage, insurance), as they may think fit, and may vary the charge from time to time within this limit. If coin or notes are delivered on telegraphic order to East Africa, the Board may increase the premium as they think fit.

*Article 8.*

The Board will, when required, arrange for the issue against silver or notes tendered in East Africa of drafts payable in sterling in London at a charge not exceeding the cost of transporting specie from East Africa to London, and may at their discretion issue telegraphic transfers on London on such terms as they may think fit.

.....

*Article 13.*

Proceeds of the sale of coin and currency notes and all other revenue of the Board shall, after the necessary deductions have been made for all expenses and for any contributions made to the revenue of the East African Governments under Section 19 of these regulations, be credited to a fund hereinafter referred to as the Currency Reserve Fund. Any losses which may be incurred will be debited to the fund.

*Article 14.*

Subject to the provisions of paragraph 19 of these regulations, the Board may invest their funds in securities of the Government of any part of His Majesty's dominions, or in such other manner as the Secretary of State may approve. The extent to which investments may be made will be left to the discretion of the Board, whose duty it will be to hold, subject to any directions which may be received from the Secretary of State, a proportion of their reserve in a liquid form.

*Article 15.*

The Board shall submit half-yearly to the Secretary of State a statement of the position of the Currency Reserve Fund on the last day of the half-year, including a statement of securities.

*Article 16.*

The Board shall cause to be published half-yearly in the Kenya Government *Gazette* an abstract showing (a) the whole amount of the East African coinage and currency notes in circulation on the last day of the half-year; (b) the total amount of the Currency Reserve Fund on the said day; (c) the nominal value of, the price paid for, and the latest known market price of the securities forming the investment portion of the Reserve Fund.

*Article 17.*

The accounts of all the transactions of the Board will be audited by the Colonial Audit Department.

*Article 18.*

The Board will submit annually for the approval of the Secretary of State a statement of their transactions during the preceding year.

*Article 19.*

When the Board are satisfied that their reserves are more than sufficient for all the purposes for which such reserves may be required, they may, with the approval of the Secretary of State, pay over the whole or any part of the surplus amount in aid of the revenues of the Dependencies in East Africa in such proportions as may be hereafter determined.

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**BRITISH GUIANA.**

**ORDINANCE No. 16, OF 1915.**

*Article 1.*

This Ordinance may be cited as the Government Currency Note Ordinance, 1915.

*Article 2.*

In this Ordinance the expression "coin" or "current coin" means coin which, for the time being, is legal tender in the Colony.

*Article 3.*

1. A Board of Commissioners of Currency (in this Ordinance referred to as "the Commissioners") shall be established for the purpose of this Ordinance, and shall consist of the persons for the time being lawfully discharging the duties of Government Secretary and Colonial Treasurer of this Colony, and one other officer of the Colony nominated by the Governor.

2. The Commissioners shall have an office in Georgetown and may employ such agents, officers and persons as may be from time to time authorised by the Governor.

3. Any act of the Commissioners may be signified in writing under the hands of the Commissioners.

*Article 4.*

1. Subject to the provisions of this Ordinance, the Commissioners may from time to time provide and issue and re-issue in exchange, either for current gold or silver coin or for notes previously issued under this Ordinance, notes herein referred to as "currency notes".

2. A currency note shall be a promise on the part of the Government of this Colony to pay to the bearer on demand the amount named therein, and the amount required for such payment shall be a charge on the moneys and securities in the hands of the Commissioners under this Ordinance and on the general revenue of the Colony, and if a sum is required to meet any such note, and if the said moneys and any moneys voted by the Combined Court for that purpose are insufficient to meet it, the sum shall forthwith, on the demand of the Commissioners, be issued as an advance under the order of the Governor out of the general revenue in priority to all other charges except those charged thereon by any Ordinance passed before the commencement hereof and for the time being payable, pending the next meeting of the Combined Court.

3. The holder of a currency note shall be entitled to obtain on demand during office hours, at the office of the Commissioners, payment in current coin (either gold or silver at the option of the Commissioners) of the amount expressed in the note.

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*Article 7.*

1. Subject as hereinafter mentioned, the coin received in exchange for currency notes shall form the Note Guarantee Fund, and be held in the Colony by the Commissioners for meeting the payment of the notes, and shall not be applied for any other purpose.

2. Of the Note Guarantee Fund, a portion (in this Ordinance referred to as the coin portion of the fund), not being less than the fixed proportion hereinafter mentioned, shall be in coin and shall be kept in the custody of the Commissioners, but the balance may be invested as hereinafter mentioned, and the proportion so invested is in this Ordinance referred to as the investment portion of the fund.

3. The coin portion of the fund shall not be less than the fixed proportion hereinafter specified of the notes for the time being in circulation, and if necessary the securities forming the investment portion of the fund shall be sold so as to prevent the coin portion falling below the fixed proportion.

Provided that, if the deficiency of the coin portion below the fixed proportion does not exceed one-fourth of that proportion, the sale of securities may, with the consent of the Governor, be temporarily postponed for a period not exceeding three months, but, until the coin portion amounts to that fixed proportion, no further investment of securities shall be made, and the whole income of the investment portion of the fund shall be carried to and form part of the coin portion of the fund.

4. The fixed proportion shall, in the first instance, be one half, but if the Governor satisfies the Secretary of State that, having regard to the amount of notes which are always outstanding, the fixed proportion may be diminished without danger to the convertibility of the currency notes, and obtains the authority of the Secretary of State for the purpose, he may by proclamation fix another proportion.

5. Any such proclamation may be revoked, without prejudice to the issue of a new proclamation.

*Article 8.*

1. The investment portion of the Note Guarantee Fund may be invested in such securities of the Government of any part of His Majesty's Dominions or in such other securities as the Secretary of State may approve, but any sum invested in securities of the Government of British Guiana shall not exceed one-fifth of the total amount invested hereunder.

2. The investments shall be made in the names of such officers or persons as the Secretary of State may direct, and the investments shall be from time to time varied and the securities sold in accordance with regulations approved by him.

3. The securities shall be applicable for the payment of currency notes and for no other purpose.

4. The income derived from the securities shall be applied :

(a) In paying the expenses of and incidental to the execution of this Ordinance, and

(b) In the payment of a sum equal to one per cent of the cost price of the securities to a Depreciation Fund, and

(c) Subject to the other provisions of this Ordinance, as part of the ordinary revenue of this Colony.

*Article 9.*

1. A separate account shall be kept of the Depreciation Fund, and the income of the fund shall be invested by way of accumulation so as to form part of the fund, and the said fund shall be applied from time to time as the Commissioners may direct to meet any losses by any depreciation of the investments of the Note Guarantee Fund, but, save as aforesaid or as is otherwise expressly provided by this Ordinance, the Depreciation Fund shall form part of the investment portion of the Note Guarantee Fund, and the provisions of this Ordinance shall apply thereto accordingly.

2. When the Governor satisfies the Secretary of State that the Depreciation Fund is not less than ten per cent of the invested portion of the Note Guarantee Fund and is of such an amount that it is unnecessary further to increase the Depreciation Fund, he may order the annual appropriation of the said one per cent to be discontinued and the annual income of the Depreciation Fund to be applied in aid of the general revenue of the Colony, and may order the same for such temporary period and either in whole or in part, as is specified in the order.

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**BRITISH WEST AFRICA.**

**(Nigeria, The Gold Coast, Sierra Leone, Gambia.)**

**REVISED REGULATIONS DEFINING THE CONSTITUTION, DUTIES AND  
POWERS OF THE WEST AFRICAN CURRENCY BOARD (JULY 11<sup>TH</sup>, 1924).**

*Article 1.*

The West African Currency Board has been constituted to provide for and to control the supply of currency to the British West African Colonies and Protectorates, to ensure that the currency is maintained in satisfactory condition and generally to watch over the interest of the Dependencies in question so far as currency is concerned.

. . . . .

*Article 12.*

The Board may charge for coin or notes to be delivered in West Africa against prepayment in London such premium above the nominal value not exceeding the actual cost of transporting specie (package, carriage, insurance) as it may think fit, and within this limit, may vary the charge from time to time. If coin or notes are delivered on telegraphic order to West Africa, the Board may increase the premium as it sees fit. In West Africa, coin or notes given by the Board in exchange for United Kingdom gold coin presented there, will be issued at par.

*Article 13.*

The Board will, when required, arrange for the issue, against coin (except subsidiary coin) or notes tendered in West Africa, of drafts payable in London at a charge, if any, not exceeding the cost of transporting specie from West Africa to London, and may at its discretion issue telegraphic transfers on London on such terms as it may think fit.

*Article 14.*

Proceeds of the sale of coin and currency notes and all other revenue of the Board shall, after the necessary deductions have been made for all expenses and for any contributions made to the revenues of the West African Governments under section 20 of these Regulations, be credited to a fund hereinafter referred to as the Currency Reserve Fund. Any losses which may be incurred will be debited to the Fund.

*Article 15.*

The Board may invest its funds in securities of the Government of any part of His Majesty's Dominions, or in such other manner as the Secretary of State may approve. The extent to which investments may be made will be left to the discretion of the Board, whose duty it will be to hold, subject to any directions which may be received from the Secretary of State, a proportion of its reserve in a liquid form.

*Article 16.*

The Board shall submit half-yearly to the Secretary of State, a statement of the position of the Currency Reserve Fund on the last days of June and December in each year, including a statement of securities.

*Article 17.*

The Board shall cause to be made up half-yearly and published in the *Government Gazette* of the Colony in which the redemption centre is situated, an abstract showing : (a) the whole amount of the West African coinage and note circulations on the last days of June and December in each year, (b) the total amount of the Currency Reserve Fund on the said days, (c) the nominal value of, price paid for, and latest known market price of, the securities forming the investment portion of the Reserve Fund.

*Article 18.*

The accounts of all the transactions of the Board will be audited by the Colonial Audit Department.

*Article 19.*

The Board will submit annually, for the approval of the Secretary of State, a statement of its transactions during the preceding year.

*Article 20.*

The Board may, with the approval of the Secretary of State, pay any sum which it thinks proper out of the income from its invested funds by way of contribution to the revenues of the West African Governments.

*Article 21.*

When the Board is satisfied, and shall have satisfied the Secretary of State, that its reserves are more than sufficient to ensure the convertibility of the coin and the note issue, and to provide a reasonable reserve against possible depreciation, the Board may pay over the whole or part of the surplus amount in aid of the revenues of the West African Governments, in such proportions as may be hereafter determined.

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**BULGARIA.**

[*Official Translation.*]

**LAW OF NOVEMBER 13<sup>TH</sup>, 1926, AND SEPTEMBER 27<sup>TH</sup>, 1928,  
ON THE NATIONAL BANK OF BULGARIA.**

*Article 8.*

To ensure the convertibility of its notes :

1. The Bank, on the requisition of any person who makes a demand or offer to that effect at the head office of the Bank in Sofia, shall be bound to sell to, or to purchase from, such person in exchange for legal-tender currency of Bulgaria, at the rates defined in Sections 2 and 3 of this article respectively, the legal-tender currency of such foreign gold-standard country or countries as is by law and in practice convertible into exportable gold, and such as may be notified in the *Official Gazette*, for immediate delivery in such foreign country or countries.

Provided that no person shall be entitled to demand or offer an amount of foreign currency of less value than 50,000 leva of legal-tender money of Bulgaria.

2. For the purpose of determining the rate applicable to the sale of foreign currency under this article, the amount in leva which represents 1,000 grammes of fine gold in accordance with the stabilisation rate shall be deemed to be equivalent to such sum in that foreign currency as is required to purchase 1,000 grammes of fine gold in that foreign country, at the rate at which the principal currency authority of that country is bound by law to sell gold in exchange for currency, after deduction from such of an amount to be fixed by the Bank representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from Sofia to that foreign country, including interest and insurance of its value during transit.

3. For the purpose of determining the rate applicable to the purchase of foreign currency under this article, the amount in leva which represents 1,000 grammes of fine gold in accordance with the stabilisation rate shall be deemed to be equivalent to such sum in that foreign currency as is realised by the sale of 1,000 grammes of fine gold in that foreign country at the rate at which the principal currency authority is bound by law to purchase gold in exchange for currency, after addition to such sum of an amount to be fixed by the Bank representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from that foreign country to Sofia, including interest and insurance on its value during transit.

4. On the date on which the provisions of this law become operative, the Bank shall notify in the *Official Gazette* at least one foreign gold-standard country for the purposes set forth in Section 1 of this article. The Bank shall similarly notify any additions or changes of the foreign gold-standard countries to which Section 1 of this article is to apply. The Bank shall also from time to time determine the equivalent rates in accordance with the provisions of Sections 2 and 3, and shall notify in the *Official Gazette* the rates so determined.

*Article 9.*

The Bank shall maintain a reserve of not less than 83½ % of the amount of its notes in circulation and other demand liabilities. By bank-notes in circulation are to be understood all bank-notes issued to the public and not returned to the offices of the Bank or written off under Article 51.

*Article 10.*

The term "reserve" in the preceding article shall include only :

(a) Gold coin and bullion in the unrestricted ownership of the Bank, and either in the custody of the Bank or deposited in another Central Bank, or in any Mint, or in transit;

(b) Net foreign gold exchange in the unrestricted ownership of the Bank, provided that it be either :

1. On a country the currency of which by law and in practice is convertible on demand at a fixed price into exportable gold; or

2. On a country the currency of which by law and in practice is convertible on demand at a fixed price into foreign exchange as defined in 1.

For the purpose of this article the term "net foreign gold exchange" shall be taken to consist of the following kinds of claims on the currency of a country as defined in the preceding paragraph (b) :

1. Balances standing to the credit of the Bank at the Central Bank of such a foreign country.

2. Bills of exchange drawn on and payable in the currency of such a foreign country maturing within three months and bearing at least two good signatures.

3. Treasury Bills, Treasury Certificates of indebtedness or similar obligations of the Government of such a foreign country maturing within three months, less all liabilities in foreign exchange. All such liabilities shall be included in the figures of the weekly statement.

In calculating the amount of the reserve, should it be found that the liabilities in foreign exchange exceed the total of the assets enumerated in the paragraphs numbered 1, 2 and 3 of this article, the excess shall be deducted from the total of the other assets of the reserve.

*Article 11.*

At the request of the Bank the Government may suspend the operation of Article 9 subject to the payment by the Bank to the Government of a tax.

Suspension may be granted for a period of not more than thirty days in the first instance and may be renewed for further periods not exceeding fifteen days at a time. The tax shall be levied on the amount by which the note circulation and other demand liabilities of the Bank exceed the maximum sum which would be admissible under Article 9.

The tax shall be calculated on the daily amount of the excess at the following rates :

1½ % per annum above the published minimum current discount rate of the Bank for three-months' bills if the reserve, while less than 88½ % is not less than 80 %;

2 % per annum above such minimum current discount rate if the reserve, while less than 80 %, is not less than 25 %;

3 % above such minimum current discount rate if the reserve is less than 25 %.

*Article 12.*

Whenever the reserve falls below the 88½ % referred to in Article 9, the Bank shall immediately add to its minimum current discount rate a percentage at least equal to the percentage of tax leviable in accordance with Article 11 above.

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CANADA.

OTTAWA MINT PROCLAMATION, 1907.

BY THE KING : A PROCLAMATION.

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We therefore, in pursuance of the said Act<sup>1</sup> and of all other powers enabling Us in that behalf do hereby, by and with the advice of Our Privy Council, proclaim, direct and ordain as follows :

1. A branch of Our Mint (in this Proclamation referred to as the Ottawa Branch Mint) shall be established at or near Ottawa in Our Dominion of Canada on such site as the Governor-General of the Dominion in Council may approve.

2. Gold coins of the same denominations, designs, weights and fineness of gold coins coined at Our Mint in England, may be coined at the Ottawa Branch Mint, and any gold coins so coined (in this Proclamation referred to as sterling gold coins) shall be subject to the allowance of the same remedy as gold coins coined at Our Mint in England.

3. The Master of Our Mint shall prepare and transmit such dies as may be required for the sterling gold coins to be coined at the Ottawa Branch Mint.

4. The sterling gold coins coined in pursuance of this Proclamation at the Ottawa Branch Mint shall be deemed to have been issued from Our Mint, and shall be current and a legal tender in like manner and to the like extent as if they had been coined and issued in England.

5. (i) If any person brings to the Ottawa Branch Mint any gold bullion and requires the Deputy Master of that branch to assay, coin into sterling gold coins and deliver out the same to him, the Deputy Master shall comply with the requisition upon payment for every ounce troy of gold of standard fineness of a charge of three cents where the amount brought at one time does not exceed five hundred ounces, and of two cents in any other case : Provided that :

(a) Where the gold bullion so brought is such that it cannot be brought to the standard fineness of the coin to be coined thereout without refining the whole or some portion of it, the Deputy Master shall demand for assaying and refining the same such additional charge as the Governor-General in Council may from time to time fix, and until such charge is paid to him may refuse to receive, assay, or coin such bullion; and

(b) Where the bullion brought to the branch Mint for coinage is finer than the standard fineness of the coin to be coined thereout, there shall be delivered to the person bringing the same such additional amount of coin as is proportionate to such superior fineness;

(c) No undue preference shall be shown to any person as respects the bullion brought to the branch Mint, and every person shall have priority according to the time at which he brought it;

(d) The Governor-General in Council may make regulations for carrying into effect the provisions of this Article with respect to gold bullion, and the bringing, coining, and delivery out thereof, and in particular for regulating the time and conditions at and under which it is to be so brought, assayed, coined, and delivered out, and the minimum amount which may be so brought.

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<sup>1</sup> The Coinage Act, 1870.

(ii) The charges under this Article for coining, assaying, and refining shall be collected by the Deputy Master in accordance with the said regulations, either as a payment in advance, or as a deduction from the coin delivered out, or otherwise, and shall be accounted for and paid over in such manner as the Governor-General in Council directs to the Minister of Finance and Receiver-General of Canada, to be by him paid into the Consolidated Revenue Fund of Canada.

7. Subject to any regulations and conditions which may be made by the Master of Our Mint, the Deputy Master of the Ottawa Branch Mint shall coin at that branch Mint any gold, silver, bronze, or other coin which the Governor-General of the Dominion requires to be so coined, and which is for the time being a coin of the Dominion and current and legal tender in the Dominion, but coins coined under this Article shall not for the purposes of the Coinage Act, 1870, be deemed to be coins made at, or issued from, Our Mint.

12. This Proclamation shall come into force on the first day of January, nineteen hundred and eight.

THE DOMINION NOTES ACT OF AUGUST 22ND, 1914.

5 OF GEORGE V, CHAPTER 4.

Article 2.

In this Act, unless the context otherwise requires :

(a) "Dominion Notes" means notes of the Dominion of Canada issued and outstanding under the authority of this Act;

(b) "Gold" means :

(i) Gold coins which are a legal tender in Canada, and,

(ii) Gold bullion in bars, each bar bearing either the stamp of the Royal Mint of the United Kingdom or of the branch thereof in Canada or of one of the branches thereof in Australia or of one of the coinage mints of the United States or of the Assay Office of the United States at New York certifying its weight and fineness, at a valuation of one dollar in the currency of Canada for every 23.22 grains of fine gold content;

(c) "Minister" means the Minister of Finance.

Article 3.

Dominion notes may be issued and outstanding at any time to any amount, and such notes shall be a legal tender in every part of Canada except at the offices at which they are redeemable.

Article 4.

8. Dominion notes shall be redeemable in gold on presentation at branch offices established or at banks with which arrangements are made for the redemption thereof as hereinafter provided.



*Article 5.*

The Minister of Finance shall always hold as security for the redemption of Dominion notes up to and including fifty million dollars, issued and outstanding at any one time, an amount equal to not less than twenty-five per centum of the amount of such notes in gold.

2. As security for the redemption of Dominion notes issued in excess of fifty million dollars, the Minister shall hold an amount in gold equal to such excess.

*Article 6.*

In case the amount held in accordance with the provisions of this Act as security for the redemption of Dominion notes is not sufficient to pay the Dominion notes presented for redemption, or in case the amount so held is reduced below the amount required by this Act to be held, the Governor in Council may raise, by way of loan, temporary or otherwise, upon such form of security and upon such terms and conditions as the Governor in Council may approve, such sums of money as are necessary to pay such notes or to provide the amount required to be held as security for the redemption of Dominion notes issued and outstanding.

.....

*Article 10.*

Provincial notes under the Act of the late province of Canada, passed in the session held in the twenty-ninth and thirtieth years of Her late Majesty Queen Victoria's reign, chapter ten, intituled "An Act to Provide for the Issue of Provincial Notes", shall be held to be notes of the Dominion of Canada, and shall be redeemable in gold on presentation at Toronto, Montreal, Halifax or St. John, according as the same are respectively made payable, and shall be legal tender except at the offices at which they are respectively made payable.

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THE FINANCE ACT OF AUGUST 22ND, 1914.

5 OF GEORGE V, CHAPTER 3.

.....

*Article 4.*

In case of war, invasion, riot or insurrection, real or apprehended, and in case of any real or apprehended financial crisis, the Governor in Council may, by proclamation published in the *Canada Gazette* :

(a) Authorise the making of advances to the chartered banks and to the savings banks to which *The Quebec Savings Banks Act, 1913*, applies, by the issue of Dominion notes upon the pledge of securities, deposited with the Minister, of such kind and amount as may be approved by the Treasury Board; such advances to be repayable at such times as the Board may determine with interest at a rate likewise determined by the Board of not less than five per cent per annum.

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## THE SAVINGS BANK ACT OF 1914.

### PART III, SECTION 47.

All monies deposited or paid into Dominion Savings Banks form part of the Consolidated Revenue Fund of Canada. The Minister of Finance is bound by Statute to hold an amount in gold, or in gold and Canadian securities guaranteed by the Government of the United Kingdom, equal to not less than 10 % of the total amount of such deposits, as such amount is ascertained from time to time.

## AN ACT OF APRIL 8TH, 1915, RESPECTING CERTAIN ISSUES OF DOMINION NOTES.

### 5 OF GEORGE V, CHAPTER 4.

Whereas for the purposes set forth in Orders in Council of date the fifth day of September, 1914 (P.C. 2325), the twenty-sixth day of September, 1914 (P.C. 2450), the twenty-fourth day of October, 1914 (P.C. 2670), the twentieth day of November, 1914 (P.C. 2921), and the sixteenth day of December, 1914 (P.C. 8170), and pursuant to said orders, advances to the amount of ten million dollars (\$10,000,000) in the form of an issue of Dominion notes were made to the Canadian Northern Railway Company, against a pledge by the company of its guaranteed securities issued in pursuance of the provisions of *The Canadian Northern Railway Guarantee Act, 1914*, by placing the sums so advanced to the credit of the Minister of Finance for payment out under the provisions of the trust deed securing the issue of these securities;

And whereas for the purposes set forth in Orders in Council of date the fifth day of September, 1914 (P.C.2326), the twenty-sixth day of September, 1914 (P.C.2451), the twenty-fourth day of October, 1914 (P.C.2671), and the twentieth day of November, 1914 (P.C.2922), and pursuant to said orders, advances to the amount of six million dollars (\$6,000,000) in the form of an issue of Dominion notes were made to the Grand Trunk Pacific Railway Company, against a pledge by the company of its guaranteed securities issued in pursuance of the provisions of *The Grand Trunk Pacific Guarantee Act, 1914*, by placing the sums so advanced to the credit of the Minister of Finance for payment out under the provisions of the deed of trust securing the issue of these securities;

And whereas pursuant to an Order in Council of date the second day of November, 1914 (P.C.2750), Dominion notes to the amount of ten million dollars (\$10,000,000) were issued, in order that certain obligations of Canada might be met as they matured;

And whereas with respect to the greater part of these issues of Dominion notes security in the form required by Section 5 of *The Dominion Notes Act, 1914*, was not held;

And whereas it is expedient that such issues, and the making of such advances and the taking of security therefor, and the agreements with regard to repayment of such advances be severally confirmed :

Therefore His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :

1. The issues of Dominion notes and the advances made in pursuance of the Orders in Council cited in the preamble, and all things done under the provisions of the said Orders in Council, are hereby confirmed and shall be deemed to have been duly authorised.

2. The agreements referred to in the preamble are hereby declared to be and shall be deemed to have been valid agreements and binding on the respective railway companies parties thereto.

**THE BANK ACT OF JUNE 30TH, 1923.**

**18-14 OF GEORGE V, CHAPTER 82.**

.....

*Article 4.*

The provisions of this Act apply to the several banks enumerated in Schedule A to this Act, and to every bank incorporated after the first day of January, one thousand nine hundred and twenty-two<sup>1</sup> whether this Act is specially mentioned in its Act of incorporation or not, but not to any other bank, except as hereinafter specially provided. 1913, c.9, s.8.

*Article 5.*

Each of the several banks under the name mentioned in Schedule A to this Act is, and shall continue to be, a body politic and corporate until the first day of July, one thousand nine hundred and thirty-three, and this Act shall form and be the charter of each of the said banks until the first day of July aforesaid. The chief office of each bank, and, subject to the provisions of this Act with regard to increase or decrease, the amount of its authorised capital stock, divided into shares of one hundred dollars each, shall be as set out in the schedule.

2. As to all other particulars, this Act shall form and be the charter of each of the said banks until the first day of July, one thousand nine hundred and thirty-three. 1913, c.9, s.4, Am.

.....

*Article 60.*

The bank<sup>2</sup> shall hold in Dominion notes not less than forty per cent of the cash reserves which it has in Canada.

2. The Minister shall make such arrangements as are necessary for ensuring the delivery of Dominion notes to any bank, in exchange for an equivalent amount of gold coin lawfully current at the several branch offices of the Department of Finance established for the redemption of Dominion notes under the provisions of *The Dominion Notes Act, 1914.*

3. Such notes shall be redeemable at any of the branch offices mentioned in subsection 2 hereof. 1913, c.9, s.60, Am.

*Article 61.*

The bank may issue and re-issue its notes payable to bearer on demand and intended for circulation; provided that :

(a) The bank shall not, during any period of suspension of payment of its liabilities, issue or re-issue any of its notes; and

(b) If, after any such suspension, the bank resumes business without the consent in writing of the curator, hereinafter provided for, it shall not issue or re-issue any of its notes until authorised by the Treasury Board so to do.

2. No such note shall be for a sum less than five dollars, or for any sum which is not a multiple of five dollars.

<sup>1</sup> See footnote No. 1 on page 56.

<sup>2</sup> The words "the bank" refer to each of the banks to which this law applies.

3. Except as hereinafter provided, the total amount of the notes of a bank in circulation at any time shall not exceed the aggregate of :

- (a) The amount of the unimpaired paid-up capital of the bank; and
- (b) The amount of current gold coin and of Dominion notes held for the bank in the central gold reserves hereinafter mentioned.

4. The Association may, with the approval of the Minister, appoint three trustees, and the Minister may appoint a fourth trustee, and the trustees so appointed shall receive such amounts in current gold coin and Dominion notes, or either, as any bank may desire from time to time to deposit with them. The amounts so deposited are herein referred to as "central gold reserves" and shall be held and dealt with in accordance with the provisions of this Act.

. . . . .

14. During the usual season of moving the crops—that is to say, from and including the first day of September in any year to and including the last day of February next ensuing—in addition to the said amount of notes hereinbefore authorised to be issued for circulation, the bank may issue its notes to an amount not exceeding fifteen per cent of the combined unimpaired paid-up capital and rest or reserve fund of the bank as stated in the statutory monthly return made by the bank to the Minister for the month immediately preceding that in which the additional amount is issued.

. . . . .

16. While its notes in circulation are in excess of the aggregate referred to in sub-section 3 of this section, the bank shall pay interest to the Minister at such rate, not exceeding five per cent per annum, as is fixed by the Governor in Council, on the amount of its notes in circulation in excess from day to day; and the interest so paid shall form part of the Consolidated Revenue Fund.

. . . . .

*Article 64.*

The moneys heretofore paid to and now deposited with the Minister by the banks to which this Act applies, constituting the fund known as the Bank Circulation Redemption Fund, shall continue to be held by the Minister for the purposes and subject to the provisions in this section mentioned and contained.

2. The Minister shall, upon the issue of a certificate under this Act authorising a bank to issue notes and commence the business of banking, retain, out of any moneys of such bank then in his possession, the sum of five thousand dollars, which sum shall be held for the purposes of this section, until the annual adjustment hereinafter provided for takes place in the year then next following.

3. The amount at the credit of such bank shall, at such next annual adjustment, be adjusted by payment to or by the bank of such sum as is necessary to make the amount of money at the credit of the bank equal to five per cent of the average amount of its notes in circulation from the time it commenced business to the time of such adjustment, and such sum shall thereafter be adjusted annually as hereinafter provided.

4. The amounts heretofore and from time to time hereafter paid, to be retained and held by the Minister as by this section provided, shall continue to form and shall form the Circulation Fund.

5. The Circulation Fund shall continue to be held as heretofore for the sole purpose of payment, in the event of the suspension by a bank of payment in specie or Dominion notes of any of its liabilities as they accrue, of the notes then issued or reissued by such bank, intended for circulation, and then in circulation, and interest thereon.

. . . . .

*Article 65.*

In the event of the suspension by a bank of payment in specie or Dominion notes of any of its liabilities as they accrue, the notes of the bank, issued or reissued, intended for circulation, and then in circulation, shall bear interest at the rate of five per cent per annum, from the day of the suspension to such day as is named by the directors, or by the liquidator, receiver, assignee, or other proper official, for the payment thereof.

. . . . .

*Article 70.*

The bank shall make such arrangements as are necessary to ensure the circulation at par, in any and every part of Canada, of all notes issued or reissued by it and intended for circulation; and towards this purpose the bank shall establish agencies for the redemption and payment of its notes at the places at which the Governor in Council has established branch offices of the Department of Finance for the redemption of Dominion notes, and at such other places as are from time to time designated by the Treasury Board. 1918, c.9, s.70, Am.

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THE FINANCE ACT OF JUNE 30TH, 1923.

18-14 OF GEORGE V, CHAPTER 48.

His Majesty, by and with the advice and consent of the Senate and House of Commons of Canada, enacts as follows :

*Article 1.*

This Act may be cited as *The Finance Act, 1923.*

*Article 2.*

At any time when there is no proclamation in force under the authority of paragraph (a) of section four of *The Finance Act, 1914*, the Minister of Finance (hereinafter called "the Minister") may make advances to the chartered banks and to the savings banks to which *The Quebec Savings Bank Act, 1918*, applies by the issue of Dominion notes upon the pledge of the securities hereinafter mentioned :

- (a) Treasury bills, bonds, debentures or stocks of the Dominion of Canada, the United Kingdom, any province of Canada, and of any British possession;
- (b) Public securities of the Government of the United States;
- (c) Canadian municipal securities;
- (d) Promissory notes and bills of exchange secured by documentary title to wheat, oats, rye, barley, corn, buckwheat, flax or other commodity;
- (e) Promissory notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes and which have been used or are to be used for such purposes.

*Article 3.*

Such securities shall be deposited with the Minister or with an Assistant Receiver-General. The Minister may request the trustees of the central gold reserves to make a valuation of and recommendation as to the amount which, in the judgment of the trustees, may properly be advanced on any securities offered in pledge under this Act.

*Article 4.*

The Minister may permit bills of lading or other documents of title, covering such grain or other commodity while in transit, to go forward under the control of the bank to the point at which delivery is made and payment therefor is received, and the bank shall be a trustee for the Minister, to the extent of the advances, of the proceeds received for such grain or commodity.

*Article 5.*

All promissory notes or bills of exchange when pledged pursuant to this Act shall have a maturity, exclusive of days of grace, not later than six months from the time at which they are pledged.

*Article 6.*

Advances made hereunder shall be for a period not exceeding one year and interest thereon shall be payable at such rate as may from time to time be fixed by the Treasury Board.

*Article 7.*

All repayments of advances shall be in Dominion notes and such repayments shall be made to the Minister or to an Assistant Receiver-General.

*Article 8.*

All interest received on account of such advances shall be paid to the Minister for Consolidated Revenue Fund.

*Article 9.*

All advances of Dominion notes made hereunder shall be deemed to be an amount due by the bank to the Government of Canada and shall be a second charge (payment of a bank's own notes, issued by the bank, in circulation, being the first charge) upon the assets of the bank.

*Article 10.*

The bank shall satisfy the said trustees before an advance is made by the Minister that any promissory notes or bills of exchange described in paragraph (e) of section two of this Act, offered in pledge, have in fact been issued or drawn, or the proceeds have been used, or are to be used in the first instance, in producing, purchasing, carrying or marketing grain or goods, wares and merchandise within the meaning of these words in *The Bank Act*.

*Article 11.*

No advances shall be made against the pledge of promissory notes or bills of exchange issued or drawn for the purpose of carrying or trading in stocks, bonds, or other securities, and no advance shall be made against promissory notes or bills of exchange, the proceeds of which, when issued or drawn, were employed on capital expenditures of any kind, and the Minister may direct the trustees to make enquiry and report as to whether any notes or bills offered in pledge fall within the prohibition of this section.

*Article 12.*

The Treasury Board may make regulations, not inconsistent with this Act, with regard to advances made hereunder, the terms and conditions affecting the deposit of securities and all other matters necessary to give effect to the provisions of this Act.

*Article 13.*

Notwithstanding anything contained in *The Bank Act* or in any other statute, the proclamation dated the third day of September, one thousand nine hundred and fourteen, made under the authority of the provisions of *The Finance Act*, 1914, chapter three of the Statutes of 1914 (second session), which proclamation was published in the issue of the *Canada Gazette* dated the fifth day of September, one thousand nine hundred and fourteen, except paragraphs (a) and (c) thereof, shall continue in force and effect until the end of three years after the date of the coming into force of this Act. Provided, however, that the Governor in Council, by proclamation, which shall be published in the *Canada Gazette*, may declare and proclaim an earlier date for the termination of the operation thereof.

*Article 14.*

1. The Governor in Council, by proclamation, which shall be published in the *Canada Gazette*, may, during the continuance in force of this section, from time to time and for any period or periods, declare and proclaim that the export of gold coin, gold bullion and fine gold bars from the Dominion of Canada shall be prohibited, except in such cases as may be deemed desirable by the Minister of Finance and under licences to be issued by him.

2. This section shall continue in operation for three years after the date of the coming into force of this Act; provided, however, that the Governor in Council by proclamation, which shall be published in the *Canada Gazette*, may declare and proclaim an earlier date for the termination of the operation of this section.

*Article 15.*

Chapter twenty-one of the statutes of 1919, entitled *An Act to provide for the Continuance in force of a Certain Proclamation made under the Finance Act, 1914, and to authorise the Prohibition of the Export of Gold*, is repealed.

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**CHILE.**

[*Translation.*]

**DECREE-LAW CREATING THE CENTRAL BANK OF CHILE  
(AUGUST 21ST, 1925).**

.....

*Article 69.*

Notes of the Central Bank shall be payable to bearer on demand at the head office of the Bank in Santiago, and payment shall be made in any of the following forms at the option of the Bank :

- (a) In Chilian gold coins of the weight and fineness provided for in the monetary law;
- (b) In gold bars of approximately 100 % fineness and of weight not less than 500 grammes;
- (c) In demand drafts or three-days-sight drafts on London or New York payable in gold and drawn on funds deposited in banks of high standing in those cities. The premiums charged by the Bank above the gold par of the Chilian gold peso as compared with the gold pound sterling and the gold dollar respectively shall not exceed the sum necessary to cover the cost of shipping gold bars in bulk from Santiago to the foreign centre on which the drafts are drawn.<sup>1</sup>

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*Article 71.*

To avoid appreciation of the monetary unit above the gold value stipulated in the monetary law, the Central Bank of Chile shall at its head office in Santiago pay out its own notes in exchange :

- (a) At par for unworn gold coins of the Chilian Republic; or for coins minted after the promulgation of the present law and not worn below the limit fixed by law; or at the rate of one peso in bank-notes for 0.183057 gramme of fine gold for other gold coins of the Chilian Republic;
- (b) For foreign gold coin or its equivalent in paper money payable on demand, and deposits payable on demand in the same coin, also at the rate of one peso per 0.183057 gramme of fine gold, provided the said deposits have been credited to the account of the legal reserve of the Central Bank of Chile in banks in London or New York where the said Central Bank maintains reserves of that kind.

On paying out notes in Santiago against gold deposits abroad, the Bank shall be entitled to charge a premium equivalent to the cost of shipping gold in bulk from the foreign city concerned to Santiago, plus the costs that will be incurred for minting the said gold into Chilian coin at the Santiago Mint and the interest accruing during the time of transit.

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<sup>1</sup> By Decree-Law No. 573, of September 29th, 1925 a sentence at the end of Article 69 was deleted.



*Article 74.*

The Central Bank of Chile shall be required to redeem and immediately cancel and retire from circulation all Treasury bills and Treasury bonds. The Bank shall pay out on sight and at par its own convertible notes in exchange for the said Treasury bills and Treasury bonds at its head office in Santiago and at any branches it may establish, as from the day when the said head office and branches open. It shall also exchange the said Treasury bills and Treasury bonds on demand at its head office in Santiago against gold or gold drafts in the same form and under the same conditions as are stipulated in Article 69 of the present law for the redemption of its own notes.

. . . . .

*Article 83.*

The Central Bank of Chile shall maintain a gold reserve equivalent to 50 % of the total of its notes in circulation and deposits. This reserve may consist of :

- (1) Gold coin and bars deposited in the vaults of the Bank in Chile;
- (2) Gold coin and bars deposited in banks of high standing abroad, and
- (3) Deposits payable on demand and in gold in banks of high standing in London and New York. The proportions to be maintained between these components shall be determined by the Board of Directors.

*Article 84.*

The reserve of 50 % stipulated in the preceding article shall cover also Treasury bills and Treasury bonds in circulation which the Bank is required to redeem, cancel and retire by virtue of the provisions of Article 74 of the present law.

*Article 85.*

When the gold reserve of the Bank, constituted as prescribed in Articles 83 and 84, falls below the legal minimum of 50 %, the Bank shall be subject to the following penalties, which shall be imposed by the Superintendent of Banks, the fines involved accruing to the Treasury : if the reserve falls below 50 % but not below 45 %, a tax of 3 % per annum on the amount by which the reserve is less than 50 %; if below 45 % and not below 40 %, a tax of 6 % per annum on the total amount by which the reserve is less than 50 %; if below 40 % and not below 35 %, a tax of 10 % per annum on the total amount by which the reserve is less than 50 %; and if below 35 %, a tax of 10 % per annum on the total amount by which the reserve is less than 50 %, plus an additional rate of 1½% per annum for each one per cent by which the proportion of reserves is less than 35 %.

*Article 86.*

The discount and rediscount rate of the Central Bank may not be less than 7 % per annum when the Bank's reserve has been continuously for a week or more below the said normal minimum of 50 % of the total amount of notes in circulation and deposits.

. . . . .

*Article 88.*

The Minister of the Treasury, as representative of the President of the Republic, shall enter in the articles of the Bank the following obligations of the State, which shall thereby have the force of contractual obligations.

- (a) The Government authorises the Bank to trade freely in gold and for that purpose to export and import gold without being subject to any restriction or taxation.

This authorisation shall be granted subject to the reservation that the President of the Republic and the Bank may agree, in case of internal or external disturbances, to suspend temporarily the free trade in gold.

(b) The Government undertakes to mint gold coin for the Bank without restriction as to quantity and in accordance with the rates of charges to be prescribed by law. The Mint shall give the Bank, as compared with other organisations or individuals, a time-preference as regards the coining of gold brought for that purpose to the Mint, provided the Board of Directors of the Bank so agree by a majority of seven members.

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**COLOMBIA.**

[*Translation.*]

**LAW No. 65 OF 1916 (DECEMBER 18<sup>TH</sup>) CONCERNING THE EXCHANGE,  
MINTING AND RE-MINTING OF COIN.**

*Article 1.*

The Government is authorised to mint gold coin at the Mints of Bogotá and Medellín whenever it considers this expedient, in order to meet the requirements of circulation. This minting shall also be done by the Government for private individuals at cost price. (Article 9, Law 15 of 1918.)

.....

**LAW No. 15 OF 1918 (SEPTEMBER 10<sup>TH</sup>) CONCERNING THE MINTING AND  
RE-MINTING OF COIN AND THE POWERS OF THE EXECUTIVE.**

.....

*Article 9.*

Any person may deliver duly assayed gold bullion to the Mints at Bogotá and Medellín against certificates of delivery representing the actual value in Colombian currency of the gold delivered.

The certificates in question shall be issued in denominations of two pesos fifty centavos, five, ten, twenty, fifty and one hundred pesos, which shall be accepted at their nominal value for all payments made to the National Treasury.

These certificates shall be exchanged on presentation at the Mints for minted gold or gold bullion.

.....

**LAW No. 21 OF 1921 (NOVEMBER 2<sup>ND</sup>) CONCERNING THE EXPORT  
OF GOLD, ETC.**

*Article 1.*

As from the promulgation of the present Law, the export of gold in any form shall be free, subject to payment of the respective export duties.

.....

**LAW No. 25 OF 1923 (JULY 11TH): ORGANISATION OF THE BANK OF THE REPUBLIC.**

*Article 16.*

(1) The Bank of the Republic will have the exclusive privilege to issue bank-notes for a period of twenty years, dating from the date of registration of its articles of constitution. These notes will be issued in gold pesos of the weight and fineness fixed by the Fiscal Code.

(2) In case of bankruptcy of the Bank, its notes will enjoy the right of preference over all its other obligations.

*Article 18.*

1. The Bank of the Republic shall maintain in its vaults a reserve in gold equivalent to sixty per cent (60 %) of the total of notes in circulation and deposits. A portion of this legal reserve, not exceeding two-fifths thereof, may be kept in the form of demand deposits payable in gold in banks of high standing in foreign financial centres.

2. The same legal reserve is required for two per cent (2 %) treasury bills in circulation, which the Bank is required to exchange for gold, in accordance with Article 24 of the present law<sup>1</sup>.

3. Whenever the Bank reserves fall below the legal minimum of sixty per cent (60 %) the bank shall be subject to the following penalties which shall be imposed by the Superintendent of Banking, the fines involved accruing to the National Treasury.

(a) If the reserve falls below sixty per cent (60 %) and not below fifty-six per cent (56 %) the tax to be paid shall be equivalent to four per cent (4 %) of the deficiency; if the reserve falls below fifty-six per cent (56 %) and not below fifty-four per cent (54 %) the tax shall be six per cent (6 %) on the total deficiency below sixty per cent (60 %); if it falls below fifty-four per cent (54 %) and not below fifty-two per cent (52 %) the tax shall be eight per cent (8 %) on the total deficiency below sixty per cent (60 %); if below fifty-two per cent (52 %) and not below fifty per cent (50 %) the tax shall be ten per cent (10 %) on the total deficiency below sixty per cent (60 %) and if below fifty per cent (50 %) an additional tax on the entire deficiency below sixty per cent (60 %) shall be imposed, increasing by two per cent (2 %) for every one per cent (1 %) deficiency below fifty per cent (50 %).

The rate per cent mentioned above is an annual rate and shall in every case be payable during the existence of the deficiency to which it refers.

(b) The discount and rediscount rates of the Bank of the Republic shall not be less than eight per cent (8 %) per annum when the bank reserves have been continuously for one week or more, less than the sixty per cent (60 %) mentioned above. Whenever a deficiency tax is imposed there shall be added to the Bank's discount and rediscount rates an amount equivalent to at least half the rate of the tax imposed for such deficiencies; so that if the rediscount rate were eight per cent (8 %) and the deficiency tax were six per cent (6 %) the Bank would charge at least eleven per cent (11 %).

<sup>1</sup> These Treasury bills, in accordance with Article 24, have now been retired.

*Article 19.*

1. The notes of the Bank shall be convertible at sight at the head office of the Bank. In other cities where the Bank may establish branches or agencies the notes shall be convertible in gold on sight up to the amount of funds available and beyond that they shall be exchanged for cheques on the head office.

2. If at any time a branch of the Bank of the Republic fails to redeem notes of the Bank on presentation, the person presenting them shall have the option of receiving cheques on the main office as above stated or receiving gold after allowing the minimum time necessary to convey it by the usual means of transport from the head office to the branch, or receiving demand drafts on New York payable in gold, for which the Bank may charge a premium not exceeding that mentioned in the last paragraph of the present article.

3. Should the Bank fail to comply with any of these obligations, it shall be declared *bankrupt owing to suspension of payments*, and action shall be taken as prescribed in such cases by mercantile law.

4. The notes issued by the Bank in accordance with this Law shall have free currency.

5. In time of emergency the Bank may, upon the affirmative vote of six members of the Board of Directors and with the approval of the Minister concerned, give sight or cable drafts on New York payable in gold in that city, in exchange for its notes instead of gold coin, and may on this account charge a premium over the equivalent in pure gold of these foreign currencies as compared with the Colombian gold peso, but this premium shall not exceed the actual cost of shipment of gold coin in bulk between New York and the cities in Colombia where the Bank gives such drafts in exchange for its notes.

*Article 20.*

1. Article 17 of Law 51 of 1918 is repealed, according to the terms of which "the credit institutions will hold in legal coin, in their vaults, twenty-five per cent (25 %) at least of the amount of their sight deposits." This stipulation is replaced by the following:

2. Every banking institution, with the exception of the Bank of the Republic, will hold in its vaults, in legal coin, at least fifty per cent (50 %) of its sight deposits, namely those payable on demand or within a maximum of thirty days, and a reserve equal to twenty-five per cent (25 %) at least of its deposits on term, namely those payable at more than thirty days.

3. For the purposes of the present article the legal reserve will consist solely of domestic or foreign gold coin and of gold bullion—the coin and bullion in question being valued according to the amount of fine gold which they contain in relation to the Colombian gold peso—in national Colombian notes representing gold<sup>1</sup>, in notes of the Bank of the Republic and in Colombian silver coin, but any quantity of this latter coin greater than twenty per cent (20 %) of the minimum required reserve will not be considered as part of the legal reserve. Treasury bills may be counted as part of the legal reserve, for the purposes of the present article, until the provisions designed to retire them, as envisaged in Article 24 of the present law, have been given effect<sup>2</sup>.

When deposits are made in a certain coin, the reserve will be held in that coin in the proportion stipulated above:

4. For the purposes of the present article, the balances of floating credits remaining unused will be considered as available deposits and will require the same reserve as the other deposits of this class.

5. The banks which have become shareholders of the Bank of the Republic through the acquisition of a certain number of class B or class C shares, envisaged in Article 4 of the present law, and which, as a result, enjoy the right of rediscount at the Bank of the Republic, as laid down in Article 18 of the law, will be required to maintain only half of the legal reserve stipulated above. These banks may include their available deposits as part of their legal reserve up to one-half of the reserve which they are required to hold.

<sup>1</sup> These have since been retired and are no longer existent.

<sup>2</sup> See the footnote under the second paragraph of Article 18.

6. If any bank other than the Bank of the Republic ceases to hold the reserve required by law, the superintendent of banks will impose a fine upon it which may not be greater than one per cent (1 %) of half the deficit during the first ten days of its duration nor greater than two per cent (2 %) of half the deficit during each period subsequent to ten days.

*Article 21.*

The legal representative of the Government shall provide in the contract by which the Bank is legally constituted for the following obligations on the part of the nation :

(a) To allow the Bank to deal freely in gold, and to import or export it without charge or hindrance. In the case of internal or external disturbance, the Government and the Bank may agree temporarily to suspend unrestricted dealing in gold.

(b) To mint the gold delivered to it by the Bank for that purpose, at the price fixed for that operation in the existing laws. The Minister concerned shall grant the Bank priority as regards the order in which gold brought to the Mints is coined whenever it considers this in the public interest.

. . . . .



**COSTA RICA.**

[Translation.]

**DECREE No. 8, OF OCTOBER 24TH, 1896 : CURRENCY LAW.**

*Article 1.*

The right of minting the national coinage shall be vested exclusively in the nation, acting either for itself, or, by way of contract, through private persons, companies or foreign Governments.

*Article 2.*

The basis of the currency system of the Republic shall be gold and the monetary unit shall consist of 778 milligrammes of gold of a fineness of 900/1000ths (nine hundred thousandths). The monetary unit shall be called the *colon*, and shall be divided into 100 centimos.

*Article 3.*

The multiples of the colon shall be struck in gold and only the sub-multiples or fractions of the colon shall be struck in silver.

.....

*Article 12.*

The Mint may strike gold coin for private persons, by order of the Ministry of Finance, and subject to the provisions of the present law. The seigniorage charge shall be 1%, provided always that the gold bars furnished are 900/1000ths fine; if not, an extra charge of 1% shall be levied for alloying or refining. Nevertheless, the Federal Executive may waive these charges according to circumstances and to the need for coin.

*Article 13.*

Silver coin may not be minted for private persons, except by contract passed with the Federal Executive and approved by the Legislature. But, in this case, as in that of minting for the Government, the striking of silver coinage shall be subject to the following conditions :

- (a) No silver coins may be struck with a value exceeding 50 centimos or  $\frac{1}{2}$  colon;
- (b) The quantity of silver coin struck shall not exceed 20% of the value of the gold coin struck in conformity with the provisions of the present law.

*Article 14.*

The Federal Executive shall lay down the proportions in which the various gold and silver coins may be struck, according to their value.

.....

*Article 17.*

Foreign gold coin shall have currency in the Republic as soon as the Federal Executive shall have determined its value relatively to the national gold coinage, and provided that its fineness is equal to, or greater than, the latter.

.....

*Article 20.*

The Government shall, each year, mint the exact amount of gold and silver coin in the relative proportion laid down for these two categories of coin in Article 13, which is needed to meet the requirements of exchange. For this purpose, the minimum amount of national coin shall be fixed at 20 colons per inhabitant.

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DECREE No. 1, OF APRIL 17TH, 1900.

*Article 1.*

As from July 15th next, all gold certificates issued by the Government and in circulation at that date must be presented at the Bank of Costa Rica, as administrator of the public revenues, for conversion into gold.

*Article 2.*

As these certificates are successively exchanged by the Bank, they shall be placed at the disposal of the Ministry of Finance in order to be burnt in the manner provided by law, after being checked with the issue records.

*Article 3.*

All liabilities contracted in national currency and outstanding on July 15th next shall be governed by the new gold currency (the colon) in the proportion of one gold colon to one silver peso of the present currency. The payment of all revenue taxes and charges shall be made on the same basis, and the present national silver coinage shall continue to circulate, subject to the reservations laid down by the existing currency law.

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DECREE No. 16, OF APRIL 25TH, 1900 : BANK LAW.

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*Article 17.*

No corporation or person may put into circulation documents of any kind containing a promise to pay in cash, and made payable to bearer at sight.

Documents issued in this manner shall be null and void under civil law.

Any person signing such documents shall pay a fine of 500 colons, or 10% of the value specified in the documents, if that value exceeds 5,000 colons.

*Article 18.*

Mortgage banks may not issue bearer notes payable at sight, but they may put into circulation redeemable mortgage bonds, so far as this is provided for in the Statutes of the Bank, for an amount equal to the value of the first-class mortgages taken out in their favour.



*Article 19.*

Non-mortgage banks shall alone be entitled to issue bearer notes, on the conditions laid down by the present law, and provided they have power to do so under their Statutes.

.....

*Article 33.*

No person is obliged to accept notes in discharge of a debt, service or liability of any sort. The currency of such notes is entirely voluntary.

*Article 34.*

Notes shall be exchanged, on presentation, against national gold, and the Bank may not refuse to pay except on the ground that the note is not genuine.

.....

*Article 40.*

If a person presents a note at the Bank and this note is not paid in national gold, he may have a protest drawn up by a notary, who shall go to the offices of the Bank and draw up a statement attesting the refusal. On the strength of this document, if the Bank does not allege that the note is not genuine, the judge concerned shall issue an order in bankruptcy.

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**DECREE No. 12, OF NOVEMBER 17TH, 1902, AMENDING THE BANK LAW OF APRIL 25TH, 1900.**

.....

*Amendment No. 4.*

Article 20 of the Bank Law shall read as follows :

“Bearer notes may not be issued by any bank whose paid-up capital is less than one million colons, and which, at the beginning of its issuing transactions, has not that amount in its vaults either in national gold or in foreign gold coinage whose value relatively to the national gold coinage has previously been officially determined.”

*Amendment No. 5.*

Article 21 shall read as follows :

“For purposes of note issue, the paid-up capital of banks which were created without rights of issue but which decide to issue notes at some date after they have begun business, shall be considered as consisting of national gold coin, provided this paid-up capital is not less than one million colons.

“Similarly, the paid-up capital of banks which are at present established shall be considered, for purposes of note issue, as consisting of national gold coin, provided the said paid-up capital is not less than one million colons.”

*Amendment No. 6.*

Article 22 shall read as follows :

“The total amount of the notes which a bank may issue shall in no case exceed the amount of its paid-up capital. The reserve funds shall never be reckoned as capital.”

*Amendment No. 7.*

Article 23 shall read as follows :

“Every bank of issue must at all times hold in its vaults, either in national gold coin or in foreign gold coin whose value relatively to the national coinage has previously been officially determined, a reserve equal to 50% of the amount of the notes in circulation which may be presented for payment.

“Any bank which infringes this decision shall be liable to a fine of ten thousand colons; it shall be compelled by judicial order to withdraw its notes, which shall be called in for exchange, and shall forfeit its right of issue.”

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**DECREE No. 12, OF SEPTEMBER 18TH, 1914.**

*Article 1.*

As from to-day's date and until further orders by the Federal Executive, banks of issue established in the Republic are authorised not to exchange their notes against gold.

*Article 2.*

The notes of the said banks shall be legal tender for the discharge of all liabilities contracted in gold colons.

*Article 3.*

So long as the present Decree shall remain in force, the enforcement of the provisions of Articles 33, 34 and 40 of the existing Bank Law shall be suspended so far as they conflict with the present provisions.

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**DECREE No. 16, OF OCTOBER 9TH, 1914.**

A State credit and issuing establishment, to be known as the International Bank of Costa Rica, is hereby set up; with its domicile in this city; it shall be managed by private persons under the direct supervision of the Federal Executive.

Its purpose and constitution shall be as follows :

I.

The Bank shall be authorised to issue notes for an amount not exceeding four million colons in accordance with the provisions of the present Bank Law and of its subsequent amendments in so far as they do not conflict with the provisions of the present Decree.

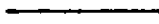
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DECREE No. 27, OF NOVEMBER 24TH, 1914.

*Single Article.*

The exportation of gold and silver in bullion or specie is prohibited. This prohibition does not apply to gold and silver mined in the country. The present Law shall take effect as from the date of its publication.



DECREE No. 19, OF MARCH 29TH, 1921.

*Article 1.*

The inconvertibility proclaimed by Decree No. 12, of September 18th, 1914, shall remain in force up to the 31st of the present month, after which date banks shall be obliged to exchange their notes as provided in Article 84 of the Bank Law.

The above shall not apply to the International Bank of Costa Rica, whose notes shall be convertible in a manner to be finally settled in a subsequent law.

*Article 2.*

The notes of the International Bank of Costa Rica shall remain available for use by debtors as legal tender for the discharge at par of liabilities contracted in gold colons. Nevertheless, if the creditor refuses to accept them, the debtor shall enjoy a moratorium for such time as the inconvertibility of the notes of the said Bank may subsist.

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DECREE No. 24, OF JUNE 11TH, 1921.

*Article 1.*

Decree No. 27, of November 24th, 1914, is hereby abrogated.

*Article 2.*

The present Decree shall take effect as from the date of its publication.

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<sup>1</sup> This amount was subsequently increased several times.

DECREE No. 17, OF OCTOBER 10TH, 1922.

CREATION OF THE CONVERSION OFFICE

*Article 1.*

A Department of the International Bank of Costa Rica shall be opened under the name of the Conversion Office.

*Article 2.*

The operations of the Office shall be directed by the Board of the Bank in accordance with the regulations issued to this effect and submitted for approval to the Ministry of Finance.

*Article 3.*

The office shall exchange notes issued by it for gold or sight drafts on New York at the option of its Administrator, at the rate of four colons to one dollar.

*Article 4.*

The Office may purchase foreign drafts at the same rate as above in exchange for its own notes.

*Article 5.*

It may also draw against its notes bills on the United States of America, always at the aforesaid rate of four colons to one dollar.

*Article 6.*

For the purchase or sale of drafts as laid down in the foregoing articles, the Office shall charge only such commission as is sufficient to cover the cost of the movement of funds.

*Article 7.*

Neither the gold coin received by the Office in exchange for its notes, nor the balance formed in the same manner in the United States, may be applied to any other purpose than that of meeting demands for currency or drafts in exchange for the notes of the Office.

*Article 8.*

The resources of the Office shall be constituted by the export tax on bananas, as from to-day, and further by all moneys which the Government may assign for this purpose.

*Article 9.*

The funds referred to in the foregoing article shall be deposited in the Office in gold coin or sight drafts on New York. On the basis of these funds, the Office shall issue gold notes in the ratio of four hundred per cent, which the Bank shall take as a repayment of its advances to the Government. The Bank shall withdraw from circulation an equal amount of its existing notes and put into circulation those received from the Office.

The legal provisions regarding banks of issue shall apply to the Conversion Office in so far as they do not conflict with the present Law.

*Article 10.*

The notes of the Office shall be accepted by all Government offices at their full face value and on a par with the notes of the International Bank of Costa Rica.

*Article 11.*

All Government offices shall accept gold coin of the United States of America offered to them by private persons in payment of taxes, dues, etc., at the rate mentioned above.

*Article 12.*

As from the promulgation of this Law and during the period of conversion, neither the Government nor the International Bank of Costa Rica nor any other institution may issue any inconvertible notes, even against full cover. The Office may issue its own notes to the amount required by the public or the Government, but always against gold or drafts on New York at the rate laid down, and always on condition of being paid in gold or sight drafts at the option of the Administrator of the Office and at the same rate. The International Bank may issue notes, but solely to replace destroyed notes of its own issue.

*Article 13.*

The import duties hitherto fixed in gold colons shall cease to be so computed and shall be reckoned in current notes, but at twice the amount of the corresponding assessment or tax. Any other taxes in gold colons shall be similarly computed.

*Article 14.*

The notes delivered by the Conversion Office to the International Bank of Costa Rica (Article 9) shall be put at the disposal of persons importing merchandise, without discrimination, provided that the applicant submits a commercial invoice for the amount which he wishes to cover, together with the relevant bill of shipment to a recognised port of the Republic and provided that the goods covered by the invoice are not luxury articles.

The latter shall be understood to include wines, liqueurs, perfumery, silks, furs, motor cars, tobacco and works of art, and, furthermore, any goods included by the Federal Executive in any regulation issued relative to the present Law. Notwithstanding, the Ministry of Finance shall have the preference in acquiring the notes of the Conversion Office when the latter are needed for the service of national loans payable in gold, provided that such notes are not acquired on credit. In dispossessing itself of the notes of the Conversion Office, the International Bank of Costa Rica shall see that parity is maintained between them and its own notes.

*Article 15.*

The notes of the Office received by the Bank in payment of Government obligations, as laid down in Article 9, shall not be put into circulation until the moneys referred to in Article 8 amount to a minimum of one and a-half million dollars.

*Article 16.*

The Conversion Office shall open a special account for the notes and for the gold and drafts they represent, and shall issue a monthly statement showing clearly and separately the issues made and the gold deposits held in the country and abroad, together with a statement of bills receivable and bills payable. Payments to the staff of the Conversion Office and other expenditure involved by its operations shall be defrayed by the International Bank of Costa Rica.

The State shall guarantee the operations of the Conversion Office.

During the validity of this Law, the export of gold coin shall be free.

*Article 17.*

If, at any moment and for any reason, the note circulation of the Office should cease to be adequately covered, as provided for in this Law, or if the drafts purchased by the Office prove irrecoverable or depreciate in value before their due date, or if the foreign correspondents with whom the funds of the Office are deposited fail or suspend payment, the International Bank of Costa Rica shall, without loss of time and from its own resources, proceed to restore the equilibrium which must exist in virtue of the present Law between the note circulation and drafts of the Office on the one hand, and the holdings in cash and commercial bills on the other.

All amounts of gold in the possession of the International Bank of Costa Rica shall be understood to be the property of the Conversion Office up to the amount of the sum due to it according to the accounts of issue.

*Article 18.*

The International Bank is authorised to invest its gold reserve in foreign banks of recognised solvency with the sole object of earning interest in order to increase the said reserve.

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**DECREE No. 8, OF FEBRUARY 23<sup>RD</sup>, 1924 : REGULATIONS  
FOR THE CONVERSION OFFICE.**

. . . . .

*Article 8.*

In exchange for its notes, the Office shall accept only United States gold currency, at the rate of exchange laid down by law, and those foreign gold currencies that were legally sanctioned by Decree No. 4, of February 20th, 1902, on the basis of 400% for American gold or sight drafts on New York drawn by banks or banking concerns of recognised solvency, or by exporters whose drafts are expressly authorised by an accredited representative of the firm drawn upon, who must accept them in that capacity and have power to do so. The Board of Directors may assimilate to bankers' drafts, drafts issued by concerns other than banks which, in its opinion, fulfil the same conditions.

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CUBA.

[Translation.]

MONETARY LAW OF OCTOBER 29TH, 1914.

Article I.

The minting of the national currency, being an exclusive privilege of the State, is decreed and regulated by the present Law. This currency shall have gold as its basis or standard, and the peso, weighing 1.6718 gramme, including 1.5046 gramme of pure gold, as its unit.

Article II.

Gold, silver and nickel coins of the following denominations shall be minted :

- (a) Gold coins : pieces of 20, 10, 5, 4, 2 and 1 pesos.

..... ; .....

Article III.

There shall be no limit to the minting of gold. The amount of silver minted may not exceed 12 million pesos and that of nickel shall be fixed by the National Executive Authority.

Article IV.

The fineness of the coins shall be as follows :

- (a) Gold coins : nine hundred thousandths of fine metal with a tolerance of one thousandth both in regard to fineness and weight.

.....

Article V.

The gold coins shall be legal tender to any amount.

.....

Article VII.

The gold coins of 5, 10 and 20 pesos shall have the same design, weight and value as coins of the United States of America, whilst those of 4, 2 and 1 pesos shall correspond to the foregoing as regards design and weight.

.....

Article X.

The national currency and that of the United States shall alone be legal tender for the payment of liabilities contracted during the validity of the present Law; payments may, however, be made in foreign currencies if the contracting parties have agreed thereto.

MINTING.

*Article XI.*

The Executive Authority is authorised to negotiate by public tender with banking institutions domiciled within the Republic, with regard to the minting of the coins referred to in the present Law; the institution awarded the contract shall be responsible for all expenditure caused by the purchase of metal, its transport and delivery to the Mint of the United States, for the reimbursement of the minting costs and for the transport and delivery of the minted coins to the General Treasury of the Republic.

*Article XII.*

The Executive Authority shall refund to the contracting institution the sums due to it as follows :

- (a) Within ten days subsequent to the delivery of each consignment of minted coins, the value of the metal utilised for this minting operation;
- (b) Within thirty days subsequent to the presentation of the accounts which must accompany each delivery of minted coin, the other expenses, including the agreed commission. The costs of the minting operations, the insurance, transport and freight costs, and other necessary expenditure before delivery to the General Treasury, must be proved by the production of documentary evidence in good and due form. The refund of these sums shall be made by the General Treasury out of the coins minted.

*Article XIII.*

The Executive Authority shall take the necessary steps to arrange with the Government of the United States of America for the minting of the national coinage to be carried out at the Mint of that country.

*Article XIV.*

Minting costs and other expenditure involved by this service shall be borne by the Treasury of the Republic and paid out of the profits accruing from the minting operations.

*Article XV.*

The institution with which the State has contracted for the minting of coins is authorised :

- (a) To negotiate and execute deeds and contracts relating to the minting of the coins authorised under the present Law;
- (b) To purchase the metals required for such minting;
- (c) To enter into a contract for the costs of minting and of delivering the coins in question to the General Treasury, including under this heading transport and insurance costs and other necessary expenditure.

. . . . .

*Article XVII.*

Foreign currency in circulation, other than that of the United States of America, shall cease to be legal tender; it may nevertheless circulate as a commodity, without prejudice to contracts where payment in such currency has been agreed upon, due consideration thus being given in contractual acts to the will of the contracting parties, which must be accepted as binding.

*Article XVIII.*

The National Executive Power is authorised to place an embargo on the export of the national metallic currency whenever it deems expedient.

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**DECREE No. 570 PROHIBITING THE EXPORT OF SPECIE (APRIL 21st, 1917).**

.....  
Whereas Article XVIII of the Law of October 29th, 1914, concerning the national currency, authorises the Executive Authority to place an embargo on the export of the national currency whenever it deems expedient, and whereas, under Article X of the said Law, the national currency and that of the United States of America are alone legal tender,  
.....

**I HEREBY RESOLVE :**

1. To prohibit, as from the date of the publication of the present Decree, the exportation to foreign countries from all ports of the Republic of specie which is legal tender, namely the minted coinage of the United States and the minted coinage of the Republic of Cuba.
  2. Foreign specie which is not legal tender may be exported only from the ports of Havana, Santiago de Cuba, and Cienfuegos.
- .....

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**DECREE No. 1508 CONCERNING EXPORTS IN GENERAL ON ACCOUNT OF THE EUROPEAN WAR (OCTOBER 4TH, 1917).**

**I HEREBY RESOLVE :**

That previous application shall be made to the Treasury Department for the necessary authorisation to export or re-export the articles listed below; the department concerned shall reserve the right to grant or refuse the permit requested according to the circumstances and precedents of each individual case.

.....  
specie, gold and silver bullion, paper money.  
.....

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**DECREE No. 715 (MAY 3RD, 1920).**

**I HEREBY RESOLVE :**

That the provisions of Decree No. 1508 of October 4th, 1917, shall be abrogated, with the exception of those referring to specie, paper money, gold and silver in ingots, or in any other form, and the shavings, filings, etc., of these metals, the export of which shall continue to be governed by the provisions at present in force.

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**CURAÇAO.**

[*Translation.*]

**DECREE ESTABLISHING NEW STATUTES FOR THE BANK OF CURAÇAO  
OF MAY 30TH, 1907, AS AMENDED IN 1926.**

*Article 1.*

.....

*Section 3.*

1. The Bank shall have the exclusive right to issue bank-notes in the Colony of Curaçao.
2. The form and denomination of the bank-notes to be issued shall be determined by the Board of Directors and shall be notified to the public.
3. The bank-notes shall be exempt from stamp duty.
4. They shall be accepted as means of payment at public offices of the Colony of Curaçao.
5. The bank-notes shall be convertible into current specie on presentation at the head office at Willemstad on any day, Sundays and holidays excepted.
6. The holder of a bank-note shall be entitled only to claim payment by the Bank of the amount specified on the note.
7. The Bank shall not be bound to grant compensation for the loss or destruction of its notes.
8. In the event of suspicion of fraud, or at the written request of the persons interested, the Bank may require persons presenting notes for conversion to give a receipt for them and/or endorse them.
9. The provisions of Articles 209-211 of the Commercial Code of Curaçao shall not apply to bank-notes.
10. The falsification or counterfeiting of bank-notes shall be punishable under Article 95 of the Criminal Code.
11. The extent to which the total sum represented by bank-notes must be permanently covered by specie or bullion, kept at the head office of the Bank at Willemstad, shall be fixed at one-third.
12. In times of emergency, the Governor may, at the request of the Bank, temporarily change the proportion so stipulated.
13. Such a change must be ratified by a Colonial Decree, and the proposal for that purpose must be submitted within three months.
14. If the proposal is not made within that period, or if the proposal is made but is not approved within three months after being submitted, the Board of Directors shall be bound to restore within one month the proportion previously in force.

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**MINT LAW, OF MAY 23RD, 1899 (AMENDED BY THE LAWS  
OF JANUARY 2ND, 1900, AND MARCH 27TH, 1915.)**

.....

*Article 3.*

The current gulden of Curaçao shall be regarded as being equal to 0.94 of the current Dutch gulden.

*Article 4.*

Every creditor may demand payment in legal tender.  
The following coins shall be legal tender in the colony of Curaçao :

(a) For the payment of any amount :

The 10-gulden (10-florin) piece, and the 5-gulden (5-florin) piece of the Netherlands;

The rix-dollar, gulden (florin) and half-gulden (half-florin) of the Netherlands;

Foreign gold coins, the circulation of which has been authorised by Us in the Colony of Curaçao, at the rates fixed by Us.

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CZECHOSLOVAKIA.

[Translation.]

LAW OF APRIL 14<sup>TH</sup>, 1920<sup>1</sup>, AMENDED AND SUPPLEMENTED  
BY THE LAW OF APRIL 23<sup>RD</sup>, 1925<sup>2</sup>.

.....

§ 15.

A special law will determine the date on which the Bank shall be required to redeem its notes in specie on presentation at its head office in Prague, as provided for in the Currency Law.

If, within twenty-four hours after presentation, the Bank does not fulfil this obligation and cannot plead *force majeure*, it shall forfeit its privilege (§§ 11 and 12).

The Bank shall be required to convert the bank-notes presented at its branches into specie only to the extent to which the available metal reserve at those branches permits.

.....

§ 28 (VII).

As from the date on which at least two-thirds of the share capital has been subscribed and paid up (§ 46 of the Law concerning the Bank of Issue) until the promulgation of the Currency Law, the Bank must maintain a metallic cover amounting to 20 % of the total value of the bank-notes in circulation plus its sight liabilities, but minus the debt represented by the treasury notes.

This cover shall be increased by 1 % each year for a period of fifteen years.

The proportion between the metallic cover and the notes in circulation shall be calculated each quarter at the average rate of the New York Stock Exchange, based on the quotations for the last fifteen days of the previous quarter.

The cover shall include, in addition to precious metals, of which gold must form at least three-quarters of the value of the whole stock, foreign bank-notes payable at their face value, current specie, foreign exchange on markets whose exchange is not depreciated, consisting either of bills of exchange drawn on the more important money markets in Europe and America, bearing the signature of a reliable banking firm and likewise fulfilling all the conditions with which bills of exchange are required to comply, or of immediately recoverable claims on banking firms of unquestionable solvency, whose head office is situated in one of the more important money markets in Europe or America. Foreign bank-notes payable at their face value, specie and foreign exchange in excess of the minimum amount of the metal cover shall be placed to the commercial (bank) cover account.

§ 29 (VII).

The commercial cover shall consist of securities readily convertible into cash; this cover may be acquired by the Bank only by means of the commercial transactions specified in the Statutes (§ 121).

<sup>1</sup> No. 347 of the Collection of Laws and Decrees. The Articles taken from this Law are indicated in Arabic numerals.

<sup>2</sup> No. 102 of the Collection of Laws and Decrees. The Articles taken from this Law are indicated in Roman numerals.

§ 80 (VIII).

Should the position as regards the metallic cover stipulated in § 28 deteriorate, the Bank shall be obliged, so long as this state of affairs continues, to pay the Treasury on the difference between the actual circulation and the maximum amount of the admissible note circulation, a tax equivalent to the discount rate :

(a) Plus 1 % if the difference between the actual value of the metal cover and the cover stipulated does not exceed 2 %; and

(b) Plus an additional 1½ % for each further reduction of 2 %, whether the last reduction is as much as 2 % or not.

The rate of this tax must in no case be less than 5 % per annum.

This tax shall be paid *Pro rata temporis* and accounts shall be finally settled at the end of the year on the basis of the sums shown in the returns drawn up in accordance with § 139 of the Law concerning the Bank of Issue<sup>1</sup>.

.....

§ 89.

So long as the State notes are in circulation, the Bank shall be responsible for their circulation; it shall exchange them for other denominations so far as these are available, replace worn-out notes by new ones, arrange for the printing of these new notes without charging the Treasury more than the actual cost of printing, and shall assist in the operations connected with the withdrawal of the said State notes when the time comes. The Bank shall likewise be authorised to confiscate any counterfeit State notes without any indemnity and merely against receipt; in general, it shall be required to treat State notes in the same way as bank-notes, in accordance with § 23.

§ 40.

So long as the State notes which have forced currency remain in circulation, the Bank shall be authorised to deduct the State notes in its possession from the amount shown in the return of the bank-notes in circulation. This reduced note circulation shall serve as a basis for calculating the amount of the cover and determining the tax on the bank-notes.

§ 41.

.....

(A.III) Until the Bank is obliged by a special law to repay the bank-notes issued by it in cash, in accordance with § 15 of the Law concerning the Bank of Issue, it shall take steps to ensure that the rate of the Czechoslovak crown as compared with foreign gold currency of full value is maintained at the same level as during the past two years.

.....

§ 49 (a) (XII).

.....

State notes already in circulation as well as those put into circulation out of the supply taken over from the Banking Office of the Ministry of Finance, shall, from the time the Bank commences its operations, or from the time they were issued, be considered as the Bank's own notes.

.....

<sup>1</sup> Law of April 14th, 1920.

**MONETARY LAW OF NOVEMBER 7TH, 1929 (FINAL REGULATION  
OF THE CZECHOSLOVAK CURRENCY).**

The Permanent Committee of the National Assembly of the Czechoslovak Republic has adopted the following law in conformity with paragraph 54 of the Constitution :

*Article 1.*

The Czechoslovak crown, being the present monetary unit of the Czechoslovak Republic, shall be equivalent in value to 44.58 milligrammes of pure gold.

*Article 2.*

The National Bank of Czechoslovakia is required to maintain the exchange rate of its notes at the statutory ratio mentioned above (Article 1) and it may be held responsible for any failure to fulfil this fundamental obligation. (Article 11 of the Law of April 14th, 1920, Collection of Laws and Ordinances No. 847, concerning the Bank of Issue constituted as a joint stock company.)

*Article 3.*

1. The Bank is required to purchase gold at its head office in Prague, and at its branches which it may designate, at the rate of 1 crown for 44.58 milligrammes, provided that the quantity offered by the seller is not less than 12 kilogrammes of pure gold. When making such purchases, the Bank is authorised to deduct only the assay and minting charges at the rate established by the State Mint. (Article 4, paragraph 6.)

2. At the aforesaid head office and branches (paragraph 1), the Bank is required to redeem its notes, at its own discretion, either in gold (in coins which are legal tender or in bullion) at the rate of 44.58 milligrammes of pure gold for one crown, or in undepreciated foreign gold exchange at the rate of the day on the Prague Stock Exchange; notes offered for redemption must in all cases be equivalent in value to not less than 12 kilogrammes of pure gold. If the Bank does not fulfil this obligation within a period of twenty-four hours from the presentation of the notes, and is unable to show a case of *force majeure*, it shall forfeit its privilege. (Article 12 (b) of the Law on the National Bank.)

3. The Government, after consulting the Bank, shall determine by a special decree the date on which the statutory obligation defined in paragraphs 1 and 2 shall come into force, and likewise, the extent to which the said obligation may, after its coming into force, be temporarily restricted or modified in regard to quantity.

*Article 4.*

1. Gold coins of 100 crowns, having an alloy of 900 parts of pure gold and 100 parts of copper, shall be minted in accordance with the statutory ratio (article 1).

2. One kilogramme of gold bullion should produce, when minted, 201.89783969 coins of 100 crowns, and one kilogramme of pure gold, 224.81583669 such coins, so that the standard weight (total weight) of one coin of 100 crowns will be 4.9533 grammes including 4.458 grammes of pure gold.

3. Minting operations shall be carried out as accurately as possible; in so far as absolute accuracy cannot be obtained, a remedy of 2 per mille in standard weight (total weight) and 1 per mille in fineness is allowed.

4. The coin of 100 crowns shall bear on one of its faces the coat-of-arms of the Czechoslovak Republic; on the same, or on the other face, according to the general character of the die, shall be indicated the denomination of the coin.

5. Coins of 100 crowns shall be legal tender up to any amount in respect of all payments which may be made in Czechoslovak currency.

6. A Government decree shall determine the design of the coin of 100 crowns, as well as the date on which the Mint shall begin to mint such coins on behalf of the State, and that on which it shall be authorised to mint the said coins without restriction on behalf of individuals. This decree shall also determine the charge payable for minting, which shall not, under any circumstances, exceed 0.3 per cent of the value of the coins.

*Article 5.*

1. A coin of 100 gold crowns shall, provided its weight has not been diminished by abrasion by more than 5 per mille of its gross statutory weight (Article 4, paragraph 2), be considered as of standard weight, and shall be accepted in payment as such by State and other public offices, as well as by individuals. Nevertheless, if, as the result of normal abrasion, its weight has fallen by more than the remedy allowed, or if, for any cause other than abrasion, the coin has become lighter or has been mutilated or perforated, it shall cease to be legal tender. State and other public offices to which such coins are offered in payment shall withdraw them from circulation by demonetising them, in a conspicuous manner, and shall return them to their holders without compensation.

2. Coins which the said offices find to be counterfeit shall be confiscated in favour of the State and despatched to the State Mint.

3. The Mint, to which defective coins must be forwarded, shall determine whether it is a case of wear due to circulation, or of any other kind of alteration (paragraph 1), or whether it is a case of counterfeiting (paragraph 2).

*Article 6.*

1. The Bank is required to maintain a gold cover which, at the end of 1929, must be not less than 25 %, at the end of 1930 not less than 30 %, and at the end of 1935 and thereafter, not less than 35 % of the total amount of notes in circulation and other demand liabilities.

2. The ratio between the gold cover and the said circulation shall be calculated every quarter according to the average rate obtaining on the Prague Stock Exchange during the last fortnight of the preceding quarter.

3. Not less than half of the gold cover shall consist of gold coin or bullion. The balance may consist of foreign bank-notes, current coin, and foreign exchange of stable value in the form either of bills of exchange on the leading money markets of Europe and America, bearing the signature of a reliable banking house and conforming in other respects to all the conditions laid down for bills of exchange or of liquid assets in banks of unquestionable solvency connected with the leading money markets of Europe and America.

.....

*Article 8.*

When the debt represented by the notes has been reduced to not more than one thousand million Czechoslovak crowns, the Bank may, notwithstanding the principle set forth in paragraph 1 of Article 129 of the Law concerning the National Bank, proceed to discount Treasury bills (Staatswechsel) up to a total of 200 million Czechoslovak crowns, in order to adjust any temporary divergence between Treasury expenditure and receipts. Such temporary credits shall always be refunded *in toto* not later than the end of March in the following year. The drafts in question must bear at least one legalised signature of a credit institution.

*Article 9.*

The Bank may, in agreement with the Minister of Finance, and without failing in its legal obligations, participate in international financial and economic institutions engaging in monetary transactions.

*Article 10.*

1. The present Decree shall imply the abrogation of :

(a) Articles 6 and 15 of the Law on the National Bank, the reference to the said Article 15 in Article 12 (b) of this Law being replaced by the reference in the last sentence of paragraph 2 of Article 3 of the present Decree;

(b) Article III, paragraph 1, and Articles VII and XIV of the Law of April 23rd, 1925 (Collection of Laws and Ordinances No. 102) amending and supplementing the Law on the National Bank.

2. Furthermore, the following shall be amended :

(a) Article 129, paragraph 1, of the Law on the National Bank;

(b) Article VIII of the Law of April 23rd, 1925, to the extent that the reference to heading VII occurring therein shall henceforth apply to Article 6 of the present Decree.

. . . . .





**FREE CITY OF DANZIG.**

[Translation.]

**LAW OF NOVEMBER 20TH, 1923, CONCERNING THE CREATION OF A BANK OF ISSUE : ANNEX, ENTITLED "RIGHT OF ISSUING NOTES".**

.....  
8. The Bank shall be entitled to issue gulden notes expressed in the denominations of 10, 25 and 100 gulden, and of multiples of 10, 25 and 100 gulden, in accordance with the exigencies of its operations. The maximum amount of notes put into circulation may not, subject to the provisions of paragraph 10, exceed 100 gulden per head of the population permanently domiciled in the territory of the Free City of Danzig.

9. The Bank must at all times hold as cover in gold coin, in Bank of England notes, or in claims on the said Bank payable on demand and expressed in pounds sterling, a sum equivalent to not less than one-third of the total note circulation. For this purpose a pound sterling shall be reckoned as equivalent to 25 gulden.

.....  
10. Should the bank-notes in circulation exceed the limit stipulated in paragraph 8, the excess issue must be covered in full by gold coin, Bank of England notes, or claims on the said Bank payable on demand and expressed in pounds sterling. A tax of 5 % per annum shall be paid to the Free City of Danzig in respect of such excess issue. The Senate may either wholly or partly waive its right to levy the said tax on bank-notes where the Bank furnishes satisfactory proof that a quantity of notes corresponding to those in excess of the maximum issue (see paragraph 8) is in foreign countries or not in active circulation.

.....  
11. The Bank shall be bound to give cheques on its London agents to persons paying in sums of not less than 1,000 gulden in Danzig gulden or in Bank of Danzig notes at its head office in Danzig, whenever the gulden or notes are offered at a rate not higher than 19s. 10d. (19 shillings and 10 pence) for 25 gulden.

The Bank shall further be bound at all times to accept its own notes and coins of the Free City of Danzig at their full face value at all its branch offices. It shall convert coin of the Free City of Danzig into its own notes at full face value. This obligation shall, however, only remain valid so long as the total circulation of silver coin having the fineness stipulated in the Monetary Law does not exceed 30 gulden, and that of nickel and copper coin does not exceed 3 gulden per head of the population permanently domiciled in the territory of the Free City.

Such conversions and payments shall be effected free of charge or tax.

12. Against payments made in pounds sterling at its London Office the Bank shall be bound to deliver cheques in gulden drawn on itself at Danzig. Such cheques shall be for not less than 1,000 gulden and shall be issued at a rate not exceeding £1 0s. 1d. (1 pound 1 penny) for 25 Danzig gulden. Any tax or expenses shall be borne by the party making the payment.

**MINT LAW OF NOVEMBER 20TH, 1923.**

**§ 1.**

The State alone enjoys the right to mint coin.

DENMARK.

[Translation.]

LAW No. 157 OF JULY 12TH, 1907, CONCERNING THE  
PROLONGATION OF THE PRIVILEGE OF THE NATIONAL BANK.

§ 7.

As regards the cover for the notes issued by the Bank, the following rules shall be applied :

1. The Bank may issue bank-notes for an amount corresponding at any given time to commercial requirements, provided that :

In accordance with the following stipulations, it maintain a metal reserve equivalent to one-half of the nominal value of the notes in circulation, and

That the portion of the said notes not covered by the metal reserve be secured by readily convertible assets which are absolutely safe, to the proportion of 125 kroner of assets to 100 crowns of notes.

2. The metal reserve, which, as stipulated above, must at all times be maintained by the Bank, may include :

- (a) Specie which is legal tender, at its nominal value;
- (b) Gold bullion and foreign gold coins at the rate of 2,480 kroner per kilogramme of fine gold;
- (c) Non-interest-bearing assets of the Bank payable on demand, deposited with the Bank of Norway and the Riksbank of Sweden, provided the debt contracted on the same terms by the National Bank with the two banks mentioned above be deducted from the metal reserve;
- (d) Non-interest-bearing assets payable on demand, to the credit of the Bank's transfer account (*Girokonto*) with the German Reichsbank.

The proportion of the metal reserve consisting of gold specie which is legal tender must not be less than one-quarter of the compulsory metal reserve, and the total proportion of the said reserve specified under (a) and (b) must not be less than three-fifths of the compulsory metal reserve.

Gold bullion sent by the Bank to the Mint may be included in the Bank's monetary reserve.

3. Assets which may be employed as security for the proportion of the notes in circulation not covered by the metal reserve shall include, chiefly, acknowledgments of loans on collateral, inland or foreign bills, assets payable on demand deposited with correspondents abroad, public loan bonds included in the ordinary quotation lists at their stock exchange rate, and mortgage bonds covering direct loans on immovable property; these latter securities may not, however, figure in the said assets for a sum exceeding six million kroner.

4. The Bank may not issue notes for a lower denomination than five kroner, nominal value.

5. The Bank is required to exchange on demand at its head-office any notes issued by it for gold specie which is legal tender, at the face value of the notes. Five-krone notes must not, however, be so exchanged unless they represent a sum corresponding to the value of gold specie which is legal tender. The Bank shall likewise be obliged to purchase from any persons who so request fine gold bullion at the price of 2,480 kroner per kilogramme of fine gold, less  $\frac{1}{4}$  % for the cost of minting.

6. The Bank management must communicate each month to the Bank Commissioner (*Bankkommissær*) the proportion between the notes in circulation and the assets and metal reserve which, in accordance with paragraphs 1 and 3 above, are to serve as cover for the notes issued.

7. If, at the time the information specified in paragraph 6 is communicated, the cover for the notes issued by the Bank is lower than the proportion stipulated above, the management must prove to the Bank Commissioner, by the end of the following month at the latest, that the required proportion has been fully made up.

8. In special cases the Bank may be allowed, by Royal Decree and for a period not exceeding two years, to depart from the rules laid down in the present paragraph concerning notes in circulation, on condition that a special tax, the monthly rate of which shall be calculated at 5 % per annum, be paid to the Treasury on the excess notes in circulation at the end of each month.

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**LAW No. 313 OF DECEMBER 27TH, 1926, CONCERNING THE REDEMPTION  
OF THE NOTES OF THE NATIONAL BANK.**

**§ 1.**

The obligation of the National Bank to redeem the notes issued by it in gold on demand shall be renewed as from January 1st, 1927, with the limitation that until the last day of December 1929, the Minister of Industry, Commerce and Shipping shall have authority to stipulate that the Bank shall only be obliged to undertake such exchange when notes are presented to the amount of 28,000 kroner, or in amounts which are multiples thereof, and that the Bank shall have the option of effecting payment by the delivery of the specified sum in Danish gold coin, or in gold bars, or in gold in any other form, at the rate of 2,480 kroner per kilogramme of fine gold.

**§ 2.**

Any person wishing to buy or sell foreign exchange in advance of the Exchange quotation shall transmit in writing to the Bank a statement of the amount not less than one hour before the quotation is made. When foreign exchange is purchased, a statement of the reason for purchase may be required.

**§ 3.**

The Minister of Industry, Commerce and Shipping shall have authority to require, for purposes of the yearly examination of the balance of payments with foreign countries (but otherwise only when special circumstances render it necessary), that holders of foreign exchange, including Government securities and debts in foreign currency, shall transmit to the Ministry of Industry, Commerce and Shipping particulars of the amounts of such holdings and debts, whether in Denmark or abroad.

**§ 4.**

This law shall come into force on January 1st, 1927, and shall lapse on the last day of the year 1929.

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**LAW No. 235 OF DECEMBER 23RD, 1929, ON THE CONVERTIBILITY  
OF THE NOTES OF THE NATIONAL BANK.**

**§ 1.**

The Minister of Commerce and Industry shall have authority, until the end of 1930, to stipulate that, without prejudice to the obligation of the National Bank under its charter to redeem its notes in gold, on demand, the Bank shall be required to redeem notes presented only to the amount of 28,000 kroner or in amounts which are multiples thereof, and that the Bank shall have the option of effecting payment in Danish gold coin at face value or in gold bars, or in gold in any other form, at the rate of 2,480 kroner per kg. of fine gold.

**§ 2.**

The Minister of Industry and Commerce shall have authority to require for the purpose of drawing up the yearly statement of the balance of payments with foreign countries (but otherwise only when special circumstances render it necessary) that any individual, company, or other association having credits or debts payable abroad shall transmit particulars of the amounts of such credits, whether held in Denmark or abroad, and of the amounts of such debts.

**§ 3.**

The present law will come into force on January 1st, 1930.

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**LAW OF MAY 23RD, 1873, ON THE MONETARY SYSTEM.**

.....  
**§ 12.**  
.....

Any person who delivers gold to the Government Mint for the purpose of having it minted shall be entitled to receive gold coin in exchange on payment of  $\frac{1}{4}\%$  of the value of the amount minted in the case of twenty-krone pieces and  $\frac{1}{3}\%$  of such value in the case of ten-krone pieces, to cover the cost of minting. No additional minting fee shall be charged.

Further conditions with regard to the quantity, fineness and other properties of the gold delivered shall be prescribed by a Government decree.

Divisional coinage may only be minted for account of the State Treasury.  
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ECUADOR.

[Translation.]

CURRENCY LAW (MARCH 4TH, 1927).

Article 1.

The currency unit of the Republic of Ecuador shall be the sucre, which shall contain 0.300933 grammes of fine gold.

Article 2.

Gold coins of 25 and 50 sucres shall be minted. The coin of 25 sucres shall be termed a condor, and that of 50 sucres, 2 condors.

The 25-sucre coin shall weigh 8.35925 grammes, 900/1000ths (nine hundred thousandths) fine, and shall contain 7.523325 grammes of fine gold.

The 50-sucre coin shall weigh 16.7185 grammes, 900/1000ths fine, and shall contain 15.04665 grammes of fine gold.

Copper shall be used as the alloy of all gold coin.

Article 3.

The Central Bank of Ecuador as the agent of the Government shall receive gold for minting in amounts equivalent to 10,000 condors or more at the rate of 0.300933 grammes of fine gold per sucre at the branch, agency or correspondent bank in the country where the Government has its coin minted; it shall have this gold minted in Ecuadorian gold coin of the denominations specified by the Government, and shall send them to Guayaquil or Quito as the Government may direct.

The Bank shall make no charge for this service other than for the cost of minting and any expenses occasioned thereby.

The Minister of Finance shall draw up and officially publish a schedule of the cost of these services.

The Minister of Finance shall authorise the reminting of such amounts of existing Ecuadorian gold coin as he may think fit. The costs of such minting shall be borne by the National Treasury.

. . . . .

Article 6.

Ecuadorian gold coin, minted in accordance with the present Law, if within the limit of tolerance allowed, shall be accepted up to any amount in payment of any tax or any debt due to the Government and shall be legal tender up to any amount in payment of any kind of public or private debt, except where expressly stipulated otherwise by contract, in accordance with Article 23 of the present Law.

. . . . .

Article 21.

Foreign currency need not be accepted in payment of public or private debts or other liabilities except by virtue of an Ecuadorian Law or of a contract specifically stipulating it.

*Article 22.*

From the date on which the Central Bank of Ecuador officially begins its operations, taxes of all kinds, as well as prohibitions and restrictions on the export or import of gold in coin or bars and on the export of silver coin shall be annulled.

*Article 23.*

From the date on which the Central Bank is officially declared open, payments may be stipulated in specified gold coin, national or foreign, or in gold bars.

.....

*Article 28.*

The present Law shall come into force from the date on which it is published in the *Registro Oficial*.<sup>1</sup>

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ORGANIC LAW OF THE CENTRAL BANK OF ECUADOR  
(MARCH 4TH, 1927).

.....

*Article 52.*

The Central Bank shall be granted the sole right to issue notes during the fifty years of its existence, and, in that period, neither the Government of the Republic nor any of its political departments nor any other bank or corporation, undertaking, individual or entity shall have the right to issue paper money or any other document which may be circulated as money.

*Article 53.*

The notes of the Central Bank shall be expressed in gold sucres.

*Article 54.*

The gold sucre shall contain 0.300933 grammes of fine gold, which is exactly a fifth of the gold dollar of the United States of America, according to its present legal weight.

.....

*Article 56.*

The notes of the Central Bank shall be accepted at par up to any amount in payment of all taxes or duties and of all articles sold or services rendered by Government undertakings, and shall be legal tender for any amount in payment of any public or private debt, except the Central Bank's liability in respect of its own notes.

From the date on which the Central Bank is officially declared open under Article 64, payment under the terms of contracts may be stipulated in specified gold coin, national or foreign, or in gold bars.

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<sup>1</sup> Published March 19th, 1927.

*Article 57.*

The notes of the Central Bank shall be converted, on presentation by the bearer, during the Bank's official hours at its head office at Quito or at any of its principal branches, and the payments so made may be effected in any of the following forms, as the Bank may prefer :

(a) Ecuadorian gold coin, minted on the basis of the gold sucre, as provided by Article 54 of the present Law and by the Currency Law of March 4th, 1927;

(b) Gold bars approximately 100% fine and having a weight of not less than 500 grammes each, which shall be calculated in accordance with their content of fine gold;

(c) Gold coin of the United States of America, of legal weight, at the rate of 5 sucres to the dollar, or British pounds sterling of legal weight at the rate of 24.8325 sucres to the pound;

(d) Drafts at sight or at three days' notice on New York or London, payable in gold and drawn on funds deposited in banks of established repute situated in those cities. The Bank may charge on such drafts a premium on the parity of the gold sucre with the American dollar or the pound sterling, such premium not to exceed the amount required to cover the costs of conveying gold bars in sufficient quantities from Quito to the commercial centre on which the draft is drawn. The maximum premium chargeable shall be determined by the Board of Directors of the Bank, with the approval of the Superintendent of Banks, and shall be publicly announced. The rate of this premium may not be changed without the consent of at least seven directors and the approval of the Superintendent of Banks.

*Article 58.*

At the minor branches of the Bank, notes shall be converted at sight in the same way as at the principal branches and the head office, or, if the Bank so prefers, in drafts at sight and at par on the Bank's head office at Quito or one of its principal branches.

*Article 59.*

In order to prevent an increase in the value of the sucre above the gold value assigned to it in Article 54 of the present Law and in the above-mentioned Currency Law, the Central Bank shall give its own notes at sight at its head office at Quito or at its principal branches in exchange for :

(a) Ecuadorian gold coin at par, having the fine gold content prescribed in Article 54 of the present Law and in the above-mentioned Currency Law, provided that the weight of such coin has not been reduced by wear or by any other cause below the limit fixed by law;

(b) Ecuadorian gold coin of previous issues at a value proportionate to its fine gold content according to the law which authorised its minting, provided that it is not worn beyond the legal tolerance;

(c) Other gold coin or gold bars of a fineness of approximately 100% and weighing not less than 500 grammes, at the rate of 1 sucre per 0.800933 grammes of fine gold;

(d) Deposits credited to the account of the Central Bank, payable at sight in gold at the rate of 0.300933 grammes of fine gold per sucre at any of the banks in New York or London at which the Central Bank keeps a deposit account forming part of its legal reserve. For thus transferring notes to Ecuador against deposits of gold abroad, the Bank shall charge a premium on the gold parity of the sucre with the American dollar or the pound sterling, such premium not to exceed the amount required to cover the costs of sending gold bars in sufficient quantities from the said commercial centres to Quito. The said maximum premium shall be determined by the Board of Directors of the Central Bank, with the approval of the Superintendent of Banks, and shall be publicly announced. It shall not be changed without the consent of at least seven of the members of the Board and the approval of the Superintendent of Banks.

*Article 60.*

If the Bank fails to convert its notes at sight, as provided in Articles 57 and 58, it shall be declared "bankrupt through suspension of payments in gold", and the Superintendent of Banks shall at once proceed to liquidate it in accordance with the law.

. . . . .

*Article 64.*

On the entry-into-force of the present law, former banks of issue shall, if they have not already done so, transfer to the Central Office, in part compensation for the liability assumed by the latter in respect of notes issued by the said banks, bonds of the Ecuadorian Government (mortgage bonds excepted), up to the amount necessary to bring up to 100%, including the metal reserve transferred in accordance with the law, the assets covering the notes in circulation for which the Central Office has assumed liability under the law of June 23rd, 1926, instituting the said Office. If the amount of the State debt to the bank of issue is not sufficient to make up the aforesaid cover, the bank in question shall, in the circumstances already provided for, transfer to the Central Office a sufficient amount of securities to make good the deficiency. Such securities shall be selected by the Minister of Finance.

Banks which have not complied with the provisions of the preceding paragraph shall, on the debt being recognised by the Government, be immediately liquidated by the Superintendent of Banks; the Central Office's claim in part compensation for the liability assumed by it in respect of notes of former Banks of issue shall have a prior lien on the whole assets of the said Banks.

In completion of this operation, the Government shall, if it has not already done so, transfer to the Central Office for account of the Commercial and Agricultural Bank, the Certificate A and Certificate B referred to in the Convention of May 1st, 1926, concluded between the Government and the said Bank.

The President of the Republic shall fix and announce the date on which the Central Bank shall be officially opened. As from such date, the Central Bank shall take over all the liabilities of the Central Office simultaneously with all the assets; when this has been legally effected, the Central Office shall cease to exist.

*Article 65.*

As soon as the notes of the Central Bank are ready, the latter shall exchange them at par for all notes offered to it and put into circulation by former banks of issue, and for notes issued by the Central Office similarly presented to it. These notes of former banks of issue and of the Central Office shall have the same right of exchange for gold or gold drafts as the notes of the Central Bank itself, in accordance with Articles 57 and 58.

*Article 66.*

Should it appear, during the operations of exchange and withdrawal from circulation of the said notes of former banks, that the latter have surreptitiously and illegally issued a greater number than that for which the Central Bank has assumed responsibility under the provisions of Article 64, the said banks shall be liable to the Central Bank for the excess notes surreptitiously and illegally issued on the same conditions and within the same limits as in the case of issues taken over by the Central Bank under Article 64, without prejudice to any other civil or penal proceedings which may be instituted in this respect.

*Article 67.*

As soon as notes of the Central Bank are available in sufficient quantity, the notes of former banks and of the Central Office which have been accepted by the Central Bank on deposit or in



exchange for notes of the latter Bank or for any other reason shall be withdrawn from circulation and immediately cancelled and destroyed.

. . . . .

*Article 78.*

The Central Bank of Ecuador shall hold a gold reserve equal to 50% of the value of its notes in circulation—that is to say, the notes not in its possession—plus its deposits.

The reserve shall consist of the following :

- (a) Gold minted or in bars and kept in the Bank's vaults;
- (b) Gold minted or in bars deposited in first-class banks abroad;
- (c) Deposits in first-class banks in New York or London payable at sight or at three days' notice in gold.

The proportion in which the reserve may consist of the above-mentioned three forms shall be left to the discretion of the Board of Directors.

*Article 79.*

A gold reserve of 50%, as stipulated in the previous article, shall also be required for the notes in circulation of the former banks of issue and of the Central Office for the conversion and withdrawal of which the Central Bank is responsible, as provided in Article 64.

*Article 80.*

Whenever the Bank's gold reserve, constituted in accordance with Articles 78 and 79, falls below the normal minimum of 50%, the Bank shall be subject to the following taxes which shall be imposed by the Superintendent of Banks and shall be paid to the Government; if the reserve falls below 50%, but not below 45%, the Bank shall pay a tax of 3% per annum on the difference; if the reserve falls below 45%, but not below 40%, the tax shall be 6% per annum on the amount below 50%; if it falls below 40%, but not below 35%, the tax shall be 12% on the total amount below 50%; if it falls below 35%, the tax shall be 15% on the total amount below 50% and a further tax of 1½% per annum shall be payable for each 1% or fraction thereof by which the percentage of the reserve falls below 35%.

*Article 81.*

The discount rate of the Central Bank may not be less than 7% per annum when the Bank's reserve has remained continuously for a week or more below the normal minimum of 50% of the combined amount of the Bank's notes in circulation and those deposited with it.

*Article 82.*

Whenever the Bank has to pay a tax on account of a deficiency in its reserve, as provided in Article 80, there shall be added to its discount rate a percentage at least equal to half the rate of the tax for the deficiency. In the circumstances referred to in the previous article, the Bank's discount rate shall be increased by the amount required to raise it to 7% per annum, plus a percentage at least equal to half the rate of the tax for the deficiency in the reserve.

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**EGYPT.**

[*Translation.*]

**STATUTES OF THE NATIONAL BANK OF EGYPT.**

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*Article 4.*

1. The purpose of the National Bank of Egypt is to :

1. Issue notes repayable to bearer on demand :

.....

*Article 5.*

.....

The amount of notes in circulation payable to bearer on demand shall always be covered :

1. To the extent of at least one-half, by gold<sup>1</sup>.

2. As regards the other half, by securities calculated at a rate not exceeding the rate of the day and in no case over par, such securities to be the property of the Bank and to be chosen and designated by the Government alone. Nevertheless, the Government shall not in any case and at any time incur any liability as a result of the exercise of this right.

In the absence of the whole or of part of these securities, the gold bullion and coin contained in the special fund for the service of the bank-note issue shall be increased proportionately so that the notes in circulation are always fully covered.

The reserve in gold and securities required under the present article constitutes the special guarantee of the holders of bank-notes and, in the event of the Bank being wound up, this reserve shall be used solely to effect the withdrawal of the notes.

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<sup>1</sup> On October 30th, 1916, the Government authorised the issue department of the Bank to hold British Treasury Bills in lieu of gold.

ESTONIA.

[Official Translation.]

STATUTES OF THE EESTI PANK.

Article 3.

To ensure the convertibility of the Eesti Pank notes :

1. The Bank, on the requisition of any person who makes a demand or offer to that effect at the Head Office of the Bank at Tallinn, shall be bound to sell to, or to purchase from, such person in exchange for legal tender currency of Estonia, at the rates defined in sub-sections 2 and 3 of this article, respectively, the legal tender currency of such foreign gold standard country or countries as may be notified in the *State Advertiser*, for immediate delivery in such foreign country or countries.

Provided that no person shall be entitled to demand or offer an amount of foreign currency of less value than 5,000 kroon of legal tender money of Estonia.

2. For the purpose of determining the rate applicable to the *sale* of foreign currency under this article, 2,480 kroon shall be deemed to be equivalent to such sum in that foreign currency as is required to purchase 1,000 grammes of fine gold in that foreign country, at the rate at which the principal currency authority of that country is bound by law to sell gold in exchange for currency, after deduction from such sum of an amount, to be fixed by the Bank, representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from Tallinn to that foreign country, including interest and insurance on its value during transit.

3. For the purpose of determining the rate applicable to the *purchase* of foreign currency under this article, 2,480 kroon shall be deemed to be equivalent to such sum in that foreign currency as is realised by the sale of 1,000 grammes of fine gold in that foreign country, at the rate at which the principal currency authority is bound by law to purchase gold in exchange for currency, after addition to such sum of an amount, to be fixed by the Bank, representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from that foreign country to Tallinn, including interest and insurance on its value during transit.

4. On the date on which the provisions of this Law become operative, the Bank shall notify in the *State Advertiser* at least one foreign gold standard country for the purposes set forth in sub-section 1 of this article. The Bank shall similarly notify any additions or changes of the foreign gold standard countries to which sub-section 1 of this article is to apply. The Bank shall also from time to time determine the equivalent rates in accordance with the provisions of sub-sections 2 and 3, and shall notify in the *State Advertiser* the rates so determined.

Article 58.

The Bank shall maintain a reserve of not less than 40 per cent of the amount of its notes in circulation and demand liabilities.

Article 59.

The term "reserve" in the above article shall include only :

(a) Gold coin and bullion owned by the Bank, either in the custody of the Bank or deposited in other Central Banks and earmarked for the Eesti Pank's account, or in any mint, or in transit to or from the Eesti Pank;

(b) Foreign exchange in the unrestricted ownership of the Eesti Pank, provided that, in practice and in fact, such exchange shall at all times be convertible on demand into exportable gold at the centre where the exchange is held.

For the purposes of this article, and subject always to the preceding paragraph (b), the term "foreign exchange" shall be taken to mean :

- (1) net balances standing to the credit of the Eesti Pank at the Central Note Issuing Bank or other bank of a foreign country,
- (2) bills of exchange payable in a foreign currency, maturing within not more than three months, and bearing at least two good signatures,
- (3) Treasury Bills, Treasury Certificates of Indebtedness, or similar obligations of a foreign Government of a maturity not exceeding six months, less any liabilities in such foreign exchange.

*Article 60.*

At the request of the Bank, the Government may suspend the operation of Article 58, subject to the payment by the Bank to the Government of a progressive tax.

The suspension may be granted for a period of not more than thirty days in the first instance, and may be renewed for further periods not exceeding fifteen days at a time.

The tax shall be levied on the amount by which the note circulation and demand liabilities of the Bank exceeds the maximum sum which would be admissible under Article 58.

The tax shall be calculated and paid daily at the following rates :

1½% per annum above the published minimum current discount rate of the Eesti Pank for three months' bills if the Reserve, while less than 40 per cent., is not less than 85 per cent.

2% per annum if the reserve, while less than 85 per cent, is not less than 80 per cent.

3% if the reserve is less than 80 per cent.

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**NOTIFICATION OF THE EESTI PANK DATED DECEMBER 30TH, 1927.**

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As required by Article 3 of the New Statutes (*State Advertiser*, No. 48, 1927), the Bank makes known the following :

1. The foreign country selected under Article 3 (1) of the Statutes, whose legal tender currency the Eesti Pank shall be bound to sell or purchase in Tallinn on a demand or offer to that effect, in exchange for legal tender currency of Estonia, for immediate delivery in such foreign country and at the rates defined below, is England.

2. For the purpose herebefore mentioned, the minimum buying rate of one pound sterling is fixed at 18 krone 10 cents, and the maximum selling rate at 18 krone 84 cents.

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[*Translation.*]

**NOTIFICATION OF THE EESTI PANK DATED MAY 20TH, 1930.**

As required by Article 8 of the Statutes (*State Adviser*, No. 48, 1927), the Bank notifies that, in modification of the minimum buying and the maximum selling rates of the pound sterling published in the *State Adviser* No. 1 of 1928, the following rates shall come into force :

- (1) As the minimum buying rate—18 kronas 8 cents for one pound sterling, and
  - (2) As the maximum selling rate—18 kronas 28 cents for one pound sterling.
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**FINLAND.**

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[*Official Translation.*]

**MONETARY LAW OF DECEMBER 21st, 1925.**

.....

*Article 10.*

Every person submitting not less than 40 grammes of gold to the Finnish Mint for coining is entitled, after the weight and fineness of the gold have been examined, to receive from the Bank of Finland gold coin of a value corresponding to that of the fine gold, after one-third per cent of the aforesaid value has been deducted for covering the cost of coining. For such coining no other charges or taxes may be made.

Gold may freely be imported into the country and exported thence.

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*Article 12.*

Besides gold coin, everyone shall be compelled to accept Bank of Finland notes as legal tender.

The Bank of Finland is compelled to redeem its notes in the manner provided for in the regulations of the Bank.

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**REGULATIONS OF THE BANK OF FINLAND, OF DECEMBER 21st, 1925.**

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*Article 6.*

The amount of the Bank's notes in circulation may not exceed one thousand two hundred million marks in excess of the aggregate amount of the gold reserve of the Bank and the undisputed balances of the Bank with its foreign correspondents.

In case the amount of the Bank's notes in circulation should exceed the total amount of the assets specified in clause 1, the cover for the notes must consist of :

- Bills payable abroad in foreign currency;
- Foreign bonds quoted on foreign Stock Exchanges;
- Interest coupons in foreign currency which have fallen due for payment;
- Foreign bank-notes; or
- Inland bills falling due not later than within three months' time and for the payment of which at least two trustworthy persons or firms are responsible.

The assets of the Bank in foreign currency, specified in clauses 1 and 2, may not be booked higher than at rates of exchange corresponding to the Stock Exchange quotations in countries with gold currency, converted into Finnish marks at gold parity, bonds, however, not higher than their nominal value.

The drafts of the Bank in Finnish currency and other liabilities payable on demand, as well as the undrawn balances of advances on cash credit and overdrafts, shall equally be considered as notes in circulation.

*Article 7.*

The gold reserve shall be considered as consisting of gold coin and bullion of the Bank, either here or in course of transport for the account of the Bank.

The gold reserve shall be maintained at not less than three hundred million marks.

*Article 8.*

The Bank is obliged to redeem its notes on demand either :

In Finnish gold coin;

In gold ingots; or

In cheques made out in foreign gold currency and payable at sight at the current rate of exchange, which may not exceed the parity by more than one per cent.

It is at the option of the Bank which of these methods of redemption provided for in clause 1 shall be employed in each case.

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FRANCE.

[*Translation.*]

MONETARY LAW OF JUNE 25<sup>TH</sup>, 1928.

*Article 1.*

The provisions of Article 3 of the Law of August 5th, 1914, which order, temporarily, the forced circulation of the notes of the Bank of France and the Bank of Algeria, are repealed.

*Article 2.*

The franc, the monetary unit of France, is composed of 65.5 milligrammes of gold of a fineness of nine hundred thousandths.

This definition is not applicable to international payments which, before the promulgation of the present Law, were stipulated to be in gold francs.

*Article 3.*

The Bank of France shall be bound to make provision for the conversion of its notes into gold to bearer and at sight.

It shall have the option of so doing either by redeeming its notes in gold currency accepted as legal tender, or by exchanging them for gold at the rate of 65.5 milligrammes of gold of the fineness of nine hundred thousandths per franc.

It shall have the option of effecting such redemption or exchange exclusively at its central registered office and in respect of minimum quantities to be fixed by agreement between the Minister of Finance and the Bank of France.

Provision shall be made for the conversion under like conditions of notes of the Bank of Algeria, by agreement between the Minister of Finance and the Bank of Algeria.

The Bank of France shall be bound to purchase gold of the fineness of nine hundred thousandths at the pay-desks of its central registered office and of such subsidiary offices as it may select, without deducting interest. It shall have the right to deduct from the price paid to the seller the cost of minting at the tariff established by the Paris Mint. The costs of assaying shall be borne by the seller.

*Article 4.*

The Bank of France shall be bound to keep a cash balance in gold bullion and coin equal to not less than thirty-five per cent (35%) of the total sum of the bearer notes in circulation and the current credit accounts.

All previous legal provisions fixing a maximum for the sum of Bank of France notes in circulation are hereby abrogated.

*Article 5.*

There will be made by the Administration of the Mint one-hundred-franc gold coins of a fineness of nine hundred thousandths.

The legal tolerance as regards the fineness is fixed at one thousandth above or below. The legal tolerance as regards the weight is fixed at two thousandths above or below.

These coins will be legal tender for an unlimited amount.



*Article 6.*

A decree of the Council of Ministers will fix the date after which the Administration of the Mint will resume the free coinage of gold for private persons. This decree will determine the conditions under which gold will be accepted for minting on the basis laid down in Article 2, and will fix the coinage fees.

Until this decree is published, the Administration of the Mint may coin gold only for the account of the Bank of France, and the fee shall be 40 francs per kilogramme of gold of a fineness of nine hundred thousandths.

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*Article 12.*

The Law of the 17 Germinal of the year XI concerning the making and verifying of coins is repealed.

Are and remain repealed :

The Law of November 15th, 1915, prohibiting the export of gold bullion and of gold and silver coin;

The Law of April 12th, 1916, prohibiting the export of silver bullion;

The Decrees of April 1st, 1915, and December 2nd, 1921, prohibiting the export of nickel and copper coins as well as those of aluminium-bronze;

The Laws of February 12th, 1916, and October 16th, 1919, suppressing the traffic in the national moneys;

The Law of October 20th, 1919, prohibiting the melting and the demonitisation of the national coin;

The provisions of the Law of April 8rd, 1918, and of the succeeding Laws relating to the prohibition on the export of French bank-notes over a certain sum;

The Law of August 7th, 1926, concerning the steps preparatory to the stabilisation of the currency, as well as all other Laws whose provisions are contrary to the present text.

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**FRENCH WEST AFRICA.**  
**(French West Africa, French Equatorial Africa,**  
**The Cameroons, French Togoland.)**

[*Translation.*]

**LAW OF JANUARY 29<sup>TH</sup>, 1929, PROVIDING FOR THE RENEWAL  
OF THE PRIVILEGE OF NOTE-ISSUE ACCORDED TO THE BANK  
OF WEST AFRICA.**

*Article 1.*

The privilege accorded to the Bank of West Africa by decree of June 29th, 1901, as extended by successive decrees dating from 1921 to 1928, is hereby extended for a period of twenty years as from the promulgation of the present law, in so far as concerns the territories coming within the jurisdiction of the general Governments of West Africa, Equatorial Africa, the Cameroons and Togoland.

*Article 2.*

Notes of the Bank of West Africa shall be accepted as legal tender by the public offices and by private individuals within the colonies and territories under French mandate where the Bank is established.

They shall enjoy forced circulation as long as the notes of the Bank of France enjoy forced circulation.

When the period of forced circulation expires they shall be repayable at sight and to bearer, in money which is legal tender in France, by the branches and agencies appointed by agreement between the Minister of the Colonies and the Bank.

*Article 3.*

The sum total of the notes in circulation must always be covered, to at least one-third, by a reserve as defined in the annexed Statutes.

*Article 4.*

The notes put in circulation by the Bank of West Africa shall not exceed the sum of one thousand million francs.

Notwithstanding, should the Board of Directors of the Bank consider that the authorised note circulation is insufficient for the requirements of the territories to be served, it shall send a substantiated request to the Minister of the Colonies, who shall take action on the said request in agreement with the Minister of Finance.

The maximum of the note issue may be increased by two hundred million francs by a decree signed by these two Ministers.

If, at later dates, one or more additional increases should be necessary, they may be authorised by the same procedure.

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STATUTES OF THE BANK OF WEST AFRICA.

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*Article 15, Paragraph 1.*

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The sum total of the notes in circulation must always be covered to at least one-third by a reserve consisting of gold on the basis of the monetary definition of the franc; of coin which is legal tender in France; of sight deposits in currencies convertible into gold, calculated at par; or of a credit held in a special non-interest-bearing account with the Treasury.

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GERMANY.

[Official Translation.]

THE BANK LAW OF AUGUST 30TH, 1924.

Article 22.

The Reichsbank is under obligation to take bar gold at the fixed rate of 1,392 Reichsmarks for one pound fine in exchange against its notes.

The Bank is authorised to cause such bar gold to be examined and assayed by any technical experts to be appointed by the Bank in that behalf, at the vendor's expense.

Article 28.

The Bank shall be compelled to keep at all times in respect of its notes in circulation :

(a) A cover of at least 40% in gold or "Devisen" (gold cover). This cover must at least as to three-quarters consist of gold.

The expression "gold" within the meaning of this direction connotes bar gold as well as German or foreign gold coins (the pound fine being calculated at 1,392 Reichsmarks) in so far as such gold is in the possession of any office of the Bank or deposited with any foreign central note-issuing bank in a manner to be at all times at the free disposal of the Reichsbank.

"Devisen" are bank-notes, or bills of exchange having not more than fourteen days to run, cheques and claims due from day to day payable in foreign currency by a bank of known solvency in foreign financial centres. They are to be taken at their gold value for the time being;

(b) For the remaining amount, discounted bills of exchange or cheques satisfying the requirements specified in Article 21.

Article 29.

In exceptional circumstances the cover referred to in Article 28 under (a) may be reduced below 40% on the proposal of the Managing Board by a resolution of the General Board; such a resolution of the General Board requires unanimity except as to one vote.

In the case of such a reduction of the cover extending over more than one "Bank return week", the Bank has to pay to the Reich in respect of the amount by which the prescribed cover of 40% falls short a percentual note tax computed in accordance with the following directions :

In the case of a cover between 37 and 40% : 3% per annum;

In the case of a cover between 35 and 37% : 5% per annum;

In the case of a cover between 33½ and 35% : 8% per annum;

In the case of a cover of less than 33½% : 8% per annum, with the addition of 1% per annum in respect of each 1% by which the percentage of the reserve falls short of 33½%.

The rate of discount must in any case in which the cover during a bank return week or during a longer period remains uninterruptedly below 40% amount to at least 5%.

Whenever a note tax is payable the rate of discount shall be raised by at least one-third of the percentage of the tax which is payable, and this increase shall be in addition to the increase of the said rates of discount required for the purpose of satisfying the requirements of the third paragraph of this section.

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*Article 81.*

The Bank is under obligation to pay its notes to the bearer thereof :

- (a) At its principal office in Berlin immediately on presentation;
- (b) At any branch establishment in so far as its available cash and its cash requirements admit of such payment.

Payment at the Bank's option may be made :

1. In German gold coins of the weight and fineness authorised by law for the time being at their par value;
2. In gold bars in pieces of not less than 1,000 Reichsmarks and not more than 85,000 Reichsmarks, at their value in pure gold in German gold coins of the weight and fineness authorised by law for the time being;
3. In cheques or orders to pay in foreign currency equivalent in value to the market value of the currency concerned in the matter as expressed in gold. The "Satzung" enumerates the foreign banks on which the cheques or orders to pay may be drawn. The Reichsbank may in such a case charge a commission. The said commission may, however, not exceed the amount representing the share apportionable to the amount paid in the cost of transmission of larger sums of gold to the place of business of the foreign bank concerned in the matter, together with interest.

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*Article 85.*

In addition to the cover of its note issue provided for in Article 28, the Bank shall at all times hold a special cover of at least 40% of the liabilities falling due from day to day; this cover must consist of deposits at call (money due from day to day) in Germany or abroad, cheques on other banks, bills of exchange having not more than thirty days to run or claims recoverable at call arising from debts covered by pledges.

The requirements as to special cover provided for above shall not apply to the account opened by virtue of Article 26 (reparations account).

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*Article 52<sup>1</sup>.*

The date for the coming into force of this Law shall be determined by the Reich Government. The coming into force of the rules of Article 81 requires in addition concurrent resolutions of the Reichsbank Managing Board and of the General Board. Such resolutions are to be published in the *Reichsgesetzblatt*. Up to that date the rules contained in Article 2 of the Law of August 4th, 1914 (*Reichsgesetzblatt*, page 847) concerning Reichskassenscheine and bank-notes, shall remain in force, in so far as it relates to Reichsbank notes.

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<sup>1</sup> In pursuance of this article the Managing Board and the General Board of the Reichsbank concurrently decided, on April 15th, 1930, to put into force Article 81 of the Bank Act (decision published on April 17th, 1930; see *Reichsgesetzblatt II*, page 69). This decision has taken effect as from May 17th, 1930. See Decree of May 19th, 1930; *Reichsgesetzblatt II*, page 776).

STATUTES OF THE REICHSBANK.

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*Article 27.*

The cheques and orders for payment referred to in Article 31 (2), No. 3, of the Bank Law must be issued on a foreign central note-issuing bank.

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[*Translation.*]

THE MINT LAW OF AUGUST 30TH, 1924.

.....

*Article 7.*

The coins will be minted for the account of the Reich at the mints of those federal States which are willing to undertake the work. The minting procedure will be under the supervision of the Reich.

Private persons are entitled to have coins of 20 Reichsmarks minted on their own account at these mints in so far as the latter are not employed on Reich work. The charge to be made for such minting will be fixed by the Reich Minister of Finance with the approval of the Reichsrat but it may not exceed 14 Reichsmarks per kilogramme of fine gold. The difference between this charge and the remuneration paid to the mint for its minting operations accrues to the Reich Exchequer; it must be the same for all German mints. The mints may not claim any larger payment for minting than the Reich Exchequer grants for the minting of coins of 20 Reichsmarks.

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**GREAT BRITAIN**

**COINAGE ACT, 1870.**

*Article 8.*

Where any person brings to the Mint<sup>1</sup> any gold bullion, such bullion shall be assayed and coined, and delivered out to such person, without any charge for such assay or coining, or for waste in coinage.

Provided that :

(1) If the fitness of the whole of the bullion so brought to the Mint is such that it cannot be brought to the standard fineness under this Act of the coin to be coined thereout, without refining some portion of it, the Master of the Mint may refuse to receive, assay, or coin such bullion;

(2) Where the bullion so brought to the Mint is finer than the standard fineness under this Act of the coin to be coined thereout, there shall be delivered to the person bringing the same such additional amount of coin as is proportionate to such superior fineness.

No undue preference shall be shown to any person under this section, and every person shall have priority according to the time at which he brought such bullion to the Mint.

*Article 11.*

It shall be lawful for Her Majesty, with the advice of the Privy Council, from time to time by Proclamation to do all or any of the following things, namely :

8. To direct the establishment of any branch of the Mint in any British possession, and impose a charge for the coinage of gold thereat; determine the application of such charge; and determine the extent to which such branch is to be deemed part of the Mint, and to which coins issued therefrom are to be current and be a legal tender, and to be deemed to be issued from the Mint.

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<sup>1</sup> The Mint means the Royal Mint, England.

AN ACT TO REGULATE THE ISSUE OF BANK-NOTES; JULY 19, 1844.

.....

*Article 4.*

And be it enacted, That from and after the Thirty-first Day of August One thousand eight hundred and forty-four all Persons shall be entitled to demand from the Issue Department of the Bank of England Bank of England notes in exchange for Gold Bullion, at the Rate of Three Pounds Seventeen Shillings and Ninepence per Ounce of Standard Gold: Provided always, that the said Governor and Company shall in all Cases be entitled to require such Gold Bullion to be melted and assayed by Persons approved by the said Governor and Company, at the Expense of the Parties tendering such Gold Bullion.

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THE GOLD STANDARD ACT OF MAY 13TH, 1925.

*Article 1.*

1. Unless and until His Majesty by Proclamation otherwise directs :

(a) The Bank of England, notwithstanding anything in any Act, shall not be bound to pay any note of the Bank (in this Act referred to as "a bank-note") in legal coin within the meaning of Section 6 of the Bank of England Act, 1833, and bank-notes shall not cease to be legal tender by reason that the Bank do not continue to pay bank-notes in such legal coin :

(b) Subsection 3 of Section 1 of the Currency and Bank-notes Act 1914 (which provides that the holder of a currency note shall be entitled to obtain payment for the note at its face value in gold coin) shall cease to have effect :

(c) Section 8 of the Coinage Act, 1870 (which entitles any person bringing gold bullion to the Mint to have it assayed, coined and delivered to him), shall, except as respects gold bullion brought to the Mint by the Bank of England, cease to have effect.

2. So long as the preceding subsection remains in force, the Bank of England shall be bound to sell to any person who makes a demand in that behalf at the head office of the Bank during the office hours of the Bank, and pays the purchase price in any legal tender, gold bullion at the price of three pounds, seventeen shillings and tenpence halfpenny per ounce troy of gold of the standard of fineness prescribed for gold coin by the Coinage Act, 1870, but only in the form of bars containing approximately four hundred ounces troy of fine gold.

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THE CURRENCY AND BANK-NOTES ACT OF JULY 2ND, 1928.

*Article 2.*

1. Subject to the provisions of this Act the Bank shall issue bank-notes up to the amount representing the gold coin and gold bullion for the time being in the issue department, and shall in addition issue bank-notes to the amount of two hundred and sixty million pounds in excess of the amount first mentioned in this section, and the issue of notes which the Bank are by or under this Act required or authorised to make in excess of the said first-mentioned amount is in this Act referred to as "the fiduciary note issue".

2. The Treasury may at any time on being requested by the Bank, direct that the amount of the fiduciary note issue shall for such period as may be determined by the Treasury, after consultation with the Bank, be reduced by such amount as may be so determined.

*Article 3.*

1. In addition to the gold coin and bullion for the time being in the issue department, the Bank shall from time to time appropriate to and hold in the issue department securities of an amount in value sufficient to cover the fiduciary note issue for the time being.

2. The securities to be held as aforesaid may include silver coin to an amount not exceeding five and one-half million pounds.

3. The Bank shall from time to time give to the Treasury such information as the Treasury may require with respect to the securities held in the issue department, but shall not be required to include any of the said securities in the account to be taken pursuant to section five of the Bank of England Act, 1819.

*Article 11.*

1. With a view to the concentration of the gold reserves and to the securing of economy in the use of gold, the following provisions of this section shall have effect so long as subsection 1 of Section 1 of the Gold Standard Act, 1925, remains in force.

2. Any person in the United Kingdom owning any gold coin or bullion to an amount exceeding ten thousand pounds in value shall, on being required so to do by notice in writing from the Bank, forthwith furnish to the Bank in writing particulars of the gold coin and bullion owned by that person, and shall, if so required by the Bank, sell to the Bank the whole or any part of the said coin or bullion, other than any part thereof which is *bona fide* held for immediate export or which is *bona fide* required for industrial purposes, on payment therefor by the Bank, in the case of coin, of the nominal value thereof, and in the case of bullion, at the rate fixed in Section 4 of the Bank Charter Act, 1844.

*Final Item of Schedule*

Repeal of paragraph (b) of subsection 1 of Section 1 of the Gold Standard Act of 1925.

GREECE.

[*Official Translation.*]

STATUTES OF THE BANK OF GREECE.

. . . . .

*Article 4.*

The first duty of the Bank shall be to ensure that the gold value of its notes remains stable. To this end it shall exercise control within the limits of its Statutes over currency and credit in Greece.

*Article 5.*

To ensure the convertibility of its notes :

1. The Bank, on the requisition of any person who makes a demand or offer to that effect at the Head Office of the Bank at Athens, shall be bound to sell to, or to purchase from, such person in exchange for legal-tender currency of Greece, at the rates defined in Sections 2 and 3 of this article, respectively, the legal-tender currency of such foreign gold-standard country, or countries, as is by law and in practice convertible into exportable gold and such as may be notified in the *Official Gazette* for immediate delivery in such country or countries.

Provided that no person shall be entitled to demand or offer an amount of foreign currency of less value than 10,000 drachmæ of legal-tender money of Greece.

2. For the purpose of determining the rate applicable to the *sale* of foreign currency under this article, the amount in drachmæ which represents 1,000 grammes of fine gold in accordance with the stabilisation rate shall be deemed to be equivalent to such sum in that foreign currency as is required to purchase 1,000 grammes of fine gold in that foreign country, at the rate at which the principal currency authority of that country is bound by law to sell gold in exchange for currency, after deduction from such sum of an amount to be fixed by the Bank, representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from Athens to that foreign country, including interest and insurance on its value during transit.

3. For the purpose of determining the rate applicable to the *purchase* of foreign currency under this article, the amount in drachmæ which represents 1,000 grammes of fine gold in accordance with the stabilisation rate shall be deemed to be equivalent to such sum in that foreign currency as is realised by the sale of 1,000 grammes of fine gold in that foreign country at the rate at which the principal currency authority is bound by law to purchase gold in exchange for currency, after addition to such sum of an amount to be fixed by the Bank representing the normal cost per 1,000 grammes of transferring gold bullion in bulk from that foreign country to Athens, including interest and insurance on its value during transit.

4. On the date on which the provisions of this Law become operative, the Bank shall notify in the *Official Gazette* at least one foreign gold-standard country for the purposes set forth in Section 1 of this article. The Bank shall similarly notify any additions or changes of the foreign gold-standard countries to which Section 1 of this article is to apply. The Bank shall also from time to time determine the equivalent rates in accordance with the provisions of Sections 2 and 3, and shall notify in the *Official Gazette* the rates so determined.

. . . . .

*Article 61.*

The Bank shall maintain a Reserve of not less than 40% of the amount of its notes in circulation and other demand liabilities. By bank-notes in circulation are to be understood all bank-notes issued to the public and not returned to the offices of the Bank.

*Article 62.*

The term "Reserve" in the preceding Article shall include only :

(a) Gold coin and bullion in the unrestricted ownership of the Bank, and either in the custody of the Bank or deposited in another Central Bank, or in any Mint, or in transit;

(b) Net foreign gold exchange in the unrestricted ownership of the Bank, provided that it be either :

(i) On a country the currency of which by law and in practice is convertible on demand at a fixed price into exportable gold, or

(ii) On a country the currency of which by law and in practice is convertible on demand at a fixed price into foreign exchange as defined in (i).

For the purpose of this Article, and subject always to the preceding paragraph (b), the term "net foreign gold exchange" shall be taken to mean :

1. Balances standing to the credit of the Bank at the Central Bank of a foreign country;

2. Bills of exchange payable in a foreign currency maturing within three months and bearing at least two good signatures;

3. Treasury bills, Treasury certificates of indebtedness or similar obligations of a foreign Government maturing within three months; less any liabilities in foreign exchange.

In calculating the amount of the Reserve, should it be found that the liabilities in foreign exchange exceed the assets enumerated in the paragraphs numbered 1, 2 and 3 of this article, the excess shall be deducted from the other assets of the Reserve.

*Temporary Provision.*—During the first five years of the existence of the Bank of Greece, the Bank may hold in its Reserve the gold bonds of the Hellenic State referred to in Article 8 ("Assets (b)") of the Agreement to which these Statutes are annexed.

*Article 63.*

At the request of the Bank, the Government may suspend the operation of Article 61 subject to the payment by the Bank to the Government of a tax.

Suspension may be granted for a period of not more than thirty days in the first instance and may be renewed for further periods not exceeding fifteen days at a time. The tax shall be levied on the amount by which the note circulation and other demand liabilities of the Bank exceed the maximum sum which would be admissible under Article 61.

The tax shall be calculated on the daily amount of the excess at the following rates :

1½% per annum above the published minimum current discount rate of the Bank for three-months bills if the Reserve, while less than 40% is not less than 85%.

2% per annum above such minimum current discount rate if the Reserve, while less than 85% is not less than 80%.

3% above such minimum current discount rate if the Reserve is less than 80%.

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DECREE LAW OF MAY 12TH, 1928.

Regard being had to Article 5 of the Statutes of the Bank of Greece and to the Decree-Law of May 12th, 1928, whereby the fine gold content of the drachma is fixed, we make the following stipulations :

(a) Such foreign exchange, as the Head Office of the Bank of Greece is bound to buy and sell in virtue of the terms of Article 5, paragraph 1, of its Statutes, shall be foreign exchange on London, of which the rate is fixed hereunder.

(b) The mint par of the pound sterling, in relation to the fine gold content of the drachma, as defined by the aforesaid decree, shall be the following :  
One pound sterling = Drs. 875.

The Bank is obliged to buy and sell the said foreign exchange at the following rates :

*Selling rate.*—The rate of parity of the exchange on London as stated hereabove, increased at the maximum by the cost of the transfer of gold from Athens to London (gold point), amounting to 6.67 per thousand, or Drs. 2.50.

*Buying rate.*—The rate of parity of the exchange on London, after deduction of the cost of the transfer of gold from London to Athens (gold point), amounting to 6.67 per thousand, or Drs. 2.50.

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DECREE LAW OF NOVEMBER 10TH, 1927.

.....  
*Article 17.*

The National Bank of Greece and, whenever it will be created, the Bank of Greece, is entitled to export gold abroad.  
.....

GUATEMALA.

[Translation.]

LEGISLATIVE DECREE No. 1379 (MAY 2ND, 1925):  
MONETARY AND CONVERSION LAW.

Article 1.

The unit of the monetary system of the Republic of Guatemala shall be called the "quetzal", represented by one gramme, fifty centigrammes, four thousand six hundred and sixty-five millionths of a gramme of pure gold (1.504665 milligrammes) divided into one hundred centavos. A quetzal is equivalent to sixty pesos of the current coinage.

Article 2.

The coins minted shall represent the following amounts :

Gold coins : Twenty quetzals, or one thousand two hundred pesos; Ten quetzals, or six hundred pesos; Five quetzals, or three hundred pesos.

Silver coins : One quetzal, or sixty pesos; Half-quetzal, or thirty pesos; Quarter-quetzal, or fifteen pesos.

.....

Article 3.

Gold coins shall be composed of 900/1000ths (nine hundred thousandths) of pure gold and 100/1000ths (one hundred thousandths) of copper.

.....

Article 8.

(See below—Decree No. 970 : Article 1.)

.....

Article 11.

The obligation to issue silver coin in exchange for gold shall lapse when, on account of either the rate of foreign exchange or the price of silver, the operation would involve the State in loss. In this case, due notice in advance of such suspension shall be given through the *Official Journal*. In all other cases, the above obligation shall remain in force during the period and on the conditions laid down in the Government regulations.

.....

Article 14.

(See below—Decree No. 970 : Article 4.)

Article 15.

The import and export of silver and gold coin, domestic and foreign, is unrestricted. In neither case shall customs duties be levied.

.....

*Article 23.*

Immediately after the entry into force of the present Law, a statement shall be drawn up at each of the existing Banks of Issue showing, in accordance with their books, the actual amount of each Bank's circulation. These statements shall be signed by the Minister of Finance, the Banks Inspection Department, the Board of Directors and the Manager of the Bank in question and shall be published in the *Official Journal*.

*Article 24.*

After the date of publication of the present Law, existing Banks of Issue may not issue new notes on any pretext, not even in exchange for damaged notes.

.....

*Article 33.*

As soon as a reserve has been formed and the operations referred to in the preceding articles carried out, the Regulating Office (*Caja Reguladora*) shall be reorganised as a Bank of Issue under the title of "Central Bank of Guatemala", to operate in accordance with the provisions of the Banking Law. The total note circulation of existing Banks of Issue, together with that of the Regulating Office, shall be considered part of the liabilities of the Central Bank which shall substitute its own notes as soon as possible for the notes referred to. The Central Bank shall be organised in accordance with the provisions of the special law which will be promulgated for this purpose; this law shall contain the provisions necessary to enable the Central Bank to become a private bank of issue, the shares of which shall be subscribed only by the State in so far as private persons fail to subscribe the amount equivalent to 20 % of the circulation referred to in Article 46.

If, before the case referred to in the preceding paragraph arises, the Federal Executive grants a concession to private capitalists to form a Central Bank of Guatemala, he may make a special contract or grant such Bank the right, under the concession, to perform the functions of a Regulating Office in the manner best calculated to put an end as soon as possible to the forced currency of the notes which are at present in circulation.

.....

*Article 46.*

As soon as the Reserve Fund of the Monetary Circulation is formed, in accordance with the provisions of this Chapter, and as soon as the Regulating Office, or the Central Bank of Guatemala, if already constituted, has accumulated an amount equal to at least 20 % of the total circulation of the country, the notes shall cease to have forced currency and shall be redeemed by the Central Bank of Guatemala, or by the Regulating Office if the Central Bank has not yet been set up. Redemption shall be made at sight, to bearer and at par, either in quetzals or United States of America dollars or sight drafts on the United States, in the latter case a maximum commission of  $\frac{1}{2}$  % shall be charged.

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**PRESIDENTIAL DECREE No. 1406 (MAY 21ST, 1925): BANK LAW.**

*Article 1.*

For the purposes of the present Law, the following shall be considered credit institutions :

- (1) The Central Bank of Guatemala and any other Banks of Issue created in accordance with the present Law; etc.<sup>1</sup>
- .....

*Article 4.*

The principal operations of the Banks of Issue, in respect of liabilities, shall consist in the issuing of notes of specific denominations, repayable at par, at sight and to bearer, and of accepting money on current account or deposits for a maximum period of thirty days, both repayable by cheques or in any other manner.

.....

*Article 10.*

The constitution, organisation and functions of the Central Bank of Guatemala shall be regulated by the present Law, so far as the latter does not conflict with the charter privileges of this institution as granted by the Federal Executive.

.....

*Article 16.*

The note circulation <sup>2</sup> may not exceed five times the amount of the paid up capital, plus the reserve fund referred to in Article 15, paragraph 8. Deposits payable at sight or within a maximum period of thirty days may not exceed five times the amount of the above-mentioned capital and reserve fund.

*Article 17.*

The note issue of the Central Bank and of the Banks of Issue shall be covered as follows :

- (a) At least 40 % by the gold bullion reserve deposited in the Bank's vaults or in first-class credit institutions abroad approved by the Government, the latter to be entitled at any moment to satisfy itself of the existence of the reserve, which must be immediately realisable. At least one-third of this reserve must be in gold deposited in the vaults of the Bank in question, at Guatemala;

- (b) The remaining 60 % by the Bank's assets referred to in Article 40 of this Law.

*Article 18.*

Deposits on current account or for a maximum period of thirty days must be covered in the following manner :

- (a) At least 25 % by a reserve in the form laid down in paragraph (a) of the preceding article;

- (b) The remaining 75 % by the Bank's assets referred to in Article 40 of the present Law.

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<sup>1</sup> The other classes of banks indicated are not Banks of Issue.

<sup>2</sup> Of each Bank of Issue.

*Article 19.*

One half of the reserves which a Bank of Issue other than the Central Bank is bound to keep in its vaults, together with the proportion which it is entitled to keep abroad, may be deposited in the vaults of the said Central Bank.

*Article 20.*

For the purposes of the present Law, the following shall be considered as deposits :

(a) All sums deposited with a Bank to be held at the disposal of the parties concerned, payable on sight or within a maximum period of thirty days;

(b) All sums which, for any reason, may be demanded from the Bank within a maximum period of thirty days, irrespective of the origin of the Bank's obligation.

The fact that a Bank pays interest on the aforesaid sums, as well as on the sums mentioned in the preceding paragraph, shall not deprive them of the character of a deposit for the purposes of the present Law.

As regards the deposits referred to in paragraph 2 of the present article, the metallic reserve stipulated by Article 18, paragraph (a) may be reduced to 10 %, on condition that the remaining 15 % is composed of absolutely safe advances repayable within not more than thirty days.

*Article 21.*

Credits liable to withdrawal by the Bank without previous notice shall not be considered as deposits.

*Article 22.*

Similarly, so-called " confidential " deposits—that is, deposits kept in safes or in closed and sealed packets, which the Bank cannot employ or count in its assets, shall not be considered as deposits.

*Article 23.*

When a Bank contracts an obligation to deliver, within a period not exceeding thirty days, foreign sight drafts in favour of a specific individual, it shall be obliged to maintain the reserve referred to in Article 18.

*Article 24.*

In computing the value of the reserve, gold bars held by the Bank shall be taken at one quetzal per 1.50465 grammes of pure gold.

*Article 25.*

When the note circulation exceeds any of the limits laid down in the preceding articles, no fresh funds shall be placed until the circulation has been reduced to within the said limits. When deposits payable at sight or within a maximum period of thirty days exceed the limits laid down by the present Law, no fresh deposit operations not assisting a return to the legal limit may be engaged in until this object has been achieved. So long as the limit is exceeded, the institution shall pay a tax of 1 ‰ per day on the amount in excess; if it does not suspend the placing of funds, it shall be fined by the Banks Inspection Department from one hundred to fifteen hundred quetzals for each infringement; the above without prejudice to the loss of privilege declared in accordance with the provisions of Article 166.

*Article 26.*

The circulation of the notes of the Central Bank and of the other banks of issue shall be voluntary and the public shall not be considered bound to accept them. An exception to this shall be made in the case laid down in Article 46 of the Monetary Law.

. . . . .



*Article 31.*

Banks of Issue, including the Central Bank, shall be bound to exchange at their head offices all notes which they themselves have put into circulation, whether through their head office or their branches, such exchange to be made immediately on presentation of the note. Branches shall only be bound to redeem notes which they themselves put into circulation; for this purpose, such notes shall bear a stamp showing the name of the branch. Redemption shall be made at the Bank's option in quetzals or dollars, in accordance with Legislative Decree No. 1879. The Central Bank may, at its discretion, redeem its notes by sight drafts on New York, New Orleans, San Francisco (California) and on other foreign places authorised by the Ministry of Finance. Drafts shall be for not less than one hundred quetzals, unless otherwise agreed; the Central Bank may charge a commission up to 0.50 quetzals per hundred quetzals.

.....

*Article 40.*

That portion of the note issue and of the deposits which need not be covered by a gold reserve shall be guaranteed by one or more of the following assets :

- (1) Gold or silver bars, the latter being valued at the New York rate for this metal;
- (2) Bank-notes or bonds previously approved by the Ministry of Finance;
- (3) Domestic or foreign gold coins, the latter at the value of their metallic content;
- (4) Silver and aluminium-bronze coins;
- (5) Mortgage bonds and other securities issued by the Banks referred to in the present Law;
- (6) Shares and debentures issued by national companies, provided that such securities are quoted on a first-class Stock Exchange, that dividends have been paid on the former and interest on the latter in a perfectly regular manner in both cases, for at least five years prior to their acquisition by the Bank, and provided that, for guarantee purposes, such securities together do not exceed 10 % of the note issue and deposits. Shares and debentures issued by credit institutions formed under the present Law may be accepted under the terms of this paragraph without requiring to be quoted as above;
- (7) Loans, discounts and credits on current account with the guarantees mentioned in the present Law;
- (8) Bills of exchange on foreign countries actually discounted by the Bank.

*Article 41.*

The other operations carried on by the Banks of Issue shall not be considered as guaranteeing the note issue and the deposits payable at sight or within a maximum period of thirty days.

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**PRESIDENTIAL DECREE CREATING THE CENTRAL BANK OF GUATEMALA  
(JUNE 30TH, 1926).**

.....

*Article 3.*

The term of the concession of the Central Bank of Guatemala shall be thirty years and may be extended in the form and conditions established by law; but the exclusive right of issue shall be limited to ten years, without prejudice to the dispositions of Article 72 of the Monetary Law.

During this period of ten years, the Government binds itself not to grant any other concession for the issue of notes, vouchers or documents of any other description that contain a promise to pay money at sight and to bearer.

.....

*Article 26.*

The Central Bank shall have two departments : First, the Issue and Discount Department; secondly, the Mortgage Loan Department.

*Article 27.*

The issue of notes of the Central Bank, as well as of the notes of the Occidente, Americano, Internacional, Agricola Hipotecario, Colombiano and Guatemala Banks and those of the Exchange Regulating Office, the redemption of which shall be undertaken by the Central Bank, shall be guaranteed in the following manner :

(a) At least 40 % by a reserve of gold deposited in the safes of the Bank or in deposits at sight and payable in gold in first class institutions of credit abroad. The Government shall have the right to verify at any time the existence of the reserve and of its realisability. A third part, at least, of the said 40 % shall consist of gold coin in the safes of the Bank, of which 10 % may consist of one-quetzal, half-quetzal or quarter-quetzal silver coins.

(b) For the rest, the regulations stated in Chapter II, Sections II and III, of the Banking Law (Presidential Decree No. 1406) shall be applicable to the Department of Issue and Discount of the Bank.

*Article 28.*

The Central Bank shall be obliged to exchange its own notes, those of the Occidente, Americano, Internacional, Agricola Hipotecario, Colombiano and Guatemala Banks and those issued by the Exchange Regulating Office, in the manner prescribed in Article 81 of the Banking Law.

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*Article 29.*

The deposits at sight or at thirty days' call shall be guaranteed as follows :

(a) At least 25 % by a gold reserve which shall be constituted in accordance with the stipulations laid down in paragraph (a) of Article 27;

(b) The remaining 75 % by active operations as stipulated in the Banking Law.

The reserve of 25 % against the deposits at sight or at 30 days' call shall be held in the currency in which they are payable or the equivalent in gold quetzals or United States of America Currency.

.....



**DECREE No. 970 (FEBRUARY 24TH, 1928).**

*Article 1.*

Article 8 of the Monetary and Conversion Law (Legislative Decree No. 1879) is amended as follows :

“The minting of gold coin shall be effected solely by the State, which shall mint all gold offered to it at the rate of five quetzals or three hundred pesos for each 7.523325 grammes of pure gold. Silver and copper coins shall be minted solely by the State as public requirements demand, and without private persons being entitled to offer such metal for minting. A Government decree shall determine the tariff of charges for minting, which shall provide solely for the cost thereof, without any profit to the State and without any tax of any kind being imposed.”

. . . . .

*Article 4.*

Article 14 of the Monetary and Conversion Law (Legislative Decree No. 1879) is amended as follows :

“The inhabitants of the Republic shall be entitled to exchange silver and copper coins, as well as other divisional coins of legal currency in actual circulation for gold pieces, provided that such exchange is requested at the offices appointed for this purpose by the Government for quantities of not less than twenty quetzals of silver and five quetzals of other divisional coins or exact multiples thereof.”

. . . . .



## HUNGARY.

[*Official Translation.*]

### STATUTES OF THE NATIONAL BANK OF HUNGARY.

#### *Article 1.*

The National Bank of Hungary is a joint-stock company established for the purpose of regulating the circulation of money in the territory of Hungary, of facilitating compensation of payments and of taking measures for the utilisation of the available capital, subject only to the provisions of these present Statutes. Its main function, however, will be to prepare the way for the introduction of payments in specie (redemption of bank-notes in specie) by forming a reserve of gold bullion and of claims payable in stable currencies (drafts and bills), and to ensure the continuance of specie payments once they have been introduced by law.

The Bank shall by all the means at its disposal provide that until the legal regulation of the question of the redemption in specie of the paper money (bank-notes), the value of its notes expressed in the rate of exchange of gold drafts (bills) or of such as are drawn on countries possessing a stable currency, shall remain unchanged.

. . . . .

#### *Article 80.*

During the period of the validity of the Charter, the Bank shall have the exclusive right to issue bank-notes within the limits prescribed by Article 85.

The amounts for which the several groups of bank-notes shall be issued shall be fixed by the Board of Directors of the Bank in agreement with the Minister of Finance.

Should the State provide coined money for general circulation as legal tender, the Bank shall be required, by desire of the Minister of Finance, to withdraw from circulation a quantity of bank-notes corresponding in amount to such coined money.

After the resumption of payments in specie (Article 83) the texts of the bank-notes must contain a statement to the effect that the Bank will at any time pay the bearers of its notes legal metal currency in exchange for the same.

. . . . .

#### *Article 83.*

The Bank must provide for the accumulation of such a gold reserve that, as soon as the new relation of the currency unit to gold shall have been established and the debt due by the State to the Bank shall have been reduced to 80 million gold crowns, payments in specie shall be resumable.

Should the Government or the Board of Directors of the Bank be of opinion that the moment for the resumption of payments in specie has arrived, the Government must enter into negotiations on this matter with the Bank.

If an agreement has been made in this matter between the Government and the Bank, the Government must without delay submit to the legislature a Bill for the resumption of payments in specie.

Until the resumption of payments in specie under the terms of the foregoing paragraphs, the Bank shall not be obliged to redeem its notes against metal currency.

*Article 84.*

If, after the resumption of payments in specie, the Bank fail to comply within twenty-four hours with the obligation to redeem against metal currency the notes presented for redemption at its Head Office in Budapest, such failure shall involve the forfeiture of the privilege of the Charter, unless there be any question of a direct impediment caused by a *force majeure* and recognised as such by the Government.

*Article 85.*

For the period from the payment in full of the share capital until the introduction of payments in specie, the following provisions shall be in force with regard to the security for the bank-notes issued :

Of the whole amount of bank-notes in circulation—such amount to include the addition of all liabilities immediately due for payment, but to exclude the sum represented by the debt of the State (Articles 53 and 54)—during the first five years twenty per cent, during the second five years twenty-four per cent, during the succeeding five years twenty-eight per cent, and during the remainder of the said period thirty-three and one-third per cent must be secured by the metal reserve, the latter to include foreign currencies and drafts.

Until the legal relation of the value of the currency shall have been fixed, in calculating the proportion of security required, the value of the metal reserve and of the stock of foreign currencies and drafts shall be calculated at the close of each quarter—such calculation to be in force for the following quarter—on the basis of the average rate of exchange on the Budapest Exchange during the fifteen days immediately preceding the date of such calculation.

The term “foreign currencies” shall be taken to mean foreign notes which are not subject to extraordinary fluctuations of the rates of exchange: the term “foreign drafts” shall be taken to mean bills of exchange expressed as payable in currencies not subject to extraordinary fluctuations of the rates of exchange which are payable in any of the leading money markets of Europe or America, which involve an obligation of payment on the part of some banking house of unquestionable solvency, and which in other respects are in conformity with the provisions of Article 58.

Claims and cash deposits which are available at any time and are held in institutes of unquestionable solvency in the leading money markets of Europe and America, may also be treated in the same way as foreign drafts.

Until the resumption of payments in specie, a sum of 25 million gold crowns must at all times be held in claims or deposits of the kind referred to in the leading markets of Europe and America. This amount may not be decreased except by a decision of the Board of Directors approved by not less than eight Directors and the Governor of the Bank.

*Article 86.*

The whole amount of the notes in circulation—such amount to include the addition of all liabilities immediately due for payment, should the same exceed the debt of the State—must in any case be secured by the following assets :

1. The stock of bullion and coins;
2. The bills of exchange (warrants issued by public warehouses) discounted as provided by the Statutes;
3. Such foreign securities (bills of exchange, claims or cash deposits) or foreign currencies as under Article 85 may not be included in the metal reserves (Article 101);
4. Such bills of exchange payable in Hungary and expressed in terms of foreign currency as are in other respects in conformity with the provisions of Article 58.

During the transition period of five years from the date of the commencement of the activity of the Bank—though not after the date of the resumption of payments in specie—loans granted on movable property (Article 64) as provided in the Statutes may also be included in the security for the notes in circulation. On the expiration of the said transition period the Minister of

Finance may ordain that loans on movable property may no longer serve as security for the notes.

No assets other than those enumerated above may serve as security for the notes in circulation.

*Article 87.*

After the resumption of payments in specie not less than one third of the total amount of the notes in circulation—in addition to all the liabilities immediately due for payment—must be secured by the stock (reserves) specified in Article 85. The remainder of the notes in circulation shall be secured by the assets specified in Article 86 and by the remaining sum still unpaid of the debt due by the State (Articles 53 and 54).

*Article 88.*

If during the period between the paying up in full of the share capital and the resumption of payments in specie, the amount of the bank-notes in circulation—inclusive of the liabilities immediately due for payment but exclusive of the debt due by the State—exceed the maximum limit calculated on the basis of the ratio of security specified in Article 85, a bank-note tax on the excess amount shall be paid to the State.

The scale of taxation shall be the discount rate of interest in force at the particular period, plus :

(a) One per cent, if the ratio of security (Article 85) amount to less than twenty (twenty-four, or twenty-eight, or thirty-three and one-third respectively) per cent, but to more than eighteen (twenty-two, or twenty-five and a-half, or thirty respectively) per cent, and

(b) A further one and a-half per cent, for every further two per cent, or fraction of two per cent, by which the ratio of security shall fall below eighteen (twenty-two, or twenty-five and a-half, or thirty respectively) per cent.

The scale of taxation however must not be at the rate of less than five per cent.

*Article 89.*

After the resumption of payments in specie the Bank shall be required to pay bank-note tax as soon as the ratios of security (Article 87) shall have fallen below forty per cent.

The scale of taxation shall be the discount rate of interest in force at the particular period, plus :

1. One per cent, if the ratio of security (Article 87) be less than forty per cent but more than thirty-three and one-third per cent, and

2. A further one and a-half per cent for every further three per cent, or fraction of three per cent, by which the ratio of security falls below thirty-three and one-third per cent.

The scale of taxation however must not be at the rate of less than five per cent.

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*Article 92.*

After the new proportion of values referred to in Article 83 has been established by law, the Bank shall be required to exchange at any time when desired, at its Head Office in Budapest, gold bullion for bank-notes in accordance with the legally established standard of coinage.

The Bank shall be entitled on such occasions to have the bullion assayed and sorted at the cost of the person presenting the same by a technical organ nominated by the Bank and to deduct the minting and other charges fixed and made public by the Government.

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**ACT XXXV OF 1925, CONCERNING THE ESTABLISHMENT OF THE PENGÖ CURRENCY AND THE PROVISIONS CONNECTED THEREWITH.**

.....

*Paragraph 7.*

Gold coins shall be coined for the account of the State and for that of private persons. The mint charges will be fixed by the Finance Minister by an ordinance; these charges shall not exceed 0.3 per cent of the value for the coining of 20-pengö coins and 0.5 per cent of the value for the coining of 10-pengö coins.

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**DECREE No. 6832/P. M. (NOVEMBER 20TH, 1925), OF THE MINISTER OF FINANCE<sup>1</sup> CONCERNING THE EXECUTION OF PARAGRAPH 7 OF ACT XXXV OF 1925.**

For the purpose of putting into execution Paragraph 7 of Act XXXV of 1925 concerning the establishment of the pengö currency and the provisions connected therewith, it is decreed as follows :

*Article 1.*

The minting fees to be charged by the Royal Hungarian Mint for the minting of gold coins for the account of private persons shall be :

- (1) Ten pengö in the case of 20-pengö coins per kilogramme of fine gold;
- (2) Fifteen pengö in the case of 10-pengö coins per kilogramme of fine gold. The minting fees to be charged for the minting of gold coins for the account of the National Bank of Hungary shall be, regardless of the denomination of the coins, 6 pengö per kilogramme of fine gold.

*Article 2.*

In virtue of Act XXXV of 1925 and of Article 92 of its Statutes, the National Bank of Hungary is obliged at all times to exchange gold bars for its notes at the price of 8,794 pengö per kilogramme of fine gold.

*Article 3.*

The Royal Hungarian Mint is obliged to coin 20- and 10-pengö coins for account of private persons out of gold bars and coins delivered by them, against payment of the minting fee fixed in Paragraph 1.

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<sup>1</sup> Published in No. 264 of the *Official Gazette* on November 21st, 1925.

*Article 6.*

The date beginning from which the Royal Hungarian Mint shall be obliged to undertake the coinage of pengö gold coins for the account of private persons will be fixed by another decree <sup>1</sup>.

*Article 7.*

The present decree enters into force on the day of its promulgation.

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<sup>1</sup> This Decree has not yet been issued.



ICELAND.

[Official Translation.]

ACT No. 10, OF APRIL 15<sup>TH</sup>, 1928, ON THE NATIONAL BANK OF ICELAND.

Article 1.

The National Bank of Iceland (*Landsbanki Islands*) is an independent state-owned institution under a special government, as further defined in Section V of this Act. In the Scandinavian tongues, the name of the Bank shall be *Islands Nationalbank*, in English *The National Bank of Iceland*, and in other languages its name shall be corresponding to these.

The Bank operates through three financially independent departments, which shall be called respectively the Note Bank, the Savings Department, and the Mortgage Department. The reserve funds and other assets, loans, deposits, book-keeping and accounts of each department shall be kept entirely separate.

. . . . .

Article 6.

The Note Bank shall have the sole right of issuing bank-notes, or other circulating media capable of taking the place of minted coin and passing from man to man instead of bank-notes, this with the sole limitation imposed by Act No. 6 of May 31<sup>st</sup>, 1921, respecting the issuing of notes by the *Islands-banki*, the increase of its share capital, etc.

The minister in charge of banking matters shall, upon the advice of the Board of Governors, decide the shape and appearance of notes issued by the Bank and shall issue a proclamation concerning this matter in so far as may be necessary. No note issued by the Bank may be of less nominal value than five krónur.

Notes issued by the Bank shall be legal tender to the Treasury and to other public funds in this country and be legal tender from man to man at their full nominal value.

Whosoever may counterfeit or fraudulently reproduce notes issued by the Bank shall suffer the punishment prescribed by Article 266 of the Penal Code of June 25<sup>th</sup>, 1869. That offence has been committed when the note has been counterfeited or fraudulently reproduced even though the note has not been put in circulation.

Article 7.

Should it be so demanded, the Note Bank shall pay to bearer for notes of its own issue their nominal value in legal tender current gold coin, provided the amount of the notes corresponds to a whole denomination of gold coins, and in change should the amount be less. The Bank shall buy, from whomsoever that wishes, pure unminted gold at 2,480 krónur per kilogramme, less  $\frac{1}{2}$  % for minting expenses.

Article 8.

With such restrictions as specified below, the Note Bank issues notes as required to satisfy the need for circulating medium, provided the Bank :

- (1) Possesses gold reserves amounting to  $\frac{1}{2}$  of the note circulation at each time. The gold reserves may, however, never fall below 2 million krónur.
- (2) Has safe and easily convertible assets in security of that part of the note circulation which is not secured by the gold reserves, to the extent of 125 krónur against every 100 krónur in notes.

*Article 9.*

As gold reserves shall be counted:

- (a) Legal current gold coin;
- (b) Unminted gold and foreign gold coin, amounting to not less than 2,480 krónur for each kilogramme of pure gold;
- (c) Deposits, payable on demand, in foreign banks, deemed by the Board of Governors as thoroughly safe and sanctioned by the Minister—less corresponding debts of the Bank, yet not exceeding  $\frac{1}{4}$  of the total gold reserves.

The gold reserves of the Bank specified under (a) and (b) shall always be ready in the bank. But gold proved to be under way to here from abroad may be counted to this part of the gold reserves, though not in excess of 800,000 krónur at a time.

*Article 10.*

To assets held in security of the note issue, in so far as not covered by the gold reserves, belong:

- (a) Easily convertible public bonds at selling rate;
- (b) Other bonds, not shares, listed by the Exchanges;
- (c) Bills of exchange, whether payable in this country or abroad;
- (d) Deposits in foreign banks, due for payment within six months at the utmost, less corresponding debts of the Bank to foreign banks;
- (e) Bonds issued in respect of loans against pledges in stocks of the class specified under (a) and (b) of the present article.

*Article 11.*

At regular fortnightly intervals, the Note Bank shall furnish to the minister in charge of banking matters a report on the note circulation as well as the gold reserves and the assets held, according to Article 10, in security of the notes. These reports shall forthwith be published.

Should a report show a greater note circulation than is covered by legally prescribed securities, the government of the Bank shall rectify this within four weeks from the date of the report at the latest.

*Article 12.*

The Board of Governors and the Managing Directors shall be responsible for seeing that the note circulation never exceeds the actual needs of commerce. The Minister in charge of banking matters may forbid the increase of note issue, if he deems it to be in excess of the actual needs of commerce.

. . . . .

*Article 64.*

The provisions of Article 7 come into force when the Athling decides. Until then, the Minister may exempt the Bank from the provisions of Article 9 (c), stipulating that amounts standing to the Bank's credit abroad shall not exceed one-quarter of the total of the gold reserves. The provisions of Article 26, respecting the reserve fund, shall come into force at the same time.

*Article 65.*

In addition to the notes covered by the gold reserves, the Bank shall be entitled to issue an amount of up to 1,000,000 krónur. This note issue shall be reduced by 100,000 krónur before November 1st, 1929, and thereafter by the same amount annually.

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**INDIA.**

**THE PAPER CURRENCY ACT OF 1923.**

*Article 18.*

1. The provisions contained in this section shall not come into operation until such day (hereinafter referred to as the appointed day) as the Governor-General in Council may direct in this behalf.

2. A Reserve shall be maintained for the satisfaction and discharge of the currency notes in circulation and all such notes shall be deemed to have been issued on the credit of the revenues of India as well as on that of the Reserve.

3. The Reserve shall consist of two parts, namely :

- (a) The metallic Reserve, and
- (b) The securities Reserve.

4. The metallic Reserve shall consist of the total amount represented by the sovereigns, half-sovereigns, rupees, silver half-rupees, and gold and silver bullion for the time being held on that account by the Secretary of State for India in Council and by the Governor-General in Council; provided that no amount of gold coin and bullion held by the Secretary of State in the United Kingdom in excess of fifty millions of rupees in value reckoned at the rate hereinafter provided for shall be included in the metallic Reserve.

5. The securities Reserve shall consist of the securities which are for the time being held on that account by the Secretary of State for India in Council and on behalf of the Governor-General in Council; provided that :

(a) No securities held by the Secretary of State for India in Council, other than securities of the United Kingdom, the date of maturity of which is not more than one year from the date of their purchase, shall be included in the securities Reserve; and

(b) The securities held on behalf of the Governor-General in Council shall be securities of the Government of India and shall not exceed in amount two hundred millions of rupees, of which an amount of not more than one hundred and twenty millions of rupees may be securities created by the Government of India and issued to the Controller (such securities being hereinafter referred to as created securities).

7. Save as hereinafter provided in Section 20, the amount of currency notes in circulation at any time shall not exceed the amount of the metallic Reserve together with the amount of the securities Reserve; provided that it shall not be lawful for the Governor-General in Council to direct the issue of currency notes, if or to the extent that such issue would have the effect of raising the amount of notes in circulation to an amount in excess of twice the amount for the time being of the metallic Reserve.

8. For the purpose of determining :

(a) The amount of the metallic Reserve, gold bullion shall be reckoned at the rate of one rupee for 11.30016 grains troy of fine gold, and silver bullion at the price in rupees at which it was purchased;

(b) The amount of the securities Reserve, purchased securities shall be reckoned at the price at which they were purchased and created securities at the market price of similar securities on the date of their issue.

*Article 19.*

1. As soon as convenient after the relation of the amount of the currency notes in circulation to the amount of the Reserve has been brought into conformity with subsections 2 to 8 of Section 18 and the metallic Reserve is not less than half the amount of currency notes in circulation, the Governor-General in Council shall fix the appointed day.

2. The provisions contained in this section shall be in force until the appointed day, but shall, as from that day, be deemed to be repealed.

3. Save as hereinafter provided in Section 20, the whole amount of currency notes at any time in circulation shall not exceed the total amount represented by the sovereigns, half-sovereigns, rupees, silver half-rupees and gold bullion, and the sum expended in the purchase of the silver bullion and securities, which are for the time being held by the Secretary of State for India in Council and by the Governor-General in Council as a reserve to provide for the satisfaction and discharge of the said notes, and the said notes shall be deemed to have been issued on the credit of the revenues of India as well as on the securities of the said coin, bullion and securities :

. . . . .

4. The securities mentioned in subsection 3 shall be securities of the United Kingdom of Great Britain and Ireland or of the Government of India, or securities issued by the Secretary of State for India in Council under the authority of Act of Parliament and charged on the revenues of India, and the value of them at the price at which they are purchased shall not exceed eight hundred and fifty millions of rupees.

5. If the Secretary of State for India in Council consents to hold in gold coin or bullion or in silver bullion or in securities of the kinds mentioned in sub-section (4) the equivalent in value to notes issued in India as a reserve to secure the payment of such notes, the Governor-General in Council may from time to time direct that currency notes shall be issued to an amount equal to the value of the coin, bullion and securities so held by the Secretary of State for India in Council.

. . . . .

*Article 20.*

Notwithstanding anything to the contrary in Section 18 or Section 19, the Governor-General in Council may authorise the Controller to issue currency notes to an amount in all not exceeding fifty millions of rupees against bills of exchange which will mature within ninety days from the date of such issue and satisfy such other conditions as the Governor-General in Council may, by general or special order, prescribe. Currency notes so issued shall be in addition to those against which the Reserve is held and shall be deemed to have been issued on the credit of such bills and of the revenues of India and shall, when presented, be paid from such revenues. •

*Article 21.*

Subject to the provisions of Sections 18 and 19, the Governor-General in Council may at any time, if he thinks it expedient, convert any of the coin or bullion for the time being held by him as a part of the Reserve into coin of any of the kinds mentioned in Section 11 or into gold or silver bullion.

*Article 22.*

Notwithstanding anything to the contrary in this Act, any coin or bullion which is held by or on behalf of the Secretary of State for India in Council in the United Kingdom or under the control of the Government of any part of His Majesty's Dominions for the purpose of coinage for, or transmission to, the Governor-General in Council and any coin or bullion which is in course of transmission from the Secretary of State for India in Council or the Government of any part

of His Majesty's Dominions to the Governor-General in Council and any coin or bullion which is in the course of transmission from the Governor-General in Council to the Secretary of State for India in Council or the Government of any part of His Majesty's Dominions shall be deemed, during the period such coin or bullion is so held or is so in course of transmission, to be part of the Reserve referred to in Sections 18 and 19.

THE PAPER CURRENCY AMENDMENT ACT OF 1923.

Article 4.

Whereas it is expedient further to amend the Indian Paper Currency Act, 1923; it is hereby enacted as follows :

In Section 20 of the said Act, for the word " fifty " the words " one hundred and twenty " shall be substituted.

THE PAPER CURRENCY AMENDMENT ACT OF 1925.

Article 2.

In subsection 4 of Section 19 of the Indian Paper Currency Act, 1923, for the words " eight hundred and fifty " the words " one thousand " shall be substituted, and to the same subsection the following proviso shall be added, namely :

" Provided that the value of created securities included in the said securities at the price at which they were purchased shall not exceed five hundred millions of rupees."

THE CURRENCY ACT OF 1927.

Article 2.

In the Indian Coinage Act, 1906,

(a) For Section 11 the following Section shall be substituted, namely :

" 11. Gold coins, whether coined at His Majesty's Royal Mint or at any Mint established in pursuance of a proclamation of His Majesty as a branch of His Majesty's Royal Mint, shall not be legal tender in British India in payment or on account, but such coins shall be received at any Government currency office and, at any time after the 30th day of September, 1927, at any Government Treasury other than a Sub-Treasury, at the bullion value of such coins calculated at the rate of 8.47512 grains troy of fine gold per rupee."

*Article 3.*

In the Indian Paper Currency Act, 1923—

.....

(d) In section 18 :

(i) In subsection 4, the words “sovereigns, half-sovereigns” and the words “coin and” shall be omitted; and

(ii) In clause (a) of subsection 8, for the figures “11.80016” the figures “8.47512” shall be substituted.

(e) in section 19 :

(i) in subsection (3), the words “sovereigns, half-sovereigns” shall be omitted, and, in the Explanation, after the word “subsection”, the following words and figures shall be inserted, namely :

“gold bullion shall be reckoned at the rate of one rupee for 8.47512 grains troy of fine gold, and”; and

(ii) in subsection (5), the words “coin or”, and the word “coin” where it occurs for the second time, shall be omitted.

*Article 4.*

Any person who offers for sale to the Governor-General in Council at the office of the Master of the Mint, Bombay, or at any other place notified in this behalf by the Governor-General in Council in the *Gazette of India*, gold in the form of bars containing not less than forty tolas of fine gold shall, subject to such conditions as the Governor-General in Council may, by notification in the *Gazette of India*, prescribe, be entitled to receive payment for the same at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold.

*Article 5.*

1. The Governor-General in Council shall sell, to any person who makes a demand in that behalf at the office of the Controller of the Currency, Calcutta, or of the Deputy-Controller of the Currency, Bombay, and pays the purchase price in legal-tender currency, gold for delivery at the Bombay Mint, at the rate of twenty-one rupees, three annas and ten pies per tola of fine gold or, at the option of the Controller or the Deputy-Controller, as the case may be, sterling, for immediate delivery in London at an equivalent rate<sup>1</sup>: provided that no person shall be entitled to demand an amount of gold or sterling of less value than that of 1,065 tolas of fine gold.

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<sup>1</sup> For this purpose 1 shilling  $\frac{49}{564}$  pence per rupee was notified as the equivalent rate on April 1st, 1927.

## INDO-CHINA.

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[*Translation.*]

### DECREE OF MAY 31<sup>ST</sup>, 1930, ON THE MONETARY SYSTEM.

#### *Article 1.*

The piastre, the monetary unit of the Indo-China Union, is composed of 655 milligrammes of gold 900/1000 fine, *i.e.* the equivalent of 10 francs according to the valuation of the Law of June 25<sup>th</sup>, 1928.

#### *Article 2.*

The Bank of Indo-China is required to assure the convertibility of its notes in gold to the bearer on demand. This convertibility is assured by the exchange of its notes against gold at the rate of 655 milligrammes of gold 900/1000 fine per piastre, either in Saigon or in Paris, at the Bank's choice, deduction being made in the latter case of the transport and insurance expenses from Saigon to Paris. The Bank has the right to refuse redemption for amounts less than a certain minimum which will be fixed by agreement between the Minister of Finance and the Minister of Colonies on the one hand and the Bank of Indo-China on the other.

The Bank of Indo-China is required to buy gold at its office in Saigon at the rate of one piastre for 655 milligrammes of gold 900/1000 fine without withholding interest. The Bank has the right to withhold from the seller the minting expenses at the tariff of the Paris Mint. Assay expenses are at the charge of the seller.

#### *Article 3.*

At the Saigon office the combined total of the notes in circulation plus the sight deposits must always be covered to at least one-third by a reserve composed of gold bars or exchange convertible at sight into gold coin or bars.

#### *Article 4.*

Metal piastres will continue to have unlimited legal circulation. The Bank will accept without limit the metal piastres which are presented to it at its offices in Indo-China. It will turn them over to the Government whose account will be debited an equivalent sum in piastres.

#### *Article 5.*

All enactments contrary to the present decree are abrogated.

#### *Article 6.*

The Minister of Colonies and the Minister of Finance are charged, each to the extent to which it concerns him, with the execution of the present decree which will be published in the Official Journals of France and Indo-China and inserted in the Official Bulletin of the Ministry of Colonies as well as in the Administrative Bulletins of the several countries of Indo-China.

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**IRISH FREE STATE.**

**CURRENCY ACT, 1927.**

(As amended by the Currency Act, 1930.)

.....

*Article 5.*

1. Whenever any person, after the commencement of this section, delivers not less at any one time than one hundred ounces of gold bullion at a place for the time being appointed in that behalf by the Minister under this section, the Minister shall cause such bullion to be assayed and coined into coins authorised by this Act to be issued thereunder and shall issue such coins to such person.

2. Whenever the gold bullion delivered for coinage under this section is of the standard fineness, the number of coins to be issued under this section in exchange for such bullion shall be calculated at the rate of one Saorstát pound for every 123.27447 grains of such bullion or one ten-shilling coin for every 61.63723 grains of such bullion, and whenever such bullion is of a fineness superior or inferior to the standard fineness the said number of coins shall be calculated at such higher or lower (as the case may be) rate as is proportionate to such superiority or inferiority of fineness.

.....

4. It shall be lawful for the Minister to impose such charge for the coinage of gold bullion under this section as he thinks proper, not exceeding three-halfpence for every ounce of such bullion of the standard fineness, and so in proportion for bullion of a superior or an inferior fineness.

.....

7. This section shall come into operation on such day as shall be appointed in that behalf by the Minister with the concurrence of the Commission, by notice published in the *Iris Oifigiúil*.

8. The notice under the foregoing subsection appointing the day for the coming into operation of this section, shall, if the Commission so requires, declare that no person other than the Commission shall be entitled to deliver gold bullion for coining under this section, and, if such notice so declares, then no person other than the Commission shall be entitled to deliver gold bullion for coining under this section until such time as the Commission shall by notice published in the *Iris Oifigiúil* declare that every person shall be so entitled.

.....

*Article 47.*

1. When, and so soon as, the Commission is in a position to issue legal-tender notes, the Commission shall, by notice in writing, send to every Shareholding Bank and publish in the *Iris Oifigiúil*, appointing a day (in this section referred to as the appointed day), not less than fourteen days after the sending and publication of such notice, on which it will commence the issue of legal-tender notes in accordance with this Act.

2. If, and whenever, any person, on or after the appointed day, applies to the Commission at the place in Dublin appointed for the purpose by the Commission for legal-tender notes and delivers to the Commission at such place and in accordance with the regulations in that behalf



made by the Commission not less at any one time than one hundred ounces of gold bullion as defined by this Act or gold coins (in this section called Saorstát gold coins) which are for the time being legal tender under this Act in Saorstát Eireann for unlimited amounts or money (in this section called British money) in any form which is for the time being legal tender in Great Britain for unlimited amounts, the Commission shall issue to such person legal-tender notes of an amount equal (as the case may be) to the value under this section of the gold bullion or to the nominal amount of the Saorstát gold coins or to the nominal amount of the British money so delivered by such person to the Commission.

3. Until Section 5 (which relates to coining from gold bullion on request) of this Act has come into operation, it shall be lawful for the Commission, if it thinks fit so to do, to refuse to accept delivery of any gold bullion tendered to it under this section.

4. The Commission may, whenever on or after the appointed day it thinks fit so to do, issue in Dublin to the general fund or the note reserve fund legal-tender notes in exchange for any equal nominal amount of Saorstát gold coins or of British money.

. . . . .  
*Article 49.*

1. Every legal-tender note shall be payable by the Commission on presentation at the London Agency and shall be so payable in money in any form which is for the time being legal tender in Great Britain for unlimited amounts.

2. The Commission may, if and whenever and to such extent as it thinks fit, redeem in Dublin in gold coins which are for the time being legal tender under this Act in Saorstát Eireann for unlimited amounts or in money in any form which is for the time being legal tender in Great Britain for unlimited amounts or, if the person presenting the notes so agrees, by a draft on London, any legal-tender notes presented to it for such redemption at the place in Dublin appointed in that behalf by the Commission.

. . . . .  
*Article 50.*

1. All moneys required for the redemption of legal-tender notes by the Commission (whether at the London Agency or in Dublin) in pursuance of this Act shall be provided by the Commission out of the legal-tender note fund, and, if that fund proves insufficient, out of the note-reserve fund and, if such last-mentioned fund proves insufficient, out of moneys advanced under this section to the Commission out of the Central Fund.

2. Whenever the legal-tender note fund and the note-reserve fund have proved or are expected by the Commission to prove in the then near future insufficient to provide the moneys necessary for the redemption of legal tender notes by the Commission in pursuance of this Act, the Commission shall certify to the Minister the existence or expectation (as the case may be) of such insufficiency and the sum which is required by the Commission for the redemption in accordance with this Act of all such legal-tender notes as in the opinion of the Commission will probably be presented for such redemption in the then near future, and upon receipt of such certificate the Minister shall forthwith advance to the Commission out of the Central Fund or the growing produce thereof the sum so certified by the Commission.

3. All sums advanced to the Commission out of the Central Fund under this section shall be repaid without interest to the Exchequer by the Commission out of the first moneys to the credit of the note-reserve fund.

4. For the purposes of this section, any payment under this Act (otherwise than in legal-tender notes) on presentation of legal-tender notes which have been called in shall be deemed to be a redemption of such legal-tender notes.

. . . . .

*Article 58.*

1. Every consolidated bank-note shall have printed thereon the name of the Shareholding Bank to which such note is issued by the Commission and in this section the expression "responsible Bank" means the Shareholding Bank whose name is so printed on the consolidated bank-note in relation to which the expression is used.

4. The amount of every consolidated bank-note shall be payable by the responsible Bank on presentation at its principal office in Dublin on any day which is not a Sunday or a Bank holiday and during the time for which such Bank is ordinarily open for business on such day, and such amount shall be so payable in coins or notes (at the option of such Bank) which are at the time of such presentation legal tender in Saorstát Eireann for such amount.

5. Whenever the responsible Bank fails to pay in accordance with the foregoing subsection a consolidated bank-note duly presented to it in accordance with that subsection, the holder of such note may either :

(a) Recover the amount of such note from the responsible Bank by action in any Court of competent jurisdiction or, in the event of such Bank going into liquidation, prove in such liquidation for the amount of such note, or

(b) Present note to the Commission at its principal office in Dublin together with such evidence as the Commission may require of the due presentation of such note to the responsible Bank and the failure of such Bank to pay the amount thereof.

6. Whenever a consolidated bank-note is presented under this section to the Commission, the Commission shall receive such note and shall recover the amount thereof from the responsible Bank by action, claim, or proof on such note (for which purpose the Commission shall be deemed to be the holder of the note) or by resort to and enforcement of the security held by it from the responsible Bank.

7. Whenever a consolidated bank-note is duly presented to the Commission under the foregoing subsection the Commission shall, at its own option, either :

(a) Pay to the person who presented such note, or his legal representative, all moneys recovered from the responsible Bank by the Commission on foot of such note and, if such moneys are less than the amount of such note, pay the deficiency to such person, or his legal representative, out of the note-reserve fund, or

(b) As soon as may be convenient after the presentation of such note, pay to such person, or his legal representative, the amount of such note out of the note-reserve fund and pay all moneys recovered from the responsible Bank on foot of such note into the note-reserve fund.

All moneys paid out of the note-reserve fund under this subsection by the Commission to a person, or the legal representative of a person, who presented a consolidated bank-note shall bear interest payable by the responsible Bank to the Commission at such rate as the Commission shall appoint and recoverable by the Commission from such Bank as a civil debt.

*Article 61.*

1. The Commission shall keep a separate capital fund to be called the legal-tender note fund and shall maintain and manage such fund in accordance with this Act.

2. All gold bullion, moneys, securities, and funds (other than legal-tender notes and other than moneys paid by way of a charge for refining gold bullion or a charge corresponding to a charge for coining) paid or transferred to the Commission by any person or from any fund for legal-tender notes issued by the Commission to such person or fund shall be carried to the legal-tender note fund.

3. The capital of the legal-tender note fund shall be held by the Commission or at its disposal in such one or more of the following forms as the Commission in its absolute discretion shall think proper, and in no other form, that is to say :

- (a) Gold bullion;
- (b) Gold coins which are for the time being legal tender in Saorstát Eireann for unlimited amounts;
- (c) Money in any form which is for the time being legal tender in Great Britain for unlimited amounts;
- (d) British Government securities;
- (e) Sterling balances on current or deposit account at the London Agency or any Bank in Great Britain or Northern Ireland;
- (f) Securities of the Government of the United States of America.

4. The Commission shall in its absolute discretion determine from time to time as occasion requires the allocation of the capital of the legal-tender note fund amongst the several forms mentioned in the foregoing subsection or any of them.

5. All dividends and interest received by the Commission in respect of the capital of the legal-tender note fund shall be carried as income to the general fund.

6. The Commission may, if and whenever it thinks fit, borrow temporarily for the purposes of the legal-tender note fund, and may pledge the capital or any part of the capital of the legal-tender note fund as security for such borrowing and shall charge all interest on such borrowing against the income of the general fund.

7. At the end of every half-year the Commission shall value, in accordance with current market values, the capital assets of the legal-tender note fund and shall ascertain the extent of the net surplus or deficiency, if any, of such capital assets as so valued (less by the capital amount of any temporary borrowing under the foregoing subsection then outstanding) above or below the amount of legal-tender notes outstanding at the end of such half-year, and shall, as soon as may be after such ascertainment, transfer (as the case may require) from or to the legal-tender note fund to or from the note-reserve fund capital assets in any one or more of the forms mentioned in subsection 3 of this section equal in value to the amount of such surplus or deficiency, if any<sup>1</sup>.

#### *Article 62.*

1. The Commission shall keep a separate capital fund to be called the note-reserve fund and shall maintain and manage such in accordance with this Act and shall pay into such fund all moneys which are by this Act required to be paid thereinto and shall pay out of such fund all moneys which are by this Act required to be paid thereout.

2. The capital of the note-reserve fund shall be held by the Commission or at its disposal in such one or more of the following forms as the Commission in its absolute discretion shall think proper and in no other form, that is to say :

- (a) Gold bullion;
- (b) Gold coins which are for the time being legal tender in Saorstát Eireann for unlimited amounts;
- (c) Money in any form which is for the time being legal tender in Great Britain for unlimited amounts;
- (d) British Government securities;
- (e) Securities guaranteed by the British Government;
- (f) Sterling balances on current or deposit account at the London Agency or any Bank in Great Britain or Northern Ireland;
- (g) Legal-tender notes.
- (h) Securities of the Government of the United States of America.

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<sup>1</sup> Article 3 of the Currency Act, 1930, provided that interim transfers might also be made between the legal tender note fund and the note reserve fund.

3. Subject to the restriction that not more than one-tenth of the capital of the note-reserve fund may at any time be held in the form of legal-tender notes, the Commission shall in its absolute discretion determine from time to time as occasion requires the allocation of the capital of the note-reserve fund amongst the several forms mentioned in the foregoing subsection or any of them.

4. All dividends and interest received by the Commission in respect of the capital of the note-reserve fund shall be carried as income to the general fund.

5. The Commission may, if and whenever it thinks fit, borrow temporarily for the purposes of the note-reserve fund and may pledge the capital or any part of the capital of the note-reserve fund as security for such borrowing and shall charge all interest on such borrowing against the general fund.

6. At the end of every half-year the Commission shall value, in accordance with current market values, the capital assets of the note-reserve fund and shall ascertain the extent of the net deficiency, if any, of such capital assets as so valued (less by the capital amount of any temporary borrowing under the foregoing subsection and the value of any capital assets then transferable to the legal-tender note fund, but with the addition of any capital assets then transferable from the legal-tender note fund) below one-tenth of the maximum amount of consolidated bank-notes which might under this Act be outstanding (otherwise than on an extraordinary issue) on the last day of such half-year and, if on any such ascertainment any such deficiency is found to exist, shall, as soon as may be, transfer to the note-reserve fund from the general fund in any of the forms mentioned in subsection 2 of this section an amount equivalent to whichever of the following amounts is the less, that is to say :

(a) The amount of such deficiency, or

(b) One-fifth of the surplus of the total amount received by the Commission during such half-year on account of dividends and interest in respect of the capital of the legal-tender note fund and the capital of the note-reserve fund remaining, after deducting from such total amount all (if any) interest payable during such half-year on any temporary borrowing for the purposes of either of such funds.

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**ITALY.**

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[*Translation.*]

**DECREE-LAW OF DECEMBER 21ST, 1927, No. 2325.**

*Article 1.*

As from the day following publication of the present Decree, the Bank of Italy shall be bound to convert its own notes, on presentation at its head office in Rome, into gold, or, at the discretion of the Bank, into the currencies of foreign countries whose bank-notes are convertible into gold.

Gold parity shall be fixed at the rate of 7.919 grammes fine gold per one hundred Italian lire.

.....

*Article 4.*

As from the entry into force of the present Decree, the Bank of Italy shall be required to hold a reserve of gold or of the currencies of foreign countries whose bank-notes are convertible into gold, equal to at least 40% of its note circulation and of all its other sight liabilities.

The notes issued by the Bank of Italy shall be secured, apart from the aforesaid gold reserve or its equivalent, by all the other assets of the Bank, in conformity with the existing laws.

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*Article 6.*

The provisions in force regarding the minting and the issue of gold coin will be co-ordinated by a Royal Decree-Law, on the proposal of the Minister of Finance, with the provisions of Article 1 of the present Decree.

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**DECREE OF FEBRUARY 26TH, 1928, No. 252.**

*Article 1.*

In application of Article 1 of the Royal Decree-Law of December 21st, 1927, No. 2325, the Bank of Italy will convert its notes presented to it at the head office in Rome into bars of fine gold of a minimum weight of 5 kilogrammes, at the rate of 7.919113 grammes per 100 lire.

*Article 2.*

In conformity with the above-mentioned Article 1, the Bank of Italy has the option of converting its notes into the currencies of foreign countries whose bank-notes are convertible into gold.

Conversion will be made at the rate which will be established by the Bank of Italy, account being taken of the current rates on the exchange market. This rate may not in any case be above the gold export point, such as it is fixed by Article 4.

*Article 3.*

For the purposes of controlling the circulation, the Bank of Italy shall be required by the purchase or sale of gold or by intervention on the foreign currency market to keep the fluctuations in the exchange rate of Italian currency as compared with the currencies of foreign countries whose bank-notes are convertible into gold, within the limits laid down in the following article.

*Article 4.*

The gold export point and the gold import point, in relation to the gold parity laid down in Article 1 of the Royal Decree-Law of December 21st, 1927, No. 2325, are fixed by a Royal Decree made on the joint proposal of the Minister of Finance, the Cabinet, and the Director-General of the Bank of Italy.

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**DECREE OF FEBRUARY 26TH, 1928, No. 253.**

*Article 1.*

The gold export point and the gold import point in relation to the gold parity are fixed as follows : 19.10 lire per dollar for export and 18.90 for import.

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**JAPAN.**  
**Japan Proper.**

[*Translation.*]

**THE CONVERTIBLE BANK-NOTE REGULATION.**

*(Decree of the Council of State No. 18, of May 1884, amended by the Decree of the Council of State No. 9, of May 1885, Imperial Ordinance No. 59, of August 1887, Laws No. 84, of May 1885; No. 18, of March 26th, 1897, and No. 55, of March 1899.)*

*Article 1.*

The convertible bank-notes shall be issued by the Bank of Japan under Article 14 of the Bank of Japan Regulation and shall be convertible into gold coin.

*Article 2.*

The Bank of Japan shall hold, and appropriate to the reserve for conversion of the convertible bank-notes, gold and silver coin and bullion<sup>1</sup> equivalent to the amount of the notes issued; provided that silver coin and silver bullion shall not exceed one fourth of the total amount of the reserve.

In addition to the notes provided for in the foregoing paragraph, the Bank of Japan may issue bank-notes to an amount not exceeding one hundred and twenty million yen against Government loan bonds, Treasury bills or any other reliable securities or commercial bills.

Should an increase in the circulation of money be deemed necessary according to the conditions of the market, the Bank of Japan may, in addition to the issues provided for in the two foregoing paragraphs, issue bank-notes, with the authorisation of the Minister of Finance, against Government loan bonds, Treasury bills or any other reliable securities or commercial bills. In such case the Bank of Japan shall pay a tax on the issues at the rate of not less than five per centum per annum; provided that the actual rate shall be determined on each occasion by the Minister of Finance.

*Article 3.*

The convertible bank-notes shall be freely current for the payment of taxes, custom duties and all other transactions.

.....

*Article 7.*

The Bank of Japan shall take gold coin on demand in exchange for bank-notes, free of charge, at its head office and branches.

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<sup>1</sup> No silver coin or bullion has been included in the reserve since 1905.

**THE BANK OF JAPAN REGULATION.**

*(Decree of the Council of State No. 32, of June 1882, amended by Law No. 61, of August 1890.)*

*Article 14.*

The Bank of Japan has a right to issue bank-notes; provided that, when an issue of bank-notes is to be authorised, special regulations shall be made and promulgated.

[Official Translation.]

**COINAGE LAW.**

*(Law No. 16, of March 1897, as amended by subsequent Laws.)*

*Article 1.*

The power of minting and issuing coins resides in the Government.

*Article 14.*

Individuals may have gold bullion coined on application to the Government.

[Translation.]

**LAW No. 55, OF MARCH 1899.**

The Bank of Japan shall pay a tax at the rate of twelve and a-half per mille per annum on the monthly average amount of its convertible notes issued against securities under the second paragraph of Article 2 of the Convertible Bank-Notes Regulation; provided that the Bank shall be exempt from the payment of this tax on notes issued for advances to the Government or other party in compliance with a special order from the Government at an interest of ten per mille or less per annum or without interest.

**Chosen.**

[Translation.]

**THE BANK OF CHOSEN LAW.**

*(Law No. 48, of March 1911, amended by Laws No. 28, of March 1918, and No. 21, of July 1924.)*

*Article 21.*

The Bank of Chosen may issue bank-notes; provided that, with regard to the forms and kinds of the bank-notes, the Bank shall obtain an authorisation from the Governor-General of Chosen.



The bank-notes provided for in the foregoing paragraph shall be payable during business hours at the head office and branch offices of the Bank of Chosen in gold coin or convertible bank-notes (viz., the Bank of Japan notes—Nippon Ginko notes); provided that, at the branch offices, payment may be delayed for the time required for the arrival of the reserve from the head office.

*Article 22.*

The Bank of Chosen is required to hold and appropriate to the reserve for payment of its bank-notes, an amount of gold coin, gold and silver bullion, or convertible bank-notes equal to the amount of the issue of its bank-notes; provided that silver bullion shall not exceed one-fourth of the total amount of this reserve.

In addition to the notes issued against the reserve provided for in the foregoing paragraph, the Bank of Chosen may issue bank-notes to the amount of fifty million yen against national loan bonds, or any other reliable securities or commercial bills.

Should the circumstances of the market require a further issue of bank-notes in addition to the issues provided for in the two foregoing paragraphs, the Bank may, with the authorisation of the Governor-General of Chosen, issue bank-notes against national loan bonds, or any other reliable securities or commercial bills. In the above case, the Bank shall pay a tax on the issue at a rate which shall be determined from time to time by the Government and which shall be not less than five per centum per annum of the amount of the said issue.

*Article 23.*

The bank-notes issued by the Bank of Chosen shall be current without any limit in the territories under the jurisdiction of the Governor-General of Chosen.

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**DECREE OF THE GOVERNOR-GENERAL OF CHOSEN.**

*(No. 146, of 1911.)*

*Article 8.*

When the Bank is required to exchange gold coins or the Bank of Japan convertible notes for its bank-notes, the head office and branch offices in Chosen of the Bank of Chosen shall exchange the same free of charge.<sup>1</sup>

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**Taiwan.**

[*Translation.*]

**THE BANK OF TAIWAN LAW.**

*(Law No. 38, of April 1897, amended by Laws No. 17, of June 1901, No. 34, of March 1902, No. 3, of February 1906, No. 46, of April 1910, No. 7, of March 1914, No. 27, of March 1918, and No. 68, of April 1922.)*

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<sup>1</sup> The Bank of Chosen is at present under these requirements.

*Article 8.*

The Bank of Taiwan may issue bank-notes with face values of one yen and above. The bank-notes provided for in the foregoing paragraph shall be payable in gold coin during business hours at the head office and branch offices of the Bank of Taiwan; provided that, at the branch offices, payment may be delayed for the time required for the arrival of the reserve from the head office.

*Article 9.*

The Bank of Taiwan is required to hold and appropriate to the reserve for payment an amount in gold and silver coins or bullion equal to the amount of the issue of its bank-notes.

In addition to the notes issued against the reserve provided for in the foregoing paragraph, the Bank of Taiwan may issue bank-notes to the amount of twenty million yen against Government paper money and bonds, convertible bank-notes, or any other reliable securities or commercial bills.

Should the circumstances of the market require a further issue of bank-notes in addition to the issues provided for in the two foregoing paragraphs, the Bank may, with the authorisation of the Minister concerned, issue bank-notes against Government paper money and bonds, convertible bank-notes, or any other reliable securities or commercial bills. In the above case, the Bank shall pay a tax on the issue at a rate which shall be determined from time to time by the Government, and which shall be not less than five per centum per annum of the amount of the said issue.

*Article 10.*

The bank-notes issued by the Bank of Taiwan may be tendered for payment to the Government in the area under the jurisdiction of the Governor-General of Taiwan.

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LATVIA.

STATUTES OF THE LATVIJAS BANKA.

[*Translation.*]

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*Article 13.*

The Latvijas Banka (Bank of Latvia) shall have the sole right to issue paper money. Notes shall be issued in "lats" and must be covered for their full nominal value as follows :

1. If the amount of the issue does not exceed one hundred million lats, by gold or stable and sure foreign currencies for at least fifty per cent, and the remainder by reliable short-term bills of exchange;
2. If the amount of the issue exceeds one hundred million lats but is not more than one hundred and fifty million lats, the amount in excess of one hundred million lats must be covered to the extent of seventy-five per cent by gold or stable and sure foreign currencies and to the extent of twenty-five per cent by reliable short-term bills of exchange;
3. The amount of the issue exceeding one hundred and fifty million lats must be fully covered by gold or stable and sure foreign currencies.

*Article 14.*

If the holder so requests, the Bank must at any time exchange notes for gold. Gold must be paid on demand at the rate of 0.2903226 grammes of fine gold per lat, in exchange for bank-notes.

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LAW CONCERNING STATE TREASURY NOTES.

(*Riga, November 23, 1924. Collection of Laws No. 183, 1924.*)

[*Official Translation.*]

The Saeima (Parliament) has passed, and the President of the State has promulgated the following law :

1. The rouble treasury-notes shall be withdrawn from circulation, and treasury-notes of 1, 2, 5, 10 and 20 Lats shall be issued in their place.

*Note.*—The time of withdrawal of the rouble treasury-notes shall be fixed by the Minister of Finance.

2. The total sum of the State treasury-notes in circulation shall not exceed forty-eight million lats.

3. The State shall be responsible for the treasury-notes with all its property. In order to secure stability of the treasury-notes issued, the State shall deposit its gold fund at the Bank

of Latvia. The value of the fund deposited shall equal at least one-fourth of the nominal value of the treasury-notes issued.

4. The State treasury-notes shall be legal tender as well as the gold currency.

*Note.*—Until the rouble treasury-notes have been withdrawn they shall be legal tender at the rate of fifty roubles to one lat, except in cases where special agreements were made as to other rates, before this law came into force.

5. Worn and torn treasury-notes shall be exchanged for new ones. Regulations concerning the exchange and destruction of worn and torn treasury-notes shall be issued by the Cabinet of Ministers.

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LAW CONCERNING LATVIAN MONEY

(Passed on the Basis of the Law of July 16th, 1919,  
with amendments and supplements of March 18th, 1925.)

[Official Translation.]

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*Article 3.*

Gold money shall be coined of gold belonging to the State and also of gold delivered by private persons. Gold delivered by private persons for minting shall be accepted at a price determined by the Minister of Finance if the gold is delivered in bars or gold money of other States containing the percentage of gold fixed by the Minister of Finance and if the quantity of gold delivered is not less than one hundred grammes.

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LITHUANIA

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[*Official Translation.*]

BYE-LAWS OF THE BANK OF LITHUANIA.

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*Article 24.*

The Bank issues anonymous bank-notes. Not less than one-third of the amount of bank-notes in circulation must be covered with gold, the balance by easily realisable securities for not more than their stock-exchange price.

*Article 25.*

The bank-notes of the Bank of Lithuania are State legal tender and in circulation must be accepted on a par with gold coin.

*Note.*—The procedure for the conversion of bank-notes into gold money is to be fixed by the Minister of Finance, Commerce and Industry.

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**MADAGASCAR.**

[*Translation.*]

**LAW OF DECEMBER 22<sup>ND</sup>, 1925, PROVIDING  
FOR THE ESTABLISHMENT OF A BANK OF ISSUE.**

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*Article 2.*

The notes of the Bank of Madagascar shall be accepted as legal tender by public offices and by individuals within the colony and its dependencies.

They shall enjoy forced circulation as long as it is enjoyed by notes of the Bank of France. During the period of validity of the annexed Agreement concerning the current account between the Bank and the Treasury they may be exchanged at the Bank's counters for a transfer on France repayable in notes of the Bank of France at par.

On the expiration of the period of forced circulation, the notes shall be repayable at sight and to bearer in specie which is legal tender in France, by the branch and agencies designated by agreement between the Minister of the Colonies and the Bank.

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**STATUTES OF THE BANK OF MADAGASCAR.**

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*Article 15, paragraph I.*

The notes in circulation must always be covered to the extent of at least one-third of their value by a reserve consisting of gold on the basis of the monetary definition of the franc, of coin which is legal tender in France, of sight deposits in foreign exchange convertible into gold and reckoned at parity, or of a credit in a special non-interest-bearing account with the Treasury.

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MARTINIQUE, GUADELOUPE, FRENCH GUIANA AND REUNION.

[Translation.]

LAW RENEWING THE CHARTER OF THE BANKS OF MARTINIQUE,  
GUADELOUPE, FRENCH GUIANA AND REUNION (MARCH 21st, 1919).

*Article 4.*

I. Each of the banks to which the present law refers is authorised, exclusive of all other establishments, to issue notes payable to the bearer for 500 francs, 100 francs, 25 francs and 5 francs in the colony in which it is situated. <sup>1</sup>

II. These notes are redeemable on demand at the office of the bank which issued them.

III. They are receivable as legal tender in the territory of each colony both by public offices and private individuals.

IV. In the event of liquidation, the Minister of Colonies, in agreement with the Minister of Finance, will arrange for the circulation and redemption of the notes of the bank.

V. The sum of the notes in circulation must not under any circumstances exceed three times the metallic reserve.

VI. The bank must not borrow on its notes.

VII. The total sum of the bank's notes in circulation, current accounts and other liabilities must not exceed three times the sum of the capital and reserve funds unless the value of the current accounts and other liabilities be covered by cash over and above the metallic reserve of guarantee.

VIII. The type of the notes must be approved by the Minister of Colonies and the Minister of Finance.

The instruments for the manufacture of the notes will be placed in the safe-keeping of the Bank of France.

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<sup>1</sup> The Law of May 23rd, 1927, authorised the issue of 1,000-franc notes.

MEXICO.

[Translation.]

LAW CREATING THE BANK OF MEXICO (AUGUST 25TH, 1925).

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CHAPTER II.—ISSUE OF NOTES.

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Article 2.

The Bank of Mexico may issue notes to an amount not exceeding twice the gold reserve in bars or domestic or foreign currency with a standard of 75 centigrammes of pure gold per peso; from this reserve may be deducted the quantity required by law for the cover of deposits. For the purposes of the present Article the cash reserve shall include the gold deposits held by the Bank in foreign banks and consignments of gold bars or coin in transit to the Bank.

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Article 4.

Notes may be issued only :

- I. In exchange for domestic or foreign gold coin.
- II. In exchange for gold ingots at the rate of 75 centigrammes of pure gold per peso.
- III. In exchange for first-class drafts payable at sight and in gold on foreign countries.
- IV. On the rediscount of bills payable in gold that the Bank rediscounts with its associated banks.

Notes returned to the Bank in payment of bills in its favour, or in exchange for cash or drafts' may not be replaced in circulation without fulfilling the requirements for issue laid down in the present Article.

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Article 7.

Notes shall be paid at their face value to the bearer in gold on presentation at the Bank's central office and its branches: but the latter shall be obliged to cash only the notes which they have put into circulation with their stamp, and they shall pay notes issued by the central office or the other branches in drafts at sight drawn on the central office, without any cost to the recipient. Damaged notes shall be paid even when torn, provided the number, series, value and at least two of the necessary signatures remain legible.

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**LEY GENERAL DE INSTITUCIONES DE CREDITO  
Y ESTABLECIMIENTOS BANCARIOS.**

*Article 92.*

Deposit and Discount Banks shall be taken to mean those which engage in ordinary banking operations, receive deposits repayable at sight or at not more than 80 days' notice, discount commercial bills and make loans of the same character.

*Article 93.*

(Amended by the Decree of June 6th, 1929.)

Deposits repayable at sight or at not more than 80 days' notice shall be covered :

I. By a cash reserve in domestic gold or notes of the Bank of Mexico which must not be lower than the proportion established by the National Banking Commission, with account taken of the particular conditions in each bank and of the general conditions in the country. This proportion must not be lower than 20% or higher than 33%. The decisions taken in this regard will come into full effect within a period which must not be longer than 60 days from the date on which they were handed down.

The Ministry of Finance, taking the situation of the money market into account, will decide the currency which must compose the cover for deposits made in silver or in any other currency except gold. Depositors will be notified 15 days in advance of the measures taken in this regard by the Ministry of Finance.

Foreign gold coin and gold bars, the standard of which is certified by the Mint stamp shall be counted as cash reserves at their intrinsic value.

Sight deposits with the Bank of Mexico may also be counted in the cash reserve.

Silver coin and small change in excess of 5% of the total shall not be included in the metal reserve serving as cover for deposits except in the special case where they serve as cover for deposits made in silver coin or small change.

The Ministry of Finance by means of temporary permits may authorise the inclusion in the cash reserve of consignments of gold coin or bars in transit, and sight deposits in banking firms or foreign banks, provided that the latter are of first-class standing and that the deposits are duly proved, but the total of such moneys or deposits must not exceed one-third of the total amount of the metal reserve required for the cover of deposits.

(Amended by the Decree of August 25th, 1928.)

II. The remainder, up to the total sum of the deposits, shall be guaranteed by the securities enumerated in the following list :

(a) Loans and discounts repayable within the Republic and of not more than six months' term, without possible extension. The investments should be in conformity with the provisions of Article 259.

(b) Bills of exchange or drafts (*libranzas*) of not more than six months' term and bearing the signatures of at least two responsible persons.

(c) Shares, bonds and other immediately realisable securities, valued at their current price and approved by the Ministry of Finance in general decisions.

(d) Sight deposits with credit houses and banks in the Republic.

*Article 94.*

(Amended by the Decree of August 25th, 1928.)

Accounts in foreign currency, giving the holder the right to demand payment specifically in drafts on foreign countries shall not be legally regarded as deposit accounts, nor therefore as privileged credits; however, the total amount of these accounts must be guaranteed as follows :

I. By deposits in foreign currencies payable at sight and held in the Bank of Mexico or in foreign banks provided that these are of first class in the opinion of the National Banking Commission and that their existence is duly proved, or by an equivalent reserve in domestic gold. This reserve must be held in the proportion fixed by the National Banking Commission in conformity with Article 93, Section I.

II. The remainder up to the full amount of the accounts by any of the securities specified in Section II of the foregoing Article, their value being computed at the current rate of exchange; or by bills of the same class in foreign currencies, approved by the National Banking Commission.

*Article 95.*

(Amended by the Decree of August 25th, 1928.)

The credit institutions will also be required to guarantee in the manner laid down in Articles 93 and 94 :

I. The total of the sight deposits, the maturity of which is less than 30 days, and which are composed of domestic gold or silver, even if the depositors engage, under any form, to accept, at the choice of the bank, other currencies in payment of their deposits if the bank so prefers.

II. The total of the credit balances payable at sight or at not more than 30 day's notice in the form of current accounts, accounts of correspondents or others of a similar nature, and the sums derived from loans made by the establishment and recorded in contracts or any other document, when such sums have not been withdrawn in whole or in part by those concerned.

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**LEY DE IMPUESTOS A LA MINERIA.**

(PROMULGATED DECEMBER 19TH, 1929; PUT INTO EXECUTION JANUARY 1ST, 1930.)

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*Article 16.*

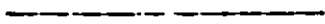
The Mint shall accept without limit gold suitable for minting presented to it by private persons for the purpose of coining, at the rate of \$1,333.33 (one thousand three hundred and thirty-three pesos, thirty-three centavos) per kilogramme of pure gold, which rate shall also obtain for the payment of the production-tax and the minting-fee.

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*Article 26.*

It is forbidden to export gold coins and metallurgical products having a fineness in gold of over two hundred and fifty-thousandths.

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MOROCCO.

[Translation.]

STATUTES OF THE STATE BANK OF MOROCCO.

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*Article 2.*

The operations of the State Bank of Morocco consist of the following transactions :

1. The issue of bearer notes payable at sight and receivable for public dues in Morocco in virtue of the exclusive privilege provided for under Article 32 of the General Act of the International Conference of Algeciras, subject to the obligation requiring the Bank to maintain for a period of two years dating from its entry into operation cash on hand equal to at least one-half of its notes in circulation, and equal to at least one-third after the expiration of said period of two years; at least one-third of this reserve must be held in gold bullion or gold coin.

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GENERAL ACT OF THE INTERNATIONAL CONFERENCE OF ALGECIRAS.

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*Article 32.*

The Bank, which shall have power to carry on all transactions entering into the operations of a bank, shall have the exclusive privilege of issuing notes to bearer, payable on presentation and receivable for public dues throughout the Moorish Empire.

The Bank shall maintain for a period of two years, to date from its going into operation, cash on hand at least equal to half its notes in circulation, and equal to at least one-third after the expiration of said period of two years. At least one-third of such cash on hand is to be gold bullion or gold coin.

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NETHERLANDS.

[Translation.]

MONETARY LAW OF MAY 28TH, 1901.

“Staatsblad” No. 132) as amended and amplified by the Laws of December 31st, 1906 (“Staatsblad” No. 876), July 1st, 1909 (“Staatsblad” No. 253), October 31st, 1912 (“Staatsblad” No. 324) and November 27th, 1919 (“Staatsblad” No. 786.)

Article 1.

The currency unit in the Netherlands is the florin.  
There are 100 cents to a florin.

Article 2.

The national coins are as follows :

A. Coins which are legal tender :

1. To any amount :

(a) In gold :

The ten-florin piece;  
The five-florin piece.

.....

Article 3.

Any person may have gold ten-florin pieces, five-florin pieces and ducats struck at the (National Mint, unless this is not possible owing to work for the account of the State.

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[Official Translation.]

THE BANK ACT (DECREE OF SEPTEMBER 28TH, 1918).

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Article 18.

(1) The notes of the Bank are payable on demand at the Head Office, the Branch Office and at the Agencies, excepting on the days mentioned in Article 154 of the Commercial Code.

.....

*Article 19.*

(1) In case of war or danger of war the obligation of De Nederlandsche Bank to pay its notes may, by Order in Council, be suspended.

(2) An Order in Council as referred to in the first clause of this article shall fix the period of such suspension. This period may be extended by Us as frequently as this may, in Our option, be necessary.

(3) The Order in Council referred to in the first clause of this article will be withdrawn as soon as, in Our opinion, the war or danger of war, by reason of which it was proclaimed, has ceased.

.....

*Article 23.*

The proportion of the total amount of bank-notes, bank-assignments and balances of current accounts which must be covered by coin or bullion shall be laid down in a Royal Decree to be passed at the recommendation of the Management of the Bank. This decree will be published in the *Staatsblad* and, if necessary, will be changed from time to time.

.....

[*Translation.*]

DECREE OF JANUARY 4TH, 1929.

*Amending the Royal Decree of April 16th, 1864, ("Staatsblad" No. 18), as amended by the Royal Decrees of June 20th, 1880 ("Staatsblad" No. 113) and of July 31st, 1914, ("Staatsblad" No. 334) determining the proportion referred to in Article 23 of the 1919 Bank Law ("Staatsblad" 1918, No. 553).*

We, Wilhelmina, etc., etc. ....

Hereby direct that :

Our above-mentioned Decrees shall be amended as follows :

The total amount of bank-notes in circulation, bank-drafts (bankassignatiën) and current-account balances at the Nederlandsche Bank shall always be covered, to the extent of two-fifths, by specie or bullion.

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NETHERLANDS INDIES.

[Translation.]

THE JAVA BANK ACT (LAW OF MARCH 31ST, 1922).

Article 15.

1. The bank-notes issued by the Bank are payable on demand at the Head Office of the Bank and at its agencies, daily at the hours fixed by the Board of Directors, except on certain days to be specified by the Governor-General.
2. Payment at agencies may be deferred, however, until means of payment can be obtained from the head office.
3. The Governor-General may release the Bank from the obligation to convert its bank-notes at such agencies as he may specify.
4. The Bank shall be bound, on receipt of specie which is legal tender to any amount, to issue bank-notes to the Government for such amount as may be required.
5. Bank-notes shall be free of stamp duty.

Article 16.

1. The holder of a note of the Bank shall be entitled only to claim payment by the Bank of the amount specified on the note.
2. The Bank shall not be bound to grant indemnification for the loss or destruction of its notes.
3. The Bank shall not be bound to grant any indemnification for fragments of bank-notes, except on such security as the Board of Directors deems necessary to prevent loss to the Bank.
4. In the event of suspicion of fraud or at the written request of persons interested, the Bank may require the person presenting notes for conversion to give a receipt for them and/or endorse them.
5. The provisions of Articles 226, 227 and 228 of the Commercial Code of the Netherlands Indies shall not apply to bank-notes.

Article 17.

1. In case of war, or imminent danger of war, the Bank's obligation to redeem its bank-notes may be suspended by ordinance.
2. The ordinance referred to in the preceding paragraph shall specify the term of its duration. The term may be extended from time to time as may be necessary.
3. As soon as the war, or the danger of war, which necessitated the promulgation of the ordinance referred to in paragraph 1 is ended or past, the ordinance shall be withdrawn.

Article 28.

1. The proportion of the aggregate bank-notes, current-account balances, and other sight liabilities of the Bank which must be covered by specie or bullion shall be fixed by the Governor-General with our authorisation.
2. Of the obligatory metallic reserve referred to in paragraph 1, at least a part, to be fixed by the Governor-General, must be actually in the Netherlands Indies, and a part thereof—also to be fixed by the Governor-General—must consist of coin which is legal tender up to any amount.

AGREEMENT BETWEEN THE BANK OF JAVA AND THE GOVERNMENT  
OF THE NETHERLANDS INDIES.

(Published in the *Official Gazette* of April 29th, 1925.)

The President and Director of the Java Bank pledge themselves with the Government of the Netherlands Indies to uphold and continue the gold policy which the Bank has so far followed, by, *inter alia*, the following measure—viz., that, should rates of exchange on foreign countries rise above the parity of the gold value, it will, except under extraordinary circumstances to be decided upon by the Governor-General after consultation with the Java Bank, and except for arbitration of exchange, if necessary, and as long it is in its power to do so without infringing the stipulation of the Java Bank Act, make its gold supply available for issue on the basis of 1,653.44 florins per kilogramme fine for bars and at corresponding prices for minted gold.

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MINT LAW OF OCTOBER 31<sup>ST</sup>, 1912 (AMENDED BY THE LAW  
OF NOVEMBER 27<sup>TH</sup>, 1919).

.....

*Article 2.*

The following shall be legal coin in the *Netherlands Indies* :

(A) Being legal tender :

(1) For the payment of any amount :

(a) In gold :

The 10-gulden (10-florin) piece;  
The 5-gulden (5-florin) piece.

.....

(B) Not being legal tender :

The gold ducat.

.....

*Article 5.*

The 10-gulden (10-florin) piece, the 5-gulden (5-florin) piece, the gold ducat, the rix-dollar, the gulden (florin) and the half-gulden (half-florin), referred to in Article 2, are coins of these denominations as defined in the coinage Law of 1901<sup>1</sup>.

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<sup>1</sup> The relevant passages of the Coinage Act of 1901 will be found under The Netherlands.

**DECREE OF THE GOVERNOR-GENERAL No. 229 (JUNE 25<sup>TH</sup>, 1928).**

It is hereby agreed and decided :

(1) To abrogate Article 2 of the Decree of August 5<sup>th</sup>, 1914, No. 2*x* (*State Gazette*, No. 538) and the Decree of May 3<sup>rd</sup>, 1924, No. 1*x* (*State Gazette*, No. 207);

(2) To provide, by Royal authorisation, that the total sum represented by bank-notes, current credit accounts and other liabilities of the Bank of Java which must be met on demand, must be covered by specie or bullion to the extent of two-fifths;

(3) To provide that at least three-fifths of the compulsory metal cover stipulated in Article 2 of the present Decree must be in the Netherlands Indies and that at least a quarter of the said metal cover must consist of coin which is legal tender to any amount.

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NEW ZEALAND.

THE BANKING ACT OF 1908.

*Article 8.*

The Governor may by Proclamation declare that any bank incorporated by Royal charter or letters patent, and empowered to carry on the business of banking in New Zealand, and to issue and circulate therein bank-notes of the bank, may lawfully issue and circulate such notes within New Zealand, but subject to the provisions and restrictions in such charter or letters patent contained.

*Article 9.*

All bank-notes of a bank heretofore or hereafter issued, circulated, or re-issued in New Zealand by a bank under authority of this or any other Act of the General Assembly shall, to the amount of the issue authorised, be a first charge on all the property of that bank (including the paid-up capital, uncalled capital, and reserve fund), being assets for the payment of debts or other obligations contracted or entered upon, or due and payable in New Zealand; and shall be payable in gold only at the office of the bank at the place of issue of the said notes respectively, anything contained in any other Act notwithstanding.

THE BANKING AMENDMENT ACT OF 1914.

*Article 2.*

1. The Governor in Council may from time to time, as he thinks fit, by Proclamation declare that the notes payable on demand by any bank therein named, and then issued or thereafter to be issued or re-issued within New Zealand under any lawful authority in that behalf, shall during the period limited by the Proclamation be everywhere within New Zealand a good and legal tender of money to the amount therein expressed to be payable.

2. No such Proclamation shall be made unless the Governor in Council is satisfied :

(a) In the case of a bank having its head office situated in New Zealand, that, as between the bank and its creditors, the assets of the bank exceed its liabilities by at least the amount of its paid-up capital; and

(b) In the case of a bank having its head office situated outside New Zealand, that, as between the bank and its creditors, the assets of the bank within New Zealand exceed its liabilities therein.

3. Before making any such Proclamation the Governor in Council may require that adequate security be given by the bank for the performance of the condition that the bank shall pay all such notes of its own issue in gold on presentation at the office of the bank at the place of issue of the said notes respectively after the expiration of the period limited by any original Proclamation under this section, or by successive Proclamations thereunder if more than one.

*Article 4.*

At any time within six months after the expiration of the period limited by an original Proclamation under section two hereof, or by successive Proclamations thereunder if there have been more than one, the Minister of Finance, on being satisfied that a bank-note covered by any such Proclamation has been duly presented for payment at the bank issuing the same and has not been paid, shall, without further appropriation than this Act, pay the same in gold to any *bona fide* holder, not being a bank, who may present the same for payment at the Treasury.

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*Article 6.*

During the period limited by any Proclamation under this Act, the exportation of gold shall be prohibited unless with the consent in writing of the Minister of Finance. Such consent may be given subject to any conditions or restrictions.

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THE FINANCE ACT OF 1919.

PART I.

.....

*Article 3.*

Section 6 of the Banking Amendment Act, 1914 (relating to the exportation of gold from New Zealand), shall not, after the commencement of this Act, apply with respect to the exportation of uncoined gold.

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NORWAY.

[Translation.]

LAW OF APRIL 23RD, 1892, WITH SUPPLEMENTARY LAWS GOVERNING THE BANK OF NORWAY.

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Article 6.

The Bank of Norway has the sole privilege of issuing bank-notes to bearer, involving the obligation on its part to repay them at sight in gold specie (kroner) at their face value.

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Article 14.

Gold specie may be exchanged for bank-notes both at the Head Office and at such branches as the Supervisory Board may designate for this purpose.

If the sum to be refunded by the Bank is not exactly equivalent to a value in gold coin, the difference shall be paid in silver or other fractional coins.

Both at its Head Office and at its branches, the Bank is required to exchange its notes for gold coin (crowns); it is also required, both at its Head Office and at the branches designated by the Supervisory Board for this purpose, to exchange its notes for gold bullion, assayed as to fineness, in accordance with the decision resting with the Supervisory Board, at the price of 2,480 kroner per kilogram of fine gold, less ¼% cost of minting.

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LAW OF AUGUST 18TH, 1914.

.....

Article 7, Third paragraph.

In the case of a grave emergency, the Crown may decide that the redemption of bank-notes at sight shall be provisionally suspended. Notwithstanding this suspension of repayment of the bank-notes, the latter shall continue to be legal tender.

.....

LAW OF NOVEMBER 26<sup>TH</sup>, 1920.

*Article 9.*

The Bank may issue bank-notes for an amount equivalent to its gold reserve and for a further sum not exceeding two hundred and fifty million kroner.

The Bank's gold reserve consists of gold, minted or unminted, which the Bank has in safe keeping or which is in the possession of the Government Mint for the Bank's account.

*Article 10.*

In the case of a serious emergency, such as a war, menace of war, or serious financial crisis, the Crown may, with the subsequent approval of the Storting, authorise the Bank to issue bank-notes for a further sum not exceeding that fixed in the authorisation. The authorisation shall be given for a definitive period or until it is withdrawn by the Crown.

The Bank must pay a tax to the Treasury on the value of the notes issued under the authorisation given in accordance with the present article. This Tax shall be calculated on the amount of notes in circulation at the time of publication of the financial return (Article 37) and for the period which has elapsed since the previous publication, and it shall be paid at a rate of interest 1% below the discount rate of the Bank at the time of publication of the last-mentioned financial return.

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LAW OF APRIL 17<sup>TH</sup>, 1875, ON THE MONETARY SYSTEM.

*Article 9.*

Any person who delivers to the Office of the Government Mint gold in such quantities and of such nature as may be stipulated by Royal decree, shall be entitled to receive without undue delay minted 10-krone pieces on payment of  $\frac{1}{3}\%$  of the value of the amount minted, and 20-krone pieces on payment of  $\frac{1}{4}\%$  of such value.

PALESTINE.

REGULATIONS OF AUGUST 2ND, 1926, DEFINING THE CONSTITUTION,  
DUTIES AND POWERS OF THE PALESTINE CURRENCY BOARD.

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*Article 7.*

The Board will, when required, arrange for the issue against notes tendered in Palestine of drafts or telegraphic transfers payable in sterling in London at a charge not exceeding one per cent. It may vary the charge from time to time within this limit, and may make different charges for drafts and telegraphic transfers.

*Article 8.*

The Board may fix such minimum limits of value as it thinks fit from time to time for the transactions referred to in the last two preceding regulations.

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*Article 13.*

Proceeds of the sale of coin and currency notes and all other revenue of the Board shall, after the necessary deductions have been made for all expenses, and for any contributions made to the revenues of Palestine under Section 19 of these regulations, be credited to a fund hereinafter referred to as the Currency Reserve Fund. Any losses which may be incurred will be debited to the Fund.

*Article 14.*

The Board may invest its funds in securities of the Government of any part of His Majesty's Dominions or in such other manner as the Secretary of State may approve. The extent to which investments may be made will be left to the discretion of the Board, whose duty it will be to hold, subject to any directions which may be received from the Secretary of State, a proportion of its reserve in a liquid form.

*Article 15.*

The Board shall submit half-yearly to the Secretary of State a statement of the position of the Currency Reserve Fund on the last day of the half-year, including a statement of securities.

*Article 16.*

The Board shall cause to be published half-yearly in the *Official Gazette* of the Government of Palestine an abstract showing (a) the whole amounts of coin and currency notes in circulation on the last day of the half-year; (b) the total amount of the Currency Reserve Fund of the said day; (c) the nominal value of, the price paid for and the latest known market price of the securities forming the investment portion of the Currency Reserve Fund.

*Article 17.*

The accounts of all the transactions of the Board will be audited by the Colonial Audit Department.

*Article 18.*

The Board will submit annually for the approval of the Secretary of State a statement of its transactions during the preceding year.

*Article 19.*

The Board may, with the approval of the Secretary of State, pay any sum which it thinks proper out of the income from its invested funds by way of contribution to the revenues of Palestine.

*Article 20.*

When the Board is satisfied, and shall have satisfied the Secretary of State, that its reserves are more than sufficient to ensure the convertibility of the currency, and to provide a reasonable reserve against possible depreciation, the Board may pay over the whole or part of the surplus amount in aid of the revenues of Palestine.

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PARAGUAY.

[Translation.]

LAW No. 182, OF JANUARY 26TH, 1916.

*Article 1.*

An institution to be known as the Exchange Office shall be set up for the following purposes :

- (a) To buy and sell minted gold;
  - (b) To issue, exchange and convert notes.
- .....

*Article 3.*

The Exchange Office may buy and sell minted gold and shall be authorised to constitute gold deposits abroad for the purpose of transfers and to accept advances against the funds assigned to it under this Law, in agreement with the Ministry of Finance.

*Article 4.*

For its gold purchasing operations, the Office shall have the following funds in paper :

- (a) Ten million pesos which are legal tender, representing the remainder of the issue authorised by Law No. 90, of August 14th, 1914;
- (b) The amount realised by sales of gold;
- (c) The funds available in the Agricultural Bank.

*Article 5.*

For its gold selling operations, the Office shall have the following funds :

- (a) The gold proceeds of the exports of the Agricultural Bank;
- (b) The gold obtained in accordance with the present Law;
- (c) The entire gold revenue of the State;
- (d) Such other resources as may be assigned to it by subsequent laws.

*Article 6.*

The Treasury Directorate shall draw on the Exchange Office in gold or paper, at the selling rate, to the amount of its receipts from the fiscal revenue referred to in paragraph (c) of Article 5; the Agricultural Bank shall likewise draw in paper, also at the selling rate, against its gold payments and against the payments made in accordance with paragraph (c) of Article 4.

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*Article 9.*

The following shall be assigned to the conversion funds :

- (a) Six hundred thousand gold pesos from the conversion funds referred to in Law No. 96, of September 25th, 1914;
- (b) The duty of one gold peso on each cow-hide exported, once the Government's debt to the Bank of the Republic has been discharged;

- (c) The additional duty on the export of hides imposed by Law No. 172 of December 24th, 1915;
- (d) The balance of the loan authorised by the Law of November 28th, 1912;
- (e) Such other resources as may be assigned by subsequent laws.

*Article 10.*

The date and rate of conversion shall be fixed by another law. Pending the promulgation of that law, the Office may employ the conversion funds for authorised buying and selling operations.

*Article 11.*

As soon as conversion begins, the Exchange Office shall deliver upon request minted gold in exchange for notes which are legal tender. The latter shall not be put back into circulation except in exchange for minted gold. The Office shall likewise be required to exchange minted gold for notes which are legal tender and which it shall issue for the purpose when the quantity of notes in circulation is inadequate.

*Article 12.*

The Exchange Office shall destroy each week by fire the proceeds of an additional import duty which shall be established by the Law relating to the General Budget.

*Article 13.*

As from the entry into force of the present Law, the exportation of cow-hides, tobacco, mate and tannin shall be subject to the following conditions: In addition to the duties fixed, the exporter shall remit to the Exchange Office up to 20 % of the current price of the said articles in consuming markets in minted gold, in cash or in bills at not more than ninety days' date and shall receive in exchange paper money at the rate of sale of gold by the Office, subject to a deduction not exceeding 4 %.

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DECREE No. 4580, OF MARCH 20TH, 1916.

*Article 1.*

The Ministry of Finance shall take the necessary steps to see that all fiscal gold revenue shall be placed to the account of the Exchange Office for the purposes of Articles 5 and 6 of Law No. 182.

*Article 2.*

The Exchange Office shall take over the sum of seven hundred and fifty-seven thousand, eight hundred and twenty-seven pesos, forty-two centavos in minted gold (\$757,827.42) deposited with the Bank of the Republic, in accordance with Decree No. 2543, of December 21st, 1914, for the purposes of Article 9, paragraph (a), of Law No. 182, and the General Treasury shall be credited with the sum of one hundred and fifty-seven thousand, eight hundred and twenty-seven pesos, forty-two centavos in minted gold (\$157,827.42), in accordance with Article 8 of Law No. 198.

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DECREE No. 4717, OF APRIL 7TH, 1916.

*Article 1.*

The Directorate of the Exchange Office shall take over, after an inventory has been taken, the printed notes and funds for exchange held by the Treasury of the National Debt Section of the Agricultural Bank of Paraguay.

*Article 2.*

The Exchange Office is authorised to employ the above-mentioned notes, details of which appear in the accounts of the Agricultural Bank, for the purposes stipulated by the law.

*Article 3.*

Unsigned notes intended to be put into circulation shall have the signatures of the President and Manager of the Exchange Office lithographed on them.

*Article 4.*

Henceforward, the Directorate of the Exchange Office shall be responsible for the control of the notes intended to be burnt and shall send a copy of the relevant documents to the General Accounts Department and Directorate of the Treasury.

*Article 5.*

The Exchange Office is authorised to render valid and put into circulation, as and when its operations require, the printed notes now in the Treasury for its account; it shall arrange for the numbering of the notes in ascending order and shall comply with the other formalities laid down in Article 3.

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DECREE No. 4757, OF APRIL 12TH, 1916.

*Article 1.*

The Directorate of the Exchange Office is authorised to fix, in units of coin for each particular case and in agreement with the Ministry of Finance, the quantity of minted gold in coin or bills to be remitted by each exporter, within the limits laid down in Article 18 of Law No. 182.

*Article 2.*

As soon as the above-mentioned provision comes into force, no shipment of cow-hides, tobacco, mate or tannin for export shall be authorised by the Customs of the Republic without the presentation of a certificate, on a printed form, issued by the Exchange Office or agencies of the Agricultural Bank authorised for the purpose, stating that the provision of Article 18 of the Law in question has been complied with.

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DECREE No. 4882, OF APRIL 24TH, 1916.

*Article 1.*

As from May 1st next, all fiscal gold revenue, with the exception of the export duty of one gold peso on hides, collected in bonds for account of the Bank of Paraguay, shall be deposited with the Exchange Office and placed to the "General Treasury" account, the fiscal forms stipulated by Decree No. 4757 being employed and the credit note sent to the General Directorate of Taxes for the corresponding entry to be made.

*Article 2.*

The General Directorate of Taxes shall give instructions for the monthly liquidation of the proceeds of the additional duty on hides imposed by Law No. 172 and earmarked for the conversion funds, and these proceeds shall be transferred to the Conversion Office by order of the Ministry of Finance and through the General Accounts Department.

*Article 3.*

The Directorate of the Treasury shall draw, on the gold deposits referred to in Article 1, through the Ministry of Finance, for the payment of the gold liabilities of the State, or for conversion into paper which is legal tender.

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DECREE No. 4862, OF MAY 1st, 1916.

*Article 1.*

As from this date, import and excise duties and any sum owing to the Treasury which the debtor prefers to pay in paper which is legal tender, shall be collected at the rate fixed by the Exchange Office.

*Article 2.*

For the purposes of the preceding article, the Exchange Office shall communicate daily to the Ministry of Finance and the General Directorate of Taxes the rate fixed for that day, which shall hold good for the following day for the collection of fiscal duties.

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LAW No. 550, OF OCTOBER 23RD, 1923.

*Article 1.*

The Exchange Office shall be authorised to issue notes which shall be legal tender, against minted gold at the present rate fixed by the Office. The Exchange Office may likewise deliver minted gold on request in exchange for notes which are legal tender, at the rate of the issue made in accordance with the present Law.

Notes redeemed in this way shall not be put back into circulation except in exchange for minted gold.

*Article 2.*

For the application of the present Law, the Exchange Office may arrange to have notes printed abroad at its expense.

*Article 3.*

Pending the arrival of the notes from abroad, the Exchange Office may use, for the purpose of applying the present Law, the notes earmarked for exchange in accordance with Law No. 463, of December 30th, 1920.

*Article 4.*

The regulations giving effect to the present Law shall be issued by the Federal Executive, which shall supervise its application.

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**COINAGE LAW, 1930.**

*Article 1.*

The peso of 16 grammes, 129 thousandths of gold, with a fineness of 900 thousandths and 100 thousandths of alloy, known as the Paraguayan peso, shall be the monetary unit for Paraguay.

*Article 2.*

The Paraguayan gold peso shall be divided into 100 centavos.

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*Article 4.*

In relation to the Paraguayan gold peso, the Paraguayan paper peso, with its present multiples and sub-multiples, shall be considered legal tender within the country, one Paraguayan gold peso being equivalent to forty-two dollars, sixty-one centavos (\$42.61) Paraguayan paper currency.

*Article 5.*

The amount in circulation of the old issue shall be limited to the following amounts :

- Nickel currency : \$5,604,505;
- Notes which are legal tender : \$166,351,556.

In addition, paper money already issued or which may hereafter be issued by the Exchange Office, in virtue of Law 550, shall form part of the currency in circulation. These coins and paper notes shall be legal tender throughout the country and shall accordingly be accepted at par up to any sum in payment of taxes and of public or private debts.

*Article 6.*

Nickel coins and notes up to \$10 nominal value inclusive, at present in circulation, shall be regarded as inconvertible subsidiary coins. Consequently, they shall not be accepted by the Exchange Office in payment of gold coins or foreign exchange payable in gold, nor shall they be issued by the Office in exchange therefor.

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*Article 8.*

The Exchange Office shall be responsible for the currency at present in circulation. It shall have the sole right to print, issue and exchange paper notes or to issue subsidiary coins with the approval of the Federal Executive.

*Article 9.*

The Exchange Office, in conjunction with the Federal Executive, shall decide as to the advisability and date of introducing the Paraguayan gold peso as a basis for the international exchange of the paper money in internal circulation.

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PERSIA.

[*Official Translation.*]

LAW OF THE 24TH MEHR, 1305 (SOLAR)<sup>1</sup>.

*Article 1.*

The export from the frontiers of gold and silver, whether coined or in the form of bars, dust and the like, is strictly prohibited. However, each traveller may have about him a maximum of 12 tomans' worth of coined gold and silver when travelling across the frontier.

*Article 2.*

As for the export of manufactured articles in gold and silver, to which the prohibition mentioned above does not apply, the Ministry of Finance shall insert definite provisions in the Regulations to be made for the execution of the present law.

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The present law, comprising three articles, is sanctioned by the National Consultative Assembly in their meeting of the 24th, Mehr, 1305 (solar).

[*Translation.*]

LAW OF THE 23RD ESFAND, 1307 (SOLAR)<sup>2</sup>.

*Article 1.*

The import of coined gold and silver is free and exempt from Customs duties.

*Note.*—From this date on, the minting in foreign countries of coins current in Persia is forbidden and the import of these coins will no longer be authorised.

*Article 2.*

The export of silver coined or in bars or in dust is forbidden, exception being made for works in silver of Persian or foreign make as well as for foreign coins.

*Note.*—Each traveller may export with him up to 12 tomans in silver coin.

*Article 3.*

The provisions of the articles of the Law of the 24th Mehr, 1305 (solar), which concern silver are repealed.

The present law, comprising articles, is approved by Parliament in its meeting of the 23rd Esfand, 1307 (solar).

<sup>1</sup> October 17th, 1926.

<sup>2</sup> March 14th, 1929.

PERU.

[Translation.]

LAW No. 4500, OF MARCH 8TH, 1922.

Article 14.

When the international financial situation becomes normal, the Federal Executive, on application from the Directorate of the Bank, shall authorise the Bank permanently to convert bank-notes in the manner laid down in the preceding article.

Article 15.

2. Furthermore, as an additional guarantee for the same, the Bank shall retain promissory notes, drafts, bills of exchange or acceptances acquired in conformity with the provisions of sections (a), (b), and (c) of Article 11 or notes (pagarès) acquired in conformity with section (d) of the same article, subject to the limitation that the said notes must not exceed 10 % of the total cover for the bank-notes. The amount of gold and of funds payable in gold in foreign countries referred to in the said section, together with the holdings of commercial paper, shall be not less than the total value of notes in circulation. The Bank shall further retain in its vaults, as its own independent cover for its sight liabilities, a reserve in gold and balances of the character set forth in the preceding paragraph, which shall never be less than 50 % of the said liabilities. This reserve may not be taken into account when computing the amount in gold and foreign balances for the bank-notes.

LAW No. 6747, OF FEBRUARY 10TH, 1930.

The articles given below of Law No. 4500 are hereby amended to read as follows :

Article 13.

The Bank shall have the exclusive right to issue bank-notes, for only the following purposes :

(3) For the purpose of mobilising deposits of gold coin, gold bullion or gold in any other form at the rate of 6 grammes 018.5 milligrammes of fine gold per coin of 10 Peruvian dollars, and of 80 grammes 092.6 milligrammes per coin of 50 Peruvian dollars.

Subject to the provisions of Article 14, the said notes shall be paid, on presentation at the Bank's office in Lima, in gold coin of the weight and fineness provided for, or in drafts on foreign countries.

In the latter case, payment shall be made as the holder shall choose, in telegraphic transfers, in drafts payable at sight or in cheques drawn by the Bank in United States of America dollars on New York or in sterling on London, on the basis of the gold parity of the currency concerned, deduction being made of the actual cost of transport of gold from Lima to New York or London as the case may be.

*Article 15.*

1. As cover for the bank-notes mentioned in Article 13, the Bank shall hold in its vaults gold coin and gold bars at the rate of 6 grammes 018.5 milligrammes of fine gold per coin of 10 Peruvian dollars, and of 30 grammes 092.6 milligrammes per coin of 50 Peruvian dollars, and gold exchange in the form of balances in dollars in New York or pounds sterling in London whose free export in gold is allowed by the issuing Government and which shall be calculated at its exchange value into gold in Lima according to the rate of the day. The gold and balances in question must be equal to at least 50% of the amount of the bank-notes in circulation.

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LAW No. 6746, OF FEBRUARY 10TH, 1930.

*Article 1.*

The monetary unit of the Republic shall be the Peruvian gold dollar (sol), which shall contain six hundred and one thousand, eight hundred and fifty-three millionths (0.601853) of a gramme of fine gold.

*Article 2.*

Gold shall be coined in pieces of 10 and 50 Peruvian gold dollars.  
The 10-dollar piece shall be a disc 21 millimetres in diameter, and shall weigh six grammes six hundred and eighty-seven and two-tenths milligrammes (6.6872) with a fineness of 900/1000ths (nine hundred thousandths), containing therefore six grammes eighteen and five-tenths milligrammes (6.0185) of fine gold.  
The 50-dollar piece shall be a disc 34 millimetres in diameter, and shall weigh thirty-three grammes four hundred and thirty-six and two-tenths milligrammes (33.4362) with a fineness of 900/1000ths (nine hundred thousandths), containing therefore thirty grammes ninety-two and six-tenths milligrammes (30.0926) of fine gold.

*Article 3.*

The remedy for weight in the case of separate or individual coins shall be 3 milligrammes either way for coins of 10 Peruvian dollars, and 66 milligrammes for coins of 50 Peruvian dollars. In the case of quantities of one thousand coins or more the remedy shall be one-third of that allowed for individual coins.  
The remedy for fineness shall be one-thousandth either way.

*Article 4.*

The Federal Power shall determine the design for the new gold currency.

*Article 5.*

There is no limit to the amount of gold which may be coined. The National Mint shall accept for conversion into national currency all gold handed to it, whether in bars, ingots or other currency.

*Article 6.*

The Federal Executive shall fix the royalty to be paid for coining.

*Article 7.*

Export of gold, whether specie or bullion, shall remain free. The gold contained in ore or bars of other metals, in concentrates, and in any other metallurgical product whatsoever, shall be subject to the export tax prescribed by law.

*Article 8.*

Pending the coining of the new gold currency, the Reserve Bank shall convert circular cheques and notes, for the needs of international exchange, into drafts on New York or London. The Federal Executive, on application from the Reserve Bank, shall give the Bank authority both for the previous conversion into drafts and for the conversion into coin (*i.e.*, into the new gold currency) of the said notes and circular cheques.

*Article 9.*

The notes issued by the Reserve Bank, in conformity with the law establishing it, shall in future represent Peruvian gold dollars, and those at present in existence may be restamped while the new currency is being coined.

*Article 10.*

Gold currency, in conformity with this law, and the notes representing the same issued by the Reserve Bank shall be legal tender up to any amount.

*Article 11.*

Debts contracted in Peruvian pounds and in circular cheques or notes of the Reserve Bank shall be converted at the rate of 10 Peruvian dollars for each pound.

Any agreement or transaction of whatsoever kind contrary to this provision is hereby declared null and void.

*Article 12.*

Gold which, by reason of the new gold standard established by the present law, remains as a surplus, shall be left at the disposal of the Reserve Bank, the whole of it being available for purposes of stabilisation or increase of the note issue.

*Article 13.*

The silver Peruvian dollar, minted in accordance with the laws in force, shall have the same legal value as the gold Peruvian dollar, but shall only be legal tender up to 100 Peruvian dollars. The State shall have the sole right to mint silver coinage.

*Article 14.*

Previous currency laws are hereby abrogated in so far as they are contrary to the present law.

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**PHILIPPINE ISLANDS.**

**ACT No. 2938, OF JANUARY 30TH, 1921 (AMENDING ACTS  
Nos. 2612 AND 2747).**

*Section 10.*—Said National Bank is hereby authorised :

(a) To purchase or discount promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, with the securities required by the Bank, or the proceeds of which have been used or are to be used for such purposes.

*Section 14.*—Said National Bank is hereby authorised to issue circulating notes in an amount not exceeding the paid-up capital stock and surplus of said Bank plus the amount of gold coin of the United States of America held in the Bank's own vaults or to its order in the Treasury of the Philippine Islands or of the United States or in solvent National Banks of the United States or in any Federal Reserve Bank thereof; provided, however, that in cases of emergency, and subject to the approval of the Board of control, the Secretary of Finance may authorise the National Bank to rediscount commercial paper of not over six months maturity, secured by exports or imports, and may issue against said commercial paper circulating notes for sums not to exceed seventy-five per centum of the value thereof, the remaining twenty-five per centum of the issue to be deposited in lawful currency in the vaults of the Insular Treasury, as a reserve for their redemption.

Said circulating notes, if issued in cases of emergency, shall be subject to a tax in favour of the Insular Government of one-fourth of one per centum per month.

The securities described in section ten, sub-section (a), of this Act, and the proceeds thereof shall be held inviolable for the payment and redemption of said circulating notes. Said circulating notes shall be engraved and shall be payable on demand to the bearer in lawful money of the Philippine Islands. There shall, at all times, be held by said National Bank, a sum not less than twenty-five per cent of the total amount of said circulating notes issued and outstanding and not covered by gold coin of the United States as herein provided for in lawful money of the Philippine Islands.

Said sum shall be available only for the purpose of redeeming the circulating notes herein provided for.

It is hereby further provided that, in addition to the circulating notes above provided for, said National Bank shall have authority to issue its circulating notes against gold coin of the United States to the full value thereof; provided, however, that such gold coin against which circulating notes have been issued shall be held by said Bank and used for no other purpose except the redemption of said circulating notes. The said Bank, however, shall have the privilege of redeeming said circulating notes in any lawful money of the Philippine Islands. Such circulating notes shall be exempt from any and all taxes levied or assessed by the Philippine Government, or any department, division or sub-division thereof.

The said circulating notes shall be receivable by the Philippine Government in payment of all taxes, dues or other claims due or owing to said Government, and shall be redeemed by the Bank on demand, in lawful money of the Philippine Islands, at the Central Office in Manila.

ACT No. 3058, OF JUNE 13TH, 1922 (AMENDING CERTAIN ARTICLES  
OF THE ADMINISTRATIVE CODE).

*Article II.*

*Section 1611.*—The unit of value in the Philippine Islands shall be the gold peso consisting of twelve and nine-tenths grains of gold, nine-tenths fine; two pesos gold shall be equal in weight, fineness and value to the gold standard dollar of the United States.

*Section 1612.*—The Philippine silver peso and half-peso, and gold coins of the United States at the rate of one dollar for two pesos, shall be legal tender for all debts, public and private, unless otherwise specifically provided by contract. Philippine subsidiary coins of twenty centavos and ten centavos shall be legal tender in amounts not exceeding twenty pesos. Philippine minor coins of nickel and copper shall be legal tender in amounts not exceeding two pesos.

*Section 1613.*—The lawful weight and fineness of Philippine coins shall be as follows, and all coins hereafter coined shall be minted in accordance therewith :

The peso shall be equal to one hundred centavos and shall contain twenty grammes of silver 800/1000ths (eight hundred thousandths) fine;

The fifty-centavo piece shall contain ten grammes of silver 750/1000ths (seven hundred and fifty thousandths) fine;

The twenty-centavo piece shall contain four grammes of silver 750/1000ths (seven hundred and fifty thousandths) fine;

The ten-centavo piece shall contain two grammes of silver 750/1000ths (seven hundred and fifty thousandths) fine.

The alloy of the above-mentioned silver coins shall be copper.

The five-centavo piece shall contain four grammes and eighty-seven centigrammes of an alloy composed of seventy-five per cent of copper and twenty-five per cent of nickel;

The one-centavo piece shall contain five grammes and one hundred and eighty-four milligrammes of an alloy composed of ninety-five per cent of copper and five per cent of tin and zinc.

*Section 1614.*—At the request of the Insular Treasurer and with the approval of the Secretary of Finance and of the Governor-General, the coins authorized under the provisions of section sixteen hundred and thirteen may be coined in the amounts necessary to meet the legitimate demands of commerce.

*Article V.*

*Section 1621.*—For the purpose of maintaining the parity of the Philippine silver peso with the Philippine gold peso, and of keeping the currency equal in volume only to the demands of trade, the Insular Treasurer is hereby authorized and directed :

(a) On demand, at the Insular Treasury in Manila, to sell for Philippine currency offered in sums of not less than ten thousand pesos or currency issued by and/or under the authority of the United States, offered in sums of not less than five thousand dollars,

exchange for equivalent amounts on the "Gold Standard Fund" deposited in the United States, charging for the same a premium of three-quarters of one per centum for demand drafts and of one and one-eighth per centum for telegraphic transfers; and the Insular Treasurer is further authorised and directed to instruct the depositories of funds of the Philippine Government in the United States to sell on demand, in sums of not less than ten thousand pesos, exchange against the "Gold Standard Fund" in the Philippine Islands, charging for the same a premium of three quarters of one per centum for demand drafts and of one and one-eighth per centum for telegraphic transfers, rendering accounts therefor to the Insular Treasurer and the Insular Auditor. All such dealings in exchange shall constitute operations through the "Gold Standard Fund" hereinafter provided for. The premium charge for drafts and telegraphic transfers mentioned in this paragraph may be temporarily increased or decreased by order issued by the Secretary of Finance, should conditions at any time existing, in his judgment, require such action.

(b) To exchange at par, on the approval of the Secretary of Finance, currency issued by and/or under the authority of the United States, for Philippine currency, and Philippine currency for currency issued by and/or under the authority of the United States.

(c) To exchange, on the approval of the Secretary of Finance, United States gold coin or gold bars in sums of not less than ten thousand pesos or five thousand dollars, for Philippine currency, charging for such gold coin or bars a premium sufficient to cover the expense at commercial rates of transporting United States gold coin or bars from New York to Manila. The Secretary of Finance shall determine the amount of premium required by this sub-section.

(d) To withdraw from circulation Philippine currency received in the Insular Treasury in Manila in the manner provided in paragraphs (a), (b) and (c) of this section, until said Philippine currency is paid out in response to the demands upon it by the sale of exchange in the United States as provided in paragraph (a) of this section, or until said Philippine currency is needed at the Insular Treasury for the purpose of effecting exchanges of said Philippine currency for currency issued by and/or under the authority of the United States and for United States gold coin or gold bars as provided by paragraph (b) of this section.

(e) To withdraw from circulation currency issued by and/or under the authority of the United States and United States gold coin and gold bars received in the Philippine Islands by the Insular Treasurer in exchange for Philippine currency, or for exchange sold on the "Gold Standard Fund" in the United States, under paragraphs (a) and (b) of this section, until called out in response to the presentation of Philippine currency as above provided, or until an insufficiency of Philippine currency shall make necessary an increased coinage, in which case the funds so withdrawn may be used under this Act for the purpose of providing such coinage. The money so obtained shall become part of the "Gold Standard Fund".

#### Article VI.

*Section 1622.*—There is hereby constituted in the Insular Treasury a separate and trust fund, designated as the "Gold Standard Fund", which shall at all times be maintained in a sum not less than fifteen per centum of the money of the Government of the Philippine Islands in circulation and available for circulation, including both coin and Treasury certificates. If, at any time, and for any reason, said fund shall fall below the minimum hereinabove fixed, the deficiency shall be made up out of any funds then in the Insular Treasury or thereafter paid into the Treasury, not specifically appropriated to meet the payment of the principal, sinking fund, or interest of the public debt, and such amount shall be considered as automatically appropriated for this purpose, and the Insular Treasurer is hereby authorised and directed to transfer the necessary amount to the "Gold Standard Fund" to make good any such deficiency therein.

In determining the minimum limitation of the "Gold Standard Fund" for any purposes in

this Act, the proceeds of outstanding certificate of indebtedness shall not be counted as a part of the fund.

To the fund, there shall be added from time to time the following :

(a) All profits of seigniorage made by the Insular Government in the purchase of bullion and the coinage therefrom, and the issue of Philippine pesos and subsidiary and minor coins, as well as all profits derived from the re-coinage of Philippine coins of greater weight and fineness than those prescribed by this Act;

(b) All profits from the sale of exchange by the Insular Government between the Philippine Islands and the United States for the purpose of maintaining the parity of the Philippine silver peso with the gold standard peso;

(c) All premiums arising from the sale of inter-island telegraphic transfers and demand drafts by the Insular Treasurer in Manila upon provincial treasurers;

(d) All net proceeds of forfeitures of silver coin or bullion the exportation or importation of which is attempted or affected contrary to law;

(e) All interest or other profit from deposits made from the "Gold Standard Fund" in accordance with law.

(f) All other receipts derived by the Insular Government from the exercise of the functions of furnishing a currency for the Philippine Islands.

Such fund shall not be used to pay any of the expenses of the Government of the Philippine Islands or to satisfy any of the appropriations of said Government except only such expenses as follows :

(a) Those connected with the purchase of bullion, the coinage of the same into money of the Philippine Islands, and those expenses which are incidental to such coinage;

(b) Those connected with the putting of the money into circulation, including the preparation, issue, and destruction of treasury certificates, and including additional compensation to the members of the committee provided for in section sixteen hundred and twenty-five, paragraph (g) of this Act;

(c) Those connected with the carrying on of such transactions, by exchange or otherwise, as may be authorized by law to maintain the circulation of the currency of the Philippine Islands, and to maintain the parity of value between the gold standard peso and the Philippine silver peso and subsidiary and minor coins.

**Section 1623.**—The "Gold Standard Fund" shall be held in the vaults of the Insular Treasury in Manila or may, in part, be held in the form of deposits with such Federal Reserve Banks or member banks of the Federal Reserve system in the United States as may be designated from time to time by the Governor-General to be branches of the Philippine Treasury for receiving such deposits; provided that no portion of the fund shall ever be deposited in any bank doing business in the Philippine Islands or in any branch or agency outside of said Islands of a bank doing business in said Islands, or in any bank doing business outside said Islands which may be controlled by a bank doing business in said Islands through the ownership of stock therein or otherwise; and provided, further, that no more than twenty per centum of the fund shall be deposited with any single depository in the United States, except with the bank where the Insular Treasurer keeps his deposits in current account in connection with his exchange operations. Such portion of the fund as is held in the Treasury at Manila shall be physically segregated in the vaults of the Insular Treasurer and kept separate and detached from all other funds in such vaults, and shall be under the same joint custody of the Committee as provided for the reserve vault in paragraph (e) of section sixteen hundred and twenty-five of this Act.

Philippine silver coin in the "Gold Standard Fund" may at any time be exchanged by the Insular Treasurer for an equivalent amount, at par of gold on deposit in the United States in the "Treasury Certificate Fund".

**Section 1624.**—Should the minimum of the "Gold Standard Fund", as hereinbefore constituted, be insufficient to maintain the parity of the Philippine silver peso with the gold standard peso, it may be augmented by the proceeds of the sale of certificates of indebtedness as provided by Act of Congress of March second, nineteen hundred and three, as amended. Such proceeds

shall then constitute a part of said Fund. As the public interest permits, the Governor-General, upon the recommendation of the Secretary of Finance, may direct the payment from the fund of the principal and interest of all or any part of the certificates of indebtedness at any time outstanding.

The "Gold Standard Fund" shall be increased in amount through the additions provided for in section sixteen hundred and twenty-two of this Act until the amount of the said fund shall be equal to twenty-five per centum of the money of the Philippine Islands in circulation and available for circulation, including both coin and treasury certificates. Any surplus which may accumulate in the said fund in excess of the said twenty-five per centum may be transferred, in whole or in part, to the general fund of the Insular Treasury upon the recommendation of the Secretary of Finance and the approval of the Governor-General; provided that, in calculating the twenty-five per centum, the proceeds of the sale of outstanding certificates of indebtedness shall not be included, and provided, further, that no surplus shall be so transferred while certificates of indebtedness are outstanding.

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*Article VII.*

*Section 1626.*—The Treasurer of the Philippine Islands is hereby authorised, in his discretion, to receive at the Insular Treasury or at any of its branches, deposits of silver pesos or half-pesos authorised herein, in sums of not less than twenty pesos, and to issue therefor treasury certificates of an equivalent face amount, in denominations of not less than one peso, nor more than five hundred pesos. Coin so received shall be retained in the Treasury and held for the payment of such certificates on demand and used for no other purpose, and shall constitute a separate and trust fund in the Insular Treasury, to be known as the "Treasury Certificate Fund".

The "Treasury Certificate Fund" shall, at all times, be equivalent in amount to one hundred per centum of all treasury certificates in circulation and available for circulation, and shall be constituted of silver coins received in exchange for the treasury certificates, and shall be held in the vaults of the Insular Treasury in Manila, and not elsewhere, provided, however, that, when the Government's supply of silver coin is insufficient to meet the demands of trade, gold coin of the United States may be substituted temporarily for silver pesos in the fund to such an extent as may be found necessary to release silver coins for circulation, pending the purchase of silver bullion for the coinage of silver coins, which silver coins shall immediately be substituted for the gold placed in the fund, and provided, further, that, as first set up and established by the provisions of this Act, and until such time as the Governor-General in writing may direct the purchase of silver bullion for the coinage of additional silver coins, the "Treasury Certificate Fund", instead of being constituted wholly of silver coins held in the vaults of the Insular Treasury in Manila, may be constituted in part of currency issued by and/or under the authority of the United States, held in Manila and on deposit with such Federal Reserve Banks or member banks of the Federal Reserve System in the United States as may from time to time be designated by the Governor-General to be branches of the Philippine Treasury for receiving such deposits. The "Treasury Certificate Fund" shall be segregated physically from all other funds in the Insular Treasury, and it shall be held under the joint custody of the Reserve Vault Committee.

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ACT No. 3174, OF NOVEMBER 24TH, 1924 (AMENDING CERTAIN SECTIONS OF ACTS. Nos. 2612, 2747 AND 2938).

. . . . .

*Section 3.*—The Government of the Philippine Islands hereby guarantees the final redemption and payment of the circulating notes of the National Bank, and the Insular Treasurer is hereby authorised and directed to set aside from the proceeds of the bonds sold by authority of Act

numbered twenty-nine hundred and ninety-nine a sufficient sum to cover the reserve required by law for the circulating notes of the Bank, and said sum shall be deposited to the credit of the National Bank in a duly authorised depository or depositories of the funds of the Government of the Philippine Islands in the United States and shall be carried on the books of the National Bank as a deposit of said Government; provided, that the Bank shall not dispose of said circulating notes reserve except upon recommendation of the Secretary of Finance approved by the Governor-General.

The National Bank shall redeem and cancel its circulating notes in annual sums as the Secretary of Finance, with the concurrence of the Governor-General, may from time to time determine, until the amount thereof shall not exceed the amount of the unencumbered paid-up capital of the Bank.

*Section 4.*—The net profits of the National Bank shall be apportioned semi-annually as follows :

Fifty per centum to a surplus fund until the latter shall equal fifty per centum of the capital stock of the Bank, and thereafter twenty-five per centum of said net profits until said surplus fund shall equal the capital stock.

The rest of the net profits shall be apportioned as follows, in the order mentioned :

(a) To establish a special reserve for its circulating notes. This reserve shall finally equal twenty-five per centum of said circulating notes and shall be kept on deposit in a duly authorised depository or depositories in the United States and the Bank shall not dispose thereof except upon recommendation of the Secretary of Finance, approved by the Governor-General. The Bank shall semi-annually return to the Government a portion of the funds taken from the proceeds of the bonds sold by authority of Act numbered twenty-nine hundred and ninety-nine, as provided in section three of this Act, equivalent in amount to the net profits set aside for its special reserve by virtue of this paragraph.

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**POLAND.**

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[*Official Translation.*]

**DECREE OF THE PRESIDENT OF THE REPUBLIC  
DATED OCTOBER 13TH, 1927, CONCERNING THE STABILISATION  
OF THE ZLOTY.**

.....

*Article 5.*

The minting of gold coins is performed for account of the State Treasury, and for account of private persons who might wish to hand over a quantity of gold for that purpose, containing not less than 100 grammes of pure gold.

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**DECREE OF THE PRESIDENT OF THE REPUBLIC  
DATED NOVEMBER 5TH, 1927, CONCERNING THE CHANGE OF THE MONETARY  
SYSTEM REGULATIONS.**

*Article 1.*

The Government has the sole right and exclusive privilege of minting.

.....

*Article 8.*

The minting of gold coins for account of private persons may be done on conditions laid down by the Minister of Finance and at the person's own expense, in denominations which the Minister may deem best for circulation.

The coins other than the gold ones are minted exclusively for account of the Treasury.

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**STATUTES OF THE BANK OF POLAND.**

.....

*Article 47.*

The Bank shall be obliged to give gold coins in exchange for bank-notes on demand and without limitation as to amount.

The date of the beginning of the obligatory convertibility of bank-notes into gold in accordance with the monetary law shall be fixed by a Decree of the Council of Ministers, issued on the recommendation of the Minister of Finance and based on a resolution of the Council of the Bank.

Pending the establishment of convertibility of bank-notes as contemplated in the first section of this Article, the bank-notes shall be payable at the Bank's option in :

- (a) Gold coins;
  - (b) Gold bars at the relation of 5924.44 zlotys to one kilogramme of fine gold;
  - (c) Foreign drafts in currencies convertible into gold according to mint parity;
- the Bank is entitled to charge in such cases a premium equal to forwarding charges of gold from Warsaw to the locality where the drafts are payable.

The bank-notes shall be convertible only at the Head Office of the Bank at Warsaw, and only in amounts exceeding 20,000 zlotys.

. . . . .

*Article 51.*

The notes in circulation and the sight liabilities of the Bank must be covered to the amount of at least forty per cent by the following :

- (a) Gold in coins and bars;
- (b) Silver at its gold value, which item however may not exceed five per cent of the holdings of gold;
- (c) Foreign monies;
- (d) Balances with foreign banks of highest standing payable on demand or on not more than thirty days notice;
- (e) Cheques and drafts on foreign banks of highest standing payable at sight;
- (f) Bills of exchange accepted or endorsed by foreign banks of highest standing and payable within a period of ninety days.

The assets specified in paragraphs (c), (d), (e) and (f) must be in terms of foreign currencies convertible into gold.

The Council of the Bank shall determine which foreign currencies comply with the above conditions.

In calculating the net reserve the following items shall be deducted :

- (a) Sums derived from loans secured by the gold of the Bank;
- (b) The Bank's obligations in foreign currencies payable within a period of ninety days.

The Bank shall carry three-fourths of its minimum reserve requirements, calculated according to this article, in gold coin and bars.

*Article 52.*

Whenever the reserve ratio calculated in conformity with Article 51 shall fall below forty per cent, the Bank shall pay to the Treasury a tax on the excess circulation of notes above the sum covered to the amount of forty per cent according to the following scale :

- 8 % per annum if the reserve ratio falls below 40 %
- 6 % per annum if the reserve ratio falls below 37 %
- 10 % per annum if the reserve ratio falls below 34 %  
to 30 % inclusive

and finally, in case of a further fall, the ten per cent tax shall be increased by one per cent for each one per cent by which the reserve ratio falls below thirty per cent.

The tax shall be computed every ten days in connection with the preparation of the ten-day balance sheets.

If the reserve ratio falls below forty per cent, the discount rate of the Bank must exceed six per cent by at least one-third of the rate of the tax paid to the Treasury.



*Article 53.*

Bank-notes in circulation which are not covered by assets specified in Article 51 must be covered by :

- (a) Bills of exchange and other securities specified in Article 55, paragraph (a);
- (b) Polish silver coins and token money, not in excess however of five per cent of the total amount of bank-notes issued;
- (c) Loans against securities specified in Article 63;
- (d) Interest bearing securities as specified in Article 55, paragraph (e);
- (e) The debt of the State Treasury on account of the non-interest-bearing credit, of which the Treasury may avail itself up to the amount of 50 million zlotys throughout the duration of the Bank's privilege of note issue.

*Article 54.*

The Bank will buy gold against bank-notes on demand at the statutory relation with a deduction of charges for minting, testing and other fees collected by the Government.

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**PROGRAMME OF STABILISATION OF THE GOVERNMENT OF THE  
REPUBLIC OF POLAND<sup>1</sup>.**

.....

*Annex to Part II.*

(a) *Reserve Requirements.*—The Reserve requirements of the Bank of Poland will, as authorised by the Statutes of the Bank, be increased to 40 % and such requirements will be applicable to both note and deposit liabilities. The Bank will carry three-fourths of its minimum reserve requirement in gold coin or bullion and at least two-thirds of this gold coin and bullion will be carried in the vaults of the Bank, and the remaining one-third may be carried under earmark abroad.

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**DECREE OF THE PRESIDENT OF THE REPUBLIC,  
DATED FEBRUARY 15TH, 1928, CONCERNING THE EXPORT OF GOLD.**

By virtue of Article 44, paragraph 6, of the Constitution and by virtue of the Law of August 2nd, 1926, authorising the President of the Republic to issue decrees with the force of law (*Journal of Laws of the Republic of Poland*, No. 78, paragraph 443), I decree the following :

*Article 1.*

The export from the country of gold in the form of bullion or coin, or in moulds of a character other than that of articles ready for use, as well as un-manufactured gold of every description, is prohibited, with the exception of cases covered by Article 2.

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<sup>1</sup> The Programme of Stabilisation was annexed to the Decree of the President of the Republic of October 13th, 1927, and it has, therefore, the force of law.

*Article 2.*

The export from the country of gold in the forms named in the preceding article is allowed, provided that the person taking out such gold proves that the same quantity of gold was imported into the country by him or her in any of the forms named.

Certificates issued by the customs office or by outposts of the Treasury Frontier Control, testifying to the import of gold, describing the form in which it was imported, its approximate value or the approximate weight of pure gold and naming the importer, will be considered exclusively as sufficient proof of import. Such certificates are valid during a period of two months from the date of issuance and entitle the person mentioned therein to take out of the country, during the above-mentioned period, either the articles covered by the certificate or their equivalent in value or contents of pure gold, in any of the forms prohibited for export (by virtue of Article 1).

Customs offices and outposts of the Treasury Frontier Control will issue certificates of import of gold, upon demand of the interested parties, only in cases when the gold imported falls within the specification of Article 1, prohibiting export.

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PORTUGAL.

[Translation.]

STATUTES OF THE BANK OF PORTUGAL APPROVED BY THE DECREES OF APRIL 13TH, 1892, AND JULY 16TH, 1906.

.....

Article 18.

The bank-notes of the Bank shall be payable on demand, both at the Lisbon head office and at branches or agencies, without distinction. In districts where there are no agencies, the Bank shall, in agreement with the Government, arrange for notes to be exchanged through the District (*comarca*) Revenue Offices.

Section 1.—In exceptional cases of crisis or panic involving a run on the Bank, the latter may, with the permission of the Government, restrict the convertibility of bank-notes whenever this is essential to maintain the minimum metal reserve.

.....

DECREE No. 4144 (APRIL 23RD, 1918).

Article 1.

The Government is authorised to conclude a Convention with the Bank of Portugal in accordance with the provisions<sup>1</sup> of the sections annexed to the present Decree and forming an integral part thereof.

.....

CONVENTION CONCLUDED ON APRIL 29TH, 1918, BETWEEN THE BANK OF PORTUGAL AND THE GOVERNMENT IN VIRTUE OF DECREE No. 4144, OF APRIL 23RD, 1918.

Article 1.

The sums due as at December 31st, 1917, in respect of :

The Pensioners and Retired Officials Loan under the terms of the Law of July 29th, 1887, and of the Decree of December 8rd, 1891;

The Conventions of December 4th, 1891, and July 14th, 1898;

The bills or notes of the internal floating debt discounted by the Bank for account of the Government, and the advances made to the Treasury;

And that portion of the balance of the Treasury's current account required to make up, together with all the above items, the cash capital of 150 million escudos,

<sup>1</sup> These provisions are not cited here, as the Convention of April 29th, 1918, has a similar text.

—shall, together with their existing guarantees, and inclusive of discounted Treasury notes, form one single loan of the amount above indicated, which shall, as from January 1st, 1918, and during the validity of the present Convention, bear interest at 1 % per annum, discharged and paid quarterly,  $\frac{1}{4}$  of the proceeds being applied quarterly to the Sinking and Reserve Fund, created by Law No. 404, of September 9th, 1915.

Under the present Convention, no alteration in the said notes and no other formality for ensuring the validity of the said guarantees shall be required, so long as the Government has not substituted bonds of the consolidated public debt for the Treasury notes.

Any loans or advances in escudos required by the Government during the state of war and for a further period of one year after peace has been signed, and approved by the Bank, shall be added to the amount fixed as above and shall also bear 1 % per annum interest, discharged and paid quarterly,  $\frac{1}{4}$  of the proceeds thereof being applied to the Sinking and Reserve Fund. Such loans or advances shall be guaranteed by bonds of the consolidated public debt at the stabilised market rate.

Such loans or advances required by the Government may not exceed 150 million escudos before the end of 1919, and, should the period of transition extend beyond this date, and the State requirements necessitate further loans or advances, these latter may in no case exceed 60 million escudos per annum, and must always be duly secured.

These securities, like those transferred from the existing guarantees for the purpose of the first loan included in the corresponding section, shall be realised partially, gradually and when required, in accordance with an agreement between the Government and the Bank; their cash proceeds shall be devoted to redemption of the Government debt. These bonds may be replaced by other public debt bonds of a similar kind, after agreement between the Government and the Bank.

Loans and advances in gold shall not be subject to the provisions of the present section, and the rate of interest and other conditions affecting them shall be determined by an agreement between the Government and the Bank.

## Article 2.

The amount of Bank of Portugal notes in circulation representing gold coin shall not exceed the amount of the Government debt, formed by the loans referred to in Article 1, and incurred in accordance with these regulations plus one half of the said total amount; the latter increase shall, in no case, be less than one half of the debt as established at December 31st, 1917, nor more than  $\frac{1}{2}$  of the said debt, subject to the provisions contained in paragraph (b) of the present article. The amount of the notes in circulation may exceed this maximum when it is covered in accordance with the provisions of Article 14 of the Bases annexed to the Law of July 29th, 1887.

(a) The assets assigned by the Bank as cover for the gold note circulation shall consist, apart from the cover formed by the Government debt in accordance with the present Section, solely of the balances acquired by commercial transactions in bills or securities, easily realisable on an average within 8 months, and of the gold reserve.

(b) The amount of the gold reserve shall, as a general rule, be equivalent to 30 % of the amount of gold notes in circulation, over and above the balance of Government debt referred to in this clause, and may fall to 15 % of the said excess. From the date on which the Bank's gold reserve reaches and remains at 25 %, the circulation authorised by the present clause may be gradually expanded up to them aximum, irrespective of the amount of the Government debt.

(c) During the period of inconvertibility, the Bank shall have the right to form a reserve, which shall be computed according to the percentages mentioned in paragraph (b) above, in bills of exchange or gold notes of Governments of recognised standing, in trade bills payable in gold abroad, and finally in current account deposits in foreign banks approved by the Government; the Bank shall show in its weekly reports the use made by it of this right. The reserve as at December 31st, 1917, and the balance of the deposit account with the Bank of England at the same date shall be kept as a minimum reserve in gold coin or bullion.

(d) The circulation of Bank of Portugal notes representing silver coin may not exceed the amount of Portuguese silver coin held by the Bank in its vaults. Should, however, public currency requirements compel the Bank to issue notes of small denominations to a greater amount than the silver available, the excess shall, for the purposes of the present clause, be reckoned in the amount of the gold notes in circulation.

(e) In addition to the categories of notes which the Bank at present has the right to issue, it may, with the approval of the Government, issue other notes if circumstances demonstrate the desirability and utility of this measure.

(f) The amount of old and new notes withdrawn from circulation under a public notice expiring on December 31st, 1910, and not yet presented for repayment, shall be transferred, as from the entry into force of the present Convention, from the note circulation account to the credit of the current account of the Treasury, the latter undertaking to redeem them at the Bank as and when such notes are presented for exchange or redemption, and the Bank shall duly account therefor to the Government.

(g) Notes of the Bank of Portugal shall be legal tender both on the mainland and in the neighbouring islands; they shall not be subject to stamp duty or to any tax.

(h) As soon as the gradual increase of the amounts earmarked for the redemption of the Government debt and of currency reserves permit of a return to convertibility of notes, both on the mainland and in the neighbouring islands, the Government and the Bank shall agree on the way in which this operation can be safely and effectively carried out.

(i) The Government reserves the right to form, by means of a deposit with the Bank, a fund in gold, metal or securities as cover for the circulation represented by the Government's debt to the Bank, the amount of which shall not be included in the percentages given in (b) of the present clause, in addition to any reserves already in existence which are governed by Law No. 404 of December 9th, 1915, and Decree No. 2 : 437, of June 9th, 1916.

.....  
*Article 7.*

The Bank of Portugal's right of issue is prolonged until December 31st, 1937, on which date the rights of note issue granted to the said Bank by the Law of July 29th, 1887, and in accordance with the provisions of the present clauses, shall also lapse. If, at this date, the Government has not paid its debt in full, it shall undertake to repay on that date the amounts due by it to the Bank.

(a) The provisions of Article 8 of the Bases annexed to the Law of July 29th, 1887, shall remain in force.  
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LAW No. 1074 (NOVEMBER 27TH, 1920).

*Article 1.*

The Government is authorised to conclude with the Bank of Portugal the arrangements necessary for altering the basis of the Convention of April 29th, 1918, for the sole purpose of raising the amount of loans or advances in escudos which the Government may at present obtain from the Bank above 200 million escudos.

*Article 2.*

The increase in circulation referred to in the above article shall be made, as Treasury requirements demand, by a series of issues, and the Government shall immediately inform Parliament of the loans realised or advances obtained.

*Article 3.*

When circumstances require, the Government may resolve to make temporary increases, the total of which may not exceed 15 million escudos, in respect of the note circulation of the Bank of Portugal covered by gold coin, exclusive of the total of the Government debt, for the sole purpose of protecting agriculture, industry, commerce and consumers' co-operative societies.

*Sub-paragraph.*—For the purposes of applying the provisions of the present article, co-operative societies shall always have preference.

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LAW No. 1246 (MARCH 29TH, 1922).

*Article 1.*

The Government is authorised to conclude with the Bank of Portugal a Convention in accordance with the provisions<sup>1</sup> of the bases annexed to this Law and forming an integral part thereof.

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CONVENTION CONCLUDED ON APRIL 21ST, 1922, BETWEEN THE BANK OF PORTUGAL AND THE GOVERNMENT IN VIRTUE OF LAW No. 1246, OF MARCH 29TH, 1922.

*Base A.*

Loans or advances in escudos which the Bank may grant to the Government, and which will be added to those granted under Basis 1 of the Convention of April 29th, 1918, and Article 1 of Law No. 1074, of November 27th, 1920, together with their equivalent in gold notes, in accordance with Basis 2 of the afore-mentioned Convention, shall not exceed the amount of 240 million escudos and shall be effected in the same way as previous loans or advances.

*Base B.*

The amount of gold notes in circulation to be added to the maximum laid down by Base 2 of the Convention of April 29th, 1918, over and above the Government debt, is fixed at 30 million escudos; this amount shall be increased by 10 million escudos, as soon as the sum of 140 million escudos referred to in Article 3 of the Law approving these bases, is expended, the ratio of 1 : 14 between the increases of both circulations being permanently maintained.

*Base C.*

The present limit of 5 million escudos for the maximum debit to the current account earmarked for agricultural credit operations shall be raised to 10 millions.

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<sup>1</sup> These provisions are not cited here, as they correspond to those in the Convention of April 21st, 1922.

*Base D.*

The percentages, which must be deducted for the variable reserve fund under the specific terms of Base 8, paragraph (a) of the aforesaid Convention of April 29th, 1918, shall remain in force. Nevertheless, the limit of this reserve fund may be raised to 50 % of the Bank's capital without prejudice to the portion of profits accruing to the State, it being understood that this provision, in accordance with the terms of Base F, shall not affect the provisions of Article 4, section 5, of the Convention of February 9th.

*Base E.*

In addition to the amendments to the Administrative Regulations of the Bank referred to in Base 6 of the Convention of April 29th, 1918, the revised Statutes of the Bank may, with the approval of the Government, mention in Articles 19 and 20 all modifications likely to promote the operations and services of home and foreign trade, industry and agriculture, without prejudice to the interests of the State and the security of the Bank.

*Base F.*

This Convention shall not alter previous Conventions and legal provisions except in respect of the points of which special mention is made. It may only be invoked to justify a claim or an interpretation in respect of a question not clearly defined above, and as such shall not affect the right laid down in Base 8 of the Convention of April 29th, 1918.

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LAW No. 1424 (MAY 18TH, 1923).

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*Article 6.*

The Government is authorised to conclude with the Bank of Portugal a Convention to the following effect :<sup>1</sup>

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CONVENTION CONCLUDED ON JUNE 7TH, 1923, BETWEEN THE BANK OF PORTUGAL AND THE GOVERNMENT IN VIRTUE OF LAW No. 1424, OF MAY 18TH, 1923.

*Article 1.*

Loans or advances in escudos which the Bank grants to the Government, and which will be added to those granted and effected under the terms of Section 1 of the Convention of April 29th, 1918, Article 1 of Law No. 1074, of November 27th, 1920, and the Convention of April 21st, 1922, together with their equivalent in gold notes in accordance with section 2 of the first Convention above referred to, may not, up to December 31st, 1923, exceed the sum of 140,000 contos and shall be made in the same manner as previously.

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<sup>1</sup> These provisions are not cited here, as they correspond to those in the Convention of June 7th 1923.

*Article 2.*

If the cash proceeds of the loan authorised by Article 3 of Law No. 1424 is sufficient, in whole or in part, to meet the administrative deficit of the business year 1922-23, the Government shall repay or write off the advances contracted by it under the said authorisation for the purpose of making good such deficits, and shall thereupon withdraw an equivalent amount of notes from circulation. Nevertheless, these operations shall not affect the limit of advances authorised by legal provisions of earlier date than the present law, it being understood that, as regards sinking fund payments to be made for the account of such previously authorised advances granted by the Bank to the Government, the latter shall only be renewed if imperatively required, and only for one-half of the respective amounts.

*Article 3.*

The Government shall exchange silver which is no longer legal tender, received in execution of Decree No. 3296 of August 15th, 1917, for its actual equivalent in gold; the said amount shall constitute a separate account and be kept on deposit as in the case provided for in section II, paragraph 1, of the Convention of April 29th, 1918, as long as the total advances of the Bank to the Government have not been reduced to the amount of the balance as at December 31st, 1920. The Bank, however, shall be immediately repaid the amount of notes issued by it for the said operation.

*Article 4.*

The present contractual limit of the right of issue granted to the Bank for banking operations shall be gradually increased by 10 million escudos for each 70 million of new advances, and must be reduced in the same ratio within a term which shall not exceed six months if such advances are reduced by repayments; nevertheless, these increases in the issue limit may be definitely maintained by the Bank, if the latter forms and maintains a gold reserve equivalent to 25 % of their value; such reserve, however, may be constituted in the manner laid down in Base 2, paragraph (c), of the Convention of April 29th, 1918, during the period of inconvertibility.

*Article 5.*

All the conditions of previous conventions and legal provisions not amended by Law No. 1424 remain in force.

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LAW No. 1501 (NOVEMBER 28TH, 1923).

*Article 1.*

The Government is authorised to conclude with the Bank of Portugal a Convention in accordance with the provisions<sup>1</sup> annexed to the present law and forming an integral part thereof.

*Article 2.*

The Government is authorised to keep the Convention of December 29th, 1922, with the Bank of Portugal in force until the situation of the Public Treasury permits of the formation of a Central Fund for the Export Service for the immediate purpose of purchasing the relevant bills of exchange.

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<sup>1</sup> These provisions are not cited here, as they correspond to those in the Convention of December 22nd, 1923.



CONVENTION CONCLUDED ON DECEMBER 22ND, 1923, BETWEEN THE BANK OF PORTUGAL AND THE GOVERNMENT IN VIRTUE OF LAW No. 1501, OF NOVEMBER 28TH, 1923.

*Article 1.*

Loans or advances granted by the Bank to the Government up to November 15th, 1923, and consolidated shall be added to the loans or advances granted by the Bank of Portugal to the Government under the terms of Base 1 of the Convention of April 29th, 1918, Article 1 of Law No. 1074, of November 27th, 1920, the Convention of April 21st, 1922, and Article 6 of Law No. 1424, of May 15th, 1923.

In accordance with the provisions of Articles 4 and 10 of Law No. 1424, of May 15th, 1923, the Government shall, as soon as circumstances permit, proceed to redeem the debt so contracted by the State with the Bank of Portugal.

*Article 2.*

Article 6, paragraph (c) of Law No. 1424, of May 15th, 1923, section 2 of the Convention of April 29th, 1918, and paragraph 2 of the same section, shall be taken to mean that the provisions of the sub-paragraph of Article 14 of the Bases annexed to the Law of July 29th, 1887, shall apply to the gold deposit which the State is about to form in the Bank of Portugal by the sale of the silver it has obtained; the amount of this deposit shall be computed in accordance with the weight of the silver and its quotation in London and with the official Lisbon rate of exchange on London on the day of publication of this law. The Bank of Portugal shall, in agreement with the Director General of Public Finance, sell the silver within one year at the latest; notes representing gold securities may be issued in advance if general requirements so demand.

In no case shall the advance operation referred to above be for more than one hundred million escudos up to December 31st, 1923.

The Government shall take the necessary steps to reduce the debt thus owed by the State to the Bank of Portugal by one-third before June 30th, 1924, and shall repay it in full by July 30th, 1925.

If, during any week, the average rate of quotations and exchanges used for computing the amount of the circulation on the basis of gold securities should fall, the circulation shall, in the following week, be reduced proportionately to the said fall.

The provisions of this section shall not cancel the final stipulation of Article 8, paragraph (c) of the above Law No. 1424.

*Article 3.*

If the cost of notes of the new issues should exceed three-eighths per cent of the interest accruing to the Bank, this difference shall be defrayed by the Treasury, and the rules for verification and control of such expenditure shall be determined by common agreement.

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DECREE No. 9505 (MARCH 17TH, 1924).

*Article 1.*

The Government is authorised to negotiate an agreement with the Bank of Portugal and to conclude the relevant Convention in accordance with the bases<sup>1</sup> annexed to the present Decree and forming an integral part thereof.

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<sup>1</sup> These provisions are not cited here, as they correspond to those in the Convention of March 24th, 1924.

CONVENTION CONCLUDED ON MARCH 24<sup>TH</sup>, 1924, BETWEEN  
THE BANK OF PORTUGAL AND THE GOVERNMENT  
IN VIRTUE OF DECREE No. 9505 OF MARCH 17<sup>TH</sup>, 1924.

.....

*Article 6.*

The reserve of silver in the Bank may be converted into gold value, which may be represented by gold notes in conformity with Base 2 of the Convention of April 29<sup>th</sup>, 1918, and with the terms of clause 2 of the Convention of December 22<sup>nd</sup>, 1923, the circulation corresponding to the contractual limit of the Bank's private circulation being increased by that amount.

The increase obtained by the valorisation of silver in accordance with the provisions of the present clause shall have its counterpart in the Bank's liabilities, and the account relating thereto shall show a liability for the same sum for as long as the exchange on London is above par.

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DECREE No. 11908 (JULY 19<sup>TH</sup>, 1926).

*Article 1.*

The Minister of Finance is authorised on behalf of the State to conclude a Convention with the Bank of Portugal in accordance with the provisions of the Bases<sup>1</sup> annexed to the present Decree and forming an integral part thereof.

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CONVENTION CONCLUDED ON JULY 21<sup>ST</sup>, 1926, BETWEEN  
THE BANK OF PORTUGAL AND THE GOVERNMENT  
IN VIRTUE OF DECREE No 11908 OF JULY 19<sup>TH</sup> 1926.

.....

*Article 1.*

The present contractual limit to the right of issue granted to the Bank of Portugal for banking operations shall be temporarily increased by 100 million escudos; this additional margin will be in anticipation of the sums to be obtained in virtue of the provisions of Law No. 1873, of May 31<sup>st</sup>, 1926, and of any judicial proceedings or any arrangements instituted or concluded for the same purpose.

The recovery by the Bank of the whole or part of the effective yield of the above-mentioned sums shall involve the elimination of a corresponding proportion of this additional margin of issue, and the notes in circulation must accordingly be reduced by an equal sum.

The Bank of Portugal is exempt from the provisions of paragraph (b) of Base 2 of the Convention of April 29<sup>th</sup>, 1918, in respect of the gold notes issued and in circulation in conformity with the present base.

*Article 2.*

Beyond the present limit, and without prejudice to the authorisation granted in Base 1, the right of the Bank of Portugal to issue gold notes is increased by 100 million escudos, intended exclusively for banking operations relating to bills or securities satisfying the conditions laid down in paragraph (a) of Base 2 of the Convention of April 29<sup>th</sup>, 1918.

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<sup>1</sup> These Bases are not cited here, as they correspond to those in the Convention of July 21<sup>st</sup>, 1926.

This authorisation, which is permanent, shall be made use of by the Bank with due circumspection whenever market conditions render it expedient.

The securities in pounds sterling held by the Bank of Portugal, calculated at the day's rate of exchange, shall, for the purposes of applying the present base, serve as cover for the gold notes issued in accordance with the present base, and shall, in respect of such notes and for all purposes, satisfy the obligation imposed by paragraph (b) of Base 2 of the Convention of April 29th, 1918.

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DECREE No. 17991 (FEBRUARY 24TH, 1930).

*Article 1.*

The Government is authorised to conclude with the Bank of Portugal, through the Minister of Finance, a contract and any conventions required to give effect to the provisions of the following articles.

*Article 2.*

The right granted to the Bank of Portugal in the conditions laid down in the single section of Article 14 of the Base annexed to the Law of July 29th, 1887, to issue notes in excess of the contractual limits shall be extended to include notes issued in exchange for gold securities or foreign currency purchased by the said Bank :

(a) For the purpose of giving effect, on behalf of the Government, to the provisions of Decree No. 8439, of October 21st, 1922, granting the State the right to retain in whole or in part the foreign currency proceeds of exports;

(b) For the purpose of forming, for the general economic benefit of the country, and in agreement with the Minister of Finance, a special reserve intended to guarantee the stabilisation of the value of the national currency.

*Sub-paragraph.*—The transactions effected by the Bank of Portugal for the purposes referred to in (b) shall not yield any profit to the Bank apart from the usual administrative charge, which shall be fixed at one-eighth per cent brokerage on the escudo value of the currency purchased; this brokerage shall be deducted from the profits accruing from transactions in such currency.

*Article 3.*

Notes issued in accordance with the provisions of the preceding article shall be compulsorily withdrawn from circulation whenever the gold securities against which they were issued are transferred.

*Article 4.*

The Bank of Portugal shall enter up gold securities purchased under Article 2 (a) and (b) in special separate accounts, the State retaining the right to dispose of securities acquired under (a) after paying the Bank their value in escudos at the rate of the day. Profits or losses resulting from operations in these accounts shall be for the account of the State, profits being credited to the Sinking and Reserve Fund and losses, if any, being immediately repaid to the Bank by the Treasury.

*Section 1.*—An agreement between the Bank of Portugal and the Minister of Finance shall determine the foreign centres and the banks or bankers with whom the gold securities referred to in the present article shall be deposited.

*Section 2.*—Interest credited to the Bank on the deposits referred to in the preceding paragraph, as well as the interest earned since the previous December 31st by the gold balances referred to in Article 5, shall be credited to the Sinking and Reserve Fund instituted by Law

No. 404 of September 9th, 1915, after deducting the cost of notes which the Bank of Portugal was obliged to put in circulation for the purchase of the gold securities referred to in this article, and after deducting the  $2\frac{1}{2}$  ‰ commission referred to in Article 38 of Decree No. 8439, of October 21st, 1922.

*Section 3.*—Should the interest not be sufficient to cover the cost of the notes and the commission referred to in section 2, the Treasury shall pay the difference to the Bank.

*Article 5.*

The Convention of December 29th, 1922, shall be replaced by the Convention or Conventions legally concluded in virtue of the present Decree; the current accounts in gold and escudos referred to in Article 1 of the said Convention shall be closed and liquidated as from the date on which the contract to be concluded under the present Decree is signed and the gold and escudo balances carried over or transferred to the credit and debit respectively of the Bank of Portugal.

*Sub-paragraph.*—Should the value of the currencies forming the balance of the current account in gold referred to in this article amount, at the rate of exchange of the day of liquidation, to less than the balance of the current account in escudos also mentioned in this article, the Bank of Portugal shall transfer from the “Special Advances to the Government (*Suprimentos ao governo*)—Convention of December 29th, 1922” Account to the “Loans to Government—Contract of April 29th, 1918” Account, an amount corresponding to the difference thus cancelled and such amount shall be subject to the regulations concerning Treasury debts to the Bank, in accordance with the provisions of the Contract of April 29th, 1918, *et seq.*, the State undertaking to furnish the Bank with the corresponding security.

*Article 6.*

The Committee of Public Credit, after compliance with the provisions of No. 6 of Article 10 of the Regulation of July 16th, 1927, and of Article 23 of the Decree of August 14th, 1893, shall create and issue the public debt bonds necessary to form the security referred to at the end of the preceding article; provisionally, and until the said bonds have been issued, the above security may, in virtue of an agreement between the State and the Bank, be formed in another manner.

*Article 7.*

All provisions of laws and regulations contrary to the present Decree are hereby abrogated.

ROUMANIA.

[Translation.]

MONETARY LAW OF FEBRUARY 7<sup>TH</sup>, 1929.

.....

*Article 3.*

Notes of the National Bank are redeemable to bearer at sight at the head office of the Bank at the discretion of the latter in gold currency which is legal tender, in gold bullion, or in foreign currency convertible into gold; in the last-named case the transfer of the currency shall be effected at a price not exceeding the theoretical par rate, plus the costs of transport.

The Bank shall provide for the convertibility of its notes irrespective of quantity; no one shall be entitled however to demand redemption of less than 100,000 lei at a time.

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STATUTES OF THE NATIONAL BANK OF ROUMANIA.

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*Article 28.*

The National Bank is required to hold a reserve in gold or in foreign exchange which is by law and in practice convertible into exportable gold equal to not less than thirty-five per cent of the total amount of its sight liabilities.

At least twenty-five per cent of these liabilities shall be covered by gold in the Bank or in safe custody abroad.

*Article 29.*

The part of the note circulation and other sight liabilities which after deduction of the outstanding balance of advances to the State and the balance of temporary advances provided for under Article 34, is not covered by the reserve in gold and foreign exchange as defined in Article 28, shall be entirely covered by securities not included in the above reserve, the portfolio of discounted bills, the short-term security credits and any other immediately realisable assets.

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SALVADOR.

[Translation.]

LAW ON THE BANKS OF ISSUE (APRIL 29TH, 1899).

*Article 1.*

No Bank of Issue may be established in the Republic except under a special concession granted by the Federal Executive and in accordance with the conditions and formalities laid down in the present Law.

The concession may be granted for a maximum period of twenty years to private persons or limited companies, but may only be exercised through the latter.

*Article 2.*

No company may be formed for the creation of a Bank of Issue with less than seven partners or with a capital of less than one million pesos (\$1,000,000), fully paid up, one-half at least to be deposited in gold or silver coin of legal tender.

*Article 3.*

The articles of association and statutes of any company formed for the creation of a Bank of Issue shall be submitted to the approval of the Federal Executive before the Bank starts operations; similarly, any proposed modifications must be submitted for approval to the same authority.

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*Article 5.*

The issue of notes payable to bearer on demand shall not exceed twice the amount of the capital and the Bank shall always hold in its vaults of its Head Office coin equal to 50 % at least of the value of the note issue.

It shall also hold in its vaults 20 % at least of the value of deposits payable on demand or at a maximum of three days' notice.

In both cases, the metallic reserve may be composed, not only of coin, but also of gold or silver bullion.

*Article 6.*

Notes shall be issued in properly numbered series. Each note shall contain a statement in Spanish of the obligation of the Bank, its branches or agencies, to pay the bearer in coin on demand the full nominal value shown on the said note, of the date of its issue and of the series to which it belongs; in addition to the signatures of the Bank's officials, notes shall bear the seal and signature of the Chief Accountant of the Republic, who shall keep a record of the number and value of the notes composing each issue as well as of notes withdrawn from circulation.

The bank-note as authorised in the form laid down in the preceding paragraph shall not require prior legalisation in order to become legal tender.

*Article 7.*

Bank-notes shall not be liable to claims or objections, shall not bear interest and shall not be subject to cancellation as long as the institution issuing them exists. They shall be entitled to legal interest only on the default, failure or liquidation of the Bank, as soon as the latter is declared insolvent or suspends payment; in such case, bank-notes shall be cancelled after five years.

*Article 8.*

Banks of Issue are bound to exchange notes put into circulation by them for coin at their Head Offices in the manner laid down in Article 6.

*Article 9.*

In event of the liquidation or failure of a Bank, the liquidator or competent authority may, at the request of any party and within a time-limit not exceeding one month, issue notices with a view to redeeming the notes in circulation; should such procedure be impossible or not give the desired result, holders of notes may exercise the rights granted them under the preceding article or may cause the most easily realisable property indicated by them to be sequestrated and sold at public auction, until they have obtained full payment for their notes inclusive of interest and costs.

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DECREE OF MAY 6TH, 1910.

*Article 1.*

The capital referred to in Article 5, paragraph 1, of the Law on Banks of Issue is the paid-up capital.

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LAW OF SEPTEMBER 11TH, 1919.

*Article 1.*

The monetary unit of the Republic of Salvador shall be the colón, divided into 100 centavos and containing 0.836 gramme of gold, 900/1000ths (nine hundred thousandths) fine. Nickel coins of one, three and five centavos and the silver coins of five, ten and twenty centavos at present in circulation shall be used as auxiliary coinage.

The Monetary Law shall provide detailed regulations concerning the system.

*Article 2.*

The Banks established in the country shall arrange to substitute gold notes for their silver notes in accordance with the statutory monetary unit. Nevertheless, while such operations are proceeding, the present bank-notes shall remain in circulation at the rate of 1 peso per colón.

*Article 3.*

Inasmuch as the new monetary unit represents gold, the national and foreign silver coinage at present circulating is hereby declared demonetised—*i.e.*, is no longer legal tender.

*Article 4.*

The liability of domestic Banks to pay on demand to bearer in silver coin notes issued by them shall henceforth be replaced by the liability to pay a quantity of gold coin in the proportion above determined of 1 colón per silver peso.

Liabilities incurred by private persons in the latter class of coin shall be settled in the same proportion of 1 colón per silver peso.

*Article 5.*

Within a period of three months from the date of the entry into force of the present Law, Banks shall, through the intermediary of the Federal Executive, proceed to replace the silver held by them in their vaults by United States of America gold coin, the quantity of the latter required to carry out such replacement having been previously imported.

The cash profit derived from the sale of the silver after deducting fifty gold centavos, being the equivalent of each silver peso forming the metallic cover, shall be divided equally between the State and the Banks.

*Article 6.*

As long as the Law of Moratorium, decreed on August 11th, 1914, is in force, the fifty gold centavos to which the previous article refers, must remain sealed in the vaults of the Banks.

*Article 7.*

The export of silver coin shall remain unrestricted, the exporter being previously required to guarantee to the satisfaction of the Ministry of Finance that the net proceeds of the sale of the silver will be applied to importing United States gold coin.

*Article 8.*

As long as the moratorium decreed in favour of the bank-notes is in force, the Federal Executive shall establish a Fund for the Regulation of the International Exchanges with an amount equivalent to 50 % of the profits from the sale of silver.

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**LAW OF SEPTEMBER 11TH, 1919.**

*Article 1.*

The gold coins of the United States of North America are hereby declared legal tender.

*Article 2.*

United States bank-notes in dollar denominations shall circulate without restriction in the Republic, and their acceptance shall be obligatory on Banks established in the country in repayment of their debts and in bills of exchange transactions. This obligation shall not affect the right of banks to charge the usual commission for investment of funds.

*Article 3.*

For the purposes of the foregoing provisions, the dollar shall be taken as equivalent to 2 colóns represented by the existing bank-notes.

*Article 4.*

Liabilities incurred in foreign currency at home or abroad and payable in the territory of the Republic shall be settled by the transfer of an equivalent amount in United States gold or in colóns at the rate of exchange prevailing at the place, and on the day, of payment.



*Article 5.*

If, on the lapse of the moratorium at present enjoyed by bank-notes, gold coins representing multiples of the colón have not yet been minted, banks shall discharge their liabilities by exchanging their notes for United States gold coin in the proportion of two colóns per dollar.

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LAW OF JULY 15<sup>TH</sup>, 1920.

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*Article 10.*

Foreign coin shall not be legal tender in the Republic, with the exception of United States gold and silver coins, which shall be legal tender at the rate of two colóns per dollar, until a sufficient quantity of national coin has been minted.

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*Article 12.*

The minting of money shall be the exclusive privilege of the Federal Executive, who shall decide on what dates, in what form and to what extent minting shall be effected. All minting of coin shall be carried out solely for the account and profit of the State, subject to prior authorisation specially and expressly granted by the National Assembly.

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LAW OF DECEMBER 16<sup>TH</sup>, 1920.

*Article 1.*

The United States bank-notes which, under Article 2 of the Monetary Law of September 12<sup>th</sup>, 1919, circulate without restriction in the Republic shall be accepted at the public revenue offices in payment of dues and taxes of all kinds and in the legal proportion of one dollar to two colóns.

*Article 2.*

The importation of United States bank-notes shall not be subject to any taxation, except for the formality of submitting to the Customs or the Parcels Post Office a certificate issued by a Bank, a commercial company or an individual of recognised good standing and endorsed by the Legation of Salvador at Washington or by the Consul of Salvador in the place of residence of the consignor.

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SIAM.

[Official Translation.]

THE CURRENCY ACT, B. E. 2471.

*Article 11.*

1. The Minister shall receive or deliver gold at Bangkok at the rate of one baht of legal tender money for every 0.66567 gramme of fine gold.

2. The Minister may at his option, in lieu of receiving or delivering gold as aforesaid, receive or deliver abroad gold, or gold exchange, in exchange for legal-tender money, for immediate delivery, at such places and at such rates as he may notify from time to time. Such rates shall be one baht for every 0.66567 gramme of fine gold, with an addition or deduction, as the case may be, representing the approximate cost of conveying gold to or from Bangkok and the place abroad at which such receipt or delivery takes place.

3. No person shall be entitled to demand such exchange for an amount less than fifty thousand baht.

*Article 12.*

For the satisfaction and discharge of the liability to maintain the gold value of the baht, imposed by Article 11, there shall be maintained, under the Minister's administration and control, a Currency Reserve, hereinafter called the Reserve.

*Article 16.*

Save as provided in Article 19 (2), no order for payment from the Reserve shall be made unless notes of an equivalent amount are simultaneously withdrawn from circulation.

*Article 17.*

The following are lawful components of the Reserve :

- (1) Gold.
- (2) Gold securities.
- (3) Cash placed at call, or at not more than seven days' notice, at any Bank approved by the Minister, and payable in the currency of a gold standard country.
- (4) Baht coins.

Provided that :

- (a) The total amount of securities, the date of maturity of which is more than one year from the date of their purchase, shall not exceed the equivalent of fourteen million baht.
- (b) The number of baht coins shall not at any time exceed (a) fifty-two millions, or (b) the number held at the close of each preceding year, whichever is less.

For the purpose of this section the term "securities" shall include a fixed-deposit receipt.

*Article 19.*

1. Not later than one month after the close of each year, the Minister shall cause the securities held in the Reserve to be valued on the basis of the latest-known market prices and if it shall appear, on such valuation, that the total value of the securities is less than the amount at which they are held in the Reserve, the amount of such deficiency shall be paid to the Reserve from general revenues;

2. If, at a subsequent annual valuation, it appears that the total value of such securities exceeds the amount at which they are held, such excess may be utilised to re-imburse general revenues in respect of payments made under subsection 1.

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*Article 23.*

No notes shall be issued save in exchange for :

- (a) Notes previously issued, which shall thereupon be withdrawn from circulation,
- or
- (b) Gold, or gold exchange, which shall forthwith be credited to the Reserve at the rate of one baht for every 0.66567 gramme of fine gold.

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**SPAIN.**

[*Translation.*]

**DECREE No. 720, OF OCTOBER 19TH, 1868.**

*Article 1.*

In all the Spanish dominions the monetary unit shall be the peseta, with an actual cash value of 100 centimos.

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*Article 7.*

Gold coins of 100, 50, 20, 10 and 5 pesetas and silver coins of 5 pesetas shall be minted from the bullion supplied by private persons for their own account, without making any charge or deduction for the cost of minting, provided that such bullion has the ductility and other qualities required and can form an alloy of the statutory fineness without needing the addition of fine gold or silver. Costs of refining and smelting in the case of bullion, the minting of which involves such operations shall be defrayed by private persons in accordance with a uniform scale and in proportion to the cost of the said operations, if the Royal Mints possess the necessary facilities and the Government deems it advisable to authorise such operations.

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*Article 9.*

In the annual budgetary estimates, the Minister of Finance shall specify the proportion of the various classes of coinage to be minted, due regard being had to currency requirements — provided that the total amount of silver coin 835/1000ths (eight hundred and thirty-five thousandths fine shall not exceed 6 pesetas, and of bronze coin 2 pesetas, per head of the population.

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**LAW OF DECEMBER 29TH, 1921.**

*Article 1.*

The sole right of issuing bearer notes granted to the Bank of Spain by the law of July 14th, 1891 up to December 31st, 1921, is extended for a further twenty-five years, ending December 31st, 1946; the Bank shall exercise this right as the sole bank of issue on the national territory and in the Spanish dominions.

This extension is granted under the following conditions :

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**Condition 2.**—The note circulation of the Bank of Spain shall be covered by a reserve of coin and bullion in the Bank's vaults of the following proportions :

Up to 4,000 millions, at the rate of 45 %, being a minimum of 40 % in gold and the remainder in silver.

For amounts exceeding 4,000 and not more than 5,000 million, at the rate of 60 %, being a minimum of 50 % in gold and the remainder in silver.

On the application of the Bank of Spain, and with recommendation of the Central Banking Council to the effect that it considers the measure essential in the interests of the national economy, the Government may authorise the issue to be increased to a maximum amount of 6,000 millions with the same regulations for the metallic cover as in the case of an issue of between 4,000 and 5,000 millions, without such increase involving any other compensation in favour of the State.

The stock of silver forming cover for the note issue shall be in coin which is legal tender in Spain.

The gold may be in Spanish coins at their face value; in foreign gold coins at their par value, and in bullion at the rate of 8,444 pesetas 44 centimos per kilogramme of fine gold as defined under the monetary law.

Gold available on demand held by the Bank with its correspondents or foreign branches may be included up to 8 % of the gold reserve which the Bank must always hold.

The Bank may not reduce its stock of gold coin and bullion without authorisation by the Council of Ministers, and shall endeavour to purchase such quantities of this metal as it may judge suitable, unless notified to the contrary by the Council of Ministers. In no case, is the Bank authorised to reduce its stock of gold, so long as the amount of such stock does not exceed that which constitutes the metallic cover for a circulation of 6,000 millions, without prejudice, however, to the provisions of Rule 7.

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**STATUTES OF THE BANK OF SPAIN (JULY 18TH, 1922).**

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*Article 5.*

The Bank of Spain shall have the sole right to issue bearer notes until December 31st, 1946, exercising such right as the sole bank of issue in the national territory and the Spanish dominions, within the limits, with the metallic cover, and in accordance with the other principles relating to its assets and liabilities, laid down by the law.

The Council shall provide for the requirements of circulation by decreeing, with the requisite publicity the issue of each series to the appropriate amount and with the greatest possible guarantees against counterfeiting, and by prosecuting and punishing this offence and arranging in such event for the withdrawal and replacement of the legitimate series in circulation if circumstances so demand.

The notes issued by the Bank of Spain shall be paid to the bearer at all its recognised branches and on the days and at the hours publicly announced.

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**STRAITS SETTLEMENTS.**

**ORDINANCE No. 147 (CURRENCY), (1926).**

*Article 4.*

1. Subject to the provisions of this Ordinance, the Commissioners may provide and issue and re-issue currency notes in exchange either for current coin, or for subsidiary coin, or for notes previously issued.

2. A currency note shall be a promise on the part of the Government of the Straits Settlements to pay to the bearer on demand the amount expressed therein.

3. The amount required for such payment shall be a charge on the moneys and securities in the hands of the Commissioners under this Ordinance and on the general revenue of the Colony.

4. If a sum is required to meet any such note and the said moneys are insufficient to meet it the sum shall forthwith, on the demand of the Commissioners, be issued under the order of the Governor out of that general revenue in priority to all other charges except those charged thereon by any Ordinance in force before the 10th day of March, 1901, and for the time being payable.

5. The holder of a currency note shall be entitled to obtain on demand, during the usual banking hours at the office of the Commissioners, payment in current coin or subsidiary coin of the amount expressed in the note; provided that no such holder shall be required to accept subsidiary coin in excess of the sum for which such subsidiary coin is legal tender.

6. The Governor may, by Proclamation published in the *Gazette*, defer, for a period to be stated in such proclamation, payment by the Commissioners in current coin of the amount expressed in any currency note which is presented to them for payment.

*Article 7.*

1. Subject as hereinafter mentioned in this Ordinance, the current coin and sterling received in exchange for currency notes shall form the Currency Guarantee Fund which shall be held in the Colony by the Commissioners, or in London by the Crown Agents, for meeting the payment of the notes and shall not be applied for any other purposes.

2. Of the Currency Guarantee Fund, a portion (in this Ordinance referred to as the "liquid portion" of the fund), not being less than the fixed proportion hereinafter mentioned, shall be kept in the custody of the Commissioners or of the Crown Agents in the manner provided by subsection 5 of this Section, but the balance may be invested as hereinafter mentioned and the portion so invested is in this Ordinance referred to as the "investment portion" of the fund.

3. The liquid portion of the fund shall not be less than the fixed proportion of the notes for the time being in circulation and, if necessary, the securities forming the investment portion of the fund shall be sold so as to prevent the liquid portion falling below the fixed proportion; provided that, if the deficiency of the liquid portion below the fixed proportion does not exceed one-fourth of that proportion, the sale of securities may, with the consent of the Governor, be temporarily postponed for a period not exceeding three months, but until the liquid portion amounts to that fixed proportion no further investment shall be made.

4. The fixed proportion shall be two-fifths of the amount of the notes for the time being in circulation.

5. Of the liquid portion of the fund, one part, amounting to not less than one-tenth of the notes for the time being in circulation, shall be kept in silver current coin in the Colony in the custody of the Commissioners, and the Commissioners may hold in the Colony a further part in gold current coin. The balance may be kept in London in the custody of the Crown Agents and may be held in gold current coin or on deposit at the Bank of England, or in Treasury Bills, or lent out at call to such Banks or on such short loans or other readily realisable securities as may be approved by a Secretary of State.

6. The income derived from such bills, loans or securities shall be paid to the Currency Guarantee Fund.

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*Article 9.*

1. The Commissioners may issue silver current coin or currency notes in exchange for sterling payable in London to the Crown Agents at the rate of two shillings and four pence and three-sixteenths of a penny to the dollar.

2. The sum so received in sterling shall be credited to the Currency Guarantee Fund.

*Article 10.*

1. The Commissioners may receive silver current coin or currency notes in exchange for sterling payable in London by the Crown Agents at the rate of two shillings and three pence three farthings to the dollar.

2. The current coin so received shall be paid into the Currency Guarantee Fund.

*Article 11.*

Whenever the amount of the liquid portion of the fund in the custody of the Crown Agents shall be insufficient to meet payments falling due under the last preceding section, it shall be lawful for the Crown Agents either to sell such part as may be required of the investment portion of the fund or to borrow on the security of any of those investments such moneys as may be necessary for meeting any of the payments so falling due. The moneys so borrowed shall be set off against the value of the investment portion of the fund in the Commissioners' accounts, and the interest payable on such borrowings shall be deducted from the income derived from the investments.

*Article 12.*

1. The Commissioners may, at any time when the amount of the silver coins forming part of the fund is less than one-tenth of the notes for the time being in circulation, use any part of the liquid portion of the fund for the purchase of silver to be minted into current coin.

2. The whole of the profit on such coinage shall be paid into the Currency Guarantee Fund.

3. The Commissioners may at any time sell for sterling any silver coins forming part of the fund in excess of one-tenth of the notes for the time being in circulation.

4. The proceeds of the sale of the silver coins shall be credited to the Currency Guarantee Fund.

*Article 13.*

The profits of minting current coin and subsidiary coin after deducting therefrom the costs of minting and all charges connected therewith shall be credited to the Currency Guarantee Fund.

*Article 14.*

1. The investment portion of the Currency Guarantee Fund may be invested in such securities of the Government of the United Kingdom, or of India, or of any of the Dominions, or of any British Colony, or in such other British securities as may from time to time be approved by a Secretary of State; provided that not more than one-fourth of the total sum belonging to the investment portion of the fund shall be invested in securities of the Government of the Straits Settlements.

2. All such investments shall, if made in England, be made in the joint names of the Crown Agents and of such other officers or persons as a Secretary of State shall appoint as trustees on behalf of the Commissioners. Investments made in India in Indian Government securities shall be made in the names of the Commissioners.

3. The income derived from securities shall be credited, after payment of the expenses of and incidental to the execution of this Ordinance, to the Currency Guarantee Fund.

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**SURINAM.**

[*Translation.*]

**THE SURINAM BANK ACT (LAW OF JULY 2ND, 1928).**

*Article 14.*

1. The Bank's notes shall be convertible on demand daily, at the hours specified by the Bank, at its offices at Paramaribo or its agencies in Surinam, except on such days as may be specified by the Governor.
2. Payment at agencies may be deferred, however, until means of payment can be obtained from the office at Paramaribo.
3. The Governor may release the Bank from the obligation to convert its bank-notes at such agencies as he may specify.
4. The Bank shall be bound, on receipt of specie which is legal tender to any amount, to issue bank-notes to the Government for such amount as may be required.
5. Bank-notes shall be free of stamp duty.

*Article 15.*

1. The holder of a note of the Bank shall be entitled only to claim payment by the Bank of the amount specified on the note at its office at Paramaribo or at the offices of any of its agencies in Surinam.
2. The Bank shall not be bound to grant compensation for the loss or destruction of its notes.
3. The Bank shall not be bound to grant any compensation for fragments of bank-notes except of such security as it may deem necessary to prevent loss to itself.
4. In the event of suspicion of fraud, or at the written request of the persons interested, the Bank may require the person presenting notes for conversion to give a receipt for them and/or endorse them.
5. The provisions of Articles 211, 212 and 213 of the Commercial Code for the Colony of Surinam shall not apply to bank-notes.

*Article 16.*

1. In case of war, or imminent danger of war, the Bank's obligation to redeem its bank-notes may be suspended by a colonial ordinance.
2. The ordinance referred to in the preceding paragraph shall specify the term of its duration. The term may be extended from time to time, as may be necessary.
3. As soon as the war or the danger of war which necessitated the promulgation of the ordinance referred to in paragraph 1 is ended or past, the ordinance shall be withdrawn.

*Article 27.*

1. The extent to which the total sum represented by bank-notes, current credit accounts and other liabilities which must be met on demand in Surinam must be covered by specie or bullion shall be determined by the Governor with Our authorisation.
2. Of the compulsory metal cover stipulated in paragraph 1, at least three-fourths must be in Surinam, and at least half of the metal cover must consist of coin which is in Surinam and is legal tender to any amount.

3. The value of the bullion shall be determined by the Governor after consultation with the Bank.

4. In times of emergency, the Governor may at the request of the Bank, and with Our subsequent assent, temporarily change the proportion stipulated in paragraph 1.

5. If Our assent to such a change is refused or deferred, the previous proportion must be restored within one month after the Bank has been notified of Our refusal, and in any case within four months after the issue of the Governor's decree regarding the change.

6. Decrees issued by the Governor under paragraph 1, 3 and 4 of the present Article shall be published in the *Gouvernementsblad* and in the *Official Gazette*.

. . . . .



**MINT LAW OF JULY 1ST, 1909, AMENDED BY THE LAW OF MARCH 27TH, 1915.**

*Article 1.*

Every creditor may demand payment in legal tender.  
The following shall be legal tender in the colony of Surinam :

(a) For the payment of any amount :

(1) In gold :

The 10-gulden (10-florin) piece and the 5-gulden (5-florin) piece of the Netherlands.

. . . . .



SWEDEN.

[Translation.]

CONSTITUTION OF JUNE 6TH, 1809.

*Article 72 (as amended in 1915).*

The State Bank shall have the sole right to issue bearer notes which shall be legal tender in the country. These notes are repayable at sight by the Bank in gold specie at their nominal value; the Bank may, however, be released from this obligation for a certain period should this be considered absolutely necessary on account of war, menace of war, or serious financial crisis. This release may be accorded by the Crown and the Riksdag jointly, or, if the Riksdag is not in session, by the Crown alone, on the advice of the Board of Directors of the Bank, after the Governing Body of the Public Debt Office has been consulted. When this release is granted by the Crown in the interval between two sessions of the Riksdag, it must be approved by the Riksdag at the following session within twenty days of its first meeting; otherwise it will expire at the end of that period.

LAW OF MAY 12TH, 1897, CONCERNING THE BANK OF SWEDEN.

*Article 6 (as amended in 1915).*

The Bank is authorised to issue notes up to a sum equivalent to twice the amount of the metallic reserve, calculated according to the rules laid down in Article 8, and for a further sum of two hundred and fifty million kronor.<sup>1</sup>

Should an increase in the right of issue be considered essential on account of war, menace of war, or serious financial crisis, the Crown and the Riksdag, acting jointly, may authorise a note issue for an additional amount of one hundred and twenty-five million kronor; the Board of Directors of the Bank shall be required to withdraw from circulation, as soon as possible, notes for an amount corresponding to that of the issue made in accordance with this authorisation.

*Article 7 (as amended in 1914).*

The Bank's issue in excess of the metal reserve must be covered by the following securities :

- (a) Readily negotiable Government securities;
- (b) Bonds of the Royal Mortgage Bank of Sweden, of the Swedish Cities Mortgage Bank and other domestic bonds which are quoted on foreign exchanges;
- (c) Gold in coin or bullion which is not included in the metallic reserve according to the stipulations of Article 8, and which is on deposit abroad or in transit therefrom, provided it be covered by a marine insurance policy;<sup>1</sup>
- (d) Bills of exchange payable in Sweden or abroad;
- (e) Funds with a maximum maturity of six months, deposited on account with foreign banks or bankers, after deducting any sums to the debit of such accounts;
- (f) Advances on Government securities and bonds mentioned in paragraphs (a) and (b) above.

<sup>1</sup> As amended by Proclamation No. 114 of May 9th, 1930.

*Article 8 (as amended in 1913).*

The metallic reserve includes, first, all the gold specie and gold bullion belonging to the Bank and situated in Sweden, secondly, up to an amount corresponding to fifteen hundredths of the whole metallic reserve, gold in specie and gold bullion belonging to the Bank and on deposit abroad or in transit therefrom, provided it be covered by a marine insurance policy.

The metallic reserve may not be maintained at an amount below one hundred and fifty million kronor.<sup>1</sup>

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LAW OF MAY 30TH, 1873, CONCERNING THE COINAGE OF THE REALM.

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*Article 9.*

Any person who delivers gold to the Royal Mint for the purpose of having it minted shall be entitled to receive gold coin in exchange on payment of  $\frac{1}{4}\%$  of the value of the amount minted in the case of twenty-krona pieces, and  $\frac{1}{3}\%$  of such value in the case of ten-krona pieces to cover the cost of minting. No additional minting fee shall be charged.

*Article 10.*

Divisional coins may not be made and minted within the realm for account of private persons.

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ROYAL DECREE No. 51 OF MARCH 28TH, 1930,  
REPEALING ROYAL DECREE No. 55 OF MARCH 31ST, 1924, WHICH TEMPORARILY PROHIBITED THE IMPORT OF GOLD TO THE KINGDOM.

The King, in Council, on the proposal of the Commissioners of the Riksbank, has decreed that the ordinance of March 31st, 1924, which prohibited the import of gold to the Kingdom, shall cease to have effect at the end of March, 1930.

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<sup>1</sup> As amended by Proclamation No. 114 of May 9th, 1930.

SWITZERLAND.

[Translation.]

FEDERAL LAW CONCERNING THE SWISS NATIONAL BANK  
OF APRIL 7TH, 1921.<sup>1</sup>

.....

Article 14.

(See Article 14 as given in the Law of December 20th, 1929. The amended text differs from that of April 7th, 1921, only in the inclusion in paragraph 7 of the words "interest-bearing" before the words "bonds issued by the Confederation" and in the omission of the words "and silver" at the end of paragraph 9.)

.....

Article 19.

The total value of the notes in circulation must be covered :

- By gold or silver currency of legal tender or of value recognised by agreement, excluding subsidiary silver coin;
- By gold bullion reckoned at mint parity allowing for coinage charges;
- By foreign gold coin;
- By bills of exchange, cheques, securities, treasury bonds, assets payable at sight on foreign countries;
- By loans resulting from advances on current account :
  - (a) Against bonds in accordance with the stipulations of Article 14, 4,b;
  - (b) Against precious metals (Article 14, 8).

The metallic cover must amount to at least forty per cent of the value of the notes in circulation.

Article 20.

The National Bank shall be required to pay its notes on presentation at par and in specie which is legal tender :

- (a) At its Berne office up to any amount;
- (b) At its Zurich office and at its branches and agencies to the extent to which the reserve and their own requirements permit; payment in full shall, however, be made if sufficient time is allowed to obtain the cash from the head office. The note repayment service must be organised so as to meet local requirements.

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Article 22.

The Federal Council may not decree that the notes are legal tender and release the National Bank from the obligation to repay its notes in specie which is legal tender unless this is necessary in time of war.

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<sup>1</sup> The articles of this law given below are no longer in force. See Federal Law of December 20th, 1929, Article 1, paragraph 1, on page 339.

FEDERAL LAW OF DECEMBER 20TH, 1929, AMENDING THE FEDERAL LAW OF APRIL 7TH, 1921, ON THE NATIONAL BANK OF SWITZERLAND.

*Article I.*

Articles 14, 19, 20 and 22 of the Federal Law of April 7th, 1921, concerning the National Bank of Switzerland are hereby abrogated and replaced by the following provisions :

*Article 14.*—The National Bank is a bank effecting the issue of notes and transfer and discount operations, and is only authorised to carry out the following transactions :

1. To issue bank-notes in accordance with the provisions of the present law.
2. To discount bills of exchange and order cheques drawn on Swiss banks, and bearing not less than two independent signatures of known solvency, and likewise to discount bonds drawn upon Swiss banks, which can be accepted as collateral security. The date of maturity may not exceed three months. Bills of exchange and order cheques drawn by agriculturists and based upon commercial transactions shall be treated in the same manner as other bills of exchange.
3. To purchase and sell bills of exchange, order cheques and credits payable at sight in foreign countries, and likewise Treasury bills issued by foreign States. The date of maturity may not exceed three months. Bills must bear not less than two independent signatures of known solvency.
4. To make interest-bearing loans against the deposit of bonds (advances against collateral security):
  - (a) For a fixed period not exceeding three months;
  - (b) On current account at not more than ten days' notice.

Shares shall not be accepted as collateral security.

5. To accept the deposit of funds on which no interest is payable, and the deposit on current account, with interest, of funds appertaining to the Confederation and to the administrations and establishments under its supervision.
6. To effect transfers and clearings, deal with bank drafts and the collection of outstanding debts.
7. To purchase for its own account interest-bearing bonds issued by the Confederation or Cantons and by foreign States, which are made out to bearer and can find a ready market; such transactions may only be carried out in order to provide for the temporary investment of Bank balances.
8. To purchase and sell for its own account and for the account of third parties precious metal in bullion or in coin, and to make advances against such metal.
9. To issue certificates for gold.
10. To take into custody and administer securities and articles of value, to purchase and sell securities and subscribe to issues on behalf of third parties.
11. To co-operate in the issue of loans by the Confederation and to accept subscriptions to Confederation and Cantonal loans, without however taking part in the underwriting of the said loans.

*Article 19.*—The total value of the notes in circulation must be covered :

- By Swiss gold coin;
- By gold bullion reckoned at mint parity allowing for coinage charges;
- By foreign gold coin;
- By bills of exchange and cheques drawn on Swiss banks, and by Swiss bonds;
- By bills of exchange and cheques on foreign countries;
- By the Treasury bills of foreign States and by assets payable at sight on foreign countries;

By loans resulting from advances on current account :

- (a) Against bonds, in accordance with the stipulations of Article 14, 4 (b) ;
- (b) Against precious metals (Article 14, 8).

The metallic cover must amount to at least 40 per cent of the value of the notes in circulation. The minimum metallic cover of 40 per cent must be maintained exclusively in Switzerland.

*Article 20.*—The National Bank shall be required to pay its notes on presentation in Swiss gold coin :

- (a) At its Berne office up to any amount;
- (b) At its Zurich office, and at its branches and agencies under the direct management of the Bank, to the extent to which the reserve and their own requirements permit; payment in full shall, however, be made if sufficient time is allowed to obtain cash from the head office.

The note repayment service must be organised so as to meet local requirements.

*Article 20bis.*—As long as the banks of issue in the countries designated as important by the Bank authorities do not themselves repay their notes in gold coin, the Bank shall have the option to repay its notes on presentation in one or other of the following forms :

- In Swiss gold coin;
- In gold bullion of the usual commercial weight (approximately 12 kilogrammes) on the basis of the mint parity;
- In gold foreign exchange (bank remittance or cheque), that is to say, in foreign exchange on countries having a free gold market. The rate for converting these currencies shall be calculated on the basis of the exchange rate of the foreign currency at the time of the transaction. It may not, however, under any circumstances exceed the export point of Swiss gold coin consigned to the foreign banking centre on which the payment is to be drawn. The National Bank reserves the right to designate these foreign currencies.

Repayment shall be effected :

In gold coin and in gold bullion at its Berne office up to any amount, and at its Zurich office and the branches and agencies under the direct management of the Bank, to the extent to which the reserve and their own requirements permit; payment in full shall, however, be made if sufficient time is allowed to obtain the cash from the head office;

In gold foreign exchange at all the afore-mentioned establishments of the Bank up to any amount.

The note repayment service must be organised so as to meet local requirements.

*Article 22.*—The Federal Council may not decree that the notes are legal tender and release the National Bank from the obligation to repay its notes in the manner prescribed in Articles 20 and 20bis, unless this is necessary in time of war.

#### *Article II.*

The Federal Law of September 27th, 1923 (Article 19bis of the law concerning the National Bank) is hereby abrogated.

#### *Article III.*

The Federal Council shall fix the date of the coming into force of the present Law.

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**REGULATIONS FOR MINTING GOLD COIN FOR THE ACCOUNT OF PRIVATE  
PERSONS, NOVEMBER 11TH, 1921.**

The Swiss Federal Council, in execution of Article 2 of the Federal Law of December 22nd, 1870, concerning the minting of gold coin, issues the following order :

*Article 1.*

The Federal Mint undertakes to coin gold 20-franc and 10-franc pieces for account of private persons in quantities of not less than one hundred thousand francs, subject to the sanction of the Department of Finance in every instance.

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**TURKEY.**

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[*Translation.*]

**LAW OF MARCH 30TH, 1915.**

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*Article 2.*

These notes shall, like the coinage, have compulsory currency in Turkey for all payments, disbursements, purchases and sales, whether between the State and private persons or between private persons. Infringements of these regulations shall be punished . . .

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**LAW No. 701, OF OCTOBER 30TH, 1925.**

*Article 1.*

The Government is authorised to proceed to the issue of a single series of currency notes for an amount of £T153,748,563.60, being the total amount of notes at present in circulation—the said notes being of seven different issues made under the laws of March 30th, 1331, October 18th, 1331, December 22nd, 1331, August 6th, 1332, February 4th, 1332, March 28th, 1333, and March 28th, 1334, for an amount of £T161,018,663.60, of which £T7,270,100 have been destroyed at various dates—and the new series shall have the same legal status as the old notes replaced.

*Article 2.*

A Commission under the chairmanship of a representative of the Ministry of Finance, and composed of a delegate of the Agricultural Bank, the Ottoman Bank, the Crédit National, the Banque d'Affaires, the Bank of Tobacco-Growers of Ak-Hissar, and the Bank of Eskisehir, together with a delegate from each of the principal credit institutions operating in Turkey, shall decide on the patterns for the new notes, the conditions for their printing and all other circumstances generally in connection with the said notes and the method of replacing them, and shall be in charge of all operations connected therewith. The functions of the said Commission shall be determined by public administrative regulation, drawn up by the Ministry of Finance and approved by the Council of Ministers.

*Article 3.*

The date on which the new currency notes for replacement of old notes shall be put into circulation shall be announced by the Ministry of Finance, through the newspapers in districts where such appear, and in accordance with local custom in other districts. Within a period of six months from such announcements, the old notes presented at the public revenue offices and at banks shall be exchanged in full for notes of the new issue. The circulation and exchange of old notes shall be prohibited after the expiry of the aforesaid period.

*Article 4.*

Affidavits drawn up by public revenue offices and banks regarding notes exchanged by them under the present law shall be forwarded, together with the notes in question, to the Commission referred to in Article 2 which, after verifying and examining them, shall draw up a further general affidavit, and shall destroy the notes in the presence of the members of the Commission. The text of the general affidavit shall be published simultaneously in several newspapers.

*Article 5.*

The provisions of Article 2 of the Law of October 18th, 1831 (March 30th, 1915), regarding the compulsory currency of the existing notes shall also apply to the new notes issued under the present law.

*Article 6.*

An appropriation of five hundred thousand pounds (£T500,000) shall be entered in a special chapter to be included in the budget of the Ministry of Finance for the financial year 1841, for the purpose of defraying the cost of printing and exchange of currency notes and of paying the remuneration due to the officials deputed to supervise these operations and any other expenditure connected therewith. The total amount of this appropriation may be handed over in a single payment by the Ministry of Finance as an advance placed at the disposal of the Commission referred to in Article 2.

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LAW OF JANUARY 18TH, 1916.

*Article 1.*

The export of gold specie or bullion from Turkey is prohibited, except with the permission of the Ministry of Finance. Persons guilty of a breach of this provision and their aiders and abettors shall be liable to imprisonment for from three months to two years and shall further pay a fine equivalent to the value of the gold exported. Gold which it has been attempted to smuggle abroad shall be confiscated, and the parties responsible and their accomplices shall be liable to imprisonment for a term of from three months to two years.

*Article 2.*

Travellers may take with them for their essential expenditure the quantity of gold determined by the Ministry of Finance, regard being had to their social position and the distance to be travelled.

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UNION OF SOUTH AFRICA.

THE CURRENCY AND BANKING ACT OF 1920.

(AS AMENDED BY THE CURRENCY AND BANKING ACT, 1923, AND THE CURRENCY AND BANKING ACT, 1930.)

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Article 16.

The denominations of notes issued by the Bank shall be as the Treasury may from time to time prescribe, and such notes shall be redeemable, on demand, in gold specie or gold certificates at the office of issue.

Article 17.

The notes issued by the Bank shall be secured to an amount of not less than forty per cent in gold or gold specie in the Bank's custody and as to the remainder by a first charge on all the assets of the Bank : Provided that gold in the mint and gold in transit belonging to the Bank, shall be counted as part of its reserves;

Provided further that the Bank may, with the consent of the Treasury, hold gold balances outside the Union in the custody of its own branches or agencies or deposited in other banks earmarked for the Bank's account to an amount not exceeding one-fourth of the total reserve requirements;

Provided also that until the 30th day of June, 1928, the notes issued by the Bank, instead of being secured as to sixty per cent or less in commercial paper or trade bills as hereinbefore provided, may, to an amount which shall not exceed :

- (a) Thirty-five per cent of the total issue; or
- (b) One hundred and forty per cent of the total amount of commercial paper or trade bills held by the Bank

be secured in Treasury Bills of the Union Government or the British Government of a currency not exceeding ninety days.

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Article 19.

1. The Bank shall be authorised and empowered, subject to the consent of the Treasury, to suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, the reserve requirements specified in this Act : Provided that upon the amounts by which the reserve for notes of the Bank falls below the requirements of this Act in respect of such notes, a graduated tax shall be paid to the Treasury at the following rates, viz :

One per cent per annum when the gold reserve against notes is less than forty per cent, but not less than thirty-two and a-half per cent; and, in addition, one and a-half per cent per annum upon each two and a-half per cent decrease, or part thereof by which the reserve falls below thirty-two and a-half per cent.

Provided further that the Bank shall add to its rates of interest and discount a percentage at least equal to the percentage of the tax levied as in this section provided.

2. For the purpose of ascertaining the gold reserve held against notes, allowance shall first be made for the reserve of forty per cent required by Section 23 to be held against deposits.

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*Article 23.*

1. The Bank shall hold in gold or specie a reserve of at least forty per cent of its deposits and bills payable in addition to the gold reserves required by Section 17 to be held against its notes issued : Provided that the amount of silver specie which may be counted as part of the reserve shall not exceed twenty per cent of the total reserve required to be held under this section.

2. One-fourth of such reserve may, with the consent of the Treasury, be held outside the Union, provided such reserve is held in the Bank's custody or is deposited in another bank and earmarked for its account.

THE PRETORIA MINT PROCLAMATION, 1922.

BY THE KING : A PROCLAMATION.

We, therefore, in pursuance of the said Acts<sup>1</sup> and the said proclamation made thereunder, and of all other powers enabling Us in that behalf, do hereby, with the advice of Our Privy Council, proclaim, direct and ordain as follows :

1. A branch of the Mint (in this Proclamation referred to as "the Pretoria Branch Mint") shall be established at or near Pretoria on such site as the Governor-General in Council may approve.

2. Gold coins of the same denominations, designs, weights and fineness as gold coins coined at the Mint may be coined at the Pretoria Branch Mint, and any gold coins so coined (in this Proclamation referred to as "sterling gold coins") shall be subject to the allowance of the same remedy as gold coins coined at the Mint.

3. The Master of the Mint shall prepare and transmit such dies as may be required for the sterling gold coins to be coined at the Pretoria Branch Mint.

4. The sterling gold coins coined in pursuance of this Proclamation at the Pretoria Branch Mint shall be deemed to have been issued from the Mint, and shall be current and a legal tender in like manner and to like extent as if they had been coined and issued in England.

5. (1) If any person brings to the Pretoria Branch Mint any gold bullion and requires the Deputy Master of the Branch Mint to assay, coin into sterling gold coins, and deliver out to him the same, the Deputy Master shall comply with the requisition on payment for every ounce troy of gold of standard fineness of a charge of three-halfpence where the amount brought at any one time does not exceed five hundred ounces, and of a penny in any other case :

Provided that :

(a) Where the gold bullion so brought is such that it cannot be brought to the standard fineness of the coin to be coined thereout without refining the whole or some portion of it, the Deputy Master shall demand for assaying and refining the same such additional charge as the Governor-General in Council may from time to time fix, and until such charge is paid to him may refuse to receive, assay or coin that bullion; and

(b) Where the bullion brought to the branch Mint for coinage is finer than the standard fineness of the coin to be coined thereout, there shall be delivered to the person bringing the same such additional amount of coin as is proportionate to that superior fineness; and

(c) No undue preference shall be shown to any person as respects the bullion brought to the branch Mint, and every person shall have priority according to the time at which he brought the bullion to the branch Mint; and

<sup>1</sup> The Coinage Act, 1870, amended by the Coinage Act, 1891.

(d) The Governor-General in Council may make regulations for carrying into effect the provisions of this Article with respect to gold bullion, and the bringing, coining and delivery out thereof, and in particular for regulating the times and conditions at and under which it is to be so brought, assayed, coined and delivered out, and the minimum amount which may be so brought.

(2) The charges under this Article for coining, assaying and refining shall be collected by the Deputy Master of the branch Mint in accordance with the regulations made under this Article, either as a payment in advance or as a deduction from the coin delivered out, or otherwise, and shall be accounted for and paid over in such manner as the Governor-General in Council directs to the Minister of Finance of the Union, to be paid by him into the Consolidated Revenue Fund of the Union.

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7. Nothing in this Proclamation shall be taken to prevent the coining at the Pretoria Branch Mint of any coins of whatever metal which the Minister of Finance of the Union has power under or by virtue of any Act of the Union for the time being in force to be caused to be made and issued for circulation in the Union, or of any other coins of whatever metal which the Governor-General in Council may from time to time authorise to be coined at the Pretoria Branch Mint :

Provided that :

(a) Coins, other than sterling gold coins, coined at the Pretoria Branch Mint shall not, for the purposes of the Coinage Act, 1870, or for the purposes of any Order in Council or Proclamation relating to the coinage of any part of Our Dominions, be deemed to be coins made at, or issued from, the Mint, or to be coins coined under the direction of the Master of the Mint; and

(b) The coining of such other coins shall be carried out subject to and in accordance with such regulations and conditions as may be made and imposed by the Master of the Mint.

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11.

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(3) This Proclamation shall come into force on the first day of January, nineteen hundred and twenty-three, unless it is sooner promulgated in the Union, and in that case shall come into force on being so promulgated.

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THE UNITED STATES OF AMERICA.

I. ACTS RELATING TO GOLD CERTIFICATES.

ACT OF MARCH 3RD, 1863.

Section 254.<sup>1</sup> — The Secretary of the Treasury is authorised to receive deposits of gold coin and bullion with the Treasurer or any assistant Treasurer of the United States, in sums not less than twenty dollars, and to issue certificates therefor, in denominations of not less than twenty dollars, each corresponding with the denominations of the United States notes. The coin and bullion deposited for or representing the certificates of deposit, shall be retained in the Treasury for the payment of the same on demand; and certificates representing coin in the Treasury may be issued in payment of interest on the public debt, which certificates, together with those issued for coin and bullion deposited, shall not at any time exceed twenty per centum beyond the amount of coin and bullion in the Treasury; and the certificates for coin and bullion in the Treasury shall be received at par in payment for duties on imports.

(Discontinued by order of the Secretary of the Treasury, January 1st, 1879.)

ACT OF JULY 12TH, 1882.

Section 12.—That the Secretary of the Treasury is authorised and directed to receive deposits of gold coin with the Treasurer or Assistant Treasurers of the United States, in sums not less than twenty dollars, and to issue certificates therefor in denominations of not less than twenty dollars each, corresponding with the denominations of United States notes.

The coin deposited for or representing the certificates of deposits shall be retained in the Treasury for the payment of the same on demand.

Said certificates shall be receivable for Customs, taxes, and all public dues, and when so received may be reissued;

And such certificates, as also silver certificates, when held by any national-banking association shall be counted as part of its lawful reserve; and no national-banking association shall be a member of any clearing-house in which such certificates shall not be receivable in the settlement of clearing-house balances;

Provided, That the Secretary of the Treasury shall suspend the issue of such gold certificates whenever the amount of gold coin and gold bullion in the Treasury reserved for the redemption of United States notes falls below one hundred millions of dollars;

And the provisions of section fifty-two hundred and seven of the Revised Statutes shall be applicable to the certificates herein authorised and directed to be issued.

<sup>1</sup> Of the Revised Statutes of the United States.

ACT OF MARCH 14TH, 1900.

Section 6.—That the Secretary of the Treasury is hereby authorised and directed to receive deposits of gold coin with the Treasurer or any Assistant Treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than twenty dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose.

Such certificates shall be receivable for Customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve;

Provided, That whenever and so long as the gold coin held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars, the authority to issue certificates as herein provided shall be suspended;

And provided further, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars, the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for;

And provided further; That, of the amount of such outstanding certificates, one-fourth at least shall be in denominations of fifty dollars or less :

And provided further, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order; (2) and section fifty-one hundred and ninety-three of the Revised Statutes of the United States is hereby repealed.

ACT OF MARCH 4TH, 1907.

Section 6.—That the Secretary of the Treasury is hereby authorised and directed to receive deposits of gold coin with the Treasurer, or any Assistant Treasurer of the United States in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for Customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve :

Provided, That whenever and so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars, the authority to issue certificates as herein provided shall be suspended : And provided further, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars, the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for : And provided further, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less : And provided further, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order; and section fifty-one hundred and ninety-three of the Revised Statutes of the United States is hereby repealed.

ACT OF MARCH 2ND, 1911.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section six of an Act to define and fix the standard of value, to maintain the parity of all forms of money issued or coined by the United States, to refund the public debt, and for other purposes, approved March fourteenth, nineteen hundred, as amended by the Act approved March fourth, nineteen hundred and seven, be, and the same is hereby, further amended so as to read as follows :

. . . . .

*Section 6.*—That the Secretary of the Treasury is hereby authorised and directed to receive deposits of gold coin with the Treasurer, or any Assistant Treasurer of the United States, in sums of not less than twenty dollars, and to issue gold certificates therefor in denominations of not less than ten dollars, and the coin so deposited shall be retained in the Treasury and held for the payment of such certificates on demand, and used for no other purpose. Such certificates shall be receivable for Customs, taxes, and all public dues, and when so received may be reissued, and when held by any national banking association may be counted as a part of its lawful reserve; *Provided*, That whenever and so long as the gold coin and bullion held in the reserve fund in the Treasury for the redemption of United States notes and Treasury notes shall fall and remain below one hundred million dollars the authority to issue certificates as herein provided shall be suspended : *And provided further*, That whenever and so long as the aggregate amount of United States notes and silver certificates in the general fund of the Treasury shall exceed sixty million dollars, the Secretary of the Treasury may, in his discretion, suspend the issue of the certificates herein provided for : *And provided further*, That of the amount of such outstanding certificates one-fourth at least shall be in denominations of fifty dollars or less : *And provided further*, That the Secretary of the Treasury may, in his discretion, issue such certificates in denominations of ten thousand dollars, payable to order : *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the assistant treasurer in New York and the assistant treasurer in San Francisco, deposits of foreign gold coin at their bullion value in amounts of not less than one thousand dollars in value and issue gold certificates therefor of the description herein authorised : *And provided further*, That the Secretary of the Treasury may, in his discretion, receive, with the Treasurer or any Assistant Treasurer of the United States, deposits of gold bullion bearing the stamp of the coinage mints of the United States, or the assay office in New York, certifying their weight, fineness, and value, in amounts of not less than one thousand dollars in value and issue gold certificates therefor of the description herein authorised. But the amount of gold bullion and foreign coin so held shall not at any time exceed one-third of the total amount of gold certificates at such time outstanding. And section fifty-one hundred and ninety-three of the Revised Statutes of the United States is hereby repealed.

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II. ACTS RELATING TO SILVER CERTIFICATES.

ACT OF FEBRUARY 28TH, 1878.

*Be it enacted,* . . . That there shall be coined, at the several mints of the United States, silver dollars of the weight of four hundred and twelve and a-half grains Troy of standard silver, as provided in the act of January eighteenth, eighteen hundred and thirty-seven, on which shall be the devices and superscriptions provided by said act; (1) which coins, together with all silver dollars heretofore coined by the United States, of like weight and fineness, shall be a legal tender, at their nominal value, for all debts and dues public and private, except where otherwise expressly stipulated in the contract.

(Omitted lines repealed and superseded, July 14th, 1890.)

*And provided further,* That nothing in this act shall be construed to authorise the payment in silver of certificates of deposit issued under the provisions of section two hundred and fifty-four of the Revised Statutes.

*Section 2.*—(Temporary and expired.)

*Section 3.*—That any holder of the coin authorised by this act may deposit the same with the Treasurer or any Assistant Treasurer of the United States, in sums not less than ten dollars, and receive therefor certificates of not less than ten dollars each, corresponding with the denominations of the United States notes.

The coin deposited for or representing the certificates shall be retained in the Treasury for the payment of the same on demand.

Said certificates shall be receivable for Customs, taxes, and all public dues, and, when so received, may be reissued.

*Section 4.*—All Acts and parts of Acts inconsistent with the provisions of this act are hereby repealed. (Became a law February 28th, 1878, notwithstanding the President's veto.)

. . . . .

ACT OF MARCH 3RD, 1887.

. . . . .

*Paragraph 2.*—And the Secretary of the Treasury is hereafter authorised and required to issue silver-certificates in denominations of one, two and five dollars; and the silver-certificates herein authorised shall be receivable, redeemable, and payable in like manner and for like purposes as is provided for silver-certificates by the act of February twenty-eighth, eighteen hundred and seventy-eight, entitled "An act to authorise the coinage of the standard silver dollar, and to restore its legal-tender character;" and denominations of one, two, and five dollars, may be issued in lieu of silver-certificates of larger denominations in the Treasury, or in exchange therefor upon presentation by the holders; and to that extent said certificates of larger denominations shall be cancelled and destroyed.

. . . . .

ACT OF MARCH 14TH, 1900.

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*Section 7.*—That hereafter silver certificates shall be issued only of denominations of ten dollars and under, except that not exceeding in the aggregate ten per centum of the total volume of said certificates, in the discretion of the Secretary of the Treasury, may be issued in denomination of twenty dollars, fifty dollars, and one hundred dollars; and silver certificates of higher denomination than ten dollars, except as herein provided, shall, whenever received at the Treasury or redeemed, be retired and cancelled, and certificates of denominations of ten dollars or less shall be substituted therefor, and after such substitution, in whole or in part a like volume of United States notes of less denomination than ten dollars shall from time to time be retired and cancelled, and notes of denominations of ten dollars and upward shall be reissued in substitution therefor, with like qualities and restrictions as those retired and cancelled.

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III. ACTS RELATING TO UNITED STATES NOTES.

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The act of February 25th, 1862, authorised the issue of 150,000,000 United States notes, of which 50,000,000 were in lieu of an equal amount of demand notes and could be issued only as the demand notes were cancelled.

The Act of July 11th, 1862 authorised a second issue of 150,000,000, of which 50,000,000 were to be a temporary issue for the redemption of a debt known as the temporary loan.

The Act of March 8rd, 1863, authorised a third issue of 150,000,000.

The Act of April 12th, 1866 (suspended by the Act of February 4th, 1868), provided that United States notes might be retired to the extent of 10,000,000 during the ensuing six months, and that thereafter they might be retired at the rate of not more than 4,000,000 per month.

After the panic of 1873 the Government reissued 26,000,000 of the cancelled notes.

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ACT OF JANUARY 14TH, 1875.

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*Section 3.*—

And on and after the first day of January, anno Domini eighteen hundred and seventy-nine, the Secretary of the Treasury shall redeem in coin, the United States legal-tender notes then outstanding on their presentation for redemption, at the office of the Assistant Treasurer of the United States in the City of New York, in sums of not less than fifty dollars.

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ACT OF MAY 31ST, 1878.

*Be it enacted,* . . . That from and after the passage of this Act it shall not be lawful for the Secretary of the Treasury or other officer under him to cancel or retire any more of the United States legal-tender notes. And when any of said notes may be redeemed or be received into the Treasury under any law from any source whatever and shall belong to the United States, they shall not be retired, cancelled or destroyed but they shall be re-issued and paid out again and kept in circulation :

*Provided,* That nothing herein shall prohibit the cancellation and destruction of mutilated notes and the issue of other notes of like denomination in their stead, as now provided by law; All acts and parts of acts in conflict herewith are hereby repealed.

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ACT OF MARCH 14TH, 1900.

*Be it enacted* . . . That the dollar consisting of twenty-five and eight-tenths grains of gold nine-tenths fine, as established by section thirty-five hundred and eleven of the Revised Statutes of the United States, shall be the standard unit of value, and all forms of money issued or coined by the United States shall be maintained at a parity of value with this standard, and it shall be the duty of the Secretary of the Treasury to maintain such parity.

*Section 2.*—That United States notes, and Treasury notes issued under the Act of July fourteenth, eighteen hundred and ninety, when presented to the Treasury for redemption, shall be redeemed in gold coin of the standard fixed in the first section of this Act, and in order to secure the prompt and certain redemption of such notes as herein provided it shall be the duty of the Secretary of the Treasury to set apart in the Treasury a reserve fund of one hundred and fifty million dollars in gold coin and bullion, which fund shall be used for such redemption purposes only, and whenever and as often as any of said notes shall be redeemed from said fund it shall be the duty of the Secretary of the Treasury to use said notes so redeemed to restore and maintain such reserve fund in the manner following, to wit :

First, by exchanging the notes so redeemed for any gold coin in the general fund of the Treasury : secondly, by accepting deposits of gold coin at the Treasury or at any sub-treasury in exchange for the United States notes so redeemed; thirdly, by procuring gold coin by the use of said notes, in accordance with the provisions of section thirty-seven hundred of the Revised Statutes of the United States.

If the Secretary of the Treasury is unable to restore and maintain the gold coin in the reserve fund by the foregoing methods, and the amount of such gold coin and bullion in said fund shall at any time fall below one hundred million dollars, then it shall be his duty to restore the same to the maximum sum of one hundred and fifty million dollars by borrowing money on the credit of the United States, and for the debt thus incurred to issue and sell coupon or registered bonds of the United States, in such form as he may prescribe, in denominations of fifty dollars or any multiple thereof, bearing interest at the rate of not exceeding three per centum per annum, payable quarterly, such bonds to be payable at the pleasure of the United States after one year from the date of their issue, and to be payable, principal and interest in gold coin of the present standard value, and to be exempt from the payment of all taxes or duties of the United States, as well as from taxation in any form by or under State, municipal, or local authority; and the gold coin received from the sale of said bonds shall first be covered into the general fund of the Treasury and then exchanged, in the manner hereinbefore provided, for an equal amount of the notes redeemed and held for exchange, and the Secretary of the Treasury may, in his discretion, use said notes in exchange for gold, or to purchase or redeem any bonds of the United States, or for any other lawful purpose the public interests may require, except that they shall not be used to meet deficiencies in the current revenues.

That United States notes when redeemed in accordance with the provisions of this section shall be reissued, but shall be held in the reserve fund until exchanged for gold, as herein provided; and the gold coin and bullion in the reserve fund, together with the redeemed notes held for use as provided in this section, shall at no time exceed the maximum sum of one hundred and fifty million dollars.

*Section 3.*—That nothing contained in this Act shall be construed to affect the legal tender quality as now provided by law of the silver dollar, or of any other money coined or issued by the United States.

*Section 4.*—That there be established in the Treasury Department, as a part of the office of the Treasurer of the United States, divisions to be designated and known as the division of issue and the division of redemption, to which shall be assigned, respectively, under such regulations as the Secretary of the Treasury may approve, all records and accounts relating to the issue and redemption of United States notes, gold certificates, silver certificates, and currency certificates.

There shall be transferred from the accounts of the general fund of the Treasury of the United States, and taken up on the books of said divisions, respectively, accounts relating to the reserve fund for the redemption of United States notes and Treasury notes, the gold coin held against outstanding currency certificates and the silver dollars held against outstanding silver certificates, and each of the funds represented by these accounts shall be used for the redemption of the notes and certificates for which they are respectively pledged, and shall be used for no other purpose, the same being held as trust funds.

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ACT OF MAY 30TH, 1908.

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*Section 9.*— . . . . .

The taxes received on circulating notes secured otherwise than by bonds of the United States shall be paid into the Division of Redemption of the Treasury and credited and added to the reserve fund held for the redemption of United States and other notes.

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IV. ACTS RELATING TO TREASURY NOTES OF 1890.

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ACT OF JULY 14TH, 1890.

*Be it enacted* . . . . . That the Secretary of the Treasury is hereby directed to purchase, from time to time, silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month, at the market price thereof, not exceeding one dollar for three hundred and seventy-one and twenty-five hundredths grains of pure silver.

And to issue in payment for such purchases of silver bullion, Treasury notes of the United States to be prepared by the Secretary of the Treasury, in such form and of such denominations, not less than one dollar, nor more than one thousand dollars, as he may prescribe, and a sum sufficient to carry into effect the provisions of this act is hereby appropriated out of any money in the Treasury not otherwise appropriated.

**Section 2.**—That the Treasury notes issued in accordance with the provisions of this act shall be redeemable on demand, in coin, at the Treasury of the United States, or at the office of any Assistant Treasurer of the United States, and when so redeemed may be reissued;

But no greater or less amount of such notes shall be outstanding at any time than the cost of the silver bullion and the standard silver dollars coined therefrom, then held in the Treasury purchased by such notes :

And such Treasury notes shall be a legal tender in payment of all debts, public and private, except where otherwise expressly stipulated in the contract, and shall be receivable for Customs, taxes, and all public dues, and when so received may be reissued;

And such notes, when held by any national banking association, may be counted as a part of its lawful reserve.

That upon demand of the holder of any of the Treasury notes herein provided for, the Secretary of the Treasury shall, under such regulations as he may prescribe, redeem such notes in gold or silver coin, at his discretion.

It being the established policy of the United States to maintain the two metals on a parity with each other upon the present legal ratio, or such ratio as may be provided by law.

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ACT OF NOVEMBER 1ST, 1893.

*Be it enacted* . . . . . That so much of the Act approved July fourteenth, eighteen hundred and ninety, entitled "An act directing the purchase of (1) silver bullion and issue of Treasury notes thereon, and for other purposes", as directs the Secretary of the Treasury to purchase from time to time silver bullion to the aggregate amount of four million five hundred thousand ounces, or so much thereof as may be offered in each month at the market price thereof, not exceeding one dollar for three hundred and seventy-one and twenty-five one hundredths grains of pure silver, and to issue in payment for such purchases Treasury notes of the United States, be, and the same is hereby, repealed.

And it is hereby further declared to be the policy of the United States to continue the use of both gold and silver as standard money, and to coin both gold and silver into money of equal intrinsic and exchangeable value.

Such equality to be secured through international agreement, or by such safeguards of legislation as will insure the maintenance of the parity in value of the coins of the two metals, and the equal power of every dollar at all times in the markets and in the payment of debts.

And it is hereby further declared that the efforts of the Government should be steadily directed to the establishment of such a safe system of bi-metallism as will maintain at all times the equal power of every dollar coined or issued by the United States, in the markets and in the payment of debts. (November 1st, 1893.)

The Act of June 13th, 1898, provides that the Secretary of the Treasury shall coin into silver dollars, all of the silver bullion purchased under authority of the Act of July 14th, 1890.

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ACT OF MARCH 14TH, 1900.

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**Section 5.**—That it shall be the duty of the Secretary of the Treasury, as fast as standard silver dollars are coined under the provisions of the Acts of July fourteenth, eighteen hundred and ninety, and June thirteenth, eighteen hundred and ninetyeight, from bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, to retire and cancel an equal

amount of Treasury notes whenever received into the Treasury, either by exchange in accordance with the provisions of this Act or in the ordinary course of business, and upon the cancellation of Treasury notes silver certificates shall be issued against the silver dollars so coined.

. . . . .  
*Section 8.*—That the Secretary of the Treasury is hereby authorised to use, at his discretion, any silver bullion in the Treasury of the United States purchased under the Act of July fourteenth, eighteen hundred and ninety, for coinage into such denominations of subsidiary silver coin as may be necessary to meet the public requirements for such coin :

*Provided,* That the amount of subsidiary silver coin outstanding shall not at any time exceed in the aggregate one hundred millions of dollars.

Whenever any silver bullion purchased under the Act of July fourteenth, eighteen hundred and ninety, shall be used in the coinage of subsidiary silver coin, an amount of Treasury notes issued under said Act equal to the cost of the bullion contained in such coin shall be cancelled and not reissued.

(See also sections 1, 2, 3, and 4 of same Act included under “Acts Relating to United States Notes”.)

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## V. ACTS RELATING TO NATIONAL BANK-NOTES.

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The Act of February 25th, 1863, first authorised the issue of circulating notes by national banking associations. This Act was found to be defective and was suspended by the Act of June 3rd, 1864.

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### ACT OF JUNE 3RD, 1864.

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*Section 5159*<sup>1</sup>.—Every association, after having complied with the provisions of this Title, preliminary to the commencement of the banking business, and before it shall be authorised to commence banking business under this Title, shall transfer and deliver to the Treasurer of the United States any United States registered bonds, bearing interest, to an amount not less than thirty thousand dollars and not less than one-third of the capital stock paid in. Such bonds shall be received by the Treasurer upon deposit, and shall be by him safely kept in his office, until they shall be otherwise disposed of, in pursuance of the provisions of this Title.

*Section 5160*<sup>1</sup>.—The deposit of bonds made by each association shall be increased as its capital may be paid up or increased, so that every association shall at all times have on deposit with the Treasurer, registered United States bonds to the amount of at least one-third of its capital stock actually paid in. And any association that may desire to reduce its capital or to close up its business and dissolve its organisation, may take up its bonds upon returning to the Comptroller its circulating notes in the proportion hereinafter required, or may take up any excess of bonds beyond one-third of its capital stock, and upon which no circulating notes have been delivered.

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<sup>1</sup> Of the Revised Statutes of the United States.

**Section 5171**<sup>1</sup>.—Upon a deposit of bonds as prescribed by sections fifty-one hundred and fifty-nine, and fifty-one hundred and sixty, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered and countersigned as hereinafter provided, equal in amount to ninety per centum of the current market-value of the United States bonds so transferred and delivered, but not exceeding ninety per centum of the amount of the bonds at the par value thereof, if bearing interest at a rate not less than five per centum per annum; *Provided*, That the amount of circulating notes to be furnished to each association shall be in proportion to its paid-up capital, as follows, and no more :

1. To each association whose capital does not exceed five hundred thousand dollars, ninety per centum of such capital.
2. To each association whose capital exceeds five hundred thousand dollars, but does not exceed one million of dollars, eighty per centum of such capital.
3. To each association whose capital exceeds one million of dollars, but does not exceed three millions of dollars, seventy-five per centum of such capital.
4. To each association whose capital exceeds three millions of dollars, sixty per centum of such capital.

. . . . .

**Section 5182**<sup>1</sup>.—After any association receiving circulating notes under this Title has caused its promise to pay such notes on demand to be signed by the president or vice-president and cashier thereof, in such manner as to make them obligatory promissory notes, payable on demand, at its place of business, such association may issue and circulate the same as money. And the same shall be received at par in all parts of the United States in payment of taxes, excises, public lands, and all other dues to the United States, except duties on imports; and also for all salaries and other debts and demands owing by the United States to individuals, corporations, and associations within the United States, except interest on the public debt, and in redemption of the national currency.

**Section 5183**<sup>1</sup>.—No national banking association shall issue (post notes or) any other notes to circulate as money than such as are authorised by the provisions of this Title.

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ACT OF JUNE 20th, 1874.

*Be it enacted* . . . . That the Act entitled (1) “An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof”, approved June third, eighteen hundred and sixty-four, shall hereafter be known as “The National-Bank Act”.

**Section 2.**—That section thirty-one of the “The National-Bank Act” be so amended that the several associations therein provided for shall not hereafter be required to keep on hand any amount of money whatever, by reason of the amount of their respective circulations; but the moneys required by said section to be kept at all times on hand shall be determined by the amount of deposits in all respects, as provided for in the said section.

**Section 3.**—That every association organised, or to be organised, under the provisions of the said Act, and of the several Acts amendatory thereof, shall at all times keep and have on deposit in the Treasury of the United States, in lawful money of the United States, a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation;

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<sup>1</sup> Of the Revised Statutes of the United States.

which sum shall be counted as a part of its lawful reserve, as provided in section two of this Act;

And when the circulating notes of any such associations, assorted or unassorted, shall be presented for redemption, in sums of one thousand dollars, or any multiple thereof, to the Treasurer of the United States, the same shall be redeemed in United States notes. All notes so redeemed shall be charged by the Treasurer of the United States to the respective associations issuing the same, and he shall notify them severally, on the first day of each month, or oftener, at his discretion, of the amount of such redemptions : and whenever such redemptions for any association shall amount to the sum of five hundred dollars, such association so notified shall forthwith deposit with the Treasurer of the United States a sum in United States notes equal to the amount of its circulating notes so redeemed.

. . . . .  
*Section 4.*—That any association organised under this Act, or any of the Acts of which this is an amendment, desiring to withdraw its circulating notes in whole or in part, may, upon the deposit of lawful money with the Treasurer of the United States in sums of not less than nine thousand dollars, take up the bonds which said association has on deposit with the Treasurer for the security of such circulating notes; which bonds shall be assigned to the bank in the manner specified in the nineteenth section of the National Bank Act; and the outstanding notes of said association, to an amount equal to the legal tender notes deposited, shall be redeemed at the Treasury of the United States, and destroyed as now provided by law;

*Provided,* That the amount of the bonds on deposit for circulation shall not be reduced below fifty thousand dollars.

*Section 5.*—That the Comptroller of the Currency shall, under such rules and regulations as the Secretary of the Treasury may prescribe, cause the charter-numbers of the association to be printed upon all national bank-notes which may be hereafter issued by him.

*Section 6.*—That the amount of United States notes outstanding and to be used as a part of the circulating medium shall not exceed the sum of three hundred and eighty-two million dollars, which said sum shall appear in each monthly statement of the public debt, and no part thereof shall be held or used as a reserve.

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ACT OF JULY 12TH, 1882.

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*Section 8.*—That national banks now organised or hereafter organised, having a capital of one hundred and fifty thousand dollars, or less, shall not be required to keep on deposit or deposit with the Treasurer of the United States United States bonds in excess of one-fourth of their capital stock as security for their circulating notes; but such banks shall keep on deposit or deposit with the Treasurer of the United States the amount of bonds as herein required.

And such of those banks having on deposit bonds in excess of that amount are authorised to reduce their circulation by the deposit of lawful money as provided by law; *provided* That the amount of such circulating notes shall not in any case exceed ninety per centum of the par value of the bonds deposited as herein provided.

. . . . .



The Act of March 14th, 1900, fixed the tax on circulation secured by 2 per cent bonds at one-fourth of 1 per cent semi-annually and provided for the organisation of banks of not less than \$25,000 capital in places with population not in excess of 3,000. This Act increased the amount of circulation allowed from 90 per cent of par to par value of the bonds deposited, but did not modify the requirement that banks should deposit bonds for circulation.

The Federal Reserve Act provides that national banks thereafter organised shall not be required to deposit United States bonds as a condition precedent to being authorised to begin business.

It further stipulates that after two years from its passage and for twenty years thereafter any member bank desiring to retire the whole or any part of its circulation may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing the circulation to be retired<sup>1</sup>. Provision is made for the purchase by the Federal reserve banks of the bonds offered for sale by the national banks, the purchase money to be deposited in the Treasury for the redemption of the circulation to be retired.

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## VI. ACTS RELATING TO FEDERAL RESERVE NOTES.

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### THE FEDERAL RESERVE ACT (December 23rd, 1913) AS AMENDED.

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*Section 11.*—The Federal Reserve Board shall be authorised and empowered :  
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(c) To suspend for a period not exceeding thirty days, and from time to time to renew such suspension for periods not exceeding fifteen days, any reserve requirements specified in this Act : *Provided*, That it shall establish a graduated tax upon the amounts by which the reserve requirements of this Act may be permitted to fall below the level hereinafter specified : *And provided further*, That when the gold reserve held against Federal reserve notes falls below forty per centum, the Federal Reserve Board shall establish a graduated tax of not more than one per centum per annum upon such deficiency until the reserves fall to thirty-two and one-half per centum, and when said reserve falls below thirty-two and one-half per centum, a tax at the rate increasingly of not less than one and one-half per centum per annum upon each two and one-half per centum or fraction thereof that such reserve falls below thirty-two and one-half per centum. The tax shall be paid by the reserve bank, but the reserve bank shall add an amount equal to said tax to the rates of interest and discount fixed by the Federal Reserve Board.  
.....

*Section 13.*—Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks, and drafts, payable upon presentation, and also, for collection, maturing notes and bills; or, solely for purposes of exchange or of collection, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks upon other Federal reserve banks, and checks and drafts, payable upon presentation within its district,

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<sup>1</sup> See under "Acts Relating to Federal Reserve Bank-Notes", Federal Reserve Act, Section 18.

and maturing notes and bills payable within its district; or, solely for the purposes of exchange or of collection, may receive from any nonmember bank or trust company deposits of current funds in lawful money, national-bank notes, Federal reserve notes, checks and drafts payable upon presentation, or maturing notes and bills: *Provided*, Such nonmember bank or trust company maintains with the Federal reserve bank of its district a balance sufficient to offset the items in transit held for its account by the Federal reserve bank: *Provided, further*, That nothing in this or any other section of this act shall be construed as prohibiting a member or nonmember bank from making reasonable charges, to be determined and regulated by the Federal Reserve Board, but in no case to exceed 10 cents per \$100 or fraction thereof, based on the total of checks and drafts presented at any one time, for collection or payment of checks and drafts and remission therefor by exchange or otherwise; but no such charges shall be made against the Federal reserve banks.

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this Act. Nothing in this Act contained shall be construed to prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise from being eligible for such discount, and the notes, drafts, and bills of exchange of factors issued as such making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities, except bonds and notes of the Government of the United States. Notes, drafts, and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 90 days, exclusive of grace.

Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, and subject to regulations and limitations to be prescribed by the Federal Reserve Board, any Federal reserve bank may discount or purchase bills of exchange payable at sight or on demand which are drawn to finance the domestic shipment of nonperishable, readily marketable staple agricultural products and are secured by bills of lading or other shipping documents conveying or securing title to such staples: *Provided*, That all such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made with reasonable promptness after the arrival of such staples at their destination: *Provided, further*, That no such bill shall in any event be held by or for the account of a Federal reserve bank for a period in excess of 90 days. In discounting such bills Federal reserve banks may compute the interest to be deducted on the basis of the estimated life of each bill and adjust the discount after payment of such bills to conform to the actual life thereof.

The aggregate of such notes, drafts, and bills bearing the signature or indorsement of any one borrower, whether a person, company, firm, or corporation, rediscounted for any one bank shall at no time exceed ten per centum of the unimpaired capital and surplus of said bank; but this restriction shall not apply to the discount of bills of exchange drawn in good faith against actually existing values.

Any Federal reserve bank may discount acceptances of the kinds hereinafter described, which have a maturity at the time of discount of not more than 90 days' sight, exclusive of days of grace, and which are indorsed by at least one member bank: *Provided*, That such acceptances if drawn for an agricultural purpose and secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than six months' sight exclusive of days of grace.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than six months' sight to run, exclusive of days of grace, which grow out of transactions involving the importation or exportation of goods; or which grow out of transactions involving the domestic shipment of goods provided shipping documents conveying or securing title are attached at the time of acceptance; or which are secured at the time of acceptance by a warehouse receipt or

other such document conveying or securing title covering readily marketable staples. No member bank shall accept, whether in a foreign or domestic transaction, for any one person, company, firm, or corporation to an amount equal at any time in the aggregate to more than ten per centum of its paid-up and unimpaired capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance; and no bank shall accept such bills to an amount equal at any time in the aggregate to more than one-half of its paid-up and unimpaired capital stock and surplus: *Provided, however,* That the Federal Reserve Board, under such general regulations as it may prescribe, which shall apply to all banks alike regardless of the amount of capital stock and surplus, may authorize any member bank to accept such bills to an amount not exceeding at any time in the aggregate one hundred per centum of its paid-up and unimpaired capital stock and surplus: *Provided, further,* That the aggregate of acceptances growing out of domestic transactions shall in no event exceed fifty per centum of such capital stock and surplus.

Any Federal reserve bank may make advances to its member banks on their promissory notes for a period not exceeding fifteen days at rates to be established by such Federal reserve banks, subject to the review and determination of the Federal Reserve Board, provided such promissory notes are secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for rediscount or for purchase by Federal reserve banks under the provisions of this Act, or by the deposit or pledge of bonds or notes of the United States.

Section fifty-two hundred and two of the Revised Statutes of the United States is hereby amended so as to read as follows: "No national banking association shall at any time be indebted, or in any way liable, to an amount exceeding the amount of its capital stock at such time actually paid in and remaining undiminished by losses or otherwise, except on account of demands of the nature following:

First. Notes of circulation.

Second. Moneys deposited with or collected by the association.

Third. Bills of exchange or drafts drawn against money actually on deposit to the credit of the association, or due thereto.

Fourth. Liabilities to the stockholders of the association for dividends and reserve profits.

Fifth. Liabilities incurred under the provisions of the Federal Reserve Act.

Sixth. Liabilities incurred under the provisions of the War Finance Corporation Act.

Seventh. Liabilities created by the indorsement of accepted bills of exchange payable abroad actually owned by the indorsing bank and discounted at home or abroad.

Eighth. Liabilities incurred under the provisions of section 202 of Title II of the Federal Farm Loan Act, approved July 17, 1916, as amended by the Agricultural Credits Act of 1923.

The discount and rediscount and the purchase and sale by any Federal reserve bank of any bills receivable and of domestic and foreign bills of exchange, and of acceptances authorized by this Act, shall be subject to such restrictions, limitations, and regulations as may be imposed by the Federal Reserve Board.

That in addition to the powers now vested by law in national banking associations organized under the laws of the United States any such association located and doing business in any place the population of which does not exceed five thousand inhabitants, as shown by the last preceding decennial census, may, under such rules and regulations as may be prescribed by the Comptroller of the Currency, act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company; and may receive for services so rendered such fees or commissions as may be agreed upon between the said association and the insurance company for which it may act as agent; and may also act as the broker or agent for others in making or procuring loans on real estate located within one hundred miles of the place in which said bank may be located, receiving for such services a reasonable fee or commission: *Provided, however,* That no such bank shall in any case guarantee either the principal or interest of any such loans or assume or guarantee the payment of any premium on insurance policies issued through its agency by its principal: *And provided further,* That the bank shall not guarantee the truth of any statement made by an assured in filing his application for insurance.

Any member bank may accept drafts or bills of exchange drawn upon it having not more than three months' sight to run, exclusive of days of grace, drawn under regulations to be prescribed by the Federal Reserve Board by banks or bankers in foreign countries or dependencies or

insular possessions of the United States for the purpose of furnishing dollar exchange as required by the usages of trade in the respective countries, dependencies, or insular possessions. Such drafts or bills may be acquired by Federal reserve banks in such amounts and subject to such regulations, restrictions, and limitations as may be prescribed by the Federal Reserve Board: *Provided, however,* That no member bank shall accept such drafts or bills of exchange referred to this paragraph for any one bank to an amount exceeding in the aggregate ten per centum of the paid-up and unimpaired capital and surplus of the accepting bank unless the draft or bill of exchange is accompanied by documents conveying or securing title or by some other adequate security: *Provided further,* That no member bank shall accept such drafts or bills in an amount exceeding at any time the aggregate of one-half of its paid-up and unimpaired capital and surplus.

**Section 13a.**—Upon the indorsement of any of its member banks, which shall be deemed a waiver of demand, notice, and protest by such bank as to its own indorsement exclusively, any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, discount notes, drafts, and bills of exchange issued or drawn for an agricultural purpose, or based upon live stock, and having a maturity, at the time of discount, exclusive of days of grace, not exceeding nine months, and such notes, drafts, and bills of exchange may be offered as collateral security for the issuance of Federal reserve notes under the provisions of section 16 of this Act: *Provided,* That notes, drafts, and bills of exchange with maturities in excess of six months shall not be eligible as a basis for the issuance of Federal reserve notes unless secured by warehouse receipts or other such negotiable documents conveying or securing title to readily marketable staple agricultural products or by chattel mortgage upon live stock which is being fattened for market.

That any Federal reserve bank may, subject to regulations and limitations to be prescribed by the Federal Reserve Board, rediscount such notes, drafts, and bills for any Federal Intermediate Credit Bank, except that no Federal reserve bank shall rediscount for a Federal Intermediate Credit Bank any such note or obligation which bears the indorsement of a nonmember State bank or trust company which is eligible for membership in the Federal reserve system, in accordance with section 9 of this Act.

Any Federal reserve bank may also buy and sell debentures and other such obligations issued by a Federal Intermediate Credit Bank or by a National Agricultural Credit Corporation, but only to the same extent as and subject to the same limitations as those upon which it may buy and sell bonds issued under Title I of the Federal Farm Loan Act.

Notes, drafts, bills of exchange or acceptances issued or drawn by co-operative marketing associations composed of producers of agricultural products shall be deemed to have been issued or drawn for an agricultural purpose, within the meaning of this section, if the proceeds thereof have been or are to be advanced by such association to any members thereof for an agricultural purpose, or have been or are to be used by such association in making payments to any members thereof on account of agricultural products delivered by such members to the association, or if such proceeds have been or are to be used by such association to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members: *Provided,* That the express enumeration in this paragraph of certain classes of paper of co-operative marketing associations as eligible for rediscount shall not be construed as rendering ineligible any other class of paper of such associations which is now eligible for rediscount.

The Federal Reserve Board may, by regulation, limit to a percentage of the assets of a Federal reserve bank the amount of notes, drafts, acceptances, or bills having a maturity in excess of three months, but not exceeding six months, exclusive of days of grace, which may be discounted by such bank, and the amount of notes, drafts, bills, or acceptances having a maturity in excess of six months, but not exceeding nine months, which may be rediscounted by such bank.

**Section 14.**—Any Federal reserve bank may, under rules and regulations prescribed by the Federal Reserve Board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals, cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this Act made eligible for rediscount, with or without the indorsement of a member bank.

Every Federal reserve bank shall have power :

(a) To deal in gold coin and bullion at home or abroad, to make loans thereon, exchange Federal reserve notes for gold, gold coin, or gold certificates, and to contract for loans of gold coin or bullion, giving therefor, when necessary, acceptable security, including the hypothecation of United States bonds or other securities which Federal reserve banks are authorized to hold;

(b) To buy and sell, at home or abroad, bonds and notes of the United States, and bills, notes, revenue bonds, and warrants with a maturity from date of purchase of not exceeding six months, issued in anticipation of the collection of taxes or in anticipation of the receipt of assured revenues by any State, county, district, political subdivision, or municipality in the continental United States, including irrigation, drainage and reclamation districts, such purchases to be made in accordance with rules and regulations prescribed by the Federal Reserve Board;

(c) To purchase from member banks and to sell, with or without its indorsement, bills of exchange arising out of commercial transactions, as hereinbefore defined;

(d) To establish from time to time, subject to review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business;

(e) To establish accounts with other Federal reserve banks for exchange purposes and, with the consent or upon the order and direction of the Federal Reserve Board and under regulations to be prescribed by said board, to open and maintain accounts in foreign countries, appoint correspondents, and establish agencies in such countries wheresoever it may be deemed best for the purpose of purchasing, selling, and collecting bills of exchange, and to buy and sell, with or without its indorsement, through such correspondents or agencies, bills of exchange (or acceptances) arising out of actual commercial transactions which have not more than ninety days to run, exclusive of days of grace, and which bear the signature of two or more responsible parties, and, with the consent of the Federal Reserve Board, to open and maintain banking accounts for such foreign correspondents or agencies. Whenever any such account has been opened or agency or correspondent has been appointed by a Federal reserve bank, with the consent of or under the order and direction of the Federal Reserve Board, any other Federal reserve bank may, with the consent and approval of the Federal Reserve Board, be permitted to carry on or conduct, through the Federal reserve bank opening such account or appointing such agency or correspondent, any transaction authorized by this section under rules and regulations to be prescribed by the board.

(f) To purchase and sell in the open market, either from or to domestic banks, firms, corporations, or individuals, acceptances of Federal Intermediate Credit Banks and of National Agricultural Credit Corporations, whenever the Federal Reserve Board shall declare that the public interest so requires.

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**Section 16.**—Federal reserve notes, to be issued at the discretion of the Federal Reserve Board for the purpose of making advances to Federal reserve banks through the Federal reserve agents as hereinafter set forth and for no other purpose, are hereby authorized. The said notes shall be obligations of the United States and shall be receivable by all national and member banks and Federal reserve banks and for all taxes, customs, and other public dues. They shall be redeemed in gold on demand at the Treasury Department of the United States, in the city of Washington, District of Columbia, or in gold or lawful money at any Federal reserve bank.

Any Federal reserve bank may make application to the local Federal reserve agent for such amount of the Federal reserve notes hereinbefore provided for as it may require. Such application shall be accompanied with a tender to the local Federal reserve agent of collateral in amount equal to the sum of the Federal reserve notes thus applied for and issued pursuant to such application. The collateral security thus offered shall be notes, drafts, bills of exchange, or acceptances acquired under the provisions of section thirteen of this act, or bills of exchange indorsed by a member bank of any Federal reserve district and purchased under the provisions of section fourteen of this act, or bankers' acceptances purchased under the provisions of said section fourteen, or gold or gold certificates; but in no event shall such collateral security, whether

gold, gold certificates, or eligible paper, be less than the amount of Federal reserve notes applied for. The said Federal Reserve Board may at any time call upon a Federal reserve bank for additional security to protect the Federal reserve notes issued to it.

Every Federal reserve bank shall maintain reserves in gold or lawful money of not less than thirty-five per centum against its deposits, and reserves in gold of not less than forty per centum against its Federal reserve notes in actual circulation : *Provided, however,* That when the Federal reserve agent holds gold or gold certificates as collateral for Federal reserve notes issued to the bank such gold or gold certificates shall be counted as part of the gold reserve which such bank is required to maintain against its Federal reserve notes in actual circulation. Notes so paid out shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Federal Reserve Board to each Federal reserve bank. Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank, they shall be promptly returned for credit or redemption to the Federal reserve bank through which they were originally issued or, upon direction of such Federal reserve bank, they shall be forwarded direct to the Treasurer of the United States to be retired. No Federal reserve bank shall pay out notes issued through another under penalty of a tax of ten per centum upon the face value of notes so paid out. Notes presented for redemption at the Treasury of the United States shall be paid out of the redemption fund and returned to the Federal reserve banks through which they were originally issued, and thereupon such Federal reserve bank shall, upon demand of the Secretary of the Treasury, reimburse such redemption fund in lawful money or, if such Federal reserve notes have been redeemed by the Treasurer in gold or gold certificates, then such funds shall be reimbursed to the extent deemed necessary by the Secretary of the Treasury in gold or gold certificates, and such Federal reserve bank shall, so long as any of its Federal reserve notes remain outstanding, maintain with the Treasurer in gold an amount sufficient in the judgment of the Secretary to provide for all redemptions to be made by the Treasurer. Federal reserve notes received by the Treasurer otherwise than for redemption may be exchanged for gold out of the redemption fund hereinafter provided and returned to the reserve bank through which they were originally issued, or they may be returned to such bank for the credit of the United States. Federal reserve notes unfit for circulation shall be returned by the Federal reserve agents to the Comptroller of the Currency for cancellation and destruction.

The Federal Reserve Board shall require each Federal reserve bank to maintain on deposit in the Treasury of the United States a sum in gold sufficient in the judgment of the Secretary of the Treasury for the redemption of the Federal reserve notes issued to such bank, but in no event less than five per centum of the total amount of notes issued less the amount of gold or gold certificates held by the Federal reserve agent as collateral security; but such deposit of gold shall be counted and included as part of the forty per centum reserve hereinbefore required. The board shall have the right, acting through the Federal reserve agent, to grant in whole or in part, or to reject entirely the application of any Federal reserve bank for Federal reserve notes; but to the extent that such application may be granted the Federal Reserve Board shall, through its local Federal reserve agent, supply Federal reserve notes to the banks so applying, and such bank shall be charged with the amount of notes issued to it and shall pay such rate of interest as may be established by the Federal Reserve Board on only that amount of such notes which equals the total amount of its outstanding Federal reserve notes less the amount of gold or gold certificates held by the Federal reserve agent as collateral security. Federal reserve notes issued to any such bank shall, upon delivery, together with such notes of such Federal reserve bank as may be issued under section eighteen of this Act upon security of United States two per centum Government bonds, become a first and paramount lien on all the assets of such bank.

Any Federal reserve bank may at any time reduce its liability for outstanding Federal reserve notes by depositing with the Federal reserve agent its Federal reserve notes, gold, gold certificates, or lawful money of the United States. Federal reserve notes so deposited shall not be reissued, except upon compliance with the conditions of an original issue.

The Federal reserve agent shall hold such gold, gold certificates, or lawful money available exclusively for exchange for the outstanding Federal reserve notes when offered by the reserve bank of which he is a director. Upon the request of the Secretary of the Treasury the Federal Reserve Board shall require the Federal reserve agent to transmit to the Treasurer of the United States so much of the gold held by him as collateral security for Federal reserve notes as may

be required for the exclusive purpose of the redemption of such Federal reserve notes, but such gold when deposited with the Treasurer shall be counted and considered as if collateral security on deposit with the Federal reserve agent.

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VII. ACTS RELATING TO FEDERAL RESERVE BANK-NOTES.

THE FEDERAL RESERVE ACT (December 23rd, 1913).

*Section 4.*—Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate, and as such, and in the name designated in such organisation certificate, shall have power—

. . . . .

8. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law as relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege, except that the issue of such notes shall not be limited to the capital stock of such Federal reserve bank.

. . . . .

*Section 18.*—After two years from the passage of this Act, and at any time during a period of twenty years thereafter, any member bank desiring to retire the whole or any part of its circulating notes, may file with the Treasurer of the United States an application to sell for its account, at par and accrued interest, United States bonds securing circulation to be retired.

The Treasurer shall, at the end of each quarterly period, furnish the Federal Reserve Board with a list of such applications, and the Federal Reserve Board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least ten days before the end of any quarterly period at which the Federal Reserve Board may direct the purchase to be made : *Provided*, That Federal reserve banks shall not be permitted to purchase an amount to exceed \$25,000,000 of such bonds in any one year, and which amount shall include bonds acquired under section four of this Act by the Federal reserve bank.

*Provided further*, That the Federal Reserve Board shall allot to each Federal reserve bank such proportion of such bonds as the capital and surplus of such bank shall bear to the aggregate capital and surplus of all the Federal reserve banks.

Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall, thereupon, deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem

its outstanding notes secured by such bonds, which notes shall be cancelled and permanently retired when redeemed.

The Federal reserve banks purchasing such bonds shall be permitted to take out an amount of circulating notes equal to the par value of such bonds.

Upon the deposit with the Treasurer of the United States of bonds so purchased, or any bonds with the circulating privilege acquired under section four of this Act, any Federal reserve bank making such deposit in the manner provided by existing law, shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring the same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national bank-notes now provided by law. They shall be issued and redeemed under the same terms and conditions as national bank-notes except that they shall not be limited to the amount of the capital stock of the Federal reserve bank issuing them.

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URUGUAY.

[Translation.]

CHARTER OF THE BANCO DE LA REPUBLICA ORIENTAL DEL URUGUAY,  
PROMULGATED JULY 17TH, 1911.

Article 10.

The Bank shall enjoy the exclusive right to issue notes within the following limits :

Up to 50 % of its paid-up capital in notes of less than ten pesos, convertible at its option into silver or gold coin;

Up to three times the amount of that capital in notes of ten pesos and over, payable in gold to bearer and at sight, the Bank being at all times obliged to hold in its vaults a gold reserve amounting to not less than 40 % of its note circulation, plus its sight deposits.<sup>1</sup>

LAW OF AUGUST 8TH, 1914.

Article 2.

The Bank of the Republic is authorised not to convert its notes in coin for a period of six months, dating from the promulgation of the present law.

Article 10.

It is prohibited to export, re-embark or tranship coal, or gold in the form of coin or bars. The Federal Executive is authorised to determine the cases in which exceptions shall be allowed, among which shall be included the fuelling of ships. This provision shall have retroactive force.

<sup>1</sup> Article 1 of the Law of November 27th, 1917, changed the words "sight deposits" to "other sight liabilities".

LAW OF DECEMBER 17TH, 1923.

.....

*Article 2.*

The existing regime, whereby the Bank of the Republic is authorised not to convert its notes, shall be continued until the promulgation of a further legislative measure. The prohibition to export gold shall be maintained on the same conditions, the Executive being authorised to determine the cases in which exceptions shall be allowed.<sup>1</sup>

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LAW OF OCTOBER 18TH, 1928.

*Article 1.*

The Bank of the Republic shall be free to make such use of its reserve of gold coin exceeding the sum of fifty-five million pesos (\$55,000,000) as it thinks fit, the prohibition contained in Article 2 of the Law of December 17th, 1923, being abrogated in so far as this surplus is concerned.

*Article 2.*

The gold deposits abroad of the Bank of Uruguay shall form an integral part of its gold reserve and their value shall be taken into account for the purposes of Article 10 of the Organic Statute.

*Article 3.*

The Bank shall be authorised to issue notes of ten pesos and over corresponding to the value of its gold deposits abroad up to a maximum of fifteen million pesos.

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<sup>1</sup> The inconvertibility of the notes of the Bank of the Republic and the prohibition to export gold, which were first enacted by the Law of August 8th, 1914, were prolonged to December 17th, 1923; by the Law of February 2nd, 1915 : Articles 2 and 8; the Law of January 14th, 1916 : Article 2; the Law of November 27th, 1917 : Article 2; the Law of April 7th, 1920 : Articles 1 and 2; the Law of December 17th, 1920 : Article 3; the Law of November 11th, 1921 : Article 3; and the Law of October 16th, 1922 : Article 3.

VENEZUELA.

[Translation.]

CURRENCY LAW OF JUNE 24TH, 1918 (LAW No. 12730).

Article 1.

The minting of money shall be reserved for the Nation.

Article 2.

The monetary unit of the United States of Venezuela shall be the gold bolivar, which is equivalent to two hundred and ninety thousand three hundred and twenty-three millionths of a gramme (0.290323 gramme) of fine gold, and shall be regarded as divided into one hundred equal parts or centesimos.

Article 3.

The United States of Venezuela shall mint gold, silver and nickel coins.

Article 4.

The gold standard shall be nine hundred-thousandths; there shall be two standards for silver, one of nine hundred thousandths and the other of eight hundred and thirty-five thousandths.

Article 5.

The gold coins shall be as follows :

Pieces of one hundred bolivars, weighing thirty-two grammes twenty-five thousand eight hundred and six hundred-thousandths (32.25806 grammes) and having a diameter of thirty-five millimetres.

Pieces of twenty bolivars, weighing six grammes forty-five thousand one hundred and sixty-one hundred-thousandths (6.45161 grammes) and having a diameter of twenty-one millimetres.

Pieces of ten bolivars, weighing three grammes twenty-two thousand five hundred and eighty hundred-thousandths (3.22580 grammes) and having a diameter of nineteen millimetres.

. . . . .

Article 14.

Orders for the minting or re-minting of currency shall be issued by the Federal Executive in accordance with the requirements of the circulation and subject to the previous authorisation of the National Congress, specifying the quantity to be minted or re-minted.

Article 15.

No minting of silver shall be allowed unless the same decree provides that double the quantity of gold shall also be minted; if, however, at the time the silver is minted there is twice the quantity in minted gold in the Treasury reserve fund, the Federal Executive may only mint the quantity of silver authorised by the National Congress.

. . . . .

*Article 20.*

Foreign gold coin will have legal currency for a value determined by the Federal Executive in accordance with its fine gold content.

*Article 21.*

The Federal Executive will lay down the methods which he considers proper for verifying the authenticity of foreign gold coin permitted to circulate with legal currency.

*Article 23.*

It is prohibited to import and put into circulation foreign coins other than those of gold.

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**BANK LAW OF JULY 19TH, 1926 (LAW No. 15628).**

**CHAPTER III.—BANKS OF ISSUE.**

*Article 20.*

The right to authorise the issue of notes with a free circulation and covered by sufficient security to guarantee their repayment at par to the bearer on demand shall be reserved to the Nation, which may entrust the corresponding right of issue to national companies under the conditions laid down by this Law.

*Article 21.*

Banks desirous of obtaining the right to issue notes must make a request to this effect to the Federal Executive through the Ministry of Commerce, and fulfil the following requirements :

1. The bank must have been constituted in Venezuela in accordance with Venezuelan laws and must have its head office in the country.
2. The capital with which the bank has been constituted must be gold coin of legal currency.
3. It must present to the Ministry of Commerce a complete copy of its articles of association, together with a copy of the entry in the commercial register and of other documents relating to its constitution.
4. The entry in the commercial register must specify :
  - (a) The title adopted by the bank, its trading name and signature;
  - (b) Its capital;
  - (c) The method and date by which this capital is to be paid up;
  - (d) The branches of business to be undertaken by the bank;
  - (e) Its domicile;
  - (f) The period for which it has been constituted.
5. The bank must also submit to the Ministry of Commerce a duly authorised copy of its statutes, which must be approved by the Federal Executive.

*Article 22.*

After these documents have been examined and the statutes approved, the Federal Executive shall decide whether the bank shall or shall not be granted the right to issue notes; if this right is granted, the bank shall receive a written authorisation signed by the Minister of Commerce. When granting this authorisation the Federal Executive may, if he considers it expedient in the national interest, fix a lower limit for the issue of notes than that stipulated in Article 26 of this Law.

*Article 23.*

The authorisation granted in accordance with the preceding Article may be suspended or cancelled by the Federal Executive by a resolution of the Cabinet, if it be proven that the bank has engaged in illicit transactions, and also in cases of infringement of the present Law involving the suspension or cancellation of the said authorisation.

*Sub-Paragraph.*—The Federal Executive may likewise declare, when he considers it expedient in the national interest, that no further authorisation to issue notes shall be granted for a given period.

*Article 25.--*

Any alteration whatsoever in the articles of association of a Bank of Issue as well as any modification of its statutes shall necessitate the procuring of a new authorisation to issue notes in conformity with Article 21 of this Law.

In this case, the Federal Executive, if he considers it necessary, may fix a limit to the total issue, in conformity with the stipulations of Article 22.

*Article 26.*

The Banks of Issue may be authorised to issue notes up to twice the amount of their paid-up capital. The total value of the notes issued must be covered by a reserve in coin of legal currency held in the vaults of the Bank and by the Bank's assets payable in the country at sight or within 30 days; but in any case the reserve of gold coinage held in the vaults of the Banks must represent at least one-third of the value of the notes issued. This reserve may be reduced in proportion to the amount represented by notes which are not in circulation, provided such notes are kept with the gold reserve referred to above. When the national interest requires it, the Federal Executive may fix a reserve ratio greater than that stipulated in the present Article as guarantee for the issue; in which case he shall fix a sufficient period to allow the Banks to comply with the new regulation.

*Article 27.*

The Federal Executive, when he considers that the needs of the currency circulation require it, may authorise the Banks of Issue to issue notes up to three times their paid-up capital; but the notes issued in excess of the limit fixed in the previous Article must be represented by their equivalent in gold coin of legal currency held in the vaults of the Banks.

This authorisation may be cancelled at any time by the Federal Executive, and, in the case of cancellation, the notes issued in excess of the limit fixed must be withdrawn within three months.

*Article 28.*

The notes issued shall represent the gold value of the national currency and its multiples, but shall in no case represent less than 10 or more than 1,000 bolivars.

*Article 29.*

Bank-notes shall not have compulsory currency. The Banks of Issue shall be obliged to receive their own notes in payment at their principal offices and at any of their branches at which such notes may be presented. They shall also be obliged to convert into coinage of legal currency the notes presented to them for exchange at their principal offices. To this end the Banks of Issue must keep their counters open at least four hours a day for the exchange of notes and other cash operations.

The Federal Executive shall determine, in proportion to the size of the agencies or branches of each Bank, the maximum quantity of notes which each of such agencies or branches shall be obliged to exchange for legal currency on presentation. When a quantity greater than this maximum is presented, the agency shall be given sufficient time to obtain the necessary funds from the principal office.

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*Article 34.*

In the case of the liquidation of a Bank of Issue, its debts shall be paid in the following order :

- (1) Mortgage debts and preferential creditors in the order and with the priority established by law;
- (2) National Treasury claims;
- (3) The amount of its notes in circulation;
- (4) The amount of its loans outstanding;
- (5) Other liabilities in the order established by law.

*Article 35.*

If a Bank of Issue loses one-half of its capital it shall at once go into liquidation, unless the partners or shareholders reconstitute the original capital. Creditors may not utilise the amounts owing to them by the bank to make up the capital for the reorganisation of the institute. In calculating the capital in such a case, overdue claims shall not be included in the bank's assets.

*Article 36.*

Bank-notes are not subject to cancellation so long as the bank continues in business. Should the Bank of Issue go into liquidation or the authorisation granted to the bank to issue notes be suspended or cancelled, the notes in circulation shall be called in within a period of five years. After this period has expired, holders of notes who have not presented them for conversion shall forfeit their right and the sum corresponding to the value of these notes shall be paid to the offices of the National Treasury, to be credited to the public funds.

*Sub-paragraph.*—Should the liquidation of the bank be completed, or should it cease operations for some other reason, before the expiry of the term of five years fixed for the calling-in of the notes, the bank shall appoint, with the approval of the Ministry of Commerce, and shall make known through the Press, a bank or commercial firm to which holders of notes must apply to have them exchanged; it shall deliver to the said establishment a detailed list of notes still in circulation and shall provide the necessary funds for their repayment. The funds remaining at the end of the five years shall be remitted to the National Treasury.

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YUGOSLAVIA.

[Translation.]

STATUTES OF THE NATIONAL BANK.

Article 19.

In virtue of Article 11 of the National Bank Law, the National Bank shall undertake only the following operations :

1. Discounting and rediscounting of bills of exchange bearing at least two reliable signatures and of not more than three months' term; public warrants of the country; State Treasury bonds and coupons of State bonds on the conditions laid down in the present Statutes; purchase and sale of bills of exchange and cheques drawn on places abroad.
2. Purchase and sale of gold and silver.
3. Loans against security :
  - (a) Of gold and silver;
  - (b) Of any State obligations whatever (bonds, lottery bonds, Treasury bills, etc.) as well as of bonds, shares and pledges guaranteed by the State, pledges and communal bonds of credit institutions and of business concerns generally, recognised as trustee securities. The term of such loans shall not exceed three months.
4. Issue of short-term drafts on sums deposited in gold specie or banknotes for Customs payments and other State contributions.
5. Acceptance of money and other valuables on ordinary deposit terms.
6. Acceptance of money and other valuables in current account against issue of cash orders, credits or cheques.
7. Opening of transfer accounts.
8. Collections, payments against cover previously deposited, and banking operations on commission.
9. The service of subscriptions to loans for account of the State and local government authorities and for the industrial and trading concerns of the country.
10. Loans secured by the bonds of the Union of Agricultural Co-operative Societies, and acceptance for rediscount of bills of exchange of the Union of Artisans' Co-operative Societies.
11. Collection from our emigrants of stable currency and the use thereof for the advantage of the country's monetary circulation.
12. The gratuitous discharge of the functions of State cashier on terms agreed between the Bank and the State.

Article 29.

The National Bank shall have the sole right to issue banknotes. The type of note to be issued and the mode of supervision of its manufacture shall be fixed by the Board of Directors in agreement with the Minister of Commerce and Industry and the Minister of Finance.

*Article 30.*

The National Bank is required to redeem its notes on presentation in legal-tender currency. This obligation on the part of the Bank shall be printed on all banknotes. Payment may be postponed at branch offices until the receipt of specie from the head office. The Bank is required to exchange notes of one type against notes of another type.

*Article 31.*

The Bank may temporarily suspend payment of its notes, but only in exceptional cases, in conjunction with and acting on the decision of the Cabinet.

*Article 32.*

Banknotes in circulation must be covered by a gold and silver reserve and by other commercial and financial securities readily convertible into cash. Commercial and financial securities shall be deemed to be those obtained as a result of transactions referred to in Article 19 of the present Statutes, and bills of exchange of the Union of Agricultural Co-operative Societies and of the Union of Peasants' Co-operative Societies (Zadrugas).

*Article 33.*

The metallic reserve of the National Bank shall comprise the gold and silver specie in its vaults, together with that held for its account abroad. The amount of each of these and their relative proportions in the metallic reserve shall be fixed in due course by common agreement between the Minister of Commerce and Industry, the Minister of Finance and the National Bank.

*Article 34.*

The National Bank may put into circulation as its normal note issue up to a maximum of three times what it holds in the metallic reserve.

.....

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LAW ON THE NATIONAL BANK.

.....

*Temporary Provision IV.*

The amount of currency notes put into circulation in exchange for crown notes shall be shown in the Bank's books as "crown notes States debt, free of interest".

The State must guarantee this debt as follows :

1. By part of the State domains equal in value to the total debt.
2. By a Treasury bond for the same amount issued by the Chief State Treasury Office.

Should the State guarantee this debt wholly or in part by the deposit, in agreement with the Bank, of other securities, the Bank must release the State domains from the charge corresponding to such securities.

The amount of currency notes issued for exchange of crown notes shall not be included in the Bank's statutory circulation.

.....



*Temporary Provision VII.*

The whole fiduciary circulation of the Bank shall be covered by the total metallic reserve together with foreign credits and other assets of the Bank.

*Temporary Provision VIII.*

The State's "temporary exchange" account with the National Bank of the Kingdom of Serbia shall be transferred as it stands to the books of the National Bank of the Kingdom of Yugoslavia.

The State debt on this account shall not be included in the statutory circulation.

*Temporary Provision IX.*

The State undertakes to keep the gold and foreign credits balance of the "temporary exchange" account, amounting to 300 million dinars, at the same figure so long as cash payment is suspended.

*Temporary Provision X.*

In view of the extraordinary requirements due partly to the war and partly to matters connected with the organisation of the new Kingdom—requirements which in the nature of things cannot be met out of normal resources—the National Bank shall open, in favour of the Minister of Finance, an extraordinary credit amounting to 500 million dinars in exchange for Treasury bonds.

In addition to the above-mentioned extraordinary credit, the National Bank shall open, in favour of the Minister of Finance, a further extraordinary credit of 1,500 million dinars.

Over and above the temporary exchange unsecured, 425,921,526.65 dinars shall be transferred to the same account, being the amount expended by the Minister of Finance from the deposit of crown-dinar notes in addition to the amount issued for redemption of crown notes.

The State undertakes to repay the National Bank the debt represented by this extraordinary credit within a period of ten years.

The currency notes issued on the basis of the above credit shall not be included in the Bank's statutory circulation, and the provisions of Article III of the Temporary Provisions shall apply to the cost of manufacturing such notes.

The State undertakes to guarantee the total amount of its debt arising out of the above-mentioned credit by a lien on its productive domains.

The aforesaid extraordinary credits constitute a State debt free of interest (Modif. 9. XII. 1920).

.....

*Temporary Provision XII.*

The exchange of currency notes of the National Bank of the Kingdom of Yugoslavia for coin of legal tender is suspended. Exchange of notes will be resumed as soon as general economic and financial circumstances in the country and the State of the Bank's gold reserve permit, subject to prior agreement between the Royal Government and the National Bank, and after legal sanction therefor has been granted. The National Bank may, however, even while this suspension is in force, exchange its currency notes for token coinage, subject to the agreement of the Minister of Commerce and Industry and the Minister of Finance.

.....

**FINANCE LAW OF 1924-1925.**

*Article 286.*

The Minister of Finance shall be authorised to mint and put into circulation :

(a) One million gold coins of 20 dinars, to the value of 20 million gold dinars and bearing the date 1924;

(b) Fifty million coins of 0.50 dinar to a total nominal value of 25 million dinars; Seventy-five million coins of one dinar to a total nominal value of 75 million dinars;

and

Fifty million coins of two dinars to a total nominal value of 100 million dinars.

The Minister of Finance shall, with the approval of the Council of Ministers, decree the specific conditions governing the fineness, alloy, dimensions, inscriptions and all other features of the said coins.

The said currency shall be accepted as legal tender by all offices belonging to the State and autonomous bodies, and by all individuals and juridical persons. The Ministry of Finance shall issue regulations determining the other conditions applicable to it.

The costs of striking the said coins shall be deducted from the proceeds of the minting operations and the net receipts shall be credited to the Treasury as extraordinary State revenue.

The Minister of Finance may, with the approval of the Council of Ministers, conclude direct agreements with Mints or contracting firms for the minting of the coins provided for in the present Law.

Contracts, receipts, documents, letters and all work in connection with the said minting operations shall be exempt from all duties and taxes.

The gold belonging to the State which is held at the National Bank shall be used for the minting of the gold coins on condition that minted currency be returned to the Bank to an amount equivalent to that of the gold withdrawn.

The old nickel coins held in the safes of the Ministry of Finance may be melted down for the minting of the nickel currency.

.....



[Distributed of the Council and  
the Members of the League.]

*Official No. : C. 374. M. 160. 1930.II.*

Geneva, September 8th, 1930.

LEAGUE OF NATIONS

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SELECTED DOCUMENTS

SUBMITTED TO THE

**GOLD DELEGATION**

**OF THE FINANCIAL COMMITTEE**

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**III. *Legislation on Gold.*—Document No. C.373.M.159.1930.II.**

## PREFACE.

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The memoranda published in this volume form a part of the collection of documents submitted to the Gold Delegation of the Financial Committee at its first and second sessions (August 1929 and June 1930).

The Delegation was appointed in June 1929 by the Financial Committee to "examine into and report upon the causes of fluctuations in the purchasing power of gold and their effect on the economic life of the nations". At its second session, the Delegation drafted a report on the question whether the prospective supply of gold is likely to prove sufficient to meet the probable monetary demand in the future. In September 1930, the Financial Committee recommended that the Report of its Delegation should be published, and simultaneously with it the present volume, which contains memoranda on related subjects, and also a volume entitled "Legislation on Gold", which summarises the existing laws dealing with gold reserves, redemption of notes, the purchase and the minting of gold, etc.

While these memoranda were submitted to the Gold Delegation at its request and are published on the authority both of the Financial Committee and of that body, the responsibility for any statements or expressions of opinion contained in them rests solely with the individual authors.

Geneva, September 8th, 1930.

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# MONETARY STABILITY AND THE GOLD STANDARD

By Sir Henry STRAKOSCH, G.B.E.<sup>1</sup>

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## I.

Five years have elapsed since the first serious attempt was made to grapple with the chaos into which the financial and monetary affairs of so many countries had fallen as a result of the Great War. The financial reconstruction of Austria, which was inaugurated under the ægis of the League of Nations in December 1922, was the first step in that direction. It marked the beginning of an era of real effort and achievement.

The Austrian plan of reconstruction, and every subsequent scheme of financial and monetary restoration for which the League of Nations has made itself responsible, were inspired by the fundamental conception that the attainment of an equilibrium in the economic affairs of a country is possible only if monetary stability is established, which, in turn, postulates an assured equilibrium in financial affairs. Monetary stability, in other words, was conceived to be an indispensable pre-requisite of economic restoration and, with it, of ordered social and tranquil political conditions. No severer nor more searching test could have been applied to the validity of this conception than its application to the case of Austria. It is unnecessary here to dwell on the peculiar difficulties, complexities, and uncertainties which surrounded the whole Austrian problem. They are too well known to require re-statement; but it is well to recall the apprehensions of grave political reactions which kept Europe a-quiver owing to the headlong depreciation of the Austrian currency and the economic chaos that depreciation was causing. It is also well to recall the profound impression which the singularly rapid recovery of Austria created, and the influence which it undoubtedly exercised on the policies of other countries towards financial and monetary reconstruction. It may truly be said that the League's action in Austria, followed, as it was, by its hardly less remarkably successful intervention in Hungary, has blazed the trail of general monetary and financial restoration in Europe and elsewhere. Indeed, the League's plans as applied to Austria and Hungary have been made the model upon which all subsequent plans of financial and monetary restoration—whether fathered by the League or undertaken without its co-operation—have been built up. These plans, without exception, involved the linking of currencies to gold, or, in other words, the establishment of the gold standard in one form or another.

The time seems ripe for a survey to be made of the progress that has been achieved during these five years; to measure that progress in terms of monetary stability and in terms of economic advancement; and finally to consider what remains to be accomplished in the domain of monetary organisation to insure that no monetary factor shall impede economic progress.

A convenient way of measuring the progress made in monetary stability is to reduce to index numbers the currency fluctuations in relation to the dollar (*i.e.*, gold) during the five years under review. This is attempted in the subjoined Table A, which has been constructed by working out the average percentage variations in the United States dollar value of the currencies

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<sup>1</sup> Chairman and Managing Director of the Union Corporation, Ltd., London.

**Table A**  
**AN INDEX OF THE FLUCTUATION OF EUROPEAN EXCHANGES.**

Country.	Popula- tion Weight.	1922.		1923.		1924.	
		Average per Cent.	Fluctua- tion per Month.	Average per Cent.	Fluctuation per Month.	Average per Cent.	Fluctua- tion per Month.
		Actual.	Actual × Weight.	Actual.	Actual × Weight.	Actual.	Actual × Weight.
	%	%	%	%	%	%	%
Austria .....	1.9	34.9	66.3	..	..	..	..
Belgium.....	2.2	4.3	9.5	6.2	13.6	5.7	12.5
Bulgaria .....	1.4	2.8	3.9	10.9	15.3	0.7	1.0
Czechoslovakia.....	4.2	7.8	32.8	1.2	5.0	0.4	1.7
Denmark.....	1.0	1.9	1.9	1.8	1.8	1.6	1.6
Esthonia.....	0.4	1.2	0.5	1.2	0.5	2.4	1.0
Finland.....	1.0	4.0	4.0	1.9	1.9	0.3	0.3
France.....	11.5	5.1	58.6	5.3	61.0	5.7	65.6
Germany.....	17.6	41.3	726.9	13,500.0	237,600.0	1.1	19.4
Greece.....	1.8	14.1	25.4	17.5	31.5	4.4	7.9
Hungary.....	2.4	14.1	33.8	20.5	49.2	15.2	36.5
Italy.....	11.4	5.4	61.6	2.1	23.9	1.6	18.2
Netherlands.....	2.1	0.7	1.5	0.6	1.3	1.0	2.1
Norway.....	0.8	3.9	3.1	2.8	2.2	2.2	1.8
Poland.....	8.3	21.0	174.3	73.4	609.2	1.5	12.4
Portugal.....	1.8	9.0	16.2	5.1	9.2	5.5	9.9
Roumania.....	4.8	9.0	43.2	3.8	18.2	4.5	21.6
Spain.....	6.8	1.0	6.3	1.8	11.3	1.7	10.7
Sweden.....	1.7	0.9	1.5	0.3	0.5	0.2	0.3
Switzerland.....	1.1	0.8	0.9	1.2	1.3	1.1	1.3
United Kingdom.....	12.7	0.9	11.4	0.9	11.4	1.8	16.5
Yugo-Slavia.....	3.6	10.5	37.8	3.7	13.3	3.7	13.3
<b>Total.....</b>	<b>100.0</b>	<b>194.6</b>	<b>1,321.4</b>	<b>13,662.2<sup>1</sup></b>	<b>238,481.6<sup>1</sup></b>	<b>61.8</b>	<b>255.6</b>
<b>Average...</b>	<b>..</b>	<b>8.8</b>	<b>13.2</b>	<b>621.0<sup>1</sup></b>	<b>2,384.8<sup>1</sup></b>	<b>2.8</b>	<b>2.6</b>
		1925.		1926.		1927.	
Austria .....	1.9	..	..	..	..	..	..
Belgium.....	2.2	1.2	2.6	7.5	16.5	0.1	0.2
Bulgaria .....	1.4	0.2	0.3	0.5	0.7	0.1	0.1
Czechoslovakia.....	4.2	0.1	0.4	..	..	..	..
Denmark.....	1.0	2.0	2.0	0.6	0.6	0.1	0.1
Esthonia.....	0.4	..	..	..	..	..	..
Finland.....	1.0	..	..	..	..	..	..
France.....	11.5	3.3	38.0	7.5	86.2	0.2	2.3
Germany.....	17.6	..	..	0.1	0.2	0.1	0.2
Greece.....	1.8	5.5	9.9	3.7	6.7	1.0	1.8
Hungary.....	2.4	0.2	0.5	..	..	0.1	0.2
Italy.....	11.4	2.2	25.1	4.3	49.0	2.6	29.6
Netherlands.....	2.1	..	..	..	..	0.1	0.2
Norway.....	0.8	2.9	2.3	2.4	1.9	0.5	0.4
Poland.....	8.3	3.4	23.2	4.9	40.7	3.8	31.5
Portugal.....	1.8	0.6	1.1	0.2	0.4	0.5	0.9
Roumania.....	4.8	3.5	16.8	5.3	25.4	1.9	9.1
Spain.....	6.8	0.5	3.1	1.8	11.3	1.8	11.3
Sweden.....	1.7	0.2	0.3	0.1	0.2	0.2	0.3
Switzerland.....	1.1	0.2	0.2	0.1	0.1	0.1	0.1
United Kingdom.....	12.7	0.2	2.5	0.1	1.2	0.1	1.3
Yugo-Slavia.....	3.6	1.2	4.3	0.1	0.4	..	..
<b>Total.....</b>	<b>100.0</b>	<b>27.4</b>	<b>137.4</b>	<b>39.2<sup>2</sup></b>	<b>241.5<sup>2</sup></b>	<b>13.3</b>	<b>89.6</b>
<b>Average...</b>	<b>..</b>	<b>1.2</b>	<b>1.4</b>	<b>1.8<sup>2</sup></b>	<b>2.4<sup>2</sup></b>	<b>0.6</b>	<b>0.9</b>

<sup>1</sup> Excluding Germany ... { 162.2 881.6  
7.7 10.7

<sup>2</sup> Excl. France and Belgium .... { 24.2 188.8  
1.2 1.6



of each country from month to month. By adding up these variations irrespective of whether they were in the direction of depreciation or appreciation, by striking an average for each year, and by weighting the individual index numbers so arrived at on the basis of population, a combined index number is obtained for the countries chosen. This method of calculation has been applied in the subjoined table to all the European countries except Russia, Turkey-in-Europe, Iceland, Albania, the Saar, Danzig, and Luxemburg. The absence of adequate statistical material was responsible for these omissions.

Table A shows that the purchasing power in terms of gold of the currencies handled by the populations of the countries under review fluctuated on an average from one month to the next to the extent of :

	13.2% in the year		1922
2,384.8%	»	»	1923
2.6%	»	»	1924
1.4%	»	»	1925
2.4%	»	»	1926
0.9%	»	»	1927

The extraordinarily high average fluctuations in 1923 were, of course, due to the complete collapse of the German currency in that year, while the relatively high average for 1926 was caused by the wide fluctuations of the French and Belgian currencies. If these figures were eliminated from the calculation, the average figures would be the following :

1922	1923	1924	1925	1926	1927
13.2%	10.7%	2.6%	1.4%	1.6%	0.9%

It will be seen that progress during 1923 was slow, that with the inauguration of the Dawes Plan in 1924 it became very marked, and that the remaining period was one of steady progress, except for the retardation in 1926, to which reference is made above. The average fluctuations of 1927 are, as will be seen, the lowest of the period.

Let us see now how the countries under review have fared economically during the same period. Reliable statistical material of the volume of their production being sadly lacking, a rough-and-ready measure may be found in their foreign trade figures. The subjoined Table B has been constructed by adding together the annual official figures for imports and exports of each country and converting the totals into U.S. dollars by applying the average dollar value of the respective currencies for the respective years. The totals are then corrected for variations in the general level of gold prices (as measured by the index of wholesale prices of commodities prepared by the U.S. Bureau of Labor) and the results reduced to index numbers for each year. (See Table B, page 10.)

The progress shown is handsome, and particularly impressive when the figures are examined in the light of the currency fluctuation indices of Table A. For easier comparison, they are here set one below the other :

	1922.	1923.	1924.	1925.	1926.	1927.
Foreign trade index.	100.0	105.5	123.8	129.5	130.2	144.8
Currency fluctuations index . . . . .	13.2	10.7	2.6	1.4	1.6	0.9

Table B.

EUROPEAN MERCHANDISE EXPORTS AND IMPORTS.

(In Millions of U.S. Dollars.)

	1922.	1923.	1924.	1925.	1926.	1927
Austria.....	579	617	763	663	621	706
Belgium .....	1,184	1,193	1,459	1,535	1,429	1,547
Bulgaria .....	58	76	76	95	85	93
Czechoslovakia .....	736	670	970	1,078	978	1,127
Denmark .....	551	606	702	785	766	801
Esthonia .....	25	35	33	42	42	54
Finland .....	183	242	243	280	285	318
France .....	3,748	3,867	4,256	4,259	3,867	4,241
Germany .....	2,423	2,920	3,724	5,056	4,725	5,792
Greece .....	181	147	203	222	180	241
Hungary .....	176	154	259	292	369	342
Italy .....	1,191	1,302	1,470	1,690	1,733	1,853
Netherlands .....	1,256	1,293	1,540	1,713	1,685	1,785
Norway .....	360	356	357	432	420	430
Poland .....	289	446	529	591	926	611
Portugal .....	117	123	133	168	157	150 <sup>1</sup>
Roumania .....	184	218	270	286	333	435 <sup>2</sup>
Spain .....	625	645	630	551	561	764 <sup>3</sup>
Sweden .....	596	647	713	752	793	855
Switzerland .....	682	711	816	871	820	883
United Kingdom ...	7,162	8,009	8,574	9,352	8,608	8,774
Yugo-Slavia .....	137	175	228	301	273	241
	22,443	24,452	27,948	31,014	29,656	32,043
U.S. Wholesale Price Index (Bureau of Labor) 1922 = 100	100.0	103.3	100.6	106.7	101.5	98.6
Merchandise corrected to U.S. prices (1922 = 100) .....	22,443	23,671	27,781	29,067	29,218	32,500
Index Number .....	100.0	105.5	123.8	129.5	130.2	144.8

The close coincidence of increasing economic progress (as expressed in the foreign trade index) with every improvement in the stability of currencies is striking. Thus the modest progress made in the latter direction in 1923 (if Germany is excluded) is reflected by a modest improvement of the trade figures, the substantial progress in monetary stability in 1924 by a substantial

<sup>1</sup> This figure is estimated, as the official returns are not yet available.

<sup>2</sup> Estimate based on the returns for the first ten months of 1927.

<sup>3</sup> Estimate based on the returns for the first six months of 1927.

**Table C.**  
**POSITION OF FOREIGN CURRENCIES AND CONVERTIBILITY OF NOTE ISSUES.**  
**(April 1928.)**

De Jure Stable Currencies.														De Facto Stable Currencies.	Others.	Total.		
Gold Exchange Standard.				Gold (Specie) Standard.				Gold Bullion Standard.	Quasi Bimetallic.									
		Convertibility not yet legally in force or suspended.				Convertibility not yet legally in force or suspended.												
	Population millions.		Population millions.		Population millions.		Population millions.		Population millions.		Population millions.		Population millions.					
<b>EUROPEAN COUNTRIES:</b>																		
Albania ...	.8	Germany.	63.6	Latvia ..	1.8	Austria.	6.8	Denmark ..	3.6	Holland & Switzerland <sup>4</sup> ..	7.6	Bulgaria <sup>5</sup> ...	5.1	Portugal ...	6.3			
Belgium...	7.9			Sweden	6.1	Czechoslovakia ..	14.6	Great Britain	48.7	France <sup>6</sup>	41.4	Roumania	17.6	Greece <sup>6</sup>	6.7	Spain...	22.5	
Danzig <sup>1</sup> ...	0.4			Norway	2.9	Hungary...	8.6			Yugoslavia.	13.1							
Estonia ..	1.1																	
Finland ..	3.6																	
Italy .....	43.0																	
Lithuania.	2.2																	
Poland <sup>2</sup> ...	30.3																	
<b>Total ...</b>	<b>89.2 = 24.1 %</b>			...	<b>63.6 = 17.2 %</b>	...	<b>10.8 = 2.9 %</b>	...	<b>30.0 = 8.1 %</b>	...	<b>52.3 = 14.2 %</b>	...	<b>11.5 = 3.1 %</b>	...	<b>66.3 = 17.9 %</b>	...	<b>46.3 = 12.5 %</b>	<b>370.0 = 100 %</b>
<b>EXTRA-EUROPEAN COUNTRIES:</b>																		
Chile .....	4.0	Peru...	5.5	Argentine ..	10.6	Egypt ..	14.5			Java <sup>4</sup> ..	55.0			Japan <sup>7</sup>	60.9			
Colombia..	7.2			Australia ...	6.2	N. Zealand ..	1.4								Mexico	15.0		
Ecuador ..	2.0			Brazil..	33.2	Uruguay ..	1.8											
Guatemala,	2.5			Canada,	9.7													
India <sup>3</sup> ....	329.0			S. Africa	7.6													
Siam .....	10.1			U.S.A. ..	120.0													
<b>Total ..</b>	<b>354.8 = 51.0 %</b>			...	<b>5.5 = 0.8 %</b>	...	<b>187.3 = 26.9 %</b>	...	<b>17.7 = 2.5 %</b>	...	...	...	<b>55.0 = 7.9 %</b>	...	...	...	<b>75.9 = 10.9 %</b>	<b>696.2 = 100 %</b>
<b>Grand total</b>	<b>444.0 = 41.6 %</b>			...	<b>69.1 = 6.5 %</b>	...	<b>198.1 = 18.6 %</b>	...	<b>47.7 = 4.5 %</b>	...	<b>52.3 = 4.9 %</b>	...	<b>66.5 = 6.2 %</b>	...	<b>66.3 = 6.2 %</b>	...	<b>122.2 = 11.5 %</b>	<b>1,066.2 = 100 %</b>

NOTES.—<sup>1</sup> Sterling exchange standard. <sup>2</sup> At present gold exchange, but eventually gold (specie) standard. <sup>3</sup> Transitional until passing of Reserve Bank Bill, which proposes gold bullion standard. <sup>4</sup> Legally can pay notes in silver. In practice export of gold allowed where reciprocity exists. <sup>5</sup> Legally, the notes of the National Bank of Switzerland are still redeemable in silver *écus* (5-franc pieces). Practically they are also redeemable in gold. Furthermore, it is intended soon to introduce the gold exchange standard. <sup>6</sup> New Statutes contemplate gold exchange standard. <sup>7</sup> Though convertibility has never been suspended, there is an embargo on the export of gold, and the yen has been subject to continued, though moderate, fluctuations for several years. The population figures are for the year 1927 (estimated).

improvement in the trade of that year, and, finally, the progress in the remaining three years, checked by virtually stationary conditions in 1926 (if France and Belgium are excluded) by a very similar development in the trade figures.

## II.

The monetary standard chosen by all the countries of Europe that have stabilised their currencies during the last five years is the gold standard in its various forms. Some of them have adopted the "gold specie standard", which involves the obligation to exchange the local currency on demand for gold coin; others have elected to establish the "gold bullion standard", involving the obligation to exchange it into gold bullion; and others, again, the "gold exchange standard", which makes the local currency exchangeable into foreign gold exchange. And there is, finally, a numerous intermediate class of countries in which the local currencies are convertible at the option of the currency authority into either gold or gold exchange, or in which convertibility into gold exchange is intended to be merely a transitional stage towards the ultimate establishment of the gold specie standard.

Looking beyond Europe, we find that the trend of development in monetary organisation has proceeded on very similar lines to that of Europe. An attempt is made in the subjoined Table C to group the European and a number of extra-European countries according to their monetary standards. The classification is of necessity an uncertain one so far as concerns those of the countries which fall within the intermediate class to which reference has been made. They have been included among the gold exchange standard countries because they are all at present operating their monetary machine as if they were on that standard. It will depend upon their future policy whether they will continue to do this, or whether they will ultimately elect to adopt one or other of the other types of gold standard. Their legislation is wide enough to permit them to do so.

The most striking feature of the compilation is not so much what emerges from the grouping of countries under the various classes of standards adopted, but the fact :

(a) That more than half the population of the world (*i.e.*, about 944,000,000) is to-day handling money which is either *de jure* or *de facto* linked to gold; and

(b) That of the 1,066,000,000 people inhabiting the countries under review, only 122,000,000, or 11½ per cent, are to-day living in conditions of monetary instability, and these, it should be added, are all struggling towards the re-establishment of their currencies on a gold basis.

The achievement is a remarkable one, especially if we reflect that real progress only began to be made four years ago and that monetary stabilisation involved, as a condition precedent to it, the settlement of numerous financial questions of a most troublesome kind. It meant the funding of a vast amount of short-term indebtedness and the settlement of unwieldy international debts on lines that limit the current interest and redemption payments within manageable proportions, and it involved, of course, acceptance by the countries concerned of a rigid financial regime.

Equally remarkable—though perhaps not surprising—is the unanimity with which practically the whole of the civilised world has elected to adopt gold as its standard of value. This development is the result not of any international convention or other international action, but of the individual choice independently made by each of the countries concerned. It is true that the international conferences at Brussels and at Genoa had advocated the general adoption of the gold standard; but the resolutions passed by these conferences were binding on none of the countries participating in them. They were perfectly free to adopt whatever monetary standard seemed to them best. We must conclude from their action that they all regard the gold standard as the most appropriate to the present and foreseeable future circumstances; that they consider

convertibility of local currencies into fixed weights of gold, or their equivalent in other gold standard currencies, to be the surest safeguard in the present state of our civilisation for the limitation of the monetary circulations to the legitimate needs of exchange; and that they regard fixity of the exchanges, which this convertibility assures, as indispensable in a world which depends for its prosperity and progress on international trade in an ever-increasing measure. Finally, we must conclude from their action that they are content to link the purchasing power of their money to what gold will buy—that is, to tie their general price levels to gold (and through gold to the price levels of all the other gold standard countries)—in a word, to join in a great monetary partnership with gold as their common bond.

They are content, metaphorically speaking, to tie their currency and price-level ships to a common buoy—gold. The huge ocean-going ship of the U.S.A., towering over the many smaller craft of the other nations, lies there side by side with them, all made fast to their common buoy. A sea captain in real life would feel ill at ease if he found that he had moored his ship to a buoy that was anchored to nothing, and was free to drift wherever the currents and the winds or the manœuvring of the other ships made fast to it might take it. He is not likely to be satisfied with the assurance of the port captain that, in spite of its not being securely anchored, the buoy had drifted but slightly during the last half-century before the war, and that a material change of its position had only taken place as a result of the exceptional circumstances which the war had created.

Have the captains of our metaphorical currency ships less reason to feel uneasy? Is the buoy to which their ships are moored firmly anchored to prevent it from drifting? Assuredly not. There is nothing in the construction of our metaphorical “gold buoy” to prevent it from yielding to the currents of supply and demand, and from drifting to wherever these may take it, and dragging with it the ships that are made fast to it. True enough, our currency ships are all equipped with machinery appropriate to their size (the central banks), which has been installed with the primary object of enabling their captains to manœuvre them to and fro so as to keep them at their proper stations in relation to the buoy, and so to the other ships. But if that machinery is employed merely to perform this primary object, they are in no safer condition than the ships in real life that are tied to an unanchored buoy. On the other hand, if their captains agree to co-operate closely in applying the machinery at their command to manœuvring their ships with a view to keeping the buoy in a pre-determined and safe position, they will have ceased to be at the mercy of the elements. Leaving the metaphor, these undoubtedly were the considerations which inspired the resolutions of the Genoa Conference when it recommended that the central banks of gold standard countries should co-ordinate their credit policies with a view to maintaining stable the purchasing power of gold.

### III.

To appreciate the urgency of concerted action of this kind, let us examine somewhat closely into the reactions that the instability of our standard of value is likely to call forth. We all know that, in our complex economic organisation of to-day, the vast majority of transactions into which money enters are not settled the moment they are concluded, but that they usually involve contracts the settlement of which is deferred over widely varying periods, and that it is this fact which causes changes in our standard of value to affect differently different classes of the community—that, in other words, such changes cause a redistribution of wealth. We have learned from the monetary history of the last five years how destructive to economic progress—nay, to economic life itself—is the redistribution of wealth which the violent bouts of currency depreciation and appreciation have occasioned: but we are, perhaps, inclined to ignore, or at any rate to underrate, the repercussions that are produced by relatively minor changes in the purchasing power of money, *i.e.*—in a gold standard world—of gold.

An attempt is made in the succeeding pages to analyse these repercussions. For this purpose a “National Income and Distribution Account” has been compiled, which, though based

on British figures, is probably representative of the conditions of the great majority of the countries with which we are particularly concerned. The figures from which this account has been built up were compiled for the writer by Mr. Joseph Kitchin, and are, in the main, based on figures contained in the publication by Professor Bowley and Sir Josiah Stamp, entitled "National Income, 1924" (published in 1927). They do not pretend to represent statistical facts (and the authors of the publication mentioned must not be held responsible for the allocations made), but they are put forward as the best estimate that the available data permit to be made. They are, however, believed to be sufficiently near the truth to serve the present purpose :

**Table D.**

**NATIONAL INCOME AND DISTRIBUTION ACCOUNT.**

Prices = 100.

Income.		Distribution.	
		Money Value £ Millions.	% of Total Income.
4,060	(a) Public debt service .....	405	10.0
	(b) Interest and rent .....	665	16.4
	Fixed money obligations...	1,070	26.4
	(1) Other governmental expenditure...	285	7.0
	(2) Profits of enterprise.....	685	16.8
	(3) Wages and salaries.....	2,020	49.8
	Residue...	2,990	73.6
4,060		4,060	100.0

The distribution of the national income has been split up, it will be observed, into the constituents of (a) Public Debt Service and (b) Interest and Rent, which are grouped together under the main heading of "Fixed Money Obligations"; and (1) Other Governmental Expenditure, (2) Profits of Enterprise, and (3) Wages and Salaries, grouped under the main heading of "Residue". The first group, as the heading implies, comprises the obligations in respect of contracts involving fixed money payments. It includes, apart from interest and redemption charges on the National Debt, the debts of public bodies and private undertakings, also rent on landed and house property and pensions. These obligations may be said to constitute a first charge on the national income. They have to be met whatever the income may be, if default is to be avoided. The second group, headed "Residue", represents the balance of the national income that is available to meet (a) Governmental Expenditure other than debt charges; (b) Profits of Enterprise (which includes all dividends of a variable type, such as accrue to holders of ordinary or deferred shares of companies); and, finally, (c) Wages and Salaries. It is this "Residue" that, on the one hand, has to bear the burden of any deficiency of production and/or an increase in the purchasing power of gold (a fall of the general level of gold prices), and that, on the other, reaps the benefit of an increase of production and/or a decrease in the purchasing power of gold (a rise of the general level of gold prices).

Let us now reconstruct the national income and distribution account on the assumption that the national production remains the same, but that its money value has increased by 20 per cent—that is, that general prices have risen 20 per cent :

Table E.

NATIONAL INCOME AND DISTRIBUTION ACCOUNT.

Prices = 120.

Income.		Distribution.	
		Money Value £ Millions.	% of Total Income.
4,872	(a) Public debt service.....	405	8.8
	(b) Interest and rent .....	665	13.6
	Fixed money obligations...	1,070	21.9
	(1) Other governmental expenditure..	362	7.4
	(2) Profits of enterprise.....	871	17.9
	(3) Wages and salaries.....	2,569	52.8
	Residue....	3,802	78.1
4,872		4,872	100.0

We can see at a glance that this rise of general prices reduces the proportion of the national income which falls to those possessing fixed money claims from 26.4 per cent to 21.9 per cent, and so makes available for purposes of the "residue" an increased proportion of a like difference. It reduces, in other words, fixed money claims by 17 per cent and increases the residue by 6 per cent. This increase has been apportioned among the various constituents of the residue proportionately to their distribution in the first account (Table D). But that, of course, is not what happens while prices are on the up-grade. The redistribution involves a difficult process of gradual adjustments under considerable friction. The first to benefit, of course, are those interested in "profits of enterprise", but pressure from the wage-earners, whose real wages have been diminished by the rise of prices, soon develops. Wages are increased sometimes by amicable settlements, but more often following strikes.

A rise in prices, or, indeed, the mere expectation of a rise, stimulates enterprise, and so creates a greater demand for capital goods, while the greater share of the national income in the hands of the wage-earners is freely exercised, mainly for the purchase of consumable goods. Both accentuate the rise of prices and call for an increasing volume of money and credit to effect the exchange of the more rapidly circulating goods. When the monetary circulation and the credit structure have reached the limit to which the central banks feel justified to expand them (having regard, on the one hand, to legal reserve requirements and habit or custom, and, on the other, to the size of available gold reserves), and when the prospect of a further rise of prices consequently vanishes, enterprise is curtailed and the reaction sets in. The pendulum takes its downward course.

Finally, let us examine the national income and distribution account, on the assumption that the national production remains unaltered, but that general prices have fallen 20 per cent :

**Table F.**

**NATIONAL INCOME AND DISTRIBUTION ACCOUNT.**

Prices = 80.

INCOME.		DISTRIBUTION.	
Money Value £ Millions.		Money Value £ Millions.	Percentage of Total Income.
8,248	(a) Public debt service.....	405	12.5
	(b) Interest and rent .....	665	20.5
	Fixed money obligations..	1,070	33.0
	(1) Other Governmental expenditure .	208	6.4
	(2) Profits of enterprise.....	499	15.4
	(3) Wages and salaries.....	1,471	45.2
	Residue...	2,178	67.0
8,248		8,248	100.0

The proportion of the national income which falls to those having fixed money claims rises from 26.4 per cent to 33 per cent—*i.e.*, by 25 per cent. The burden of this is borne by the “residue”, which is decreased by 9 per cent. “Profits of enterprise” suffer first, because a reduction of money wages, in spite of their greater purchasing power, is stoutly resisted. Diminishing profits and the expectation of receding prices damps down enterprise; wages are gradually depressed. The friction and heat engendered in the process is probably even greater than in the case of upward adjustments of wages as a result of rising prices. But if an equilibrium in the distribution of the burden that falls on the “residue” is finally to be re-established—that is, if it is so to be distributed among its constituents as to re-establish the original proportions of their shares in the “residue”—what does this involve?

The share of the national income falling to the wage-earning and salaried class would require to be reduced from £2,020,000,000 to £1,471,000,000—that is, by £549,000,000, or 27 per cent—while prices will have fallen by only 20 per cent, thus implying a debasement of the standard of living of nearly 9 per cent (the ratio being 80 per cent to 73 per cent). The other constituents of the “residue” would, of course, have to suffer in like proportions. If, for social or political reasons, it proved impossible to debase the standard of living of the wage-earning class to the full extent appropriate to the situation, the deficiency could in practice only fall on “profits of enterprise”. But it is evident that the additional burden these profits could bear would be relatively insignificant, and that if they were called upon to do so, and the reward of enterprise were thus reduced to inadequate proportions, the incentive to undertake the risks involved in it would be destroyed and enterprise curtailed. Serious unemployment would be the result.

A fall in prices, or the expectation that the trend will be downward, causes enterprise to be damped down. The demand for capital goods slackens, and the lesser share of the national



income in the hands of the wage-earning class reduces its power to acquire consumable goods. The increased share falling to the *rentier* class, on the other hand, is very sparingly exercised in the purchase of consumable goods, and only very gradually and rather fitfully in the purchase of capital goods (the latter very largely depending on the spirit of enterprise reviving). These factors all combine to accentuate the fall of prices, to lessen the amount of money and credit needed for the exchange of the sluggishly circulating goods, and so to increase the amount of available credit. The pendulum thus reaches the lowest point in its downward course only to be driven upwards by the impetus to enterprise which the plethora of available credit engenders.

For easier comparison the distributions of the national income shown in Tables D, E, and F are here tabulated together :

Table G.

EFFECT OF VARIATIONS OF PRICES ON VARIOUS CLASSES OF NATIONAL INCOME.

(In Millions of Pounds.)

Level of Prices.	Total National Income.	Fixed Money Obligations.					
		Public Debt. Service, and Pensions.		Interest and Rent.		Total.	
	£	£	%	£	%	£	%
120 .....	4,872	405	8.3	665	13.6	1,070	21.9
100 .....	4,060	405	10.0	665	16.4	1,070	26.4
80 .....	3,248	405	12.5	665	20.5	1,070	33.0

Residue.							
Other Government Expenditure.		Profits of Enterprise.		Wages and Salaries.		Total.	
£	%	£	%	£	%	£	%
362	7.4	871	17.9	2,569	52.8	3,802	78.1
285	7.0	685	16.8	2,020	49.8	2,990	73.6
208	6.4	499	15.4	1,471	45.2	2,178	67.0

NOTE.—In this and the two preceding tables it is assumed for simplicity's sake that the National Income is equivalent to national production, and therefore wholly subject to changes in the level of prices. This is not the case, strictly speaking, though the difference (which is due to duplication in the National Income figures), is relatively small.

It is almost unnecessary to say that, in a world in which the currencies and prices of the great producing countries are linked to gold, and through gold one to the other, these cyclic movements of prices must have their immediate repercussions over the whole area of gold standard countries—that they are, in fact, cyclic movements in the purchasing power of gold. Nor can there be any doubt that these ups and downs in the purchasing power of gold, with all the dislocations which they engender, are a serious hindrance to economic progress and a source of almost incessant social and political friction.

#### IV.

The conviction is gaining ground that, by co-ordinating the credit policies of gold standard countries, it is possible, if not to obviate, at any rate very largely to mitigate, these cyclic movements. If the force of the original impulse which sets the pendulum in motion were curbed, its momentum would be lessened and, with it, the amplitude of the arc it describes.

When analysing, in the previous chapter, the effect of a rise and of a fall in the general level of gold prices, we have assumed that the national production remains unaltered. Opinions differ as to whether the stimulus of rising prices causes production to be increased to any material extent, and the depressing effect of falling prices to reduce it, though it is more generally believed that this is the case to some extent; but there can be no difference of opinion regarding the general trend of production. This, it is certain, is steadily increasing, and it would be found on examination that the rate of increase is accentuated in times of rising prices and somewhat retarded in times of falling prices. The advance in population alone necessitates a growing volume of production if the standard of living is to be maintained. Besides, it is in human nature not to be content to accept as permanent the standard of life that has been attained, but ever to strive towards improving it. This natural increase of production, which may be termed economic progress, has been measured by Professor Cassel over an extended period. He reaches the conclusion that it proceeds at the rate of 8 per cent per annum. Mr. Joseph Kitchin, examining the question from a somewhat different angle, arrives at a very similar result.

It is very clear than any increase in production involves a corresponding increase in the volume of exchange of goods and services, and, other things being equal, calls for a corresponding increase in the volume of currency and credit to effect this exchange. In a gold standard world it calls for a broadening of the base upon which currency and credit are built, that is, a corresponding increase of monetary gold reserves. The augmentation of these depends upon the amount of gold that the world produces every year in excess of what it chooses to employ in the industrial arts or for purposes other than money. If the annual addition to these gold reserves is too great relatively to economic progress, the effect is to raise—and, if it is too small, to reduce—the general level of gold prices, or, in other words, to depreciate or appreciate respectively the purchasing power of gold. Our gold standard world thus depends for the stability of its general price level on two factors that may be said to be entirely fortuitous—the amount of fresh gold currently produced and the extent to which gold is used for purposes other than money.

Professor Cassel was one of the first prominently to emphasise these considerations, to draw attention to the inadequacy of the current additions to the monetary gold reserves, and to insist upon the urgency of international co-operation, with a view to economising the use of gold and thus to save the world from a steadily receding price level and all that this implies. The Genoa Conference, without pronouncing on the adequacy or inadequacy of the probable future supply of monetary gold, recommended the universal adoption of the gold exchange standard, co-operation of central banks, and co-ordination of their credit policies, with the object of maintaining stable the purchasing power of gold. Latterly, the question came under the consideration of the Royal Commission on Indian Currency and Finance. In the course of his evidence before the Commission, Mr. Joseph Kitchin—a recognised authority on precious metal statistics—submitted exhaustive figures which amply confirm Professor Cassel's conclusions.

It is sometimes suggested that a rise in the value of gold (that is, a fall in prices) is likely so to stimulate the gold-mining industry as to substantially increase its output. For technical reasons alone, it is extremely unlikely that anything but a very pronounced fall in prices would have this effect, even if the whole benefit of such a fall were to accrue to the gold-mining industry. It is on this latter point that the suggestion breaks down completely. We have seen that the redistribution of the national income occasioned by a fall in prices throws the resulting burden on "Governmental Expenditure", "Profits of Enterprise", and "Wages and Salaries", that the

burden is greater relatively than the fall of prices, and that, pending the reduction of real wages, it has to be borne by the remaining components of the residue. Taxation has to be increased and "Profits of enterprise" reduced. Is it reasonable to suppose that any legislative body will hesitate to put the major part of that burden—if not the whole of it—on the industry that can obviously bear it best, when all others are groaning and struggling merely to keep alive? Is it reasonable to suppose that the mine-worker will submit to so drastic a reduction of his wages as will debase his standard of living rather substantially below the level he was accustomed to enjoy, when the industry he is serving prospers? Neither of these propositions would seem to require more than a moment's reflection to be answered in the negative. Whatever the advantage that may theoretically accrue to the gold-mining industry, it is bound in practice to be largely swallowed up by the additional burden which will inevitably fall on it.

Forecasts, however carefully compiled, are obviously liable to error, and there are many who—perhaps not unnaturally—shrink from leaning on them, however lightly, as a guide for the framing of future policies. But, whatever faith or doubt we may have in regard to the forecasts of the future gold production, there can be no disagreement on the point that, looking into a reasonably distant future, the supply of gold for monetary purposes cannot be gauged with any certainty, and that it is beyond our power to control it. Indeed, it would postulate a wholly improbable conjunction of circumstances for it always to correspond precisely to the needs of the economic progress which the world is and will be making; this, of course, on the supposition that gold standard countries adhere rigidly to their present practices in the matter of gold reserves.

But the problem is not limited to the question of the future supply of monetary gold in its relation to the world's economic progress. We all know that the distribution of the monetary gold reserves of the world at present available is a very uneven one, that some countries—chief among them the United States of America—hold relatively abundant gold reserves, while others, especially those who have more recently returned to the gold standard, are pursuing a policy of not only holding on tenaciously to what they have, but of also trying to augment their reserves. They are—to return to our metaphor—manœuvring their ships so as to get nearer the gold buoy. The combined effort in the same direction of the many small craft causes the gold buoy to be dragged away from its original position, and with it the other ships that are moored to it. It is pretty evident that a policy of keeping a tight hand on credit, if only with the object of maintaining gold reserves and attracting just a little more, will react on the general level of gold prices in a downward direction if pursued by a sufficiently large number of the smaller countries, even though it is opposed by a liberal credit policy of the minority.

The return to the gold standard by Great Britain in May, 1925, marks the turning-point in the general restoration of this standard. Comparing wholesale prices then ruling in the United States and Great Britain with those ruling in March, 1928, we get the following picture:

	U. S. A. (Bureau of Labor).	Great Britain (Board of Trade).	Combined.
May, 1925 .....	154.8	158.6	156.4
March, 1928.....	145.0	140.8	142.9
			<hr/> -18.5

The combined index (which may be regarded as a tolerably reliable index of the purchasing power of gold) thus shows a fall of 18½ points, equivalent to 9 per cent, and it does not seem unreasonable to ascribe this fall in a great measure to the policy of keeping a tight hand on credit practised by the many countries that, during this period, have returned to the gold standard, with a view to maintaining and augmenting their gold reserves.

V.

The very cursory sketch of the problem that faces the gold standard world given in the preceding pages of this paper seems sufficient to indicate its gravity. The conclusion is irresistible that, if we are to be saved the complex reactions, the economic jolts and setbacks, and the social and political friction which frequent and violent changes in the distribution of national wealth and income through fluctuations in the purchasing power of gold produce—if, in a word, economic progress is not to be seriously impeded, concerted action by the gold standard countries is imperative. If it is impossible to control the supply of monetary gold—and it is manifest that it cannot be controlled—then it is clear that the problem can only be attacked from the side of monetary policy. The Genoa Resolutions recommended the convocation of a conference of central banks. No steps in that direction have as yet been taken, and probably wisely. Before such a conference could hope to do useful work, it was necessary for the great majority of the countries of the civilised world to have returned to the gold standard. That is now on the point of being accomplished. In the meantime, the central banks of the leading gold standard countries have initiated a policy of establishing closer contact one with the other, but it may be doubted whether this contact, or, indeed, a conference of central banks as contemplated by the Genoa Conference, is likely to advance the problem materially without a good deal of preliminary preparation. The problem is a complex one, and its practical solution involves agreement on a number of questions of theory. Nothing could be more detrimental to the smooth, efficient, and expeditious working of a conference of central bankers than the distractions of controversy over fundamentals.

London, April, 1928.

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## THE ECONOMIC CONSEQUENCES OF CHANGES IN THE VALUE OF GOLD

By Sir Henry STRAKOSCH, G.B.E.<sup>1</sup>

### UNIVERSAL ADOPTION OF THE GOLD STANDARD AND THE MOVEMENT OF THE GENERAL LEVEL OF COMMODITY PRICES.

When the International Economic Conference, which was held at Genoa in the spring of 1922, enjoined countries that had abandoned the gold standard to revert to it, it did so not because it regarded gold as a measure of value which could be relied upon to remain stable in all circumstances, but because it considered the obligation to exchange national currencies for fixed weights of gold (or their equivalents in money of other gold-standard countries) as the most efficacious means of limiting the monetary circulations to the legitimate needs of exchange; and because it regarded stability of the exchanges—which this convertibility assures—as indispensable for the restoration and development of international trade, upon which the prosperity of the world largely depends. The Conference clearly perceived that, if left to the free play of supply and demand, the value of gold was in danger of being subjected to wide fluctuations. It was the desire to obviate this that led the Conference to recommend the co-ordination of the “demand for gold . . . to avoid those wide fluctuations in the purchasing power of gold which might otherwise result from the simultaneous and competitive efforts of a number of countries to secure metallic reserves.” It envisaged close co-operation of the central banks, and the regulation of credit, “not only with a view to maintaining the currencies at par with one another, but also with a view to preventing undue fluctuations in the purchasing power of gold.”

The first of these recommendations—*i.e.*, the general adoption of the gold standard—has been carried out in a measure and with a rapidity which probably far exceeds the most sanguine expectations of those days. Though the movement started in 1923 with the restoration of the Austrian currency and, in 1924, with that of Hungary, real progress only began to be made in April 1925, when Great Britain and, soon after, the Dominions re-established the gold standard. The movement made such rapid progress that, by the end of the following year, practically the whole of the civilised world, inhabited by some 1,200,000,000 people—or 60 per cent of the world's population—were handling money linked to gold. Being by law exchangeable into fixed weights of gold or their equivalents, the money they handle will buy, either at home or abroad, what the weight of gold into which it is exchangeable will buy. It follows that the purchasing power of all the currencies of the gold standard world is determined, within a slight margin, by what gold will buy. If a stable value of gold, that is, a stable level of commodity prices, is beneficial to economic progress—as it is hoped to show in these notes—then such stability will bring economic progress and prosperity to these 1,200,000,000 people, and if, conversely, instability is an impediment to economic progress, then their progress will be impeded and their well-being detrimentally affected. It is well to bear this in mind if the importance and scope of the second set of the Genoa Resolutions are to be viewed in their proper perspective.

The movement of the general level of wholesale commodity prices in this country since the end of 1925 may be taken to be a pretty faithful reflection of the fluctuations to which the

<sup>1</sup> Chairman and Managing Director of the Union Corporation, Ltd., London.

purchasing power of gold was subject during that period. It would have been more satisfactory to take for this purpose the average of a wholesale commodity price index of this country and a similarly constructed index of the United States of America. But this, unfortunately, is not possible, because none of the well-known American indices are constructed and weighted in the same manner as any of the recognised indices in this country. The American indices all more or less include prices of manufactured goods, whereas ours, such as the one regularly published by the *Economist*, are indices essentially of raw materials that have a wide international market. For the measurement of the purchasing power of gold internationally, the *Economist* index certainly seems more appropriate. Taking the index numbers of wholesale commodity prices of the *Economist*, we get the following picture :

	<i>Economist</i> Index; Wholesale Commodity prices. 1918 = 100	Corresponding purchasing power of gold. 1918 = 100
End of December 1925.....	158.0	65.4
» » 1926.....	145.1	68.9
» » 1927.....	141.9	70.5
» » 1928.....	136.5	78.8
» » 1929.....	126.9	78.8
End of March 1930.....	119.4	83.8

It will be seen that the general level of prices fell steadily, but moderately, from the end of 1925 to the end of 1928, while the subsequent fifteen months showed a much more accentuated drop which, towards the end of the period, degenerated into a slump.

Gold may thus be said to have appreciated :

During the year ending 1926 by	5.4	per cent.
» » » 1927 by	2.3	»
» » » 1928 by	4.0	»
» » » 1929 by	7.6	»
And during the three months ending		
March 31st, 1930 by	6.1	»
Or for the whole period from end December 1925 to end March 1930 .....	28.0	»

It is clear, then, that “the wide fluctuations in the purchasing power of gold”, which the Genoa Conference enjoined the gold-standard world to avoid, have not been prevented.

#### “OVER-PRODUCTION”.

The appreciation of gold, as expressed in the fall of the general level of commodity prices during the period under review, is popularly ascribed to “over-production” brought about in the main—so it is said—by the rationalisation of industries the world over. The fact that this fall of prices has been accompanied by substantial accumulations of unsold stocks of practically all the great staple commodities lends, on a superficial view, support to this interpretation. A closer examination, however, makes this thesis untenable.

Though the word “rationalisation” has found its way into our vocabulary comparatively recently, there is every evidence to show that rationalisation has been practised to a greater or lesser extent ever since industry has existed. The incentive to augment the gains of industry is an ever-present stimulus to improve—that is, to cheapen and to intensify the production of

industry. The twenty years immediately preceding the war were probably as prolific a period of scientific progress and of intensified production as any in the economic history of the world. Quantitative measurements, though unfortunately based on material of a comparatively scanty character, leave little room for doubt that production during that period increased at a rate far exceeding the increase of population. Mr. Carl Snyder (the statistician of the Federal Reserve Bank of New York), measuring the progress of the United States of America by a wealth of statistical data, comes to the conclusion that the trade of the United States—that is, broadly, its production—has been increasing steadily during the last fifty years at a compound rate of 4 per cent per annum; while his compilations respecting the production of the world at large led him to conclude that that has proceeded at a compound rate of 3 per cent per annum. Mr. Joseph Kitchin, measuring the economic progress of the world by figures of the physical production of the chief commodities, arrives at a somewhat similar conclusion. The League of Nations, in a recently published volume entitled “Memorandum on Production and Trade” gives figures of world production which correspond broadly to an increase for the period from 1923 to 1927 of the same figure of 3 per cent per annum compound. The population of the world, on the other hand, has increased during those periods at a rate of about 1 per cent per annum. It is true to say, then, that there was an excess of production equivalent to about 2 per cent per annum over and above the amount needed to maintain that increased population at a stationary standard of life. Yet, except for a brief period in 1907, none of the phenomena by which the last five years are characterised had made their appearance. Indeed, the general level of commodity prices rose steadily from the year 1896 to the outbreak of war.

On this evidence alone, one is entitled to question the validity of the popular notion that the accumulation of stocks of commodities coincident with the fall of the general level of prices of recent times is due to an unduly rapid increase of production of industry. Indeed, it is self-evident that an increase of production, extending over the whole range of commodities in an orderly and symmetrical fashion, cannot lead to what is commonly called “over-production.” An increase of production, in these circumstances, simply makes available to the population a greater amount of all the goods it currently consumes. Thus, if the volume of production of the whole range of commodities that enter into the economic life of the nations is, on an average, increased by 3 per cent per annum, then the producers of the individual commodities will all, on an average, have 3 per cent more of the goods they produce to exchange with each other. The farmers would exchange their greater production for the greater production of those who produce the things the farmers need, and the producers of these and other things would exchange them for the greater production of the farmers. A symmetrical increase of production of this kind in effect raises the standard of life of the people, and that, it is almost unnecessary to say, is capable of practically infinite expansion. No disturbance in the exchange of the greater output of commodities need, or does, arise in these circumstances, provided there are available media of exchange in the form of money of all kinds to an amount that corresponds to the increased volume of exchanges that this greater production necessitates. If it is available, the general level of commodity prices will remain stable. It is only when the available amount of money is either less or more than is needed to effect these exchanges that the general level of commodity prices will fall or rise as the case may be.

Symmetry in the production of the various classes of goods is not a matter of accident; it is constantly forced upon producers by the movement of prices of individual commodities relative to one another. If one or other of the commodities is being produced in quantities relatively greater than the production of the rest of the commodities, stocks of those commodities accumulate, their price falls, and so compels a reduction of their production until they once more conform symmetrically to the production of the rest of the commodities. In the reverse case, a reverse reaction on the price and consequently on the volume of production of individual commodities takes place and restores symmetry of production. The inter-play of relative prices—that is, of price movements of individual commodities relative to one another—is thus an automatic and infallible corrective of deviations from the line of symmetric production.

Let us now observe the course of individual prices in this country during the period from the end of March 1929 to the end of March 1930. The annexed Table A sets out the individual commodities on the prices of which the *Economist* index is based, and shows the percentage rise

and fall in the price of each commodity for the period in question. In summary, the table shows that :

	Falls.	Rises.	Unchanged.
13 commodities of the cereals and meat group had .....	11	2	—
9    »    other foods group had .....	8	1	—
11    »    the textiles group had.....	11	—	—
11    »    the minerals group had .....	6	3	2
14    »    the miscellaneous group had .....	7	1	6
<hr/>	<hr/>	<hr/>	<hr/>
58 commodities had.....	43	7	8

Of the 58 commodities included in the index given : 43, or 74 per cent, show falls; 8, or 14 per cent, show no change; while 7, or 12 per cent, show rises.

If it were true that the fall in the price of 74 per cent of the principal raw materials that enter into our daily life is due to their "over-production", then the producers of each of these commodities would have on hand, and would be anxious to exchange, the surplus of the particular commodities they produce for the commodities they do not produce but need to maintain or improve their material comforts. Moreover, most of these other goods are also in superabundant supply, and the producers of these other goods would be equally anxious to exchange them for the goods they do not produce but need. There is thus a superabundance in nearly three-quarters of the various kinds of raw materials the world needs currently; there is an anxiety of the producers of each of these materials to exchange them for others, and yet they are not exchanged.

We are, in these circumstances, entitled to conclude that these exchanges failed to be made, not because goods generally were in excessive supply, but because the process of exchange was in some way impeded. And if—as is the case—there are no observable impediments of a physical or moral character, the theory of "over-production" fails, and we are driven for an adequate explanation to the only remaining factor affecting the process of exchange, viz., the adequacy of the amount of money that is available to effect these exchanges.

#### THE MONEY FACTOR.

It is clear that an increase of production, involving as it does an increased turnover of good and services, calls for a corresponding increase in the amount of money and credit to effect this turnover, if the general level of commodity prices is to remain stable. If the amount of currency and credit that the gold-standard world as a whole will permit to be created on a given amount of gold remains the same; if, in other words, the ratio of currency and credit to monetary gold reserves remains the same, then the general level of commodity prices—i.e., the value of gold—will only remain stable if there is an increase of monetary gold reserves corresponding to the increase of production. Conversely, if the increase of monetary gold reserves does not keep pace with the increase of production, then general prices will only remain stable if the ratio of currency and credit to monetary gold reserves is appropriately increased. But, as the national currencies of gold-standard countries are all by law exchangeable for fixed weights of gold (or their equivalents in currencies of other gold-standard countries), price stability can only be achieved by co-operative action, if not of all, yet of the principal gold-standard countries. Supposing the production of the world increases at a compound rate of 8 per cent per annum, and supposing the monetary gold reserves of the gold-standard world were to increase at a similar rate, then the general level of prices will remain stable only if every member of the great gold-standard partnership does, in fact, build upon the gold reserves it has and may be receiving a structure of currency and credit which, regard being had to the state of development of the credit system in each country, is appropriate. To the extent to which they fail to do so, they are depriving the gold-standard world of the additional currency and credit it needs to exchange its greater production, with the effect of increasing the value of gold—that is, of



depressing the general level of commodity prices. Gold upon which an appropriate structure of currency has not been built in these circumstances ceases to perform monetary functions, to the detriment, not alone of the country responsible for it, but of the whole gold-standard world. It is rather extraordinary how widely spread the belief still is that the gold-standard leaves the country adopting it in a position of independence and that the benefits it confers can be had without any responsibilities. The truth that the gold standard has bound together the civilised world for good or evil in the greatest international partnership ever known in history, that this partnership while conferring benefits on each partner also imposes upon them stern duties, and that transgressions by any one partner inflicts hardships on the rest, is hardly realised.

The exigencies of the war have disorganised the monetary systems of most countries. Much of their monetary gold found its way to America and neutral countries. When they restored their currencies after the war and returned to the gold standard, they found the free flow of commerce impeded by barriers of the most diverse kind, and with it the flow of gold. This, coupled with an ill-directed monetary policy pursued by some of the gold-standard countries, accounts for the persistence of the maldistribution of the world's gold reserves and their partial sterilisation. That sterilisation is most pronounced in the case of America, the Argentine Republic and, since 1928, of France, these countries having accumulated gold reserves far in excess of their reasonable needs. Any gold that flows into the reserves of these countries is not used as a basis for the expansion of currency and credit, and therefore does not perform its monetary functions. The gold-standard world is, to that extent, deprived of the currency and credit it needs to exchange its increasing production.

In a table (Annex B) which is appended, are set out, in order of their size, the gold holdings of the central banks (and Treasuries) in the principal gold-standard countries of the world at the close of each year since the end of 1925. In separate columns appear the changes, from year to year, in those holdings. In another part of the table, figures are given showing what the gold holdings represent per head of the population of each country, and, finally, figures are furnished of the new supplies of gold which have become available for monetary purposes year by year.

To assess the bearing, from a monetary point of view, of the changes recorded in the principal table, it is necessary to consider their effect on the currency and credit structure of the gold-standard world as a whole in relation to its needs for currency and credit. It being generally accepted that the production of the world increases at the rate of 8 per cent per annum, an increase of the world's monetary gold reserves at the same rate would, in the absence of any economy in the use of gold for monetary purposes, provide an amount of currency and credit adequate to maintain prices. But when we consider the gold movements recorded in the table, we have to distinguish between gold that serves truly monetary purposes and gold that does not. The table showing the gold holdings per head of population in the several countries is of particular interest in that connection. It shows that, whereas the amount of Great Britain's gold reserves per head of population was £3.8, that of the United States of America was, on an average, about £6.7, and that of France £6.1 in 1928 and £8.0 in 1929! Though their credit systems have attained a state of efficiency which cannot be said to be much inferior to that of Great Britain, the gold reserves per head of population in the United States of America were roughly 100 per cent greater than those of Great Britain, while those of France in 1928 were roughly 85 per cent and, in 1929, no less than 140 per cent greater than those of Great Britain. The gold reserves of the Argentine Republic, at an average of about £9.4, even if the fullest allowance is made for the less efficient credit system in that country, are far and away in excess of its legitimate requirements. Any gold, therefore, that flowed into America, Argentina and, since the beginning of 1928, into France, serves no monetary purpose, for in none of these countries is it permitted to support a structure of currency and credit that it would be permitted to support if it had flown into other countries whose credit systems are in as high a state of development as theirs. In the appended table (Annex C) account has been taken of this fact when comparing the amount of monetary gold needed to increase gold reserves by 3 per cent, and so support an increase of production at the same rate, with the amount of monetary gold that has actually become available in each year.

The correlation of the figures of the last two columns, and particularly the figures for the year 1929, is significant. The deficiency of supply of monetary gold in relation to the assumed requirements of 3 per cent per annum was moderate in the three years to the end of 1928, and so was the fall of the general level of commodity prices during that period. But, when we come to the year 1929, we find a deficiency of well over 100 per cent of requirements, accompanied by a sharp fall of prices which continued into the present year. Not only was the whole of the new gold that had become available for monetary purposes in 1929 absorbed by the United States of America and France, but the two countries have, in addition, managed to deplete the reserves of some of the other gold-standard countries to the extent of £14,000,000, after due allowance has been made for the release of £36,000,000 by the Argentine. Together they have in this manner sterilised gold to the value of £110,000,000, and deprived the gold-standard world of the possibility of augmenting the amount of currency and credit that was needed for the exchange of its increased production. That sufficiently explains the catastrophic fall of the general level of commodity prices in 1929 and the beginning of this year. It also suggests that co-operative action for the purpose of co-ordinating the demand for gold by the central banks of the principal gold-standard countries, which the Genoa Conference so strongly advocated, was either absent or ill-directed.

#### THE ECONOMIC REPERCUSSIONS OF UNSTABLE PRICES.

The fall in the general level of commodity prices clearly can have no effect on the physical equipment of the world. The lands, houses, factories, roads, railways and harbours remain for all practical purposes, what they were when prices were higher. Nor can it have any effect on the possibility of and the need for employing that physical equipment for productive purposes. The population has remained the same and so have its wants. Indeed, the experience of the past leaves little room for doubt that, whatever the movement of general prices, production as a whole increases at a remarkably steady rate, though that rate of increase is perhaps accentuated in times of rising prices and somewhat retarded in times of falling prices. Whence, then, arises the disturbance that impedes the smooth course of exchange of the commodities the world produces?

We all know that, in our complex economic organisation, the vast majority of transactions are not settled when they are concluded, but that they almost always involve contracts expressed in money amounts, the settlement of which is deferred over widely varying periods. In our gold-standard world, it is the purchasing power of gold, as expressed in the general level of commodity prices, that determines the real obligations (in terms of goods, in which only they can be met) of all these contracts. If the general level of commodity prices falls by 20 per cent, or, in other words, if the purchasing power of money increases by 25 per cent, then a contract entered into before that fall has taken place will compel the debtor to give to the creditor a title to goods 25 per cent greater than the two parties had bargained for when they concluded the contract. The total available volume of goods—that is, broadly, the income of the community—has thus to be divided among the creditor and debtor sections of the community in different proportions than before. But, as the total volume of production increases relatively slightly from year to year, the greater title to goods of the creditor class can only be met by the share of the national income falling to the debtor class being curtailed. It is this re-distribution of wealth, and the fact that the greater title to goods in the hands of the creditor section of the community is, in times of falling prices, exercised haltingly and in a class of goods quite different from that which the debtor class forgoes, that cause the profound disturbances in the exchange of goods.

It will be easier to appreciate the reactions brought about by such a re-distribution of wealth if we examine a concrete case. Professor Bowley and Sir Josiah Stamp published, in 1927, a monograph on the "National Income" of Great Britain in 1924. Largely based on the figures given in this publication, Mr. Joseph Kitchin has compiled for the writer an account in which the national income of that year is apportioned among the principal classes of the community who are particularly affected by a re-distribution of wealth due to a change of the general price level. The account does not pretend to represent statistical facts (and the authors of the

monograph must not be held responsible for the allocations made); but they are put forward as the best estimate that the available data permit to be made. They are believed to be sufficiently near the truth to serve the present purpose. The account is set out below:

*National Income and Distribution Account.*

INCOME.		DISTRIBUTION.	
Money Value £ Millions.		Money Value £ Millions.	Percentage of Total Income.
4,060	(a) Public debt service .....	405	10.0
	(b) Interest and rent .....	665	16.4
	Fixed money obligations .....	1,070	26.4
	(1) Other governmental expenditure ..	285	7.0
	(2) Profits of enterprise ("entrepreneur") .....	685	16.8
	(3) Wages and salaries. ....	2,020	49.8
	Residue...	2,990	73.6
4,060		4,060	100.0

The distribution of the national income has been split up, it will be observed, into the constituents of (a) Public Debt Service and (b) Interest and Rent, which are grouped together under the main heading of "Fixed Money Obligations", and (1) other Governmental Expenditure, (2) Profits of Enterprise, and (3) Wages and Salaries, grouped under the main heading of "Residue". The first group, as the heading implies, comprises the obligations in respect of contracts involving fixed money payments. It includes, apart from interest and redemption charges of the National Debt, the debts of public bodies and private undertakings, also rent on landed and house property, and pensions. These obligations may be said to constitute a first charge on the national income. They have to be met whatever the income may be, if default is to be avoided. The second group, headed "Residue", represents the balance of the national income that is available to meet (a) Governmental expenditure other than debt charges; (b) profits of enterprise ("entrepreneur")—which includes all dividends of a variable type, such as accrue to holders of ordinary or deferred shares of companies—and, finally, (c) wages and salaries.

FALLING PRICES.

A fall of the general level of prices increases immediately and automatically the share of the national income which falls to the section of the community that has fixed money claims. That increase takes place without any apparent friction as between that section and the rest of the community; indeed, most people do not realise that it has taken place. But even if it were realised, it is not likely to be resented. The greater purchasing power of money is regarded as a windfall to the lucky ones who have claims to it, and is generally thought to be due if not to an Act of God, then to the folly of the "entrepreneur" class for having increased production unduly. There are few who realise that the greater purchasing power of the money in the hands

of those having fixed money claims can only be satisfied by a corresponding increase of production or, failing that, by a curtailment of the income of the remaining sections of the community, or (using the global term employed for the purpose of the account) of the "residue". It is here that the fiercest friction at once and automatically arises. There is less to be divided among the "entrepreneur" and the wage earning classes. Sacrifices have to be made. Who is to bear them, and if they are to be borne by both sections, in what proportions? The wage-earner resists having his money wage reduced, even if that wage were to buy correspondingly more goods. But we know that a fall of the general level of wholesale prices does not at once bring down the prices of the goods the wage-earner needs and buys. The cost of living, in other words, does not, except very sluggishly, follow wholesale prices. Besides, the reduction of wages is, in any case, a long and difficult process, often involving strikes which reduce production when increased production is the only means to restore the income in terms of goods of the classes comprising the "residue".

The whole of the burden of the fall has thus at first to be borne by the "entrepreneur" class. Those among them whose enterprises are less exposed to foreign competition will try to lighten their burden by combining for the purpose of maintaining or raising the prices of the commodities they produce or the services they render. The result is that the burden falling on the "entrepreneur" class whose industries are more exposed to foreign competition and therefore less able to control the prices of the goods they have to sell is further increased. Hence the well-known phenomenon of the unsheltered industries being the first to be badly crippled or put out of action by a fall of general prices. But, even if both the sheltered and unsheltered industries were prepared to shoulder the burden rateably, they would only be able to support it if the fall of prices were relatively unimportant, simply because their share of the national income, even in times of stability, is but a small proportion of the whole. The National Income and Distribution Account shows that their share in 1924 amounted to just over 16 per cent.

To aid the reader in visualising the nature and the relative extent of the changes in the distribution of the national income consequent on changes in the general level of prices, a diagram (Annex D) is appended which attempts to show this. It is built up from the figures of the National Income and Distribution Account given earlier in this paper, the vertical line above the figure 100 at the bottom of the chart representing the national income as distributed in that account. To the left of this vertical line can be read off the effect which any given fall, and to the right any given rise, of the general level of commodity prices has on the distribution, on the supposition that the national income remains stationary, and that the "residue" is divided between its constituents in exactly the same proportions as it is divided in the original account shown in the vertical line above the figure 100. It will, of course, be understood that the presentation in this form is a purely schematic one, and does not—indeed could not—take account of the innumerable subsidiary influences which are constantly at work in the direction of accelerating or retarding the re-distribution of the shares in the national income as between one section of the community and another.

It, however, faithfully represents the change in the proportions of the national income that fall to those having fixed money claims on the one hand, and to the "residue" on the other, consequent upon changes in the general level of commodity prices on the assumption that the national income neither increases nor decreases. But the division between the main constituents of the "residue"—viz., the wage-earning and "entrepreneur" classes shown in the diagram—is an ideal one. The line denoting that division has been drawn simply to illustrate how each of these classes would be faring if they bore rateably the burden consequent on a fall, and enjoyed rateably the benefit consequent on a rise in the level of prices. In point of fact, it is the process of dividing the "residue" (especially if the "residue" becomes smaller as a result of a falling price level) that causes the struggle and friction between the two classes which, right through history, has accompanied every violent change in the level of prices.

Of far greater significance, in that connection, are the lines shown on the diagram which denote the wage-earners' share of the national income if money wages remain constant (A-B), and their share if their standard of living is to be maintained stable (C-D). The first, in particular, illustrates strikingly the friction that even a relatively small fall in the general level of commodity prices sets up between the wage-earning and "entrepreneur" classes. It shows

how deeply the wage-earners' share cuts into "profit of enterprise" while money wages remain unaltered, and how urgent, therefore, a readjustment of money wages becomes. Line C-D, which presupposes a readjustment of money-wages to a point at which the real wages—*i.e.*, the standard of living—is maintained unaltered, shows that even this involves a rather substantial encroachment on "profit of enterprise". Conversely, if the latter is incapable of bearing the burden (and there is, of course, a limit beyond which "profit of enterprise" cannot be curtailed without killing enterprise), it shows that a fall of prices forces upon the wage-earning community a debasement of their standard of living. An increase of production alone is capable of mitigating that situation. But, if it is considered that an annual increase of production of 8 per cent will counteract the ill-effects of a fall in the general level of prices of only about 2.9 per cent per annum, the profoundly disturbing effect of the fall of 13 per cent during the last fifteen months will be appreciated.

Little imagination is required to visualise the many implications that spring from this state of things. Thus, it is clear that industries which are most vulnerable to competition are the first to suffer and that, failing very large resources to meet losses, they are quickly reduced to impotence and compelled to suspend operations. Unemployment is the result, but that unemployment is not merely confined to the particular industry that has to suspend operations, but spreads over most other industries, for the suspension of operations by one industry immediately reacts on others through the curtailment of the requirements by the former of goods produced and services rendered by the latter. A reduction of money wages, possibly to a level constituting a debasement of the standard of living, becomes inevitable. Wage reductions of so drastic a character can hardly be expected to be accomplished without strikes. These, in turn, aggravate the evil; production is further curtailed, and unemployment further increased, and that at a time when an increase of production alone can remedy the disequilibrium!

Meanwhile, the greater title to goods which the fall of general prices gives to those having fixed money claims remains unexercised. While money appreciates, a reluctance to exchange it for goods is only natural; and that is particularly true of those having fixed money claims for they can afford it, the greater title to goods they so acquire constituting, in fact, an increment over and above their accustomed standard of life. They are thus unlikely to exercise it until they believe that the fall of prices has come to an end, and when they do, it will be in goods of a different character from the goods in which it would be exercised if it were in the hands of the wage-earning community. The latter would exercise it mainly in the purchase of consumable goods, while the former would exercise it in the purchase of capital goods through the acquisition of bonds and shares.

In a period of falling prices, there is thus a falling-off in the demand for consumable goods owing to the reduction of income of the wage-earning classes, and of capital goods owing to the reluctance to exercise their increased purchasing power by those having fixed money claims. Added to this, there is the psychological factor of falling prices reacting on the "entrepreneur" class in the direction of limiting their purchases of commodities to their immediate needs. Hence the curtailment of demand for both classes of goods and the consequent accumulation of stocks of most primary commodities.

This cursory analysis supplies—it is submitted—a far more cogent explanation of the phenomenon that is observable, not merely in this country, but to a greater or lesser extent the gold-standard world over. The phenomenon is due, not to "over-production", but to the retardation in the process of exchange, and therefore of consumption, caused by a drastic re-distribution of wealth resulting from the fall in the general level of commodity prices which, in turn, owes its origin to an inadequate supply of currency and credit.

Before concluding this part of our analysis, let us consider the monetary aspect of the developments just referred to. The fact that the general level of prices has fallen and that production and trade have suffered a curtailment reduces the need for currency and credit. The amount that was insufficient before the fall occurred will probably be substantially in excess of the needs of exchange in the altered circumstances. The fact, moreover, that the increased purchasing power in the hands of those having fixed money claims is not being exercised in the purchase of capital goods through the investment market, but is being temporarily diverted to the short-credit market, is a sufficient explanation of the abundance of the supply of credit in periods of

rapidly falling prices. This abundance is the one element in the situation which is able to, and invariably does, set into motion a trend in the reverse direction. Cheap credit revives confidence, and with it enterprise. The fall of general prices is stayed. Those who have temporarily diverted their surplus purchasing power to the short-credit market take heart and direct it to the investment market and, through it, to the production of capital goods. Employment increases and so does the demand for consumable goods. General prices take an upward trend and the spirit of enterprise broadens until both are once more checked by currency and credit having reached the limit to which the central banks consider it prudent to expand them in view of the available supply of monetary gold.

It is well to re-state these well-known phases of a trade cycle in order to show that there is ample ground for the contention that such cyclic movements are of monetary origin and by no means beyond control. Our analysis shows that the recent fall in the general level of prices has its origin in an insufficiency in the supply of currency and credit and that that insufficiency was brought about by the very reverse of economy in the use of the monetary gold that became available. It showed that a drastic re-distribution of wealth was thus forced upon the world, that this caused the free flow of exchange to become badly clogged, with the result that the fall of general prices was accentuated and that the available amount of currency and credit became superabundant.

It is legitimate to conclude that if the gold-standard world had been supplied with an adequate amount of currency and credit by the exercise of reasonable economy in the use of its monetary gold supply, there would have been no fall of general prices. If there had been no fall there would have been no re-distribution of wealth, no clogging of the flow of exchange, no superabundance of currency and credit to supply the stimulus for a reversal of the movement, and therefore no trade cycle.

The attached chart and table (Annexes E and F) strikingly illustrate the close correlation of the deficiency in the supply of monetary gold (on the assumption that an addition to the monetary gold reserves of 8 per cent per annum is needed to meet the requirements of an increase of production at the same rate), with the movement of the general level of prices and the state of unemployment in the period under review. A graph is added showing the movement of the Bank of England's liabilities in respect of other deposits, together with the total note circulation (currency notes in issue being added to the Bank of England notes before the former were taken over by the Bank). When examining the unemployment chart, it should be remembered that the coal strike in 1926, and its repercussions in 1927, are no doubt largely responsible for the violent movements shown in that period.

#### RISING PRICES.

Not much space need be devoted to the analysis of the consequences of a rise in the general level of prices. They are pretty well the reverse of those of a fall. The diagram (Annex D) clearly shows how the share in the national income accruing to those who have fixed money claims is reduced, how the "residue" is correspondingly increased, and how the "ideal" division of the "residue" among the wage-earning and "entrepreneur" classes (*i.e.*, its division in the same proportions as those of the original National Income and Distribution Account) raises the standard of living of the former and yet leaves the latter with a greater profit. The need for a readjustment of money wages is again strikingly illustrated by the lines A-B and C-D, but it will be apparent that the readjustment, though no doubt liable to cause friction, is a much less difficult matter than in the case of falling prices. To divide the benefit of a surplus is a much less unpleasant affair than to divide the burden of a deficiency.

The increased title to goods which accrues to the "residue" is exercised at once, both consumable and capital goods are in brisk demand, the former mainly by the wage-earning community and the latter by the "entrepreneur" class, as well as by those having fixed money claims. The exchange of goods proceeds unchecked and at an accelerated rate. This, and the psychological effect of rising prices, stimulates enterprise, sometimes much beyond its legitimate

limits, until it is fiercely checked by the supply of currency and credit being no longer capable of expansion owing to the limitation put upon it by the available supply of monetary gold. The trend in the reverse direction is set in motion with all the evil consequences to which reference has been made.

#### STABLE PRICES.

Having illustrated diagrammatically (Annex D) the effect on the distribution of the national income of fluctuations of the general level of commodity prices, it may be helpful to show, in similar form, the development of things when general prices are stable. The appended diagram (Annex G) has been drawn for the purpose. Like the earlier diagram, it is built up from the figures of the original account, the vertical line above the figure O at the bottom of the chart representing the distribution in that account. It assumes that the national income increases at the rate of 3 per cent per annum compound, that the Public Debt Service remains at a constant figure, but that "interest and rent" (private debt) increases at the same rate as the national income—viz., 3 per cent per annum—it being assumed that the additional capital equipment needed to produce the 3 per cent increase of the national income will be provided by a rateable increase of private debt. The "residue" is divided in the constant proportions of the original account—viz., "other government expenditure" (9.5 per cent), "profits of enterprise" (22.8 per cent) and "wage-earners" (67.7 per cent).

It will be seen that (except for the increase of private debt on the assumption made) those having fixed money claims will be receiving the same amount of real income right through the period, and that practically the whole of the increase of the national income accrues to the "residue". It would be difficult to show that this distribution does not do full justice to all sections of the community; those having fixed money claims will be receiving the same amount of money of the same purchasing power they bargained to receive when the creditor and debtor position was created. In accepting a fixed money claim and receiving in return for it the superior security of a first charge on the income, they clearly gave up their claim to a share in any increase of income that arises from greater productivity. Those, on the other hand, to whose enterprise, energy and willingness to bear risks the greater productivity is in the main due—*i.e.*, the wage-earners and "entrepreneurs"—are justly entitled to share between them the fruits of having created it. The division of the "residue" between wage-earners and "entrepreneurs" in the constant proportions of the original account secures to both an increase of income at a rate somewhat greater than 3 per cent per annum. The line A-B drawn across the diagram indicates the proportion of the national income that is needed to give to the wage-earners a constant standard of living, on the assumption that the population increases at the rate of 1 per cent per annum. That line brings out in a particularly striking manner how an increase of production in conditions of monetary stability makes available for the improvement of the standard of life of the wage-earners a steadily increasing margin, and yet satisfies the just claims of the "entrepreneur" class to a rateable share in the increased production. The diagram thus indicates that, in the conditions assumed, the standard of life of the wage-earners would be doubled in thirty years—indeed, that no section of the community benefits as much from an increase of production as they do. That increased production does not reach the wage-earner unless money wages are increased accordingly. Friction may, but need not, arise in the process, for, as in the case of rising prices, it is a question of dividing between wage-earners and "entrepreneurs", not the burden of a deficiency, but the benefit of a surplus. Besides, in conditions of stability, it should not be beyond the wit of man to devise a system by which the wage-earner's due proportion of the increased production is currently—almost automatically—transferred to him. But even if friction were to arise here and there, it can affect but slightly the immeasurable benefits which arise from the fact that, in conditions of price stability, a re-distribution of wealth is avoided and, with it, the profound disturbances that spring from it. There would be no check to the smooth flow of goods, the steadily increasing income accruing to the "residue" being currently exercised in the purchase of consumable as well as capital goods. There would be no undue stimulus or deterrent to enterprise, nor would the smooth flow of savings to the capital market be interfered with. In a word, there would be no check to economic progress.

If the wisdom of the Genoa Resolutions had any need of support, the events of the last five years supply it in ample measure. Indeed, no theoretical analysis could demonstrate more convincingly the cause and effect of the fall of the general level of prices—that is, of the appreciation of gold—and particularly the magnitude and the all-pervading character of the disturbances resulting from it.

The conquest of the forces of nature by the human race is increasing at a rate undreamt of only a little while ago. We are justly proud of it, and also of our achievements in the direction of co-operation for the purpose of “rationalising” physical production. Yet we are denied the full enjoyment of the fruits of this conquest because we have apparently failed to “rationalise” the monetary use of gold by co-operative action, though that alone can secure for us undisturbed economic progress—the very foundation of social and political peace!

London, April 1930.

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## ANNEX B.

## GOLD HOLDING OF CENTRAL BANKS AND TREASURIES.

	In millions of pounds sterling.										Population 1929 (millions).	Per head (£).				
	End 1925.	End 1926.	Change 1926.	End 1927.	Change 1927.	End 1928.	Change 1928.	End 1929.	Change 1929.	Change 4 years.		End 1925.	End 1926.	End 1927.	End 1928.	End 1929.
	United States..	819	838	+ 19	818	- 20	770	- 48	802	+ 32		- 17	121	6.8	6.9	6.8
France .....	164	(175)	+ 11	(202)	+ 27	258	+ 56	336	+ 78	+ 172	42	3.9	4.2	4.8	6.1	8.0
Great Britain..	145	151	+ 6	152	+ 1	153	+ 1	146	- 7	+ 1	46	3.2	3.3	3.3	3.3	3.2
Germany .....	59	90	+ 31	91	+ 1	184	+ 43	112	- 22	+ 53	64	0.9	1.4	1.4	2.1	1.7
Japan .....	123	118	- 5	115	- 3	109	- 6	110	+ 1	- 13	89	1.4	1.3	1.3	1.2	1.2
Spain .....	101	101	-	108	+ 2	101	- 2	102	+ 1	+ 1	23	4.4	4.4	4.5	4.4	4.4
Argentina.....	95	95	-	111	+ 16	127	+ 16	91	- 36	- 4	11	8.6	8.6	10.1	11.5	8.3
Italy .....	68	66	- 2	69	+ 3	75	+ 6	76	+ 1	+ 8	44	1.5	1.5	1.6	1.7	1.7
	1,574	1,634	+ 60	1,661	+ 27	1,727	+ 66	1,775	+ 48	+ 201	440	3.6	3.7	3.8	3.9	4.0
Netherlands...	87	84	- 3	83	- 1	86	+ 3	87	+ 1	-	8	4.6	4.2	4.1	4.5	4.6
Brazil .....	11	12	+ 1	21	+ 9	30	+ 9	31	+ 1	+ 20	34	0.3	0.4	0.6	0.9	0.9
Belgium .....	11	18	+ 7	21	+ 3	26	+ 5	34	+ 8	+ 23	8	1.4	2.2	2.6	3.2	4.5
Canada .....	46	47	+ 1	47	-	39	- 8	31	- 8	- 15	10	4.6	4.7	4.7	3.9	3.1
Switzerland ..	18	19	+ 1	20	+ 1	21	+ 1	24	+ 3	+ 6	4	4.5	4.7	5.0	5.2	6.0
Australia .....	26	22	- 4	22	-	22	-	18	- 4	- 8	6½	4.0	3.4	3.4	3.4	2.5
Poland .....	5	5	-	12	+ 7	14	+ 2	16	+ 2	+ 11	31	0.2	0.2	0.4	0.5	0.5
Java .....	15	16	+ 1	15	- 1	14	- 1	14	-	- 1	55	0.3	0.3	0.3	0.3	0.3
Uruguay .....	12	12	-	12	-	14	+ 2	14	-	+ 2	2	6.0	6.0	6.0	7.0	7.0
Sweden.....	13	12	- 1	13	+ 1	13	-	13	-	-	6	2.1	2.0	2.1	2.1	2.1
Denmark .....	12	12	-	10	- 2	10	-	10	-	- 2	3½	3.4	3.4	2.8	2.9	2.8
South Africa ..	9	9	-	9	-	9	-	8	- 1	- 1	7½	1.2	1.2	1.2	1.2	1.1
Czechoslovakia	6	6	-	6	-	7	+ 1	8	+ 1	+ 2	14½	0.4	0.4	0.4	0.5	0.6
Norway .....	8	8	-	8	-	8	-	8	-	-	8	2.7	2.7	2.7	2.7	2.7
Other countries	78	85	+ 7	91	+ 6	93	+ 2	102	+ 9	+ 24	605	0.1	0.1	0.2	0.2	0.2
	1,881	1,951	+ 70	2,001	+ 50	2,083	+ 82	2,143	+ 60	+ 262	1,238	1.5	1.6	1.6	1.7	1.7

## SOURCE OF INCREASES OF GOLD HOLDINGS IN CENTRAL BANKS AND TREASURIES.

(Millions of pounds sterling.)

	World's stock of gold money (end of year).	In Central Banks and Treasuries (end of year).	Difference (in other banks, in circulation or hoarded). (end of year).	Increase in Central Banks and Treasuries.		
				From new gold.	From other banks, circula- tion or hoards.	Total increase.
1925.....	2,129	1,881	248	51	+ 19	70
1926.....	2,180	1,951	229	52	- 2	50
1927.....	2,232	2,001	231	50	+ 32	82
1928.....	2,282	2,083	199	54	+ 6	60
1929.....	2,336	2,143	193			
				207	+ 55	262

**ANNEX C.**

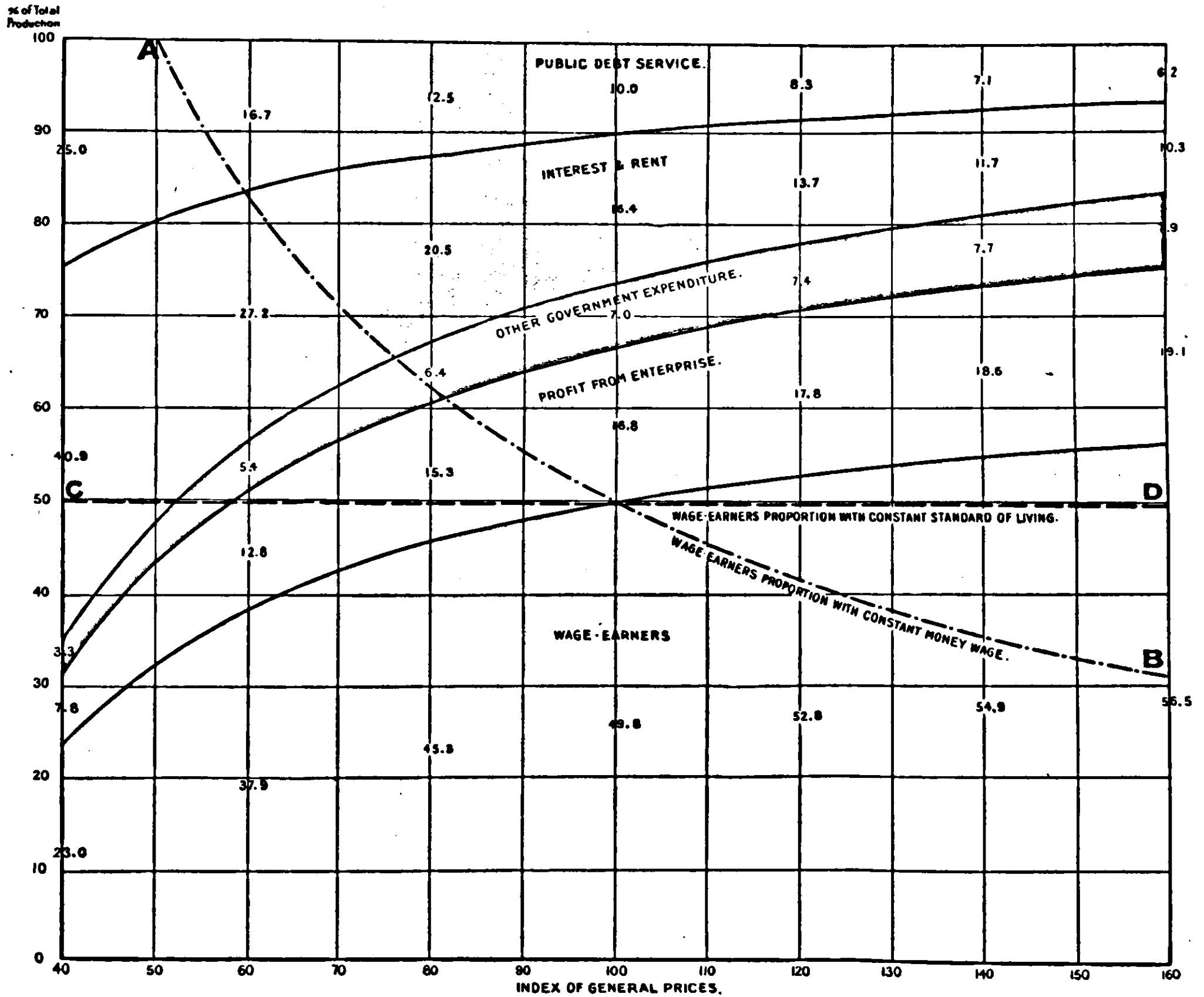
**THE AVAILABLE SUPPLY OF MONETARY GOLD AND AMOUNT NEEDED  
TO INCREASE GOLD STOCKS BY 3 PER CENT PER ANNUM.**

End of	New gold becoming available for monetary purposes.	Gold sterilised . . . . — Gold released from sterile reserves .. +	Net additions to monetary gold reserves.	Addition of 3% needed <sup>1</sup> .	Deficiency.	<i>Economist</i> Wholesale Price Index 1913=100		
	In £ millions.						Index.	Rise or Fall %
Dec. 1924	74	U. S. A. —54 } Argentine + 7 } —47	27	62	35	56.5	172.4	+ 6.1
Dec. 1925	— 4	U. S. A. . +23 } Argentine — 1 } +22	18	63	45	72.6	153.0	—11.2
Dec. 1926	70	U. S. A. .. —19	51	64	13	20.3	145.1	— 5.2
Dec. 1927	50	U. S. A. . +20 } Argentine —16 } + 4	54	65	11	17.0	141.9	— 2.2
Dec. 1928	82	U. S. A. . +48 } Argentine —16 } —24 France . . . —56 }	58	67	9	13.4	136.5	— 3.8
Dec. 1929	60	U. S. A. . —32 } Argentine +36 } —74 France . . . —78 }	—14	68	82	121.0	126.9	— 7.0
Mar. 1930							119.4	— 5.9

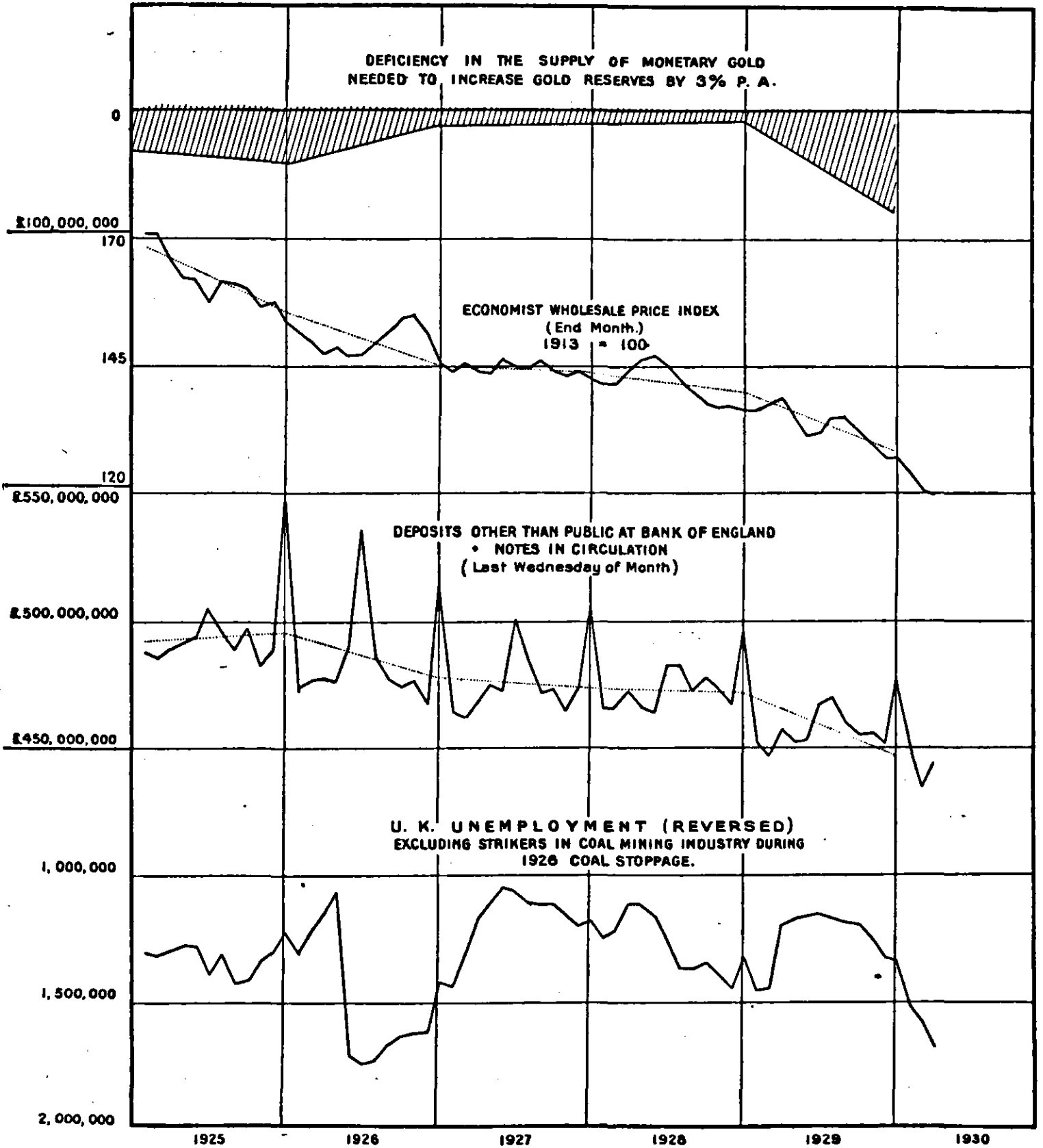
<sup>1</sup> Reckoned on stock of gold money at end of previous year.

## ANNEX D.

### Changes in Distribution of National Production as a Result of Changes in the General Level of Prices, the Volume of Production being Constant.



### ANNEX E.



**ANNEX F.**  
**DETAIL OF STATISTICS USED IN CHART (ANNEX E).**

	Wholesale Price Index 1913 = 100.	Unemployed. , 000	£ millions.			Total.		Wholesale Price Index 1913 = 100.	Unemployed. 000	£ millions.			Total.
			B. of E. Other Deposits.	Notes in circulation.	Treasury Notes in circulation.					B. of E. Other Deposits.	Notes in circulation.	Treasury Notes in circulation.	
			Last Wednesday of month.						Last Wednesday of month.				
<b>1925.</b>			£ millions.				<b>1928.</b>		£ millions.				
Jan.	170.1	1,320	107.8	97.6	281.2	486.1	Jan.	141.5	1,261	98.7	78.4	288.0	405.1
Feb.	170.1	1,331	105.5	97.9	281.2	484.6	Feb.	141.5	1,228	98.5	79.1	287.5	405.1
Mar.	105.7	1,308	105.9	97.5	284.8	487.7	Mar.	143.5	1,128	98.2	79.2	289.5	406.9
Apl.	161.9	1,292	105.5	94.5	289.8	489.8	Apl.	145.7	1,128	94.8	78.5	292.0	405.8
May	160.8	1,294	106.7	94.8	291.5	492.5	May	146.7	1,168	89.6	79.8	298.7	408.1
June	157.0	1,406	118.3	92.7	292.8	508.8	June	144.5	1,273	105.6	80.1	296.0	481.7
July	160.8	1,327	103.8	90.8	301.0	494.6	July	141.9	1,377	106.8	79.8	295.1	481.7
Aug.	160.3	1,441	104.2	88.1	295.1	487.4	Aug.	139.4	1,375	95.8	79.2	296.9	471.4
Sept.	159.0	1,424	114.5	88.6	298.0	496.1	Sept.	137.5	1,355	103.7	78.3	293.9	475.9
Oct.	156.3	1,354	102.6	86.8	291.6	481.0	Oct.	136.9	1,404	103.5	78.8	291.6	473.4
Nov.	156.7	1,314	111.4	85.8	290.1	487.3	Nov.	136.9	1,453	99.6		367.0	466.6
Dec.	153.0	1,248	160.7	88.5	296.8	546.0	Dec.	136.5	1,334	107.0		388.2	495.2
<b>1926.</b>							<b>1929.</b>						
Jan.	151.6	1,318	101.8	85.8	286.2	472.8	Jan.	136.1	1,466	96.1		355.7	451.8
Feb.	149.3	1,248	106.2	84.9	284.1	475.2	Feb.	137.3	1,454	93.7		352.3	446.0
Mar.	147.1	1,171	93.6	86.6	295.3	475.5	Mar.	138.1	1,204	94.6		361.8	456.4
Apl.	147.8	1,093	95.6	84.9	294.5	475.0	Apl.	135.0	1,181	94.1		357.8	451.4
May	146.5	1,719	103.0	84.4	300.3	487.7	May	131.5	1,177	91.6		360.1	451.7
June	146.8	1,751	154.7	85.5	294.0	534.2	June	131.7	1,164	103.6		362.7	466.3
July	148.7	1,737	105.5	85.8	293.9	485.2	July	134.6	1,178	98.0		371.8	469.8
Aug.	151.1	1,684	102.1	84.1	290.8	477.0	Aug.	134.5	1,199	94.1		365.4	459.5
Sept.	153.6	1,648	101.2	84.3	287.9	473.4	Sept.	131.9	1,203	93.4		361.1	454.5
Oct.	154.2	1,636	104.8	82.9	287.6	475.3	Oct.	129.6	1,254	96.2		358.8	455.0
Nov.	151.3	1,630	100.8	81.8	284.7	467.3	Nov.	126.9	1,326	96.4		354.6	451.0
Dec.	145.1	1,432	131.3	84.6	296.5	512.4	Dec.	126.9	1,344	106.8		369.8	476.6
<b>1927.</b>							<b>1930.</b>						
Jan.	143.1	1,451	102.8	80.8	280.2	463.8	Jan.	123.7	1,520	103.4		348.0	451.4
Feb.	144.7	1,315	98.5	80.4	281.5	460.4	Feb.	121.0	1,533	86.9		346.8	433.7
Mar.	143.5	1,188	97.5	81.8	288.1	467.4	Mar.	119.4	1,694	90.8		352.3	443.1
Apl.	142.8	1,133	98.6	81.8	294.8	474.7	Apl.						
May	145.4	1,059	98.4	79.7	293.6	471.7	May						
June	144.1	1,069	119.0	81.8	298.3	499.1	June						
July	144.1	1,114	103.5	81.8	298.5	483.8	July						
Aug.	145.1	1,130	93.2	81.2	295.9	470.8	Aug.						
Sept.	143.4	1,126	97.5	80.3	294.8	472.6	Sept.						
Oct.	142.5	1,156	90.8	79.6	292.5	462.9	Oct.						
Nov.	143.1	1,210	95.2	80.7	295.8	471.7	Nov.						
Dec.	141.9	1,194	124.0	82.5	299.8	503.3	Dec.						

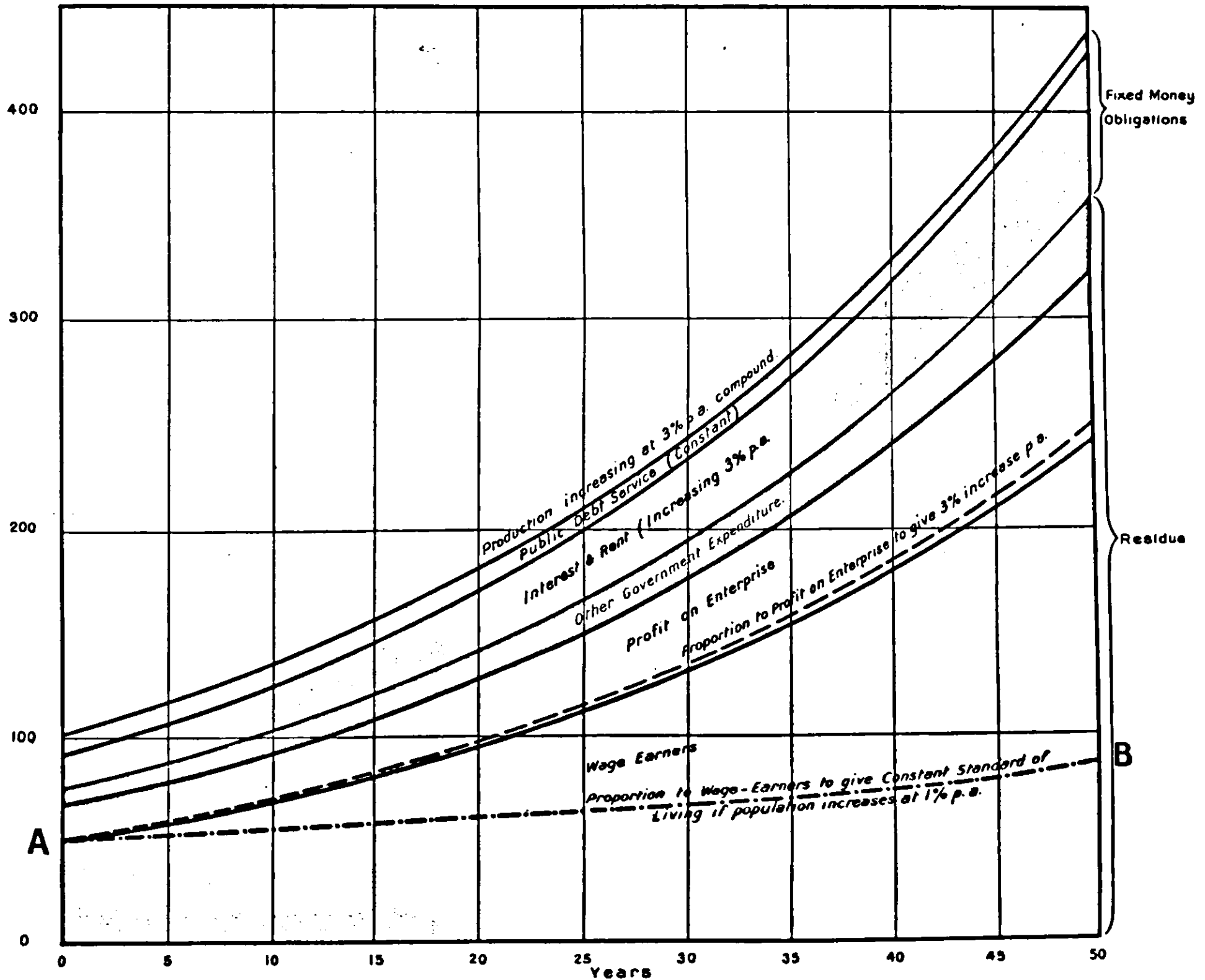
Sources : Unemployment : *League of Nations Monthly Bulletin of Statistics.* Bank of England—Other Deposits  
Notes in Circulation } *Economist.*  
Treasury Notes  
Price Index

## ANNEX G.

### Variation in Distribution of National Production as Production Increases, the General Level of Prices being Constant.

*NOTE:—The residue, after meeting fixed money obligations, is divided in the constant proportion of:  
Other Government Expenditure 9.5%; Profits on Enterprise 22.8%; Wage Earners 67.7%.*

Index of  
Production  
Year 0 = 100



**ANNEX F.**  
**DETAIL OF STATISTICS USED IN CHART (ANNEX E).**

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## PRICE STABILISATION<sup>1</sup>

BY O. M. W. SPRAGUE.<sup>2</sup>

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Money credit and price problems have been often discussed at meetings of this Association and these topics will doubtless be found on many future programmes. If, fifteen years hence, the records were to show during the intervening years a course of prices which without conscious effort to that end had been exceptionally stable, free from secular trends and also from decided short-time fluctuations, it could be confidently presumed that the period had been one of conspicuous economic tranquillity, free from decided disturbances and presumably marked by decided progress and increasing economic well-being among all classes in the community. Note that I say price stabilisation secured without conscious effort to that end, because it is the purpose of this paper to enquire whether it is possible to secure, by direct efforts to maintain price stability, those advantages which stability coming of itself would undoubtedly reflect. Or, to state the matter in another way, I shall undertake in this paper to suggest monetary measures and credit policies designed to maintain a maximum degree of stability in the commodity price level and also at the same time to indicate certain limiting conditions to which a programme of complete price stabilisation is apparently subject. The exposition must necessarily be of a summary character, but I venture to think that some gain in understanding may be derived from a succinct, comprehensive treatment of this intricate problem.

For the purpose of analysis, it is convenient to distinguish various diverse sets of influences and types of change to which the general level of prices is subject. These changes may be classified as follows : long-period or secular price trends; changes in relative price levels of different countries required to maintain equilibrium of payments; cyclical price changes; and finally, price fluctuations incident to considerable changes in demand for commodities and services and to changes in methods of production, costs, and location of industry, and variations in harvests. Here at the outset, it is most important to insist that this or any other classification of price changes has serious practical limitations. At any given time or place, prices may be subject to several and perhaps to all of these various influences. The significance of particular price movements can seldom be clearly determined and, consequently, the advisability of taking measures to reverse such tendencies will, except in extreme cases, be far from self-evident. Price instability may and often has been a cause of economic instability, but equally certain is it that economic instability occasions some measure of instability in the general level of prices as well as in prices of particular commodities. And it is not certain that enforced or managed price stability, even assuming it to be possible, would contribute in all circumstances to general economic stability.

### SECULAR PRICE TRENDS.

I open the discussion with an examination of the possibilities of overcoming secular or long-period price trends because variations of this general character seem to be most definitely susceptible of control. Assuming the maintenance of the gold standard now happily restored throughout most of the world, it will be generally agreed that the average level of prices for any given decade, say from 1935 to 1945, will be determined by the amount of monetary gold and

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<sup>1</sup> Published in the *American Economic Review*, Vol. XIX, No. 1, March, 1929.

<sup>2</sup> At present with the Bank of England; formerly Converse Professor of Banking and Finance at the Graduate School of Business Administration, Harvard University.

the volume of currency and credit resting upon that gold. If a rigid mechanical relationship between gold and the volume of the purchasing medium obtains during those years, the level of prices will exhibit a rising trend if supplies of new gold are abundant, a declining trend if the production of gold is not maintained. It would be a mere chance occurrence in the nature of a windfall for the world at large if supplies of gold happened to provide the basis for a purchasing medium that did not subject the course of prices to secular or long-period trends.

For the future as in the past, the amount of monetary gold will be a most uncertain quantity and consequently, under monetary and banking arrangements which impose a rigid relationship between gold and the purchasing medium, secular price trends are inevitable. But, happily, it is not essential, to ensure the satisfactory functioning of monetary and banking systems, that any particular proportion between gold and the purchasing medium shall be maintained without change for indefinite periods. Monetary changes in the past have been frequent enough, some good and some the reverse. Desirable monetary changes have commonly been designed to meet particular defects in the administration of currency and credit. They have not been directed toward rendering possible or facilitating such adjustments of the supply of the purchasing medium to varying supplies of gold as might serve to lessen or eliminate secular price trends. Let it become generally recognised throughout the world that it is desirable to free the course of prices from close dependence upon gold stocks and the general character of the measures that should serve to counteract long-time price trends in either direction can be readily indicated.

I take first for consideration the simpler and perhaps more unlikely case of a superabundance of gold in the years ahead. The employment of gold coin or of gold certificates where paper money is preferred for hand-to-hand use, together with rising reserve ratios in banks of issue, would serve to absorb a huge additional amount of gold at the existing level of prices of different countries. In the United States of America, for example, notwithstanding the disproportionate share of monetary gold which it still holds, thanks to its complicated currency and credit arrangements, it is possible to absorb further gold accretions of at least two billions of dollars and completely to neutralise the power of such an inflow to bring about expansion in the purchasing medium. The following means of absorbing surplus gold may be mentioned in this connection: calling up the unpaid portion of the capital of the Federal Reserve Banks; lengthening the time schedule for credit to reserve balances of member banks on items collected by Reserve Banks; designation of additional cities as reserve or central reserve cities; changing the method of computing net deposit liability of member banks which would transfer to demand deposits those time deposits which are only nominally of a savings character; transfer of Government deposits from depository to Reserve Banks; reduction in total earning assets of Reserve Banks; substitution of gold certificates for the six hundred and fifty millions of national bank-notes now in circulation; and finally, retirement of the United States notes and perhaps also of the silver certificates. Evidently, the United States of America is in a position to do its full share in offsetting the effects of any extraordinary increase in the supply of gold. Means are readily available. The real obstacle is the common preference of the business community for rising prices and low rates in the money market.

Turning now to the case of stationary or declining gold production, we are confronted by a problem that involves greater difficulties and one as to which the range of action is doubtless subject to more definite limitations. But here also much can be accomplished if the will to act is present. As larger amounts of gold may be used as currency and locked up in bank reserves when gold is in abundant supply, so also within wide limits is it possible to economise gold both as currency and in bank reserves in the event of a gold shrinkage. There is no particular ratio between gold on the one hand and currency and credit on the other that is needed to ensure safety and the satisfactory functioning of the banking system of a country. Gold reserves are needed to inspire confidence, to provide the means of settlement of foreign balances and, finally, to place a limit upon the amount of additional credit that may be extended upon the acquisition of additional gold, but obviously this last is a consideration that loses weight in a period when new gold is in scant supply.

Taking the United States of America again for illustration, a succession of reductions in the required proportion of gold to Reserve Bank liabilities would not be a matter of serious concern calculated to weaken confidence in the strength of our banking system. After all, the strength

of a banking system is measured by the character of the loans and investments of the banks, not by the possession of a little more or a little less gold. Far better a price level ten or fifteen years hence here and elsewhere at about present levels and 25 or 30 per cent gold ratio at the Reserve Banks than a much higher ratio and a much lower price level.

Statutory requirements of a definite minimum reserve ratio against currency and deposits obviously place limits upon possibilities of economising gold in the event of scanty supplies. In this country, through the Reserve Act and its amendments, a given amount of gold will support a larger volume of currency on deposit credit than formerly, but a definite limit of expansion still appears in the requirement of specific reserve balances in the case of member banks and in the minimum reserve ratio against both notes and deposits of the Reserve Banks. In England, also, the prescriptions of the Act of 1844 have been slightly relaxed by recent legislation, but elsewhere (the 85 per cent minimum ratio of the Bank of France is a notable instance) we find a general tendency to introduce statutory provisions that impose a definite relationship between gold stocks and the aggregate volume of credit. To meet the contingencies of a shrinkage in gold output if a declining price trend is to be escaped, a public opinion must be developed favourable to the relaxation, if not the elimination, of minimum reserve ratios.

To permit needed economy in the use of gold in the future, positive legislation may be needed in this and other countries. At present, there seems to be a very real danger that policies may be adopted which will lock up additional gold. In this country, for example, the retirement of the national bank-notes in 1930 when the bulk of the bonds bearing the circulation privilege becomes payable has been urged. These notes require no gold backing, but if their place is taken by Federal Reserve notes, a gold reserve of at least 40 per cent of their amount will be required and a still larger amount of gold will be rendered unavailable if the Reserve Banks do not hold sufficient cover in re-discounts and acceptances to make up the balance. Unless provision is made for the issue of Federal Reserve bank-notes which require no gold backing, it would seem clearly inexpedient to adopt a policy which would make a quite unnecessary and possibly undesirable drain upon monetary gold stocks.

Minimum reserve ratios are particularly objectionable because they necessarily limit available gold to such amounts as are in excess of such requirement together with the further amounts that can be set free by the very limited possibilities of currency and credit contraction at any given time or place. Required reserve ratios tend to induce a scramble for gold among central banks and work against the establishment and steady maintenance of free gold markets. And it cannot be too strongly emphasised that the avoidance of scrambles for gold and the maintenance of free gold markets are absolutely essential to render a policy of economy in the monetary employment of gold both safe and practicable.

Finally, it is to be noted that no single country can go far in the execution of a policy designed to check a secular price decline. It would be faced, not only by a continuous loss of gold, but also by a persistent depressing situation for its exporting industries. A co-operative spirit among central banks with a common objective, a spirit similar to that which has been manifested in bringing about the return to the gold standard, is indispensable if the disturbing influences of long-period declining price trends is to be moderated. And even though co-operative policies are adopted by central banks and gold restrictions on credit are made more elastic, the counteraction of declining price trends would still involve difficulties and complications that would require experienced and far-sighted management. At any given time or place, it will always be a difficult matter to distinguish the secular trend of prices amid the confusing variety of other influences which are responsible for price fluctuations. In general, however, it may be presumed that a persistent and world-wide price decline may be taken as fairly conclusive evidence that the course of prices is being positively and undesirably affected by an inadequate supply of gold.

#### RELATIVE PRICE LEVEL.

There is some danger that secular price trends may not be clearly distinguished from price changes that are peculiar to single countries or a limited number of countries similarly situated, the price levels of which may be subject to long-period changes that are entirely independent of the abundance or scarcity of gold. Even the entire elimination of secular

price trends does not signify the elimination from time to time in various countries of very considerable price level changes that might extend over considerable periods of time. The financial and trade position of a country relative to other countries may experience decided changes and the maintenance of payment equilibrium may involve for that country material modification of its level of money prices. In borrowing countries, a relatively high price level obtains, but, when interest and payments on principal come to exceed new borrowing, a decline in the price level relative to other countries is inevitable unless quite exceptional productivity and foreign demand combine as offsetting influences. Reparations and Inter-Allied debts furnish another instance. Efforts to maintain a given level of prices in either the paying or receiving countries must obviously greatly enhance the difficulties of making settlements. Some changes in relative price levels of different countries are a natural and necessary consequence of changing economic and financial relations.

#### CYCLICAL PRICE CHANGES.

I now turn to cyclical price changes and here I can do little more than re-state the position which I developed in a paper read at a meeting of the Association some eight years ago. When prices have been rising rapidly and there is evidence of widespread speculative buying in commodity markets and labour is fully employed, it is imperative that central banks take energetic measures to restrain further credit expansion. And this policy can be made effective since at such times it is certain that no considerable additional supplies of credit can become available except through the extension of additional accommodation by banks of issue. The problem remains for consideration, however, whether central banks can do more than this and, at an earlier stage, upon less definite evidence of the incubation of a boom, take measures to impose restraint; and here, I must frankly say that I do not think our experience furnishes a positive guide to action.

Moderate price advances or moderate price declines may reflect a wide variety of conditions and consequently to counteract either an advance or a decline at any given time may be advantageous or the reverse. We cannot determine the matter from the course of prices alone. Extreme and persistent price changes in either direction may well be counteracted with advantage to the community. Moderate changes in prices can be taken at most as only one factor in the determination of credit policies. It is not enough that in recent years there may have been fairly close correlation between Reserve Bank policies, price movements, and business activity. In some measures, Reserve policies have been timed on the basis, not of prices alone, but the analysis of all other factors bearing upon the industrial and financial position. We cannot say that, because an easier money market in the midsummer of 1924 contributed to price stability and assisted business revival that similar satisfactory results would have been attained if that policy had been adopted some months before. Economic adjustments incident to large changes in demand or in supply affect, not only particular prices, but also the price level and it is by no means certain that a credit policy largely influenced by slight changes in the price level would facilitate necessary adjustments. When such adjustments have been initiated, liberal credit may facilitate the process, but there is danger that an early application of such assistance will rather serve to defer the process of adjustment and perhaps render it more difficult.

Finally, there remains for mention the possibility that it may be desirable at times, on account of particular excesses in the employment of credit, to impose restraint even though prices are tending downward. Stock exchange activities seem to afford a recent instance and also, perhaps, instalment sales, financing and building activities. Such particular aberrations may reach serious dimensions in the absence of a general advance in prices. And they suggest that price changes at times must be disregarded in the determination of credit policies.

In view of the diversity of causes and consequent uncertain significance of slight changes in the price level, it would seem to be desirable that any programme of price stabilisation should allow for what may be called a margin of tolerance. Fluctuations in price of, let us say, five and perhaps even as much as ten points above or below a level that had manifested a fair degree of permanence might well be regarded with indifference requiring no particular action. It should be noted that this limitation to decided changes in prices would greatly facilitate the execution

of a stabilisation policy. The relationship between changes in the volume of credit and currency and price changes are not sufficiently exact and immediate to permit a definite determination of the measures that would serve to offset a change of a few points in an index number. Under different circumstances, the effect of a given amount of contraction or expansion in the volume of credit might range all the way from complete ineffectiveness to the initiation of a decided price movement.

In the execution of a stabilisation problem, appropriate means of measuring the course of prices must be employed. That any single index number will serve all purposes seems doubtful. To measure secular trends and cyclical fluctuations, a wholesale price index which includes many commodities, such as that of the Bureau of Labor, seems inadequate. A general purpose index, such as that which has been constructed at the Federal Reserve Bank of New York, does not appear to be sufficiently sensitive, while basic commodity indices are apparently unduly so. For the particular problem presented by price changes required to maintain exchange equilibrium a special index is required, an index which in some way measures general changes in unit money costs of production. Perhaps such an index might be based upon a selection of those commodities which are neither exported nor imported. An index of this character would roughly measure the changes in money costs that may be required to maintain the equilibrium of payments with other countries.

For a number of years now, measures directing the Reserve Banks to use their powers to maintain price stabilisation have been before Congress. At hearings, first in 1926 and again in the spring of 1928, I expressed great doubts of the advisability of such amendments to the Federal Reserve Act. Assuming, however, definite recognition of the limitations to which price stabilisation is subject, I have reached the conclusion that a stabilisation amendment might prove serviceable. In the administration of the Reserve system, there is danger that particular considerations, such as the protection and development of the acceptance market or treasury finance, may be given undue weight. Moreover, such a doubtful objective as money market stabilisation is apt to bulk too largely in the minds of those charged with the administration of the Reserve Banks. A few general principles taken as desirable objectives should neither unduly hamper nor enforce action, and, in particular, a price stabilisation provision in the Reserve Act might well prove helpful in its bearing upon future monetary legislation and in the development of co-operative policies and arrangements with foreign bank officials.

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## UNDUE FLUCTUATIONS OF THE PURCHASING POWER OF GOLD

By Jacques RUEFF.<sup>1</sup>

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### *Summary.*

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At its meeting on June 8th, 1928, the Council adopted the following resolution :

“The Council requests the Financial Committee to consider to what extent and in what way the League of Nations could most usefully assist in the study and solution of the problem of undue fluctuations of the purchasing power of gold.”

The work devolving on the League of Nations in connection with the study and solution of the problem of undue fluctuations of the purchasing power of gold cannot, we think, be usefully undertaken until a fairly clear idea has been formed of the lines which such an investigation should follow—whatever body or bodies may be asked to conduct the enquiry—and of the general trend of its probable conclusions.

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<sup>1</sup> Financial Attaché to the French Embassy in London; formerly Member of the Economic and Financial Section of the Secretariat of the League of Nations.

In order to prepare the ground for the discussion which will no doubt arise in the Financial Committee, some relevant information has been embodied in the present note, bearing more particularly upon the following points :

- A. Methods of recording fluctuations of the purchasing power of gold.
- B. Causes of variations in the general price level.
- C. Methods of influencing the total amount of credits granted.

We cannot sufficiently stress that the considerations embodied in this note have been set down without following any hard-and-fast principle and without any claim to absolute precision. In order to ascertain what the League could do in this field, we thought it necessary first of all to find out what there was to do. An attempt has therefore been made to determine the subjects requiring study, rather than to forecast the outcome of such study.

Where it has been found necessary for the logical sequence of the argument to indicate the probable result of the investigations to be undertaken, suggestions have been put forward rather than proofs. Moreover, since the present note is only to serve as material for the discussions of the Financial Committee, we have intentionally refrained from drawing any conclusions with regard to the part which the League of Nations might play in the "study and solution of the problem of undue fluctuations of the purchasing power of gold".

#### A. METHODS OF RECORDING FLUCTUATIONS OF THE PURCHASING POWER OF GOLD.

The repercussions of important fluctuations of the purchasing power of gold have been brilliantly discussed in a memorandum by Sir Henry Strakosch (see page 7). It would not appear necessary, therefore, to revert to this question here.

Let us assume, then, that, after having agreed upon the importance of securing the greatest possible stability in the purchasing power of gold, or—what amounts to the same thing—in the general price level, it had been decided to enquire to what extent and by what means this result could be achieved in actual practice.

Thus stated, however, the problem is obviously ill defined, and the first step will have to be a clear setting-out of its terms.

The purchasing power of gold and general price levels are, indeed, terms which convey something to the mind, but whose meaning is quite vague. Obviously, it is desirable that, for a stabilisation policy, we should have an index number calculated according to invariable rules.

Now, there is not merely one index for the general price level, but there are a great many. Before enquiring whether, and by what means, the general price level could be regulated, it is essential to know in respect of which general price level an attempt at regulation is, if possible, to be made.

We need only consider that an index of this kind always consists of a mean between the relative figures obtained by dividing, in the case of a series of market commodities, the price obtaining at the time in question by the corresponding price over a specific agreed period called the basic period, in order to realise the difficulties which the selection of an index for the general price level must necessarily present.

The first difficulty is due to the fact that there is not a single standard mean, but there are a vast number : the arithmetic mean, the geometric mean, the harmonic, the median, etc. The first problem is, therefore, the selection of a formula by which the mean is to be calculated.

Having fixed on this formula, a second difficulty arises—namely, the selection of the commodities whose price is to be incorporated in the index formula, since it is clearly impossible to include the prices of all commodities. Thus, it will be necessary to decide whether the index for the general price level should take into account wholesale prices only, or whether it should cover retail prices, wages, rents, transferable securities, etc.

Then a third question will arise—namely, the importance to be attached to each price in the index formula. It is, for instance, quite obvious that more weight must be attached to fluctuations in corn or steel prices than to variations in the cost of pepper or mustard.

This is the problem of weighting—i.e., the determination of the coefficients which must be applied to each price in the selected formula. This problem must be tackled, for if the same coefficient were to be given to every commodity, the problem would not be evaded: indeed, it would be solved—and probably in the worst possible manner.

To sum up: the first question—namely, the selection of the index the fluctuations in which it is proposed to attenuate—raises in its turn the following three problems:

- (a) Selection of a formula for the index.
- (b) Selection of prices to be incorporated in the index.
- (c) Selection of a method of weighting.

We should mention that these three problems have seldom been studied from the point of view of our present enquiry. They have almost always been dealt with by statisticians who are more interested in the methods of calculating indices than in the use to which the latter are to be put. It would appear essential, therefore, that in any new enquiry a sharp distinction should be drawn between the determination of the index and its practical calculation.

In the first place, the theoretic index which is best adapted to the problem in hand will have to be sought, and then a method of obtaining in actual practice an index approximating to this as nearly as possible. To proceed otherwise and to seek to deduce the formula to be adopted from statistical considerations would be tantamount to endeavouring to perfect a system of calculations without knowing what the object of the calculations is to be.

The problem is, however, by no means as indeterminate as it may appear at first sight. In order to realise this, it will be sufficient to observe the very close analogy existing between the general trend of the variations of indices calculated according to very different methods.

After having systematically observed and measured this apparent lack of response of indices to the conditions governing their calculation, its cause will have to be sought. Once this has been found, we shall probably have arrived at conclusions which will simplify the three problems just set forth and will lead to solutions upon which agreement can probably be reached.

Having secured agreement as to the method of measuring the general price level, means will have to be sought of attenuating fluctuations, and consequently of determining the causes from which they arise.

## B. CAUSES OF VARIATION IN THE GENERAL PRICE LEVEL.

The causes of the variation in the general price level constitute a stock problem of political economy. Many solutions have been put forward. The least that can be said is that none of them have as yet secured unanimous approval, and that, particularly during the post-war period, controversies were frequent as to the nature of the causes responsible for variations in the general price level. Some people, such as Irving Fisher, hold that variations in the number of monetary units in circulation are in all cases responsible, whereas others, such as Rist, apparently consider that fluctuations in monetary stocks are a consequence rather than a cause.

In studying the problem of how to restrict undue fluctuations of the purchasing power of gold, it is of importance that the various theories put forward should be investigated and that an endeavour should be made to determine the factor or factors which must be influenced if a regulation of the general price level is to be attempted.

This may be considered to be a purely theoretical problem. Yet, to attempt to set up machinery without having previously ascertained the forces which will be responsible for its operation is surely like starting to walk without knowing whither one wants to go. In the present case, the practical problem at issue is the determination of the exact causes of fluctuations in the general price level.

It should be pointed out, however, that this enquiry will only affect to a very slight degree the conclusions which are already to some extent foreseen, and will not disclose any new means of regulating the general price level; yet, by elucidating the system according to which these



means operate, their scope will be clearly defined and an opportunity afforded of refuting false theories or theories that go too far.

This problem, too, is by no means as indeterminate as it appears at first sight. As we stated in the preceding paragraph, the index of the general price level represents a formula for a certain mean, and, as such, possesses certain clearly defined arithmetical properties. In the first place, a technical enquiry will show that, given equal conditions in regard to the quantities of commodities offered, the index of the general price level will be more or less unaffected by the distribution of demand between various commodities, and that it will only vary :

(1) In direct ratio to demand—*i.e.* the total sum expressed in monetary units which the whole body of purchasers devote to their purchases during the period under consideration, regardless of the distribution of this total demand as between various commodities;

(2) In inverse ratio to supply—*i.e.* the total quantities placed on the market during the same period, these being expressed as units according to some definite system.

This relation is not vague and approximate, but a constant one which can easily be demonstrated as being a certain index of the general price level, and which can to a large extent be verified in respect of all indices calculated on a practical basis. As a result, of a technical enquiry, it should therefore be possible to secure unanimous assent to this principle.

This relation once established, the problem of variations in the general price level has to some extent been defined, since this level can only vary according to the fluctuations in the total supply or demand.

Supply depends on a whole series of circumstances—meteorological conditions, technological conditions, business activity, etc.—upon which it is impossible to exert a direct influence. There is no means, therefore, of restricting the variations in the general price level except by controlling demand,—*i.e.*, by attempting to adjust it to variations in supply.

Now, demand represents the total of all individual demands expressed in terms of money, whatsoever the object of the demand. In other words, it is the total amount of money which all persons using one and the same currency devote to their purchases in, say, one year, whatever the object of these purchases : for instance, goods, services, shares, bonds or more or less long-term securities, representing expenditure on consumption, stocks for subsequent re-sale, or savings.

Thus, the resources “ used ” by the whole body of purchasers in any given year may be divided into two parts : first, the total resources of these purchasers accruing to them from sales of all kinds (not only sales for the needs of consumption, but also for subsequent re-sale) and from services rendered, or from cash received in respect of dividends, repayments or amortisation, etc.; and, secondly, the difference between the credits granted and the credits refunded.

In order to obtain a definite idea of this relation, and to realise that demand is of necessity bound to equal the total of these two components, the meaning of the terms “ credits opened ” and “ credits refunded ” must be clearly understood.

Any operation, whatever its form, which will enable a person to purchase beyond his normal income (*i.e.*, income accruing to him from sales or receipts of cash in the widest sense of the term) should be regarded as an opening of credit. In this connection, it should be pointed out that the granting of credit by a bank—and this is the operation generally known as the opening of credits—is exactly the same thing as granting time for payment. From the monetary point of view, these two operations are of the same kind : they furnish purchasing power in excess of that existing; they must therefore fall within the scope of the problem we are considering.

Conversely, the refunding of credits previously granted means the effecting of payments which were in arrears, both in the form of loans by banks and in that of time allowed for repayment. Again, from the monetary point of view, these two forms of credit are equivalent, since they result in a diminution of the available purchasing power.

However, as has previously been pointed out, the general price level can only be affected in practice by bringing influence to bear on the total demand. Since demand consists of two

component factors—actual revenue and the excess of credits granted over credits refunded—the problem of regulating the general price level is actually that of regulating these two component factors of the total demand.

The first, representing what has been called the normal revenue of a country, depends on a large variety of circumstances: the general price level, yield of crops, productivity, technical development, availability of skilled labour, business initiative, etc. Its total may be substantially influenced in the long run, although only indirectly, by the State: by its financial, economic and fiscal policy; or by the bank of issue: by its credit policy.

The bank of issue can, however, take direct and rapid action in order to regulate the difference between the total amount of credits opened and that of credits refunded, and it is generally admitted that this is the only satisfactory and practical method of influencing the general price level. Therefore, in order to attenuate undue fluctuations of the purchasing power of gold, each country should at all times internally adjust total demand to total supply by regulating the margin between the total amount of credits opened and the total amount of credits refunded.

This brings us to the third and unquestionably the most important group of questions which will have to be studied—namely, those bearing upon the methods of influencing the margin between the total amount of credit opened and the total amount of credit refunded, the efficacy of these methods and the limits within which they can be applied.

### C. MEASURES CAPABLE OF INFLUENCING THE DIFFERENCE BETWEEN THE TOTAL AMOUNT OF CREDIT OPENED AND THE TOTAL AMOUNT OF CREDIT REFUNDED.

These measures will vary according as the gold standard or the gold exchange standard has been adopted. In a systematic study, the two cases must be considered separately.

#### 1. *In Countries which have adopted the Gold Standard.*

In theory and practice a direct relationship is generally held to exist between the volume of credit granted and the quantity of actual money in circulation. The conclusion is that the purchasing power of gold depends on the extent of the metallic resources. It must be admitted, however, that this theory is frequently challenged, and that, even if it is accepted, in the above form it conveys no idea of the sensitiveness and precision of the mechanism it implies. Now, if such a mechanism exists, it can be described, and before proceeding to discuss it we shall do well to analyse it in detail and to see how it works. For the purpose of a practical enquiry into the problem of how to attenuate the fluctuations of the purchasing power of gold, it will not do to adopt offhand the vague notion that there is a certain relation between the quantity of currency in circulation and the total volume of credit granted. We must first ascertain whether such a relation really exists and, if so, what is its mechanism.

It should be added that no new conclusions can be expected from such an analysis, but that, by throwing light on the difficulties of the problem, a certain measure of agreement might be reached where now there is only uncertainty and controversy.

An endeavour has been made in the following pages to sketch the outlines of such an enquiry, but, we must once more repeat, without laying down any hard-and-fast principles and without attempting to cover all the aspects of the question. All that has been attempted is to make forecasts of the probable form of the conclusions to which such an enquiry might lead.

Throughout this enquiry, the fact must never be lost sight of that to grant a credit is, as has already been shown, to give an individual the means of buying in excess of his normal income, and that this can be done either by furnishing him with monetary units in any shape or form (gold, bank-notes or credits)—this is the credit or discount operation generally practised by the banks—or by according extension of time for payment, which is the form of credit generally granted by traders.

Next we must examine the mode of operation of the organisation on which the whole monetary system rests—*i.e.*, the bank of issue.

As a rule, a bank of issue grants credit by means of discounts or advances, but it always makes them available in the concrete form of monetary units, whether notes or bank credits. It would appear as if its main business were to create currency units—notes or bank credits—and sell them on credit.

This process of turning out money, however, cannot go on indefinitely. These monetary units are legally redeemable in other currency—gold under the gold standard system and gold or foreign exchange under the gold exchange standard system. Experience shows that, in order to meet regularly all the demands for repayment that are presented to it—in other words, to meet its legal liabilities—the bank of issue must always keep in stock a metallic reserve of gold equivalent to a given percentage of the number of monetary units it has created.

It is true that this obligation, the need for which is self-evident, is generally imposed by law with an ample margin of safety which in normal times protects the bank against any difficulties as regards the supply of ready money.

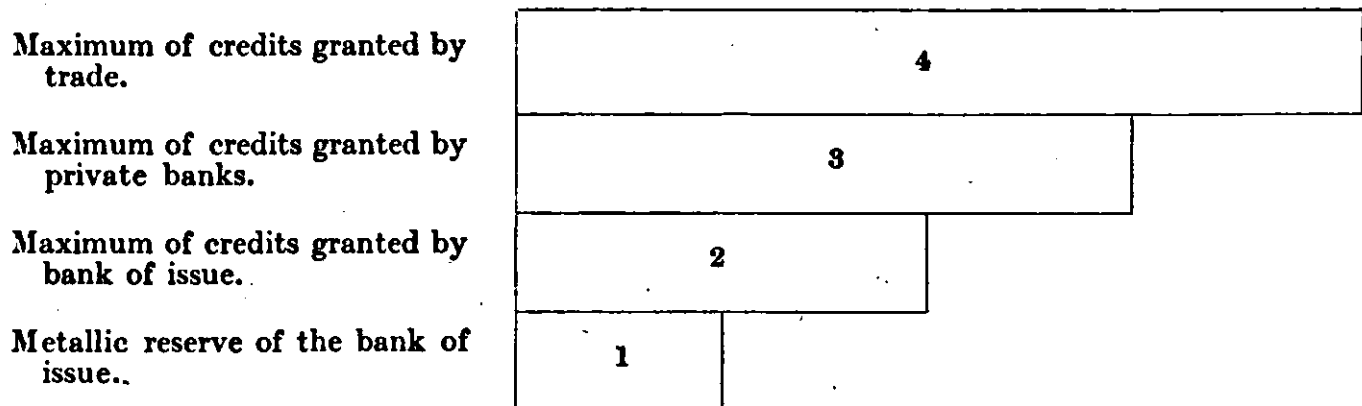
The bank of issue is thus legally obliged to keep in hand a metallic reserve equivalent either to a given proportion of its sight liabilities (notes and bank credits) or, as under some old statutes, of the value of all notes issued in excess of a fixed amount.

We shall deal here only with the former type of statutes, as the latter type operates in much the same way.

The bank of issue's obligation always to keep its metallic reserve proportionate to the total amount of its sight liabilities, limits those liabilities—that is to say, the sum total of the credit which the bank may grant—to a maximum which again is dependent upon the bank's metallic reserve.

If, for instance, the bank must always possess in gold 40 per cent of its sight liabilities, it can only grant credit up to a maximum equivalent to two and a-half times its cash reserve. This limit will expand or contract according as the bank's metallic reserve increases or diminishes.

The following diagram is intended to show the relation between the total amount of the bank of issue's metallic reserve and the maximum amount of credit it may grant (no attempt has been made to express the probable ratio between the different blocks of credits).



The bank of issue, although it has the monopoly for the issue of bank-notes, is of course not the only bank that grants credit. All private banks may allow discounts or make advances in the form of the bank credits.

But the private banks, like the bank of issue, are obliged to redeem on demand, not in gold, but in legal currency, the credit which they have granted. They are therefore compelled to keep in hand a certain amount of legal tender, and experience shows that this reserve should always represent about a tenth of their sight liabilities—that is to say, of the total of the deposits and current accounts in their custody.

In some countries, particularly in the case of "member banks" in the United States of America, this proportion is fixed by law, but a study of balance-sheets in all countries,

especially in France and England, shows that, where no legal provisions exist, practice has imposed rules which lead to the same results.

The conclusion is that the limit of the credits which private banks can grant will be proportionate to the amount of their cash holdings.

As all credits granted by the bank of issue are legal tender, the cash holdings of private banks will mainly consist of the notes or loans of the bank of issue—that is to say, will come out of the volume of credit represented by block 2 of the foregoing diagram.

If the volume of credit represented by block 2 was wholly absorbed by the private banks, the maximum credits which private banks might grant would represent about ten times the total volume of credit expressed in block 2.

This is not the case, however, in actual fact. The bank-notes, as well as part of the bank credits of the bank of issue, are to a large extent absorbed into circulation.

But if the amount of currency tokens, notes or bank credits absorbed into circulation does not diminish, the amount of the private banks' cash holdings cannot increase unless the credits granted by the bank of issue are also increased. The maximum credit that can be granted by private banks cannot increase without a corresponding increase in the total loans made by the bank of issue. Accordingly, by increasing or decreasing the amount of the latter, the former's maximum will be raised or reduced.

In the foregoing diagram, it was assumed, for the sake of clearness, that a third of the credits granted by the bank of issue was absorbed into the cash holdings of private banks. If this were so, and assuming that the liquid reserve of private banks should always be equivalent to about a tenth of their total sight liabilities, the maximum of the loans which might be made by private banks would be about three times the amount of the monetary units created by the bank of issue and about seven times the amount of its metallic reserve.

It must be emphasised, however, that these proportions vary from country to country and are only given here by way of illustration. They might be ascertained in each individual case by means of systematic enquiries; the material point, however, is not to determine their ratio, but simply to discover whether, other things being equal, it presents a certain degree of stability.

It is true that banks are not the only institutions that grant credit; any trader who sells his wares without requiring immediate payment is in reality making a loan to his client, which, from the monetary point of view, is exactly comparable to the loan which that customer might have obtained from his bank in order to effect the same purchase.

Nevertheless, neither a trader nor a bank can give credit indefinitely. To keep his business going and to meet his liabilities without difficulty as they fall due, he must himself possess a certain reserve, or working capital, the amount of which experience will determine. He will have, of course, to increase this working capital *pari passu* with his turnover, for if he were to develop his sales without increasing his liquid funds—in other words, if he were to expand the credit side of his business—he might find himself in serious difficulties, and ultimately in the bankruptcy court.

Thus, the total credit which a trader can allow to his customers is roughly proportionate to his working capital; one cannot increase appreciably without the other increasing likewise, and consequently by restricting one we restrict the other also.

To return to our diagram, it may be taken that the credit given by traders constitutes a fourth block of credit, which corresponds in the aggregate to the credit they obtain from private banks.

This explains the close relation between the credit granted to the buyers on the markets and the metallic reserve held by the bank of issue, and how the amount of the latter determines the limits of the former. According as the bank reserve expands or contracts, so commercial credit will expand, or contract, involving a corresponding rise or fall in the general price level.

Before going further, we must examine the degree of interdependence of the various blocks of credit, resting one on top of the other, as shown in the diagram on the previous page.

In some cases, the limit of one block in relation to the preceding one is fixed by statute. This holds good in particular of the credit granted by the banks of issue, which are bound to

maintain a proportionate reserve, and the credit granted by private banks, which are controlled by a regime like that of the "member banks" in the Federal Reserve system.

In all other cases, it is the "treasury requirements" that limit the total loans in proportion to the reserve held. But, to realise fully the nature of this limitation, it must be remembered that the same cash reserve will suffice to cover very different liabilities according as its rate of circulation is more or less rapid. There is no absolute limit to the credit that may be granted against a given reserve unless its rate of circulation is uniform. Recent research in this connection has demonstrated that the rate of circulation of bank credits in particular is governed by a slow and steady increase, due to the more widespread use of instruments of payment necessitating no movement of coin, and also by a periodical variation closely linked with business cycles. There are examples on record of the rate of circulation trebling within the same period.

This shows that the supply of credit is not strictly limited by the amount of the cash reserve, but that the latter only operates as a check when, for temporary reasons, circulation remains stationary. The action of the one upon the other is therefore not mechanical or sudden, but slow and progressive; it puts on the brake, it does not pull up abruptly.

It would seem that a practical study of the problem of the fluctuation of the purchasing power of gold should include a systematic enquiry to establish how far the effectiveness of the methods for restricting credit is affected by variations in the rate of circulation. In this connection, a comparison might be made between the American system, in which the money supplied by "member banks" is restricted in proportion to their reserve, with the European system, in which "treasury requirements" depend on banking practice.

In any case, this study will only serve to determine the sensitiveness of the relation between the different blocks of credit and the total metallic reserve. It might show, for instance, that the credit which could be granted on the same total reserve may be doubled or trebled according to the greater or lesser rapidity of the rate of circulation, but the existence of that relation could never be questioned.

It is clear, then, that, if the cash reserve is restricted, the total amount of credit that may be granted is also more or less rigorously curtailed. Next, the mechanism of the practical methods suggested for controlling the supply of credit, hence the total demand and ultimately the general price level should be examined.

The first and perhaps the best-known method is to change the discount rate, or more accurately the rate of re-discounting of the bank of issue, and so, by raising the price of money, to discourage further demands and induce creditors to repay outstanding loans.

Nevertheless, a rise in the bank rate will not affect the discount prices in the market unless the private banks are forced, in order to provide for new loans, to increase their liquid reserve and hence to apply to the bank of issue. In other words, changing the bank rate will only be effective when all the available supply of credit on the market is entirely utilised. Otherwise, if money can still be had on the market, changes in the discount rate of the bank of issue will avail little, and the bank rate is said to be ineffective. Such changes are in the nature of an index to the general situation and thus have a moral effect which is far from negligible, but they do not directly and automatically react on the market. The method of deliberately altering the maxima of blocks 1, 2 or 3 of the diagram on page 47 has therefore been contemplated as a means of directly controlling the discount facilities in the market. According to the minutes of the enquiry undertaken in 1927 by the Committee on Currency and Banking of the United States House of Representatives<sup>1</sup>, which is one of the most comprehensive studies on the subject that exists, the various measures which may be practically considered are the following :

(a) *Measures tending to modify the total metallic reserve of the Bank of Issue, and consequently the total credit it can supply.*—These are measures tending to influence the amount of block (1) of the diagram on page 47. They are applicable in practice only in countries having adopted

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<sup>1</sup> Hearings before the Committee on Banking and Currency, House of Representatives, 60th Congress, First Session on H.R. 7895.—A Bill to provide for the Stabilisation of the Price Level for Commodities in General. 1927.

the gold standard. These measures are two in number. The first formed the subject of a scheme by Professor Lehfeldt for the regulation of the world output of gold in proportion to requirements. He contends that this result might be obtained by an understanding between the United States of America and Great Britain, in whose territories almost all the gold-mines of the world are situated.

The second is Professor Irving Fisher's method, which has been embodied in the United States of America in a bill known as the Goldborough proposal, the object of which is to change the nominal value of the gold reserve of the bank of issue by altering the metallic definition of the monetary unit. In this way, the amount of the Bank's metallic stocks would be modified and hence, also, the amount of the credit it could provide. Instead of a dollar with a constant weight and a variable purchasing power, one could have, according to Professor Irving Fisher, a dollar with a variable weight and constant purchasing power.

It must not be forgotten, moreover, that the total weight of the stocks of metallic money is at present completely free of any regulating influence other than that of the price of gold in relation to commodities.

It would therefore seem particularly desirable to study the present position of the gold stocks in relation to world requirements, and the probable development of these two factors during the next few years. But these are questions closely bound up with the problems arising in connection with the use of gold in the various monetary systems and therefore depending on the monetary policy of the leading countries.

(b) *Measures tending to modify directly the volume of credits opened by the Bank of Issue*, in other words to influence block (2) of the diagram on page 47.—These measures are also two in number.

The first is based on the fact that, in the majority of countries, the bank of issue's reserve must always represent a fixed percentage of the total loans made.

By systematically altering this percentage, it is possible to control the maximum limit of the accommodation which the bank of issue is able to give, and so force it to be more or less liberal in granting credit.

That is really the method employed in the United States of America, when Federal Reserve notes with a 35 per cent or 40 per cent gold backing are replaced by gold certificates with 100 per cent gold backing.

The second consists in the bank of issue's engaging in what are called open-market operations—viz., purchases or sales of securities—the effect of which is to create or absorb monetary units (bank-notes or credits), and so increase or decrease the amount available on the market, and hence the supply of credit.

These open-market operations are generally used for the purpose of making an ineffective discount rate effective. Governor Strong describes them in the following terms :

“The influence that the reserve system exercises in the money market may be described therefore in this way: if speculation arises, prices are rising, and possibly other considerations move the reserve banks to tighten up a bit on the use of their credit; and we own a large amount of Government securities, it is a more effective program, we find by actual experience, to begin to sell our Government securities. It lays a foundation for an advance in our discount rate.

“If the reverse conditions appear, as I shall describe, and as we thought we were developing late in 1923, then the purchase of securities eases the money market and permits the reduction of our discount rate. But we still have much to learn . . . So far as we have gone in our experience and under world conditions as they are, it seems to me that the foundation for rate changes can be more safely and better laid by these preliminary operations in the open market than would be possible otherwise. . .”  
(op. cit. Part. I, pages 332-3.)

(c) *Measures tending to modify the total volume of credit granted by private banks*, in other words to influence block (3) of the diagram on page 47.—In countries where the activity of certain banks is controlled, it is possible to conceive a direct action on the total volume of their credits.

It is obvious, for instance, that, in the United States of America, where it is compulsory for member banks to possess a reserve (deposited with the Federal Reserve Bank) representing a fixed proportion of their total loans, it is possible, by increasing the legal proportion, to compel them to decrease the total amount of credit they are prepared to grant.

Obviously, such a measure can only be quite exceptional.

On the other hand, changes in the re-discounting rate can, by making re-discounting more or less costly, exert an immediate influence on the total credit granted by banks or traders. But for this the re-discounting rate must be "effective" in the sense already explained, which is by no means always the case, especially in countries where a large proportion of the bank of issue's assets consists in advances to the Government.

In any case, the bank of issue can exercise a radical influence on the granting of credit by the moral effect attaching to all its actions and the hold it possesses over both bankers and traders.

In the foregoing pages, we have merely touched on some of the methods that are proposed for regulating the variations in the price level by variations in the volume of credit granted.

There is no doubt that each of these methods would repay study in the light of the experience gained, but it is impossible here to go into their respective merits.

Nevertheless, even from this brief note—which is intended merely to indicate the points for study—one conclusion already emerges: namely, that whatever methods may be contemplated for regulating the fluctuations of the purchasing power of gold, absolute control over the price level can never be achieved, but a certain influence can be exercised tending to check its fluctuations.

For we must always bear in mind that the monetary fabric of a country is built up of different strata of credit. Of all the different methods of action contemplated to-day, none, except perhaps varying the bank rate, directly affects the volume of credit given by traders in the form of extension of time for payment, yet this is certainly an important factor in the fluctuation of business activity.

Moreover, these various methods of intervention do not regulate directly the total amount of credits granted, but the monetary reserves on which they are based. Now, as we have already stated, we must never overlook the fact that a given monetary reserve may serve to cover liabilities widely differing in amount according to the rate at which it circulates, and this rate is liable to considerable fluctuations and is not amenable to any imaginable method of monetary restriction.

A systematic investigation of the possibilities of influencing the general price level is likely to lead, therefore, to the conclusion that one cannot hope to arrive at complete stability of the purchasing power of the monetary unit and that one can only try to reduce the breadth of its variations.

The results obtained by such pressure will depend largely on external circumstances, and we can no more be certain of its absolute efficacy than we can claim that the action of a brake will under all circumstances bring a motor to a standstill. The gradient of the road is in such a case the preponderating factor. All that can be hoped for is some measure of success in increasing the force of the brake until—whatever the circumstances of the moment, such as the gradient, speed, etc.—the desired result is obtained. But only experience will show the amount of effort required to achieve this purpose in any given case.

## *2. In Countries which have adopted the Gold Exchange Standard.*

In the case of countries which have adopted the gold exchange standard, the problem of restricting the margin of variation in the purchasing power of the monetary unit raises numerous and complicated issues. It is characteristic of this system that the cash reserve of the bank of issue does not necessarily consist of gold, but may include foreign currencies (notes or bank credits) convertible into gold, or even, in certain cases, into gold exchange.

In other words, the basis of the credit system in countries having the gold exchange standard may be constituted with monetary units taken from blocks (2) or (3) of the credit system of foreign countries (see diagram on page 47).

I will immediately be realised that this fact entirely changes the conditions under which the monetary system operates, and reacts on the limitation of the maximum amount of credit granted. Its effects, moreover, may not be limited to the country in which it operates.

It may therefore be worth while to enquire what repercussions the adoption of this monetary system may have on the purchasing power of gold, and whether it does not constitute an obstacle to the application of measures intended to restrict the margin of variation.

In this connection, we should mention that the question has already been raised by Governor Strong himself, in the following terms :

“Mr. Chairman, I am trying to say that if declarations are to be introduced into the Federal reserve act for the purpose of promoting stability of prices generally, there is a declaration which could be made which I believe would be more effective than the one which is proposed, and that is a declaration, within reasonable limits, for a return to the gold standard by former gold-standard countries. In the course of time, when the effect of the gold standard, which we recognise and have always recognised, begins to be felt upon prices throughout the world and the readjustment of bank reserves resulting from that, then, I think a very important step toward stabilisation of prices will have been taken.”

(Op. cit. Part I, page 306.)

Geneva, November 1928.

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## THE WORKING OF THE GOLD STANDARD UNDER PRESENT CONDITIONS <sup>1</sup>

By O. M. W. SPRAGUE. <sup>2</sup>

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The gold standard has emerged triumphantly from the welter of disordered currencies of the World War period and gold has now become more universally than ever before the foundation of the structure of credit throughout the world. This return to the haven of familiar monetary practice is significant of the widespread conviction that the gold standard is an essential factor in the maintenance of a reasonable measure of international financial stability, for which there is no promising and practicable substitute. Aside from the defect, perhaps not incurable, of long-time secular price trends, the gold standard worked well during the half-century preceding the war and the public is hopeful of not less satisfactory results in the future. That these hopes can be realised I am firmly convinced, but, under present and prospective conditions, they can be realised only through a greater measure of co-operation and conscious effort than was required under the conditions that obtained in the pre-war period.

Deferring to the close of this paper the problem of secular price trends, I shall first discuss the gold standard in operation as, through gold movements, actual or anticipated, it affects the supply and cost of credit and brings about changes in economic and financial conditions. Between countries that are on the gold standard, forces are constantly at work tending to check any wide departure from an international equilibrium of payments. When the causes of disequilibrium are not of a deep-seated nature involving difficult and far-reaching readjustments, industrial and financial, the corrective process through the operation of the gold standard is in a large measure impersonal and even automatic. Gold exports, not so much because they are a means of payment, but through the restraining influence which they exert on the countries losing the gold together with the easing of the money markets of the countries receiving it, are an effective means of correcting those slight departures from equilibrium that are of constant occurrence in the ordinary course of international trade and other foreign transactions.

During a long period of years preceding the World War, a continuous series of slight, or at all events by no means extreme, adjustments was characteristic of the international economic situation and the influence of gold movements of quite manageable proportions was sufficient to maintain the nations in financial equilibrium. But now the gold standard has been restored to a world that is by comparison at a far greater remove from economic and financial equilibrium; to a world also in which international payments of great magnitude and largely of non-economic origin are to be made over a long series of years. The situation would clearly seem to be one in which anything approaching the automatic operation of the gold standard might be expected to involve stresses and strains so severe as to threaten the breakdown of the machinery of credit. There are limits upon the amount of gold that can be withdrawn for export without endangering confidence in the credit structure, and there are also limits upon the possibilities of credit contraction and consequent shrinkage of values if disastrous industrial dislocation is to be escaped. On the other hand, gold inflows may be of such magnitude as to threaten serious inflation if the gold is fully utilised as a basis for credit expansion. And yet, if the gold is not thus employed, the extent of the necessary readjustment is widened in the gold-exporting countries.

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<sup>1</sup> Published in the Proceedings of the Academy of Political Science, Vol. XIII, No. 4, January 1930.

<sup>2</sup> At present with the Bank of England; formerly Converse Professor of Banking and Finance at the Graduate School of Business Administration, Harvard University.

Payment of reparations and the inter-allied debts, together with changes in trade channels, more and higher tariff walls and much foreign borrowing of a more or less distress character, all combine to create a situation in which less reliance than formerly can be placed upon the unfettered working of economic forces and particularly upon those of a monetary nature. It is a situation that demands the adoption of concerted policies based upon intelligent foresight and adopted well in advance of the appearance of emergencies. Indeed, the international position at the present time seems not unlike that of business enterprises which have promising possibilities, but which require time to work themselves out of an unsatisfactory situation. The application of such basic and time-consuming remedies as the development of new industries and improved methods of production can only to a limited degree be hastened under the spur of monetary pressure and may be indefinitely deferred if that pressure is extremely severe.

In addition to these familiar conditions that must render the establishment and maintenance of an international balance of payments an exceptionally difficult matter in the immediate future, there is still another factor militating against the smooth working of the gold standard that is perhaps less generally recognised. I refer to the effect of the presence of the United States of America as a creditor country and to the functioning of the New York money market as a world money market. On the basis of recent experiences, it is hardly too much to say that the United States of America is a most unsatisfactory creditor country from the point of view of the rest of the world. This is due to the fact that we are only intermittently a creditor country. In the good old days prior to the war, capital was largely distributed throughout the world through the London investment market, and a supply of funds for long-time use in foreign countries was always available. The domestic demand for capital in Great Britain and in the neighbouring countries of the Continent was fairly stable and never approached the aggregate of current savings signifying investment. In other words, the domestic demand never absorbed all of the available supply and, consequently, foreign borrowers could rely with a fair degree of assurance upon the possibility of securing additional accommodation in London. Contrast now the experience of the foreigner with the American market. We began a few years ago with not a little blare of trumpets to make very considerable foreign investments. Satisfactory investments, no doubt, but at the same time we congratulated ourselves upon the assistance that we were rendering the rest of the world. Then the domestic demand for funds increased and we, so to speak, closed up shop.

Consider the case of a bank which had taken the accounts of numbers of business concerns, granted them credit for a season or two, and then one fine day informed them that the bank had found a better use for its money. No well-managed bank does that sort of thing. It assumes that it has a certain responsibility to its customers and, so long as they remain in satisfactory financial condition, they can rely upon the bank. The foreigner, at least so far as recent experience may be taken as a basis for judgment, cannot rely upon the United States of America as a source of a fairly stable supply of additional funds or even consider himself secure against endeavours to withdraw rather suddenly some of the funds already invested.

Our money market for short time accommodation has also appeared as a more disturbing factor in the international situation than at any former period. We have had many stock market booms in this country, but the recent boom is the first since the United States of America has become a creditor country. In the old days when we were a debtor country, an 8 to 10 per cent or 12 per cent rate for call loans would have frightened the foreign investor and, far from attracting additional funds, it would rather have tended to bring about the withdrawal of some of the accommodation already extended. But since our market has become exceedingly strong as a creditor market, the advance in money rates no longer has that effect, but rather tends to force up rates in other countries through its attractive force.

If from time to time in the future the New York money market is to show an increasing demand for funds measured in billions of dollars which continues to expand in spite of 12 per cent money, then the question will doubtless present itself whether it might not be to the advantage of the rest of the world to establish its systems of currency upon some other basis than that occupied by the United States. In the light of recent experiences, however, it is perhaps reasonable to presume that operations in the security markets are altogether unlikely to be similarly disturbing again for many years to come, if ever. I think we may anticipate that the Federal

Reserve System in the future will take more drastic action and at an earlier date in order to check a speculative movement of the type which we have recently experienced, and I think we may also be fairly confident that the precedent conditions favourable to an extreme advance in security quotations and the attitude of the public at large will hardly be so favourable, at all events during the lifetime of most of us here present. I am therefore disposed to think that the disturbing influence on the working of the gold standard arising out of the character of our stock market activities will not reappear and may be regarded as being out of the way for the future. But, I repeat, other factors requiring careful management in the near future remain, and for that reason I believe it will be a long time before we approach anything like the simplicity of functioning of the gold standard of the pre-war period. Too much must not be expected from the gold standard in a period marked by very wide departures, actual or prospective, from an equilibrium of payments between the nations.

I now turn to another aspect of the gold standard problem, that which has to do with secular price trends. I accept the view that it is highly probable that the supply of gold currently produced from the mines will not be adequate under existing methods of monetary use to support a sufficient amount of credit to maintain the present level of prices throughout the world. The question therefore presents itself whether it is possible under the gold standard to meet a situation of declining production in gold without a serious decline in prices over a somewhat indefinite period of, let us say, from fifteen to thirty years. It may be noted first that some changes have occurred in the mechanical relationship between gold and the volume of the circulating medium. It happens that in some directions recent changes economise the use of gold and in other directions changes have apparently the opposite effect. The net result, therefore, seems rather indeterminate. A very great economy has been secured through the practical elimination throughout the world of gold coin as currency, and there will probably be no reversion to this quite needless use of gold unless there should be a very large increase in the output of gold from the mines threatening undesirable upward movements of prices. On the other hand, there is now a more general establishment of definite legal reserve ratios. In this country, we have for generations had reserve ratios and, by the establishment of the Federal Reserve System and subsequent changes in the Reserve Act, the gold legally required as a basis for a given volume of credit has been materially reduced. In the case of many other countries, however, which did not have any gold reserve requirements in the pre-war period, these requirements have been established as, for example, in the case of France where a 35 per cent gold reserve has been set up against both the notes and deposit liability of the Bank of France.

The establishment of legal ratios has an effect that is not fully measured by the ratios themselves, since they inevitably lead the banks of issue to desire to acquire more than the legal minimum. Working on the basis of 35 per cent legal requirement, a bank of issue naturally will desire to have 40 to 50 per cent in gold in order to take care of increasing credit demands as well as to meet contingencies. This universalisation of gold reserve ratios appears to me to be the most serious obstacle in the way of meeting a situation that will arise in the event of declining gold production. What is needed to meet that situation is an attitude of mind on the part of the public, together with legal authority, which will give elasticity to or remove rigidity from the relationship between gold stocks on the one hand and the supply of credit and currency on the other. It cannot be too strongly emphasised that there is no particular ratio between gold on the one hand and credit and currency on the other that is required to support and to give strength to the credit structure. Attention has been called to, some alarm expressed at, the declining ratio between gold and total bank deposits in the United States, a ratio that has declined in recent years from 7 or 8 per cent to between 5 and 6 per cent. This decline is a matter of absolutely no real consequence. What is important in the case of our banks is the character and nature of the other 95 per cent of assets backing the deposits. Whether, out of the 100 per cent of assets, 7 per cent is gold and 93 per cent other assets, or 95 per cent other assets and only 5 per cent gold, is a matter that has no practical significance. What is important in the case of gold is that there should be a sufficient amount available in each country to meet any requirements for use that may conceivably arise in particular requirements of gold for export. Looked at from this point of view, the amount of gold that the different countries need greatly varies, but the amount does not depend upon the magnitude of the outstanding volume of credit. The United States of America, for example, needs comparatively little gold, because from its creditor

position it would be able to check a gold outflow by very moderate advances in rates which would be followed by the usual repercussion upon security movements and trade. On the other hand, a country like Brazil needs a relatively large gold reserve or gold exchange because it is a country which is mainly agricultural. Its exports are largely made up of coffee, a product subject to considerable variation from year to year on account of differences in the crop and the course of prices. Moreover, the country is heavily a debtor country. Therefore, no possible increase in discount rates and other lending rates in Brazil could be relied upon to check an outflow of gold due either to withdrawals of foreign capital or to a shrinkage in the value of exports. But the amount of gold that might be required cannot be directly related to the volume of credit and currency that might be outstanding in the country.

In the event of a shrinkage of gold production and clear evidence of a deficiency of the supply owing to inadequate reserves under existing legal requirements, the appropriate remedy would be a very gradual reduction in the reserves of the central banks of issue throughout the world. This reduction, to be effective, should be limited to the banks of issue and not extended to any reserve balances required of other banks. A reduction in the reserve required of the member banks in the United States of America, for example, would not accomplish the desired result, because it is certain that the members banks would immediately utilise to the full any reduction without any reference whatever to the course of prices. But a gradual decline in the reserve ratio of the Federal Reserve Banks from the present level of 70 per cent to, let us say, 20 per cent would be quite within the limits of safety if it were made gradually, and with a view to the prevention of credit contraction or such a limitation on the normal increase in the supply of credit as would force a downward movement of prices over the years. We need not be slaves to the supply of gold, and the reason is the very simple one that the character and strength of the credit and currency of a country is in no fundamental way determined, much less measured, by the amount of gold which is held.

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## FUNCTIONING OF THE GOLD STANDARD

By Dr. L. J. A. TRIP.<sup>1</sup>

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### I. INTRODUCTION.

1. The fundamental principle of the gold standard is that gold is adopted as the general and exclusive standard of value. In all cases where a value or a price has to be fixed this is done by expressing such value or price in a certain number of units containing or representing a fixed quantity of gold.

2. From this it is apparent that the system of the gold standard does not essentially imply that the units—the dollar, the pound sterling, the florin, etc.—should consist of gold, but it does require that their value, their purchasing power, should be equivalent to the value, the purchasing power, of a certain quantity of gold. Under the system of the gold standard, therefore, money, of whatever material it may consist or by whom it may be issued, must be kept, as regards its value, in a fixed ratio to gold. A price of £1,000 means that the price amounts to 7.322 kg. of gold.

3. It is the task of Governments and banks of issue to secure the maintenance of this fixed ratio. As to Governments, their task consists in abstaining from decrees or measures which render the proper working of the bank of issue impossible, or impede it in a serious degree. This needs no further comment. The indispensable condition for maintaining the gold standard is a sound policy in regard to the monetary system and the budget. It must therefore be assumed at the outset that this condition has been fulfilled, so that the following paragraphs will be confined to a consideration of the task of the banks of issue.

4. Under the existing regulations, these banks have no other duty than to keep the value of the national monetary unit at par with the value of the quantity of gold the monetary unit represents. This means that, in every country with the gold standard, the purchasing power of the national monetary unit must remain equal to the purchasing power in that same country of the quantity of gold represented by that monetary unit.

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<sup>1</sup> Formerly Governor of the Java Bank and Treasurer-General of the Netherlands.

5. The rates of exchange on other gold standard countries indicate whether and to what extent that parity obtains. It is left to the prudence of the bank of issue to determine whether it wishes forthwith to take action, as soon as small deviations within the limits of the gold points make themselves manifest. However, as soon as these limits are passed, and it is therefore advantageous to import or to export gold, this ought to be possible independently of the will of the bank of issue. The bank will then have to sell gold for export or to buy imported gold at fixed prices expressed in the national monetary unit. Should these sales or purchases run to important figures, the change consequently brought about in the position of the bank of issue—that is to say, as regards the metallic cover of its demand liabilities—will force the bank, or induce it, to reckon with this change in determining its policy.

6. The gold movements, as well as the measures which the bank of issue may take, must aim at the restoration of the disturbed parity of the purchasing power of the national monetary unit with that of gold. This parity may be disturbed in two directions. The purchasing power of the national medium of exchange may be less than that of gold, or it may exceed it. In the first case, the total quantity of national monetary units must be contracted—that is to say, money must be made scarcer; the second case may give rise to measures being taken in the opposite direction.

7. Scarcity of money is brought about by the export of gold. The gold to be exported must be bought from the bank of issue. Concurrently herewith, the bank of issue may take further measures to make money scarcer, either prior to the export of gold or when this export is in progress. The more will it be forced to do so as the export of gold will cause the percentage of its gold cover to diminish. If a bank with demand liabilities to the extent of 100 million florins and a gold cover of 50 million florins—*i.e.*, of 50 per cent—has to part with 10 million florins of gold, the percentage of the cover, after this delivery, will have been reduced to 44.44 per cent (90 million florins of demand liabilities and 40 million florins of gold).

Before the war, the measures referred to above were almost exclusively confined to an increase in the discount rates—*i.e.*, to rendering the credit facilities of the bank of issue more expensive. This entails a contraction of the outstanding credits. The repayment of the credits is the cause of money becoming scarcer. As a result of this repayment, the percentage of the gold cover of the bank of issue will rise. After the war, in addition to this, banks of issue also had recourse to a substantial degree to the selling of their holdings of foreign exchange, treasury bills and other home investments. This also brings about an improvement of the percentage of the gold cover. The export of gold and the measures of the bank of issue described above must continue until the necessary equilibrium has been restored—*i.e.*, the purchasing power of the national monetary unit has been brought again into conformity with that of gold.

8. In the reverse case, the gold will flow to the country where the purchasing power of the national medium of exchange exceeds that of gold. The purchase price which the bank of issue pays for the incoming gold will cause the total quantity of money to increase. Moreover, as a result of the increase of its stock of gold, the percentage of the bank of issue's cover will rise, which will induce it to lower its discount rate—*i.e.* to make its credit facilities cheaper. The purchases by the bank of issue of foreign exchange, treasury bills and other home investments, a practice which has come more in vogue since the war, have the same effect.

9. The disparity between the purchasing power of the national medium of exchange and that of gold may be brought about by various circumstances. It may be caused :

(a) By a wrong policy with regard to the creation of fiduciary money and the granting of credit facilities in the given country; or

(b) By a change in the purchasing power of gold—that is, in the amount of commodities and services which can be obtained in exchange for a fixed quantity of gold.

10. Under the existing system the banks of issue have nothing to do with changes in the purchasing power of gold as mentioned under (b). This purchasing power may only indirectly be affected by the gold movements and the measures taken by the banks of issue in order to neutralise a disparity between the purchasing power of the national medium of exchange and that of gold.

11. Changes in the purchasing power of gold may be the result of numerous causes, differing widely between themselves in importance as well as in principle.

(a) These causes may be found in gold itself in the sense that its production—*i.e.*, its supply—changes substantially. If such a change is a decrease, the quantity of gold which yearly flows into the world's gold reservoir will recede. If it is an increase, the reverse will take place. These changes will, as a matter of course, affect the general price level in the different countries, although it should be emphasised at the outset that the flow of gold to the reservoir and the distribution of the gold in the reservoir are two wholly different things.

(b) In the second place, the total demand for gold may change while its production remains at the same level. Demand may be enhanced by an increase of the world's production of commodities, by an extension of the number of countries with the gold standard, by increased wants of the gold industry or of the East for other than monetary purposes, etc. It may be weakened by a simplification in the settling of payments, with ensuing economies in the circulation of the media of exchange, by a general fall in prices as the result of a world crisis, and similar causes.

The causes mentioned under (a) bring about a change in the quantity of gold flowing yearly into the world's gold reservoir. Those mentioned under (b) modify the reservoir itself, that is to say, its capacity.

In addition, there are the changes in the purchasing power of gold in the different countries individually—that is to say, the circumstances that influence and govern the distribution among the different countries of the quantity of gold contained in the reservoir.

12. The distribution of gold is subject to the same economic laws that govern the distribution of other commodities. The principal laws may be summarised as follows :

(a) Gold will tend to flow to the place where it can command the highest price; where, therefore, in comparison with other places, the largest amount of commodities and services can be obtained in exchange for it.

(b) A country will only use gold in settlement of its international obligations when and in so far as no other commodities (including stocks, bonds and other assets) can be sent or services can be rendered capable of settling these obligations in a more economical manner.

13. Numerous circumstances may cause a country's position to become such as to render gold the cheapest means of settling its international indebtedness. In the foregoing, the eventuality of a disparity between the purchasing power of the national currency and that of gold has already been referred to. In accordance with the legal provisions, gold will then be obtainable from the bank of issue at the fixed price expressed in such currency without a premium, whereas the price of all other commodities will have risen. Generally speaking, all circumstances causing a substantial unfavourable turn in a country's standard of exchange with other countries lead to the result just mentioned—*i.e.*, to the export of gold. This is not the proper place to enumerate these circumstances. In my note dealing with "International Price Level Adjustments", I will revert to this subject. As instances, however, may be mentioned : a bad harvest of staple products, the insufficient formation of capital, modifications in the distribution of income between the different classes of the population, alterations in domestic or foreign fiscal and social legislation, protectionist measures abroad. Innumerable factors and circumstances may adversely influence the economic and financial position of a country. Important influences, such as those just referred to, will always force it to pass through a process of adaptation in order to enable it to fulfil its international obligations. In the course of such process, it will be supported by its stock of gold, which may be applied partly to supplement the insufficient export of other commodities.

14. This support is, perhaps, the most important function of gold. The stock of gold forms the reserve for smoothing the unavoidable processes every country has to pass through in order to adapt itself to the modifications of its financial and economic position occasioned by internal

or external causes. This function is the more important as the movement of gold is highly instrumental in carrying these processes to a successful end and in restoring the lost equilibrium. This result will have been attained as soon as the purchasing power of gold—i.e., the price level—in the country exporting gold and that of the foreign countries receiving gold will have been made to correspond so as to enable the first-mentioned country again to meet its international obligations in services and commodities other than gold. The least disturbance will be caused in attaining such redress, and, consequently, the economic interests of the world will best be served if both price levels are modified—that is to say, moved downward in the country exporting gold and moved upward in the country receiving gold. In the absence of such process, it will be inevitable that the fall of prices in the country exporting gold will be greater than otherwise would have sufficed to restore the equilibrium. The result referred to above as best serving the interests of the world will be attained when gold movements are not prevented from making their influence felt. This will be the case if, in the country exporting gold, the amount of the fiduciary money in circulation be contracted to such an extent as is necessary to restore the ratio of the metallic cover to the minimum which the Central Bank deems necessary and, in the country receiving gold, the circulation be expanded not only by the amount of the gold received, but—when no particular circumstances interfere—by such an amount as will reduce the increased percentage of the reserve to its old level. If, in the last-mentioned country, the influence of the increase of the stock of gold is counteracted by keeping the percentage of the reserve at a higher level or, what is still more serious, if the influence just referred to is neutralised by so-called open-market operations of the bank of issue, a movement of gold will exercise its influence only in the country exporting it. Such country will then have to export a larger quantity of gold, and prices will be caused to fall to a lower level than would have been necessary if the gold movement could have exercised its influences unhampered in both countries.

15. It cannot be denied that a country experiencing a substantial adverse change in its standard of exchange with foreign countries has to pass through a process of adaptation, *necessarily* consisting in a lowering of its price level. From this it follows immediately that it would not only be contrary to economic laws, but also impossible, to maintain the price level prevailing in that country at a constant height.

16. From the foregoing general exposition of the working of the gold standard, different conclusions may be drawn, which are set forth below :

(a) The task of the banks of issue is confined to maintaining and restoring the fixed ratio of value between the national monetary unit and gold, as laid down in the monetary regulations. This task differs in principle from that which some people would like to see allotted to banks of issue, which consists in the maintenance of a stable level of prices with the aid of the index numbers of wholesale prices. Having performed the first task satisfactorily—apart from wholly abnormal circumstances—it should not be inferred that the banks of issue could fulfil the other task likewise. They keep the purchasing power of the medium of exchange at par with that of gold, but they do not control the purchasing power of gold.

(b) The banks of issue cannot perform the second of these tasks.

As to cyclical price fluctuations, it would have to be made a condition that the bank of issue should have complete control from the beginning of the whole credit business in its country, including all credit granted by private banks. It will need no comment that the fulfilment of this condition cannot be thought of and that at all events it lies outside the sphere of practical politics. From this it follows that the banks of issue *cannot prevent these fluctuations and can intervene only when the rising movement is already in progress*. The beginning of such a movement will by no means always be evident from a change in the price level. The problem of business cycles is the subject-matter of many and widely varying opinions, which is sufficient proof that prescribing a line of conduct to the banks of issue in this respect is out of the question. Notwithstanding this variety of opinions, however, it is quite generally recognised that, not only on account of the independent credit business of the private banks, but also owing to insufficient knowledge of and experience with regard to the problem of business cycles, the time for making definite recommendations has not yet arrived.



As to the long-period price trends, these may be the outcome of changes in the financial and economic positions of the individual countries. It is evident that banks of issue will never have the power to control or prevent such changes. These changes must inevitably lead to a modification of the price level in the respective countries. Such modification is necessary and beneficial and can in no way be avoided. For this reason, it would not only be impossible, but also detrimental and contrary to the general interest if the banks of issue were required to protect the stability of the index numbers of wholesale prices calculated for their respective countries. As long as trade exists and as long as all the factors which determine the financial and economic position of the different countries cannot be controlled, these index numbers can never be kept at the same level. If the position of a country is influenced adversely to a considerable extent, this will inevitably be evidenced by a decline in the index number prevailing in that country.

If requirements of the nature just referred to were to be enforced, the effect of gold movements would be paralysed and the necessary process of adaptation would be counteracted. If country A be obliged to export a considerable quantity of gold to country B, and the banks of issue in both countries are required to protect the stability of the index numbers prevailing in their respective countries, the beneficial and needful effect of the gold movements—assuming for a while that the banks would be successful in fulfilling such duty—would be neutralised. Country A would not be in a position to meet its international obligations by sending commodities other than gold or by rendering services, whereas country B would oppose the import of these commodities or services. From an economic point of view, the latter would have the same effect on the world's traffic as the raising of import duties. It is astonishing that free traders, who rightly consider the maintenance of high tariff walls as prejudicial and contrary to the world's interest, by pleading for stable index numbers, favour a policy that in substance would have the same tendency.

(c) To strive at stabilisation of the index numbers which are at present being compiled for wholesale prices in the different countries is therefore prejudicial and doomed to failure. It would be salutary and feasible, on the other hand, to aim at a restriction of general influences taking effect all over the world, which—apart from the mutual relation and the trend of the individual index numbers—cause long-period price fluctuations.

(d) For the time being, only one of the influences just referred to can be singled out for restriction—namely, that originating from considerable changes in the production of gold.

(e) It is imperative and an exigency of practical policy to pursue exclusively the object described under (d). This end will be attainable only through international co-operation of the banks of issue after the necessary alterations have been made in the various bank acts. When this co-operation has been achieved, it may perhaps lead to further action in the future with a view to preventing or restricting unnecessary price fluctuations as far as possible. I will revert to this co-operation later on.

(f) If the world's interests are to be promoted in the right manner and artificial impediments to trade are to be obviated as much as possible, it is imperative to further the free movement of gold and not to restrict the influence of gold consignments, either in the exporting or in the importing country.

## II. INTERNATIONAL DISTRIBUTION OF GOLD AND FREE GOLD MARKETS.

17. In the foregoing, some remarks have been made already regarding international distribution of gold and free gold markets.

It has been shown that the international distribution of gold should be distinguished on principle from the production of gold. The distribution depends—and necessarily *must* depend

—on the relation of the purchasing power of the monetary units in the various countries which have adopted the gold standard. This purchasing power is expressed in the home price level and in the foreign exchange position. The gold produced will flow in preference to that country where it can be sold at the most favourable terms. This will be the case in the country securing the highest proceeds to the producer of the gold, charges for transport and similar expenses taken into account.

If the gold brought to the market in London will fetch a larger amount in pounds sterling by forwarding it to America and by exchanging the dollars thus obtained for pounds than by selling the gold to the Bank of England, the former method will be followed. This will occur when the export gold point of the rate of exchange London—New York has been exceeded. Gold will then also be withdrawn from the Bank of England for export to America, it being evident from the rate of exchange London—New York that to send gold is the cheapest way for England to settle its international obligations. This gold movement will continue until England has succeeded in diminishing its international indebtedness or in meeting its obligations in another manner. Should the consignments of gold have reached a considerable height, England, in order to prevent further withdrawals of gold, will have to reduce its costs of production so as to bring about a lower price level, in so far as the price level in America, under the influence of the increase of the stock of gold, has not risen.

18. As long as the gold standard is maintained—and the abandonment of that standard cannot be thought of—it is imperative to the world's interest, as enunciated above, not to hamper the free movement of gold, but to let consignments of gold exercise their influence to the full extent. It has repeatedly been argued in different quarters that it would be desirable for America to release its surplus stock of gold, but the attainment of this end is rendered difficult, if not impossible, when steps are being taken in America to eliminate the effect of that surplus of gold by stabilising the index number of wholesale prices.

19. It is not necessary to the free movement of gold that free gold markets should be created in as great a number as possible in the sense that gold may be obtained from the bank of issue at all times independently of the foreign exchange position. For a correct and complete working of the gold standard, it will wholly suffice if gold be sold by the banks of issue at a fixed and unvarying price *when the foreign exchange position gives rise thereto*. This will be the case when the export gold-point has been exceeded, and it will consequently be more advantageous to settle payments abroad by sending gold than by means of bills of exchange or telegraphic transfers. Then only is the sending of gold justifiable from an economic point of view, but the certainty must exist at the same time that gold will be obtainable from the banks of issue. That, under the gold exchange standard, gold is delivered only when the rates of exchange give rise thereto certainly cannot be accepted as an objection to that system and as evidence that countries working under it hoard their gold and withhold it from moving freely. This will be the case only when gold is withheld *notwithstanding* the fact that sending gold would be the cheapest means of payment. The gold exchange standard fully meets the requirements provided the following rules are generally accepted, and, as far as necessary, applied gradually :

1st.—The bank of issue must be under the obligation to sell gold at a fixed and unvarying price, as long as the rates of exchange exceed the export gold-point; if the rate does not exceed this point, the bank will not be obliged to redeem its notes, or the obligation to redeem will be restricted to delivering legal tender other than gold coin.

2nd.—The bank of issue must be under the obligation to purchase gold at a fixed and unvarying price.

3rd.—The minimum cover of its demand liabilities must consist exclusively of precious metals, especially gold.

The last-mentioned rule is not only based on the desirability that every gold-standard country should have its own stock of gold either within or outside its frontiers, but also on the consideration that to make holdings of foreign exchange the basis for issuing fiduciary money cannot be recommended on account of its disturbing influence and inflationist tendency. As far as it is within the ambit of this note, this point will be further dealt with in the following, when discussing the "economies in the use of gold".

20. In the foregoing, it has been pointed out that, under the gold standard, movements of gold have *raison d'être* only when they are defensible from an economic point of view—*i.e.*, when the rates of exchange have exceeded the gold points. It also has been shown that the certainty must exist at the same time that the delivery of gold can then be relied upon. It is one of the disadvantages attendant on post-war developments in finance that in various cases gold has been moved without the foreign exchange position giving rise thereto. It must be admitted, though, that these abnormal gold movements can be explained as connected with the restoration of ordered monetary conditions after the dislocation caused by the war. Now that the re-distribution of gold may be considered as having been well-nigh accomplished, the principle ought to be adhered to in future that gold movements can only find their justification in the foreign exchange position. It is important to stress this principle in particular for the reason that the banks of issue, as an outcome of the manner in which central banking has developed and in all probability will develop further, take the gold movements more and more into their own hands. Much is to be said in favour of this, but the certainty should exist that no important demands for gold will be made by the banks of issue on each other if the relation of the economic position of the respective countries—*i.e.*, the foreign exchange position—does not give rise thereto. This is an object particularly suited for co-operation between the banks of issue, to which I will revert later.

21. The remarks already made with regard to the foreign exchange position lead me to deal with the problem of the gold points. Since the war changes have been occasioned in this respect also, and they are perhaps to be expected in a still larger degree. The development of aviation and the reductions in their tariffs allowed by various steamship companies in particular circumstances have been the cause of much uncertainty in this matter. I know of cases in which gold shipments, according to the data in possession of the bank of issue, could not yield a profit, and yet gold was demanded by private banks because they had obtained a special tariff for the transport of gold from a particular steamship company, which enabled them to draw a small profit from the transaction. In the event that an international gold-clearing system, not merely confined to transactions between central banks, be established, then the gold points would in practice be the same as the mint par. In this case it would, in my opinion, become necessary to fix the gold points by general agreement between the gold-using countries, so that the banks of issue, which have to deliver gold only when the foreign exchange position gives rise thereto, will know where they stand, and will not be exposed to sudden and considerable demands for gold. I will also revert to this point when dealing with international co-operation.

### III. ECONOMIES IN THE USE OF GOLD.

22. The fact that this point has been placed on the agenda of the Gold Delegation is an indication that a scarcity of gold is being feared. The extent to which it will present itself, as well as the time that will have to elapse before it will make itself felt, are uncertain. The investigations undertaken by the First Sub-Committee of the Delegation are intended to throw more light on this question, but, even after the most exhaustive general and expert information, uncertainty will not cease to exist in several respects. Who will be able to decide whether and at what time China will adopt the gold standard; who will be able to answer the question whether new and rich gold-mines will not be discovered and whether the technique of gold-mining cannot be further improved; who will be able to predict how the wants of industry and the demands of Eastern peoples for purposes of hoarding will develop? It is well-nigh certain, therefore, that the Committee's conclusion will be confined to stating that, as far as judgment can be formed on the subject at this time, the probability must be reckoned with that some years hence a scarcity of gold will be experienced, so that it is desirable to devise means in connection herewith in advance. It will be necessary at the same time to endow the system to be adopted in that event with a great deal of suppleness and elasticity, for the reason that unforeseen circumstances may lead in time to just the contrary of present expectations, and that in fact no scarcity of gold, but a plethora, will be witnessed. This conclusion will also imply the necessity to create an organism for promoting the required international adaptation to circumstances as they develop in the course of the execution of the scheme.

23. In the first place, the possibilities of economising the world's use of gold for monetary purposes will have to be investigated. It must be emphasised at the outset that such economies never can lead to the severing of the purchasing power of the national medium of exchange in a given country from that of gold, or to the preventing of changes in the price level which are necessary to adapt the purchasing power of the national medium of exchange to modifications which may have occurred in the economic and financial structure of the country. As enunciated above, these processes of adaptation are inevitable and have no connection with the gold standard nor with the quantity of gold produced. They are only liable to be clogged and retarded when individual countries strive to maintain a stable level of prices.

24. A very material economy in the use of gold for monetary purposes has already been obtained by withdrawing gold coin from circulation. It is estimated that, as a result of this, \$2,300,000,000 in gold has gone from the public to the banks of issue. This gold has had to serve as a basis for the substantial expansion of credit and of the fiduciary circulation with the resultant rise of prices which set in during and after the war. The withdrawal of gold coins from circulation is to be applauded without reserve.

No value is to be attached to the view that the coins in circulation formed a valuable dormant reserve which could be drawn upon in the first place before gold was withdrawn from the banks of issue. Practice has shown that, generally speaking, gold, when required for export, was not drawn in the first place from this so-called gold reserve, but was withdrawn at once from the gold stocks of the banks of issue. This is self-evident, as it must be simpler and cheaper to obtain the gold in one lot from the bank of issue than to collect it from circulation.

25. The abandonment of the expensive and wholly superfluous method of tying up a very important amount of gold in circulation has led to :

(a) The system of the gold bullion standard;

(b) A considerable extension of the gold exchange standard in this sense, that in many instances foreign exchange is allowed to be included wholly or in part in the minimum reserves of the banks of issue.

26. As far as is known, the system mentioned under (a) has met no criticism. It may be called the appropriate system for those countries whose position and interest make it desirable for them to serve as free gold markets in the sense that gold can be obtained in exchange for fiduciary money from the banks of issue at all times, apart from the foreign exchange position. As stated before, the system of free gold markets in the above sense is, strictly speaking, not required to ensure the correct working of the gold standard. Nevertheless, it is and it remains desirable that there be some countries where gold can be obtained independent of the foreign exchange position. As will appear from what follows, this may be instrumental in economising the use of gold for monetary purposes, whereas it is likewise in the interest of the countries destined to act as free gold markets that they maintain their position as international financial centres in this respect also.

27. It would be highly desirable and very helpful in coping with the expected scarcity of gold if America also could decide to adopt the gold bullion standard, coupled with a conversion of gold certificates into Federal Reserve notes. By this means, a very important amount of gold would become available for the world's traffic. It would be no less desirable in that case if America would place the released gold, together with its other surplus stock of gold, at the disposal of the world through the natural avenues.

28. Apart from the small number of countries just alluded to, the interests of an economical use of gold would best be served by the general application of the system of the gold exchange standard, *in such a way, however, that the three requirements mentioned above under 19 would be satisfied.*

The third of these requirements—namely, that the minimum cover of the banks of issue in the countries with the gold exchange standard must consist exclusively of precious metal—may at first sight give rise to the objection that the fulfilment of this proviso will increase the total demand for gold for monetary purposes. In fact, this objection does not carry much

weight; for it is evident that it has been borne out by practice that the central banks in the countries whose currency is being held by foreign countries working under the gold exchange standard in regulating their stock of gold reckon with the fact that such balances are apt to be withdrawn at all times, wholly or in part, in gold. They will keep their stock consequently at a higher level than otherwise would be required. It is of vital importance, therefore, to establish the practice—leaving room for agreements to the contrary—for banks of issue holding foreign gold exchange not to withdraw such balances in gold without previous arrangement, unless the foreign exchange position gives rise to gold movements. Apart from the case last mentioned, it is the selling by the central bank of its holdings of foreign exchange that ought to be applied in order to keep the rate of exchange below the export gold point. The sudden and large withdrawals of gold which cause uneasiness will no longer occur if the practice just referred to be adopted, the less so since the re-distribution of gold after the war has for the greater part been accomplished. If every bank of issue would hold its legal cover in precious metal, no conversions of foreign currency into gold, apart from the foreign exchange position, would have to be feared. Still less will there be cause for entertaining such fear if the desiderata which will be set forth below when dealing with co-operation between the banks of issue are complied with.

It will need no comment that the replenishing of the gold reserves of the banks of issue which now have the right to include gold exchange in their minimum cover will have to proceed gradually and with due observance of the most important of the measures recommended below for attaining economy in the use of gold for monetary purposes. It will be desirable at the same time to unify as much as possible the numerous and highly varied legal provisions which are now in force in the various countries having the gold exchange standard.

29. If action be taken in the manner advocated, the result will be that a few countries, suited to act as free gold markets, would apply the gold bullion standard, whereas the gold exchange standard would be in force in the remaining gold countries. The gold exchange standard would then have to be framed in the respective countries in as uniform a system as feasible, with due observance of the requirements formulated above under 19 and the necessary transitory regulations for the purpose of gradually replacing the gold exchange in the minimum reserves by gold.

The gold bullion standard and the gold exchange standard will then differ only in this respect, that, under the first-mentioned system, the bank of issue will have to deliver gold at first call and apart from the foreign exchange position, whereas under the second such delivery will have to be made only if the foreign exchange position justifies the export of gold.

The banks of issue with the gold exchange standard will have to hold a more or less considerable amount of foreign gold exchange. This foreign exchange will form their first line of defence for keeping the rates of exchange below the export gold point.

Having this reserve at their disposal, it will be possible for them to keep their surplus metallic reserve—*i.e.*, that part of the cover which they are holding above the legally prescribed minimum—at a low level, which will contribute to economising the use of gold for monetary purposes.

I do not see any reason whatever why banks of issue as just referred to should be subjected to restrictions with regard to their holdings of foreign gold exchange, provided the requirements of the gold exchange standard, as repeatedly stated in this paper, are being satisfied. The obligations to deliver gold as soon as the rates of exchange exceed the export gold point will be the only necessary and adequate corrective to an excessive extension of the holdings of foreign exchange.

80. In the face of the existing prospects as to the production of gold, the general application of the gold bullion and the gold exchange standard will not suffice. Means will have to be devised, therefore, possessed of the possibility of attaining a further restriction in the use of gold for monetary purposes.

In this connection, I hold the view that the development in the use of gold for industrial purposes as well as for hoarding in the Far East must not be interfered with by artificial means. The demand for both these purposes will be reported upon by our First Sub-Committee, but it does not seem likely that the considerations of the report will cause the view just expressed to be

changed. If this assumption is true, it will have to be premised that only the gold remaining after the demand for industrial wants and for the Far East has been satisfied is available for monetary purposes.

31. The gold reserves held by the banks of issue may be considered to consist of two component parts. The first part comprises the quantity of gold which, under all circumstances, is deemed necessary to preserve the public's confidence in the fiduciary medium of exchange. The second part is formed by the quantity of gold required to satisfy the demand for gold to meet international obligations, pending the time at which the process of adaptation will have progressed so far that these obligations can be fully met by commodities other than gold and by services.

The first-mentioned quantity is called the minimum gold cover, the second the surplus reserve. The first usually is considerably larger than the second, though it should not be lost sight of that, when and in proportion as gold is being withdrawn, the quantity of gold to be held as minimum cover is being contracted owing to the decrease in the total of demand liabilities on the basis of which the minimum percentage is being calculated.

In general, it may be stated that, if the minimum percentage is fixed at 40 per cent, the banks of issue in normal times, that is when no withdrawals of gold take place, hold 50 to 55 per cent, and shape their policy so as to restore the last-named percentage if the stock of gold has fallen below it.

32. In the first place, the question may now be moved whether the present percentage of 30 to 40 per cent, which, according to the bank acts now generally in force, is deemed desirable to preserve the public's confidence in the fiduciary medium of exchange, ought to be maintained or whether it could be reduced.

I am of opinion that the question can be answered in the latter sense. For it cannot be denied that, as long as the world is not disturbed by wars or other disastrous events of a universal nature, the cover of the bank-notes is a matter of very little concern to the public, whereas, in the event of such a disturbance, even a cover of 100 per cent would not be possessed of the power to preserve confidence, as in such abnormal circumstances the redemption of the bank-notes would undoubtedly be suspended in the general interest. It consequently follows that a reduction of the minimum cover—*i.e.*, the percentage that always must be kept in gold—to 20 per cent need not be seriously objected to. The details for calculating the exact quantity of gold which would become available to compensate a falling-off in production are not known to me at the moment, but I take it for granted, without such a calculation, that this measure would make it possible to await with confidence the further development of gold production and to avert for several decades the unfavourable consequences expected for the world from a shortage of gold.

33. It would not be desirable to try to attain economy in the use of gold for monetary purposes by abolishing, as is advocated by some people, all gold cover for deposits. In substance, the balances on current account have the same character as bank-notes. Both categories are at all times interchangeable, so that what are deposits to-day may be bank-notes to-morrow and *vice versa*. It is indeed the private banks, who are the principal holders of deposits, that in practice demand the conversion of part of these deposits into gold when the foreign exchange position gives rise to the export of gold.

In conclusion, two points in this connection may be dealt with.

The first touches the question of whether a measure simply to reduce the percentage of the minimum gold cover could be adopted by all countries without exception. It might be advanced that the free gold markets would require a larger gold cover or that for debtor countries the generally ruling minimum cover would not suffice. The above question must be answered in the affirmative. *A priori*, it is scarcely possible to distinguish in this respect between the various banks of issue, nor need a distinction be made, as the percentages of the gold cover indicated are minima only which in practice may be exceeded by the respective banks. But it appears to me, moreover, that there is no need for keeping larger stocks of gold in the countries above referred to, whereas rather a general forcing-up of the percentages actually held is to be feared if the free gold countries do not set the right example. This is one of the principal issues on which only the co-operation of the banks of issue may lead to good results.

The second point bears on the question of whether the measures recommended would have to be laid down in the bank acts of the various countries at once and to their full extent or in parts and by degrees. There would be no serious objection to the latter method, as the scarcity of gold will make itself felt only gradually. Yet preference must be given to the adoption of the legal provisions to their full extent at once. The future development of central banking must include the vesting of banks of issue with greater power and responsibility and the creation of a direct and continual contact between the governors of these banks. In order to further that contact, it is highly desirable to place the greater power and responsibility reserved for the banks of issue, on account of the expected scarcity of gold, on their shoulders straightaway. Since the modification and adjustment of the bank acts in a good many countries, moreover, would require much time and work, it is of the greatest interest to restrict the number of these alterations to a minimum.

34. It may be added that the furthering of the system of clearing and earmarking gold will lead to a saving of trouble, time and expense connected with the transport of gold, but that it will not result in an economy of the total quantity of gold required for monetary purposes. That quantity is determined by what is wanted by the banks of issue for the legally prescribed cover of their demand liabilities and for the amount which they deem desirable to hold in excess. Neither the one nor the other will be influenced by measures which will only result in facilitating the *transfer* of gold.

#### IV. CO-OPERATION BETWEEN CENTRAL BANKS.

35. Co-operation between Central Banks has already been repeatedly referred to. This subject appears to me to be of paramount importance. It must be recognised that the realisation and satisfactory execution of the measures recommended entirely depend on the concurrence of and the co-operation between the banks of issue working on the basis of the gold standard. To begin with, it seems very doubtful whether the desirable modifications in the various bank acts can be achieved if the banks of issue oppose them. But, even if these alterations be made, the new provisions will be reduced to a dead letter, or at least the purpose aimed at will not be attained, unless the banks of issue, in continuous touch with each other, co-operate and follow as much as possible a common line of conduct. What will be the use of the bank acts allowing a minimum gold cover of 20 per cent, if the banks actually hold a cover of 50 per cent or more? How will it ever be possible to arrive at an adequate distribution of gold as deemed desirable in the world's interest if one bank agrees to permit gold movements to exercise their influence unhampered, whereas another bank, by striving at a stabilisation of prices or for other reasons, neutralises such effect and practically withdraws part of the world's stock of gold from traffic? Who shall determine whether a scarcity of gold has indeed set in, and who shall set the pace for compensating, within the limits of the bank acts, an actual scarcity of gold if this is not being done by mutual arrangement between the banks of issue?

From all this it follows that, if any success is to be achieved at all, great prudence should be exercised in making proposals or recommendations. None can object to measures being taken in order to prevent the indisputably unfavourable consequences of a considerable scarcity of gold. By modifying the bank acts now in force, the way can be indicated and the possibility opened of actually taking these measures. The practical preparation and execution of these measures ought to be entrusted, however, to the bodies best suited therefor—*i.e.*, the banks of issue in the gold-standard countries. It will then be evident that it is indispensable to have an international organisation made up of these banks of issue, not to regulate or to take binding decisions, but to collect statistical and economic data, in order that the governors of the banks at their regular meetings at the seat of this organisation may be able to make useful arrangements and to arrive at the right kind of co-operation.

36. Before the war, there was no co-operation and only very little contact between the governors of the banks of issue. This can be understood as few difficulties existed at the time, and the generally followed policy of passivity and of automatic reaction to external influences did not necessitate co-operation and contact. This has partially been altered through the march

of events after the war. The return to the gold standard and the concurrent financial reconstruction brought the banks of issue, which were in a position to lend assistance in these matters, nearer to each other. Furthermore, the practice adopted by various banks of keeping large balances in the free gold markets led to arrangements between these banks and their sister institutions in the free-gold countries regarding the holding, the investment and the repayment of those balances. Finally, there are indications that a more general, private and confidential exchange of views has been introduced between the governors of the larger banks, without it having become known, however, how far this reaches or what degree of co-operation has been the result of it.

At all events, it must be admitted that the development described above is still in its infancy, and that a more regular systematic co-operation, embracing also the smaller countries, will be required in order to secure a smooth working of the gold standard as well as a timely survey and the necessary adaptation of it to the further development of events.

37. These considerations lead to the unavoidable conclusion that a permanent institution is indispensable, comprising the banks of issue in all the gold countries, where the governors of those banks or their representatives can meet regularly—in short, an institution that will form a centre for discussions and mutual arrangements. It goes without saying that there can be no question in this respect of binding resolutions or of domination. It must remain the principal duty of each bank of issue to safeguard and to support the position of its national medium of exchange, but, whilst fully observing this national interest, there surely will be ample scope and occasion to further also the world's interest, which requires a smooth and gradual development of monetary relations. To attain this end, a far-seeing, well-balanced policy is necessary, based on true facts and data and inspired by a spirit of accommodation and understanding of the position of the various countries.

The relations between the different countries develop more and more in the direction of international co-operation, of adapting, as far as possible, the national interest to that of the world. It cannot be gainsaid that central banking has lagged behind thus far in this general movement. If our Committee, in view of the probability of a serious scarcity of gold, should succeed in bringing about an improvement in this respect, its appointment would be justified by this result and its work amply rewarded.

38. The Bank for International Settlements, now in the process of being founded, will offer the opportunity to form an international organisation for the banks of issue. In the provisional scheme of the Bank as outlined in the Young Plan, the position reserved for the governors of banks of issue points in the direction of such an organisation. It will be obvious though that, to be in accord with the line of thought of this note, the Bank will have to be founded on a broader basis, and that, as an indispensable condition, the banks of issue in all gold-standard countries will have to participate in the new organisation. It is not possible yet to indicate how this could best be done. For the present, this is not of vital importance. It will suffice that the necessity of the formation of a central organisation for purposes of supplying information and facilitating discussion for the central banks in all gold-standard countries be recognised as part of the task of the new Bank.

39. In the first place, this organisation would have to keep a complete record of the figures of the member banks of issue and of their development. As a matter of course, it would have to entertain a continuous and direct contact with those banks. Besides, it would have to collect figures and data relating to the gold position, the distribution and the world's demand for gold, the wants of industry and hoarding, as well as information regarding the development of the price levels and the rate of interest in the various countries. In short, it would have to act as the centre for collecting, marshalling and digesting all that is useful for judging the present or expected economic and financial development of the various countries, in so far as these can be deemed to affect central banking.

This material, digested in concise form, with the necessary additional observations and annotations, would have to be sent regularly by the organisation to the member banks. The governors of these banks or their representatives would have to meet periodically or as circumstances might require in order to discuss, with the aid of the above-mentioned material



and their own data, experiences and expectations, the interests entrusted to their care, the policy to be followed, the difficulties experienced and the steps to be taken to overcome these difficulties.

40. The existence of an organisation such as described above will on the one hand open up the possibility of considering—as the necessary data and experiences become available which are at present lacking with regard to the problem of business cycles, as well as to other economic and financial problems which are of interest to the world at large—whether and to what extent concerted action or a common line of conduct of the banks of issue would be capable of influencing the course of events and of leading them in the right direction.

On the other hand, it will enable the banks of issue to determine their attitude in common and to defend themselves in the event that external influences should endeavour to force them in a direction or burden them with duties which they deem incompatible with the right working of the gold standard or the scrupulous fulfilment of the task entrusted to them.

41. After the above more general argumentation in favour of the badly wanted organisation of international co-operation between central banks, some points will be indicated below, on which, following the line of thought of this note, discussion and co-operation between the banks of issue is deemed necessary.

42. In the event that the possibility mentioned above in connection with the expected scarcity of gold should be realised—that is to say, the reduction of the percentage of the obligatory gold cover, coupled with the substitution of a certain percentage of silver cover—the production of gold as it actually develops and the demand for gold as ascertained by studying and comparing the data received by the international organisation will have to be traced accurately from year to year. The rate for reducing the actual gold cover will have to be set by mutual agreement and exclusively with a view to the *world's* production and the *world's* demand for gold. It is not the interests and wants of one particular country or of a few countries, but exclusively those of the world that ought to predominate. At the same time, the gradual elimination of gold exchange from the minimum cover of the demand liabilities could be considered.

43. It will further be of much interest to exchange views on the subject of the gold cover which is held in the various countries in excess of the minimum percentage—i.e. as surplus reserve—and to determine as far as possible a general line of conduct in respect thereof. For it goes without saying that the reduction of the minimum cover, as laid down in the bank acts, would be rendered illusory if the individual banks tried to maintain the actual cover at the so much higher percentages of to-day. In this connection co-operation will also have to be employed in order that a gold importing country will not neutralise the influence of gold movements, sterilising the gold received and withholding considerable quantities of it indefinitely or at least for a length of time from international traffic, thereby defeating to a large extent the efforts of the gold exporting countries.

44. The practice followed by banks of issue in gold exchange countries of holding balances in the so-called free gold countries—a practice which has been gaining considerably in importance and extent—will be continued. As stated before, this is, in my opinion, a salutary and desirable practice which should not be restricted or impeded, provided the policy be abandoned of allowing such balances to be included in the minimum cover against demand liabilities. But, on the other hand, it would appear to me very useful if by mutual agreement—and this is the third point—it could be arranged that the foreign balances of the banks of issue be centralised with the banks of issue in the countries where they are held. The latter banks would then know exactly the extent of their contingent liabilities in this respect; they would be enabled to make provision as far as possible with regard to the quantities of gold which, irrespective of the foreign exchange position, are likely to be withdrawn, and they would be in a position to regulate the stocks of gold which they accordingly may deem advisable to hold. Furthermore, the adoption could be aimed at of the general rule advocated above under 28 that foreign gold exchange will not be withdrawn in gold without previous arrangement by the banks of issue holding such currency, unless the foreign exchange position gives rise to such gold movement.

If centralisation is to be carried through, reasonable conditions will have to be offered on the other hand to the banks of issue holding foreign balances with regard to the allowance of interest and the taking-over of balances so as to secure their ready liquidity.

45. The fourth point for discussion relates to the gold points. As appears from the foregoing, efforts would have to be made to arrive at a state of affairs in which a few large countries which deem it to be in keeping with their international position, form free gold markets and thereby accept the principle that they deliver gold irrespective of the foreign exchange position, whereas the remaining countries would deliver gold only if the rate of exchange on another gold country gives rise thereto — a delivery which would then have to be obligatory, however, and would have to be made without restriction. With regard to the gold points, the present position is so confusing that it would be highly desirable if certainty could be obtained in this respect. This would be attainable if, in the bank acts of the gold exchange countries (as a matter of course this is neither possible nor necessary in respect of the free gold markets), percentages be introduced stating the deviations from mint par in either direction, exceeding which the banks of issue would be obliged to deliver or to buy gold at the prices fixed by law. These percentages need not conform exactly to the expenses connected with the transport of gold, but could be averages, fixed on a different scale for the various groups of countries or parts of the world and which could be kept low in view of the elimination of coinage charges and the arrangements to be made for the earmarking and clearing of gold.

Under such a system, the banks would know where they stood and, if desirous of keeping gold movements in their own hands, it would be possible for them to interfere before the limits fixed by law had been reached, either by effecting consignments of gold themselves or by means of their holdings of foreign exchange, or in some other way.

Finally, the earmarking and clearing of gold are subjects to be discussed and dealt with especially in connection with the work reserved for the Bank for International Settlements. It is evident that the earmarking and the clearing of gold, as well as the holding of balances by banks of issue with each other, will be much furthered if central banking policy should develop along the lines followed of late and as indicated above. In my opinion, it would have to be left to practice to determine whether and how far it will be necessary by means of international treaty to keep the gold and the international balances placed outside the power of the country owning them immune from the danger of seizure even in case of war.

## V. INTERNATIONAL CAPITAL MOVEMENTS.

46. Little need be said, in conclusion, about international capital movements. For the working of the gold standard, this subject is of importance in so far as, on the one hand, these capital movements may cause movements of gold or, on the other hand, may prevent them. This is evident, as these capital movements form one of the factors creative of international obligations and which therefore may also serve to compensate, wholly or partly, similar engagements of another country.

They will cause gold movements if a country invests important amounts abroad and if the cheapest means of remitting the sums lent to the foreign country consists in sending gold. Conditions prevailing in the capital-lending country will then be such that it would be able only at the cost of a greater sacrifice to offer commodities other than gold or to render services in order to place the sums lent at the disposal of the borrowing country.

They will prevent or restrict gold movements if a country, for which gold is the cheapest means of remittance, borrows abroad and, with the aid of the proceeds of the loan, is enabled to meet its international obligations without exporting any gold or by exporting only a smaller quantity of it.

All this is clear and proves the efficacy of capital movements for facilitating the processes of adaptation which must be passed through in consequence of important changes in the financial and economic position of a country or of a continent, and for spreading these processes over a longer period.

47. They cannot prevent these processes, however. For they exercise a temporary influence only and will ultimately aggravate the international engagements of the country which borrowed money abroad, as a result of the obligation to provide for and to remit interest on and redemption of the amounts borrowed. In the long run, this will only be possible by sending com-

modities or by rendering services, so that the debtor country will have to work and produce that much more cheaply so as to secure for its articles for export and for its services a larger market abroad.

This end will have to be aimed at and a country that would lose sight of it, continuing to take up foreign capital in order to meet its international obligations, would doubtless contract serious difficulties.

48. The temporary nature of the aid rendered by capital movements will always and constantly have to be kept in view. This holds good, not only of monies to be repaid at first call or at short notice, but also of long-term loans which are to be redeemed only gradually.

49. The organisation of central banks which I have advocated will also be able to exercise a beneficial influence on capital movements, furthering them on the one hand in connection with the execution of plans of re-organisation in countries that have come into difficulties, or the facilitating of the processes of adaptation as described above, and, on the other hand, moderating these movements, if a particular country, as a result of its continuous borrowing, should find itself in a critical debtor position. As a matter of course, such influence should not be exercised openly, but should be brought to bear indirectly, by means of the position and the relations of the governors of the banks of issue. But this does not detract in the least from the great importance to be attached also in this respect to a close and continuous co-operation between the banks of issue.

## VI. CONCLUSIONS.

The first and principal recommendation which, in my opinion, our Committee should insist on most emphatically aims at the creation, as a department of the Bank for International Settlements, of an international organisation of Central Banks. This organisation would have to comprise all countries whose currency and banking are based on gold. Its task has been described at length in the foregoing pages. In the first place, this task would consist in proposing to the Governments of the countries referred to a modification of their bank acts. This is connected with the second recommendation which I believe desirable—*i.e.*, the reduction of the gold cover. These modifications should aim at making the bank statutes of the different countries as uniform as possible, along the lines indicated in this note. The necessary transitory regulations would have to be added so that these steps might be taken gradually and without causing disturbances.

For the purpose of showing that the measure concerning the gold cover has its roots in the fear of a diminishing production of gold and the unfavourable consequences to the world's interests which would result therefrom, this consideration would have to find expression in the preamble to the proposals for modifying the bank acts. Perhaps it would be possible to include in the modifications the provision that the banks of issue, in regulating their gold cover, in so far as this would be compatible with the task entrusted to their care, should reckon with the development of the production of gold in connection with the world's demand for that metal, so as to prevent as far as possible the unfavourable consequences which might result to the world from a comparative scarcity or a comparative abundance of gold.

It appears to me that the proposals for modifying the bank acts could be placed before the different Governments by the banks of issue operating in the respective countries, and the organisation referred to above could unofficially render its assistance so as to ensure that the modifications of the acts are framed and dealt with as uniformly as possible.

Finally, it is important to arrange matters so as to secure a simultaneous coming-into-effect of the modifications in the various countries.

The Hague, November 1929.

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## THE REFORM OF THE GOLD EXCHANGE STANDARD

By Dr. Feliks MLYNARSKI.<sup>1</sup>

### I.

The principles of the gold exchange standard which are applied by the majority of central banks are as follows :

- (a) Unlimited issue of notes for the purchase of foreign exchange;
- (b) Inclusion of foreign exchange in the fundamental and secondary reserves without any limitation;
- (c) The holding of deposits of purchased foreign exchange on interest-bearing account with foreign central and private banks;
- (d) The transferring, in case of need, of this kind of capital from one market to another;
- (e) The transferring of large sums, not only in case of need, but also for the purpose of obtaining larger profits owing to better conditions of arbitrage or higher interest rates.

In consequence of such a system, a new form of liquid capital was bound to appear on the world market in proportions unknown before the war. The accumulation of this form of capital was bound to increase from year to year—first, because of economic progress, which by the increase of production and trade will every year produce new amounts of foreign exchange in international accounts, and, secondly, because of the interest derived every year from the accumulation of foreign exchange reserves.

With a normal economic development, if we take the world economy as a whole, foreign exchange reserves will increase at a more rapid rate than gold reserves.

Let us suppose, for instance, that the sum of reserves in gold and foreign exchange of all central banks increases every year by about 3 per cent. Then, with the present total of foreign exchange reserves amounting to about 2 billion dollars, the normal increase of these reserves in the first year would amount to about 3 per cent of the above sum—*i.e.* to about 60 million dollars. That is not all, however, for at the same time another 60 millions must be added on account of interest due on these 2 billion dollars, even if we assume an interest rate of only 3 per cent on the average. Together, the new “rights to receive gold” will amount in the first year to 120 millions—*i.e.*, to *twice* as much as would be the case of there were deposits of gold of 2 billion dollars.

As long as the above-mentioned principles of the gold exchange standard do not change, it may be anticipated that either the central banks will increase their gold purchases, or their foreign exchanges reserves will grow. The adherents of the gold standard are, however, opposed to the increase of gold purchases. Consequently, they ought to reconcile themselves to the fact

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<sup>1</sup> Professor of Banking at the Academy of Commerce in Warsaw, formerly Vice-Governor of the Bank of Poland.

that the amount of foreign exchange which is under the control of the central banks will increase at an accelerated rate—first, because of *economic progress*, which will create new quantities of foreign exchange, and, secondly, because of the *accumulation of interest* on the foreign exchange reserves possessed.

This accumulation will proceed at the rate of *compound interest*. By postponing the redemption of foreign exchange in gold, *we double the production of new rights to gold*. By reducing the demand for gold to-day, we contribute to the increase of this demand to-morrow.

## II.

The popularity of the gold exchange standard is based on the assumption that foreign exchange as cover for the national currency is as good as gold; moreover, deposits of foreign exchange with foreign banks bear interest, which is an additional advantage for the countries which apply this system. But is foreign exchange really capable of replacing gold?

If, for instance, a Belgian merchant has to pay for goods imported from Poland and for this purpose buys at the Bank of Belgium a dollar cheque on New York, the payment of the sum due is effected even more smoothly than in the case of gold payments, for a corresponding amount of dollars is then transferred from the account of the Bank of Belgium in New York to the account of the Polish merchant, and no one is obliged to bear the costs of the transport of gold from one country to another. Such is the situation from the point of view of the transaction concluded between the Polish and the Belgian merchants.

The situation is, however, otherwise if the Polish merchant sells his amount of dollars held in New York to the Bank of Poland, which will pay him the sum due in its own notes issued for this purpose. Then the amount of dollars purchased which remain on account in New York will become part of the cover for the Polish note circulation. To deposit this amount of dollars, however, with one of the American banks means to *grant credit to that bank*. It is immaterial whether it is a time or a demand deposit.

The situation then arises that *a credit granted to an American bank* is included in the reserve against the note circulation of the Bank of Poland. Can this credit be regarded as a reserve "as good as gold"? Can a million dollars held as a deposit with a bank, particularly as time deposit, or a million dollars in bills of exchange with three months' maturity or bank acceptances be regarded as good as one million dollars of gold earmarked in New York or deposited in the vaults of the Bank of Poland in Warsaw?

This is not the case either from the economic or from the legal point of view. A million dollars of gold is a *substance*, whereas a million dollars held with a foreign bank is only a *promise to receive a substance*. Therefore, from the point of view of the exchange of goods and services between two countries, the situation is different when payments are made in gold and when they are effected by means of foreign exchange.

In the first case, the differences in the balance of payments are settled in tangible value, for gold is a commodity like any other commodity. In the other case, the settling of the differences in the balance is *not a real one*, because the import of goods is replaced by the granting of credit to a foreign bank—*i.e.* the real settlement is *postponed* for a later period. One cannot then say that foreign exchange replaces gold.

The assumption that foreign exchange is as good as gold, as a reserve against the issue of notes of the banks which apply the gold exchange standard, is both wrong and deceiving. It is the great mistake of post-war central banking, in which originate all the harmful results which are rightly stressed by those who criticise the present form of the gold exchange standard. For, by using the credit granted to foreign banks as cover for the issue of notes in our own country, we lead to a situation in which the amount of gold corresponding to foreign exchange deposits of the banks which apply the gold exchange standard *works simultaneously on two markets*. This permits inflationary elements to creep into the international credit structure and thereby enables the steadily increasing accumulation of short-term capital created in an inflationary

manner, and permits the central banks to transfer large amounts of such capital from one market to another for the purpose of obtaining larger profits owing to better arbitrage conditions or higher interest rates. Finally, it renders difficult the credit policy of central banks in those markets towards which such capital flows, because the private banks, making use of the credit which is abundantly granted to them by foreign central banks, are emancipating themselves from the control of their own central bank.

A classic example of such emancipation was noticed in 1928 on the American market. When, in the first half of 1928, the outflow of gold from America assumed large dimensions, the Federal Reserve Banks began to sell Government securities, thereby reducing the volume of credit granted to the open market. This was done in order to clear the ground for the rise of the discount rate which took place on July 13th. America thus embarked on a prolonged policy of dear money.

What role did the European central banks play in the crisis on the American money market? This may partly be seen from the number of acceptances purchased through the intermediary of the Federal Reserve Banks and commercial banks. On December 31st, 1928, the total amount of acceptances possessed by Federal Reserve Banks reached the sum of 1,284 million dollars, out of which the acceptances purchased for the account of European central banks amounted to 325 millions. At the same time, the American commercial banks possessed acceptances, amounting to about 200 millions, purchased for account of European banks. Both these sums together constitute half-a-billion dollars, while the increase in acceptances during the year 1928 was 200 millions. In other words, at the time when the Federal Reserve Banks began to reduce the volume of their credit and raise their discount rate, the American commercial banks secured an abundant inflow of new funds by lending their credit. They could do this because the European banks, taking advantage of higher interest rates, increased their purchases of acceptances.

In these conditions, the deflation policy of the Federal Reserve Banks could not bring about any quick results. The crisis became protracted and, owing to this fact, the higher and higher interest rates paid on the call-money market had time to attract funds both from the other American towns and from European markets.

### III.

In the post-war economic situation, the gold exchange standard at first played a beneficent role. During the first few years, it mitigated the demand for gold on the part of central banks, a demand which would have assumed the form of a keen and fierce competition. It also made possible a more rapid and more abundant inflow of long-term credit from America to Europe. For, if the loans obtained in America had been immediately changed into gold and gold had been withdrawn from the American market, such a rapid inflow of those loans would not have been possible. It should be remembered that, in the course of ten years, according to Sir George Paish, America was able to lend to the rest of the world as much as England in the course of 100 years.

Apart from the advantages which Europe gained in the first ten years after the war owing to the application of the gold exchange standard, this system still continues to have the advantage that it contributes to the limitation of the seasonal movements of gold. By purchasing and selling foreign exchange, the bank may reserve the purchase and sale of gold for real requirements of a lasting character resulting from a more definite balance of international accounts.

The question, however, arises whether, in order to obtain these favourable results, it was necessary that the amount of money represented by the purchased foreign exchange should work simultaneously on two markets?

For the sake of the economy of gold, it is essential that the central banks *should not immediately change every amount of foreign exchange purchase into gold*. Therefore, *the adjournment of this exercise of rights to gold*, purchased by the banks which apply the system of the gold exchange standard, is its most essential feature, common to all forms of this system. On the other hand, the habit of depositing these temporarily unexercised rights to gold with foreign

central banks, and particularly with private banks, is a *secondary* feature of the system, which originates in banking habits and in the desire to obtain profits from interest.

Here will lie the crux of the problem in the future.

To adjourn the conversion of foreign exchange into gold until a later period is both sound and desirable. On the other hand, the use of unexercised rights to gold for the purpose of granting short-term credit to foreign banks and *the inclusion of this kind of credit in the reserve against the circulation of notes within the country* is unsound practice and therefore undesirable in the future.

The chief reason why the habit of including foreign credit assets in the fundamental cover on an equality with gold has gained ground so easily is the illusion that there is no essential difference between a right of purchasing gold at a central bank and a credit granted to a foreign bank. In reality, however, a difference does exist and has important consequences.

A note issued by a central bank is a direct right to purchase gold at that bank, *provided the said bank has the statutory obligation to sell gold*. For a bank-note is an obligation of the bank, and the holder of a bank-note *has a right to the amount of gold equal to its nominal value*. If, however, the owner of a bank-note does not make use of his rights, and deposits this bank-note with a bank, he cedes his rights to the institution which accepts his deposit.

Then the right to gold is transferred to the bank which accepts the deposit, and the former owner of the bank-note gains another right—namely, the *right to receive back the amount which he paid to the bank*. It depends on the form of the account whether this right to receive back the amount paid to the bank will be executed at any time on demand or at a time agreed upon with the bank which accepts the deposit. In both cases, we observe a new phenomenon—namely, the fact of granting *credit* by the first owner of the bank-note to the bank which accepts his deposit.

To sum up, the fact that the existing rights to gold are not exercised and that credit is granted by depositing them with a bank creates a new situation from a legal point of view.

*The right on a central bank is changed into the right on a bank which accepts the deposit.*

*The right to gold is changed into the right to the repayment of the credit at the time of payment.*

These are important differences. The habit of overlooking these essential differences caused the steadily increasing accumulation of foreign exchange reserves by the banks which apply the gold exchange standard. The perturbing influence of this accumulation has an increasingly strong repercussion, not only on the market of short-term capital, but also on the gold market. *The volume of the potential demand for gold which temporarily is not exercised grows more rapidly than the inflow of new gold*. In these conditions, the co-operation of central banks, instead of becoming easier, is bound to be rendered more and more difficult in spite of the best intentions on the part of their leaders.

#### IV.

The above considerations have proved that the essential feature of the present form of the gold exchange standard is the adjournment of the conversion of foreign exchange on gold to a later period. On the other hand, the granting of credit by depositing the unexercised rights to gold with a foreign bank constitutes a secondary and only casual feature of the system. In order, therefore, to reform the present system of the gold exchange standard, it is necessary to maintain the first feature for the purpose of protecting the gold market, and to remove the second feature for the purpose of protecting the capital market.

At first glance, it may seem that it would be sufficient progress if the central banks which apply the gold exchange standard would in the future undertake :

(1) Not to transfer their foreign exchange reserves from one market to another for the purpose of obtaining larger profits owing to better arbitrage conditions or higher interest rates;

(2) To withdraw from foreign markets every year the interest received and not to add this interest to their former reserves in order to mitigate the accumulations of these reserves on the basis of compound interest.

It would not be so difficult to reach an agreement between the central banks by virtue of which they would undertake to refrain in the future from transferring foreign exchange reserves from one market to another for the purpose of obtaining larger profits. Such movements on the international capital market are absolutely contrary to the conception of the gold standard. The question, however, of withdrawing interest from foreign markets is more difficult; for this cannot be done otherwise than by purchasing gold and depositing it abroad or in the vaults of the bank at home.

The foreign exchange reserves amounting at present to more than 2 billion dollars, the demand for gold would in the first year increase by about 3 per cent of 2 billions—*i.e.*, by about 60 million dollars. Concurrently with the normal growth of foreign exchange reserves, the total amount of annual interest would also gradually increase. With the present progress in the production of gold, which gives a yearly inflow for monetary purposes amounting at most to 200 million dollars, the increase of the normal demand, owing to this additional demand for at least 60 million dollars, would be contrary to the necessity for progressively economising gold. It ought to be taken into consideration that the yearly inflow of new gold amounting to about 200 million dollars should cover the requirements of all banks which apply the gold exchange standard, as well as those which apply the gold standard. Moreover, the normal demand for monetary gold resulting from economic progress is likely to show an upward tendency, while the production of gold is likely simultaneously to show a downward tendency or at least to become stabilised.

Thus we see that the outlook for the future is not satisfactory. The withdrawal of interest by changing it into gold would not contribute to the improvement but rather to the deterioration of the present system. Either we must refrain only from transferring foreign exchange from one market to another for the sake of larger profit or we must go to the root of the question. In other words, it would be a better remedial measure if the banks which apply the gold exchange standard would undertake in the future :

*To give up the principle of depositing "rights to receive gold" with foreign banks and including such credits in the reserves against their note circulation.*

Then the fundamental cover for notes and deposits combined would include, besides gold, only and exclusive *direct* rights to gold—*i.e.*, *notes issued by banks which are under the statutory obligation to sell gold*. In other words, other foreign assets—such as current accounts, time deposits, cheques, commercial bills of exchange and bank acceptances—could not be included in the fundamental cover. Should, for instance, the Bank of Belgium buy a cheque on New York and wish to include the amount of dollars purchased in this way in the fundamental cover, it would be obliged to ask the American bank to execute the payment in bank-notes and to send them to Brussels or to deposit them with the Federal Reserve Bank of New York in a vault so that it would be similar to a gold deposit.

Under such a system, the fundamental reserves of central banks which apply the gold exchange standard should consist exclusively of gold held in the vaults or earmarked abroad and of notes issued by banks which are under the statutory obligation to sell gold. These would be, not only the notes held in the vaults of the bank, but also those earmarked abroad. Instead of changing every amount of foreign exchange into gold, the bank would change it into notes which are "direct rights to receive gold", and it would postpone the exercise of these rights to a later period by depositing them in the meantime in the vault of a foreign central bank.

*Thus, besides the earmarking of gold, the earmarking of direct "rights to receive gold" would appear in the form of notes issued by banks which are under the statutory obligation to sell gold.*

This would be a *new way of economising gold*, a more logical and sounder one than that which is applied at present. The gold exchange standard would continue to consist in the adjournment of the exercise of the "rights to receive gold" to a later period, which is the essential feature of the system. On the other hand, the misleading habit of changing "rights to receive gold" into credits granted to foreign banks and of including such assets in the fundamental cover on an equality with gold would disappear.



Every economist regards the gold exchange standard as a form of the gold standard. It is in fact a form of the gold standard as long as one includes in the fundamental cover exclusively "rights to receive gold on demand"—*i.e.*, the notes issued by banks which are under the statutory obligation to sell gold. If, however, we include in this reserve our foreign credit assets, we introduce something which is *neither gold nor rights to receive gold*, but only the right to receive back the amount of monetary units which has been lent.

Then the given amount of monetary units works simultaneously on two markets. It is a proceeding as deceitful as the printing of paper money without cover. It is only natural, therefore, that, with such a system, the credit structure of the world should contain so many inflationary elements and makes possible the paradox that, while we anxiously discuss the shortage of gold which may endanger the world economy, we simultaneously close our eyes to the fact that, at the present moment, the purchasing power of gold continues to be in a state of depreciation; for the level of world prices, in spite of a certain fall in the last few years, continues to exceed the level reached by the reconstruction of trade and industry.

## V.

In addition to the misleading conception that foreign exchange as a component of the fundamental reserve is as good as gold, another false belief has gained ground—namely, that the movement of foreign exchange from one country to another is similar to the movement of gold.

Under the gold standard, in the pre-war meaning of this term, the movement of gold from one country to another had reciprocal effects—*i.e.*, on the market from which gold flowed out the credit structure shrank, while, simultaneously, on the market to which it flowed the credit structure increased. Thus the movement of gold automatically raised and lowered the volume of credit.

In consequence of this fact, the movement of gold also automatically affected the level of prices. The inflow of gold increased the volume of credit and thereby contributed to the advance in prices. The outflow of gold contracted the volume of credit and contributed to the fall in prices. Therefore, the movement of gold from one country to another regulated the level of world prices by gradually levelling up the excessive differences in the price levels of the different markets.

The movement of foreign exchange, however, is different. If, for instance, the Bank of Poland sells a cheque on New York, the credit structure shrinks in Poland, but it does not expand simultaneously in America. Thus the movement of foreign exchange has no reciprocal, but only a one-sided, effect on the credit structure. It cannot be otherwise, because the movement of foreign exchange is not an effective transport of gold from Poland to America, but consists only in transferring a certain amount of dollars from one bank account in New York to another.

The foreign exchange reserves of the central banks are for the most part held in the principal world markets, the so-called "gold centres"—*i.e.*, in London and New York. The international movement of foreign exchange thus chiefly consists in the transfer from one bank account to another in London or in New York. Such transfers do not automatically affect the volume of credit in England or America, and consequently have no effect on prices. In consequence of this fact, however, the level of prices in gold centres (which are at the same time the chief centres of foreign exchange deposits, controlled by foreign central banks) can only change *under the influence of a special credit policy*, pursued by the Bank of England or by the Federal Reserve Board.

In this way, manipulation by central banks is gaining more and more importance as compared with the automatic movement of gold. This is the result of the one-sided influence of the movements of foreign exchange on prices. The influence of this movement on the level of world prices by means of levelling up the local divergences is considerably *more difficult and slower* than in the case of movements of gold which have reciprocal effects.

From the above, it may be seen that the gold exchange standard as applied at present exercises an influence, not only on the gold market but also on the level of world prices. Therefore, the present system should be reformed in such a way as to secure that the movements of foreign

exchange from one country to another have an influence on the credit structure on both markets simultaneously. Instead of a one-sided influence, we should create a reciprocal one.

This cannot be done otherwise, however, than by refraining from the practice of including the credits granted to foreign banks in the fundamental reserve against the note circulation. The fundamental reserve must include only gold and "rights to receive gold"—*i.e.*, foreign bank-notes deposited in the vaults of the bank at home or abroad. Then the movement of foreign exchange would, like the movement of gold, exercise its influence on the credit structure of two countries simultaneously, by expanding it in one country and contracting it in the other. How would this system work in practice?

Let us suppose that a Belgian merchant, who has to pay an American merchant for imported goods, buys at the Bank of Belgium a 100-thousand-dollar cheque on New York. Then the credit structure will shrink in Belgium, as if gold were purchased, by the amount of francs corresponding to the amount of dollars. What will occur, however, in New York if the Bank of Belgium possesses there only a deposit of dollar notes? This deposit will be reduced by 100 thousand dollars, which the Bank of Belgium will order to be taken from the vault in New York and transferred to the account of the American merchant with a bank determined by the Belgian merchant. These 100 thousand dollars will come back to the market and *will increase the amount of bank deposits* and thereby also the credit structure on the American market. The contraction of the Belgian structure will be counterbalanced by the expansion of the American structure.

Let us now suppose that an American merchant has to pay a Belgian merchant for imported goods and makes this payment by purchasing a cheque of 100 thousand dollars in one of the American banks. Then the account of the American merchant will diminish by the amount of the transferred 100 thousand dollars, but the account of the Belgian merchant with the American bank which effects this transaction will increase by the same amount. If the Belgian merchant keeps this account, the credit structure will change neither in America nor in Belgium. If, however, the Belgian merchant sells the amount held in New York to the Bank of Belgium, which, in order to cover this purchase, increases its issue of notes, the credit structure in Belgium will increase. The American credit structure, however, will not change if, in its turn, the Bank of Belgium deposits the purchased amount of dollars with one of the American banks. The effect of the transaction will continue to be one-sided, as is always the case under the present system of the gold exchange standard.

The situation will change, however, if the Bank of Belgium orders the purchased amount of dollars to be paid in cash and deposits the received dollar notes with the Federal Reserve Bank as a safe deposit. *Then a bank account will be changed into effective dollar notes.* The circulation of notes will increase concurrently with the diminution of bank accounts. The credit structure on the American market will shrink by 100 thousand dollars, as the dollar notes will be locked up in a safe and *will not be used as purchasing power on the market.* The circulation of notes will increase statistically but the purchasing power, which is at the disposal of the American market, will shrink *in reality.*

The movement of foreign exchange between Belgium and America will thus have reciprocal effects, as the change in the credit structure in Belgium will be counterbalanced by a simultaneous change in the American structure. The movement of foreign exchange will be similar to the movements of gold. A system will thus be created according to which :

Instead of withdrawing gold at once and diminishing the fundamental reserve of the central bank, it will be possible to increase the liabilities of the bank by increasing the circulation of notes.

Although gold will not be exported, it will be possible to reduce the volume of credit and to exercise thereby an influence on the level of prices. The movement of foreign exchange from one country to another, like the movement of gold, will gradually level up the excessive differences between the price levels.

By postponing to a later period the exercise of our rights to receive gold, we shall not be obliged to make this postponement at the price of introducing disturbing factors into the world economy.

## VI.

The gold exchange standard, in the form in which it is applied at present, has entered into a period in which the disadvantages of the system have gained a predominance over its good qualities. As a result, the conviction is more and more gaining ground that the gold exchange standard was suitable as a transitory system in the post-war period, but cannot be maintained as a permanent system representing a modern improved form of the gold standard. This conviction has become particularly strengthened as a result of experiences made in connection with the excessive accumulation of foreign exchange by the Bank of France.

Would it be possible to maintain the gold exchange standard as a permanent system, representing a more economical form of the gold standard than that of the pre-war period? This depends exclusively on the possibility of applying it in such a way as to reduce to a minimum the perturbing influence of the accumulation of foreign exchange reserves on the gold and capital markets and on prices. This cannot be done otherwise than by relinquishing the principle of including the credits granted to foreign banks in the fundamental reserve. Instead of these credits, the fundamental reserve should include, besides gold, only foreign bank-notes held in the vaults of the bank or earmarked abroad. We shall thus do away with the steadily increasing accumulation of credits granted by central banks to foreign banks. There will disappear also the possibility of transferring this kind of capital, which is artificially created, from one market to another for the purpose of obtaining larger profits owing to better arbitrage conditions or higher interest rates. As a result, the credit policy of central banks on those markets on which the assets controlled by foreign central banks are concentrated will not be paralysed, as is the case to-day.

Similarly, the potential demand for gold on the part of the banks which apply the gold exchange standard will not increase at such a rapid rate as heretofore, because the accumulation of foreign exchange will no more be based on the principle of compound interest, and the victory of the idea that the gold exchange standard *can be a permanent system* will greatly contribute to the maintenance of peace on the gold market. For the competition on the gold market is bound to become more acute under the influence of the growing conviction that the gold exchange standard is a transitory system and that sooner or later it will be abandoned, to the advantage of the pure gold standard in its pre-war form. The adoption of the principle that the fundamental reserve should include only gold and bank-notes, would remove the defects of the present system and would emphasise its advantages. The policy of economising gold would thus have better and more lasting chances of development. Simultaneously, the movement of foreign exchange would play a rôle similar to the movement of gold, as it would counterbalance the contraction of credits in one country by the increase of credit in some other country and *vice versa*. The process of levelling-up prices between different markets would again be facilitated. The influence of this natural regulation of prices would limit the scope of the credit manipulation on the part of central banks, as well as that of manipulations by the Governments through tariff restrictions.

An immediate adoption of the suggested system would not, however, be possible, for, should the central banks change all their foreign credit assets into bank-notes, this would bring about such an increase in the circulation of bank-notes that the reserve ratio against notes in circulation would be reduced as considerably as if an export of gold in large dimensions were registered. Even in America, a sudden increase of circulation of notes by about 1 billion dollars would, in spite of her gold reserves, constitute a real revolution. Therefore, a sudden change of the present methods and the adoption of new ones is out of the question.

The new system should be *created gradually*. This would be possible if the central banks which apply the gold exchange standard changed into earmarked bank-notes only those sums which they purchased as cheques or cable transfers. The sale of the cheques and cable transfers would be done out of the old supplies until these were exhausted. Thus, on the one side, the credit

accounts inherited from the present system would diminish; on the other side, the amount of earmarked bank-notes would gradually increase. Two processes would be carried through simultaneously: the gradual sale of old credit assets abroad and the creation of new bank-note assets abroad. Instead of a revolution in the composition of the reserve against notes in circulation, we should witness an evolution. The new system would thus be created without shocks.

The objections which may be raised against the principle of earmarking bank-notes will not be so serious as to compel us to persist in applying the present methods in spite of their disadvantages, or to abandon for good the gold exchange standard and return to the pure gold standard.

Is a deposit of bank-notes with a foreign bank less secure than a balance with a foreign bank? Is the income derived from interest on foreign credit assets so large as to counterbalance the consequences of the disturbances caused by the accumulation of such credits on the markets of gold, of capital and on prices?

A responsible central bank will not hesitate in what manner to answer this question.

## VII.

The competition on the gold market is again showing signs of revival and is accompanied by a steadily growing feeling of anxiety. The most vital problem therefore with which we are confronted is, in the first place, to reform the gold exchange standard in such a way as to impart to it the character of a permanent system, and so to remove the apprehensions which it causes at present. The reason why the present practice does not produce satisfactory results is to be found, as already stated above, in the inclusion of foreign credit assets in the fundamental reserve. A credit granted to a foreign bank is considered as good as gold. It is wrong from the juridical and unsound from the economic point of view. Instead, therefore, of changing the purchased foreign exchange into foreign credit assets, one should change purchased foreign exchange into bank-notes and earmark the latter with a central bank.

The new system, based on the principle of earmarking foreign bank-notes, represents an ideal solution which would be conspicuously opposed to the present practice. The analysis of such a project brings out clearly the chief errors of the present practice. In the preceding chapters, therefore, we have described the reform as if it were absolutely necessary in the future to confine ourselves to the earmarking of foreign bank-notes. This is not, however, an absolute necessity. *The depositing of foreign bank-notes in vaults would be, from the juridical point of view, an ideal method, but, from the point of view of modern banking, it would be an archaic system.* The same purpose could be achieved if the central banks which apply the gold exchange standard included in their fundamental reserves only gold and *demand deposits held on non-interest-bearing accounts with foreign central banks.* Instead of changing every amount of foreign exchange into notes and earmarking them in the safe of a central bank, it would be sufficient to place every purchased amount to a non-interest-bearing account as a demand deposit. The result would be the same as with the earmarking of bank-notes, provided the stipulation is expressly made *that a central bank will not use the sums placed to such accounts for credit purposes.* It would even be desirable that the central banks *show these accounts in their balance-sheets as a separate item on the liabilities side.* For with such a system, if the Bank of Belgium buys a cheque on the Chase Bank in New York and orders the purchased amount to be placed to its own special non-interest-bearing account with the Federal Reserve Bank, the amount of purchasing power in America will in reality shrink and will counterbalance the simultaneous increase of the credit structure in Belgium.

The deposit of bank-notes in a vault is of course a better solution from the theoretical point of view. *The concentration of foreign assets in special non-interest-bearing accounts with central banks represents a less ideal solution, but a more practical one.* In both cases, instead of diminishing the gold reserves of a foreign central bank, *we shall increase the volume of its*

*liabilities* : in the first case by the increase in the circulation of notes, in the second case by the increase in bank deposits. Both methods, however, would bring about the same results, namely :

*The exercise of the "rights to receive gold" would be adjourned without, however, it being possible to employ these rights to gold on two markets simultaneously, provided—I emphasise this point once more—that the central banks pledge themselves not to use for credit purposes the funds deposited by other central banks, and that these deposits are shown in their balance-sheets as a separate group of liabilities.*

The gold exchange standard, so reformed, will prove in practice as good a regulator of the international exchange of goods and services as the pre-war gold standard, and will considerably facilitate the co-operation of central banks on the gold market. The banks which apply this system can confine themselves without fear to such gold purchases as are necessary for maintaining the minimum metallic reserve provided for in the statutes. Should the methods of gold clearing simultaneously improve, it may be anticipated that, after a period of several years, an atmosphere would be created which would encourage the reduction of the present minimum reserve requirements. In this way, before the anticipated fall in the production of gold took place, the world would possess such a system of economising gold that further increases in the world reserves of monetary gold could be achieved according to a scale of 1 per cent yearly instead of 2 or 3 per cent.

To enter into a detailed analysis of the questions of the supply of gold and of co-operation in handling gold exceeds the limits of the present deliberations. One thing is certain, however. Should we regulate in time the demand for gold on the part of central banks, it will be easier to overcome difficulties arising from the supply of gold. The question of the gold exchange standard is therefore the most important problem of the moment in connection with the question of removing abnormal fluctuations in the purchasing power of gold.

It is difficult to believe in the excellence of inflationary methods in world economy if we condemn them in national economy.

Warsaw, January 2nd, 1930.

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## INTERNATIONAL PRICE-LEVEL ADJUSTMENTS

By Dr. L. J. A. TRIP.<sup>1</sup>

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1. It will need no proof that price levels in the various countries differ widely. Anyone who has travelled abroad must have come to the conclusion, even on superficial observation, that, in exchange for the same value in money, more can be obtained in one country than in another. This difference is implied in the title of this paper—"International Price-level Adjustments".

Generally speaking, these disparities result from the differences existing between the financial and economic positions of the various countries. Their existence is evidenced, not only by the figures which indicate the cost of living in the various countries, but also by the index numbers of wholesale prices, as calculated and published for several countries. It is true that these publications, as far as I know, do not give absolute figures, but merely the results of the development of prices as compared with the situation in a basic year, for which the figure 100 is taken. The fact, though, that these results differ from country to country removes all doubt as to the influence exercised on wholesale prices, as at present calculated, by the factors which determine the financial and economic positions of the various countries. These indices are not of an international nature, but have a preponderantly national, individual character. This is borne out by the fact that such calculations of wholesale prices are not intended to indicate the world price level of articles with a large, international market, but comprise, besides these latter articles, also a number of other commodities, manufactured wholly or partly in a given country, and are, moreover, based exclusively on data indicating the prices prevailing in the home markets. It is of much importance to bring this characteristic of wholesale price indices to the fore and to keep it well in mind, for it leads to the irrefutable conclusion that the stabilisation of these indices is subject to the condition that the factors which determine the price level of a country are controllable, or at least can be corrected or neutralised, by the body—in this case the bank of issue—charged with the stabilisation. In my opinion, it results from what follows that this condition not only *cannot* be fulfilled, but also that the bank of issue which would try to accomplish such a task would in certain circumstances collide with the basic principles and development of economic life, as well as with the fundamental obligations devolving on it under the system of the gold standard.

2. It has been stated above as the irrefutable starting-point of reasoning that price levels differ in various countries. No one can or will deny that the price level—including the level expressed by the figure of wholesale prices—in America differs considerably from that in Holland, whereas in the latter country another price level prevails from that, for instance, in Belgium. No one will venture to defend the theorem that it would be possible to equalise prices in the various countries. It appears to me that those who deem it feasible to achieve, and those who defend, a stabilisation of prices in the individual countries, cannot get away from the logical conclusion that in their line of thought it ought also to be possible to equalise the price level in all countries by the action and intervention of the bank of issue. In the event that it would be possible, by means of such action and intervention, to neutralise or to prevent changes which might occur in the future in the relation existing at a given moment between the price levels of

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<sup>1</sup> Formerly Governor of the Java Bank and Treasurer-General of the Netherlands.

the various countries, it must also be possible to modify the existing relation in the sense that all prices are brought on the same level. I do not believe that anyone would dare to endorse this view, but if so the theorem leading thereto also seems to me to be untenable.

8. Since, as has already been repeatedly observed, considerable differences exist at present between the price levels of the various countries which decidedly do not originate from the monetary policy but from circumstances arising from the economic and financial positions of the individual countries, fluctuations resulting from changes in the existing economic and financial positions will doubtless be registered in the future in the relationship between those price levels.

The causes of such a change may differ as to their nature and tendency. They may make themselves felt temporarily or permanently, their character may be internal or extraneous, their origin natural or artificial, their effect drastic or of little importance, but at all events there are many such causes which entail or render a process of adaptation necessary in one or more countries and enforce an alteration of the price level. It would be impossible or inadmissible for the bank of issue to arrest such change; on the contrary, it is its duty to further the process of adaptation—that is to say, to co-operate in modifying the price level.

It would carry me too far to undertake a description of all these causes. Nor is this necessary, as it will suffice for the purpose to treat some typical cases in which the financial and economic position of a country in relation to foreign countries changes to such an extent as to render a process of adaptation inevitable.

In my opinion, three groups of causes, in the main, are to be distinguished, namely :

I. Extraneous causes not originating in the action of man.

II. Causes which are the outcome of measures or of steps taken abroad and consequently lie beyond the power or sphere of influence of the country experiencing the results thereof.

III. Causes originating from internal circumstances or measures, which make themselves felt in a direct way and, in the first instance, in the country itself.

As an example of the first group, the case may serve in which the staple products of a country suffer an important reduction in price on the world market as a result of the considerably increased supply of these products by other countries. This increase may have been caused by temporary factors—for instance, by particularly favourable weather—and need not necessarily entail therefore a long-trend process of adaptation in the first country. However, if factors of a permanent nature—for instance, changes in the technique of transport, the opening up of new and large areas of production, the discovery of riches of the soil, or the application of new methods of labour—make themselves felt, it will not be possible to avoid a process of adaptation.

As examples of the second group may be considered : a large increase in import duties and, in general, all artificial measures taken abroad which hinder import, prevent immigration of labour, or restrict freedom of trade.

It is true that the foreign country taking such measures will in the long run injure its own interests as well and will see its international markets curtailed, but this does not alter in the least the repeatedly experienced fact that such a line of conduct as referred to causes difficulties to other countries, decreases their purchasing power and forces them to content themselves with a lower standard of living during a shorter or longer period.

As regards the third group, mention may be made of important modifications in fiscal and social legislation, causing a considerable rise of the cost of production, a loss of foreign markets, a decrease in the formation of capital—in short, a weakening of the international position of a given country and of its competitive powers in the world market. A substantial modification in the division of income between the different classes of the population, as could be seen in several countries after the war, may exercise its influence in the same direction.

4. It can therefore be safely predicted that circumstances and events will repeatedly recur which, apart from monetary policy, will cause long-trend changes in the relative positions of different countries, increasing prosperity in one country, and encumbering the position of another, forcing it to retrench its expenditure and to adapt itself to the difficulties.

Such a country, which finds the sources of its income dried up to a considerable extent, may try to mitigate the process of adaptation through palliatives and to extend it over a long period; the process itself, which *must* be passed through and which is inevitable to bring about the necessary improvement, consists in a lowering of the home price level.

As palliatives may be mentioned the contracting of foreign loans, the attracting of short-term money from abroad, the selling abroad of securities which have an international market, and the release of gold. But it is obvious, and experience has placed it beyond doubt, that these expedients can bring only temporary relief and in the end may lead to a further impoverishing of the country resorting to them. On foreign loans, interest has to be paid and such loans will have to be gradually redeemed. Short-term credits also require the payment of interest, and they may be called at any time. The sale of securities referred to causes the claims on foreign countries to diminish or the debts to foreign countries to increase. The release of gold will of necessity entail an increase of the rate of interest, which exercises an unfavourable effect on economic life.

All this, coupled with the diminution of income as the direct result of the untoward turn in the financial and economic position of the country, will inevitably lead to lowering of the standard of living. The cost of production will have to be reduced, as far as possible by restricting the fiscal and social obligations with which industry is burdened, by improving and simplifying the methods of production, and, finally, by the lowering of wages, of producer's profits and of the interest on capital. By lowering the cost of production, export will be stimulated. A cheapening of the services rendered by a given country to foreign countries, which will induce the latter to make a growing use thereof, will exercise its influence in the same direction. As a result of the diminished purchasing power, imports from abroad will fall off, and this will be furthered by the reduction in the price of home products, which will induce the population to buy the latter in preference. Finally, the improved results from industry placed again on a profit-yielding basis will promote the formation of new capital, which will in turn reduce the country's degree of dependence on foreign capital and will tend to alleviate its debtor position.

Just like a private person who, having experienced a diminution of his income and contracted debts, will have to retrench his expenditure temporarily or permanently, in the same way a country which has to confront an important weakening of its financial and economic position will have to reduce its standard of living in order to adapt its basis of exchange with other countries to the altered circumstances. Either it will have to supply more commodities and render more services to foreign countries, or it will have to buy less and restrict its use of foreign services. Generally speaking, the first will be possible only if it offers its staple products and its services at a lower price than before. As long as and in so far as this will not be possible, the second mode will have to be followed and imports from abroad will have to be curtailed. If this is not done, it will not be possible to maintain the gold standard in the country in question and the rates of exchange will no longer be limited by the gold points. Several writers on stabilisation have realised this. It places it beyond doubt that, if the fundamental significance of the gold standard is to be adhered to, which is the very basis of the mandate given to our Committee, the realisation of the idea of stabilisation through the maintenance of the index numbers for wholesale prices at the same level in the various countries is out of the question.

5. Taking as a starting-point a certain relation at a given moment between the price levels in the various countries whose monetary system is based on gold, it has to be accepted as an axiom that circumstances will arise which will modify the basis of exchange between those countries and which consequently will disturb this relation. If the purchasing power of a country is considerably weakened owing to one of the causes indicated above, the consequence thereof will have to be accepted and the price level in that country will have to be lowered. This reduction will not only have to be accepted, but it will also have to be furthered, because this is in the end the only means of laying the basis for the necessary improvement of the financial and economic position, without inflation and disorganisation of the monetary system. A diminished purchasing power will in practice always be attended by an unfavourable balance of payments.



Experience has taught that, apart from fixed obligations towards foreign countries which cannot be reduced at all, a certain period has to elapse during which orders, placed under previous conditions, will have to be taken up and paid for. It will be the task of the bank of issue to bridge this period. It is able to do so by selling its holdings of foreign exchange and by releasing gold. As enunciated in my note on the "Functioning of the Gold Standard", this is one of the great advantages of the gold standard and of keeping a stock of gold. This action of the bank of issue is greatly instrumental in alleviating and in tiding over the first difficulties which result from the change in position, but never can it of itself obviate the process of adaptation. The sale of foreign exchange as well as that of gold must lead to a contraction of the circulating medium. In case such contraction would not suffice to maintain the gold standard and to conform to the legal provisions regarding the minimum gold cover, the bank, in order not to fall short of the accomplishment of its principal task, will have to resort to a further contraction through a forced restriction of credit. As set forth in my note above referred to, it is possible and expedient, in my opinion, to have the minimum cover regulated with greater suppleness and to allow some more latitude to the banks of issue in this respect, but, in such a period as that under review, a contraction of the circulating medium will always have to be the watchword and the duty of the central bank. This duty is of a fundamental character; it is the basis of the system of the gold standard; it is part of the natural development, and its fulfilment is indispensable to the restoration of the welfare and the prosperity of the country. This duty must not be hindered by, or neglected for, attempts to stabilise the price level. Such endeavours, which, in circumstances such as those referred to, could never be a lasting success, would only lead to keeping up the circulation artificially, and would thereby come into conflict with the exigencies of the country's condition and with what I have called above the fundamental duty of the bank of issue. Keeping up the circulation artificially is but another expression for inflation, and the memory of the consequences of such a disastrous policy is still so vivid that no one can be suspected of fostering the desire to recommend measures which would lead under certain circumstances to such a policy. It would carry me too far, and it is superfluous, to deal in this note with the fatal consequences and the dangers of policies aiming at inflation or leading to it. Suffice to state most emphatically that, in a country living under the circumstances referred to, the bank of issue, *after having been relieved of its duty to maintain the gold standard*, might perhaps succeed in keeping home prices above their natural level, and might thus bring about the semblance—but no more than that—of a prosperity not existing in reality. But in that case it would have to relinquish control of the foreign exchange rates, for in these rates of exchange the real position would inevitably find expression. The result of the policy denounced by me would be a fall in purchasing power of the national money below that of gold. It appears to me, therefore, that the only conclusion to be drawn is that stabilisation on the present basis of the wholesale price indices in the individual countries is inconsistent with the task of keeping the foreign exchange rates within the limits of the gold points, so that claiming stabilisation amounts in substance to bringing pressure to bear to abandon the gold standard, a result which is unacceptable to our Committee.

6. It may then be asked whether stabilisation of prices, which is not possible in countries whose financial and economic position is on the decline, could not be achieved at least in countries which are in a different position and enjoy increasing prosperity. These countries will see their stock of gold increased by the gold released from the countries whose prosperity is declining, so that the question, as far as relevant to the subject dealt with in this note, may be summarised thus: it is desirable, and in the long run possible, to sterilise the gold received in this way, and to neutralise the effect of such influx by counteracting measures? I dealt with this question in my note on the "Functioning of the Gold Standard", and arrived at the conclusion that a smooth working of the gold standard is best served by the free moving of gold and by abstaining from artificial measures designed to obviate or to neutralise the effect of gold movements. In my opinion, the world's interests also will be best furthered in this way; for these require, when a country or a continent has come into difficulties, that all countries co-operate and that the opportunity be given to overcome these difficulties and to restore the country's or continent's prosperity within the shortest possible time. As I explained in my former note, this is obstructed if the countries enjoying a favourable state of affairs eliminate the effect of the gold received as a result. Moreover, it is subject to doubt whether such a policy

of elimination can in the long run be maintained and if it is not conducive to excesses in a domain which lies for the greater part beyond the sphere of influence of the central bank. The course of events on the American stock exchange, in my opinion, is apt to give rise to this question. It seems to me that the time for answering it has not yet arrived, and at all events outsiders will have to refrain from trying to find an answer. I confine myself, therefore, to drawing the attention of my colleagues on the Committee to the question.

7. I have dealt somewhat exhaustively with the foregoing, because in my opinion the pleas for the stabilisation of prices fail to recognise the inevitable fluctuations in the relationship between the price levels in the various countries which are a direct result of the development of economic life. These fluctuations would make themselves felt under every monetary system and under every monetary policy. They would occur even if the purchasing power of gold, for the world taken as a whole, remained at the same level. Even with such a stability of the world purchasing power of gold, differences would continue to exist and to occur in the future between the purchasing power of gold in the various countries. It may be observed in passing that this is not at all in conflict with the theory that gold has the tendency to flow to where it can command the best price—*i.e.*, the greatest quantity of commodities and services; for this tendency will only lead to gold's being moved in case the country, where gold has the greatest purchasing power, wants gold more than other commodities. Gold may be scarce in such country, but, when other commodities are scarcer still, these latter and not gold will be supplied to it.

It is known that the purchasing power of gold in every country is connected with the basis of exchange existing between that country and other countries with which it entertains trade relations. If, as a result of one or more of the circumstances described above under 3, the basis of exchange should undergo a substantially unfavourable change, the respective country will have to adapt itself to it, that is to say, it will have to work more cheaply. This will either cause the price level to be lowered, if it is intended to keep the rates of exchange within the limits of the gold points, or the national money will depreciate as compared with gold and it will not be possible to maintain the gold points, which means the abandonment of the gold standard. As the latter cannot be brought up for consideration, the only thing left is a lowering of the price level. This places it beyond doubt that, in practice, stabilisation of the price levels in the various countries is out of the question.

8. As pointed out above, the world's interests require a country which has come into financial and economic difficulties to be enabled to overcome these difficulties and to restore its position within the shortest possible time. It follows from this that it is a matter of international co-operation and of the promotion of the world interests that unnecessary and artificial fluctuations in the price levels of the various countries be prevented and that, if a change in the price level of any country has occurred through natural and economically justifiable circumstances or actions, the process of adaptation be hindered or retarded as little as possible.

It will be possible to fulfil this requirement only by furthering the free exchange of commodities, services, labour and capital, by avoiding burdening industry in any particular country with heavy fiscal and social obligations so that it has to work under less favourable conditions than industrial enterprises in other countries, by refraining from Governmental measures such as trying to maintain wages of labour in excess of those corresponding to the country's international basis of exchange—in short, by limiting, as far as it may be possible, fluctuations in individual price levels to the cases in which these fluctuations result from natural and economically justifiable circumstances and actions, and which for that reason have to be accepted and accepted in the interest of the world. This needs no further comment. I should like to stress also in this connection the great importance of maintaining the gold standard for the certainty it furnishes as to the extent to which the rates of exchange may rise or fall. This certainty, as borne out by experience, is one of the first and outstanding needs of international traffic. If one had to choose—which, in my opinion, is not the case—between the preservation of this certainty together with a fluctuating price level and a stable price level without it, it would undoubtedly be in the interest of commerce and trade and of an adequate adaptation of national price levels, to choose the former. But this choice will *not* have to be made, because, as set forth above, efforts to maintain a stable price level, when the basis of exchange with foreign countries undergoes an unfavourable change, must always lead to a depreciation of the national

currency as compared with commodities and services to be obtained from abroad, in connection with which a modification of the national price level will sooner or later have to take place.

9. I come to the conclusion, therefore, that stabilisation of the price levels in the various countries is to be deemed impossible and undesirable. The error of the advocates of such stabilisation is, it seems to me, that they endeavour to combat the effects instead of removing, as far as possible, the causes. Consequently, they come into conflict with the natural and inevitable course of events whose effects may not and cannot be combatted by measures of a monetary nature. In these cases, modifications of the price levels must not only be accepted, but must also be furthered, whereas those who urge the unvaried maintenance of the price levels pay no regard to these cases and so condemn the policy necessitated by them. The difficulties and the unfavourable influences which such persons see and which they desire to prevent are of an international, a universal, character, whereas the remedy they recommend is of a national character.

A recommendation to require the banks of issue morally or by law to stabilise wholesale prices for their respective countries must therefore be repudiated, the more so as it is not within the power of the banks of issue to control or individually to prevent either the so-called secular price changes or the cyclical price changes. In this respect, international problems are concerned which, in so far as it is at all possible, can be solved only by a close, international co-operation of the banks of issue in the gold standard countries. I have recommended this co-operation in my note on the "Functioning of the Gold Standard", in which I mentioned the legal provisions which, in my opinion, would be required to secure to the banks of issue the necessary freedom as regards their co-operation.

The present note leads to the conclusion, therefore, that our Committee has to confine itself to recommending such co-operation and the relevant legal provisions. In the event that such recommendation be accepted, the further development of theory and practice can be quietly awaited and the required basis will have been laid for a free functioning of central banking, which is essential to the world's interests.

The Hague, December 1929.

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**LEAGUE OF NATIONS**

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**DOUBLE TAXATION  
AND FISCAL EVASION**

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**COLLECTION OF INTERNATIONAL  
AGREEMENTS AND INTERNAL LEGAL  
PROVISIONS FOR THE PREVENTION  
OF DOUBLE TAXATION AND FISCAL  
EVASION**

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## NOTE.

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In order to make the present publication as accurate as possible, the Economic and Financial Section of the Secretariat of the League of Nations requests the Governments to be so good as to communicate :

(a) All modifications they have made in the text of international agreements, and of the internal legal provisions which appear in the "*Collection of International Agreements and Internal Legal Provisions for the Prevention of Double Taxation and Fiscal Evasion*" (document C.345.M.102.1928.II), its supplement (document C.365.M.134.1929.II) or the present volume;

(b) Any new text which has been signed or put into force subsequent to the publication of these documents.

October 1930.

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## **CORRIGENDUM.**

**Collection of International Agreements and Internal Legal Provisions  
for the Prevention of Double Taxation and Fiscal Evasion. Volume I  
(document C. 345. M. 102. 1928. II).**

### **NETHERLANDS.**

**Page 172 :** Article 101 of the Law on Income Tax, 1914;  
Law of June 26, 1926; and

**Page 197 :** Law of April 16, 1920;

Are repealed as a result of Article 5 of the Law of June 14, 1930 (see page 66 of the  
present volume).

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**PART I.**

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**DOUBLE TAXATION**

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**A. INTERNATIONAL AGREEMENTS**

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# I. GENERAL AGREEMENTS GOVERNING ALL CASES CONCERNING THE IMPOSITION OF ONE OR MORE TAXES

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## 1. AGREEMENTS CONCERNING DIRECT TAXES (INCOME TAX, CAPITAL TAX)

### (a) Making no Distinction between Personal and Impersonal Taxes

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#### HUNGARY AND YUGOSLAVIA.

TRANSLATION.<sup>1</sup>

#### CONVENTION BETWEEN THE KINGDOM OF HUNGARY AND THE KINGDOM OF THE SERBS, CROATS AND SLOVENES FOR THE PREVENTION OF DOUBLE TAXATION IN THE MATTER OF DIRECT TAXES, SIGNED AT BELGRADE, FEBRUARY 22, 1928.

HIS SERENE HIGHNESS THE REGENT OF THE KINGDOM OF HUNGARY, and HIS MAJESTY THE KING OF THE SERBS, CROATS AND SLOVENES, being desirous of preventing double taxation and of settling other questions connected with direct taxes, have decided to conclude a Convention for this purpose :

#### *Article 1.*

The present Convention contains regulations applicable to direct taxes.

For the purposes of the present Convention, direct taxes shall be taken to mean taxes which, on the basis of the legislation of each of the Contracting Parties, are levied direct on income (gross or net) or on total estate, either on account of the two Contracting States or on account of public autonomous corporations (comitats, communes, etc.), even when they are levied in the form of additional taxes or imposts. The present Convention shall not apply, therefore, to the indirect taxes on turnover and on consumption.

The provisions of the present Convention refer, in part, to direct impersonal taxes on income, and, in part, to direct personal taxes.

For the purposes of this Convention, impersonal taxes shall be taken to mean direct taxes levied on taxable objects in virtue of their economic connection with the territory of a State. Personal taxes shall be taken to mean direct taxes levied on the whole of the taxable objects (income and property) of the taxpayer to whom they belong in virtue of the nationality, domicile or residence of such person.

With a view to the application of the present Convention, the Ministries of Finance of the two States shall inform each other at the end of each calendar year of the taxes which are to be regarded as direct taxes, and the taxes in that group which are to be regarded as impersonal or personal taxes.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

*Article 2.*

The tax on income derived from immovable property shall be levied only by the State in the territory of which such immovable property (landed estate, mines, buildings) is situated.

*Article 3.*

The impersonal tax on income derived from any kind of industrial or commercial activity whatever shall be levied only in the State in whose territory the establishment of the undertaking is situated, even when the undertaking carries on business in the territory of the other Contracting State without possessing an establishment in that State.

For the purposes of the present Convention, an establishment shall be taken to mean a permanent productive organisation in which the business of the undertaking is wholly or partly carried on.

Should the undertaking possess establishments in both Contracting States, each State may levy the impersonal tax only on such portion of the income as is derived from the establishment situated in its own territory.

*Article 4.*

Earned income, including income derived from the exercise of the liberal professions, may be taxed only in the State in whose territory the personal activities producing the revenue have been carried on.

*Article 5.*

Allowances or grants paid by public funds by reason of past or present official or professional services (salaries, pensions, retiring allowances and other similar income) shall be liable to direct taxation only in the State from which the income in question is derived.

*Article 6.*

Income derived from the employment of floating capital shall be liable to direct taxation in the State in which the "debtor" is domiciled.

Corporate bodies shall be regarded as domiciled at the place at which they have their seat, or, failing this, at the place at which their centre of management is situated.

The tax on interest (accessories) due in respect of mortgage debts shall be levied in the State in whose territory the immovable property in question is situated. Should the mortgage debt be registered in respect of immovable property of which a part or parts are situated in the territory of the other Contracting Party, the interest (accessories) due in respect of the mortgage debts in such a case shall be divided, for the purpose of taxation in equal proportions, between the two Contracting Parties.

Interest on bonds issued by the State or by public autonomous corporations or by joint-stock companies, banks or other financial institutions, shall be taxed by the State paying such interest or by the State in whose territory the corporation paying the interest is situated, as the case may be.

The provisions of the preceding paragraph shall also apply to the taxation of interest on capital deposited in banks and other financial institutions in the form of savings deposits or on current account. Should the seat of the institution be situated in the territory of one of the Contracting States and one or more branch establishments be situated in the territory of the other, the interest on capital deposited in the branch establishments shall be taxed by the State in whose territory they are.

*Article 7.*

The tax on directors' fees shall only be levied by the State in whose territory the legal seat or the centre of management of the undertaking paying the said directors' fees is situated. Allowances in the nature of directors' fees paid in respect of certain functions exercised in a branch establishment shall be liable to the tax on directors' fees; this tax shall be levied by the State in whose territory the branch establishment in question is situated.

Should the legal seat of the undertaking be situated in one of the Contracting States and the centre of management in the other, the central financial authorities of the two States shall come to an agreement in each case as to the equitable allocation of the basis of the tax.

*Article 8.*

Impersonal taxes on life annuities shall be levied by the State in which the person receiving the income in question is domiciled.

*Article 9.*

Personal taxes on the taxpayer's total income in each of the Contracting States shall be levied in accordance with the following rules :

1. Personal income derived :

- (a) From immovable property;
- (b) From mortgage debts;
- (c) From industry or trade;
- (d) From work — including remuneration paid by public corporations,

shall be subject to the rules laid down in the preceding articles for impersonal income derived from these taxable sources.

2. Every other kind of income—in particular, dividends on shares, directors' fees, interest on bonds issued by public corporate bodies and companies and interest on deposits in banks or other credit institutions—shall be taxed in the State in which the taxpayer has his domicile.

For the purposes of the present Convention, domicile shall be taken to mean the place in which the taxpayer habitually resides in circumstances which warrant the presumption that he intends to continue to reside there, or the place in which the taxpayer resides in circumstances such as to warrant the supposition that his stay is not merely temporary.

Should the taxpayer possess a domicile in each of the two States, each State shall levy the tax in proportion to the length of stay in its territory during the year to which the tax relates.

For the purposes of the present article, the domicile of corporate bodies—when the latter are subject to a personal tax on total income—shall be taken to be the place in which the corporate body has its legal seat and, failing such, the place in which its centre of management is situated.

*Article 10.*

Any tax on total estate, whether of a permanent character or levied on a single occasion only, which has already been or may in future be imposed in the Contracting States, shall be levied in each State on the taxpayer's property situated in the territory of that State.

When the estate consists of :

- (1) Immovable property;
- (2) Mortgage debts;
- (3) Industrial or commercial undertakings,

its existence in the territory of one or other of the Contracting States shall, so far as the levying of the tax on total estate is concerned, be determined according to the principles laid down in the preceding articles for impersonal taxes on income derived from such property.

In the case of any other kind of property, including company shares, bonds issued by public corporate bodies or companies and deposits in banks or other credit institutions, the rules laid down for the personal taxation of total income shall apply.

*Article 11.*

The rules laid down in Article 10 of the present Convention with regard to the tax on total estate shall also apply to any tax on the increment of total estate which is already in force or may in future be introduced in either Contracting State.

*Article 12.*

Shipping undertakings on the Danube shall be liable to taxes on profits arising out of their shipping business only in the State in which the seat of the undertaking is situated.

Shipping business shall be held to include, not only transport of persons and goods, but also transport of goods from warehouses to the vessel and from the vessel to the warehouses.

The professional income of paid workers employed in the navigation service of the said undertakings shall be liable to taxation in the State in whose territory the seat of the undertaking is situated.

*Article 13.*

From the point of view of taxation, including proceedings before revenue authorities, courts of law and revenue and administrative tribunals, the nationals of either Contracting Party shall be entitled, in the territory of the other Party, to the same treatment as nationals of the country.

Corporate bodies whose seat is in the territory of one of the Contracting Parties shall be treated in the territory of the other Party in the same manner as taxpayers of that other State.

*Article 14.*

The Contracting Parties undertake to assist each other with a view to the assessment and recovery of direct taxes.

*Article 15.*

The present Convention shall be applied as from January 1, 1928, for the financial year 1928 and the following years.

*Article 16.*

The present Convention shall be ratified and the instruments of ratification shall be exchanged in Budapest as soon as possible.

The present Convention shall come into force fifteen days after the exchange of the instruments of ratification and shall remain in force until denounced by one of the Contracting Parties. Should the denunciation take place before July 1 of any year the Convention shall cease to take effect on January 1 of the following year; otherwise, it shall cease to take effect on January 1 of the second year following denunciation.

Done at Belgrade in duplicate on February 22, one thousand nine hundred and twenty-eight.

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## FINAL PROTOCOL.

On proceeding to sign the Convention concluded this day between the Kingdom of Hungary and the Kingdom of the Serbs, Croats and Slovenes for the prevention of double taxation and the settlement of other questions in the matter of direct taxes, the undersigned plenipotentiaries have made the following joint declarations, which shall form an integral part of the Convention itself :

*Ad Article 3.*

For the purposes of Article 3 of the Convention, industrial and commercial activities shall be taken to include the activities of insurance, transport, traffic, finance and credit companies.

For the purposes of Article 3 of the Convention, "establishments" shall be taken to mean, not only the seat and real business centre of the undertaking, but also the branches, depots, factories, workshops and laboratories, premises where purchases and sales are effected, warehouses, and, in general, any other commercial and industrial installation in the nature of a permanent productive organisation, and, lastly, permanent representatives, provided that they are liable to taxation under the law of the State in question.

*Ad Article 4.*

For the purposes of Article 4 of the Convention, liberal professions shall be taken to mean scientific, artistic or literary occupations, teaching or education, and the professional activities of doctors, barristers, architects and engineers.

The income of foreign commercial travellers derived from their activities exercised in the territory of the other Contracting Party, even if their activities are only temporary, shall also be regarded as earned income.

*Ad Article 6.*

It is agreed that taxes levied on interest on debentures and on interest on savings deposits or current accounts, and which under the legal provisions at present in force in one or both of the Contracting States are regarded as taxes (illetékek) shall, for the purposes of the application of the present Convention, be regarded as impersonal taxes until such taxes are declared not to be impersonal taxes.

*Ad Article 9.*

The total income of the taxpayer for the purposes of Article 9 shall be held to be the net revenue derived from sources in the territory of the State in question or from activities carried on therein, without allowing for interest due abroad.

*Ad Article 10.*

The rules laid down in Article 10 shall not be applicable to the single capital levy should such tax have been introduced prior to the present Convention, even should the payment of the tax be still in progress.

With a view to avoiding any doubts that might arise, it is hereby declared that the provisions of the present Convention shall not affect the right to enjoy more extensive privileges or exemptions which, in virtue of the general rules of international law, are now or may hereafter be granted to diplomatic and consular representatives.

The present Protocol shall be held to have been approved by the Contracting Parties, without further special ratification, by the mere fact of their having exchanged the documents of ratification of the Convention to which it refers.

Done at Belgrade in duplicate on February 22, one thousand nine hundred and twenty-eight.

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## HUNGARY AND POLAND.

TRANSLATION.<sup>1</sup>

### CONVENTION BETWEEN THE KINGDOM OF HUNGARY AND THE REPUBLIC OF POLAND FOR THE PREVENTION OF DOUBLE TAXATION IN THE MATTER OF DIRECT TAXES, SIGNED AT WARSAW, MAY 12, 1928.

HIS SERENE HIGHNESS THE REGENT OF HUNGARY and HIS EXCELLENCY THE PRESIDENT OF THE REPUBLIC OF POLAND, being desirous of preventing double taxation in the matter of direct taxes, have decided to conclude a Convention on that subject :

#### *Article 1.*

The object of the present Convention is to lay down rules for the levying of direct taxes, both impersonal and personal, by one State only.

For the purposes of the present Convention, direct taxes shall be held to mean those taxes which, under the legislation of each of the two Contracting States, are levied direct on income, gross or net, or on the total estate of the taxpayer, either on account of one of the two Contracting States or of autonomous organisations, even if the said taxes were levied in the form of additional duties ("centimes additionnels").

I. The following shall be regarded as impersonal taxes for the purposes of the present Convention :

1. Under Polish law :

- (a) Land tax;
- (b) Taxes on urban immovable properties and on certain buildings in rural communes;
- (c) House tax;
- (d) Building-land tax;
- (e) Industrial profits tax;
- (f) Tax on capital and on annuities.

2. Under Hungarian law :

- (a) Land tax;
- (b) Tax on building land;
- (c) Tax on industrial and commercial profits;
- (d) Company tax.

II. The following shall be regarded as personal taxes for the purposes of the present Convention:

1. Under Polish law :

- (a) Income tax;
- (b) Tax on total estate.

2. Under Hungarian law :

- (a) Income tax;
- (b) Tax on total estate.

The above enumeration of direct taxes in force in the two Contracting States is only given as an example.

The central financial authorities of the two Contracting States shall communicate to each

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

other at the end of each year a list of the impersonal and personal taxes in force in each of the two Contracting States.

Taxes on interest due on debentures, savings deposits and current accounts which are regarded as taxes under Hungarian law shall be included in the categories of Hungarian impersonal taxes referred to in Sub-division I, 2 (c).

*Article 2.*

The tax on gross income from immovable property may only be levied by the State in which the immovable property is situated.

*Article 3.*

The tax on gross income derived from any kind of industrial and commercial enterprise shall be levied by the State in whose territory an undertaking has an establishment for the purpose of carrying on business in that territory, even when the undertaking in question extends its activities to the territory of the other Contracting State without possessing an establishment in that State for the purpose of carrying on its business.

Insurance and transport establishments, and institutions whose object is banking operations, shall also be regarded as industrial and commercial undertakings.

For the purposes of the present Convention, an establishment in which the undertaking carries on business shall be taken to mean any permanent organisation of an undertaking in which the business of the undertaking is wholly or partly carried on. The following should more particularly be included under the term "establishments": the seats of undertakings, the real centres of management, branches, subsidiary establishments, factories, workshops, offices where purchases or sales are effected, storehouses, depots and all industrial or commercial installations maintained for the purpose of carrying on the business of the undertaking by the owner of the undertaking himself, by his authorised representatives, or by other permanent agents. The term "establishments" should also be held to include all permanent representatives of the said undertakings.

If a single undertaking possesses establishments in the territories of both Contracting States, it shall only be taxed in each of the territories of the two States on the gross income from the business activities of the establishment which is situated on the territory of the State in question. For the purpose of determining the division of the said gross income as between the two Contracting States, the financial authorities of the two Contracting States may require taxpayers to produce their general statements of account, special accounts and any other documents provided for under the legislation of the respective Contracting States. Should it not be possible to use these accountancy documents, the central financial authorities of the two Contracting States shall consult together with a view to taking measures to ensure a fair and equitable division of the income.

The words "general statements of account" shall be held to mean statements containing the general results of the undertaking which are kept and published in accordance with the laws of the State in which the seat of the said undertaking is situated. The words "special accounts" shall be held to mean the accounts which include the results of the management of the establishment situated in the State levying the tax in question and which are kept and published in accordance with the laws of that State. The words "any other documents" shall be held to mean all documents connected with the management of the establishment which are necessary for the purpose of determining the gross revenue of the said establishment situated on the territory of the State levying the tax.

The Contracting Parties agree that the levying of the State tax on industrial and commercial profits, which is provided for by the Polish Law of July 15, 1925 (*Legal Journal*, No. 79, div. 550), including the additional taxes ("centimes additionnels") levied in the form of trading taxes on persons engaged in industrial pursuits and on pedlars and itinerant traders, is not contrary to the principles of the present Convention.

The purchase of native raw materials, agricultural and forestry products, live-stock, poultry and miscellaneous goods, in so far as it takes place in the territory of one of the two Contracting States either for future sale in the territory itself or for purposes of export, shall be liable to taxation in the State in whose territory the purchase was made, even if the purchaser does not maintain any establishment for that purpose in the said territory.

*Article 4.*

The impersonal tax on the gross income derived from work, and particularly from the exercise of independent professions, shall only be levied by the State in the territory of which the activities constituting the source of the income are carried on. Only the place at which the independent profession is constantly, and not merely temporarily, carried on shall be regarded as the place at which an independent profession is exercised. In particular, the following shall be regarded as independent professions : occupations in the domains of science, fine arts, letters, instruction or education, and the professions of doctor, dentist, assistant doctor, veterinary surgeon, barrister, notary, architect and engineer.

Periodical salaries or allowances payable by the public funds (State, national, district, municipal, communal, etc.) and granted in return for present or past services or professional activities, such as salaries, retiring pensions, grants, etc., shall only be subject to the tax in the State in the territory of which these payments are made.

*Article 5.*

The impersonal tax on gross income from the investment of floating capital, and particularly on gross income from transferable securities, savings deposits and current accounts, should be levied by the State in the territory of which the domicile of the "debtor" is situated.

Should the undertaking which accepts savings deposits or current accounts possess establishments in the territory of both Contracting States, each State shall levy the tax on the interest due on the deposits accepted by the establishment situated in its territory. Nevertheless, the tax on gross income derived from claims and rights secured by mortgage shall be levied by the State in whose territory the immovable property is situated.

*Article 6.*

The tax on directors' fees paid by companies shall be levied by the State in whose territory the seat of the company in question is situated. Should, however, the centre of management be situated in the other State, only the latter State shall have the right to levy the tax.

*Article 7.*

The impersonal tax on various forms of gross income not enumerated in the above articles shall be levied by the State in whose territory the person receiving such revenue is domiciled.

*Article 8.*

The personal tax on the taxpayers' total income shall be levied by each of the Contracting States in accordance with the following rules :

1. Income tax derived :

- (a) From immovable property;
- (b) From claims and rights secured by mortgage;
- (c) From industrial and commercial undertakings;
- (d) From work (including remuneration payable by public funds);

shall be levied according to the principles laid down in Articles 2 to 5.

2. On other kinds of income, and particularly on income derived from dividends, directors' fees, interest on transferable securities and on deposits in banks, the tax shall be levied by the State in whose territory the person receiving such income is domiciled.

Should the taxpayer possess a domicile in both Contracting States, the personal tax shall be levied upon each of them in proportion to the length of his stay during the fiscal year.

The period of the taxpayer's stay outside both Contracting States shall be reckoned in favour of the State of which he is a national.



*Article 9.*

The permanent tax on total estate shall be levied by each of the Contracting States exclusively on such portion of the property as is situated in its territory.

In particular, when the estate consists of immovable property, claims and rights secured by mortgage, and industrial and commercial undertakings, the taxation thereof shall be effected in accordance with the principles laid down in Articles 2, 3 and 5 of the present Convention concerning the taxation of gross revenue derived from the same.

The principles laid down in Article 8 of the present Convention concerning taxation of total income shall apply to every other kind of movable property and particularly to transferable securities and the various bank deposits.

The above-mentioned principles shall also apply to the single extraordinary capital levy, should the same be introduced in the Contracting States after the coming into force of the present Convention.

The provisions of the present Convention shall not apply to the single extraordinary capital levy imposed before the coming into force of the present Convention, even if the payments have not yet fallen due in accordance with the law.

*Article 10.*

The principles laid down in Article 9 of the present Convention with regard to the taxation on total estate shall also apply to the tax on the increment of total estate should such a tax be introduced in either of the Contracting States.

*Article 11.*

For the purposes of the present Convention, the domicile of the taxpayer shall be taken to mean the place in which he has an abode, provided that, in view of the circumstances, it may be assumed that he intends to retain it as a permanent dwelling, or the place where he resides if there is reason to assume, in view of the circumstances, that it is not his intention to reside there only temporarily.

For the purposes of the present Convention, the domicile of a corporation shall be taken to be its seat, or, failing such, the place at which its centre of management is situated.

*Article 12.*

Diplomatic, consular and special representatives of the two Contracting States when they are officials *de carrière*, and also officials attached to them and persons in their service or in the service of their officials, shall be exempt from direct taxes in the State to which they are accredited.

This exemption shall be granted to these persons only if they are nationals of the State they represent and provided that within the State to which they are accredited they do not carry on any gainful occupations outside their official duties. Nevertheless, the exemption in question shall not extend to the tax leviable on the part or parts of the total estate referred to in paragraph 2 of Article 9, nor to taxes on gross revenue or the total net income from such sources.

The above provisions shall not affect the right to enjoy more extensive privileges or exemptions provided for by the existing laws of the two Contracting States.

*Article 13.*

Should the taxpayer be of opinion that the taxation levied on him is contrary to the provisions of the present Convention, he may submit a claim with regard to the matter to the competent authorities of the State of which he is a national, even should such a claim not be allowed by the legislation of the said State.

This claim must be submitted within one year from the date on which the order for payment is served.

Should the central financial authorities of the State of which the taxpayer is a national recognise that the grounds of the claim in question are well founded, they shall arrange with the central financial authorities of the other State with a view to fixing just and equitable taxation.

*Article 14.*

In order to prevent double taxation in cases not expressly provided for in the present Convention, and also in cases of doubt or difficulty as to the interpretation or application of the present Convention, the central financial authorities of the two Contracting States may conclude a special agreement.

*Article 15.*

The Contracting States agree to assist each other in the assessment of the taxes covered by the present Convention and in the collection of such taxes and the serving of the necessary notices.

The Governments of the two Contracting States may conclude a special agreement in respect of the procedure to be followed.

*Article 16.*

The present Convention shall be ratified and the instruments of ratification shall be exchanged at Budapest as soon as possible. It shall come into force on the thirtieth day from the date of the exchange of the instruments of ratification, and shall apply to those taxes the payment of which, in accordance with the rules in force in each of the two Contracting States, falls due after December 31, 1927.

The present Convention shall remain in force until it is denounced by either Contracting State, such denunciation to be notified at least six months before the expiration of the calendar year.

If it is denounced within the prescribed period, the Convention shall cease to be operative on the expiration of the calendar year in question for all cases in which the payment of the tax falls due after that date.

Done in duplicate at Warsaw on May 12, 1928.

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## AUSTRIA AND HUNGARY.

TRANSLATION.<sup>1</sup>

PROTOCOL DATED JUNE 25, 1928, CONCERNING THE SUPPLEMENTARY PROVISIONS AGREED UPON BY THE REPRESENTATIVES OF THE AUSTRIAN FEDERAL MINISTRY OF FINANCE AND THE ROYAL HUNGARIAN MINISTRY OF FINANCE WITH REGARD TO THE AGREEMENTS CONCLUDED UNDER THE VIENNA PROTOCOL OF NOVEMBER 8, 1924, CONCERNING THE DIVISION OF INCOME FOR PURPOSES OF TAXATION OR, AS THE CASE MAY BE, OF PROFITS DERIVED FROM PRODUCTIVE UNDERTAKINGS.

(“ Collection ”, C.345.M.102.1928.II, p. 50.)

### PROCÈS-VERBAL.

For the application of the provisions concerning the taxation of productive undertakings operating in both States, agreed upon in pursuance of Article 8 of the Treaty of November 8, 1924, which was concluded with a view to assuring the adjustment of taxation at home and abroad, in particular for the prevention of double taxation in the field of direct taxation, and for the regulation of collaboration between the courts and authorities of the two Parties in matters of taxation, and laid down in the Austrian Decree of November 16, 1925, BGBl. 439, and in the Hungarian Edict Z1.169.850.VII.1925, the following provisions shall be ordained by decree in both States in pursuance of Article 16 of the aforesaid Treaty and of the Treaty concluded this day concerning mutual legal protection and assistance in the matter of taxation :

1. In the case of undertakings subject to the corporation tax, which possess business establishments in both States, the amount of the tax shall, in the first instance, be assessed at the expiry of the calendar or business year upon the results of which it will be based by the competent authority in the State in which the said undertaking has its seat. In the case of undertakings which are subject to the general tax on business profits, the amount of the tax shall, in the first instance, be assessed by the competent authority of the State in which the general accounts are kept, or, failing such, by the authority of the State in which the owner is domiciled. If this rule is inapplicable, the two Ministries of Finance shall agree as to which of the authorities shall, in the first place, assess the tax. They shall also communicate to each other lists of cases of this category.

2. The authorities shall be instructed to deal with special diligence with cases of taxpayers whose profits have to be divided for purposes of taxation. The assessing authority shall, within the six months following the expiry of the general time-limit for making returns, submit directly to the corresponding authorities of the other State, the figures they have obtained concerning the total profits of the undertaking and the individual profits of each establishment, together with the figures upon which the tax assessment has been based (including detailed valuations, if any) and the total and individual business turnover figures. The fiscal authorities of the other State shall issue the income tax claims for the period in respect of which the data communicated are applicable, within three months after the receipt of the said data. The above provisions concerning the exchange of data obtained by the fiscal authorities shall also be applicable in the case of any subsequent modifications of the basis of assessment.

3. These data shall be communicated without a special request to that effect. This rule shall be laid down once and for all with regard to all cases of the kind under consideration. Should the investigations made by the authorities of the other State render a modification necessary,

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

these authorities shall immediately communicate the fact to the authorities responsible for the first assessment, so as to enable both Parties to come to an agreement in the matter. For the rest, the provisions agreed upon for the application of the Treaty concerning legal assistance shall be applicable to the direct relations between the fiscal authorities of both Parties.

4. Should the data so communicated prove inadequate, the right to make special enquiries by having recourse to the legal assistance generally agreed upon shall remain unaffected.

5. The authorities responsible for the first assessment shall, upon request, prolong, for from one to thirty days after the issue of the demand note of the other State, the period allowed for legal recourse against a decision adopted as a result of an assessment made by them.

6. Should the periods laid down in the above provisions for the assessment of taxes not be observed by the fiscal authorities of one State, the other State shall not be obliged to postpone procedure in the matter of the assessment of the tax or of legal recourse.

7. This Agreement (1 to 6) shall be applicable for the first time to assessments based upon returns for the year 1928. The provisions agreed upon above shall be published immediately after the coming into force of the Treaty signed this day concerning legal protection and collaboration between the courts and authorities of the two Parties in matters of taxation.

8. The provisions laid down in regard to the rescission of the Austrian Decree of November 16, 1925, BGBl. 439, and of the Hungarian Edict Z1.169.350.VII.1925, shall also be applicable to the rescission of the present Agreement.

9. The approval of the present Agreement by the Finance Ministers of the two Parties shall be notified reciprocally at the latest within the week (eight days) following the exchange of the instrument of ratification of the Treaty signed this day concerning legal protection and collaboration between the courts and authorities of the two Parties in matters of taxation.

Budapest, June 25, 1928.

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## HUNGARY AND AUSTRIA.

TRANSLATION.<sup>1</sup>

### PROTOCOL, DATED JUNE 15, 1929, RELATING TO THE TAXATION OF RAILWAY ENTERPRISES WHICH ARE OPERATED IN THE TERRITORY OF BOTH STATES.

In pursuance of paragraph 9 of the Final Protocol to the Treaty between the Kingdom of Hungary and the Austrian Republic, dated November 8, 1924,<sup>2</sup> for the adjustment of taxation at home and abroad and, in particular, for the prevention of double taxation in the field of direct taxes and for legal co-operation in matters of taxation, the undersigned representatives of the Royal Hungarian Ministry of Finance and of the Austrian Federal Ministry of Finance have agreed as follows in regard to the taxation of railway enterprises which are operated in the territory of both States :

1. Railway enterprises which have their seat in one of the two States and whose operation extends to the territories of both States, shall only be liable to the tax on business profits in the State in which they have their seat, such taxation being levied on the whole of the railway operation, except where a section of line situated in the territory of the other State exceeds 15 kilometres in length; in such case, taxation shall be levied in the two States in proportion to the extent of the operations in each single State (Article 8, paragraph 3 of the Taxation Treaty). On the application of either of the financial administrations, a special agreement shall be concluded regarding the bases for this assessment of taxation in each particular case.

2. This agreement shall apply for the first time to taxation established on the basis of the results of the year 1928, and shall remain in force until denounced. The provisions of Article 19 of the Taxation Treaty shall apply, *mutatis mutandis*, to such denunciation.

3. The necessary arrangements for the execution of this Agreement shall be made in both States by means of decrees. Prior to their promulgation, the two Finance Ministries shall inform each other direct of the signature by the Finance Minister of the decrees in question.

Vienna, June 15, 1929.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

<sup>2</sup> "Collection" C.345.M.102.1928.II, page 46.

## AUSTRIA AND CZECHOSLOVAKIA.

TRANSLATION.<sup>1</sup>

DECREE OF THE AUSTRIAN FEDERAL MINISTER OF FINANCE, DATED MAY 24, 1929, REGARDING THE EXECUTION OF THE TREATY BETWEEN THE AUSTRIAN REPUBLIC AND THE CZECHOSLOVAK REPUBLIC OF FEBRUARY 18, 1922, FOR THE ADJUSTMENT OF TAXATION AT HOME AND ABROAD, AND IN PARTICULAR FOR THE AVOIDANCE OF DOUBLE TAXATION IN THE MATTER OF DIRECT TAXES, *Federal Legal Gazette*, No. 2, of 1923.

(“ Collection ”, C.845.M.102.1928.II. page 21.)

For the purpose of executing the Treaty between the Austrian Republic and the Czechoslovak Republic dated February 18, 1922, *Federal Legal Gazette*, No. 2 of 1923, and an Agreement concluded between the Federal Minister of Finance and the Minister of Finance of the Czechoslovak Republic in accordance with this Treaty (Article 3), as well as the Treaty between the Austrian Republic and the Czechoslovak Republic dated July 12, 1926, *Federal Legal Gazette*, No. 81 of 1929 (No. 6 of the Final Protocol), it is provided, with a view to supplementing the Decree of the Federal Ministry of Finance dated November 25, 1922, *Federal Legal Gazette*, No. 8 of 1923, that :

§ 1. In taxing business enterprises which maintain establishments (Betriebsstätten) in Austria and Czechoslovakia, the following procedure shall be observed in making the assessments in both countries :

1. In the case of enterprises which possess establishments (Betriebsstätten) in both countries and which are liable to corporation tax (special tax on profits), the assessment based on the figures and results for the last calendar or business year shall be first undertaken by the authorities of the State in which the enterprise has its seat. In the case of enterprises liable to the general tax on profits, the assessment shall be begun by the authorities of that State in whose territory the main bookkeeping operations are conducted, or, failing such, by the authorities of the State in whose territory the owner is domiciled. Should it be impossible to apply this rule, the Finance Ministries of the two countries shall come to an agreement as to which authorities take action first. They shall also communicate to one another lists of the cases in question.

2. The cases of assessment of taxpayers in which the profits have to be apportioned shall be disposed of with special promptitude. The assessment authorities shall, within six months after the expiry of the period allowed for declarations, communicate direct to the corresponding authorities of the other State the figures ascertained by them for the total profits and the separate profits of the individual business establishments, the figures adopted as basis for tax assessment (including, if possible, the various sums of which the taxable amount consists), the total turnover and the separate figures of turnover. Similar provisions shall apply in the case of subsequent alterations of the basis of assessment. No special application need be made for transmission of such data. It shall be taken as made once and for all in the cases referred to. The assessment authorities of the other State, within three months from receipt of the aforesaid communication, issue the order to pay for the tax period to which the data received refer. In case investigations made by the authorities of the other State should necessitate alterations, these authorities shall immediately give notice thereof

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

to the authorities who first carried out the assessment in order that both parties may agree as to the further action to be taken in the matter. Direct communication between the authorities shall be governed by the provisions for execution of the Treaty on Judicial Assistance.

3. Should the information be insufficient, each Administration shall retain the right to make special investigations in accordance with the general rules relating to judicial assistance.

4. The Administration which has first made the assessment shall, on request, extend the period during which appeal may be made against a decision given regarding the basis of the apportionment made until the expiry of the term of thirty days from the despatch of the order to pay to the other State. Should the periods provided under No. 2 for undertaking the assessment not be observed by the authorities concerned, the Administration of the other State may, without further delay, proceed to make the assessment or have recourse to legal action.

5. The foregoing regulations (Nos. 1 to 4) shall be applied for the first time in the assessment of the results of the year 1928 (1927-28). Resort may be had to the general arrangements relating to mutual judicial assistance in order to obtain the corresponding data for assessments for the previous years.

**§ 2. In the case of corporation tax (tax on industrial and commercial profits) payable by credit institutions and insurance companies which maintain establishments (Betriebsstätten) in Austria and in Czechoslovakia, the apportionment of the amounts among the establishments (Betriebsstätten) operating in the two countries shall be effected as follows :**

1. In the case of branches of credit institutions, the portion of the undertaking's total turnover assigned to the branch shall be that which corresponds to the ratio between the staff expenditure of the branch and the staff expenditure of the whole undertaking.

2. In the case of branches of insurance companies, apportionment shall be effected in the proportion which the annual net premiums (after deduction of bonuses) earned by the branch bear to the aggregate net premiums collected by the whole undertaking.

3. The foregoing regulations (Nos. 1 and 2) shall be applied for the first time in the case of the 1928 assessment.

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(b) Agreements distinguishing between Personal  
and Impersonal Taxes.

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ITALY AND FRANCE.

TRANSLATION. <sup>1</sup>

CONVENTION BETWEEN ITALY AND FRANCE FOR THE AVOIDANCE OF  
DOUBLE TAXATION AND THE SETTLEMENT OF OTHER FISCAL  
QUESTIONS, SIGNED AT ROME ON JUNE 16, 1930.<sup>2</sup>

HIS MAJESTY THE KING OF ITALY and THE PRESIDENT OF THE FRENCH REPUBLIC, being desirous of avoiding double taxation and settling certain other fiscal questions, have decided to conclude a Convention :

Part I.—Double Taxation.

Article 1.

The object of the present Convention is to avoid the double imposition of impersonal or personal direct taxes on the taxpayers of the Contracting States.

For the purposes of this Convention, direct taxes are those which are levied directly on income, whether on behalf of the State, or on behalf of the provinces, departments and communes, even when in the form of "supplementary" taxation.

This Convention prescribes separate rules for impersonal direct taxation and for personal direct taxation.

For the purposes of this Convention, impersonal taxes are the direct taxes levied on the various classes of income separately. Personal taxes are the direct taxes levied on the total income of each taxpayer as a separate person.

At the date of the present Convention, the impersonal taxes referred to are the following :

1. *Under Italian Law :*

- (a) The land tax (*imposta sul reddito dei terreni*);
- (b) The tax on buildings (*imposta sul reddito dei fabbricati*);
- (c) The tax on income derived from movable property (*imposta sui redditi di ricchezza mobile*);
- (d) The tax on income derived from agricultural property (*imposta sui redditi agrari*).

2. *Under French Law :*

- (a) The property tax (both land and buildings);
- (b) The tax on industrial and commercial profits;
- (c) The proportional mining royalty;
- (d) The tax on profits derived from agriculture;
- (e) The tax on salaries, fees and emoluments, wages, pensions and life annuities;
- (f) The tax on profits from non-commercial professions;
- (g) The tax on income derived from transferable securities and capital.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

<sup>2</sup> This Convention has not yet been ratified.



The personal taxes referred to are the following :

1. *Under Italian Law :*

The graded surtax on total income (*imposta complementare progressiva sul reddito complessivo del contribuente*).

2. *Under French Law :*

The general income tax.

SECTION I.—IMPERSONAL TAXES.

*Article 2.*

Under reservation of the exceptions resulting from subsequent articles, impersonal taxes shall, in principle, be levied in the country from which the income is derived.

*Article 3.*

Income derived from immovable property, up to the amount of its actual or estimated rentable value, together with all other income from such property which is not covered by Article 6 below, shall be taxable in the State in whose territory such immovable property is situated.

*Article 4.*

Income derived from public funds, bonds, loans, deposits and deposit accounts, and from all other claims, shall be taxable in the State where the party liable in respect of such payments is established.

If the party liable has permanent establishments in the sense of Article 6 below in both States, and if one of these establishments, within the ambit of its ordinary operations, contracts a loan or receives a deposit, the tax shall be levied by the State in whose territory such establishment is situated.

*Article 5.*

Income derived from shares or similar interests, or from limited partnerships, or from shares in companies regulated by the Civil Code and limited liability companies, shall be taxable in the State where the actual seat of the company is situated.

*Article 6.*

Income derived from all industrial, commercial, mining or agricultural undertakings shall be taxable in the State in whose territory there are permanent establishments, even when the undertaking extends its operations to the territory of the other State without having an establishment there.

For the purposes of the present Convention, the term "permanent establishment" shall be understood to mean a permanent productive organisation belonging to the undertaking, in which all or some of the activities of the undertaking are carried on.

If the undertaking has permanent establishments in both the Contracting States, each State shall tax that part of the income which is derived from the operations of the establishment situated in its territory, and, to this end, the taxpayer shall submit for examination his general and special accounts and all documents necessary for the division of the income.

In the absence of a system of accountancy regularly showing such income separately, the financial authorities of the two Contracting States shall concert rules for apportionment.

*Article 7.*

Profits derived from shipping or air navigation undertakings shall be taxable only in the State in whose territory the actual central headquarters of the undertaking are situated, provided that the ships or aircraft fly the flag or possess the nationality of such State.

*Article 8.*

Percentages, attendance fees, and other emoluments of directors of limited companies shall be taxable in accordance with the rule laid down in Article 5.

*Article 9.*

Income derived from work, including income derived from the liberal professions, shall be taxable in the State in whose territory the personal occupation whence the income is derived is carried on. A liberal profession shall be deemed to have been practised in a given place only if the professional occupation is carried on there in a permanent establishment.

Private pensions shall be taxable in the State where the party liable to pay them is situated.

Salaries, wages, annuities, pensions and other remunerations payable by the State, by provinces or departments, by communes and other public corporations regularly constituted in accordance with the municipal law of the Contracting States, shall be taxable in the State to which the party liable to pay them belongs.

*Article 10.*

Life annuities and income derived from all lucrative occupations not specified in the previous articles shall be taxable in the State on whose territory the recipient has his fiscal domicile. If the taxpayer has fiscal domicile in both States, the tax shall be levied by the State of which he is a national.

*Article 11.*

By derogation from Articles 4 and 5 above, each Contracting State may, for the purpose of maintaining equality of fiscal burdens in its territory or among its nationals, impose an impersonal tax, in accordance with its general law, on income derived from foreign capital invested in its territory and on income derived from national capital invested abroad in the form of State funds, shares or bonds; but, in that case, it shall agree to deduct in advance, from the taxes levied under its own general tariff, those paid in the other State for the same object.

SECTION II.—PERSONAL TAXES.

*Article 12.*

The personal tax on total income shall be levied by the State within whose territory the taxpayer has his fiscal domicile, that is to say, his ordinary residence, understood in the sense of permanent abode.

*Article 13.*

If the taxpayer has fiscal domicile in both the Contracting States, the personal tax shall be levied in each of them in proportion to the period spent there during the fiscal year. Any period spent in a third country shall be reckoned to the account of the State of which the taxpayer is a subject.

SECTION III.—MISCELLANEOUS PROVISIONS.

*Article 14.*

If the measures taken by the financial authorities of the Contracting States have resulted in double taxation, the taxpayer affected may forward a protest to the State of which he is a subject; if the protest is admitted to be justified, the supreme financial authority of such State shall be authorised to arrange with the supreme financial authority of the other State to find a just remedy for the double taxation.

*Article 15.*

The Contracting Parties entrust the supreme financial authorities of the two States with the conclusion of agreements for the avoidance of double taxation in cases not specifically provided for in the present Convention, and with the settlement of any difficulties arising out of it in practice.

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PROTOCOL.

At the moment of signing the present Convention, concluded on this day's date between Italy and France regarding double taxation and administrative assistance, the undersigned plenipotentiaries have made the following declarations, which shall form an integral part of the said Convention :

1. The term "permanent establishments" in the sense of Article 6 of the Convention, shall include, not only the head offices and the actual headquarters, but also the branches, agencies, factories, works, laboratories, premises for purchase and sale, warehouses and other commercial establishments in the nature of permanent remunerative organisations, together with permanent representatives' offices.

2. The rules laid down in paragraphs 3 and 4 of Article 6 of the Convention shall be applied if there is, in one of the States, an undertaking which, while legally independent under the law of that country, is connected with or related to an undertaking established in the territory of the other State in the way of dependence or participation, so that the two undertakings constitute a single economic unit.

3. In the third paragraph of Article 6 of the Convention,

(a) "General accounts" shall mean those showing the general results of the undertaking and drawn up and published in accordance with the laws of the State in which the head office or actual headquarters of the undertaking is situated;

(b) "Special accounts" shall mean those showing the results of the conduct of the establishments situated in the State which levies the tax and drawn up and published in accordance with the laws of such State;

(c) "All other documents" shall mean all documents relating to the conduct of the establishments and necessary for the calculation of the income derived from such establishments which is taxable in the State levying the tax.

4. It is understood that, under the rule laid down in Article 7 of the Convention, shipping or air navigation undertakings whose actual headquarters are in Italy and whose ships or aircraft fly the Italian flag or have Italian nationality and embark or disembark passengers or goods in French territory shall not be subject to licence fees or to any other tax which may be substituted for them, if such enterprises have neither agencies nor branches in that territory, even though they may use the services of an intermediary to collect freight or sell tickets.

Reciprocally, neither the Italian provincial and communal tax on industry, commerce, professions and trades, nor the trader's tax, nor any other tax that may be substituted for it, shall be imposed upon French shipping or air navigation undertakings whose ships or aircraft fly the French flag or have French nationality and embark or disembark passengers or goods in Italian territory under the conditions indicated in the preceding paragraph.

It is, moreover, agreed that the taxes from which the undertakings specified in Article 7 of the Convention may be exempted by the effect of that article shall not be claimed retrospectively save when process of collection shall have been initiated before the date of the present Convention.

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<sup>1</sup> Part II (Administrative Assistance) appears in a special chapter, page 86.

5. As regards the taxation of private pensions in accordance with the rule laid down in the second paragraph of Article 9 of the Convention, it is understood that, if the pension is paid by an undertaking which has establishments in both countries, the establishment responsible for making the payment shall be considered the party liable.

6. It is expressly stated that, in accordance with Articles 4, 5 and 11 of the Convention, and by derogation from general French Law, Italian companies shall enjoy the benefits of Articles 27, 28 and 29 of the French law of July 31, 1920, and of Article 25 of that of March 19, 1928, under the conditions fixed by the said articles.

7. It is expressly stated that, for the purposes of Article 11 of the Convention, the expression "national capital" shall mean, as regards France, capital supplied by companies whose seat is in France or by persons domiciled in France.

In accordance with Article 11, the French Government shall take the following measures :

(a) It shall cease to levy the tax on income derived from undiscounted foreign securities so far as it applies to Italian securities which have been taxed at the rate of 20 per cent in Italy;

(b) It shall cease to levy the tax of 16 per cent on discounted Italian bonds which have been taxed in Italy at the rate of 20 per cent.

The same rules shall be applicable *mutatis mutandis* to Italy.

Should Italy lay a tax on transferable Italian securities, the French tax shall only be levied on the same income after deduction of the tax levied in Italy.

Should Italy lay a tax on income derived from transferable foreign securities, such tax shall only be levied after deduction of the tax paid in France.

8. Regard being had to the law now in force in Italy, it is expressly stated that, under Article 12 of the Convention, taxpayers who have their fiscal domicile in French territory, and who, as such, are liable to personal taxation, shall not be liable to personal taxation in Italy in respect of the income derived from their property situated in Italian territory, if they have no domicile there.

9. It is expressly stated that, for the purposes of Article 13 of the Convention, each State, after calculating the personal tax on the taxpayer's total income in accordance with its own scale, shall reduce the sum thus obtained to that proportionate to the period spent in its territory.

10. Students residing in one of the Contracting States solely for the purpose of their studies shall not be taxed by such State on any allowances they may receive from their relations resident in the other State, provided that such allowances constitute the major portion of the funds necessary to them for their maintenance and studies.

Done at Rome in duplicate on June 16, one thousand nine hundred and thirty.

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## 2. AGREEMENTS CONCERNING SUCCESSION DUTIES AND DUTIES ON GIFTS

### HUNGARY AND POLAND.

TRANSLATION. <sup>1</sup>

#### CONVENTION BETWEEN THE KINGDOM OF HUNGARY AND THE REPUBLIC OF POLAND FOR THE PREVENTION OF DOUBLE TAXATION IN THE MATTER OF SUCCESSION DUTIES, SIGNED AT WARSAW, MAY 12, 1928.

HIS SERENE HIGHNESS THE REGENT OF HUNGARY and HIS EXCELLENCY THE PRESIDENT OF THE REPUBLIC OF POLAND, being desirous of preventing double taxation in the matter of succession duties, have agreed to conclude a Convention with this object.

##### *Article 1.*

Immovable property, including appurtenances, left by nationals of one of the two Contracting States shall be liable to succession duty only in the Contracting State in which the property is situated.

The question whether a specific item of property forming part of the estate is to be regarded as immovable property or not shall be settled in accordance with the laws of the Contracting State in which such property is situated. The question as to what constitutes "appurtenances" shall be settled by the laws of the Contracting State in which the immovable property is situated. Rights to which the provisions of civil law relating to immovable property are applicable, and also the right of usufruct of such property, and rights which are secured by or constitute a charge upon the said property, shall be regarded as immovable property. Such rights should be regarded as existing in that one of the two Contracting States in which the immovable property is situated to which those rights related.

All undertakings or share in undertakings, all property intended for a branch or subsidiary establishment of an undertaking, and any share in the branch or subsidiary establishment, in so far as they do not involve a right of participation connected with the holding of stock or mining shares, shall be liable for succession duty in that one of the two Contracting States in which the undertaking or branch establishment is situated.

##### *Article 2.*

With regard to the constituent parts of the estate left by a national of one of the two Contracting States and to which the provisions of Article 1 do not apply, the following principles shall be observed :

(a) The said constituent parts shall, in principle, be liable to succession duties in that one of the two Contracting States of which the deceased was a national at the time of his death.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

(b) If, however, the deceased, at the time of his death, had his domicile in the other Contracting State, the constituent part of the estate situated therein shall be liable to succession duty in that State, except in the case specified in paragraphs (c) and (d).

(c) If the deceased, at the time of his death, had a domicile in both Contracting States, the said constituent parts of the estate shall be liable to succession duty only in that one of the two Contracting States of which the deceased was a national.

(d) Should the person acquiring the inherited property be a national of one of the two Contracting States at the time of the death of the person leaving the property, the property inherited by him shall be liable to the succession duty in force in the Contracting State of which he was a national at the time in question; nevertheless, this provision shall not apply when the person acquiring the property had his domicile in the other Contracting State.

For the purposes of the present Convention, the term "domicile" shall mean the place in which a person has an abode, provided that, in view of the circumstances, it may be assumed that he intends to retain it as a permanent dwelling, or the place where he resides if there is reason to assume, in view of the circumstances, that it is not his intention to reside there only temporarily.

#### *Article 3.*

The question as to the place at which the constituent parts of an estate, referred to in Article 2, are situated shall be decided in accordance with the following principles :

(a) In the case of debts, the decisive factor shall be the place of domicile of the deceased,

(b) In the case of scrip and commercial bills (such as bills of exchange, promissory notes, etc.) the place where they were deposited at the time of the death.

(c) In the case of rights for which special registers are kept by the authorities for the purpose of entering the names of the persons entitled, the decisive factor shall be the place at which such registers are kept.

#### *Article 4.*

Bequests which do not relate to a specific object shall be treated as if they were to be paid out of the property referred to in Article 2, in so far as such property is adequate to pay them. Such bequests shall be divided in proportion to the value of the constituent parts of the above-mentioned property situated in each of the two Contracting States. Any balance of such bequests which cannot be paid in the above-mentioned manner shall be regarded as to be made good out of the estate as specified in Article 1, and in that case such balance shall be divided in proportion to the value of the parts of the estate, as specified in Article 1, situated in each of the two Contracting States.

#### *Article 5.*

Debts and burdens chargeable to or secured on the property specified in Article 1 shall be deducted from the value of such property. Where the deceased was also personally liable for such debts, any balance thereof which cannot be met as above shall be deducted from the property specified in Article 2. The provisions of Article 4 concerning the proportionate division of bequests between property situated in each of the two Contracting States shall be applied in a similar manner to the above-mentioned debts and burdens.

The provisions of Article 4 shall apply in a similar manner in the case of other debts and burdens.

#### *Article 6.*

The present Convention shall not affect the right of either of the Contracting States to impose, in accordance with their respective laws, succession duties on those parts of the estate which are not liable to taxes of this kind in the other Contracting State.

*Article 7.*

If, under the provisions of the present Convention, the estate in each of the two Contracting States is only liable in part to succession duty, then, in such cases, the amount of such duties leviable in one of the Contracting States shall be exclusively assessed on the value of the property liable to the duties in that State.

*Article 8.*

For the purposes of the present Convention, the term "succession duty" shall mean all taxes levied on the transfer of property on death in virtue of laws which are, or may hereafter be, in force in each of the Contracting States.

*Article 9.*

The Contracting States agree to assist each other in the assessment of the tax covered by the present Convention, and in the collection of the tax and the communication of the necessary notifications. The Governments of the two Contracting States may conclude a special agreement with regard to the procedure relating thereto.

*Article 10.*

If, in individual cases, doubts arise as to the application of the provisions of the present Convention, the difficulties shall be settled in agreement by the Finance Ministers of the two Contracting States.

*Article 11.*

The present Convention shall be ratified and the instruments of ratification shall be exchanged at Budapest as soon as possible. It shall come into force on the thirtieth day after the date of the exchange of the instruments of ratification, and shall apply in all cases in which the person leaving the property dies after the Convention has come into force.

The present Convention shall remain in force until denounced by either of the Contracting States not less than six months before the end of a calendar year.

If denounced within the period laid down, the present Convention shall cease to be operative on the expiry of the same calendar year for all cases in which the person having the property dies after the close of the said year.

Done in duplicate at Warsaw, May 12, 1928.

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## II. LIMITED AGREEMENTS RELATING TO SPECIFIC CATEGORIES OF TAXABLE WEALTH.

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### (b) Agreements relating to the profits of Maritime Shipping Enterprises.

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#### BELGIUM AND DENMARK.

TRANSLATION. <sup>1</sup>

#### CONVENTION BETWEEN BELGIUM AND DENMARK FOR THE PURPOSE OF PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT BRUSSELS, DECEMBER 21, 1928.

(*Journal Officiel belge*, No. 249, 1930.)

THE ROYAL BELGIAN GOVERNMENT and THE ROYAL DANISH GOVERNMENT, being desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other have thought it desirable to conclude a Convention based on the principle of reciprocity.

#### *Article 1.*

Shipping undertakings domiciled in Denmark, the vessels of which call at Belgian ports to load or unload cargo or to take on board or land passengers, shall be exempt in Belgium from the payment of the tax on income or profits accruing from the operation of these vessels.

Shipping undertakings domiciled in Belgium, the vessels of which call at Danish ports to load or unload cargo or to take on board or land passengers, shall, by reciprocity, be exempt in Denmark from the payment of the tax on income or profits accruing from the operation of these vessels.

#### *Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.



*Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them is not domiciled.

*Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Copenhagen.

It shall come into force two months after the exchange of ratifications.

It may be denounced at any time by giving six months' notice.

Done at Brussels, December 21, 1928.

The ratifications were exchanged at Copenhagen on August 11, 1930.



## BELGIUM AND ECUADOR.

TRANSLATION. <sup>1</sup>

### CONVENTION BETWEEN BELGIUM AND ECUADOR FOR THE PURPOSE OF PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT BRUSSELS, MAY 2, 1929.

*(Journal Officiel belge, No. 249, 1930.)*

THE ROYAL BELGIAN GOVERNMENT and THE GOVERNMENT OF THE REPUBLIC OF ECUADOR, being equally desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other, have thought it desirable to conclude a Convention, based on the principle of reciprocity.

#### *Article 1.*

Shipping undertakings domiciled in Ecuador, the vessels of which call at Belgian ports to load or unload cargo or to take on board or land passengers, shall be exempt in Belgium from the payment of the tax on income or profits accruing from the operation of these vessels.

Shipping undertakings domiciled in Belgium, the vessels of which call at ports in Ecuador to load or unload cargo or to take on board or land passengers shall, by reciprocity, be exempt in Ecuador from the payment of the tax on income or profits accruing from the operation of these vessels.

#### *Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

#### *Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them is not domiciled.

#### *Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Quito. It shall come into force on January 1 of the year following that in which it has been ratified.

It may be denounced at any time by giving six months' notice.

Done at Brussels, May 2, 1929.

The present Convention has not yet been ratified.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

**BELGIUM AND FINLAND.**

TRANSLATION.<sup>1</sup>

**CONVENTION BETWEEN BELGIUM AND FINLAND FOR THE PURPOSE OF  
PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM  
SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT  
BRUSSELS, FEBRUARY 19, 1929.**

*(Journal Officiel belge, No. 249, 1930.)*

HIS MAJESTY THE KING OF THE BELGIANS, on the one part, and THE PRESIDENT OF THE REPUBLIC OF FINLAND, on the other part, being equally desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other, have thought it desirable to conclude a Convention based on the principle of reciprocity.

*Article 1.*

Shipping undertakings domiciled in Finland, the vessels of which call at Belgian ports to load or unload cargo or to take on board or land passengers, shall be exempt in Belgium from the payments of the tax on income or profits accruing from the operation of these vessels.

Shipping undertakings domiciled in Belgium, the vessels of which call at Finlandic ports to load or unload cargo or to take on board or land passengers shall, by reciprocity, be exempt in Finland from the payment of the tax on income or profits accruing from the operation of these vessels.

*Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

*Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them is not domiciled.

*Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Helsinki. It shall come into force on January 1, of the year following that in which it has been ratified. It may be denounced at any time by giving six months' notice.

Done at Brussels, February 19, 1929.

The ratifications were exchanged at Helsinki on August 9, 1930.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

## BELGIUM AND FRANCE.

TRANSLATION.<sup>1</sup>

### CONVENTION BETWEEN BELGIUM AND THE FRENCH REPUBLIC FOR THE PURPOSE OF PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT BRUSSELS, OCTOBER 7, 1929.

(*Journal Officiel belge*, No. 249, 1930.)

THE GOVERNMENT OF HIS MAJESTY THE KING OF THE BELGIANS and THE GOVERNMENT OF THE FRENCH REPUBLIC, being desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other, have thought it desirable to conclude a Convention based on the principle of reciprocity.

#### *Article 1.*

Shipping undertakings which have their effective centre of management in Belgium and the vessels of which, flying the Belgian flag, call at French ports to load or unload cargo or to take on board or land passengers, shall be exempt in France from the payment of the taxes on income or profits accruing from the operation of these vessels.

Shipping undertakings which have their effective centre of management in France and the vessels of which, flying the French flag, call at Belgian ports to load or unload cargo or to take on board or land passengers, shall, by reciprocity, be exempt in Belgium from the payment of the taxes on income or profits accruing from the operation of these vessels.

#### *Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

#### *Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them does not have its registered office.

#### *Article 4.*

The reciprocal exemption provided for in Article 1 concerns :

*In Belgium*, the tax on income from invested capital and the professional tax on profits from industrial, commercial and agricultural concerns;

*In France*, the tax on industrial and commercial profits introduced by Part I of the Law of July 31, 1917, and the income tax imposed by the Law of June 29, 1872, and the Decree of December 6, 1872, on foreign companies whose shares are not quoted but which deal in movable or immovable property situated in France.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

*Article 5.*

The present Convention shall be ratified and the ratifications shall be exchanged at Paris. It shall come into force on January 1, of the year following that in which it is ratified. It may be denounced at any time by giving six months' notice.

Done at Brussels, October 7, 1929.

This Convention has not yet been ratified.

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## BELGIUM AND ICELAND.

TRANSLATION. <sup>1</sup>

### CONVENTION BETWEEN BELGIUM AND ICELAND FOR THE PURPOSE OF PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT BRUSSELS, DECEMBER 21, 1928.

(*Journal Officiel belge*, No. 249, 1930.)

THE ROYAL BELGIAN GOVERNMENT and THE ROYAL ICELANDIC GOVERNMENT, being desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other, have thought it desirable to conclude a Convention based on the principle of reciprocity.

#### *Article 1.*

Shipping undertakings domiciled in Iceland, the vessels of which call at Belgian ports to load or unload cargo or to take on board or land passengers, shall be exempt in Belgium from the payment of the tax on income or profits accruing from the operation of these vessels.

Shipping undertakings domiciled in Belgium, the vessels of which call at Iceland ports to load or unload cargo or to take on board or land passengers, shall, by reciprocity, be exempt in Iceland from the payment of the tax on income or profits accruing from the operation of these vessels.

#### *Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

#### *Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them is not domiciled.

#### *Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Copenhagen.

It shall come into force two months after the exchange of ratifications.

It may be denounced at any time by giving six months' notice.

Done at Brussels, December 21, 1928.

The ratifications were exchanged at Copenhagen on August 11, 1930.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

## BELGIUM AND NORWAY.

TRANSLATION. <sup>1</sup>

### CONVENTION BETWEEN BELGIUM AND NORWAY FOR THE PURPOSE OF PREVENTING THE DOUBLE TAXATION OF INCOME DERIVED FROM SHIPPING UNDERTAKINGS IN THE TWO COUNTRIES, SIGNED AT BRUSSELS, OCTOBER 29, 1928.

(*Journal Officiel belge*, No. 249, 1930.)

HIS MAJESTY THE KING OF THE BELGIANS, on the one part, and HIS MAJESTY THE KING OF NORWAY, on the other part, being equally desirous of preventing the double taxation of income derived from the business of shipping by shipping undertakings domiciled in either of the two countries and carrying on their business in the other, have thought it desirable to conclude a Convention based on the principle of reciprocity.

#### *Article 1.*

Shipping undertakings domiciled in Norway, the vessels of which call at Belgian ports to load or unload cargo or to take on board or land passengers, shall be exempt in Belgium from the payments of the tax on income or profits accruing from the operation of these vessels.

Shipping undertakings domiciled in Belgium, the vessels of which call at Norwegian ports to load or unload cargo or to take on board or land passengers, shall, by reciprocity, be exempt in Norway from the payment of the tax on income or profits accruing from the operation of these vessels.

#### *Article 2.*

The expression "shipping undertakings" shall be taken to mean undertakings directed by an owner of ships and the expression "owner" shall include any charterer.

#### *Article 3.*

Income or profits from the business of shipping shall also include income or profits derived from the sale of passage tickets in the country in which the company issuing them is not domiciled.

#### *Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Brussels. It shall come into force on January 1 of the year following that in which it has been ratified. It may be denounced at any time by giving six months' notice.

Done at Brussels, October 29, 1928.

The ratifications were exchanged at Brussels on July 22, 1930.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

## BELGIUM AND SWEDEN.

TRANSLATION.<sup>1</sup>

### CONVENTION BETWEEN BELGIUM AND SWEDEN FOR THE PREVENTION OF DOUBLE TAXATION OF INCOME DERIVED FROM THE BUSINESS OF SHIPPING IN THE TWO COUNTRIES, SIGNED AT STOCKHOLM, MAY 31, 1929.

(*Journal Officiel belge*, No. 249, 1930.)

HIS MAJESTY THE KING OF THE BELGIANS and HIS MAJESTY THE KING OF SWEDEN, being desirous of apportioning the right of taxation, and especially of protecting maritime undertakings domiciled in one of the two countries and operating in the other from the burden of double taxation on income derived from the business of shipping, have decided to conclude a Convention based on the principle of reciprocity.

#### *Article 1.*

Shipping firms domiciled in Belgium, whose ships call at Swedish ports to take on or discharge cargo or passengers, shall be exempted in Sweden from payment of the tax on income or profits accruing from the working of such ships.

In like manner, shipping firms domiciled in Sweden, whose ships call at Belgian ports to take on or discharge cargo or passengers, shall be exempted in Belgium from payment of the tax on income or profits accruing from the working of such ships.

#### *Article 2.*

The term "shipping firms" shall mean firms directed by a "shipowner", and, for the purpose of this definition, the term "shipowner" includes any charterer.

#### *Article 3.*

Income or profits from the business of shipping shall also include those derived from the sale of passage tickets in the country in which the company issuing such tickets is not domiciled.

#### *Article 4.*

The present Convention shall be ratified and the ratifications shall be exchanged at Brussels. It shall come into force on January 1 of the year following that during which it has been ratified.

It may only be denounced on January 1 of any year, and provided that preliminary notice of six months has been given.

Done at Stockholm on May 31, 1929.

The ratifications were exchanged at Brussels on July 22, 1930.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.



**CANADA AND DENMARK.**

**EXCHANGE OF NOTES BETWEEN THE CANADIAN AND DANISH GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE RECIPROCAL EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. OTTAWA, JUNE 18, 1929.**

**I.**

Ottawa, June 18, 1929.

SIR,

It being the desire of our respective Governments to affect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Canada agrees to the following undertaking :

(1) In respect of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act the income from the operation of ships owned or operated by persons or corporations resident in Denmark shall not be liable to taxation.

(2) In respect of Denmark the Danish Government undertakes that in accordance with the Danish law the income from the operation of ships owned or operated by persons or corporations resident in Canada shall in like manner be exempt from taxation.

(3) It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

(4) It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

(5) It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.

*For the Secretary of State  
for External Affairs :*

*(Signed) O. D. SKELTON.*

Consul-General of Denmark,  
Ottawa.

II.

Ottawa, June 18, 1929.

SIR,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Denmark agrees to the following undertaking :

(1) In respect of Denmark the Danish Government undertakes that in accordance with the Danish law the income from the operation of ships owned or operated by persons or corporations resident in Canada shall not be liable to taxation.

(2) In respect of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act the income from the operation of ships owned or operated by persons or corporations resident in Denmark shall in like manner be exempt from taxation.

(3) It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

(4) It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

(5) It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.

*(Signed) J. E. BOGGILD,*  
*Consul-General of Denmark.*

The Right Honourable  
The Secretary of State  
for External Affairs,  
Ottawa.

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**CANADA AND GERMANY.**

**EXCHANGE OF NOTES CONSTITUTING A RECIPROCAL ARRANGEMENT  
FOR RELIEF FROM INCOME TAX ON SHIPPING PROFITS. APRIL 17,  
1930.**

**I.**

Ottawa, April 17, 1930.

SIR,

It being the desire of our respective Governments to avoid duplication of taxation of income from the operation of ships, I have the honour to inform you that the Canadian Government agrees to the following stipulations :

1. In respect of Canada the Canadian Government undertakes that, in accordance with the provisions of the Income War Tax Act (1917), revised Statutes of Canada 1927, Chapter 97, as amended, the income from the operation of ships owned or operated by persons resident, or corporations having their headquarters or seat of operations, in Germany, shall not be liable to taxation.

2. In respect of Germany the German Government undertakes that in accordance with paragraph 7 of the Reich Taxation Act the income from the operation of ships owned or operated by persons resident, or corporations having their headquarters or seat of operations, in Canada, shall, in like manner, be exempt from taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1928 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax, or other applicable taxation laws, of either country.

5. It is further agreed that taxes which have been paid by persons resident, or corporations having their headquarters or seat of operations, in the country of the other, and which have been paid more than a year from the date hereof, shall not be refunded.

I have the honour to be, etc.,

*For the Secretary of State  
for External Affairs :*

*(Signed) O. D. SKELTON.*

The German Consul-General,  
Ottawa.

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II.

TRANSLATION. <sup>1</sup>

Ottawa, April 17, 1930.

SIR,

It being the desire of our respective Governments to avoid double taxation of income from the operation of ships, I have the honour to inform you that the German Government agrees to the following stipulations :

1. In respect of the German Reich, the German Government undertakes that, in accordance with paragraph 7 of the Reich Fiscal Code (*Reichsabgabenordnung*), the income from the operation of ships owned or operated by persons resident, or corporations having their headquarters or seat of operations, in Canada, shall be exempt from taxation.

2. In respect of the Dominion of Canada, the Canadian Government undertakes that, in accordance with the provisions of the Income War Tax Act, the income from the operation of ships owned or operated by persons resident, or corporations having their headquarters or seat of operations, in Germany, shall not be liable to taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. Exemption from taxation on the income derived from the operation of ships shall begin to be effective in respect of fiscal periods ending in the year 1928 and each year thereafter. It shall remain in force until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by alteration of the fiscal laws of either country.

5. Taxes which have been paid more than a year from the date hereof shall not be refunded.

I have the honour to be, etc.,

(Signed) Ludwig KEMPF,  
*German Consul-General for Canada.*

His Honour the Secretary of State  
for External Affairs,  
Ottawa.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

**CANADA AND GREECE.**

**EXCHANGE OF NOTES BETWEEN THE CANADIAN AND GREEK GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. LONDON, SEPTEMBER 30, 1929.**

**I.**

Ottawa, September 30, 1929.

**YOUR EXCELLENCY,**

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Canada agrees to the following undertaking :

1. In respect of the Dominion of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act the income from the operation of ships owned or operated by persons or corporations resident in Greece shall not be liable to taxation.

2. In respect of Greece the Greek Government undertakes that in accordance with the Greek law the income from the operation of ships owned or operated by persons or corporations resident in Canada shall in like manner be exempt from taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

5. It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.

*(Signed)* Peter LARKIN,  
*High Commissioner for Canada.*

His Excellency  
Monsieur D. Caclamanos,  
Greek Legation,  
51, Upper Brook Street, W.1.

II.

London, September 30, 1929.

YOUR EXCELLENCY,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Greece agrees to the following undertaking :

1. In respect of Greece the Greek Government undertakes that in accordance with the Greek law the income from the operation of ships owned or operated by persons or corporations resident in Canada shall not be liable to taxation.

2. In respect of the Dominion of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act the income from the operation of ships owned or operated by persons or corporations resident in Greece shall in like manner be exempt from taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice of one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

5. It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.,

(Signed) D. CACLAMANOS,  
Greek Minister in London.

His Excellency Peter Larkin,  
High Commissioner for Canada,  
The Canadian Buildings,  
Trafalgar Square, S.W.1.

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**CANADA AND JAPAN.**

**EXCHANGE OF NOTES BETWEEN THE CANADIAN AND JAPANESE GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. OTTAWA, SEPTEMBER 21, 1929.**

**I.**

Ottawa, September 21, 1929.

SIR,

With reference to our previous correspondence regarding the reciprocal exemption, as between Japan and the Dominion of Canada, from income tax on profits accruing from the operation of ships the Japanese Government, entertaining the belief that the Japanese Laws and Ordinances with regard to the reciprocal exemption from income tax are identical on certain points with the Laws and Regulations of the Dominion of Canada, have instructed me to inform you as follows :

(1) The Japanese Government declare that they will take the necessary steps in conformity with Law No. 6, 1924, as amended by Law No. 6, 1928, and the Ordinance relating thereto, upon condition of reciprocity, to exempt from income tax and business profits tax chargeable in Japan all incomes and net profits which accrue from the business of shipping carried on by means of ships whose port of registry is in the Dominion of Canada, by an individual, whether Canadian or other who is resident in the Dominion of Canada but not in Japan, or by a corporate body, whether Canadian or other, whose principal office or centre of actual control and management is in the Dominion of Canada but not in Japan. The Japanese Government further declare that a similar exemption will also be accorded to all incomes and net profits which arise from the business of shipping carried on by an individual or a corporate body, Canadian or other, resident in the Dominion of Canada but not in Japan by means of ships whose port of registry is in a third country, provided the said third country grants reciprocal exemption from income tax on all incomes and net profits accruing from the business of shipping carried on by means of ships whose port of registry is in Japan. It is understood that the aforesaid exemption shall be applied to such incomes and net profits, prescribed in the foregoing provisions, as have accrued or will accrue on and after the 12th day of the month of May, 1928.

(2) It is understood that the terms "Japan" and "the Dominion of Canada" include all regions under the rule of the respective countries.

(3) It is understood that the term "the business of shipping" as used in the foregoing paragraphs, means the business carried on by an owner of a ship or ships, and for the purpose of this definition the term "owner" includes any charterer.

(4) It is understood that if and so soon as such exemption as is prescribed under head (1) ceases to be practicable in Japan because of any revision or repeal of the Laws and Ordinances concerned, the said exemption shall immediately cease to have effect.

Accept, Sir, etc.,

*(Signed)* Yoshio IWATE,  
*Chargé d'Affaires of Japan.*

The Right Honourable  
W. L. Mackenzie King, C.M.G.,  
Secretary of State for External Affairs,  
Ottawa.

II.

Ottawa, September 21, 1929.

SIR,

Acknowledging the receipt of your note dated September 21, 1929, regarding the reciprocal exemption, as between the Dominion of Canada and Japan, from income tax on profits accruing from the operation of ships, I have the honour to inform you as follows :

(1) The Canadian Government declare that they will take the necessary steps in conformity with Section 4, (m), of the Canadian Income War Tax Act 1917 as amended by the Statute 18 and 19 George V, c. 12, and the Regulations relating thereto, upon condition of reciprocity, to exempt from income tax chargeable in the Dominion of Canada all incomes which accrue from the business of shipping carried on by means of ships whose port of registry is in Japan, by an individual, whether Japanese or other, who is resident in Japan but not in the Dominion of Canada, or by a corporate body whether Japanese or other, whose principal office or centre of actual control and management is in Japan but not in the Dominion of Canada. The Canadian Government further declare that a similar exemption will also be accorded to all incomes and net profits which arise from the business of shipping carried on by an individual or a corporate body, Japanese or other, resident in Japan but not in the Dominion of Canada by means of ships whose port of registry is in a third country, provided the said third country grants reciprocal exemption from income tax on all incomes and net profits accruing from the business of shipping carried on by means of ships whose port of registry is in the Dominion of Canada. It is understood that the aforesaid exemption shall be applied to such income, prescribed in the foregoing provisions, as have accrued or will accrue on and after the 12th day of the month of May, 1928.

(2) It is understood that the terms "the Dominion of Canada" and "Japan" include all regions under the rule of the respective countries.

(3) It is understood that the term "the business of shipping" as used in the foregoing paragraphs, means the business carried on by an owner of a ship or ships, and for the purpose of this definition the term "owner" includes any charterer.

(4) It is understood that if and so soon as such exemption as is prescribed under head (1) ceases to be practicable in the Dominion of Canada because of any revision or repeal of the Laws and Regulations concerned, the said exemption shall immediately cease to have effect.

Accept, Sir, etc.,

*For the Secretary of State  
for External Affairs :*

*(Signed) O. D. SKELTON.*

Mr. Yoshio Iwate,  
Chargé d'Affaires,  
Japanese Legation,  
Ottawa.

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## CANADA AND THE NETHERLANDS.

### EXCHANGE OF NOTES BETWEEN THE CANADIAN AND NETHERLANDS GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. OTTAWA, SEPTEMBER 23, 1929.

#### I.

Ottawa, September 23, 1929.

SIR,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Canadian Government agrees to the following undertaking :

1. In respect of Canada the Canadian Government undertakes that in accordance with the provisions of the income War Tax Act 1917, revised Statutes of Canada 1927, Chapter 97 as amended, the income from the operation of ships owned or operated by persons or corporations resident in the Netherlands shall not be liable to taxation.

2. In respect of the Netherlands the Netherlands Government undertakes that in accordance with the laws of the Netherlands relating to income tax (*Wet op de inkomstenbelasting van 19 December, 1914, Staatsblad No. 563; wet op de verdedigingsbelasting II van 28 December, 1926, Staatsblad No. 430*) the income from the operation of ships owned or operated by persons or corporations resident in Canada, shall in like manner be exempt from taxation and that in accordance with the laws of the Netherlands relating to dividend and tantième tax (*Wet op de dividend- en tantième belasting van 11 Januari 1908, Staatsblad No. 4*) the profits from the operation of ships owned or operated by corporations resident in Canada, shall in like manner be exempt from taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

5. It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.,

*For the Secretary  
of State for External Affairs :*  
(Signed) O. D. SKELTON.

The Consul-General of the Netherlands,  
Ottawa.

TRANSLATION. <sup>1</sup>

II.

Ottawa, September 23, 1929.

SIR,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax, in certain cases, of income arising from the operation of ships, I have the honour to inform you that the Government of Her Majesty the Queen of the Netherlands agrees to the following undertaking :

1. In respect of the Netherlands the Netherlands Government undertakes that in accordance with the laws of the Netherlands relating to income tax (*Wet op de inkomstenbelasting van 19 December, 1914, Staatsblad No. 568; wet op de verdedigingsbelasting II van 28 December, 1926, Staatsblad No. 430*) the income from the operation of ships owned or operated by persons or corporations resident in Canada, shall be exempt from taxation and that in accordance with the laws of the Netherlands relating to dividend and tantième tax (*Wet op de dividend- en tantiëmebelasting van 11 Januari 1918, Staatsblad No. 4*) the profits from the operation of ships owned or operated by corporations resident in Canada shall in like manner be exempt from taxation.

2. In respect of the Dominion of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act 1917, revised Statutes of Canada 1927, Chapter 97 as amended, the income from the operation of ships owned or operated by persons or corporations resident in the Netherlands shall not be liable to taxation.

3. It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

4. It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income of fiscal periods ending in the year 1929 and each year thereafter until rescinded by either party giving to the other notice one year in advance of the fiscal periods affected, or until otherwise rescinded by the repeal of the income tax laws of either country.

5. It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.,

To the Secretary of State  
for External Affairs,  
Ottawa.

(Signed) J. A. SCHURMAN,  
Netherlands Consul-General.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

CANADA AND SWEDEN.

EXCHANGE OF NOTES BETWEEN THE CANADIAN AND SWEDISH GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. OTTAWA, NOVEMBER 21, 1929.

I.

Ottawa, November 21, 1929.

SIR,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from income tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Canada agree to the following undertaking :

(1) In respect of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act the income from the operation of ships owned or operated by persons or corporations resident in Sweden shall not be liable to taxation.

(2) In respect of Sweden the Swedish Government undertakes that in accordance with the provisions of the Royal Ordinance of September 28, 1928, regarding national tax on income and capital the income from the operation of ships owned or operated by persons or corporations resident in Canada shall in like manner be exempt from taxation.

(3) It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

(4) It is agreed that the exemption from income tax on the income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income earned in the year 1928 and each year thereafter. It is further agreed that the provisions of this arrangement may be terminated on the first of January of any year, subject to six months notice by either party to the other of its intention to terminate the same.

(5) It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour, etc.,

*For Secretary of State for External Affairs :*

*(Signed) W. H. WALKER.*

Magnus Clarholm, Esquire,  
Consul-General of Sweden,  
Ottawa.

II.

Ottawa, November 21, 1929.

SIR,

It being the desire of our respective Governments to effect an arrangement for reciprocal exemption from Income Tax of income arising within their respective countries from the operation therein of ships owned or controlled by and used in the business of persons or corporations resident in the country of the other, I have the honour to inform you that the Government of Sweden agrees to the following undertaking :

(1) In respect of Sweden the Swedish Government undertakes that in accordance with the provisions of the Royal Ordinance of September 28, 1928, regarding national tax on income and capital the income from the operation of ships owned or operated by persons or corporations resident in Canada shall not be liable to taxation.

(2) In respect of Canada the Canadian Government undertakes that in accordance with the provisions of the Income War Tax Act, the income from the operation of ships owned or operated by persons or corporations resident in Sweden shall in like manner be exempt from taxation.

(3) It is understood that the expression "operation of ships" means the business carried on by an owner of ships and that for the purpose of this definition the expression "owner" includes any charterer.

(4) It is agreed that the exemption from income tax on income derived from the operation of the aforementioned ships shall be deemed to be effective in respect of the income earned in the year 1928 and each year thereafter. It is further agreed that the provisions of this arrangement may be terminated on the first of January of any year, subject to six months' notice by either party to the other of its intention to terminate the same.

(5) It is further agreed that taxes which have been paid by persons or corporations resident in the country of the other and which have been paid more than a year from the date hereof shall not be refunded.

I have the honour to be, etc.,

*(Signed)* Magnus CLARHOLM,  
Consul-General of Sweden.

The Right Honourable  
The Secretary of State  
for External Affairs,  
Ottawa.

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## FRANCE AND THE NETHERLANDS.

TRANSLATION. <sup>1</sup>

### EXCHANGE OF NOTES BETWEEN THE FRENCH AND NETHERLANDS GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. PARIS, FEBRUARY 15 AND 28, 1930.

#### I.

Paris, February 15, 1930.

YOUR EXCELLENCY,

With reference to your letter of January 27 last, I have the honour to inform you that the French Government is prepared to put into force the agreement set forth below, should Her Majesty's Government be willing to make a declaration in identical terms :

The Netherlands Government undertakes not to collect any tax on profits accruing from sea-going vessels flying the French flag and belonging to private persons or companies established outside Netherlands territory.

Consequently, French shipping undertakings shall be exempted in the Netherlands from income tax, (Law of December 19, 1914, on income tax, *Staatsblad* No. 563; Law of December 28, 1926, on the national defence tax II, *Staatsblad* No. 430) and from the tax on dividends and directors' fees (Law of January 11, 1918 concerning the tax on dividends and directors' fees, *Staatsblad* No. 4).

The French Government, for its part, undertakes not to collect any tax on profits accruing in France from sea-going vessels flying the Netherlands flag and belonging to private persons or companies established outside French territory.

Consequently Netherlands shipping undertakings shall be exempted in France from the tax on industrial and commercial profits instituted by Part I of the Law of July 31, 1917, and from the income tax provided for in the Law of June 29, 1872, and the Decree of December 6 of the same year.

The present agreement shall take effect as from January 1, 1930.

I have the honour to be, etc.,

(Signed) A. BRIAND.

Jonkheer Loudon,  
Netherlands Minister at Paris.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

II.

Paris, February 28, 1930.

YOUR EXCELLENCY,

In reply to Your Excellency's letter, dated February 15 last, Department of Administrative and Technical Affairs, Section of Administrative Affairs and International Unions, which I received to-day, I am instructed and have the honour to inform Your Excellency that Her Majesty's Government is prepared to put into force the agreement set forth below, the text of which is identical with that of the agreement which I had the honour to propose to Your Excellency in my letter of January 27, No. 226.

The Netherlands Government undertakes not to collect any tax on profits accruing from sea-going vessels flying the French flag and belonging to private persons or companies established outside Netherlands territory.

Consequently, French shipping undertakings shall be exempted in the Netherlands from income tax (Law of December 19, 1914, on income tax, *Staatsblad* No. 563; Law of December 28, 1926, on the national defence tax II, *Staatsblad*, No. 430) and from the tax on dividends and directors' fees (Law of January 11, 1918, concerning the tax on dividends and directors' fees, *Staatsblad* No. 4).

The French Government, for its part, undertakes not to collect any tax on profits accruing in France from sea-going vessels flying the Netherlands flag and belonging to private persons or companies established outside French territory.

Consequently, Netherlands shipping undertakings shall be exempted in France from the tax on industrial and commercial profits instituted by Part I of the Law of July 31, 1917, and from the income tax provided for in the Law of June 29, 1872, and the Decree of December 6 of the same year.

The present agreement shall take effect as from January 1, 1930.

I have the honour to be, etc.,

(Signed) LOUDON.

His Excellency M. Aristide Briand,  
Minister of Foreign Affairs at Paris.

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FRANCE AND NORWAY.

TRANSLATION.<sup>1</sup>

EXCHANGE OF NOTES BETWEEN THE FRENCH AND NORWEGIAN GOVERNMENTS CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. PARIS, JUNE 2, 1930.

I.

Paris, June 2, 1930.

SIR,

With reference to the negotiations which I have had the honour to conduct in the name of my Government with your Ministry concerning reciprocal exoneration from taxation on profits made by maritime navigation undertakings, I have the honour to inform you that the Norwegian Government is prepared to put into force the agreement set forth below, should the French Government be prepared to make an identical declaration on its side.

The Norwegian Government undertakes to levy no tax assessed on profits made by sea-going vessels flying the French flag and belonging to private persons or to companies established outside Norwegian territory.

In consequence, the income tax established by Fiscal Laws Nos. 8 and 9 of August 18, 1911, shall in no case be due from the said French undertakings.

The French Government, on its side, undertakes to levy no tax assessed on profits made in France by sea-going vessels flying the Norwegian flag and belonging to private persons or to companies established outside France.

In consequence, Norwegian shipping undertakings shall be exempted in France from the tax on industrial and commercial profits established by Chapter I of the Law of July 31, 1917, and from the income tax provided for by the Law of June 29, 1872, and the Decree of December 6 of the same year.

The present agreement shall take effect as from April 1, 1930.

I should be very much obliged if you would inform me as soon as possible of the reply of the French Government.

I have the honour to be, etc.,

(Signed) F. Wedel JARLSBERG.

His Excellency  
Monsieur Briand,  
Minister for Foreign Affairs,  
etc.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

II.

Paris, June 2, 1930.

SIR,

In reply to your letter of the 2nd instant, I have the honour to inform you that the French Government is prepared to put into force the agreement contained in your above mentioned communication, and reading as follows :

The Norwegian Government undertakes to levy no tax assessed on profits made by sea-going vessels flying the French flag and belonging to private persons or to companies established outside Norwegian territory.

In consequence, the income tax established by Fiscal Laws Nos. 8 and 9 of August 18, 1911, shall in no case be due from the said French undertakings.

The French Government, on its side, undertakes to levy no tax assessed on profits made in France by sea-going vessels flying the Norwegian flag and belonging to private persons or to companies established outside France.

In consequence, Norwegian shipping undertakings shall be exempted in France from the tax on industrial and commercial profits established by Chapter I of the Law of July 31, 1917 and from the income tax provided for by the Law of June 29, 1872, and the Decree of December 6 of the same year.

The present agreement shall take effect from April 1, 1930.

I have the honour to be, etc.,

*(Signed)* A. BRIAND.

Monsieur le Baron de Wedel Jarlsberg,  
Norwegian Minister,  
Paris.

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FRANCE AND SWEDEN.

TRANSLATION.<sup>1</sup>

EXCHANGE OF NOTES BETWEEN THE FRENCH AND SWEDISH GOVERNMENTS, CONSTITUTING AN AGREEMENT FOR THE EXEMPTION FROM INCOME TAX OF PROFITS ACCRUING FROM THE BUSINESS OF SHIPPING. PARIS, DECEMBER 19, 1929 AND JANUARY 25, 1930.

I.

Paris, December 19, 1929.

YOUR EXCELLENCY,

With reference to the negotiations between the Royal Swedish Government and the Government of the French Republic concerning exemption from taxes on the profits of maritime shipping enterprises, I have the honour to inform you that my Government is prepared to put the following agreement into force, if the French Government will be good enough to make an identical declaration.

The Swedish Government undertakes not to levy any tax assessed on the profits made by sea-going vessels flying the French flag and owned by individuals or companies established outside Swedish territory.

Consequently the income tax levied in virtue of the Royal Decree of September 28, 1928, concerning the Government tax on income and capital may in no case be applied to French enterprises.

The French Government, for its part, undertakes not to levy any tax assessed on the profits made in France by sea-going vessels flying the Swedish flag and owned by individuals or companies established outside France.

Consequently, Swedish shipping enterprises will be exempt in France from the tax on industrial and commercial profits levied under Part I of the Law of July 31, 1917, and from the income tax levied in virtue of the Law of June 29, 1872, and the Decree of December 6 of that year.

The present agreement shall take effect as from January 1, 1930.

I should be obliged if you would be so good as to communicate the French Government's reply to me as soon as possible.

I have the honour, etc.

*(Signed)* Albert EHRENSVÄRD.

His Excellency M. Briand,  
Minister for Foreign Affairs,  
etc.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

II.

Paris, January 25, 1930.

YOUR EXCELLENCY,

With reference to the letter from your Legation dated December 19 last, I have the honour to inform you that the Government of the French Republic is prepared to put into force the following agreement concerning exemption from taxes on the profits of maritime shipping enterprises.

The French Government undertakes not to levy any tax assessed on the profits made in France by sea-going vessels flying the Swedish flag and owned by individuals or companies established outside France.

Consequently, Swedish shipping enterprises will be exempt in France from the tax on industrial and commercial profits levied under Part I of the Law of July 31, 1917, and from the income tax levied in virtue of the Law of June 29, 1872, and the Decree of December 6 of that year.

The Swedish Government, for its part, undertakes not to levy any tax on the profits made by sea-going vessels flying the French flag and owned by individuals or companies established outside Swedish territory.

Consequently, the income tax levied in virtue of the Royal Decree of September 28, 1928, concerning the Government tax on income and capital may in no case be applied to French enterprises.

The present agreement shall take effect as from January 1, 1930.

I have the honour, etc.

pp. *The Minister for Foreign Affairs :*

*(Signed)* BERTHELOT,

*Ambassador of France,  
Secretary-General.*

Count Albert Ehrensvärd,  
Swedish Minister,  
Paris.

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## GREAT BRITAIN AND NORTHERN IRELAND AND GREECE.

### AGREEMENT BETWEEN HIS MAJESTY'S GOVERNMENT IN THE UNITED KINGDOM AND THE GREEK GOVERNMENT FOR THE RECIPROCAL EXEMPTION OF SHIPPING PROFITS FROM INCOME TAX, ETC., SIGNED AT ATHENS, JULY 31, 1929.

THE GOVERNMENT OF THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND and THE GOVERNMENT OF THE HELLENIC REPUBLIC being desirous of ensuring the reciprocal exemption from income tax and trading tax in certain cases of profits accruing from the business of shipping, the following agreement has been concluded :

#### *Article 1.*

The Government of the United Kingdom of Great Britain and Northern Ireland agree to take the necessary steps under Section 18 of the Act of Parliament of the United Kingdom known as the Finance Act, 1923, for exempting from income tax (including supertax) chargeable in Great Britain and Northern Ireland for the year of assessment 1923-24 commencing on the 6th day of April 1923, and for every subsequent year of assessment, any profits which accrue from the business of shipping carried on with ships whose port of registry is in the territory of the Hellenic Republic by an individual resident in the territory of the Republic and not resident in Great Britain or Northern Ireland, or by a company managing and controlling such business in the territory of the Republic.

#### *Article 2.*

The Government of the Hellenic Republic declares that on completion of the action prescribed by Section 18 of the Finance Act, 1923, which under Article 1 of this Agreement the Government of the United Kingdom have agreed to take, the law in force in the Republic will operate to exempt from all income tax and trading tax chargeable in the Republic as from the 6th day of April, 1923, and thereafter any profits which accrue from the business of shipping carried on with ships whose port of registry is in Great Britain or Northern Ireland by an individual resident in Great Britain or Northern Ireland and not resident in the territory of the Republic or by a company managing and controlling such business in Great Britain or Northern Ireland.

#### *Article 3.*

The expression "the business of shipping" means the business carried on by an owner of ships, and for the purposes of this definition the expression "owner" includes any charterer.

A ship shall be treated as having a port of registry in the territory of the Hellenic Republic or as having a port of registry in Great Britain or Northern Ireland, during any period during which provisional certificates of registration as a Greek ship issued by Greek Consular Officers, or provisional certificates of registration as a British ship issued by British Consular Officers, as the case may be, are in force in respect of the ship; provided in either case that the ship is immediately on the expiration of the provisional certificates registered as a Greek ship, or as a British ship, as the case may be.

#### *Article 4.*

This Agreement shall cease to have effect if and so soon as either the relief to be granted under Article 1 hereof in respect of income tax in Great Britain and Northern Ireland or the relief referred to in Article 2 hereof in respect of income tax and trading tax in the Hellenic Republic ceases to have legal operation.

Done in duplicate at Athens in the English and Greek languages this 31st day of July, 1929.

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**GREAT BRITAIN AND NORTHERN IRELAND AND JAPAN.**

**EXCHANGE OF NOTES BETWEEN HIS MAJESTY'S GOVERNMENT IN THE UNITED KINGDOM AND THE JAPANESE GOVERNMENT IN REGARD TO THE RECIPROCAL EXEMPTION FROM INCOME-TAX OF SHIPPING PROFITS. LONDON, AUGUST 10, 1929.**

**I.**

**MR. HENDERSON TO MR. MATSUDAIRA.**

London, August 10, 1929.

**YOUR EXCELLENCY,**

I have the honour to confirm, on behalf of His Britannic Majesty's Government in the United Kingdom of Great Britain and Northern Ireland, the following points of agreement which have been reached as the result of the negotiations carried on between His Britannic Majesty's Government in the United Kingdom and the Imperial Japanese Government in regard to the reciprocal exemption from income-tax of the profits accruing from the business of shipping :

1. His Britannic Majesty's Government in the United Kingdom agree to take the necessary steps under Section 18 of the Act of Parliament of the United Kingdom known as the Finance Act, 1923, for exempting from income-tax (including super-tax) chargeable in the United Kingdom for the year of assessment 1928-29, commencing on the 6th day of April, 1928, and for every subsequent year of assessment, any profits which accrue from the business of shipping carried on with ships whose port of registry is in Japan by an individual of Japanese nationality resident in Japan and not in the United Kingdom or by a corporate body, incorporated under Japanese law and managing and controlling such business in Japan.

2. The Japanese Government declare that on completion of the steps under Section 18 of the Finance Act, 1923, which, under Article 1 of this Agreement, His Britannic Majesty's Government in the United Kingdom have agreed to take, Law No. 6, 1924, promulgated in Japan on the 18th July, 1924, as amended by Law No. 6, 1928, will operate to exempt from income tax, as also from the business profit tax, chargeable in Japan on and after the 12th day of May, 1928, any profits which accrue from the business of shipping carried on with ships whose port of registry is in the United Kingdom by an individual of British nationality resident in the United Kingdom and not in Japan or by a corporate body, incorporated under the laws of the United Kingdom and managing and controlling such business in the United Kingdom.

3. For the purpose of this Agreement the term "Japan" includes all regions under Japanese rule excluding the islands under Japanese mandate situated in the Pacific Ocean and lying north of the Equator.

The expression "the business of shipping" means the business carried on by an owner of a ship or ships and for the purpose of this definition the expression "owner" includes any charterer.

4. This Agreement shall cease to have effect if and so soon as either the relief to be granted under Article 1 hereof in respect of income-tax (including super-tax) in the United Kingdom, or the relief referred to in Article 2 hereof in respect of income-tax and business profit tax in Japan ceases to have legal operation.

I have, etc.

*For the Secretary of State :*  
*(Signed) George MOUNSEY.*

II.

MR. MATSUDAIRA TO MR. HENDERSON.

London, August 10, 1929.

SIR,

I have the honour to confirm, under instructions from the Imperial Japanese Government, the following points of agreement which have been reached as a result of the negotiations carried on between the Imperial Japanese Government and His Britannic Majesty's Government in the United Kingdom of Great Britain and Northern Ireland in regard to the reciprocal exemption from income-tax of the profits accruing from the business of shipping :

1. His Britannic Majesty's Government in the United Kingdom agree to take the necessary steps under Section 18 of the Act of Parliament of the United Kingdom known as the Finance Act, 1923, for exempting from income-tax (including super-tax) chargeable in the United Kingdom for the year of assessment 1928-29, commencing on the 6th day of April, 1928, and for every subsequent year of assessment, any profits which accrue from the business of shipping carried on with ships whose port of registry is in Japan by an individual of Japanese nationality resident in Japan and not in the United Kingdom or by a corporate body, incorporated under Japanese law and managing and controlling such business in Japan.

2. The Japanese Government declare that on completion of the steps under Section 18 of the Finance Act, 1923, which, under Article 1 of this Agreement, His Britannic Majesty's Government in the United Kingdom have agreed to take, Law No. 6, 1924, promulgated in Japan on July 18, 1924, as amended by Law No. 6, 1928, will operate to exempt from income tax, as also from the business profit tax, chargeable in Japan on and after the 12th day of May, 1928, any profits which accrue from the business of shipping carried on with ships whose port of registry is in the United Kingdom by an individual of British nationality resident in the United Kingdom and not in Japan or by a corporate body, incorporated under the laws of the United Kingdom and managing and controlling such business in the United Kingdom.

3. For the purpose of this Agreement the term "Japan" includes all regions under Japanese rule excluding the islands under Japanese mandate situated in the Pacific Ocean and lying north of the equator.

The expression "the business of shipping" means the business carried on by an owner of a ship or ships and for the purpose of this definition the expression "owner" includes any charterer.

4. This Agreement shall cease to have effect if and so soon as either the relief to be granted under Article 1 hereof in respect of income-tax (including super-tax) in the United Kingdom or the relief referred to in Article 2 hereof in respect of income-tax and business profit tax in Japan ceases to have legal operation.

I have, etc.

(Signed) T. MATSUDAIRA.

**DOMESTIC LEGISLATION EXPRESSLY DESIGNED  
TO AVOID DOUBLE TAXATION**

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DOMESTIC LEGISLATION EXPRESSLY DESIGNED TO AVOID  
DOUBLE TAXATION

1. *Texts subject to Reciprocity.*

LUXEMBURG.

TRANSLATION. <sup>1</sup>

LAW OF MAY 23, 1914, AMENDED BY THE LAW OF JULY 21, 1922, CONCERNING THE ESTABLISHMENT OF A TAX ON MOTOR VEHICLES.

.....

*Article 2.*

Vehicles belonging to foreigners whose country of origin does not impose a tax on Luxemburg vehicles shall be exempt from the tax, if such foreigners have neither a domicile nor a fixed residence in the Grand-Duchy, and stay there for less than three months, whether consecutively or not. If the duration of their domicile or residence in the country exceeds three months, they shall be subject to the same rules as Luxemburg subjects.

Foreigners belonging to countries in which taxes are levied on vehicles belonging to Luxemburg subjects shall be subject to the same taxes as are levied on Luxemburg subjects in their country.

.....

*Article 12.*

The Government is authorised :

- (1) To conclude arrangements with foreign countries, on the express condition of reciprocity and with a view to avoiding double taxation, in order to facilitate the circulation of motor-cars in their respective territories; these agreements may make exceptions to the rules provided for in Article 2.

.....

*Note.*—Complete exemption is granted, on the express condition of reciprocity, to motor-cars belonging to owners domiciled and registered in Belgium, Spain and the Netherlands. Owners of motor-cars who are nationals of other countries shall be treated in Luxemburg in the same manner as the owners of Luxemburg motor-cars are treated when making a short stay in these countries.

An arrangement concluded with Germany (1930) grants complete exemption for each stay not exceeding fifteen consecutive days. The number of sojourns per year is not limited.

<sup>1</sup> Translated by the Secretariat of the League of Nations.

## NETHERLANDS.

TRANSLATION.<sup>1</sup>

LAW No. 3753, OF JUNE 14, 1930.<sup>2</sup>

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(*Staatsblad* No. 244.)

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### RULES FOR THE PREVENTION OF DOUBLE TAXATION.

#### *Article 1.*

We reserve to Ourselves the power to approve Conventions concluded with foreign Powers, whereby double taxation is prevented, in whole or in part, subject to the principle of reciprocity.

#### *Article 2.*

We reserve to Ourselves the right, subject to the principle of reciprocity, to make regulations for the European territories of the Kingdom whereby double taxation is prevented in whole or in part, in conjunction with the relevant legislation of foreign States.

The Governor-General of the Netherlands Indies and the Governors of Surinam and Curaçao are empowered to make separate regulations for the territories under their several administrations, by ordinance or colonial decree, in the sense of the first paragraph of this article.

#### *Article 3.*

Our Minister of Finance is empowered to make regulations for the European territories of the Kingdom to prevent income, or a part of income, being subjected both in the Netherlands and in a foreign State to direct taxation by the State, whether directly or at the source, save in so far as other provision has already been made for the purpose.

The exemption thus accorded is confined to that part of the income which is earned outside the Kingdom, and to the sources from which the said part is derived.

#### *Article 4.*

This law is binding equally on the Netherlands East Indies, Surinam and Curaçao.

In regard to measures taken in virtue of this law to prevent double taxation, Article 16 of the Indian Public Accounts Law (*Nederlandsch Staatsblad*, 1925, No. 328, *Indisch Staatsblad*, 1925, No. 448) and Articles 12 of the Surinam and Curaçao Public Accounts Laws (*Nederlandsch Staatsblad*, 1910, Nos. 315 and 316, *Gouvernementsblad*, No. 86, and *Publiciteitsblad*, No. 63) are not applicable.

#### *Article 5.*

Article 101 of the Income Tax Law of 1914 and the laws of April 16, 1920 (*Staatsblad*, No. 192), and June 26, 1926 (*Staatsblad*, No. 209), are repealed.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

<sup>2</sup> As a result of Article 5 of this Law, the following are repealed: Article 101 of the Law on Income Tax, 1914; Law of June 26, 1926. ("Collection", C.345.M.102.1928.II, page 172); Law of April 16, 1920 ("Collection", C.345.M.102.1928.II, page 197.)



The regulations made in virtue of the last-named laws shall be deemed to have been made in virtue of Article 8 or of the first paragraph of Article 2 of the present Law.

We enjoin and command that this Law be published in the *Staatsblad*, and that all Ministerial Departments, Administrative Authorities, Public Bodies, and Officials whom it may concern co-operate in the strict enforcement thereof.

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DECREE No. 3442, OF NOVEMBER 17, 1928.

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(*Staatsblad*, No. 421.)

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EXEMPTION FROM ROAD TAX FOR OWNERS OF MOTOR VEHICLES  
RESIDENT OR DOMICILED IN SWEDEN.

.....

*Article 1.*

Owners of motor vehicles resident or domiciled in Sweden shall be entitled to complete exemption from road tax in respect of motor-cars for the conveyance of persons, and motor-cycles, which are registered and liable to motor tax in Sweden, and are driven or ridden by or for them on the Netherlands public highways, so long as owners of motor vehicles resident or domiciled in the Netherlands are exempt in Sweden from motor tax in respect of motor-cars for the conveyance of persons, and motor-cycles, registered and liable to road tax in the Netherlands,

*Article 2.*

The production of the tax receipt for the motor vehicle concerned shall be taken as evidence that the owner of a motor vehicle is liable to the tax levied on motor-cars in Sweden.

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DECREE No. 3461, OF DECEMBER 21, 1928, No. 88.

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(*Staatsblad*, No. 497.)

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EXEMPTION FROM ROAD TAX FOR OWNERS OF MOTOR VEHICLES RESIDENT OR DOMICILED  
IN BELGIUM, WHOSE VEHICLES ARE DRIVEN BY OR FOR THEM ON THE NETHERLANDS  
PUBLIC HIGHWAYS.

.....

*Article 1.*

Owners of motor vehicles resident or domiciled in Belgium shall be entitled to complete exemption from road tax in respect of motor vehicles for which they are liable in Belgium to the tax on motor-cars and other steam or mechanically-propelled vehicles, and which are driven

by or for them on the Netherlands public highways, so long as owners of motor vehicles, resident or domiciled in the Netherlands—with the exception of those mentioned in Article 4, paragraph 4, of the Road Tax Law—are exempt in Belgium from the tax on motor-cars and other steam or mechanically-propelled vehicles and from the tourist tax on the motor vehicles of foreigners, in respect of motor vehicles which are liable to road tax in the Netherlands.

*Article 2.*

The preceding Article shall not apply :

- (a) To owners of motor vehicles resident or domiciled in Belgium whose motor vehicles are driven by or for them exclusively on the public highways of the Netherlands;
- (b) To owners of motor vehicles who are resident or domiciled both in the Netherlands and in Belgium.

*Article 3.*

The production of the tax receipt which serves as an identification paper for the motor vehicles, or of the distinctive sign (*kenteeken*) issued in respect of the motor vehicle, shall be taken as evidence that the owner of a motor vehicle is liable to the tax levied in Belgium on motor-cars and other steam or mechanically-propelled vehicles.

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DECREE No. 3551, OF JUNE 26, 1929.

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(*Staatsblad*, No. 372.)

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EXEMPTION FROM ROAD TAX FOR OWNERS OF MOTOR VEHICLES  
RESIDENT OR DOMICILED IN DENMARK.

.....

*Article 1.*

Owners of motor vehicles resident or domiciled in Denmark shall be entitled to exemption from road tax in respect of motor-cars and motor-cycles registered in Denmark and driven, ridden by or for them on the Netherlands public highways, so long as owners of motor vehicles resident or domiciled in the Netherlands are similarly exempt in Denmark from motor tax, etc., in respect of motor-cars and motor-cycles registered in the Netherlands.

*Article 2.*

The exemption referred to in Article 1 shall only be granted for a period of three successive months in the case of motor-cars designed for the conveyance of persons and not equipped to carry more than seven persons, including the driver, and motor-cycles, which are registered in Denmark as belonging to persons resident in that country.

.....

DECREE No. 8706, OF MARCH 27, 1930.

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(*Staatsblad*, No. 115.)

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EXEMPTION FROM ROAD TAX FOR OWNERS OF MOTOR VEHICLES  
RESIDENT OR DOMICILED IN GREAT BRITAIN OR NORTHERN IRELAND.

.....

*Article 1.*

Owners of motor vehicles resident or domiciled in Great Britain or Northern Ireland shall be entitled to exemption from road tax in respect of motor-cars and motor-cycles registered in those countries and driven or ridden by or for them on the Netherlands public highways, so long as owners of motor vehicles resident or domiciled in the Netherlands are exempt in Great Britain and Northern Ireland from motor tax in respect of motor-cars and motor-cycles registered in the Netherlands.

*Article 2.*

The exemption referred to in Article 1 shall only be granted for a maximum period of four successive months, beginning on the day on which the motor vehicle is imported into the Netherlands, in respect of motor-cars and motor-cycles, which are registered in Great Britain or Northern Ireland as belonging to persons resident or domiciled in those countries.

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DECREE No. 8758, OF JUNE 16, 1930.

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(*Staatsblad*, No. 268.)

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EXEMPTION FROM ROAD TAX OF MOTOR VEHICLE OWNERS  
DOMICILED OR RESIDENT IN GERMANY.

.....

*Article 1.*

Motor vehicle owners domiciled or resident in Germany are exempt from road tax in respect of motor-cars and motor-cycles registered in Germany, which they drive or cause to be driven on public highways in the Netherlands, provided always that motor vehicle owners domiciled or resident in the Netherlands enjoy a like exemption in Germany from the taxes on motor vehicles in respect of motor-cars and motor-cycles registered in the Netherlands.

*Article 2.*

The exemption specified in Article 1 is accorded only to motor-cars and motor-cycles registered in Germany as belonging to owners therein domiciled or resident, and only for a period of fourteen consecutive days.

.....

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DECREE No. 3782, OF JULY 18, 1930.

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(*Staatsblad*, No. 291.)

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EXEMPTION FROM ROAD TAX OF MOTOR VEHICLE OWNERS DOMICILED OR RESIDENT  
IN LUXEMBURG.

*Article 1.*

Motor vehicle owners domiciled or resident in Luxemburg are exempt from road tax in respect of motor-cars and motor-cycles registered in that country, which they drive or cause to be driven on public highways in the Netherlands, provided always that motor vehicle owners domiciled or resident in the Netherlands enjoy exemption in Luxemburg from the taxes on motor-vehicles in respect of motor-cars and motor-cycles registered in the Netherlands.

*Article 2.*

The exemption specified in Article 1 is accorded only to motor-cars and motor-cycles registered in Luxemburg as belonging to owners therein domiciled or resident.

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SWEDEN.

TRANSLATION. <sup>1</sup>

ROYAL DECREE No. 122, DATED MAY 11, 1928, AMENDING PARAGRAPH 8  
OF THE ORDINANCE OF JANUARY 26, 1923, (No. 11) REGARDING DUTY  
ON MOTOR-CARS IMPORTED INTO THE COUNTRY FROM ABROAD  
FOR TEMPORARY USE IN THE COUNTRY.

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His Majesty has seen fit to decree that paragraph 8 of the Ordinance of January 26, 1923, regarding duty on motor-cars imported into the country from abroad for temporary use, shall be amended, so that the part of this section given below shall read as follows :

*Paragraph 8.*

Motor-cycles registered in a foreign country, or the motor-cars referred to in paragraph 2e, imported for temporary use in the country by travellers who are only intended to remain there temporarily, are exempted from duty in accordance with this Ordinance for the same length of time as similar vehicles registered in Sweden receive corresponding privileges in the foreign country, but in no case for a longer period than the temporary exemption from Customs duty which is granted for the vehicles in accordance with existing regulations. Such exemption shall be

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

granted on condition that the person bringing in the vehicle shall give an assurance on oath to the Customs authorities at the place of import, that the vehicle is intended to be re-exported from the country before the expiry of the period during which exemption from duty is granted. Should the export not take place within the period mentioned, the General Customs Administration shall decide whether and to what extent duty should for this reason be charged, in accordance with paragraph 2, for the same period; should the duty thus imposed not be paid on demand, the Provincial Administration may, at the request of the General Customs Administration, order that the vehicle shall be seized by the police authorities wherever it is found within the country.

. . . . .  
This proclamation shall come into force on July 1, 1928.

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**CIRCULAR No. 171 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF REGULATIONS  
IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO THE COUNTRY  
FROM ABROAD FOR TEMPORARY USE, JULY 10, 1928.**

In applying the reciprocity provisions in the first part of paragraph 8 of the Royal Proclamation of January 26, 1923 (No. 11), regarding duty on motor-cars imported into the country from abroad for temporary use, as set forth in the Royal Proclamation of May 11, 1928 (No. 122), the competent Customs authorities must bear in mind that exemption from duty may be granted to vehicles registered in *the United States of America* for one month. It is incumbent on the Customs Office, should exemption from duty be requested for a longer period than one month, to report the matter to the General Customs Administration, and, at the same time, to state in which State or States the vehicle is registered; *Denmark*, for one year; *Egypt*, for one year; *Finland*, for three months; *Greece*, for two months; *Yugoslavia*, for one year; *Liechtenstein*, for three days; *Netherlands*, for one year; *Norway*, for one year; *Roumania*, for one year; *Switzerland*, in general, for three months, but exemption from duty on vehicles registered in the Canton of Geneva is only granted for two months; *Spain*, for one year; *Great Britain*, for four months; *Turkey*, for one year.

Exemption from duty may not be granted to vehicles registered in *Brazil* or *Czechoslovakia*.

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**CIRCULAR No. 224 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF REGULATIONS  
IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO THE COUNTRY  
FROM ABROAD FOR TEMPORARY USE, OCTOBER 4, 1928.**

The Royal General Customs Administration, in connection with its circular of July 10, 1928, hereby declares that the reciprocity provisions in the first part of paragraph 8 of the Royal Ordinance of January 26, 1923 (No. 11), regarding duty on motor-cars imported into the country from abroad for temporary use, as set forth in the Royal Proclamation of May 11, 1928 (No. 122), shall be applied, as from October 1, 1928, not only to vehicles registered in the countries referred to in the above mentioned circular, but also to motor vehicles registered in *Belgium*, which may be exempted from duty for one year.

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**CIRCULAR No. 267 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF THE  
REGULATIONS IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO  
THE COUNTRY FROM ABROAD FOR TEMPORARY USE, DECEMBER 17,  
1928.**

The Royal General Customs Administration hereby declares, as an amendment to its circular of July 10, 1928, in respect of motor vehicles registered in *Denmark*, that the exemption from tax provided in the circular for such vehicles may be granted to motor-cycles, as from July 1, 1928, and to passenger motor-cars constructed to carry not more than seven persons, including the driver, as from the 10th of the same month, in each case for not more than three months.

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**CIRCULAR No. 10 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF THE  
REGULATIONS IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO  
THE COUNTRY FROM ABROAD FOR TEMPORARY USE, DECEMBER 31  
1928.**

The Royal General Customs Administration, in connection with its circulars of July 10, October 4 and December 17, 1928, hereby declares that the reciprocity provision in the first part of paragraph 8 of the Royal Ordinance of January 26, 1923 (No. 11) regarding duty on motor-cars imported into the country from abroad for temporary use, as set forth in the Royal Proclamation of May 11, 1928 (No. 122), shall be applied from January 1, 1929, not only to vehicles registered in the countries referred to in the above mentioned circular, but also to motor vehicles registered in *Italy*, to which exemption from duty may be granted for three months.

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**CIRCULAR No. 168 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF THE  
REGULATIONS IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO  
THE COUNTRY FROM ABROAD FOR TEMPORARY USE, JULY 4, 1929.**

The Royal General Customs Administration hereby declares, as an amendment to its circular of July 10, 1928, that the exemption from duty on motor vehicles provided for in the circular may be granted for one year to motor vehicles registered in *Brazil*.

At the same time, the Administration declares, in connection with the above mentioned circular, that no exemption from tax may be granted to motor vehicles registered in *Estonia* or *Latvia*.

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**CIRCULAR No. 254 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF THE REGU-  
LATIONS IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO THE  
COUNTRY FROM ABROAD FOR TEMPORARY USE, NOVEMBER 28, 1929.**

The Royal General Customs Administration, in alteration of its circular of July 10, 1928, hereby declares that the exemption from duty on motor vehicles provided for in the circular may be granted to motor vehicles registered in the Canton of Geneva in *Switzerland* for three months. In connection with the above mentioned circular, the Administration further declares that exemption from duty may be granted to motor vehicles registered in *Cuba*, for 90 days; *Irish Free State*, for four months; *Hungary*, for one month, and *Austria* for 30 days, if the vehicle is registered in the town of Vienna, and for one year if it is registered in Lower Austria, Burgenland, Styria, Carinthia, Salzburg or Vorarlberg, but that no exemption from duty may be granted to vehicles registered in Upper Austria or the Tyrol.

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**CIRCULAR No. 268 OF THE ROYAL GENERAL CUSTOMS ADMINISTRATION  
REGARDING THE APPLICATION IN CERTAIN CASES OF THE REGU-  
LATIONS IN RESPECT OF DUTY ON MOTOR-CARS IMPORTED INTO THE  
COUNTRY FROM ABROAD FOR TEMPORARY USE, DECEMBER 12, 1929.**

The Royal General Customs Administration, in connection with its circulars of July 10, October 4, December 17 and 31, 1928, July 4 and November 28, 1929, hereby declares that the reciprocity provision in the first part of paragraph 8 of the Royal Ordinance of January 26, 1923 (No. 11) regarding duty on motor-cars imported into the country from abroad for temporary use, as set forth in the Royal Proclamation of May 11, 1928 (No. 122), shall be applied, as from January 1, 1930, also to motor vehicles registered in *Lithuania*, to which exemption from duty may be granted for one year.

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**ROYAL DECREE OF SEPTEMBER 28, 1928,  
REGARDING THE STATE INCOME AND PROPERTY TAX.**

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*(Svensk Författningssamling, 1928, No. 873).*

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*Article 29.*

§ 1.—If income or property liable to the income and property tax is also liable to a corresponding tax in a foreign State, and if, for the purpose of preventing or alleviating such double taxation, an agreement has been concluded as to the apportionment of rights regarding taxation between the said foreign State and Sweden, or if it has been decreed that certain property or

income, or certain forms of property or income shall be wholly or partially exempt from taxation in Sweden, the collection of the tax effected in pursuance of the above-mentioned agreement or decree, shall be deemed to have taken place in conformity with the present Decree.

§ 2.—His Majesty may, for the purpose of preventing or alleviating the double taxation referred to in § 1, conclude an agreement with the Government of a foreign State, whereby the income or property liable to double taxation may be apportioned for taxation purposes between the said State and Sweden; or His Majesty may decree, subject to reciprocity where applicable, that certain income or property, or certain forms of income or property, shall be wholly or partially exempt from the tax in Sweden.

In cases referred to in the present paragraph, His Majesty may decide that the income and property tax actually payable by the taxpayers shall be higher than would normally be required by the regulations in force, but that such tax may not represent a higher percentage of the sum taxable under the said agreement or decree than the percentage leviable by way of tax upon the sum which be taxable if the agreement or decree were disregarded.

Any agreement concluded with Governments of foreign States regarding any question referred to in the present paragraph shall cease to be valid not later than the end of the year during which a denunciation period of not more than six months has expired.

§ 8.—His Majesty shall issue such detailed regulations as may be found necessary for the application of the agreements or decrees mentioned in the present article.

. . . . .

*Article 32.*

If, by a decision of the competent authorities, a taxpayer has been taxed in respect of the same income or the same property in Sweden and in a foreign State, His Majesty may, on the taxpayer's request, and after hearing the competent authorities, in cases where the circumstances are worthy of special consideration or for other special reasons, decree for the purpose of preventing or alleviating the double taxation, that the property and income tax shall be remitted in the case of the said taxpayer. If the tax has already been paid, the amount thereof shall be refunded according to the procedure laid down for the refund of State taxes.

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**LAW OF SEPTEMBER 28, 1928, ON THE COMMUNAL TAX.**

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*(Svensk Författningsamling, 1928, No. 370.)*

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. . . . .

*Article 72.*

§ 1.—If income liable to the communal income tax is also liable to a corresponding tax in a foreign State and if, for the purpose of preventing or alleviating such double taxation, an agreement has been concluded as to the apportionment of rights regarding taxation between the said State and Sweden, or if it has been decreed that certain income or certain forms of income shall be wholly or partially exempt from the tax in Sweden, the collection of the tax, effected in pursuance of the above-mentioned agreement or decree shall be deemed to have taken place in conformity with the present Law. If, in consequence of such an agreement, income is taxable in Sweden, but there is no provision determining the place of taxation, the income shall be taxed at Stockholm for a common communal object.



§ 2.—His Majesty may, for the purpose of preventing or alleviating the double taxation referred to in § 1, conclude an agreement with the Government of a foreign State, whereby the income liable to double taxation may be apportioned for taxation purposes between the said State and Sweden; or His Majesty may decree, subject to reciprocity where applicable, that certain income or certain forms shall be wholly or partially exempt from the tax in Sweden.

Any agreement concluded with Governments of foreign States regarding any question referred to in the present paragraph shall cease to be valid not later than the end of the year during which a denunciation period of not more than six months has expired.

§ 3.—His Majesty shall issue such detailed regulations as may be found necessary for the application of the agreements or decrees referred to in the present article.

. . . . .



## DOMESTIC LEGISLATION EXPRESSLY DESIGNED TO AVOID DOUBLE TAXATION

### 2. *Texts not subject to Reciprocity.*

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#### DANZIG.

#### TRANSLATION.<sup>1</sup>

### DECREE No. 218, CONCERNING THE TAXATION OF GERMAN MOTOR VEHICLES, MARCH 17, 1923.

In virtue of paragraph 15 of the Law concerning the taxation of motor vehicles, dated December 28, 1921 (*Legal Gazette*, 1922, page 24 *et seq.*), the Senate of the Free City of Danzig revokes the decree of June 29, 1922 (*St.A.*, page 388), and the following provisions are decreed to be in force until otherwise ordered :

Motor vehicles which are domiciled in the German Reich, and consequently bear the national distinctive letter "D" or the police registration plate and distinctive numbers issued in the German Reich under paragraph 8 of the Decree of February 8, 1910, concerning motor traffic (*Reich Legal Gazette*, page 389), shall on entering the territory of the Free City of Danzig, be exempted from the tax levied on motor vehicles, provided that their stay in the territory does not exceed one month.

A certificate in conformity with the annexed model shall be issued as evidence that the vehicle is exempted from the tax. Certificates thus issued must be returned to the Danzig Customs Office of exit or to the frontier post when the vehicle again leaves the territory of the Free City; nevertheless the owner of a motor vehicle who has frequent occasion to cross the frontier with his vehicle may be allowed, if he so requests, to retain his certificate. In such a case, his subsequent visits to the territory of the Free City shall be recorded on the certificate by the Danzig frontier Customs Offices or frontier posts and the certificate will not be withdrawn until the period of one month from the date of entry, for which exemption from tax was accorded, has been exceeded.

If the owner intends to stay in the territory of the Free City for longer than one month, the Customs Office of entry shall collect the legal tax.

The same action shall be taken by the Customs Office of exit if it is found, when a vehicle with a tax-exemption certificate is leaving, that it has remained in the territory of the Free City for more than one month.

If there is no Danzig Customs Office at the spot where the motor vehicle crosses the frontier, the frontier post shall direct it to the nearest Danzig Customs Office or to the office for the taxation of vehicles, if the latter office is nearer or more easily accessible.

The present Decree shall come into force as from the date of its promulgation.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

**DENMARK.**

TRANSLATION.<sup>1</sup>

**DECREE CONCERNING THE EXEMPTION FROM TAXATION OF MOTOR VEHICLES AND THEIR TRAILERS REGISTERED IN THE NETHERLANDS AND UTILISED BY PERSONS ENTERING DENMARK FROM A FOREIGN COUNTRY, APRIL 4, 1929.**

In virtue of the powers conferred on the Minister for Public Works in § 7, paragraph 1, of Law No. 143, of July 1, 1927, concerning the taxation of motor vehicles, etc., the Department of the said Minister, after consulting with the Finance Department, renounces, in virtue of the present Decree, the right to levy the tax laid down in the aforesaid paragraph in the case of passenger motor vehicles belonging to the Netherlands adapted for the conveyance of not more than seven persons, including the driver, and registered in the Netherlands as belonging to persons residing in that country.

This exemption from taxation shall only be valid for a period of three months, and the tax provided for in paragraphs 1 to 6 of the above-mentioned Law will therefore become applicable if the vehicle remains in Denmark for more than three months.

The present Decree shall come into force on April 1, 1929.

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**NETHERLANDS.**

TRANSLATION.<sup>1</sup>

**DECREE No. 3475, OF NOVEMBER 12, 1928.**

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(*Staatsblad*, No. 417).

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**EXEMPTION FROM ROAD TAX FOR OWNERS OF MOTOR VEHICLES  
RESIDENT OR DOMICILED IN GERMANY.**

*Article 1.*

Exemption from road tax shall be granted :

(1) To owners of motor-omnibuses resident or domiciled in *Germany*, in respect of motor-omnibuses which are used solely for a regular service approved by the competent authorities and extending beyond the Netherlands-German frontier; the exemption applying to that part of the route which falls within the Netherlands territory;

(2) To Customs and other revenue authorities in *Germany*, in respect of motor vehicles when used in Netherlands territory for official purposes in the Netherlands-German frontier traffic.

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

*Article 2.*

On application being made by a party who would be liable for tax but is entitled to exemption under the preceding article, the Netherlands official concerned shall furnish him with a tax card free of charge.

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**PART II**

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**MUTUAL ASSISTANCE**

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## AUSTRIA AND HUNGARY.

TRANSLATION.<sup>1</sup>

### TREATY BETWEEN THE AUSTRIAN REPUBLIC AND THE KINGDOM OF HUNGARY CONCERNING LEGAL PROTECTION AND COLLABORATION BETWEEN THE COURTS AND AUTHORITIES OF THE TWO PARTIES IN CASES CONNECTED WITH TAXATION, SIGNED AT BUDAPEST, JUNE 25, 1928.

THE REPUBLIC OF AUSTRIA and THE KINGDOM OF HUNGARY being desirous of laying down regulations for the legal protection to be afforded to nationals of the Austrian Republic in the Kingdom of Hungary and to Hungarian nationals in the Austrian Republic, as well as for the obligation of the authorities of both States to afford each other administrative and legal assistance in matters of taxation, have concluded the following Treaty :

. . . . .

#### *Article I.*

For the purpose of the present Treaty, taxes shall be held to mean public taxes levied in the Austrian Republic on account of the Confederation, or on account of the latter, conjointly with the provinces and communes, or on account of the provinces, districts and communes; those levied in the Kingdom of Hungary on account of the State, the provinces (*Komitate*) and the communes, and those which in both States are levied simultaneously with the aforesaid taxes in the form of supplementary dues or duties on account of other corporate bodies at public law, with the exception of Customs duties and taxes on consumption. The tax on business turnover and the luxury tax shall not be regarded as taxes on consumption for the purposes of the present Treaty.

#### *Article II.*

The nationals of either State shall enjoy the same treatment in fiscal matters and the same legal protection on the part of the authorities of the other State as are accorded to that State's own nationals.

#### *Article III.*

The two States undertake to give each other mutual administrative and legal assistance in fiscal matters, both in regard to the assessment and fixing of taxes and sureties and in regard to the legal procedure for securing redress and to tax collection.

#### *Article IV.*

1. In matters affecting taxation, questions regarding the service of legal documents and the action to be taken as a result of applications for administrative and legal assistance shall, unless otherwise provided in the special stipulations with regard to execution (Articles XI to XIII), be dealt with directly by the authorities of the two States.

2. In the Austrian Republic, the provincial inland revenue authorities (*Finanzlandesbehörden*) and, in the Kingdom of Hungary, the Finance Ministry shall be competent to deal direct

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

with the transmission of applications for the Service of documents and for other administrative and legal assistance and with the receipt of the same.

3. Should the authority to which application is made not be locally competent to deal with the matter, the application must be officially transmitted to the competent authority and the authority making the application shall be notified to that effect without delay.

#### *Article V.*

1. Applications must be drafted in the official language of the State making application and, if made by the authorities of the Kingdom of Hungary, must be accompanied by a German translation.

2. The letter containing the application must specify the authority making application, the name and profession (or status) of the parties concerned and, in the case of the service of documents, the address of the addressee and the nature of the document to be served.

#### *Article VI.*

1. The competent authority of the State to which application is made shall be responsible for the Service of the documents. Except in the cases specified in paragraph 2, the authority concerned may restrict such action to effecting the service of the document by transmitting it to the addressee, provided that the latter is willing to accept it.

2. If the State making the application so desires, the document to be served shall be served in the form prescribed by the internal legislation of the State to which application is made for effecting service in similar cases—in the case of applications made by Hungary, provided the document to be served is accompanied by a German translation.

3. The head of the department responsible for transmitting the application shall certify correct the translations provided for in the foregoing paragraph, or shall certify that the translation was made by a sworn translator.

#### *Article VII.*

Proof that the document has been served shall be furnished either by a dated and duly-certified receipt from the addressee or by an affidavit from the State to which application is made, attesting the fact of such service and the manner and time.

#### *Article VIII.*

1. The authority to whom an application is addressed must comply with it and must employ the same means of coercion as are applicable for enforcing an application made by the authority of the country to which the application is made, or an application by an interested party for the same purpose. The procedure for dealing with applications shall be in conformity with the laws of the State to which application is made. If, however, the authority making the application so desires, a special mode of procedure may be employed provided that it does not contravene the legal code of the State to which application is made.

2. Means of coercion which are lawful in the territory of the State to which an application is made shall not be employed unless the State making such application would be in a position to use a similar means of coercion in the case of an analogous application being made to it.

3. The authority making an application shall, if it so desires, be notified of the time and place of any official proceedings to be taken in respect of such application. The interested parties shall be entitled to be represented or to be present at any such proceedings, subject to the general regulations in force in the State to which the application is made.

*Article IX.*

No fees or charges of any kind shall be leviable for carrying out requests for the service of documents or applications, with the exception, unless otherwise agreed upon, of the sums paid to persons collecting information or to experts, and of expenditure incurred on account of the assistance of an executive agent in the cases mentioned in Article VI, paragraph 2, or through the employment of a special mode of procedure in accordance with Article VIII, paragraph 1, or cash expenditure involved by the procedure of execution if not recoverable from the person liable.

*Article X.*

The provisions of this Treaty shall be applicable to legal assistance in all procedure appertaining to recovery, unless otherwise provided in Articles XI to XIII.

*Article XI.*

1. In matters relating to taxation, dispositions (awards, decisions, orders) which are executable and final shall, upon application, be acknowledged and executed free of cost, with the exception of measures the sole object of which is to secure a claim (Article XII). Acknowledgment must be made in explicit terms. In the Austrian Republic, the Federal Minister of Finance and, in the Kingdom of Hungary, the Royal Minister of Finance shall be competent, to issue and receive applications for execution. Acknowledgment and execution of executable claims of the applicant State shall be granted in virtue of an executable and final disposition or the attestation of retrospective claims. In both States, the application shall be acknowledged by the Minister of Finance.

2. The dispositions referred to in paragraph 1 shall be executed through the administrative authorities or the court in accordance with the legislation of the State in which execution is effected without the parties concerned being heard. The execution of claims on the part of the applicant State shall be effected in the State to which application is made by the same mode of procedure and the same authorities as are available for the execution of that States (Federation's) own claims in respect of taxes. In the Austrian Republic, the Court legally competent to authorise the execution of claims based on foreign titles and, in Hungary, the authorities appointed for that purpose shall be competent to grant judicial execution. The Court shall adopt the same mode of procedure as that laid down for the authorisation of the execution of claims based on inland titles.

3. An application for execution must be accompanied by a statement by the competent authority of the applicant State, to the effect that the disposition has become executable and final; the competence of such authority must be certified by the Minister for Finance of the applicant State.

4. The part of the disposition relating to the decision and the statement and certificate to be given under the terms of paragraph 3 must, if the application is made by Hungary, be accompanied by a German translation.

5. The Minister of Finance of the applicant State must attest the accuracy of the translation or certify that it was made by a sworn translator.

*Article XII.*

1. Provisional surety may be applied for in virtue of an executable disposition which has not yet become final, or of an executable order of attachment. This shall be effected by way of distress, and may be authorised, without requiring proof of jeopardy, to the estimated amount of the claim until the date upon which, under the terms of this Treaty, the claim becomes executable in the State to which application is made. The person concerned shall be entitled to have such attachment removed upon giving security the nature and value of which must be specified in the application. Article XI shall apply by analogy.



2. The State to which application is made shall be entitled to refuse the application of the provisions contained in paragraph 1 if the person liable is a national of that State and is regularly domiciled or permanently resident therein, except in the case of fiscal claims made against a taxpayer in respect of a period of time when he had not yet acquired the nationality of the State to which application is made.

*Article XIII.*

If application is made for a specified mode of execution or a specified type of security, the request shall be complied with, provided that such mode of execution or type of security is compatible with the law of the applicant State and of the State to which application is made. Otherwise the mode of execution and the type of security and the carrying out of the execution and provision of surety shall be in conformity with the law of the State to which application is made.

*Article XIV.*

1. Administrative and legal assistance may be refused if the State to which application for assistance is made considers such assistance likely to endanger its sovereign rights or safety.

2. Applications which involve the obtaining of information, statements or opinions which are lawful in the territory of the State to which application is made, from persons who are not parties to the case, in their capacity as taxpayers, may be refused if the State making application is unable, under the terms of its national legislation, to require similar information, statements or opinions. The same condition shall apply to applications made for the purpose of acquiring information upon material circumstances or legal relations, if the knowledge of such circumstances or relations is obtained solely on the strength of obligations to furnish information, statements or opinions which are not admissible in the territory of the applicant State, and to other applications if they could only be complied with by divulging commercial, business or industrial secrets.

*Article XV.*

1. If an application is complied with either wholly or in part, the authority to whom such application is made must immediately notify the applicant authority as to the manner in which the application has been dealt with.

2. If an application is not complied with, the authority to whom such application is made must immediately notify the fact to the applicant authority, giving all reasons in support and information as to any circumstances which may have come to light and may be of importance for the prosecution of the case.

*Article XVI.*

The statutory regulations of each State regarding official and professional secrecy shall be applicable to all enquiries, information, statements and opinions and any other communications furnished to that State with a view to rendering legal assistance.

*Article XVII.*

The Ministers of Finance of the two States shall, after previous consultation and agreement, lay down uniform detailed measures for the execution of the present Treaty; they may conclude further agreements for the purposes of the present Treaty, and more especially, agree upon provisions concerning the transfer of the sums derived from measures of execution, and the conversion of sums in respect of which measures of execution have to be applied.

*Article XVIII.*

1. The present Treaty, which has been drawn up in German and Hungarian, shall be ratified, and the instruments of ratification shall be exchanged as soon as possible at Vienna. It shall come into force on the day of the exchange of ratifications and shall continue in force until it

is denounced by one of the Contracting Parties, such denunciation to take place at least six months before the expiration of any calendar year. If duly denounced as described above, the Treaty shall cease to apply after the expiration of the calendar year in which the Treaty was denounced.

2. Both texts of the Treaty are authentic. When the Treaty has been ratified, the two authentic texts shall be published in each country in the official Statute Book.

In faith whereof, the Plenipotentiaries of both countries have signed the present Treaty and fixed their seals thereto.

Budapest, June 25, 1928.

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### FINAL PROTOCOL.

On signing the Treaty concluded between the Austrian Republic and the Kingdom of Hungary concerning legal protection and collaboration between the courts and authorities of the two Parties in cases connected with taxation, the Plenipotentiaries of the two Parties have made the following joint declaration, which shall form an integral part of the Treaty :

1. As long as the agreement concerning the principles of legislation in both States has not been recognised by an exchange of declarations, every application for legal assistance must be accompanied by a certificate issued by the supreme financial authority of the State making application, certifying that, under the laws of that State, an analogous application would be complied with. The Hungarian certificate must be accompanied by a German translation (*cf.* Article V). Article VI, paragraph 3, concerning the translation, shall apply by analogy.

2. In principle, the transmission of documents cannot be demanded. Exceptions shall only be made with the consent of the Finance Ministers of both States; applications for the transmission of documents shall, however, only be made if important interests of the State making application so require. Each State shall have the right to forward with its application any documents which may be of use in the execution of the application.

3. If such conditions obtain, as necessitate the withdrawal of an application on account of the impossibility of recovering the tax in accordance with the regulations in force in the State to which application is made, the authority to which application is made shall return the application to the authority which made it, enclosing therewith a certificate attesting the existence of such conditions and any available evidence.

4. Legal protection and assistance shall, in principle, also be granted in the case of fiscal claims based upon facts relating to the past. No applications shall, however, be made for recovery or sureties in respect of claims dated prior to January 1, 1923.

5. At the request of the financial authority of the State making application, representatives of the authority making application shall be admitted to any administrative or legal proceedings in execution of such application. They must refrain from all intervention in the official proceedings, but shall be entitled to address any requests with a view to securing the object of the application to the authority conducting the official proceedings; they shall be bound to observe official secrecy. The legal proceedings shall be conducted according to the general regulations.

6. In cases of mutual assistance in ascertaining the facts on which, in accordance with special agreements, the division, for purposes of taxation of income or of the profits derived from business undertakings carried on in both States, must be based, the finance ministers of both States may jointly give instructions with a view to the simplification of the communications between the authorities of the two States.

Budapest, June 25, 1928.

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## ITALY AND FRANCE.

TRANSLATION.<sup>1</sup>

### CONVENTION BETWEEN ITALY AND FRANCE FOR THE AVOIDANCE OF DOUBLE TAXATION AND THE SETTLEMENT OF OTHER FISCAL QUESTIONS, SIGNED AT ROME ON JUNE 16, 1930.<sup>2</sup>

. . . . .

#### PART II.<sup>3</sup>—ADMINISTRATIVE ASSISTANCE.

##### *Article 16.*

For the purpose of improving the application of the personal tax on the whole income, the Contracting States undertake, on condition of reciprocity, to exchange such fiscal information as the administration of one State may have or be able to obtain and as may be useful to the administration of the other State for the supervision of such taxation.

Such exchanges shall be made directly between the two supreme financial authorities, either as a matter of routine or on request.

##### *Article 17.*

As regards the classes of income detailed below, the State which levies impersonal taxation shall automatically communicate the basis of taxation to the other State, if the recipient of such income is domiciled in the territory of the latter State and is, on that ground, liable to personal taxation :

- (1) Income derived from landed property;
- (2) Mortgage interest;
- (3) Profits of industrial, commercial, mining and agricultural undertakings;
- (4) Percentages and other directors' fees, income derived from limited partnerships, and from partnerships in commercial companies or in companies regulated by the Civil Code;
- (5) Income derived from work or from public or private pensions.

Inversely, the State which levies the personal tax shall inform the other State of such life annuities and interest on debts as the party liable may have asked to have deducted as encumbrances on his total income.

##### *Article 18.*

Independently of the routine exchange of information in accordance with Article 17 above, the administration of either country may ask that of the other country for information in respect of actual cases.

This provision, however, may in no case result in imposing on one of the Contracting States an obligation to communicate information which might infringe the secrecy of banking

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<sup>1</sup> Translated by the Secretariat of the League of Nations.

<sup>2</sup> This Convention has not yet been ratified.

<sup>3</sup> Part I (Double Taxation) appears on page 24.

transactions or provide information which its own fiscal law does not allow it to obtain, or to take administrative action not permitted by its own regulations or precedents.

Moreover, a State may refuse to comply with a request for information, if it considers that compliance would be contrary to public order or policy.

*Article 19.*

The Contracting Parties undertake to give each other mutual assistance in the notification of instruments relating to the assessment and collection of the direct taxes covered by the present Convention.

They also undertake to consider, in a spirit of friendly co-operation, the possibility of taking steps to secure the collection of the taxes which taxpayers domiciled in the territory of one State owe to the other State.

The two supreme financial authorities shall concert the rules covering the assistance provided for by the present article.

*Article 20.*

The present Convention shall be ratified and the instruments of ratification shall be exchanged at Rome as soon as possible.

The Convention shall come into force on January 1 of the year following that of ratification.

It may cease to have effect as from January 1 in any year, provided that it has been denounced at least eight months previously.

Done at Rome in duplicate on June 16, one thousand nine hundred and thirty.

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Para. = Paragraph.  
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